



INDIAN SCHOOL SOHAR
PRE-BOARD 1 EXAMINATION (2023 – 2024)
ECONOMICS (030) (SET 2)

CLASS: - XII

DATE: 02/12/2023

MAX MARKS: - 80

TIME: 3 HOURS

General Instructions:

Read the following instructions carefully and follow them:

1. This Question Paper contains **34** questions. All questions are compulsory.
2. This paper contains **20** Multiple Choice Questions type questions of **1** mark each.
3. This paper contains **4** Short Answer Questions type-I questions of **3** marks each to be answered in **60 to 80** words.
4. This paper contains **6** Short Answer Questions type-II questions of **4** marks each to be answered in **80 to 100** words.
5. This paper contains **4** Long Answer Questions type questions of **6** marks each to be answered in **100 to 150** words.
6. There is no overall choice in the question paper. However, internal choices have been provided in few questions. The candidates need to attempt only one question from such questions.
7. Attempt **all** parts of a question together.

SECTION A: MACRO ECONOMICS

1. "In the Annual Budget 2022-23, the Government of India set up disinvestment targets of ₹ 65,000 Cr." [1]
Such proceeds from disinvestment can be classified as _____ receipts in the Government Budget as it leads to _____ of the Government. (Choose the correct alternative)

A. capital, decrease in assets	B. revenue, increase in assets
C. capital, increase in liabilities	D. revenue, decrease in liabilities

2. Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives: [1]
Assertion (A): The Balance of Payments is in surplus if autonomous receipts are greater than autonomous payments.
Reason (R): Autonomous transactions are determined by the difference in the Balance of Payments.
Alternatives:
 - A. Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
 - B. (b) Both Assertion (A) and Reason (R) are true, and Reason (R) is not the correct explanation of Assertion (A).
 - C. (c) Assertion (A) is true, but Reason (R) is false.
 - D. (d) Assertion (A) is false, but Reason (R) is true.

3. Read the following statements carefully: [1]
Statement 1: The induced consumption shows the direct relation between consumption and income.
Statement 2: With a certain increase in income, induced consumption also increases.
 In the light of the given statements, choose the correct alternative from the following:

- A. Statement 1 is true, and Statement 2 is false. B. Statement 1 is false, and Statement 2 is true.
 C. Both Statements 1 and 2 are true. D. Both Statements 1 and 2 are false.
4. The impact of "Excess Demand" under Keynesian theory of income and employment, in an economy are: [1]
 (choose the correct alternative)
- A. decrease in income, output, employment, and general price level.
 B. decrease in nominal income, but no change in real output.
 C. increase in income, output, employment, and general price level.
 D. no change in output/employment but an increase in the general price level.

5. As per the Reserve Bank of India (RBI) press report, dated 22nd June 2022: [1]
 "Net Foreign Portfolio Investment (FPI) recorded an outflow of US\$15.2 billion mainly from the equity market." The above transaction will be recorded in the _____ account on _____ side of Balance of payments account of India. (Choose the correct alternative)

- A. current, credit B. current, debit
 C. capital, credit D. capital, debit

6. Money supply in India may increase if, _____ (Choose the correct alternative) [1]
1. Reserve Bank of India (RBI) injects more money in circulation
 2. the commercial banks expand their credit operation
 3. tax rates are reduced by the Central Government
 4. Reserve Bank of India increases the Bank Rate

Alternatives:

- A. 1,2 and 3 are correct B. 2,3 and 4 are correct
 C. 1,3 and 4 are correct D. 1,2 and 4 are correct

7. Assuming that, the following data is given for an imaginary economy: [1]

Year / Items	2020 (₹ in Cr.)	2021 (₹ in Cr.)
Exports of visible	1,000	1,100
Imports of visible	800	850

The balance of trade from 2020 to 2021 _____ by ₹ _____ crore. (Choose the correct alternative)

- A. increased, 200 B. decreased, 200
 C. increased, 50 D. decreased, 50

8. Read the following statements carefully: [1]

Statement 1: Gross Domestic Product (GDP) is the sum total of the gross market value of all the final goods and services added by all the sectors in the economy during a fiscal year.

Statement 2: Gross Value Added at Market Price (GVAMP) is equal to the excess value of output over intermediate consumption.

In the light of the given statements, choose the correct alternative from the following:

- A. Statement 1 is true, and Statement 2 is false. B. Statement 1 is false, and Statement 2 is true.
 C. Both Statements 1 and 2 are true. D. Both Statements 1 and 2 are false.

OR

Read the items given in Columns I and II carefully and choose the correct pair of statements.

Column I	Column II
a. Vegetable grown in the personal garden	(i) Non marketing activity
b. A car used as a taxi	(ii) Consumer good
c. An air-conditioner used by household	(iii) Capital good
d. Scholarship given to students by government	(iv) Factor income

Alternatives:

A. a – (i)	B. b – (ii)
C. c – (iii)	D. d – (iv)

9. Read the following statements- Assertion (A) and Reason (R). Choose one of the correct alternatives: [1]

Assertion (A): At the break-even level of income, the value of Average Propensity to Consume (APC) is zero.

Reason (R): Sum of Average Propensity to Consume (APC) and Average Propensity to Save (APS) is always equal to one.

Alternatives:

- A. Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
 B. Both Assertion (A) and Reason (R) are true, and Reason (R) is not the correct explanation of Assertion (A).
 C. Assertion (A) is true, but Reason (R) is false.
 D. Assertion (A) is false, but Reason (R) is true.

OR

_____ refers to that level of Aggregate Demand, which can be met by the corresponding supply in the economy. (Fill up the blank with correct alternative)

- A. Autonomous Consumption B. Effective demand
 C. Excess Demand D. Deficient Demand

10. If in an economy, the value of Investment Multiplier is 5 and dissaving (-)100 crore, the relevant savings at income level of 1,400 crore would be _____ crore. (Choose the correct alternative to fill up the blank) [1]

- A. 80 B. 180
 C. 140 D. 240

OR

The range of value of Investment Multiplier is always between _____ and _____. (Choose the correct alternative to fill up the blanks)

- A. zero (0), infinity (∞)
- B. one (+ 1), infinity (∞)
- C. zero (0), one (+ 1)
- D. minus one (-1), plus one (+ 1)

11. **Read the following information carefully:** [3]

"The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), recently increased the Repo Rate by 50 basis points. The Rate stands today at 5.40%, whereas Reverse Repo Rate was left unchanged at 3.35%."

Answer the following questions:

- A. Identify the nature of the two monetary policy measures mentioned in the above text.
- B. Elaborate the likely economic rationale behind the increase in Repo Rate by the Monetary Policy Committee.

12. "Under the flexible exchange rate system, the Central Bank does not intervene in the foreign exchange market." Justify the statement, giving valid arguments. [3]

OR

- A. Distinguish between Autonomous transactions and Accommodating transactions.
- B. Differentiate between Surplus in Balance of Trade and Current Account Surplus

13. A. Suppose in an imaginary economy, Gross Domestic Product (GDP) at market price in 2019-20 was ₹ 5,000 crore, National Income was ₹ 3,500 crore, Net Factor Income paid by the economy to rest of the world was ₹ 450 crore and the Net Indirect Taxes was ₹ 400 crore. Estimate the value of consumption of fixed capital for the economy from the information given above. [4]

B. Justify the following statement: "Depreciation is a fall in the value of an asset due to expected obsolescence."

14. "In an economy *ex-ante* Aggregate Demand is more than *ex-ante* Aggregate Supply." Explain its impact on the level of output, income, and employment. [4]

OR

For a hypothetical economy, assuming there is an increase in the Marginal Propensity to Consume (MPC) from 75% to 90% and change in investment to be ₹1,000 crore. Using the concept of investment multiplier, calculate the increase in income due to change in Marginal Propensity to Consume (MPC).

15. A. "In the recent times, the Government of India has incurred a lot of expenditure on acquisition of Indigenous defence items under 'Make-in-India' programme." Identify and discuss the two types of budget expenditures which may be undertaken by the Government as suggested in the above statement. [4]

B. Two friends, Deepak and Krish were discussing the impact of an increase in GST rates on luxury items, as recently undertaken by the Government. Krish was of the view that most of the luxury items (like foreign travel, imported cigarettes, etc.) should be taxed exorbitantly, while the items related to daily consumption of poor and middle class should be tax-free.

Identify and explain the objective of the Government budget Krish is suggesting

16. A. Explain the basis of classifying goods into final goods and intermediate goods, with the help of suitable examples.

[6]

B. Calculate GDP at market price by Income Method:

S.no	Particulars	(` in ₹ crores)
(i)	Compensation of employees	120
(ii)	Exports	25
(iii)	Mixed Income of the self-employed	140
(iv)	Imports	30
(v)	Interest on national debt	5
(vi)	Private final consumption expenditure	255
(vii)	Gross fixed capital formation	65
(viii)	Consumption of fixed capital	40
(ix)	Subsidies	10
(x)	Government's final consumption expenditure	35
(xi)	Change in stocks	20
(xii)	Indirect tax	45
(xiii)	Net factor income from rest of the world	(-) 10
(xiv)	Rent, interest, and profit	50

OR

A. Explain how the following should be treated while estimating national income:

- (i) Free medical facilities by the employer
- (ii) Income arising out of the sale of shares.

B. Calculate Net National Product at Market Price from the following data:

S.no	Particulars	(` in ₹ crores)
(i)	Compensation of employees	250
(ii)	Mixed income of self-employed	600
(iii)	Profit	80

(iv)	Interest	40
(v)	Rent	30
(vi)	Net factor income to abroad	(—) 10
(vii)	Net exports	15
(viii)	Consumption of fixed capital	20
(ix)	Net indirect taxes	10
(x)	Net current transfers to abroad	8

17. A. What is meant by official reserve transaction? Discuss their importance in balance of payments. [6]
 B. Compare the trends depicted in the figures given below:

Figure 1: Trends in Fiscal deficit and primary deficit

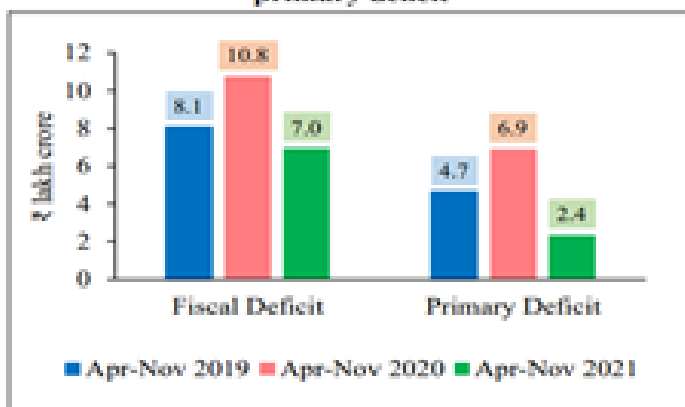
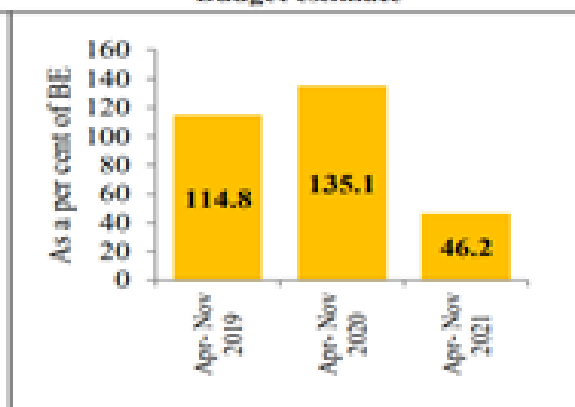


Figure 2: Fiscal deficit as a per cent of Budget estimate



Source: CGA Monthly Accounts

SECTION B: INDIAN ECONOMIC DEVELOPMENT

18. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below. [1]

Assertion (A): Post independence, the public sector was given a prominent role, due to the requirement of huge investments in the secondary sector.

Reason (R): Industrial sector is the backbone of any economy.

Alternatives:

- A. Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of the Assertion (A).
 B. Both Assertion (A) and Reason (R) are true, but Reason (R) is *not* the correct explanation of the Assertion (A).
 C. Assertion (A) is true, but Reason (R) is false.
 D. Assertion (A) is false, but Reason (R) is true.

19. Read the following statements carefully: [1]

Statement 1: In the agricultural sector, communes were established, where land holdings were allocated to individual households for ownership.

Statement 2: Special Economic Zones (SEZs) were established to attract foreign investments and technology.

Considering the given statements, choose the correct alternative from the following:

- A. Statement 1 is true, and Statement 2 is false. B. Statement 1 is false, and Statement 2 is true.
C. Both Statements 1 and 2 are true. D. Both Statements 1 and 2 are false.

20. Read the following statements carefully:

[1]

Statement 1: Economic reforms of 1991 created a growth path for all the sectors simultaneously.

Statement 2: Economic reforms of 1991 ensured accelerated growth rate in agriculture sector.

Considering the given statements, choose the correct alternative from the following:

- A. Statement 1 is true, and Statement 2 is false. B. Statement 1 is false, and Statement 2 is true.
C. Both Statements 1 and 2 are true. D. Both Statements 1 and 2 are false.

OR

Read the following statements carefully:

Statement 1: Human capital benefits only individuals and not society.

Statement 2: There are positive externalities of investment in human capital as society.

Considering the given statements, choose the correct alternative from following:

- A. Statement 1 is true, and Statement 2 is false. B. Statement 1 is false, and Statement 2 is true.
C. Both Statements 1 and 2 are true. D. Both Statements 1 and 2 are false.

21. "In order to reduce over-dependence on agriculture sector, it is necessary to opt for diversification."

[1]

With reference to the given statement, diversification includes _____.

- (i) Change in cropping pattern
(ii) Shift of workforce to agriculture allied activities
(iii) Shift of workforce to non-agriculture sector

Alternatives:

- A. (i) and (ii). B. (i), (ii) and (iii).
C. (i) and (iii) D. Only (i)

22. Multiple reasons for economic slowdown and re-emergence of poverty in Pakistan may be enumerated.

[1]

Identify which of the following might **not** be one of them.

- (i) Rising dependence on foreign loans
(ii) Stable macroeconomic indicators
(iii) Unstable agricultural growth

Alternatives:

- A. (i), (ii) and (iii).
- B. (ii) and (iii).
- C. (i) and (iii)
- D. Only (ii)

23. Identify which of the following does **not** reflect a direct relationship between human capital formation and economic growth. [1]

- A. Employability of an educated person is higher than that of an uneducated person.
- B. On-the-job training will reduce the skills of labour.
- C. Healthy workforce is a boon to the economy.
- D. Digital information helps in taking real time decisions

24. Based on the data given below, identify the **incorrect** statement in terms of annual growth of GDP (%): [1]
(Choose the correct alternative)

Annual Growth of Gross Domestic Product (%), 1980-2017

country	1980 – 1990	2015 - 2017
India	5.7	7.3
China	10.3	6.8
Pakistan	6.3	5.3

- A. China was able to maintain near double-digit growth during the 1980s.
- B. Pakistan was ahead of India during 1980-2017.
- C. India experienced a rapid rise in Gross Domestic Product during 2015-17
- D. Both China and Pakistan experienced a decline in growth rate during 2015-17.

25. Which of the following is **NOT** true about foreign trade during the colonial rule? [1]

- A. India suffered from large trade deficit.
- B. Restrictive policies of commodity production were followed.
- C. Britain maintained a monopoly control over India's exports and imports.
- D. India became an exporter of primary products and an importer of finished consumer goods.

26. Match the situations given in Column I with their respective implications given in Column II: [1]

Column I	Column II
a. Migration	i. reduced in per capita economic growth
b. Low level of academic standards	ii. Imbalance between demand and supply of human resource
c. Population- High Growth rate	iii. Brain Drain
d. Lack of proper workforce planning	iv. Mismatch between required skill and academic standards

- A. a-ii; b-iii; c-iv; d-i
- B. a-iii; b-iv; c-i; d-ii
- C. a-i; b-ii; c-iii; d-iv
- D. a-ii; b-iv; c-i; d-iii

27. Under _____, peasants pooled their land to create larger fields that could yield greater output and shared farm implements. (Fill up the blank with the correct alternative) [1]
- A. Commune system B. Joint farming system
C. Great proletarian cultural revolution D. Special zones

28. Read the following schedule carefully: [3]

Trends in Output Growth in Different Sectors, 1980 – 2015

Country	1980 – 90			2011 – 2015		
	Agriculture	Industry	Service	Agriculture	Industry	Service
India	3.1	7.4	6.9	2.3	5	8.4
China	5.9	10.8	13.5	4.1	8.1	8.4
Pakistan	4	7.7	6.8	2.7	3.4	4.4

Analyse the output growth trend in the three sectors over the given years between India and China.

OR

Explain valid reasons for the slow growth and re-emergence of poverty in Pakistan.

29. Despite being the main occupation of about 85% of the country's population during British rule, agricultural sector continued to experience stagnation". Briefly explain any three reasons responsible for the backwardness of Indian agriculture on the eve of independence. [3]

30. Read the following text carefully and answer the given questions based on the same and common understanding: [4]

India urged the World Trade Organisation (WTO) to relax rules to allow the country to export food grains from its public stocks to the nations facing food crisis. India can help, reduce food insecurity but there is hesitation on the part of the WTO, in relaxing its rules. India's Finance Minister said food, fuel and fertilizers are global public goods and ensuring access of these for developing and emerging economies is critical. She also shared India's experiences, including robust gains in agriculture production, citizen centric food security programmes and innovative delivery mechanisms such as the 'One Nation one Ration Card' Scheme. **(Source: The Economic Times; July 16, 2022)**

- A. State and discuss any two objectives of the World Trade Organisation.
B. Name any two steps taken by India to strengthen the food security
31. A. Dr. Khurana, a dentist, ran his clinic in an economically backward area. He was earning a comparatively low income. So, he decided to move to a city and spent a huge amount for the same." Identify and explain the type of expenditure incurred by Dr. Khurana, which directly contributed to the process of human capital formation. [4]
- B. State and elaborate whether the following statement are true or false, with valid arguments:
"Indian economy has showed satisfactory progress towards formalization of workforce in the recent past."

32. "In order to protect the future of our planet, it is important to tackle carbon emissions."

[4]



In the light of the above statement and image, discuss any two strategies to tackle this global concern.

33. A. Elaborate how a well-structured 'Agricultural Marketing System' helps the farmers to increase their income. [6]

B. "Organic Farming is the need of the hour to promote sustainable development but, has its own limitations." Elaborate any two advantages and limitations each of organic farming in the light of the above statement

34. A. In recent times the Indian Economy has experienced the problem of casualization of the workforce. This problem has only been aggravated by the outbreak of COVID-19.' Do you agree with the given statement? Discuss any two disadvantages of casualization of the workforce in the light of the above statement. [6]

B. Why was there a need for state-led industrial development in the country on the eve of independence? Explain.

OR

A. "Modernization as a planning objective shows a dichotomy with employment generation." Justify the statement.

B. Why is an extremely high percentage of female workforce in rural areas engaged in primary sector compared to male workforce?