



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

CLASS: - XII

MAX MARKS: - 80

DATE: 10/01/2024

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. **Read the following statements carefully and choose the correct alternative.** [1]
Statement 1: In a two-sector economy, consumption expenditure and investment expenditure are the two components of Aggregate Demand.
Statement 2: Aggregate demand curve always starts from point of origin with positive slope.
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.
2. The Government can achieve its budget objective of 'Redistribution of Income' by_____. [1]
a. managing the General Price Level in the economy to the desired level.
b. increasing the Gross Domestic Products (GDP) of the economy.
c. bringing the production of goods and services under its direct and absolute control.
d. rationalization of taxes in a pro-poor direction.
3. **Read the following statements — Assertion (A) and Reason (R), choose the correct alternative.** [1]
Assertion (A): Notes and Coins are the only source of money supply in the economy.
Reason (R): Demand deposits with commercial bank is also a component of money supply.

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.

4. Suppose money created by the banking system is ₹1,000 and the primary deposits are ₹250. The respective values of deposit multiplier and reserve ratio would be and [1]
- a. 4, 25%
 - b. 8, 12.5%
 - c. 4, 12.5%
 - d. 5, 20%

5. Which of the following statements is an accurate description of propensity to consume? [1]
- a. It is the additional income that gets spent on consumption.
 - b. It denotes the ratio of consumption to income.
 - c. It defines the tendency of a consumer to consume more than usual.
 - d. It denotes the actual level of income at which it is equal to the consumption expenditure.

OR

Suppose in a hypothetical economy, the income rises from ₹ 5,000 crores to ₹ 6,000 crores. As a result, the consumption expenditure rises from ₹ 4,000 crores to ₹ 4,600 crores. Marginal propensity to consume in such a case would be _____.

- a. 0.8
- b. 0.4
- c. 0.2
- d. 0.6

6. **Read the following statements carefully and choose the correct alternative.** [1]

Statement I: Domestic Income is a territorial concept.

Statement II: Domestic Income includes the value of final goods and services produced in the entire world.

- 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.

7. Suppose the Gross Domestic Product (GDP) at market price of a country in a particular year was ₹ 1,200 crore. Net Factor Income from abroad was ₹ 120 crore. The value of Net Indirect Taxes was ₹ 130 crore, and the National Income was ₹ 950 crore. Calculate the value of depreciation for the economy. [1]
- a. ₹ 120 crore
 - b. ₹ 140 crore

c. ₹ 240 crore

d. ₹ 220 crore

8. Free distribution of LPG connection to poor people is a sign of social justice'. Identify the 'Objective of Government Budget' from the above-mentioned statement. [1]

a. Promote Economic Growth

b. Management of public enterprises

c. Create equitable distribution of income

d. Create fluctuation in revenue of the government

9. Deficit' in Balance of Payment (BOP) refers to the excess of _____. (Choose the correct alternative) [1]

a. Current account payments over Current account

b. Accommodating payments over Accommodating receipts

c. Autonomous payments over Autonomous receipts

d. Capital account payments over Capital account receipts.

10. Read the following statements carefully and choose the correct alternative. [1]

Statement 1: APC is the ratio of consumption expenditure to total income, i.e., $APC = \frac{Y}{C}$

Statement 2: MPC is the ratio of change in consumption to change in income, i.e., $MPC = \frac{\Delta Y}{\Delta C}$.

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 and choose the correct alternative from the following.

Statement 1: Ex-ante savings represent value of planned savings.

Statement 2: Savings are related to the level of national income.

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

11. Giving valid reasons explain which of the following will not be included in estimation of National Income of India? [3]

A. Purchase of shares of X. Ltd. by an investor in the National Stock Exchange.

B. Salaries paid by the French Embassy, New Delhi to the local workers of the housekeeping department.

C. Compensation paid by the Government of India to the victims of floods.

12. Explain the significance of Unit of Account function of money. [3]

OR

How does change in margin requirements affect availability of credit in an economy? Explain briefly.

13. A. Distinguish between Revenue deficit and Fiscal deficit. [4]

B. From the following data, calculate the primary deficit.

S.no.	Particulars	Amount (in ₹ crore)
1.	Revenue deficit	40
2.	Non-debt creating capital receipts	190
3.	Tax revenue	125
4.	Capital expenditure	220
5.	Interest payments	20

14. Show that Net Value Added at factor cost (NVAFC) is equal to the sum of factor income. [4]

S.no.	Particulars	Amount (in ₹ crore)
1.	Consumption of fixed capital	90
2.	Import of raw material	120
3.	Change in stock	240
4.	Goods and services Tax	60
5.	Domestic sales	2160
6.	Distributed Profit	180
7.	Retained earnings	120
8.	Purchase of raw material	840
9.	Exports	240
10.	Rent and royalty	90
11.	Compensation of employees	720
12.	interest	540

15. Describe the adjustment mechanism if ex-ante savings are less than ex-ante investments. [4]

OR

Define full employment. Can an equilibrium situation be reached in an economy at less than full employment? Explain

16. A. How does an initial increase in investment affect the level of final income of the economy? Show its working with a suitable numerical example. [6]

B. Derived consumption curve from saving curve. Use schedule and figure. Write-down steps of construction.

17. A. 'Central bank issues money while commercial banks create money.' Comment on this statement. [6]
Also, discuss the impact of money creation by commercial banks on the national income of the country.

B. Devaluation and depreciation of currency are the same thing.' Do you agree? How do they affect exports of a country?

OR

A. In a locality, the Municipal Corporation develops a new park, it will have both positive and negative externalities. State one example of each of both types of externalities with reason.

B. State and discuss any three precautions to be considered while estimating national income through the Income method.

SECTION B: INDIAN ECONOMIC DEVELOPMENT

18. "Skill India" programme launched by the Government is not an attempt to increase. _____ in India. [1]

- a. human capital formation
- b. efficient utilization of inputs
- c. increase in GDP growth
- d. inadequate spread of vocational education

19. Mini-hydel plants are good for the environment because: [1]

(i) they generate electricity only for local areas.

(ii) they do not change the land use pattern.

(iii) they rely on the perennial streams.

- a. (i), (ii) and (iii)
- b. (ii) and (iii)
- c. (i) only
- d. (i) and (ii)

20. 'In India, agricultural subsidies have always been a topic of debate among the economic thinkers.' [1]

Identify, which of the following statement is not an argument in favor of continuation of the agricultural subsidies in India.

- a. Subsidies encourage farmers to adopt newer technologies.
- b. Subsidies help farmers to face the uncertainties of the future.
- c. Subsidies aim to reduce the inequalities between rich and poor farmers.
- d. Subsidies benefits the fertilizer industry and big farmers.

21. On the eve of Independence, India's demographic condition was characterized by which of the following statement? [1]

- a. Low level of literacy, low mortality rates and high life expectancy.
- b. High level of literacy, high mortality rates and low life expectancy.
- c. Low level of literacy, high mortality rates and high life expectancy.
- d. Low level of literacy, high mortality rates and low life expectancy.

22. Read the following statements carefully and choose the correct alternative. [1]

Statement 1: The purchase of food grains made by the Government on the Minimum Support Price (MSP) is maintained as buffer stock.

Statement 2: Minimum Support Price safeguards the farmers against any sharp fall in farm product prices.

- 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

23. Read the following statements — Assertion (A) and Reason (R) and choose the correct alternative. [1]

Assertion (A): After Independence there was an expansion in farm and non-farm output, income, and employment.

Reason (R): Rural banking has helped farmers to avail benefits of credit facilities for meeting their needs.

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, and Reason (R) is false.
- d. Assertion (A) is false, and Reason (R) is true.

OR

Read the following statements – Assertion (A) and Reason (R). Choose one of the correct alternatives:

Assertion (A): A huge percentage of female workforce is engaged in primary sector.

Reason (R): Mobility of women in rural areas is extremely low.

- a. Both Assertion (A) and Reason (R) are true, and Reason(R) is 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

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

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

Country	1980 – 90	2015 - 17
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. Read the following statements carefully and choose the correct alternatives: [1]

Statement 1: India, Pakistan, and China adopted planning as the core developmental strategy.

Statement 2: All of three countries relied on the public sector as the core sector of the economy.

- 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 and choose the correct alternatives:

Statement 1- Migration involves the cost of transportation and inflated cost of living.

Statement 2- Education is the process of teaching, training, and learning to improve knowledge.

- 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

Read the passage carefully and answer Q.NO.26 -27 based on the following text:

To make India a globally competitive economy, there must be a larger focus on exporting to the most demanding markets. A stronger participation of Indian Micro, Small and Medium Enterprises (MSMEs) in the global market can accelerate such a growth. This will lead to more opportunities for scaling up production, will speed up innovation and productivity. The MSME sector in India is the backbone of our country's economic structure and without this the country cannot progress. With over 63 million MSME units, this sector covers 80% of the industries. This sector accounts for 31 % of GDP and 45% of total exports. It is also the second largest employer in India providing jobs to over 120 million people. The MSME's should work towards becoming a part of global value chains (GVCs). It must also, find new opportunities to integrate themselves with the GVCs as exporters.

26. Vocal for local initiative of the Government of India is a boon for the MSMEs segment as it [1]

- i. reduces dependence on other countries for import.
 - ii. boost entrepreneurship in the country
 - iii. save foreign exchange.
 - iv. uses superior technology.
- a. (i) and (ii)
 - b. (i), (ii) and (iv)

c. (i), (ii), (iii) and (iv)

d. (i), (ii) and (iii)

27. Read the following statements — Assertion (A) and Reason (R) carefully, choose the correct alternative. [1]

Assertion (A): Globalization has resulted in higher inflows of foreign exchange in the Indian economy.

Reason (R): Globalization implies integration of the domestic economy with the rest of the world through trade and capital flow.

Alternations:

- 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, and Reason (R) is false.
- d. Assertion (A) is false, and Reason (R) is true.

OR

Based on the given text and common knowledge, identify the incorrect statement.

- a. A stronger participation of MSMEs helps in fulfilling export demand and accelerating growth in India.
- b. Globalization brings innovation and hence enhances productivity.
- c. MSMEs are a part of global value chains.
- d. MSMEs are the nominal source of employment in India.

28. "In India, the self-employed constitute around 60% employees. The possible incidence of under employment is the highest among the self-employed." As an economist, suggest and elaborate any two measures that may be taken to ensure more productive employment for the self-employed. [3]

OR

Compare and analyze the 'Women Worker Population Ratio' in Rural and Urban areas.

WORKER – POPULATION RATIO IN INDIA 2017 – 2018

Sex	Worker – Population ratio		
	Total	Rural	Urban
Men	52.1	51.7	53.0
Women	16.5	17.5	14.2
Total	34.7	35.0	33.0

29. Interpret the given picture, on account of current environmental challenges: [3]



30. Discuss any two merits and demerits of the Green Revolution in the agricultural sector in the Indian Economy

OR

“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.

31. Analyze the output growth trend in the three sectors over the given years between India and Pakistan. [4]

TRENDS IN OUTPUT GROWTH IN DIFFERENT SECTORS

Country	1980 - 1990			2011 - 2015		
	Agriculture	Industry	Services	Agriculture	Industry	Services
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	2.75	3.4	4.4

32. Briefly discuss the importance of micro credit programme in rural India. [4]

33. A. Explain the need and types of land reforms implemented in the agriculture sector. [6]

B. Why was the public sector given a leading role in industrial development during the planning period? Explain.

OR

A. Do you think outsourcing is good for India? Why are developed countries opposing it?

B. Give a quantitative appraisal of India's demographic profile during the colonial period.

34. Read the following text carefully and answer the given questions based on the same. [6]

The stabilization and structural adjustment measures, initiated under the 1991 “Economic Reforms” mark a watershed moment in India’s economic policies. For almost three decades since independence, India’s development strategy and economic policies were guided by the objectives of accelerating the growth of output and employment with social justice and equity. Ever since the 1970’s, it was realized that many of the regulations on economic activities have outlived their usefulness and were in fact

hampering economic growth and development. In response to this, the government initiated some milder liberalization reforms for a decade since the early 1980's. However, the Indian economy soon had to face the Gulf crisis and consequently: The uncertainties about the oil prices; The external payment problems; The serious inflationary pressures; The scarcities of essential commodities; The deterioration of fiscal discipline, etc. These led to the Indian economy on the verge of Economic crisis. In response to this emerging crisis, the Government initiated a set of stabilization and structural reforms like: Reduction in fiscal deficit; Containment of growth in money supply: An exchange rate adjustment system etc. The key objective of stabilization policy was to bring the growth of aggregate demand in line with long term growth path of the economy. In conjunction, the structural adjustment measures like industrial delicensing, liberalization of policy regime governing international trade, deregulation of financial sector Were taken to improve the supply side of the economy.

- A. Discuss any two reasons behind the introduction of Economic Reforms in 1991.
- B. "In response to the emerging crisis in 1991, the Government initiated a set of stabilization and structural reforms." Briefly discuss any three of such measures