

Time Allowed: 3 hours

SAMPLE QUESTION PAPER - 3
SUBJECT- ECONOMICS (030)
CLASS XII (2023-24)

Maximum Marks: 80

General Instructions:

1. This question paper contains two sections:
Section A – Macro Economics
Section B – Indian Economic Development
2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions type 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.

SECTION A – MACRO ECONOMICS

1. **Statement I:** The Reserve Bank of India (RBI) sells foreign exchange in the foreign exchange market when there is a deficit in balance of payments. **[1]**
Statement II: The increase (decrease) in official reserves is called the overall balance of payments deficit (surplus).

a) Both the statements are true.	b) Both the statements are false.
c) Statement I is true and statement II is false.	d) Statement II is true and statement I is false.
2. Which of the following is not related to credit-creation process? **[1]**

a) Constant LRR	b) Money Multiplier = Reciprocal of LRR
c) Cash as essential feature	d) Uni Bank Model
3. 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 _____. **[1]**

a) 0.8	b) 0.4
c) 0.2	d) 0.6

- a) depreciated
- b) none of these
- c) no effect
- d) appreciated

5. Investment which is independent of level of income is called: [1]

- a) Fixed investment
- b) Induced investment
- c) Inventory investment
- d) Autonomous investment

6. Which of the following forms a part of fiscal policy? [1]

- a) Open market operation
- b) Moral suasion
- c) Cash Reserve Ratio
- d) Deficit financing

7. When income is zero, savings will be _____. [1]

- a) infinity
- b) negative
- c) zero
- d) positive

8. A family's consumption of Sugar [1]

- a) Flow concept
- b) Stock concept
- c) Non economic concept
- d) Hypothetical concept

9. Money is a medium of _____. [1]

- a) Exchange
- b) Speculation
- c) Barter
- d) Communication

10. When the value of a currency is fixed in terms of some other currency, it is called: [1]



- a) Money value
- b) Parity value
- c) Free value
- d) None of these

Comment with reason.

12. From the following figures, calculate Balance of Trade: [3]

	(₹ crores)
(i) Imports of Petrol	150
(ii) Exports of Sugar	60
(iii) Exports of Steel	200
(iv) Exports of Wheat and Rice	90
(v) Imports of Edible oil	120
(vi) Imports of Machine	140
(vii) Shipping	30
(viii) Travel and Tourism	50
(ix) Unilateral Transfers	40

OR

Differentiate between devaluation and depreciation.

13. What changes will take place in the economy if [4]
i. aggregate demand exceeds aggregate supply?
ii. aggregate demand exceeds aggregate supply at full employment?

14. What is the inflationary gap? What is its impact [4]

OR

Given the consumption function of an economy

$$C = 100 + 0.8Y$$

- a. Derive the corresponding savings function.
b. What is the value of MPS?
c. Show that in this economy as income increases, APC declines and APS increases.
d. What is the level of income at Break-Even Point?
15. Explain the banker's bank function of Central Bank. [4]
16. Answer the following questions: [6]

- (i) i. Find Net Value added at market price: [3]

(i) Output sold (units)	800
-------------------------	-----

(iii) Excise duty (Rs.)	1000
(iv) Import duty (Rs.)	400
(v) Net Change in Stock (Rs.)	(-)500
(vi) Depreciation (Rs.)	1000
(vii) Intermediate Cost (Rs.)	8000

- ii. From the following data about firm X, calculate Gross Value Added at Factor Cost by it: [3]

Items	(Rs. in thousands)
Sales	500
Opening stock	30
Closing stock	20
Purchase of intermediate products	300
Purchase of machinery	150
Subsidy	40

(ii) **OR**

- i. Calculate (a) NNP_{FC} by expenditure method and (b) NNP_{FC} by value added method : [3]

		(₹ Crore)
(i)	Net Domestic capital formation	250
(ii)	Net Export	50
(iii)	Private final consumption expenditure	900
(iv)	Value of output	
	(a) Primary sector	900
	(b) Secondary sector	800
	(c) Territory sector	400
(v)	Value of inrmediate consumption	
	(a) Primary sector	400
	(b) Secondary sector	300
	(c) Teritory sector	100
(vi)	Consumption of fixed capital	80

21. Under which system people below the poverty line (BPL) could get essential goods at low subsidised rates: [1]



- a) Public distribution system b) None of these
c) Minimum support price d) Buffer stock
22. **Assertion (A):** The launch of LPG policies has caused a significant shift in the structure of the Indian markets they are now increasingly shedding their monopolistic nature and becoming more competitive in nature. [1]
Reason (R): Equity limit of foreign capital investment has been raised from the initial 40% it's now range between 51 - 100%
- a) Both A and R are true and R is the correct explanation of A. b) Both A and R are true but R is not the correct explanation of A.
c) A is true but R is false. d) A is false but R is true.
23. The expenditure on education by the Government is expressed as a percentage of _____. [1]
- a) Disinvestment b) Gross Domestic Product (GDP)
c) Fiscal Deficit d) Goods and Services tax
24. _____ announce its five year plan in 1951. While _____ announced its five year plan in 1956. _____ announced its five year plan in 1953. [1]
- a) Pakistan, India, China b) Pakistan, China, India
c) India, China, Pakistan d) India, Pakistan, China
25. India alone accounts for nearly _____ per cent of the world's total iron-ore reserves. [1]
- a) 20 b) 30

26. **Statement I:** Under the colonial regime, basic infrastructure such as railways, ports, water transport, posts and telegraphs did develop. [1]

Statement II: The real motive of the British behind infrastructure development was to provide basic amenities to the people.

- a) Both the statements are false. b) Both the statements are true.
c) Statement I is true, but d) Statement II is true, but
statement II is false. statement I is false.

27. Select the correct combination between the following columns. [1]

Column A	Column B
(a) Socialism	(i) Coexistence of both public and public sector
(b) Capitalism	(ii) Produced goods are distributed on the basis of purchasing power of the people.
(c) Mixed economic system	(iii) What, how and for whom to produce
(d) Central problems of an economic system	(iv) Produced goods are distributed on the basis of need and not affordability.

- a) (a) - (ii), (b) - (iv), (c) - (i), (d) - (iii) b) (a) - (iv), (b) - (i), (c) - (ii), (d) - (iii)
c) (a) - (iv), (b) - (ii), (c) - (i), (d) - (iii) d) (a) - (i), (b) - (iv), (c) - (ii), (d) - (iii)

28. Environmental problems arise due to overuse and misuse of environmental resources. Explain. [3]

OR

Explain absorptive capacity of environment with examples.

29. Raj is going to school. When he is not in school, you will find him working in his farm. Can you consider him a worker? Why? [3]

30. Which economic system do you think was most suited to Indian economy and why? [4]

31. Write a short note on WTO. [4]

OR

Explain positive impacts of globalisation and liberalisation on business and industry in India.

32. Why there is a need to promote women's education in India? [4]

- i. why has rural banking not been able to give adequate credit to farmers? [5]
- ii. Globalisation of the economy has helped the farmers in marketing their produce and has helped in raising their standard of living. Do you agree? [3]

(ii) **OR**

- i. Economists and scholars have identified certain key issues that are associated with rural development. Write the name of some key issues. [3]
- ii. Information technology plays a very significant role in achieving sustainable development and food security. Comment. [3]

34. **Read the following text carefully and answer the questions given below:** [6]

India and China: so close yet so far

Given the good economic growth figures for India and the Chinese economic slowdown, it is worth wondering about the capacity of the former to replace the impetus lost by the latter. In fact, India, with a population close to 1,300 million, is the only emerging economy that could possibly follow in the footsteps of the Asian giant. However, in spite of them sharing notable features such as powerful demographics and a reduction in poverty, affecting hundreds of millions of people in both countries, India's growth is still far from the two-digit figures we had come to expect from China until very recently.

Throughout the last 35 years, both countries have gradually moved apart in economic terms. While China grew at an average rate of 10% for three decades, India advanced at a rate of just over 6% and, although these figures seem to be reversing at present (China grew by 6.9% in 2015 Q3 compared with India's 7.4%), India still has a long way to go. At the end of the 1970s, both economies were similar in size: India's share in the global economy was close to 3.0% and even exceeded China's share of 2.4%, but just over three decades later China accounts for 17.2% of the world economy in economic terms while India's share is less than half its neighbor's (7.1%). A dichotomy that can also be seen in other economic variables such as GDP per capita which, in India, has scarcely increased fourfold (from 1,000 dollars in 1980 to 3,780 currently) while in China it is now 14 times bigger (from close to 750 dollars to 10,538).

The contrast between the two countries is also evident in terms of international trade. Whereas exports of goods from China and India represented just 1% and 0.5% respectively of the world's exports in 1980, by 2014 China was exporting close to 13% of all global exports compared with 1.7% by India. By 2009 China had already become the world leader in exports, taking over from Germany, while India has been and continues to be a much more closed economy (19th in the world export ranking).

become the world's new China overnight. However, the country has huge potential for growth, especially if we take into account the reforms it is starting to implement: whether India prospers as much as its neighbour will depend on the success of those reforms.

(Source: <https://www.caixabankresearch.com/en/economics-markets/activity-growth/india-and-china-so-close-yet-so-far>)

Questions:

- i. Analyse the contrasting features of India and China in terms of their economic growth.
- ii. Examine the proposition that 'India can become the world's new China overnight'.

SECTION A – MACRO ECONOMICS
Solutions

1.
(c) Statement I is true and statement II is false.
Explanation: Statement I is true and statement II is false.
2.
(c) Cash as essential feature
Explanation: Cash as essential feature
3.
(d) 0.6
Explanation: 0.6
MPC=Change in Consumption to Change in Income
4. (a) depreciated
Explanation: depreciated
5.
(d) Autonomous investment
Explanation: Autonomous investment
6.
(d) Deficit financing
Explanation: Deficit financing
7.
(b) negative
Explanation: When income is 0, savings will be negative.
8. (a) Flow concept
Explanation: It is a flow concept because consumption relates to a period of time.
9. (a) Exchange
Explanation: Money is universally accepted as a medium of exchange. It can be used to buy anything worldwide.
10.
(b) Parity value
Explanation: When the value of a currency is fixed in terms of some other currency, it is called Parity value.
11. Generally it is considered that an increase in the Gross Domestic Product (GDP) of any economy (India in this case) ensures increase in welfare of the people of the country. However, this may not always be correct. GDP is not the best indicator of the economic welfare of a country. Some of the prime reasons for the same are as follows:
 - a. unequal distribution and composition of GDP in the economy,
 - b. non-monetary transactions in the economy which are not accounted for in the GDP of nation, and

$$\begin{aligned}
 &= \text{Exports} - \text{Imports} \\
 &= [60 + 200 + 90] - (150 + 120 + 140) \\
 &= 350 - 410 \\
 &= (-) ₹ 60 \text{ crores Trade Deficit}
 \end{aligned}$$

OR

Devaluation is the fall in the value of domestic currency in relation to foreign currency as planned by the government in a situation when exchange rate is not determined by the forces of demand and supply, but is fixed by the government of different countries. Whereas, Depreciation is the fall in the value of domestic currency in relation to foreign currency in a situation when exchange rate is determined by the forces of demand and supply in the international currency market.

As a general phenomena, any depreciation/devaluation of currency may result into increase in exports of the goods and services from the country since it would increase the global competitiveness of the goods by making them cheaper.

13. i. If aggregate demand exceeds aggregate supply ($AD > AS$), it indicates changes as this means that consumers would be buying more goods than firms were producing. This would lead to an unplanned decrease in inventories. Firms would then increase output and thus income would increase. This process of increase in income will continue until the economy is in equilibrium where $AD = AS$.
 ii. If aggregate demand exceeds aggregate supply at the full employment level, then a situation of excess demand exists in the economy. Excess demand gives rise to an inflationary gap; which causes a rise in the general price level or inflation.
14. Inflationary gap is the excess of AD over AS at full employment level. Inflationary gap is the result of excess demand.

Inflationary gap = Planned aggregate expenditure - Equilibrium level of expenditure.

- i. Impact on output : Inflationary gap generates extra pressure on existing flow of goods and services at the level of full employment. In this state, the output does not increase because the economy is already in the state of full capacity production.
- ii. Impact on prices : As the inflationary gap generates pressure of demand on the existing flow of goods and services in the economy the price of goods and services tend to rise.

OR

a. $C = 100 + 0.8Y$

$$S = Y - C = Y - (100 + 0.8Y) = -100 + 0.2Y.$$

- b. From the consumption function, $MPC = 0.8$. Therefore, $MPS = 1 - MPC = 1 - 0.8 = 0.2$.

c.

Y	C	S	APC	APS
1000	900	100	0.9	0.1
2000	1700	300	0.85	0.15

The table shows that as income increases from 1000 to 5000, APC declines from 0.9 to 0.83 but APS increases from 0.1 to 0.17.

d. At Break even point, $C = Y$

$$100 + 0.8Y = Y \Rightarrow 0.2Y = 100$$

$$Y = \frac{100}{0.2} = 500$$

15. There are usually hundreds of banks in a country. There should be some agency to regulate and supervise their proper functioning. This duty is performed by the central bank. It also performs banker's bank function Central Bank keeps the cash balances of Commercial Banks and issues loans to them on requirements in the same manner as the Commercial Bank does for its customers. A Central Bank has almost the same relationship with the other Commercial Banks of the country that the Commercial Banks have with the common public. That is why the Central Bank is also called banker's bank.

16. Answer the following questions:

(i) i. $NVA_{mp} = (i \times ii) + v - vii - vi$

$$= (800 \times 20) + (-500) - 8000 - 1000 = \text{Rs.} 6500.$$

ii. **Gross Value Added at Factor Cost by firm X.**

= Sales + Change in stock (Closing stock - Opening stock) + Subsidy - Purchase of intermediate products.

$$= 500 \text{ thousand} + (20 \text{ thousand} - 30 \text{ thousand}) + 40 \text{ thousand} - 300 \text{ thousand}$$

$$= \text{Rs. } 230 \text{ thousand.}$$

Therefore GVA_{fc} for firm X is Rs 230 thousand.

(ii) OR

i. The formula for calculating national income using expenditure method is :

$$\text{National Income} = C + I + G + (X - M)$$

Where,

C = Consumption by residents of the nation

I = Investment

G = Government spending

X = Exports

M = Imports

a. NNP_{FC} (Expenditure Method)

$$b. = (i) + (ii) + (iii) + (viii) - (vii) + (ix) - (vi) + (x)$$

$$= 250 + 50 + 900 + 100 - 100 + 10 - 80 + (-20)$$

$$= ₹ 1110 \text{ Cr.}$$

c. NNP_{FC} (Value added method)

$$= (iv) - (v) - (vi) - (vii) + (ix) + (x)$$

$$= (900 + 800 + 400) - (400 + 300 + 100) - 80 - 100 + 10 + (-20)$$

$$= ₹ 1110 \text{ Cr.}$$

$$18,000 = (6,000 + 7,000 + (800 + 975 + \text{Rent}) + 1,000 + (2,000 - 250))$$

$$18000 = 17525 + \text{Rent} \Rightarrow \text{Rent} = ₹ 475 \text{ crore}$$

Thus value of rent is Rs.475 crore

17. Answer the following questions:

- (i) Fiscal deficits can prove inflationary if the deficit is financed by printing of new currency as it will increase the money supply and purchasing power in the economy. It will further worsen the situation if new money is used to finance the current consumption expenditure of the government.
However, if the increase in money supply leads to increased supply of goods and services or new money is used for infrastructure activities or other capital projects, then the fiscal deficit will not prove to be inflationary.
- (ii) Lack (non maintenance) of fiscal discipline in an economy is a cause of excess money supply. In other words, it leads to increase in money supply more than the level of production in an economy. It creates a situation in the economy where price rises is followed by wages, again price rises and the process goes on. Also, high production cost and low Aggregate Demand causes fall in the capital formation in the economy.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18.

(d) Both primary and service sector

Explanation: Both primary and service sector

19.

(b) 1949

Explanation: 1949

20. **(a)** Third

Explanation: The third five year plan focussed on self sufficiency in food grain production, generation of employment opportunities and reduction in inequality.

21. **(a)** Public distribution system

Explanation: PDS implies distribution of food grains through fair price shops at subsidised rates.

22.

(b) Both A and R are true but R is not the correct explanation of A.

Explanation: Both A and R are true but R is not the correct explanation of A.

23.

(b) Gross Domestic Product (GDP)

Explanation: Gross Domestic Product (GDP)

24.

(d) India, Pakistan, China

pursuance of declared objectives of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the service of the community.

25. (a) 20

Explanation: India alone accounts for nearly 20 per cent of the world's total iron-ore reserves.

26.

(c) Statement I is true, but statement II is false.

Explanation: Statement I is true, but statement II is false.

27.

(c) (a) - (iv), (b) - (ii), (c) - (i), (d) - (iii)

Explanation: (a) - (iv), (b) - (ii), (c) - (i), (d) - (iii)

28. a. Overuse of Environmental Resources- Environmental problems have arisen due to the excessive exploitation of natural resources. Following are the examples :
- Extraction of groundwater recklessly.
 - Use of land for housing, factories, etc. leading to deforestation.
 - Excessive exploitation of fossil fuels
- b. Misuse of Environmental Resources- Environmental problems have arisen due to the misuse of natural resources. Following are the examples:
- Use of chemical fertilisers, pesticides, etc.
 - Industrial waste streaming into the rivers.
 - Use of wood as a household fuel

OR

The absorptive capacity of the environment may be defined as the ability of the environment to Absorb degradation. It is the maximum amount of waste material that can be naturally absorbed by the environment on a sustainable basis, without causing environmental damage. As a result of economic development, many natural resources have become extinct. For example, wastes of industries have polluted and dried up rivers and other aquifers making water an economic good. Similarly, deforestation has resulted in habitat damage, biodiversity loss, and aridity.

29. It is not mentioned in the question that in return of working on the farm, Raj is getting something or not. Thus, it is difficult to consider him as a worker but Raj can be considered as a worker because when he is working in the farm, his work is contributing to the total output of the farm. His work comes under casual work which is contributing to the GDP and it is also economic activity. So, we can say Raj is a worker..
30. 1. In my opinion mixed economy system suited the most to attain a dual goal of efficiency and equity.

handed over completely to private sector.

3. Neither public sector had enough funds to be a socialist economy. We could also not de-rule law of inheritance in the situations of partition.

4. Therefore, we adopted a mixed economic system with a strong public sector and co-existence of private ownership with democracy.

31. In 1948, GATT (General Agreement on Tariffs and Trade) was formed with 23 countries as the founder members to administer all multilateral trade agreements. WTO was formed as successor of GATT on 1 January, 1995. It aimed to establish a rule based trading regime in which nations cannot place arbitrary restrictions on trade. Unlike GATT, the WTO is a permanent organisation created by international treaty ratified by the govts. and legislatures of member states. India was a founder member. It has been in forefront in WTO. It has kept its commitment towards liberalisation of trade made in the WTO by removing quantitative restrictions on imports and reducing tariff rates. India has consistently taken the stand that launch of any new round of talks depend on a full convergence of views amongst the entire WTO membership on the scope and framework for such negotiations.

OR

Following are the positive impacts of globalisation and liberalisation on business and industry in India:

- i. **Increase in Size of Market-** More and more companies are expanding their activities in the direction of global markets.
- ii. **Mergers and Acquisitions-** Many business enterprises in India are consolidating their position through mergers and acquisitions.
- iii. **Professional Management-** As a result of a global outlook, work culture has improved in India. Management has become professionalized. Managers and workers have become more conscious of quality and cost.
- iv. **Up-to-date Technology-** Indian companies are upgrading their technologies. Production and distribution systems are becoming more capital intensive.
- v. **All Round Competition-** Indian firms are now facing competition from one another as well as from MNCs. All-round competition has led to improved efficiency and performance.
- vi. **Buyer's Market-** Now it is the customers who are directing the market trends. Entrepreneurs are engaged in the production of goods and services which are demanded in the market. Consumer sovereignty has definitely expanded over time. Consequently, the overall level of expenditure of the household has tended to rise. Implying an overall rise in the welfare status of the people.

32. Women's education need to be promoted because:

- a. They can become economically independent.

- c. Women education is essential for empowering them to save them from exploitation and domestic violence.
- d. Women education is essential in order to raise the social status of women so that the quality of life of women can be improved.

33. Answer the following questions:

- (i) i. Rural banking has not been able to give adequate credit to farmers mainly due to following reasons:
 - 1. Lack of proper infrastructure and instruments to dispense credit to needy farmers.
 - 2. Agriculture loan default rates are also high with a high incidence of overdue instalments by the farmers.
 - 3. It has also failed to develop a culture of deposit mobilisation, lending to worthwhile borrowers and effective loan recovery.
- ii. Globalisation of the economy has helped the farmers in marketing their produce and has helped in raising their standard of living. Globalisation has expanded the market of the national companies and has allowed various MNCs to operate in India. So, several national and international fast food chains and hotels have been opened in India. These organisations enter into contracts with the farmers to supply them farm products of the desired quality at reasonable prices, thus helping the farmers to market their produce.

(ii) OR

- i. Key issues in rural development are:
 - i. Infrastructure development
 - ii. Health
 - iii. Literacy
 - iv. Land reforms
 - v. Productive resources
 - vi. Poverty alleviation
- ii. **Information technology plays a very significant role in achieving sustainable development and food security in the following ways:**
 - i. It can act as a tool for releasing the creative potential and knowledge embedded in our people.
 - ii. It has the potential for employment generation in rural areas.
 - iii. The quality and quantity of crops can be increased manifold if the farmers are made aware of the latest equipment, technologies and resources.
 - iv. IT can help in disseminating information regarding advanced technology and its applications, prices, weather and soil conditions for growing different crops. Which facilitates farmers in taking effective decisions regarding their crops and other activities.

between the two countries can be reflected in terms of various economic variables, like:

- a. **Growth Rate:** While China grew at an average rate of 10% for three decades, India advanced at a rate of just over 6% and, although these figures seem to be reversing at present (China grew by 6.9% in 2015 Q3 compared with India's 7.4%), India still has a long way to go.
 - b. **Global economic share:** By the closure of the 1970s, both economies were similar in size as India's share in the global economy was close to 3.0% and even exceeded China's share of 2.4%. But three decades later China accounted for 17.2% of the world economy in economic terms while India's share was less than half its neighbor's (7.1%).
 - c. **GDP per capita:** India's GDP per capita has scarcely increased fourfold (from 1,000 dollars in 1980 to 3,780 currently) while in China it is now 14 times bigger (from close to 750 dollars to 10,538).
 - d. **Foreign Trade:** Exports of goods from China and India represented just 1% and 0.5% respectively of the world's exports in 1980, by 2014 China was exporting close to 13% of all global exports compared with 1.7% by India. By 2009 China had already become the world leader in exports, taking over from Germany, while India has been and continues to be a much more closed economy (19th in the world export ranking).
- ii. The facts reveal the evident economic gap separating India from China which is considerable and has been widening for more than three decades. With these stark figures, it would not be logical to assume that India can become the world's new China overnight. However, India, with a population close to 1,300 million, has huge growth potential. If its well-equipped reforms that are being implemented turn out to be successful, it could possibly follow in the footsteps of the Asian giant.