

ECONOMICS

A Highly Simulated Practice Question Paper for CBSE Class XII Examination

Time : 3 hrs

M.M. : 80

General Instructions

1. All questions in both the sections A and B are compulsory. However, there is internal choice in questions of 1, 3, 4 and 6 marks.
2. Question Nos. 1-10 and 18-27 are objective type questions, carrying 1 mark each. They are required to be answered in one sentence each.
3. Question Nos. 11-12 and 28-29 are short answer type I questions, carrying 3 marks each. Answers to them should not normally exceed 60 words each.
4. Question Nos. 13-15 and 30-32 are short answer type II questions, carrying 4 marks each. Answers to them should not normally exceed 70 words each.
5. Question Nos. 16-17 and 33-34 are long answer type questions, carrying 6 marks each. Answers to them should not normally exceed 100 words each.
6. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

SECTION A

Objective Type Questions

(1 Mark)

Multiple choice questions (Q. no. 1 to 5)

There are four options for each question, out of these, only one is correct. You have to identify the correct option.

1. Unilateral transfers are included in
 - (a) current account BoP
 - (b) capital account BoP
 - (c) Both (a) and (b)
 - (d) None of these
2. In India, paper notes are
 - (a) limited legal tender
 - (b) unlimited legal tender
 - (c) full-bodied money
 - (d) None of these
3. Choose the incorrect statement from given below
 - (a) Currency held by public is most liquid form of money.
 - (b) The number of times a unit of money change hands is known a velocity of money.
 - (c) Commerical banks are financial intermediaries which work to earn profit.
 - (d) M_1 is the least liquid measure of money supply in India.

4. Read the following statements Assertion (A) and Reason (R). Choose one of the correct alternatives given below

Assertion (A) Money as medium of exchange, has overcome the problem of lack of double coincidence under the C-C economy.

Reason (R) Currency has a general acceptance which makes it convenient to use and has segregated buying and selling activities.

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, but 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

5. Write the correct pair.

Column I	Column II
A. Progressive Tax	(i) Tax rate rises with rise in income ✓
B. Regressive Tax	(ii) It causes more burden on the rich
C. Proportional Tax	(iii) Rate of taxation is constantly changing
D. Indirect Tax	(iv) Burden of tax cannot be shifted

Codes

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

Case based questions (Q. no. 6 to 9)

Read the following case study paragraph carefully and answer the questions on the basis of the same.

In a simple Keynesian two-sector model, government sector is expected not to involve in the production activity. Government is expected to stay out of market and maintain law and order. However, in a general economy, government has to play its part directly or indirectly. Directly, Government is involved in production activities where market mechanism fails to attain desirable target. Indirectly, government is involved in terms of collecting tax and non-tax revenues.

6. How is the state of balance of payments affects, when government is directly involved in foreign trade?

- (a) Balance in BoP improves
- (b) Balance in BoP deteriorates
- (c) Depends upon trade balance
- (d) None of these

7. If an economy is under full employment, increase in government expenditure will lead to

- (a) Increase in multiplier effect
- (b) Decrease in multiplier effect
- (c) No impact on aggregate demand
- (d) Increase in aggregate supply

8. Taxes are legal and compulsory payments made to the government. On the other hand, government provides subsidies as an economic help to those who are not able to buy goods at market price. What will be the impact on aggregate demand if subsidies are increased?

- (a) Aggregate demand will increase
- (b) Aggregate demand will remain constant
- (c) Depends upon rate of tax and subsidy
- (d) None of the above

9. Increase in tariff leads to (rise/fall) in foreign exchange.

10. The final burden of tax cannot be shifted to others.

Or

..... tax is a tax in which the rate of taxation remains constant with the increase or decrease in income.

Short Answer Type I Questions (3 Marks)

11. Explain the problems of barter system.

Or

How do demand deposits differ from time deposits?

12. State the components of the capital account of Balance of Payments (BoP) account.

Short Answer Type II Questions (4 Marks)

13. Explain any four precautions that are required to be taken care of while calculating national income by expenditure method.

Or

Calculate sales from the following data.

S.No.	Items	(₹) in lakhs
(i)	Net Value Added at Factor Cost (NVA _{FC})	300
(ii)	Intermediate Consumption	200
(iii)	Indirect Tax	20
(iv)	Depreciation	30
(v)	Change in Stock	(-50)

14. Complete the following table.

Income (₹)	Savings (₹)	MPC	APC
0	-20	...	...
50	-10	...	...
100	0	...	...
150	30	...	...
200	60	...	...

15. While presenting the budget for the year 2019-20, the Finance Minister proposed to raise the excise duty on cigarettes. He also proposed to increase Income Tax on individuals earning more than ₹1 crore per annum.

Is the objective only to earn revenue for the government? What possible welfare objective can you think of from these proposals? Explain.

Long Answer Type Questions (6 Marks)

16. State whether the following statements are true or false. Give reason in support of your answer.

- The value of Average Propensity to Save (APS) can be negative.
- The value of Marginal Propensity to Save (MPS) can be negative.
- When the value of Average Propensity to Save (APS) is negative, the value of Marginal Propensity to Save (MPS) will also be negative.

17. Calculate national income from the following data.

S.No.	Contents	(₹) in lakhs
(i)	Sales	800
(ii)	Purchase of Raw Materials from Domestic Market	400
(iii)	Import of Raw Material	100
(iv)	Subsidies	30
(v)	Consumption of Fixed Capital	40
(vi)	Change in Stock	50
(vii)	Rent	70
(viii)	Net Factor Income from Abroad	10

Or

Calculate Net Domestic Product at Factor Cost (NDP_{FC}) by income method.

S.No.	Contents	(₹) in crores
(i)	Net Value Added at Market Price by Primary Sector	1,000
(ii)	Wages and Salaries	2,000
(iii)	Social Security Contribution by Employers	110
(iv)	Net Value Added at Market Price by the Secondary Sector	600
(v)	Corporation Tax	30
(vi)	Retained Earnings of Private Corporations	10
(vii)	Net Value Added at Market Price by the Tertiary Sector	1,400

SECTION B

Objective Type Questions

(1 Mark)

Multiple choice questions (Q. no. 18 to 22)

There are four options for each question, out of these, only one is correct. You have to identify the correct option.

18. About half of Pakistan's population is not literate, which of the following reason(s) can be accounted for the same?

- (a) Lack of public interest (b) Lack of awareness
(c) Religiosity (d) Both (a) and (b)

19. Green revolution adopted by India was considered as a partial success due to

- (a) insufficient technology (b) lack of incentive
(c) expensive technology (d) None of these

Or Opening of Suez Canal served as a direct route between which of the following countries?

- (a) India and China (b) India and America
(c) India and Sri Lanka (d) Not Suitable in Indian conditions

20. Choose the correct statement from given below

- (a) NITI Aayog started functioning from January 01, 2018.
(b) Before 1921, India was in the second stage of demographic profile.
(c) Opening of Suez Canal by Colonial government, reduced the cost of production and made Indian market accessible.
(d) Tata Iron and Steel Corporation was set-up in 1807.

21. Read the following statements Assertion (A) and Reason (R). Choose one of the correct alternatives given below

Assertion (A) With the introduction of railways, it became easy for the colonial government to administer different parts of the country and raw materials from India *via* sea route.

Reason (R) Development of railways in India had led to reduction in the cost of transportation for both passenger and goods traffic. Eventually, it became the cheapest mode of transportation.

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, but 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

22. Write the incorrect pair.

Column I	Column II
A Chairman of Planning Commission	(i) Prime Minister
B The monetary assistance given by government for production activities	(ii) Subsidy
C Quantity of goods that can be imported	(iii) Tariff
D Improvements in the field of agriculture to increase its productivity	(iv) Land Reforms

Codes

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

Case based questions (Q. no. 23 to 26)

Read the following case study paragraph carefully and answer the questions on the basis of the same.

In a market economy, also called capitalism, only those consumer goods will be produced that are in demand, i.e. goods that can be sold profitably either in the domestic or in the foreign markets. If cars are in demand, cars will be produced and if bicycles are in demand, bicycles will be produced. If labour is cheaper than capital, more labour-intensive methods of production will be used and *vice-versa*.

In a socialist society, the government decides what goods are to be produced in accordance with the needs of society. The government decides how goods are to be produced and how they should be distributed. In principle, distribution under socialism is supposed to be based on what people need and not on what they can afford to purchase.

In Cuba and China, for example, most of the economic activities are governed by the socialistic principles. In a mixed economy, the market will provide whatever goods and services it can produce well, and the government will provide essential goods and services which the market fails to do.

23. India opted for fixed economic structure due to which of the following reasons?

- (a) Lack of capital with private sector
- (b) Government was not able to take all its decisions on its own
- (c) Private sector is motivated by profit maximisation only
- (d) All of the above

24. In a market economy, central problem is dealt by

- (a) market forces of demand and supply
- (b) planning by capitalist
- (c) invisible hands
- (d) Both (a) and (c)

25. (Mixed/Capitalist) type of economy is considered to maximise welfare of all sections of the society.
26. Laissez-faire is a feature of (capitalist/socialist) economy.
27. People's Republic of China was established in

Short Answer Type I Questions

(3 Marks)

28. Why is rural development important? What are the two issues involved in such development?
29. There are two major sources of human capital in a country. Do you agree? Discuss.
Or Explain briefly any three social effects of unemployment in India.

Short Answer Type II Questions

(4 Marks)

30. Briefly state the objectives of demonetisation.
Or Briefly discuss the major factors responsible for the growth of tertiary sector in India.
31. What are the problems related to human capital formation in India?
32. Compare the development experience of India, with China and Pakistan with reference to Gross Domestic Product of these countries.

Long Answer Type Questions

(6 Marks)

33. "Opportunity costs of negative environmental impact are high." Comment.
34. Briefly discuss the various problems of Human Capital Formation in India.
Or Briefly discuss the various measures adopted by the government to improve the system of agricultural marketing.