

D.A.V. INSTITUTIONS, CHHATTISGARH
PRACTICE PAPER -1
CLASS: XII
SUBJECT: ECONOMICS

TIME: 3 HOURS

MAX 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 of 1 mark each.

3. This paper contains 4 Short Answer Questions of 3 marks each to be answered in 60 to 80 words.

4. This paper contains 6 Short Answer Questions of 4 marks each to be answered in 80 to 100 words.

5. This paper contains 4 Long Answer Questions of 6 marks each to be answered in 100 to 150

SECTION A – MACRO ECONOMICS

1. Which of the following component(s) is/are not included in money supply?

- (a) Stock of gold with RBI
(b) Currency with private individuals
(c) Currency with business firms
(d) All of these

2. Suppose that the Balance of Trade (BoT) of a nation, exhibits a surplus of `30,000 crores. The import of merchandise of the nation is half of the exports of merchandise to the rest of the world. The value of exports would be ` _____ crores.

- (a) 90,000 (b) 60,000 (c) 15,000 (d) 22,500

OR

The transactions recorded in the current account of BoP are:

- (a) Export and import of services
(b) Transfers from and to abroad
(c) Export and import of goods
(d) All of these

3. Demand deposits include:

- (a) Saving account deposits and current account deposits
(b) Saving account deposits and fixed deposits
(c) Current account deposits and fixed deposits
(d) All types of deposits

4. Which bank in India is the controller of credit?

- (a) Axis bank
(b) State Bank of India
(c) Reserve Bank of India
(d) Punjab National Bank

5. Read the following statements carefully:

Statement 1: Money is defined as anything that is generally accepted as a medium of exchange and at the same time acts as a measure and a store of value.

Statement 2: Money supply is stock of money in circulation in the country, at a particular point of time.

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

- (a) Statement 1 is false and statement 2 is true
- (b) Statement 1 is true and statement 2 is false
- (c) Both statements 1 and 2 are false
- (d) Both statements 1 and 2 are true

6. Goods purchased for _____purpose(s) are final goods.

- (a) investment
- (b) satisfaction of wants
- (c) Both (a) and (b)
- (d) None of these

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

Assertion (A): A country always tries to balance the BoP, i.e., balance in current account equals to balance in capital account.

Reason (R): Balanced BoP indicates stable economic relations with rest of the world.

Alternatives:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (c) Assertion (A) is false but Reason (R) is true
- (d) Assertion (A) is true but Reason (R) is false

8. Read the following statements carefully:

Statement 1: Balance of Payments is a systematic record of all economic transactions that take place between one

country and the rest of the world during a given period (say a year).

Statement 2: Balance of Trade is the difference between the value of goods exported and value of goods imported in a given year.

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

- (a) Statement 1 is false and statement 2 is true
- (b) Statement 1 is true and statement 2 is false
- (c) Both statements 1 and 2 are false
- (d) Both statements 1 and 2 are true

9. Read the following statements carefully:

Statement 1: Commercial banks are the financial institutions who accept deposits from the public and advance loans to others.

Statement 2: Reserve Bank of India is the sole authority for issuing currency notes in India.

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

- (a) Statement 1 is false and statement 2 is true
- (b) Statement 1 is true and statement 2 is false
- (c) Both statements 1 and 2 are false
- (d) Both statements 1 and 2 are true

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

Assertion (A): Central bank as a banker to the government, works as a custodian of cash reserves.

Reason (R): The central bank acts as a clearing house for transfer and settlement of mutual claims of commercial banks.

Alternatives:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (c) Assertion (A) is false but Reason (R) is true
- (d) Assertion (A) is true but Reason (R) is false

OR

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

Assertion (A): Banks charge a higher interest rate on loans than what they offer on deposits.

Reason (R): The difference between what is charged from borrowers and what is paid to depositors is the main source of income of the banks.

Alternatives:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (c) Assertion (A) is false but Reason (R) is true
- (d) Assertion (A) is true but Reason (R) is false

Short Answer Questions (Q11 to Q12)

3X2 = 6

11. "Indian Rupee (₹) plunged to all time low of ₹80.10 against the US Dollar (\$)." —The Economic Times
In the light of the above report, discuss the impact of the situation on Indian imports.

12. Government is incurring expenditure on "Child immunisation programme". Does the given statement mean that welfare of the people of India will increase along with increase in its GDP. Comment with reason.

OR

Calculate net value added at factor cost from the following:

	(₹ in lakhs)
(i) Net factor income from abroad	30
(ii) Sales	3,500
(iii) Purchase of intermediate goods	2,000
(iv) Consumption of fixed capital	500
(v) Exports	400
(vi) Indirect taxes	350
(vii) Change in stock	50

Short Answer Questions (Q13 to Q15)

4 x 3 = 12

13. State whether the following statements are true or false. Give reason for your answer.

- (a) When MPC is greater than MPS, the value of investment multiplier will be greater than 5.
- (b) The value of MPS can never be negative.

14. Read the following text carefully and discuss briefly any two tools of correcting the situation of deflation/recession in the economy.

The Reserve Bank of India (RBI) cuts Repo Rate to 4.4%, the lowest in at least 15 years. Also, it reduced the Cash Reserve Ratio (CRR) maintained by the banks for the first time in over seven years. CRR for all banks was cut by 100 basis points to release ₹1.37 lakh crores across the banking system. RBI governor Dr. Shakti kanta Das predicted a big global recession and said India will not be immune. It all depends how India responds to the situation. Aggregate demand may weaken and ease core inflation.

--The Economic Times; March 27th, 2020

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

OR

Explain the role of margin requirements in dealing with the problem of excess demand.

Long Answer Questions (Q16 to Q17)

6 X2 = 12

16. (a) Calculate GNP_{fc} from the given data:

	(₹ in crores)
(i) Indirect tax	50
(ii) Consumption of fixed capital	60
(iii) Net factor income received from abroad	(—) 10
(iv) NDP _{FC}	120
(v) Net current transfers paid to rest of the world	30
(vi) Subsidies	25

(b) “Non-monetary exchanges are not included in the estimation of National Income.” Do you agree with the above statement? Give reasons.

OR

a) Explain the ‘mixed income of self-employed’ with the help of a suitable example.

(b) Find net value added at factor cost: (₹ in lakhs)

	(₹ in lakhs)
(i) Durable use producer goods with a life span of 10 years	10
(ii) Single use producer goods	5
(iii) Sales	20
(iv) Unsold output produced during the year	2
(v) Taxes on production	1

17. Define Credit Multiplier. What role does it play in determining the credit creation power of the banking system? Use a numerical illustration to explain.

SECTION B-INDIAN ECONOMIC DEVELOPMENT

Multiple Choice Questions (Q18 to Q27)

1 x 10=10

18. _____ are the institutional sources of agricultural credit.

(a) Commercial Banks

(b) Cooperative Credit Societies

(c) Both (a) and (b)

(d) Neither (a) nor (b)

19. Demonetisation is the _____ policy wherein the legal status of a currency unit is cancelled and new one comes into circulation.

(a) Legal

(b) Social

(c) Political

(d) Economic

OR

The Britishers introduced the railways in:

(a) 1860

(b) 1850

(c) 1880

(d) 1870

20. _____ campaign aimed at industrialising the China on a large scale.

(a) Great Proletarian Cultural Revolution

(b) Commune System

(c) Great Leap Forward

(d) None of these

OR

Which of the following countries initiated its process of economic reforms in the year 1991?

(a) Russia

(b) China

(c) Pakistan

(d) India

21. Arrange the following events of Pakistan in chronological order and choose the correct alternative:

(i) Nationalisation of Capital goods

(ii) First Five-Year Plan

(iii) Fertility Rate in Pakistan was 3.7

(iv) Agriculture grew at the rate of 4%

Choose the correct alternative:

(a) (iv), (ii), (i), (iii)

(b) (iv), (i), (ii), (iii)

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

(d) (ii), (i), (iv), (iii)

22. Read the following statements carefully:

Statement 1: National Bank for Agriculture and Rural Development (NABARD) is the apex body which coordinates the functioning of different financial institutions working for expansion of rural credit.

Statement 2: National Bank for Agriculture and Rural Development (NABARD) was established on 12th July 1982. In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is false and statement 2 is true

(b) Statement 1 is true and statement 2 is false

(c) Both statements 1 and 2 are false

(d) Both statements 1 and 2 are true

23. Read the following statements carefully:

Statement 1: The emergence of Self-Help Groups (SHGs) ensured the reduction in the fissures of the formal credit system.

Statement 2: The borrowings from SHGs mainly confined to consumption purposes by its members.

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

(a) Statement 1 is false and statement 2 is true

(b) Statement 1 is true and statement 2 is false

(c) Both statements 1 and 2 are false

(d) Both statements 1 and 2 are true

29. "Industrial Policy Resolution of 1956 (IPR 1956) formed the basis of the Second Five Year Plan." Elaborate.

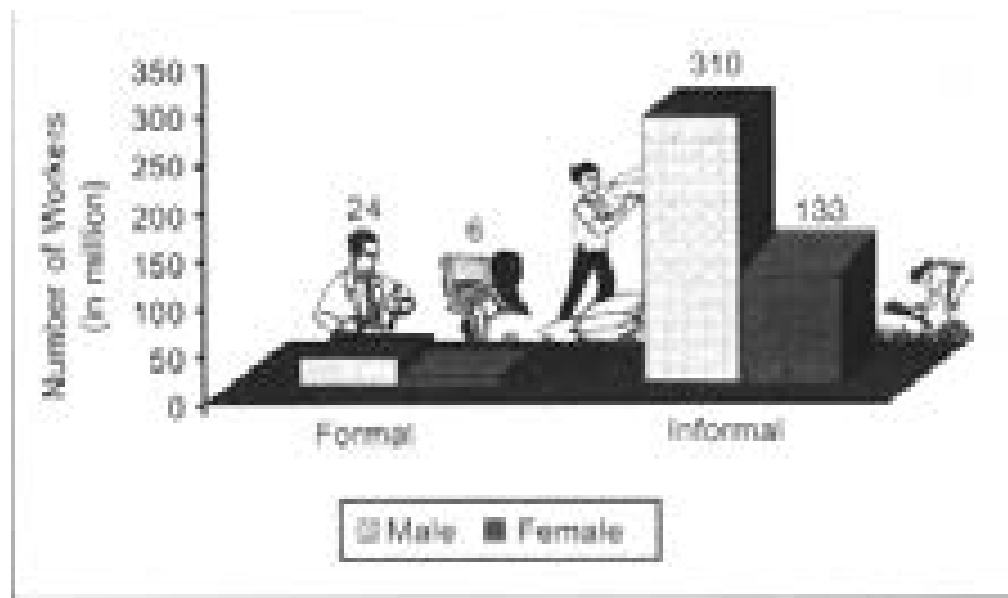
OR

Explain the two forms of protection from imports.

Short Answer Questions (Q30 to Q32)

4 X 3 = 12

30. Interpret the given chart in context of Employment as per 2011-12



31. Explain the focus of the economic policies pursued by the colonial government in India. Analyse the impact of these policies.

OR

How did the government ensure that the small farmers also benefit from the Green Revolution as the rich farmers?

32. Study the following table showing distribution by workforce by Industry, 2011-12 and analyse the trend of the workforce on the basis of industry and residence.

Distribution of Workforce by Industry, 2011-12

<u>Industrial Category</u>	<u>Place of Residence</u>	
	<i>Rural</i>	<i>Urban</i>
Primary Sector	64.1	6.7
Secondary Sector	20.4	35.0
Tertiary Sector	15.5	58.3
Total	100.0	100.0

Long Answer Questions (Q33 to Q34)

6 X2 = 12

33. “Micro-credit programmes are playing vital role in meeting credit requirements of the poor.” Elaborate.

OR

Explain the principal role of human capital formation in accelerating the rate of economic growth.

34. Read the following text carefully and answer the given questions on the basis of the same and common understanding:

Special Economic Zones (SEZs) are intended to function as zones of rapid economic growth by using tax and business incentives to attract foreign investment and technology. The first four special economic zones were created in 1980 in southeastern coastal China and consisted of what were then the small cities of Shenzhen, Zhuhai, and Shantou in Guangdong province and Xiamen (Amoy) in Fujian province. In these areas, local governments have been allowed to offer tax incentives to foreign investors and to develop their own infrastructure without the approval of the central government. Business enterprises have made most of their own investment, production and marketing decisions, and foreign ownership of such ventures has been legalised. Though some of them began as little more than small towns, the new SEZs soon attracted foreign investment and became boom towns, with rapidly expanding light and consumer goods industries and growing population. Encouraged by the zones’ success, the Chinese government in 1984 opened 14 larger and older cities along the coast to foreign trade and investment. In 1988, Hainan Island was made a separate province and a special economic zone, and in 1990 the Pudong area within the Shanghai municipality became a special economic zone with policies even more flexible than those already in force in the original four Special Economic Zones (SEZs).

(a) What are Special Economic Zones (SEZs)? Name any two cities in which special economic zones were started in China in 1980.

(b) When were economic reforms initiated in China? What autonomy was given to local government for motivating foreign investors in China under Special Economic Zones?
