



# APEEJAY SCHOOL, PANCHSHEEL PARK

Class – XII  
SUBJECT – ECONOMICS  
PREBOARD EXAMINATION II (2023-24)

Name of the student:

Date:

Time Allowed:

M.M. 80

General Instructions: (Please take the standard language from class X/XII board papers)

- This question paper contains two sections:  
Section A – Macro Economics  
Section B – Indian Economic Development
- This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
- This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
- This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
- This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

## SECTION A – MACROECONOMICS

- Read the following statements carefully and choose the correct option. 1  
Statement 1: As income increases, consumption expenditure does not increase at the same rate as income.  
Statement 2: Marginal propensity to consume increases always with successive increase in the level of income.  
a) Statement 1 is true and statement 2 is false  
b) Statement 1 is false and statement 2 is true  
c) Both statements are true  
d) Both statements are false
- During pandemic situation India's forex reserves has increased to US \$537.54 billions as on 21/08/20.  
This addition to forex reserves is listed under \_\_\_\_\_ and implies \_\_\_\_\_ entries. 1  
a) Credit, positive  
b) Debit, negative side  
c) Credit, negative  
d) Debit, credit
- What is LRR if initial deposit of Rs 1200 crore leads to creation of total deposits of Rs 6000 crore. 1  
a) 20%    b) 5%    c) 4%    d) 25%



4. Read the statements carefully and choose the correct option  
 Statement 1: Increase in foreign investment in India will lead to fall in exchange rate  
 Statement 2: When Indians lending abroad increases, foreign exchange rate increases.
- Statement 1 is true and statement 2 is false
  - Statement 1 is false and statement 2 is true
  - Both statements are true
  - Both statements are false

5. Read the statements carefully and choose the correct option  
 Statement 1: Payment of interest by an individual to a bank is included in National income.  
 Statement 2: Income from exports is a part of net factor income from abroad.
- Statement 1 is true and statement 2 is false
  - Statement 1 is false and statement 2 is true
  - Both statements are true
  - Both statements are false

OR

Statement 1: Interest on national debt is included while estimating national income.

Statement 2: Remittances by the NRIs are a part of our national income

- Statement 1 is true and statement 2 is false
  - Statement 1 is false and statement 2 is true
  - Both statements are true
  - Both statements are false
6. If in an economy, the value of investment multiplier is 4 and autonomous consumption is ₹ 30 Crore, the relevant consumption function would be
- $C = 30 + 0.75 Y$
  - $C = (-)30 + 0.25 Y$
  - $C = 30 - 0.75 Y$
  - $C = 30 - 0.25 Y$

$$M = \frac{1}{K} = \frac{1}{4} = MPS = 0.25$$

7. If income is Rs 1000 and consumption expenditure is Rs 1200, what is APS?
- 1.2
  - 0.2
  - 0.2
  - 1.2

$$APS = \frac{12}{10} = 1.2$$

8. The impact of excess demand under Keynesian theory of income and employment, in an economy are:
- Decrease in income, output, employment and general price level
  - Decrease in nominal income, but no change in real output
  - Increase in income, output, employment and general price level
  - No change in output/employment but increased in general price level.

$$APS = 1.2$$

9. Suppose following data is related to an imaginary economy (Rs. Crores), what is the total credit?!

Imports of goods	800	Capital payments	70
Capital receipts	200	Transfer payments from rest of world	100
Export of services	150	Transfer payments to rest of world	80
Export of goods	550	Import of services	50

- 1000
- 0
- 500
- 200



10. Read the following statement -Assertion (A) and Reason (R). Choose one of the correct alternatives given below: 1

Assertion (A): According to classical school, demand creates its supply.

Reason (R): Wage rate and price of the commodity are flexible according to the classical school.

Alternatives:

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

OR

Read the following statement -Assertion (A) and Reason (R). Choose one of the correct alternatives given below 1

Assertion : Real income can be more than nominal income.

Reason: When prices in current year fall, nominal income falls.

- Both Assertion and reason are true and reason is correct explanation of assertion.
- Assertion and reason both are true but reason is not the correct explanation of assertion.
- Assertion is true, reason is false.
- Assertion is false, reason is true.

11. Calculate value added by firm A and firm B. 3

Particulars	Rs crores
Domestic sales by firm A <span style="margin-left: 20px;">} +</span>	4000
Exports by firm A <span style="margin-left: 20px;">} f</span>	1000
Purchase by firm A <span style="margin-left: 20px;">-</span>	1200
Sales by firm B <span style="margin-left: 20px;">+</span>	2940
Purchase by firm B <span style="margin-left: 20px;">-</span>	1800
Exports by firm B <span style="margin-left: 20px;">} f</span>	1300

12. Rupee gains 17 paise to close at 81.11 against US dollar (Nov 15, 2022). Which exchange rate referred to here? How is it determined? Use diagram. 3

OR

Given below are the movements of foreign exchange rates (US dollar to Indian Rupee)

Date	USD	INR
Feb 1, 2022	1	74.76
Dec 10, 2022	1	82.41

Observe the given trends in the Foreign Exchange rate and answer the following

- What is happening to INR when compared with USD? 1
- What could be the impact on the balance of payment of India? 1
- Analyse how this change will impact an IT professional stationed in India and working for a US company and is paid in dollars 1



13. An increase of Rs 250 crores in investment in an economy resulted in total increase in Rs 1000 crores. Calculate

- i. MPC  $1 - 0.25 = 0.75$
- ii. Change in savings 250
- iii. Change in consumption expenditure 750
- iv. Value of multiplier  $K = \frac{1000}{250} = 4$  |  $K = \frac{1}{MPS} = \frac{1}{0.25} = 4$

14. The Reserve Bank of India (RBI) raised key repo rate by 50 basis points to 4.90 per cent. The RBI Governor said that the rates have been increased on the back of inflationary pressures and higher supply shocks. (June 2022)

- i. What is the function of RBI mentioned here? 1
- ii. What is Repo rate? How does it correct inflation? 1+2  
*Bank loan rate to comm Bank*

15. Write the linear saving function. Explain its components. Show graphically. 1+2+1

OR

What is break-even point? What is the value of savings at that point? Show graphically using the consumption curve.

16. a) Define externalities. Give an example of negative externality. What is its impact on welfare? (3+3)  
b) Calculate Net Domestic Product at market price from the following data  $NDP_{MP} = ?$

Particulars	Rs In crores
Wages and salaries	500
Net capital formation	100
Exports	50
Imports	60
Gross capital formation	120
Employer's contribution to social security schemes	20
Net factor income from abroad	-10
Rent and Interest	250
Profit	400
Indirect taxes	50
Subsidies	10

*Expenditure GDP<sub>MP</sub> = C + G<sub>out</sub> + G<sub>CF</sub> + Net exp.*

*Income → NDP<sub>FC</sub> COM*  
*COE OS MS.*  
*↳ wages ↳ Rent*  
*↳ emp contrib ↳ Profit*  
*↳ Royalty*



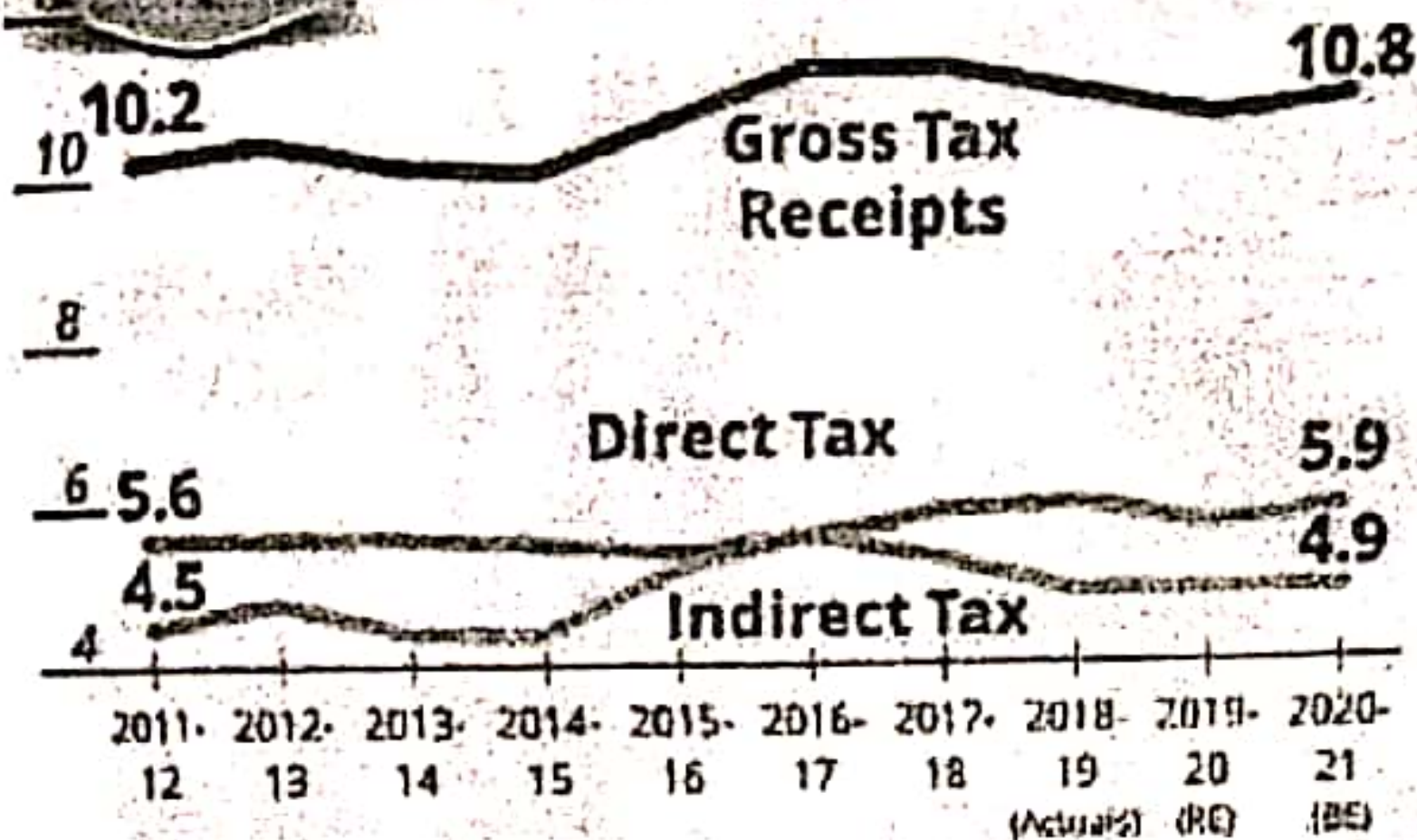


# TRENDS IN TAX RECEIPTS



% of GDP

www.taxguru.in



- Distinguish between direct and indirect tax. What is the trend that you observe from the graph depicted above. 4
- What is the other component under revenue receipt other than the tax revenues? Explain any one subdivision that fall under that category. *Non tax → fines* 2

OR

What are the components of capital receipts? Categorise them into debt creating and non debt creating receipts. 3

Explain any two objectives of a budget. 3

## SECTION B: INDIAN ECONOMIC DEVELOPMENT

- Which of the following is not a feature of colonial India? 1
  - India moved from the 1<sup>st</sup> stage of demographic transition to 2<sup>nd</sup> stage
  - The largest share of the workforce was in the agricultural sector
  - More than half of India's foreign trade was with Britain
  - India was an exporter of finished consumer goods
- Import substitution involves 1
  - Replacing imports with domestic production
  - Protection of domestic industries from foreign competition
  - Imposing tariffs and quotas
  - All of the above
- Arrange the following events in China in the chronological order. 1
  - Cultural Revolution was introduced
  - Great Leap forward was initiated *1955*
  - Introduction of Reforms
  - Covid outbreak
  - i, ii, iii, iv
  - ii, i, iii, iv
  - iii, ii, i, iv
  - ii, iii, i, iv



Which of the following is not a part of development experience of Pakistan

- a) Political instability
- b) Over dependence on remittances from Middle East
- c) ~~Unstable agricultural production~~
- d) Collectivisation of agricultural land

21. Growth in rural marketing includes

- a) Improvement in infrastructure
- b) Regulation of markets
- c) ~~MSP policy~~
- d) All of the above

22. Match the following

Country	HDI rank
A. India	<del>i. 81</del>
B. China	<del>ii. 131</del>
C. Pakistan	<del>iii. 154</del>

- a) ~~A - i, B - ii, C - iii~~
- b) A - ii, B - i, C - iii
- c) A - iii, B - i, C - ii
- d) A - ii, B - iii, C - i

23. Read the following statements carefully.

Statement 1: Empirical evidence to prove that increase in human capital causes economic growth is rather nebulous.

Statement 2: Education measured in terms of years of schooling or teacher pupil ratio may not reflect the quality of education.

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

- 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

24. Read the following statements carefully.

Statement 1: In China, Pakistan and India, the service sector is emerging as a major player of development.

Statement 2: In all these three countries, they first shifted their employment and output from agriculture to Industry and then to services.

- 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

25. Carbon dioxide and flyash are produced when power is generated through

- a) Hydroelectric power
- b) Thermal power
- c) Wind power
- d) Solar Power



6. Read the following statements -Assertion (A) and Reason (R). Choose one of the correct alternatives given below: 1

Assertion (A): Over the last four decades people have moved from self employment and regular salaried employment to casual wage work in India.

Reason (R): Self employment continues to be the major employment provider in India

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

Assertion(A) Self Help groups have emerged to fill the gap in the formal credit system. 1  
Reason (R) Self help groups have helped in the empowerment of women.

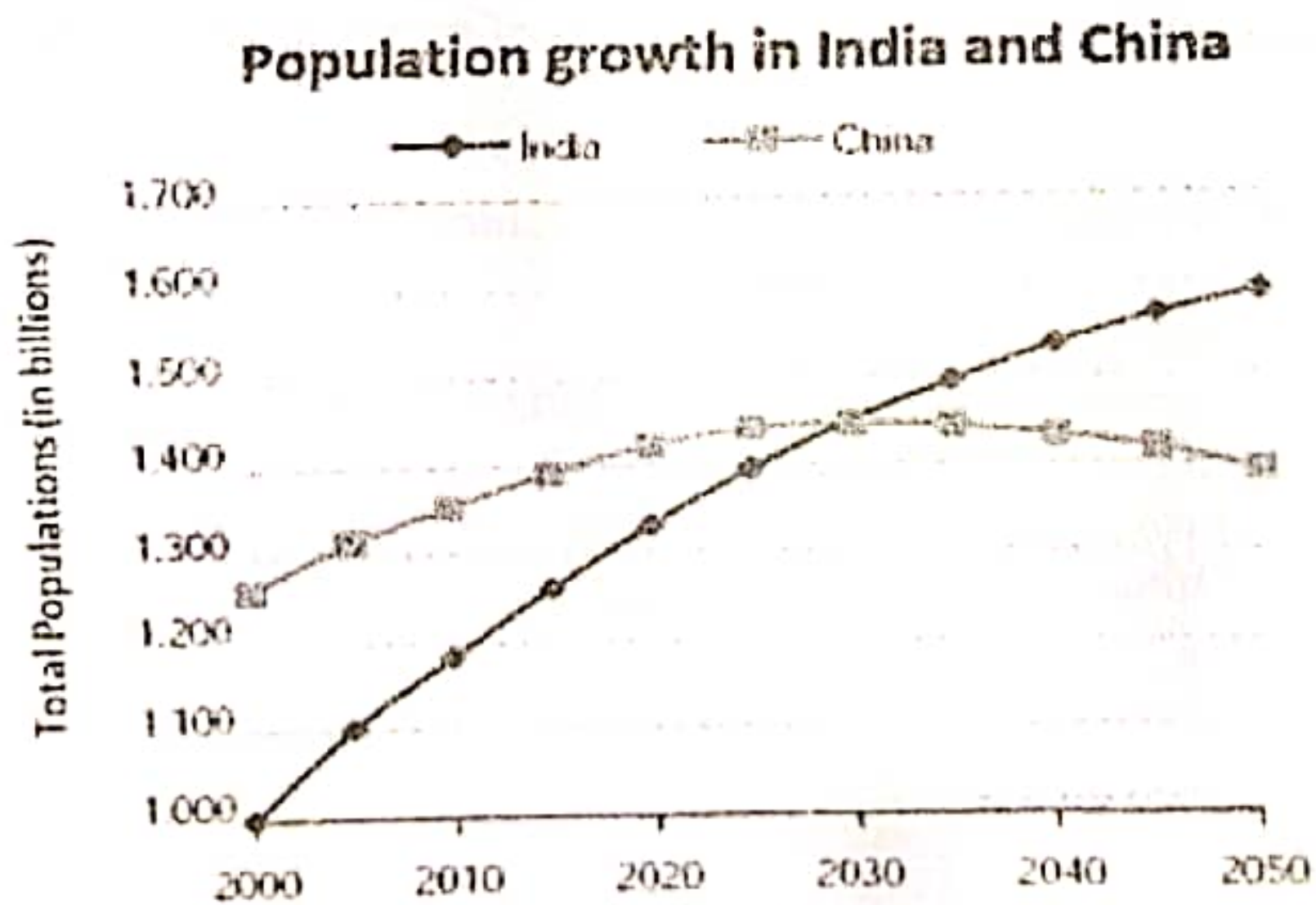
Alternatives:

- 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.

27. Population density is lowest in \_\_\_\_\_ 1

- a) Pakistan
- b) China
- c) India
- d) Both Pakistan and china

28. Refer to the graph below and explain the information presented in the graph and the repercussions of the same in India. 3



Source: UN Population Division: Medium variant



29. How have Union and State Governments played an important role in generating employment in India? 3

**OR**

Explain any three measures that were initiated in India to improve the aspects of marketing in the agricultural sector.

30. Of the total two-way trade in 2021, India imported goods worth \$97.5 bn. from China, while it could export only \$28.1 billion worth goods to China, putting India's trade deficit at \$69 bn, which was narrowing steadily for three years until 2019, only to rise again with the advent of the pandemic.

India's well-known pharmaceutical industry is still heavily dependent on Chinese supplies of active pharmaceutical ingredients (APIs), as nearly 70 per cent of them are imported from China, including the ones for making several life-saving drugs. Similarly, Indian automobile sector relies on Chinese imports for mechanical components and machinery goods. While China-made finished goods such as electronic gadgets, toys, and cheap plastic products continue to dominate Indian markets for several years now, India's major exports to China happens to be intermediate goods such as iron ore, cotton, seafood, and raw material items.

Indian exports, particularly of finished goods, are constrained by a narrower kit of items to offer and there is a lack of market access in China for those sectors in which India has comparative advantage such as pharmaceuticals, agro products, and information technology. However, Indian exports to China have also registered a record rise last year, moving up from the noted fall of 2020, owing to the industrial contraction caused by the pandemic. While China is India's second-largest trading partner, behind the United States, India is only China's 15<sup>th</sup> largest trading partner as Chinese customs data for 2021 show.

While India chose to stay away from world's biggest free trade agreement, the *China-led Regional Comprehensive Economic Partnership (RCEP)*, which entered into force earlier this year, owing to the fear of an unrestricted dumping of Chinese goods and the prospect of an unprepared competition challenge for India's domestic producers from the grouping's members, China went ahead with doubling down its trade ties with the ten ASEAN countries, along with India's two Quad partners – Japan and Australia – present in the grouping, of which most members have one problem or the other with China.

(Bejoy Sebastian Decoding India's paradoxical trade ties with China 2022)

- |      |  |   |
|------|--|---|
| i.   | What is the trade deficit of India with China?   | 1 |
| ii.  | What are the main sectors where India is dependent on China for its raw materials?                                 | 1 |
| iii. | What is the reason for India not signing the RCEP?   | 1 |
| iv.  | Analyse the significance of programmes like Self-Reliant India Mission in the context of India's trade with China. | 1 |



What were the main industrial policies that were adopted during post-independence period? 4

OR

What were the main agricultural reforms that were initiated during post-independence period? 4

2. Prioritizing amongst the competing ends for the government treasury is a big challenge for a developing country like India. Poverty eradication, health and other crucial social needs compete with education and create fiscal pressures. Giving four reasons, explain the need for government intervention in the education sector. 4

3.33.

a) What are the two aspects related to diversification in the agricultural activities? 1

b) Sri Lanka has been the unfortunate nation to experience the painful ill-effects of adopting organic farming in a hurry. Food would have not been in the list of shortage items for Sri Lanka had the President Gotabaya Rajapaksa not announced a rapid transition to organic farming by abruptly stopping import of chemical fertilisers and agrochemicals in April 2021.

i. Analyze the pros and cons of organic farming citing one pro and con each. 3

ii. Complete switch to organic farming is not a practical option for India. Defend or refute. 2

OR

Analyse the data and answer the questions given below.

#### National Averages

	Literate Population 2011	Literacy Rate 2011	Literacy Rate 2021
Persons	763,498,517	72.99%	77.70%
Males	434,683,779	80.89%	84.70%
Females	328,814,738	64.64%	70.30%

Source: National Family Health Survey (NFHS-5) & National Statistical Office (NSO) data

#### States' Comparison

State	Male	Female	Average
Kerala	97.4	95.2	96.2
Andhra Pradesh	73.4	59.5	66.4

i. Based on the above data, analyse the educational achievement in India and also discuss the major challenges in Indian education sector. 4

ii. Suggest any two measures to improve the situation. 2



34. Read the following passage and answer the questions below.

India, it seems, is on the verge of its most ambitious privatisation drive ever. In the Union Budget for 2021-22, Finance Minister Nirmala Sitharaman announced that outside four strategic sectors, public sector units (PSUs) in the non-strategic sectors would be privatised or closed. In the strategic sectors themselves a bare minimum of PSUs will be present.

We have not been told the time frame for implementation of this policy. The expression being used is 'privatisation', not 'disinvestment', which is the sale of minority stakes in PSUs. The change in lexicon has been widely noted. The government's privatisation programme has the support of much of the intellectual community. Several economists have been urging the government for years to step up privatisation, most recently at a meeting with the prime minister in early January.

The government has, however, not articulated the case for privatisation at any length. The *Economic Survey* of 2019-20 highlighted the efficiency gains from privatisation. In recent months, economists have said that the government needs to increase investment in infrastructure and, in the present fiscal situation, the necessary resources can come only from privatisation.

(TT RamMohan, The India Forum , 2021)

- i. What is the difference between disinvestment and privatization? (2)
- ii. What is the change in policy that can be observed from the time of independence till date with respect to the role of public sector? (2)
- iii. Critically analyse the concept of privatization citing any one merit and demerit of privatisation. (2)