



विद्या सर्वार्थ साधिका

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PERIODIC TEST- 2

Class : XII

Subject : Economics (030)

Date : 27-09-2024

M.M : 80

Time : 3 hours

General Instructions:

- This question paper contains two sections:
Section A – Macro Economics
Section B – Indian Economic Development
- This paper contains 30 Multiple Choice Questions/ Very Short Answer Questions of 1 mark each.
- This paper contains 6 Short Answer Questions of 3 marks each to be answered in 60 to 80 words.
- This paper contains 5 Short Answer Questions of 4 marks each to be answered in 80 to 100 words.
- This paper contains 2 Long Answer Questions of 6 marks each to be answered in 100 to 150 words.

SECTION A: MACRO ECONOMICS

- When Nominal Gross Domestic Product (GDP) is ₹ 840 crores and price index is 120, then the Real Gross Domestic Product (GDP) will be _____. (1)

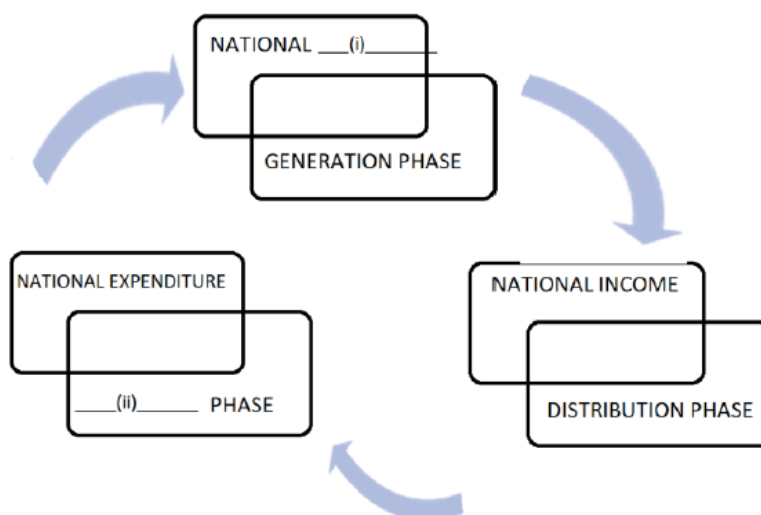
(A) ₹ 700 crores (B) ₹ 900 crores (C) ₹ 800 crores (D) ₹ 500 crores

- From the given table, identify the level of income, where Average Propensity to Save (APS) becomes zero. (1)

Income (₹ in crores)	0	50	100	200	300	400
Consumption (₹ in crores)	50	75	100	150	200	250

(A) 50 (B) 100 (C) 200 (D) 0

- Read the following figure carefully and choose the correct pair from the alternatives given below: (1)



- (A) Output, Production (B) Value added, Production
(C) Output, Disposition (D) Wealth, Development

- Which of the following are covered under the domestic territory of India? (1)

(A) State Bank of India in London (B) Google office in India
(C) Office of Tata Motors in Australia (D) Russian Embassy in India.

5. **Statement 1:** The consumption curve is an upward sloping straight line curve due to the direct relationship between income and consumption. (1)
Statement 2: Aggregate Demand curve and Consumption curve are parallel to each other.
 (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
6. If in an economy, the initial deposit is ₹ 4,000 crores and Reserve Ratio is 10%. The value of total deposit created would be ₹ _____ crores. (1)
 (A) 4,000 (B) 40,000 (C) 2,000 (D) 20,000
7. Demand Deposits include _____ and _____. (1)
 (i) Saving account deposits (ii) Fixed deposits
 (iii) Current Account Deposits (iv) Post Office Savings
 (A) i and ii (B) ii and iii
 (C) i and iii (D) i and iv
8. National income is the sum of factor incomes accruing to _____. (1)
 (A) Non-Residents (B) Economic Territory
 (C) Residents (D) Domestic Territory
9. As the Marginal Propensity to Save (MPS) increases, the value of the investment multiplier _____ (1)
 (A) increases (B) decreases (C) becomes zero (D) does not change
10. Given an economy with a Consumption Function of $C = 750 + 0.5Y$, where C represents Consumption Expenditure, Y represents National Income and an Investment Expenditure of ₹ 2,300, what would be the Consumption Expenditure at the equilibrium level? (1)
 (A) ₹ 1,400 (B) ₹ 6,100 (C) ₹ 3,050 (D) ₹ 3,800
11. Suppose for a given economy, (1)
 $S = -60 + 0.1Y$
 $I = ₹ 4,000$ crore
 Equilibrium level of Income would be ₹ _____ crores.
 (A) 4,000 (B) 40,000 (C) 40,600 (D) 60,400
12. The value of _____ can be greater than one. (1)
 (A) Marginal Propensity to Consume (B) Average Propensity to Consume
 (C) Marginal Propensity to Save (D) Average Propensity to Save
13. If the value of APS is 0.2 and National Income is ₹ 4,000 crores, then consumption will be ₹ _____ crores. (1)
 (A) 4,000 (B) 3,200 (C) 3,800 (D) 2,600
14. "Machine purchased by a firm is always a capital good." Do you agree with the given statement? Give valid reasons for your answer. (3)
15. "With an objective to reduce inflation, Reserve Bank of India may promote the commercial banks to park their surplus funds with it." (3)
 Discuss the rationale behind the step taken by the Reserve Bank of India.

16. From the following data calculate Investment Multiplier and Equilibrium level of Income in the economy. (3)
- (i) Change in initial investment (ΔI) = ₹ 1,000 crores
 - (ii) Marginal Propensity to Save (MPS) = 0.5
 - (iii) Autonomous Consumption (\bar{c}) = ₹ 50 crores
 - (iv) Planned Investment = ₹ 50 crores
17. How should the following be treated in the estimation of National Income of a country? Give valid reasons. (4)
- (a) Profits earned by Foreign Banks in India.
 - (b) Purchase of a truck to carry goods by a production unit.
 - (c) Expenditure by Government on providing free educational services.
 - (d) Financial aid received from abroad after a Cyclone.
18. How does an initial increase in investment affect the level of final income of the economy? Show its working with a suitable numerical example. (4)
19. Read the given newspaper article carefully and answer the following questions:
- RBI may hold rate yet again to focus on inflation management, say experts
- The RBI may again keep the key interest rate unchanged in April as it is likely to focus more on bringing down inflation to the 4 per cent target after concerns over economic growth abated with GDP growth estimated at nearly 8 per cent, said experts. Also, the Reserve Bank's rate-setting panel - Monetary Policy Committee (MPC) - may take cues from the central banks of some major economies like the US and UK, which are apparently in wait-and-watch mode on interest rate cuts.
- The Reserve Bank last hiked the repo rate to 6.5 per cent in February 2023 and since then it has held the rate at the same level in its last six bi-monthly policies.
- "Given that inflation is still in the 5 per cent range and there is a possibility of future shocks on the food inflation front, the MPC is expected to maintain the status quo on rate and stance this time," said Madan Sabnavis, Chief Economist, Bank of Baroda.
- Nitin Gupta, Secretary, CREDAI NCR, said he is hopeful for a reduction in the repo rate, even if marginal, as it would lead to a decrease in interest rates for home loans, consequently stimulating growth in the affordable housing segment.
- "With proactive measures, we trust the RBI to chart a course that empowers both builders and buyers, fostering a resilient real estate ecosystem that contributes significantly to the nation's economic prosperity aligned with the government's vision of Housing for All," he said.
- The government has mandated the RBI to ensure the consumer price index (CPI) based inflation remains at 4 per cent with a margin of 2 per cent on either side.
- Source: <https://economictimes.indiatimes.com/news/economy/policy/rbi-may-hold-rate-yet-again-to-focus-on-inflation-management-say-experts/articleshow/108915710.cms?from=mdr>
(Mar 31, 2024)
- (a) 'The Reserve Bank last hiked the repo rate to 6.5 per cent in February 2023.' The increase in the repo rate leads to controlling _____. (inflation/ deflation) (1)
 - (b) 'Nitin Gupta, Secretary, CREDAI NCR, said he is hopeful for a reduction in the repo rate.' Reduction in the repo rate and bank rate leads to _____ in aggregate demand. (decrease/ increase/ no change) (1)
 - (c) Other than the repo rate, mention any four quantitative instruments, which are used by the RBI to control money supply. (2)

20. (a) From the following data calculate the value of Domestic Income: (3)

Sr. No.	Particulars	` in crores
(i)	Compensation of Employees	2,000
(ii)	Rent and Interest	800
(iii)	Indirect Taxes	120
(iv)	Corporate Tax	460
(v)	Consumption of Fixed Capital	100
(vi)	Subsidies	20
(vii)	Dividend	940
(viii)	Undistributed Profits	300
(ix)	Net Factor Income from Abroad	150
(x)	Mixed Income of Self Employed	200

- (b) Estimate the value of Net National Product at Factor Cost (NNP_{FC}), using the following information: (3)

Sr. No.	Particulars	` in crores
(i)	Household Consumption Expenditure	1,200
(ii)	Business Fixed Investment Expenditure	800
(iii)	Government Final Consumption Expenditure	500
(iv)	Excess of Imports over Exports	100
(v)	Net Indirect Taxes	150
(vi)	Change in Inventory	(-) 50
(vii)	Consumption of fixed capital	200
(viii)	Net factor income from abroad	80
(ix)	Public fixed investment	70

SECTION B – INDIAN ECONOMIC DEVELOPMENT

In the given questions 21 to 23, there are two statements marked as Assertion (A), and Reason (R). Read the statements and choose the correct option from the following:

- (A) Both (A) and (R) are true and (R) is the correct explanation of (A).
 (B) Both (A) and (R) are true and (R) is not the correct explanation of (A).
 (C) (A) is true, but (R) is false.
 (D) (A) is false, but (R) is true.

21. (A): Since the default rates of farm loans have become chronically high due to multiple reasons, the rural banks are facing a lot of cash crunch. (1)
 (R): Due to lack of proper storage facilities a lot of farm produce is wasted.
22. (A): At the time of Independence, the government had to play an extensive role in promoting the industrial sector. (1)
 (R): Indian industrialists did not have the capital to undertake investment in industrial ventures required for the development of our economy; nor was the market big enough to encourage industrialists to undertake major projects even if they had the capital to do so.
23. (A): During the British colonial rule in India, Britishers built all weather roads extensively to cover the entire nation. (1)
 (R): Roads were built by Britishers primarily to mobilise army and draw out raw materials from countryside to nearest railway station or port to send these to England.

24. The policy aimed at replacing or substituting imports with domestic production is called _____. (1)
- (A) export promotion strategy (B) outward looking trade strategy
(C) inward looking trade strategy (D) export substitution strategy
25. Identify which of the following are associated with the problem of human capital formation in India? (1)
- (i) Brain Drain (ii) Low academic standards
(iii) Rising population (iv) Changes in social outlook
(A) (i), (ii) and (iv) (B) (ii) and (iv) (C) (i), (ii) and (iii) (D) (i) and (iv)
26. In IGST, I stands for _____. (1)
- (A) Intra (B) Integrated (C) Internal (D) International
27. Identify the incorrect statement from the following: (1)
- (A) Diversification in agriculture sector provides sustainable livelihood to rural population.
(B) Diversification includes - change in cropping pattern, shift of workforce from agriculture to other allied activities and non-agriculture sector.
(C) Objective of investment in new agricultural avenues (non-farm activities) increases financial risks for the rural population.
(D) Diversification reduces the proportion of unemployed population in the rural areas to considerable limits.
28. Identify which of the following alternatives indicate towards incorrect components combination of Agricultural marketing system? (1)
- (A) Assembly, Storage, Processing, Packaging
(B) Production, Assembling, Processing, Grading
(C) Assembling, Processing, Packaging, Transportation
(D) Processing, Packaging, Grading, Distribution
29. Which of the following is the CORRECT difference between physical and human capital? (1)
- (A) Physical capital is tangible but human capital is intangible.
(B) Physical capital cannot be separated from its owner while human capital can.
(C) Physical capital provides both private and social benefits while human capital provides only social benefits.
(D) The depreciation of physical capital can be arrested with more investment while human capital will continue to deplete.
30. Which organization is considered as the successor organization to GATT? (1)
- (A) IMF (B) World Bank
(C) NITI Aayog (D) World Trade Organization
31. Savita, a farmer in rural India, is a recipient of a government scheme named _____. This scheme helps her set up a bank account and provides insurance, overdraft and other social security benefits. (1)
- (A) Sansad Adarsh Gram Yojana (B) Jan-Dhan Yojana
(C) Kudumbashree (D) NABARD

32. In 1955, Karve Committee was constituted for aiming the _____. (1)
- (A) Development of Agricultural sector (B) Development of Foreign trade
(C) Development of small scale industries (D) Development of Infrastructure
33. Which of the following statements is false in the context of industrial sector during British rule? (1)
- (A) There was decline in handicraft industries.
(B) The British government promoted capital goods industries.
(C) There was limited area of operation of public sector.
(D) There was low contribution of industries to GDP.
34. A _____ economy is the one in which the means of production are owned, controlled and operated by the private sector. (1)
- (A) Capitalist (B) Socialist (C) Mixed (D) democratic
35. Liberalisation implies _____. (1)
- (A) greater role of public sector.
(B) reduction in government's control over the private sector.
(C) free economy with no controls.
(D) selling off part of the equity of public sector undertakings to the public.
36. _____ markets were organized to protect the farmers from malpractices of traders in mandis. (1)
37. Define marketed surplus. (1)
38. Read, the given Case Study carefully and answer the following questions on the basis of the same and common understanding:
Human capital formation is a dynamic process crucial for economic development and individual prosperity. Beyond understanding salary levels and the relevance of educational offerings, individuals also seek insights into evolving demands of industries and the skills required to stay competitive. This knowledge enables informed decisions about career paths and lifelong learning, facilitating continuous adaptation to market changes. Moreover, investments in acquiring such information contribute significantly to enhancing the quality and efficiency of human capital, thereby fostering innovation and sustainable economic growth. As societies increasingly prioritize knowledge-based economies, the acquisition and utilisation of information pertaining to labour, education and health markets play a pivotal role in shaping human capital outcomes and societal advancement.
- (a) 'This knowledge enables informed decisions about career paths and lifelong learning, facilitating continuous adaptation to market changes.' Which source of human capital formation is highlighted in the above statement? (1)
- (A) Investment on Migration (B) Investment on Health
(C) Investment on Information (D) Investment on On the Job Training.
- (b) Human Capital Formation leads to innovations, inventions and Economic growth of a country. (True/ False) (0.5)
- (c) 'Human Capital and Human Development are the same concepts.' Defend or refute the given statement. (1.5)

39. 'Organic farming is the need of the hour to promote sustainable development but, has its own limitations.' (3)
Elaborate any two advantages and one limitation of organic farming in the light of the above statement.
40. "Dr. Khurana, a dentist, ran his clinic in an economically backward area. He was earning a comparatively low income. So, he decided to move to a city and spent a huge amount for the same." (3)
Identify and explain the type of expenditure incurred by Dr. Khurana, which directly contributed to the process of human capital formation.
41. Read, the following hypothetical Case Study, carefully and answer the following questions on the basis of the same. (4)
Since ages, farmers in India have taken recourse to debt. In the earlier times the same was from informal sources. Since independence with the efforts of the government, formal sector has actively come into picture. Farmers borrow not only to meet their investment needs but also to satisfy their personal needs. Uncertainty of income caused by factors likes crop failure caused by irregular rainfall, reduction in ground water table, locust/other pest attack etc. These reasons push them into the clutches of the private money lenders, who charge exorbitant rates of interest which add to their miseries.
Various governments in India, at different times for different reasons, introduced debt relief/waiver schemes. These schemes are used by governments as a quick means to extricate farmers from their indebtedness, helping to restore their capacity to invest and produce, in short to lessen the miseries of the farmers across India. The costs and benefits of such debt relief schemes are, however, a widely debated topic among economists.
Some economists argue that such schemes are extremely beneficial to the poor and marginalised farmers while others argue that these schemes add to the fiscal burden of the government, others believe that these schemes may develop the expectation of repeated bailouts among farmers which may spoil the credit culture among farmers.
- Uncertainty of income for farmers in India is majorly caused by _____.
(irregular rainfall / unavailability of loans).
 - Some economists argue that debt waiver schemes are extremely beneficial to the poor and marginalised farmers, as these schemes reduce the burden of _____.(indebtedness/ personal expenditures)
 - The rural banking structure in India consists of a set of multi-agency institutions. _____ (Regional Rural Banks / Small Industries Development Bank of India) is expected to dispense credit at cheaper rates for agricultural purposes to farmers.
 - _____ have emerged as an important micro finance system and led to women empowerment.
42. 'Agricultural sector appears to be adversely affected by the reform process.' Justify the statement. (4)
43. (a) "There was huge drain of wealth during British Rule." Justify. (3)
(b) "In India, after 1947 land reforms were introduced on a large scale." (3)
In the light of the given statement, discuss the need for introduction of land reforms in India. Also explain any one such land reform.