

**BUDHA DAL PUBLIC SCHOOL PATIALA**  
**First Term Examination (18 September 2023)**

Class XII (Commerce/Humanities)

Subject - Economics

(Set - A)

Time: 3hrs.

M.M. 80

**GENERAL INSTRUCTIONS:**

1. This question paper contains two sections:  
Section A – Macro Economics  
Section B – Indian Economy
2. Marks are indicated against each question.
3. Calculator is not allowed.

**Part - A (Macro Economics) 40 Marks**

- Q1. Margin requirements are equal to profits of the bank. True or false? (1)
- Q2. Match the following (1)
- |                              |  |
|------------------------------|--|
| A) Money                     | 1. Money value = commodity value                         |
| B) Money as measure of value | 2. Fiduciary money                                       |
| C) Full Bodied money         | 3. Separated act of sale and purchase                    |
| D) Cheques                   | 4. Value of goods & services expressed in terms of money |
- Q3. Inflationary gap is measured as : (1)
- a)  $AD_E + AD_F$     b)  $AD_E - AD_F$     c)  $AD_E \div AD_F$     d)  $AD_E \times AD_F$
- Here  $AD_E \rightarrow AD$  beyond full employment level  
 $AD_F \rightarrow AD$  at full employment level
- Q4. Calculate the slope of S-curve from the following (1)
- |        |             |
|--------|-------------|
| Income | Consumption |
| 100    | 60          |
| 200    | 140         |
- a) 0.2    b) 0.4    c) 0.6    d) 0.8
- Choose one option:
- Q5. Unplanned inventories accumulate when planned investment is less than planned savings : It is true or false. Justify. (1)
- Q6. An economy is in equilibrium. It's data is as given below. Calculate autonomous consumption (1)
- a) Income = 5000    b) MPS = 0.2    c) Investment expenditure = 800
- Q7. Assertion (A) : Repo rate is reduced to correct the situation of deficient demand. (1)  
Reason (R) : When repo rate is reduced, the Commercial Bank raises the market rate of interest.
- a) Both (A) & (R) are true and (R) is the correct explanation of (A).

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- b) Both (A) & (R) are true and (R) is not the correct explanation of (A).  
 c) (A) is true, (R) is false.  
 d) (A) is false, (R) is true.
- Q8. State any two precautions of calculating national income by income method. (1)
- Q9. Out of the following, identify case/ cases which are not the part of factor payments : (1)
- (i) National Debt Interest  
 (ii) Interest paid by Bank  
 (iii) Interest paid by a consumer on loan taken from buying washing machine for his house.  
 (iv) Interest paid by company on loan taken for Bank on buying machine.
- Q10. Name the two ways by which double counting in NY accounting may be avoided. (1)
- Q11. Will you following factor incomes included in domestic factor income of India or not? (3)  
 Give reasons. Write their treatment
- a) Compensation of employees to resident of Japan working in Indian Embassy in Japan.  
 b) Payment of fees to chartered accountant by a firm.  
 c) Rent received by Indian resident from Russian Embassy in India.
- Q12. Money supply is a stock concept. It's variants are  $M_1$ ,  $M_2$ ,  $M_3$  &  $M_4$ . After (3)  
 demonetisation, people deposited the old currency notes into their bank accounts. In  
 demonetisation the legal tender of Rs. 500 & Rs, 1000 notes was cancelled.  
 Answer the following questions:
- a) After demonetization people deposited their currency into Bank Accounts. Will it  
 decrease the money supply or not?  
 b) What is legal tender?  
 c) Why money supply is a stock concept?
- Q13. Explain the following functions of Central Bank (4)
- (i) Banker to Govt.  
 (ii) Custodian of Foreign Exchange Reserves
- Q14. Explain the working of investment multiplier. Use a numerical example. (4)
- Q15. Calculate compensation of employees : (Rs. in lakh) (4)
- |                                |       |
|--------------------------------|-------|
| - Profit after tax             | = 20  |
| - Interest                     | = 45  |
| - $GDP_{mp}$                   | = 200 |
| - GST                          | = 10  |
| - Consumption of fixed capital | = 50  |
| - Rent                         | = 25  |
| - Corporate tax                | = 5   |



- Q16. Explain how the economy will achieve its equilibrium level of income using AD - AS approach. What automatic mechanism takes place if economy is not in equilibrium? (6)
- Q17. What is the difference between Real & Nominal GDP? Which one out of these two is a better indicator of welfare? (6)
- What are the limitations of Real GDP as a welfare indicator?

### Part - B (Indian Economy) 40 Marks

- Q1. The British rule in India coincided with \_\_\_\_\_ revolution in Britain. (Agriculture/ Industrial) (1)
- Q2. Population census was first conducted under the British rule in 1883. True/false. (1)
- Q3. Tata iron and steel company was incorporated in \_\_\_\_\_. (1)
- Q4. The first railway bridge linking Bombay and Thane was built in \_\_\_\_\_. (1)
- Q5. The architect of Indian Planning was (1)
- a) Jawahar Lal Nehru                      b) P.C. Mahalanobis
- c) Sardar Vallabh Bhai Patel          d) B.R. Ambedkar
- Q6. Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below: (1)
- Assertion (A):** Leaders and planners of independent India sought mixed economic system as an ideal strategy of growth.
- Reason (R):** Goals after relate to growth and social justice.
- 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.
- Q7. It is important to ensure that the benefits of economic prosperity reach the poor sections as well instead of being enjoyed only by the rich. Which goal of five year plan is mentioned in the given statement? (1)

Read the following news report and answer the following questions on the basis of same:

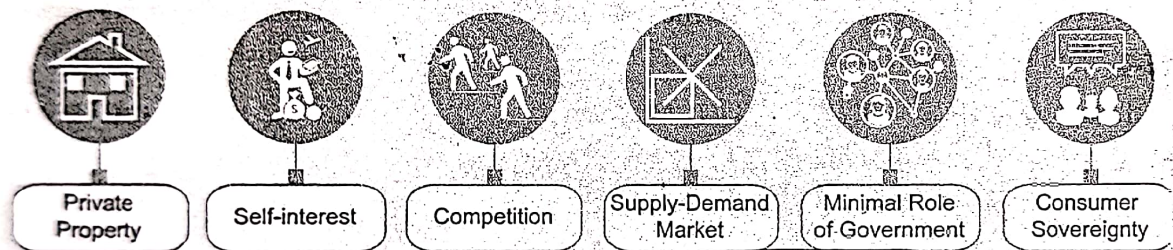
Foreign Portfolio Investors (FPIs) have stepped up purchases of Indian stocks in the past six trading sessions following a meeting between Prime Minister Narendra Modi and top overseas funds on November 5. These investors have pumped in close to 30,200 crore since the meeting where the government showcased recent reforms - as against 21,826 crore in the whole of October.

In November so far, FPIS have invested 32,777 crore in domestic stocks, driving the Sensex and Nifty to record highs recently.

"Lot of investors appreciated the reforms undertaken in agriculture and labour markets and appreciated the opportunities India offered" said a government official. Modi told the fund managers in the interaction that he is open to any feedback the investors may have according to the official.

Modi's pitch to global investors comes amidst loose monetary policy followed by global central banks that has led to a chunk of that liquidity entering emerging market.

- Q8. Reforms undertaken in agriculture and \_\_\_\_\_ markets have promoted foreign investments. (1)
- Q9. Inflow of liquidity in emerging market is due to \_\_\_\_\_ monetary policy. (1)
- Q10. Financial sector includes : (1)
- a) investment banks                      b) stock exchange operations  
c) foreign exchange market      d) all of these
- Q11. Economic growth does not necessarily imply economic development defend/refute giving reasons. (3)
- Q12. Critically analyse this economic system. (3)



- Q13. How did British rule in India contribute to the decay of Indian handicrafts? State its possible factors. (4)
- Q14. "Modernisation as planning objective shows a dichotomy with employment generation". Justify. (4)
- Q15. Why was public sector given a leading role in industrial development during the planning period? (4)
- Q16. British rule brought an end to the eminence acquired by India in the area of foreign trade. How? (6)
- Q17. Owing to LPG Policies, the Indian economy has definitely gained a growth momentum. In light of this statement bring out the positive impact of LPG policies. (6)



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**GENERAL INSTRUCTIONS:**

1. This question paper contains two sections:  
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**Part - A (Macro Economics) 40 Marks**

- Q1. What is that form of money called in which intrinsic value is equal to face value? (1)
- Q2. Choose the correct pair : (1)
- |                               |                               |
|-------------------------------|-------------------------------|
| A) Supply & money             | 1. Flow concept               |
| B) M1 measure of money supply | 2. Currency + Demand deposits |
| C) Demand deposits            | 3. Chequable deposits         |
| D) Net demand deposits        | 4. Not a part of money supply |
- Q3. Deflationary gap exists when Aggregate demand is greater than aggregate supply at full employment level. True or false. (1)
- Q4. A rise in \_\_\_\_\_ leads to fall in AD (1)
- a) MPC    b) MPS    c) APC    d) APS
- Q5. Statement 1 : Equilibrium GDP is reached only in a situation of full employment. (1)  
Statement 2 : Equilibrium GDP has nothing to do with actual saving & actual investment.
- a) S - 1 is false S - 2 is true  
b) S - 1 is true S - 2 is false  
c) Both true  
d) Both false
- Q6. In an economy, investment increased by Rs. 1100 and as a result of it, income increased by Rs. 5500. How much is MPS? (1)  
Had the MPS been 25%, then how much would the income increase?  
Choose the option :
- a) 80%, 4400    b) 20%, 4400    c) 20%, 5500    d) 80%, 5500
- Q7. What is ex-ante savings and what is ex-post savings? (1)
- Q8. State any two precautions of calculating NY by expenditure method. (1)

- Q9. Out of the following, identify those case/ cases which are not the part of factor payments : (1)
- Interest paid by bank on deposits.
  - Interest paid by an individual on loan taken for purchasing personal bike.
  - Interest paid by a firm to bank on loan taken for buying machinery.
  - National debt interest.
- Q10. Indian students have gone to Canada for their studies & staying there for a period of more than 1 year. Will you treat them as normal residents of India or Canada? (1)
- Q11. Explain the two following functions of Central Bank (3)
- Lender of last resort
  - Banker's Bank
- Q12. In what conditions following will be correct : (3)
- Domestic income is greater than NY.
  - Value of output is equal to value added.
  - Real GDP is greater than nominal GDP.
- Q13. Explain the credit creation/ money creation process by commercial banks. (4)
- Q14. You are Chairman of NITI Aayog. Due to COVID-19 pandemic, there is decline in the level of economic activities like production & investment, the level of MPC in the economy has gone down from 0.6 to 0.4. A situation of deficient demand has been observed. Suggest two fiscal measures in order to correct the situation. (4)
- Now imagine yourself as Governor of RBI & suggest two monetary policy measures also.
- Q15. Calculate Govt. final consumption expenditure (Rs. in crores) (4)
- |  |          |
|--|----------|
| (i) NY                                       | 71000    |
| (ii) Gross domestic fixed capital formation  | 9000     |
| (iii) Change in stock                        | 1000     |
| (iv) Net factor income to Abroad             | (-) 1000 |
| (v) Indirect tax                             | 2500     |
| (vi) Subsidy                                 | 500      |
| (vii) Net exports                            | 5000     |
| (viii) Private final consumption expenditure | 40,000   |
| (ix) Consumption of fixed capital            | 3000     |
| (x) Operating surplus                        | 30,000   |
| (xi) Govt. final consumption expenditure     | ?        |
- Q16. Will there always be full employment equilibrium level in the economy? How is equilibrium achieved in the economy? Use savings & investment approach. (6)

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- Q17. Distinguish between final goods & intermediate goods. Why is this distinction important in NY accounting? Can the same product be final good in one situation and intermediate in other situation? Give example. (6)

**Part - B (Indian Economy) 40 Marks**

- Q1. In which of the following ways did the British Raj impact the Indian economy the most? (1)

- a) The British made India an exporter of cotton from an exporter of cloth that led to large scale unemployment.
- b) The establishment of railways by the British provided short-term employment for many Indians.
- c) The British expanded their army with Indian recruits and fought in wars overseas.
- d) The British provided tax concessions to rural farmers and landless labourers.

- Q2. Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below: (1)

**Assertion (A):** Farmers in India were forced to take up the cultivation of indigo.

**Reason (R):** The dyeing and bleaching of textile in the textile industry of Britain required indigo.

- 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.

- Q3. Opening of \_\_\_\_\_ canal, significantly reduced the cost of transportation of goods between Britain and India. (1)

- Q4. Development of infrastructure by the Britishers was done to develop India. True/ False. (1)

- Q5. Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below: (1)

**Assertion (A):** Objective of the economy in 1947 was to ensure profit maximisation.

**Reason (R):** Primary role for growth and development in the economy was given to public sector.

- 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.

- Q6. Statement 1 : All five year plans had the same goals.  
Statement 2 : Long term plans are also called perspective plans.
- a) S - 1 is false S - 2 is true  
b) S - 1 is true S - 2 is false  
c) Both true  
d) Both false

- Q7. On the basis of this information answer the following questions: (1)

The GDP growth rate has increased by \_\_\_\_\_ (approximately) from the first to the sixth plan.

- a) 44%    b) 40%    c) 50%    d) 55%

**Overall GDP Growth, Saving & Investment Rates and Incremental Capital-Output Ratio in the Indian Economy (1951-1991)**

| Periods                           | GDP (Growth Rate in Plan Period) | Saving Rate (% of GDP) | Investment Rate (% of GDP) | ICOR | Current Account Deficit (% of GDP) |
|-----------------------------------|----------------------------------|------------------------|----------------------------|------|------------------------------------|
| First Plan (1951-1955-56)         | 3.61                             | 10.28                  | 10.64                      | 2.9  | 0.36                               |
| Third Plan (1961-62 to 1965-66)   | 2.84                             | 13.21                  | 15.46                      | 5.4  | 2.25                               |
| Sixth Plan (1981-82 to 1985-86)   | 5.20                             | 19.82                  | 21.42                      | 4.1  | 1.6                                |
| Seventh Plan (1985-86 to 1989-90) | 5.8                              | 20.36                  | 22.74                      | 3.9  | 2.38                               |

Read the following news report and answer the following questions on the basis of same:

India's growth path grabbed the attention of the world after the introduction of the New Economic Policy in 1991. Economic reforms included stabilization and structural reforms.

Liberalisation led to the breakdown of the "license raj". Reforms were introduced in various sectors with the aim of decreasing government intervention. It was done in order to build a new framework to make markets more competitive.

India's low foreign exchange reserves was one of the reasons for the introduction of reforms.

At present, India enjoys a leading position in terms of foreign exchange reserves across the world. These reforms completely transformed the Indian economy. However, today many economists feel the need for a new set of reforms.

- Q8. Which of the following is not the reason for the introduction of economic reforms in 1991? (1)
- a) Decrease in foreign exchange reserves    b) High rate of inflation  
c) Balance of Payment crisis    d) Increase in exports
- Q9. In order to mark the end of the 'license raj', \_\_\_\_\_ measure(s) was/ were taken by the Government of India. (1)
- (i) Liberalisation    (ii) Privatisation    (iii) Globalisation



Alternatives :

a) only (i)      b) only (ii)      c) both (i) and (iii)      d) (i), (ii) and (iii)

Q10. Privatisation of Public Sector Enterprises implies :

(1)

a) strategic      b) minority sales      c) both strategic sales and minority sales

(3)

Q11. Explain "Growth with equity" as a planning objective.

(3)

Q12. Critically analyse this economic system.



Co-existence of public and private sector



Safeguarding of Consumer Rights



Economic Planning



Protection of Labour Rights

Q13. Why was there low productivity in agriculture during British rule?

(4)

Q14. Atamirbhar Bharat had been at the roots of the Indian planning process in the form of 'self reliance' as an objective of the planning process. Do you agree? Justify the rational of the given statement.

(4)

Q15. India pursued a trade strategy to protect its domestic industry from foreign competition. Identify this strategy and reasons for its adoption. State the negative impacts of the same.

(4)

Q16. Underscore some of India's most crucial economic challenges at the time of independence.

(6)

Q17. Market driven economic reforms have widened the economic disparities among people. In light of this statement bring out the negative impact of LPG policy.

(6)