

CLASS XII
MID-TERM EXAMINATION(2023-24)
SUBJECT- ECONOMICS
SET A2

TIME: 3 HRS.

MAX MARKS:80

General Instructions:

- 1. This question paper contains two parts: Part A - Macro Economics (40 marks) Part B - Indian Economic Development (40 marks).***
- 2. Marks for questions are indicated against each question.***
- 3. Question No. 1-10 and Question No. 18 – 27 are 1 mark questions and are to be answered in one word/sentence.***
- 4. Question No. 11-12 and Question No. 28- 29 are 3 marks questions and are to be answered in 30 - 50 words each.***
- 5. Question No. 13-15 and Question No. 30-32 are 4 marks questions and are to be answered in 50-80 words each.***
- 6. Question No. 16-17 and Question No. 33-34 are 6 marks questions and are to be answered in 80-120 words each.***
- 7. Answers should be brief and to the point and the above word limit be adhered to as far as possible***

SECTION -A

1. Which of the following is included in estimating domestic income: **1**
(choose the correct alternative)
(a) Transfers from the rest of the world
(b) Retirement pension
(c) Old age pension
(d) Charitable donations

2. The RBI can increase the money supply by decreasing the interest rate at which the commercial banks can deposit their funds with the central bank. This rate is known as _____ Rate. **1**
(Repo/ Reverse Repo).
(Fill up the blank with the correct alternative.)

3. **Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:** **1**
- Assertion (A):** The 'Jan Dhan Yojana' which aimed at every household in the country to have at least one bank account, would lead to increase in national income.
- Reason (R):** 'Jan-Dhan-Yojana' will lead to an increase in customers of commercial banks and opening of more bank accounts.
- 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.
4. **State giving appropriate reasons whether the following statement is true or false:** **1**
- "GDP mp includes the market value of all final goods and services produced by the normal residents."
5. If APC of an economy is 0.7, savings at the income level of ₹ 1,000 crore will be: **1**
- (choose the correct alternative)**
- (a) ₹ 100 crore
 - (b) ₹ 300 crore
 - (c) ₹ 400 crore
 - (d) ₹ 600 crore
6. Higher the value of the Marginal Propensity to Consume, the _____ will be the value of multiplier. **1**
- (Fill up the blank with the correct alternative.)**
- (a) Same
 - (b) Higher
 - (c) Lower
 - (d) First higher and then lower
7. Which of the following will be included in gross national product of India? **1**
- (Choose the correct alternative)**
- (a) Profits earned by a foreign company in India
 - (b) Salary paid to Americans working in Indian Embassy in America
 - (c) Salaries received by Indians working in Russian Embassy in India
 - (d) Salaries received by Indians working in Indian Embassy in Korea
8. **State giving appropriate reasons whether the following statement is true or false:** **1**
- "When the consumption function lies below the 45° line, APS will be positive."

9. _____ serves as the base for the generation of demand deposits: 1
(choose the correct alternative)
 (a) High Powered Money
 (b) Stock of money held by the government
 (c) Money Supply
 (d) Other Deposits held by RBI
10. In an economy, a 50% increase in investment results in a 100% increase in income. The 1
 Marginal Propensity to save in such an economy would be:
(choose the correct alternative)
 (a) 0.20
 (b) 0.40
 (c) 0.25
 (d) 0.50
11. Explain the 'Lender of Last Resort' function of the central bank. 3
OR
 Explain the 'Government's Bank' function of a central bank. 3
12. The consumption function of an economy is given by $C = 100 + 0.8Y$. As a result of increase 3
 in autonomous investment expenditure in this economy, national income increases by ₹500
 crores.
 (a) Calculate the increase in autonomous investment expenditure in the economy.
 (b) The equilibrium level of national income at an investment level of ₹ 1000 crores.
13. 'GDP as an index of welfare may understate or overstate welfare.' Explain the statement 4
 using examples of a positive and a negative externality.
- OR**
- Suppose only one Product X is produced in the country. Its output during the year 2019 and 4
 2020 was 100 units and 110 units respectively. The market price of X during the Years 2019
 and 2020 were 50 and 55 per unit respectively.
 i) Calculate the percentage change in real GDP and nominal GDP in year 2020 using 2019 as
 the base year.
 ii) Calculate GDP deflator for the years 2019 and 2020 and comment on the Results:

Answer Q.-14 based on the article given below:

From Spain, Germany to Portugal: All 20 Eurozone Countries Have Now Sunk into Recession

Nearly two weeks after Europe's largest economy and the world's fourth largest, Germany, fell into recession, the remaining 19 countries that are part of the Eurozone, too, have sunk into recession. The euro zone economy fell into a technical recession in the first three months of 2023, data from the statistics agency Eurostat showed on Thursday, as signs emerge that central bank rate hikes will weaken the region's future growth prospects.

Gross domestic product (GDP) for the 20-country euro zone fell by 0.1% in the first quarter compared with the final quarter of 2022, when GDP also slipped by 0.1%, revised from a previous reading of zero. Two successive quarters of contraction in GDP are commonly described as a technical recession, as per a Reuters report.

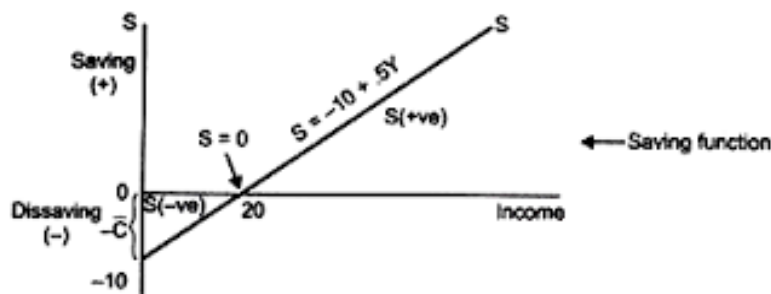
"Domestic demand is not in a good place," Oxford Economics' analysts said in a note, adding that first-quarter public spending saw the largest contraction on record except for during the first wave of coronavirus lockdowns in 2020. "Going forward, growth will remain soft despite dropping wholesale energy prices as monetary policy tightening dents investment and still-present inflationary pressures constrain consumption," they said, as per a Reuters report.

Separately, economists polled by Reuters expect quarterly growth to rebound by an albeit modest 0.2% in each of the remaining three quarters of this year and tip the European Central Bank (ECB) to hike by a further 25 basis points at both its June and July meetings in its effort to counter stubborn inflation.

That would take the ECB's deposit rate up to 3.75%, an unprecedented tightening of 425 basis points since the bank lifted rates out of negative territory last July.

14. As quoted in the above given text " Domestic demand is not in a good place." Define Deficient Demand in the given context. Discuss what will be the impact of deficient demand on the economy. 4

15. On the basis of the given diagram, answer the following questions: 4



- (a) What is the value of the autonomous consumption?
(b) What is the break-even level of income?
(c) How much is the APC at the break-even level of income?
(d) Derive the consumption function.

16. (a) From the following data calculate compensation of employees:

3

S. No.	Items	(₹ in lakh)
(i)	Profits after tax	20
(ii)	Interest	45
(iii)	Gross Domestic Product at Market Price	200
(iv)	Goods and Services Tax	10
(v)	Consumption of Fixed Capital	50
(vi)	Rent	25
(vii)	Corporate Tax	5

- (b) Calculate “Intermediate Consumption” from the following data:

3

S. No.	Items	(₹ in lakh)
(i)	Gross value of output	300
(ii)	Net value added at factor cost	100
(iii)	Subsidies	15
(iv)	Depreciation	30

17. What is meant by excess demand and how does it lead to an inflationary gap? Explain with the help of a suitable diagram. Suggest any two quantitative monetary measures to deal with the given situation.

6

OR

“An economy is operating at under-employment level of income.” What is meant by the given statement? Explain with the help of a suitable diagram. Suggest any quantitative two monetary measures to deal with the given situation.

6

SECTION -B

18. During the British Rule, life expectancy was at _____ (32/ 42) years in contrast to the present 69 years.

1

(Fill up the blank with the correct alternative.)

19. The Industrial Policy Resolution of the year _____ classified industries into three categories. *(choose the correct alternative)*

1

- (a) 1945
- (b) 1950
- (c) 1955
- (d) 1956

20. Identify the correct matched pair of alternatives given in **Column I** and **Column II**:

1

Column I	Column II
(A) Quota	(i) Quantity of goods that can be imported
(B) Land reforms	(ii) The monetary assistance given by government for production activities.
(C) HYV seeds	(iii) Improvements in the field of agriculture to increase its productivity
(D) Subsidy	(iv) Seeds that give large proportion of output

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

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

1

Assertion (A): The main interest of the zamindars was only to collect rent regardless of the economic condition of the cultivators.

Reason (R): The terms of the revenue settlement were favourable for the zamindars.

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.

22. The opening of the Suez Canal in 1869:

1

(Choose the correct alternative)

- (a) Raised the cost of transportation between Britain and India.
- (b) Intensified British control over India's foreign trade.
- (c) Reduced the cost of transportation and made access to the Indian markets easier.
- (d) Both (b) and (c)

23. India's demographic condition on the eve of independence was characterised by:

1

(choose the correct alternative)

- (a) High level of literacy, high mortality rates, high life expectancy and high level of poverty.
- (b) Low level of literacy, low mortality rates, low life expectancy and low level of poverty.
- (c) Low level of literacy, low mortality rates, high life expectancy and high level of poverty.
- (d) Low level of literacy, high mortality rates, low life expectancy and high level of poverty.

24. In which year did the Government of India enact the Right of Education Act to make free education a fundamental right of all children in the age group of 6-14 years? 1
(choose the correct alternative)
 (a) 2007
 (b) 2008
 (c) 2009
 (d) 2010
25. **State giving appropriate reasons whether the following statement is true or false:** 1
 “Under the WTO regime, developing countries feel cheated as they are forced to open their markets for developed countries.”
26. _____ takes the least share of total education expenditure in India and the share of _____ is the maximum. (Tertiary education/Elementary education) 1
(Fill up the blanks with the correct alternative.)
27. Which of the following is not one of the trade and investment policy reforms undertaken in 1991? 1
(choose the correct alternative)
 (a) Imposition of Quantitative Restrictions on Imports and Exports
 (b) Removal of Export duties
 (c) Relaxation in Import Licensing System
 (d) Reduction in Import Duties
28. Elaborate on any three tax reforms undertaken under the liberalisation era in India. 3
OR
 “In India, regulatory mechanisms were enforced in various ways of industrial licensing.” Why was industrial licensing required? Discuss the reform policies introduced in 1991 that aimed at removing many of these restrictions (any two points). 1+2
29. “Growth serves virtually no purpose in a society where rich tend to become richer and the poor continue to struggle even for the essential of life.” Explain Growth with Equity as objectives of Economic Planning in India. 3
30. While subsidies encourage farmers to use new technology, they are a huge burden on government finances. Discuss the usefulness of subsidies in the light of this fact. 4
OR
 Explain how import substitution can protect domestic industry. 4
31. Critically appraise some of the shortfalls of the industrial policy pursued by the British colonial administration. 4

Answer Q.-32 based on the article given below:

To bring the bulging young population into the fold, and utilize their full potential it is not only important to invest in their education, but also to enable them to acquire new skill sets. While India has invested in higher education (especially in information technology) not enough attention has been given to something as basic as primary education.

In order for the nation to unlock the potential of its massive population, it needs to make meaningful contributions towards foundational education. Indian primary schools are plagued with overcrowded classrooms, absent teachers and unsanitary conditions, and often lead parents to decide it is not worth their child going to school. According to a report by the National Council for Teacher Education, an autonomous organization set up by the Government of India in 1961, 40 percent of government-run primary schools have over thirty students per classroom, and 60 per cent lacked electricity. Twenty-one per cent of teachers were not even professionally trained. Private schools in India have better learning outcomes than government schools at a much lower unit cost. Private sector education has more freedom to innovate and design effective curriculum than public sector education. They also have a strong profit incentive to provide quality education, lest they lose their students to government schools. There is certainly inequality in private schools, which are only available to those who can pay, but government vouchers and incentive programmes can help make these institutions affordable for the masses.

32. The above article suggests that “There is certainly inequality in private schools, which are only available to those who can pay, but government vouchers and incentive programmes can help make these institutions affordable for the masses.” Giving reasons, establish the need for government intervention in the education sector. **4**

33. The Seventh Five Year Plan of India says, “Human resources development has necessarily to be assigned a key role in any development strategy, particularly in a country with a large population. Trained and educated on sound lines, a large population can itself become an asset in accelerating economic growth and in ensuring social change in desired directions.” **6**

Describe the two-way relationship between human capital and economic growth, using insight from the above vision statement.

34. “Viewed from the Indian context, the crisis that erupted in the early 1990s was basically an outcome of the deep-rooted inequalities in Indian society and the economic reform policies initiated as a response to the crisis by the government, further aggravated the inequalities.” Critically analyse the impact of Economic Reforms in India in the light of the given statement. **6**

OR

- Discuss the important Trade and Investment Policy Reform measures adopted under the Liberalisation regime in India. **6**

