

CLASS-XII
MID TERM EXAMINATION 2023-24
SUBJECT: ECONOMICS
SET-C2

TIME: 3Hrs


MM: 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 words.**

Q.no	SECTION A – MACRO ECONOMICS	Marks
1.	Autonomous investment varies_____with the change in the level of income. (a) Indirectly (b) Directly (c) Both (a)&(b) (d) None of the above	1
2.	Propensity to save curve can be derived from : (a) Propensity to consume schedule (c) Propensity to consume curve (b) Propensity to save the schedule (d) All of the above	1
3.	_____is the total amount of goods and services that the sellers are willing to produce and sell in an economy. (a) Effective demand (c) National Income (b) Aggregate demand (d) All of the above	1

4.	Whenever the central bank buys securities in the open market, the credit creation capability of the banking industry is expected to_____.	1
	a) Fall b) Rise c) No effect d) May rise or fall	
5.	Suppose in an economy, the initial deposits of ₹ 400 crores lead to the creation of total deposits worth ₹ 4000 crores. Under the given situation the value of reserve requirements would be_____. <i>(Fill up the blank with correct alternative)</i>	1
	a) 0.01 b) 1 c) 0.1 d) 0.4	
6.	The term “Money Supply” relates to:	1
	a) Overall money held by the general public over a specified period of time. b) The total volume of money held by the public at a particular point in time c) The total amount of money that the government possesses. d) Both (a) and (b)	
7.	Ms Mridula, an economics teacher, was explaining the concept of ‘ <i>minimum percentage of the total deposits to be kept by any commercial bank with the Central Bank of the country, as per norms and statute prevailing in the country</i> ’.	1
	From the following, choose the correct alternative which specifies towards the concept explained by her? a) Cash Reserve Ratio b) Repo Rate c) Bank Rate d) Statutory Liquidity Ratio	
8.	Which of the following is the definition of a closed economy?	1
	a. A closed economy is a type of economy where the money supply is totally controlled by the government b. A closed economy is a type of economy where neither exports nor imports take place c. A closed economy is a type of economy where deficit financing takes place d. A closed economy is a type of economy where there are no exports to other countries	
9.	Which of the following is not needed while considering the Gross National Product?	1
	a. The net investment made by foreigners within a given period b. The total of private investments made within a given period	

	<p>c. The total purchase of goods made by the government within a given period</p> <p>d. The total per capita income of the citizens of a country within a given period.</p>	
10.	 <p>The above shown note lying in the wallet of Rohini, a student, is an example of _____(flow / stock).</p>	1
11.	<p>a) What are other deposit measures of M_1?</p> <p>b) Why are post office savings less liquid than demand deposits?</p> <p>c) Define high-powered money.</p> <p>Or,</p> <p>State True or False, giving reasons:</p> <p>i) M_1 includes time deposits of commercial banks.</p> <p>ii) Money supply does not include money held by the government and banking system.</p> <p>iii) Lack of double coincidence of wants exists in barter exchange and is the difficulty in simultaneous fulfillment of mutual wants of buyers and sellers.</p>	(3)
12.	<p>What do you understand by “<i>parametric shift of a line</i>”?</p> <p>How does a line shift when its :</p> <p>(i) slope decreases (ii) its intercept increases.</p> <p><i>(Draw necessary diagrams)</i></p>	1+1+1
13.	<p>i) Explain how ‘Non-Monetary Exchanges’ impact the use of Gross Domestic Product as an index of economic welfare.</p> <p>ii) Explain how “Externalities “ impact the use of Gross Domestic Product as an index of economic welfare.</p> <p>Or,</p>	2+2


	<p>a) Define GDP Deflator. What is the importance of calculating GDP Deflator?</p> <p>b) Estimate the value of Nominal Gross Domestic Product for a hypothetical economy, the value of Real Gross Domestic Product and Price Index are given as Rs. 500 and Rs. 125 respectively, and interpret the results.</p>	2+2																																										
14.	<p>(i) Calculate equilibrium level of national income from the following data: a) Autonomous Investments = Rs. 500 cr. b) Consumption function : $C = 100 + 0.7Y$</p> <p>(ii) Calculate Change in Income (ΔY) for a hypothetical economy, given that: a) Marginal Propensity to consume (MPC) = 0.9 b) Change in Investment (ΔI) = Rs. 1000cr.</p>	2 2																																										
15.	<p>a) From the following data calculate the value of Domestic Income:</p> <table border="1"> <thead> <tr> <th>S.no</th><th>Items</th><th>Amount (in ₹ Crores)</th></tr> </thead> <tbody> <tr> <td>a)</td><td>Compensation of Employees</td><td>2000</td></tr> <tr> <td>b)</td><td>Rent and Interest</td><td>800</td></tr> <tr> <td>c)</td><td>Indirect taxes</td><td>120</td></tr> <tr> <td>d)</td><td>Corporate Tax</td><td>460</td></tr> <tr> <td>e)</td><td>Consumption of Fixed Capital</td><td>100</td></tr> <tr> <td>f)</td><td>Subsidies</td><td>20</td></tr> <tr> <td>g)</td><td>Dividend</td><td>940</td></tr> <tr> <td>h)</td><td>Undistributed profits</td><td>300</td></tr> <tr> <td>i)</td><td>Net Factor Income from Abroad</td><td>150</td></tr> <tr> <td>j)</td><td>Mixed income of self employed</td><td>200</td></tr> </tbody> </table> <p>b) Distinguish between 'Value of Output' and 'Value Added'.</p> <p style="text-align: center;">Or</p> <p>a) Given the following data, find Net Value Added at Factor Cost:</p> <table border="1"> <thead> <tr> <th>S.no</th><th>Items</th><th>Amount (in ₹ crores)</th></tr> </thead> <tbody> <tr> <td>i)</td><td>Sale of wheat by the farmer in the local market</td><td>6800</td></tr> <tr> <td>ii)</td><td>Purchase of Tractor</td><td>5000</td></tr> </tbody> </table>	S.no	Items	Amount (in ₹ Crores)	a)	Compensation of Employees	2000	b)	Rent and Interest	800	c)	Indirect taxes	120	d)	Corporate Tax	460	e)	Consumption of Fixed Capital	100	f)	Subsidies	20	g)	Dividend	940	h)	Undistributed profits	300	i)	Net Factor Income from Abroad	150	j)	Mixed income of self employed	200	S.no	Items	Amount (in ₹ crores)	i)	Sale of wheat by the farmer in the local market	6800	ii)	Purchase of Tractor	5000	2+2
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16.	<p>1) Giving valid reasons explain which of the following will be included or not included in estimation of National Income of India?</p> <p>a) Purchase of shares of Axion Ltd. by an investor in the National Stock Exchange.</p> <p>b) Salaries paid by the Japanese housekeeping department to Indians working in the Japanese embassy in the USA.</p> <p>c) Compensation paid by the Government of India to victims of floods.</p> <p>2) Explain the term "Compensation of Employees" and its components.</p>	<p>3</p> <p>3</p>												
17.	<p>Explain the concept of under-employment equilibrium with the help of a diagram. What should be the additional investment expenditure that is required to reach full employment level? Elaborate giving reasons for fall in the aggregate demand.</p>	6												
Q.no	SECTION B – INDIAN ECONOMIC DEVELOPMENT	Marks												
	<p>Read the following statements. Assertion (A) and Reason (R). Choose one of the correct alternatives given below and answer Q.18, 19, 20 & 21.</p> <p>Alternatives:</p> <p>(a) Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion (A).</p> <p>(b) Both Assertion (A) and Reason (R) are True and Reason (R) is not the correct explanation of Assertion (A.)</p> <p>(c) Assertion (A) is True but Reason (R) is False.</p> <p>(d) Assertion (A) is False but Reason (R) is True.</p>													
18.	<p>Assertion (A): On-the-Job-Training is a source of human capital formation.</p> <p>Reason (R) : After on-the-job training of employees, firm insist that the workers should work for a specific period of time</p>													

19.	Assertion (A): After the New Economic Policy announced in 1991, domestic competition has increased. Reason (R) : Industrial sector reforms abolished industrial licensing for all the projects, except for a short list of industries.	1																				
20.	Assertion (A): Many public sector undertakings incurred huge losses due to operational inefficiencies. Reason (R) : Red-tapism was one of the reasons for continuation of such enterprises.	1																				
21.	Assertion (A) : During British rule, India saw a huge drain of wealth. Reasoning (R) : India generated a large export surplus during the period.	1																				
22.	State true or false with appropriate reason: “Zamindari system of land revenue gave incentives to tillers of soil to increase their productivity.”	1																				
23.	Identify the correct statement from the following: <i>(Choose the correct alternative)</i> a) Restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India’s foreign trade. b) Effective trade policies of commodity production, trade and tariff pursued by the colonial government favorably affected the structure, composition and volume of India’s foreign trade. c) Liberal policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India’s foreign trade. d) Restrictive policies of commodity production, trade and tariff pursued by the colonial government favorably affected the structure, composition and volume of India’s foreign trade.	1																				
24.	Match the situations given in Column I with their respective implications given in Column II: <i>(Choose the correct alternative)</i> <table border="1"><thead><tr><th></th><th>Column I</th><th></th><th>Column II</th></tr></thead><tbody><tr><td>A</td><td>Migration</td><td>i)</td><td>reduced in per capita economic growth</td></tr><tr><td>B</td><td>Low level of academic standards</td><td>ii)</td><td>Imbalance between demand and supply of human resource</td></tr><tr><td>C</td><td>Population-High growth</td><td>iii)</td><td>Brain Drain</td></tr><tr><td>D</td><td>Lack of proper manpower planning</td><td>iv)</td><td>Mismatch between required skill and academic standards</td></tr></tbody></table>		Column I		Column II	A	Migration	i)	reduced in per capita economic growth	B	Low level of academic standards	ii)	Imbalance between demand and supply of human resource	C	Population-High growth	iii)	Brain Drain	D	Lack of proper manpower planning	iv)	Mismatch between required skill and academic standards	1
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	Alternatives: a) A-ii; B-iii; C-iv; D-i b) A-i; B-ii; C-iii; D-iv c) A-ii; B-iv, C-i; D-iii d) A-iii; B-iv; C-i; D-ii	
25.	In the light of the given text and common knowledge, identify the incorrect statement: - a) A severe balance of payments problem triggered an acute economic crisis in 1991. b) In 1991, the economic and political leadership launched a multipronged reforms agenda to repair the macroeconomic situation of the nation. c) In the post 1991 situation, the state was given the role of primary regulator of the economy. d) Post pandemic, individual sectors should be looked at closely. Sectors that need reforms should be identified and corrective action should be taken.	1
26.	Prior to India's independence, the stagnation in the agricultural sector was mainly caused by _____. <i>(Fill up the blank with correct alternative)</i> a) investment in technology b) investment in agriculture facilities c) advanced infrastructural facilities d) land settlement system	1
27.	Industrial Policy Resolution (IPR) 1956 formed the basis of the _____ Five Year Plan. <i>(Fill up the blank with correct alternative)</i> a) First b) Fourth c) Second a) Third	1
28.	“British intended to achieve some objectives through their policies of infrastructure.” Explain the given statement.	3
29.	Does modernisation as a planning objective create contradiction in the light of employment generation? Explain. OR, Justify the direct participation of the state in industrial development of the country after Independence.	3
30.	Case study: Read the following case study and answer the questions that follow.	2+2

	<p style="text-align: center;"><u>HUMAN CAPITAL AND PHYSICAL CAPITAL: A CORRELATION</u></p> <p>The significance of human capital and physical capital in economic development has been discussed and evidenced thoroughly in the extant literature. In particular, since the modern human capital theory was initially formulated by Schultz and Becker, the study of the contribution of human capital to economic growth has attracted extensive attention both in academia and in the real world. It has become a consensus that human capital has significant positive effects on economic growth, but its estimated effects are quite heterogeneous according to relevant empirical studies. Many countries and regions have invested heavily in education, but the goals assigned to educational development by governments have not always been achieved, especially in developing countries. This indicates that the effects of educational investment may vary at different phases of economic growth, and that the heterogeneous impacts are worthy of further empirical scrutiny.</p> <p>Despite both physical and human capital being regarded as decisive factors promoting economic development, as evidenced by many relevant theoretical and empirical analyses, the comparison of their impacts on economic development still needs to be explored in the global context.</p> <p>a) Human capital formation increases the efficiency of physical capital. How?</p> <p>b) Explain the need of on-the-job-training for an individual.</p>	
31.	<p><i>“India could not develop a sound industrial base under the British colonial rule. Even as the country's world famous handicraft industries declined, no corresponding modern industrial base was allowed to come up to take pride of place so long enjoyed by the former.”</i></p> <p>In the light of the above statement, critically appraise some of the shortfalls of the industrial policy pursued by the British.</p>	4
32.	Define a plan. Explain how import substitution can protect domestic industry.	1+3

33.	<div>a) Study the following table and answer the question:</div> <div><div>TABLE 3.1</div><div>Growth of GDP and Major Sectors (in %)</div><table><tr><th rowspan="2">Sector</th><th rowspan="2">1980-1991</th><th rowspan="2">1992-2001</th><th rowspan="2">2002-2007</th><th rowspan="2">2007-2012</th><th colspan="2">2012-2017 XII Plan</th></tr><tr><th>Target I</th><th>Target II</th></tr><tr><td>Agriculture</td><td>3.6</td><td>3.3</td><td>2.3</td><td>3.2</td><td>4.0</td><td>4.2</td></tr><tr><td>Industry</td><td>7.1</td><td>6.5</td><td>9.4</td><td>7.4</td><td>9.6</td><td>10.9</td></tr><tr><td>Services</td><td>6.7</td><td>8.2</td><td>7.8</td><td>10.0</td><td>10.0</td><td>10.0</td></tr><tr><td>Total</td><td>5.6</td><td>6.4</td><td>7.8</td><td>8.2</td><td>9.0</td><td>9.5</td></tr></table><div>Sources: Tenth Five Year Plan; Faster, sustainable and more inclusive growth: An Approach to the 12th Five Year Plan, Planning Commission, Government of India, 2011.</div></div> <div><div>a) During the reforms, what has been the trend in the growth of the agriculture sector? Give reasons.</div><div>b) Why were reforms introduced in India?</div></div>	Sector	1980-1991	1992-2001	2002-2007	2007-2012	2012-2017 XII Plan		Target I	Target II	Agriculture	3.6	3.3	2.3	3.2	4.0	4.2	Industry	7.1	6.5	9.4	7.4	9.6	10.9	Services	6.7	8.2	7.8	10.0	10.0	10.0	Total	5.6	6.4	7.8	8.2	9.0	9.5	3+3
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34.	<div>a) Look at the picture given below and explain the caption given below it.</div> <div></div> <div><div>Fig. 5.5 Investment in educational infrastructure is inevitable</div><div>b) Discuss the need for promoting women’s education in India.</div></div>	3																																					