

In accordance with the revised curriculum (with respect to Covid-19 pandemic)
prescribed by the Central Board of Secondary Education, New Delhi as introduced on July, 2020.

15⁺¹ PRACTICE PAPERS

CBSE 2021 EXAMINATION

ECONOMICS

CLASS - XII

Solved SAMPLE QUESTION PAPER 2020-21 (030)

Time : 3 Hours

Maximum 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 (including two Case Based Questions) are 1 mark questions and are to be answered in one word/sentence.
4. Case Based Questions (CBQ's) are Question No. 7-10 and Question No. 25-27.
5. Question No. 11-12 and Question No. 28 – 29 are 3 marks questions and are to be answered in 60 - 80 words each.
6. Question No. 13-15 and Question No. 30 – 32 are 4 marks questions and are to be answered in 80-100 words each.
7. Question No. 16-17 and Question No. 33 – 34 are 6 marks questions and are to be answered in 100-150 words each.
8. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

By
Panel of Authors



CONTENTS

EMH Practice Paper

- Sample Question Paper 2020-21 (Solved) 5

Based on EASY Level

- Practice Paper - 1 (Solved)..... 14
- Practice Paper - 2 (Solved)..... 23
- Practice Paper - 3 (Solved)..... 32
- Practice Paper - 4 (Solved)..... 41
- Practice Paper - 5 (Solved)..... 50

Based on MEDIUM Level

- Practice Paper - 6 (Solved)..... 59
- Practice Paper - 7 (Solved)..... 68
- Practice Paper - 8 (Solved)..... 77
- Practice Paper - 9 (Solved)..... 85
- Practice Paper - 10 (Solved)..... 94

Based on HARD Level

- Practice Paper - 11 (Solved)..... 103
- Practice Paper - 12 (Solved)..... 112
- Practice Paper - 13 (Solved)..... 120
- Practice Paper - 14 (Solved)..... 129
- Practice Paper - 15 (Solved)..... 137

Edition : 2020

Price : ₹ 169



GURUKUL BOOKS & PACKAGING

Head Office : 1/12, Sahitya Kunj, M.G. Road Agra-282 002

Phone : (0562) 2527771-4, 7534077222

E-mail : contact@oswalpublishers.com

Website : www.oswalpublishers.com

Printed at : Upkar Printing Unit, Agra

The cover of this book has been designed using resources from Freepik.com

ECONOMICS
Course Structure

Theory : 80 Marks

3 Hours

Project : 20 Marks

Units		Marks	Periods
Part A	Introductory Macroeconomics		
	National Income and Related Aggregates	10	23
	Money and Banking	6	8
	Determination of Income and Employment	12	22
	Government Budget and the Economy	6	15
	Balance of Payments	6	7
		40	75
Part B	Indian Economic Development		
	Development Experience (1947 - 90) and Economic Reforms since 1991	12	28
	Current Challenges facing Indian Economy	22	35
	Development Experience of India – A Comparison with Neighbours	6	12
	Theory Paper (40 + 40 = 80 Marks)	40	75
Part C	Project Work	20	15

Question Paper Design

S. No.	Typology of Questions	Marks	Percentage
1.	Remembering and Understanding : Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers. Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas.	44	55%
2.	Applying : Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way.	18	22.5%
3.	Analysing Evaluating and Creating : Examine and break information into parts by identifying motives or causes. Make inferences and find evidence to support generalizations. Present and defend opinions by making judgments about information, validity of ideas, or quality of work based on a set of criteria. Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions.	18	22.5%
	Total	80	100%



CBSE-Acad/Circular/2020

Date: 07 July, 2020
Circular No: Acad 47/2020

All Heads of Institutions affiliated to CBSE

Subject: Revised Academic Curriculum for the session 2020-21

The prevailing health emergency in the country and at different parts of the world as well as the efforts to contain the spread of Covid-19 pandemic has resulted in loss of class room teaching due to closure of schools. Therefore the Board has decided to revise the syllabi for classes IX-XII for the academic session 2020-21. The changes made in the syllabi have been finalised by the respective Course Committees with the approval of the Curriculum Committee and Governing Body of the Board.

The revision of syllabi is a measure taken due to the extraordinary situation prevailing in the country and at different parts of the world. Considering the importance of achieving the level of learning, the syllabus has been rationalised to the extent possible by retaining the core concepts.

The Heads of Schools and Teachers may ensure that the topics that have been reduced are also explained to the students to the extent required to connect different topics. **However the reduced syllabus will not be part of the topics for Internal Assessment and year-end Board Examination.** Alternative Academic Calendar and inputs from the NCERT on transacting the curriculum using different strategies may also be part of the teaching pedagogy.

For Elementary Classes (I-VIII) schools may follow the Alternative Academic Calendar and Learning Outcomes specified by NCERT.

The revised syllabi are available at the link: http://cbseacademic.nic.in/Revisedcurriculum_2021.html


(Dr. Joseph Emmanuel)
Director (Academics)



Time Allowed : 3 Hours

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 (including two Case Based Questions) are 1 mark questions and are to be answered in one word/sentence.
4. Case Based Questions (CBQ's) are Question No. 7-10 and Question No. 25-27.
5. Question No. 11-12 and Question No. 28 - 29 are 3 marks questions and are to be answered in 60 - 80 words each.
6. Question No. 13-15 and Question No. 30 - 32 are 4 marks questions and are to be answered in 80-100 words each.
7. Question No. 16-17 and Question No. 33 - 34 are 6 marks questions and are to be answered in 100-150 words each.
8. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

Questions

SECTION - A

(Macro Economics)

1. Inventory is aconcept whereas the change in inventory is a..... concept.
(Fill up the blank with correct alternative) 1
(a) stock, flow (b) flow, stock
(c) stock, stock (d) flow, flow

OR

If in an economy the value of Net Factor Income from Abroad is ` 200 crores and the value of Factor Income to Abroad is ` 40 crores. Identify the value of Factor Income from Abroad.(Choose the correct alternative)

- (a) ` 200 crores (b) ` 160 crores
(c) ` 240 crores (d) ` 180 crores
2. In the present COVID-19 times, many economists have raised their concerns that Indian economy may have to face a deflationary situation, due to reduced economic activities in the country.
Suppose you are a member of the high powered committee constituted by the Reserve Bank of India (RBI). You have suggested that as the supervisor of commercial banks,..... (restriction/release) of the money supply be ensured, by the Reserve Bank of India (RBI). (Choose the correct alternative)
3. Supply of money refers to..... (Choose the correct alternative)
(a) currency held by the public
(b) currency held by Reserve Bank of India (RBI)
(c) currency held by the public and demand deposits with commercial banks
(d) currency held in the government account
4. Identify the correct pair of formula from the following column I and II: (Choose the correct alternative)

	Column I		Column II
A	Current Account Surplus	(i)	Receipts < Payments
B	Current Account Surplus	(ii)	Receipts > Payments

C	Balance Current Account	(iii)	Receipts \neq Payments
D	Current Account Deficit	(iv)	Receipts \leq Payments

Alternatives:

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

5. Identify which of the following statements is true? **(Choose the correct alternative)**
- (a) The flexible exchange rate system gives the government more flexibility to maintain large stocks of foreign exchange reserves.
(b) In the Managed floating exchange rate system, the government intervenes to buy and sell foreign currencies.
(c) In the Managed floating exchange rate system, the Central Bank intervenes to moderate exchange rate fluctuations.
(d) In the Fixed exchange rate system, market forces fix the exchange rate.
6. An Indian real estate company receives rent from Google in New York. This transaction would be recorded on.....side ofaccount. **(Fill up the blanks with correct alternative)**
- (a) credit, current (c) debit, capital
(b) credit, capital (d) debit, current

Read the following news report and answer Questions 7-10 on the basis of the same:

The Reserve Bank of India (RBI), cut Repo Rate to 4.4%, the lowest in at least 15 years. Also, it reduced the Cash Reserve Ratio (CRR) maintained by the banks for the first time in over seven years. CRR for all banks was cut by 100 basis points to release ₹ 1.37 lakh crores across the banking system. RBI governor Dr. Shaktikanta Das predicted a big global recession and said India will not be immune. It all depends how India responds to the situation. Aggregate demand may weaken and ease core inflation.

The Economic Times; March 27th, 2020

7. Cut in Repo rate by RBI is likely to... (increase/decrease) the demand for goods and services in the economy. **(Choose the correct alternative)**
8. Decrease in Cash Reserve Ratio will lead to..... **(Choose the correct alternative)**
- (a) fall in aggregate demand (c) rise in aggregate demand
(b) no change in aggregate demand (d) fall in general price level
9. The difference by which actual Aggregate Demand exceeds the Aggregate Demand, required to establish full employment equilibrium is known as... (inflationary gap/deflationary gap). **(Choose the correct alternative)**
10. The impact of 'Excess Demand' under Keynesian theory of income and employment, in an economy are: **(Choose the correct alternative)**
- (a) decrease in income, output, employment and general price level
(b) decrease in nominal income, but no change in real output
(c) increase in income, output, employment and general price level
(d) no change in output/employment but increase in general price level.
11. State with valid reason, which of the following statement is true or false:
(a) Gross Value Added at market price and Gross Domestic Product at market price are one and the same thing.
(b) Intermediate goods are always durable in nature.
12. State, giving valid reasons, whether the following statements are true or false:
(a) Current account in Balance of Payments records only the exports and imports of goods and services.
(b) Borrowings from abroad are recorded in the Capital Account of the Balance of Payments on the debit side.

OR

'Trade Deficit must exist if a country is facing a situation of Current Account Deficit.'

Defend or refute the statement, with valid argument.

13. (a) Define money multiplier.
(b) 'Credit creation is inversely related to the reserve deposit ratio'. Justify the given statement, using a hypothetical example.
14. In an economy $C = 200 + 0.5 Y$ is the consumption function where C is the consumption expenditure and Y is the national income. Investment expenditure is ₹ 400 crores.
Is the economy in equilibrium at an income level ₹ 1,500 crores? Justify your answer.

OR

Define: (i) Ex-Ante Savings (ii) Full Employment

15. 'India's GDP contracted 23.9% in the April-June quarter of 2020-21 as compared to same period of 2019-20, suggesting that the lockdown has hit the economy hard.' **The Hindustan Times, 1st September 2020** State and discuss any two fiscal measures that may be taken by the Government of India to correct the situation indicated in the above news report.
16. (a) 'Domestic/household services performed by a woman may not be considered as an economic activity.' Defend or refute the given statement with valid reason.
(b) 'Compensation to the victims of a cyclone is an example of a welfare measure taken by the government.' State with valid reason, should it be included/not included in the estimation of national income of India.

OR

Suppose the Gross Domestic Product (GDP) of Nation X was ₹ 2,000 crores in 2018-19, whereas the Gross Domestic Product of Nation Y in the same year was ₹ 120,000 crores. If the Gross Domestic Product of Nation X rises to ₹ 4,000 crores in 2019-20 and the Gross Domestic Product of Nation Y rises to ₹ 200,000 crores in 2019-20.

Compare the rate of change of GDP of Nations X and Y, taking 2018-19 as base year.

17. (a) Elaborate the objective of 'allocation of resources' in the Government budget.
(b) Discuss briefly how the Government budget can be used as an effective tool in the process of employment generation.

SECTION - B

(Indian Economic Development)

18. was the Indian Finance Minister in 1991, acknowledged for his capabilities to steer away the economic crisis looming large on the erstwhile Indian Economy. **(Choose the correct alternative).**
- (a) Dr. Subramanian Swamy (b) Dr. Manmohan Singh
(c) Pranab Mukherjee (d) Dr. Urjit Patel
19. India entered thestage of Demographic Transition after the year 1921. **(Choose the correct alternative)**
- (a) forth (b) second
(c) third (d) first
20. Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:
- Assertion (A)** : India became an exporter of primary products and an importer of finished consumer and capital goods produced in Britain.
Reason (R) : 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.
- 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

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

Assertion (A) : The major policy initiatives i.e. land reforms and green revolution helped India to become self-sufficient in food grains production.

Reason (R) : The proportion of people depending on agriculture did not decline as expected

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.

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

Assertion (A) : Every year government fixes a target for disinvestment of Public Sector Enterprises (PSEs).

Reason (R) : Disinvestment is an excellent tool for discarding the loss incurring Public Sector Enterprises (PSEs).

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. From the set of events/systems given in column I and corresponding relevant fact given in column II, about China, Choose the correct pair of statement :

	Column I		Column II
A	Great Leap Forward	(i)	Cultivating land Collectively
B	Commune System	(ii)	Opening of the Industries in their homes
C	Proletarian Cultural revolution	(iii)	Students were sent to work and learn from the countryside
D	Economic Reforms in China	(iv)	1988

23. adopted 'One Child Policy' as a measure to control population. (Choose the correct alternative)

- (a) India (b) China
 (c) Pakistan (d) Russia

Read, the following hypothetical Case Study, carefully and answer the question numbers 24 - 27 on the basis of the same.

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.

24. Uncertainty of income for farmers in India is majorly caused by
 (irregular rainfall / unavailability of loans).
25. 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)
26. 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.
27. (Regional Rural Banks/ Land Development Banks) is the most prominent body responsible for providing loans for long term land development.
28. 'India has emerged as a hotspot for medical tourism'. Defend the statement with valid arguments.

OR

Discuss any two steps taken by the government in the direction of improving agricultural marketing system in India, since independence.

29. Discuss briefly the concept of 'informalisation of workforce', in the context of Indian economy.
 30. "Agriculture sector appears to be adversely affected by the economic reform process." Explain the given statement.

31. 'Atmanirbhar 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 with the given statement? Justify the rationale of the given statement.

OR

Discuss briefly any two major steps taken by the Government of India on 'Financial Sector' front under the Economic Reforms of 1991.

32. Compare and analyse the given data of India and China with valid arguments.

Annual Growth of Gross Domestic Product (%), 1980-2017

COUNTRY	1980-90	2015-17
India	5.7	7.3
China	10.3	6.8

Source: Key Indicators for Asia and Pacific 2016, Asian Development Bank, Philippines; World Development Indicators 2018.

33. (a) 'If the rate of resource extraction exceeds the rate of regeneration, it leads to reduction in carrying capacity of the environment.'

Discuss the rationale of the given statement with valid reasons.

- (b) 'Calorie-based norm is not an adequate measure to identify the poor. Establish the rationale of the given statement with valid reasons.'

OR

- (a) Why are less women found in regular salaried employment?

- (b) Analyse the recent trends in sectoral distribution of workforce in India.

Trends in Employment Pattern (Sector wise), 1993-2012 (in %)

Sector	1993-94	1999-2000	2011-2012
Primary	64	60.4	24.3
Secondary	16	15.8	24.3
Services	20	23.8	26.8

34. State, giving valid reasons whether the following statements are true or false.

- (a) Since independence, the benefits of the increase in economic growth in India have trickled down to the people at the bottom of population pyramid.
- (b) Human Capital Formation gives birth to innovation, invention and technological improvements.
- (c) There exists an inverse correlation between infrastructural growth and national income.

Answers

SECTION - A

(Macro Economics)

1. (a) stock, flow.

OR

240 crores.

2. (c) release.
3. (c) currency held by the public and demand deposits with commercial banks.
4. (b) B-(ii).
5. (c) In the Managed floating exchange rate system, the Central Bank intervenes to moderate exchange rate fluctuations.
6. (a) credit, current.
7. increases.
8. (c) rise in aggregate demand.
9. inflationary gap.
10. no change in output/employment but increase in general price level.
11. (a) False, Gross value added at market price is output valued at market price less intermediate consumption valued at purchaser's price whereas GDP reflects the total value of all goods and services used for intermediate consumption in their production.
GVA=GDP+ Subsidies on products-taxes on product

- (b) False, Intermediate goods are not always durable in nature. Intermediate goods are those goods which are used as semi-finished goods in final production. These goods major may not change their form during the production process. They are used as inputs to become part of the finished product.
12. (a) False, the current account represents a country's net income over a period of time. The current account in balance of payments measures the inflow and outflow of goods, services, investment incomes and transfer payments.
- (b) False, borrowings from abroad are recorded in the capital account of the balance of payment on the credit side because it brings in foreign exchange in to the country.

OR

The given statement is refuted as the Current Account Deficit (CAD) is a broader concept. CAD occurs when the foreign exchange payments on account of visible, invisibles and current transfers are in excess over the receipts of visible, invisibles and current transfers.

A country may face a situation of CAD, even if the country has trade surplus, with greater negative balances on account of services and unilateral transfers.

13. (a) The money multiplier is the process by which commercial banks creates credit, based upon the reserve ratio and initial deposits.

$$\text{The formula for money multiplier} = \frac{1}{r}$$

where r = Required reserve ratio or CRR.

- (b) The reserve deposit ratio: It is the percentage of deposits which commercial banks are required to keep as cash according to the directions of the Central Bank.

For Example :

Suppose the reserve ratio is 0.2 and initial deposit is ₹ 1000 crores.

$$\begin{aligned} \text{Total credit created} &= \frac{1}{\text{Reserve ratio}} \times \text{Initial deposit} \\ &= \frac{1}{0.2} \times 1000 \\ &= ₹ 5,000 \text{ crore.} \end{aligned}$$

Now suppose reserve ratio is increased to 0.5

$$\begin{aligned} \text{Total credit created} &= \frac{1}{\text{Reserve ratio}} \times \text{Initial deposit} \\ &= \frac{1}{0.5} \times 1000 \\ &= ₹ 2,000 \text{ crore} \end{aligned}$$

Thus on the basis of the above example we can say that there exists an inverse relation between reserve and credit creation.

14. Equilibrium Level - (AD = AS)
Equilibrium level of Income - $Y = C + I$
 $Y = (200 + 0.5Y) + 400$
 $Y - 0.5Y = 600$
 $0.5Y = 600$
 $Y = 600/0.5 = 1200$

The equilibrium level of Income = 1200 crores hence the economy is not equilibrium at 1500 crores. The given income (1500 crores) is more than the equilibrium level i.e. 1200 crores.

OR

- (i) **Ex Ante savings:** Ex-Ante savings refers to the desired savings or planned savings during the period of one year. This is the savings which is intended to be made in the economy during the period of one year.
- (ii) **Full Employment:** It is the condition in which all the willing and capable resources get a gainful job at prevailing wage rate. It is a situation when there is no involuntary employment.
15. The Indian economy is witnessing a sudden downfall. The economy shrank 23.9% year-on-year in the second quarter of 2020, much worse than market forecast of an 18.3% drop. It is the biggest contraction, which economy is facing.

The two fiscal measures that can be taken by the Government of India to correct the situation are:

- (i) **Decrease in taxes:** When the Government decreases taxes, the disposable income will increase. This will lead to increase in purchasing power of people. The people will demand more which led to maintain the balance between aggregate demand and supply.
- (ii) **Increase in government expenditure:** An increased expenditure in government spending is likely to cause arise in aggregate demand and maintains the equilibrium between aggregate demand and aggregate supply.
16. (a) According to Raich "Economic activity is the production, distribution and consumption of commodities. The economic activity will lead to income generation, it is productive in nature. We cannot measure the value of services performed by woman (home maker). All these services are done out of emotional attachment hence these services are not considered as economic activities, So the given statement is defended.
- (b) Yes, compensation to the victims of a cyclone is an example of a welfare measure taken by the government. It is not included in estimation of national income of India as it is a transfer payment. These incomes are simply transferred from the government to the people without rendering any services hence these incomes are not included in estimation of national income.

OR

(Base year – 2018-19)

Nations/ Year	2018-19	2019-20	Growth Rate of GDP $= \frac{\text{Change in GDP}}{\text{Base Year GDP}} \times 100$
X	2000 crores	4,000 crores	$= \frac{2000}{2000} \times 100 = 100\%$
Y	1,20,000 crores	2,00,000 crores	$= \frac{80,000}{1,20,000} \times 100 = 66.67\%$

Nation X has registered a GDP Growth rate of 100% and has performed better on the front of GDP rises as compared to nation Y that has registered a GDP growth rate of 66.67%

17. (a) Allocation of resources is one of the most important objectives of government in the budget. The objective of private producers is profit maximisation on the other hand government aims towards welfare maximisation. The government maintains the balance between social and economic objectives. For example, government levies taxes on socially harmful goods such as tobacco and provides subsidies for the socially desirable goods such as food grains. If the private sector does not take the initiative in certain activities, the government may directly take them like water supply and sanitation etc.
- (b) Government also works for providing better employment opportunities. They provides financial assistance to various infrastructural projects which helps in industrial development and creates lots of employment opportunities. Government introduces several employment schemes to boost the employment rate in the nation. Some of the examples are: Integrated Rural Development Programme, Jawahar Rozgar Yojna, MGNREGA and many more.

SECTION - B

(Indian Economic Development)

18. (b) Dr. Manmohan Singh.
19. (b) second.
20. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

OR

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
21. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is not the orrect explanation of Assertion (A).
22. (c) C-(iii)
23. (b) China.
24. irregular rainfall.
25. indebttness.
26. Regional Rural Banks.

27. Land Development Banks.

28. The given statement is defended as India has emerged as the hotspot for medical tourism because it has availability of the world class doctors and world class treatment at affordable prices. Some reasons which leads to growth of medical tourism are: In some countries there are long waiting time for getting treatments, India scores well with the hospitals having the state of art technology and strong Pharma sector.

Medical tourism is a sector which is helping in generating foreign exchange and also provides employment to the people. In mid-2020 India's medical tourism sector was estimated to be worth US \$5-6 billion which shows that medical tourism is a growing sector in India.

OR

The two major steps taken by the Government are:

- (i) **Regulated Markets:** Regulated markets may be established with a view to eliminate unhealthy and unethical trade practices and reducing various marketing charges with a view to benefitting the poor cultivator.
 - (ii) **Expansion of market yards:** This is a vital necessity. This must be supported by a corresponding expansion of ancillary facilities in the various existing markets and setting up new markets. Government also enhances the infrastructural facilities like building of roads, warehouses, cold storage etc.
29. Informalisation of workforce refers to the situation wherein there is a continuous decline in the percentage of workforce in the formal sector and a simultaneous rise in the percentage of workforce in the informal sector. The main reason for Informalisation of workforce in India is because of people living in the rural sectors and due to them being illiterate and not having proper levels of skills. The workers prefer to work on daily wages through physical labour to earn money.
- Lot of manufacturing sectors employ workers on contractual basis through "subcontracts" to work on temporary basis. Due to increasing competition in the markets and with import of goods there has been a rise in the informalisation of the Indian workforce. The labour working on contracts do not get the benefits that a normal workforce receives in the formal sectors. The rise in the informalisation of Indian workforce is because of the companies outsourcing their jobs to a third party. This has reduced the need of regular workers in the formal sectors.
30. The economic reform adversely affected the agricultural sector in the following ways:
- (i) **Reduction of Public Investment:** The expenditure on agricultural facilities was reduced by the government. Government reduces the fund which adversely affected the sector. There is lack of irrigation facilities, electricity and market linkages which hampers the growth of the sector. Government reduces the investment on research and development facilities too.
 - (ii) **Removal of subsidies on fertilisers:** This made farming more expensive thereby adversely affecting the poor and marginal farmers.
 - (iii) **Liberation and reduction of import duties on Agricultural products:** It increases the competition. Now Indian farmers need to compete with the international players which hampers their growth.
 - (iv) **Inflationary pressure on food grains:** The shift towards production of cash crops and removal of subsidies increases the inflationary pressure on prices of food grains. It lead to cost of producing food grain more expensive.
31. Yes the above statement is correct. The objective of Atmanirbhar Bharat is to make India self-reliant. It develops the spirit of innovation and entrepreneurship among the citizens of India. It reduces the dependence on foreign companies and on foreign products. The major slogan is vocal for local that means we should manufacture and consume Indian products only. We should make our manufactured product very competitive so that it beats the foreign competition. The five pillars of Atmanirbhar Bharat is to focus on economy, infrastructure, system, vibrant demography and demand.

OR

The two major steps taken by the Government of India on financial sector front under economic reforms of 1991.

- (i) **Open skies policy :** In order to promote competition government adopted open skies policy through which private players are allowed in banking sector in 1991.
 - (ii) **Change in Role of RBI :** Economic reform of 1991 reduced the autonomy of RBI. After the reform RBI now act as a facilitator rather than regulator . This will increase the autonomy of financial sector.
32. In 1980, the economies of China were ahead of India in terms of gross domestic product. It shows the tremendous growth which led to the double figure of GDP. On the other hand India maintains a reasonable growth of 5.7 % during 1980s. In 2015 the China's GDP decelerates and it falls to 6.8%. On the other hand

with lots of economic reforms India strengthens its economic stability and reaches to the high of 7.3% GDP. China and India are the two emerging economies of the world. China and India together contributes more than half of the Asia's GDP. India has shown the great caliber in 2015. There is a long way ahead of India to increase their growth measures. With new reforms, stability and focused approach certainly India will reach to the heights.

33. (a) When the rate of resource extraction is above the rate of regeneration of the resource and the wastes generated are outside the assimilating capacity of the environment, the environment fails to perform its third and vital function of life sustenance and this result in an environmental crisis. The situation will lead to disequilibrium where demand will be more than a supply .With this condition environment will not be able to replenish itself. Thus to reduce the environmental crisis we should use energy more efficiently.
- (b) The calorie based norms is not an adequate measure to identify the poor as this method does not differentiate between the very poor and the other poor. This mechanism takes into account expenditure of food and a few other items as proxy for income. It ignores many other vital factors associated with poverty; for instance, the accessibility to basic education, health care, drinking water and sanitation.

OR

- (a) The reason are as follow:
- (i) Due to lack of essential skills which are needed to perform a job or function .
 - (ii) Due to mobility issues women are not allowed to leave their hometown as they have to fulfill the responsibilities of family and child care.
 - (iii) Lack of educational facilities will also be the reason that we found less number of women in regular salaried employment.
 - (iv) Wage discrimination among gender also demotivates women to join the work force.

- (b) The table shows the sectorial distribution of the workforce. If we look at the data of primary sector we conclude that in 1993-94 64% of the total workforce enrolled in primary sector for their livelihood. This figure got reduced to certain percentage and amounted to 60% in 1999-2000. In 2011-12 there was a drastic change that took place in percentage figures of primary sector. The figure approached to 24.3%. It shows that the dependence on primary sector gets reduced .Secondary sector reveals a stable figures with slightly changes in percentages. In year 1993-94 the percentage of people enrolled in this sector is 16% which gradually increased to 24.3% by 2011-2012. Last but not least the service sector shows an increasing trend from 20 percent in 1993-94 to 23.8 percent in 1999-2000 reached to 26.8 percent in 2011-12.

The figures shows that the dependence on agriculture sector got reduced and the workforce is more inclined towards the secondary and service sector for their employment needs.

34. (a) The statement is false, since independence the benefit of the increase in economic growth in India have not trickled down to the people at the bottom of population pyramid .The massive rate of growth of population, uneven income distribution ,skewed benefits occurred due to green revolution are some of the reasons due to which benefit have not passed to people at the bottom of population pyramid.
- (b) This statement is true. The human capital formation gives birth to innovation, invention and technology improvements. Investment in education encourages teacher and students to explore, research and innovate. Innovation improves education because it compels students to use a higher level of thinking to solve problems. With the higher level of investment in research and development new technologies emerges which enhance the growth of human capital.
- (c) This statement is false .There is a positive relation between infrastructural growth and national income. Infrastructural growth will enhance the productivity which ultimately results in increase in national income. With better infrastructural growth the output of economy will increase which brings prosperity in nation.

“COVID has a significant deflationary impact because demand especially for non-essential or discretionary goods and services will go down significantly. Therefore, it is unlikely that there would be too much inflationary impact through fiscal deficit or stimulus package,” Subramanian told in an interview.

The proposed stimulus package will generate demand by infusing liquidity into the system and thus perk up the economy, the CEA said. **The Economic Times; May 15th,2020**

7. Deficiency of demand creates(deflationary gap/inflationary gap) in the economy.
(Choose the correct alternative)
8. Demand for goods has gone significantly down during covid period.
(Choose the correct alternative)
- (a) non-essential (b) essential
(c) both (a) and (b) (d) None of these
9. The proposed stimulus package has tried to create.....(more/less) demand in the economy.
(Choose the correct alternative)
10. Inflationary gap:
(Choose the correct alternative)
- (a) raises the level of output. (b) does not change the level of output.
(c) raises the general price level. (d) both b and c
11. State with valid reason, which of the following statement is true or false:
(a) GDP growth as an index of welfare loses its importance if there is deep economic divide in the economy.
(b) Real GDP may increase without any increase in the quantity of output in the economy.
12. State, giving valid reasons, whether the following statements are true or false:
(a) Appreciation of the Indian currency occurs when more rupees are to be paid for US dollar.
(b) Flexible exchange rate is determined by IMF.

OR

‘Devaluation and depreciation are one and the same thing.’ Defend or refute the statement, with valid argument.

13. ‘Legal tender money is also known as fiat money.’ Comment.
14. In an economy 75 percent of the increase in income is spent on consumption. Investment is increased by ₹ 1,000 crore. Calculate:
(a) Total increase in income.
(b) Total increase in consumption expenditure.

OR

Explain the meaning of Marginal Propensity to Consume. What is its relationship with Marginal Propensity to Save?

15. “CRR cut will improve bottom line, says Karnataka Bank CEO”
Private lender Karnataka Bank MD and CEO Mahabaleshwara MS on Friday said the Reserve Bank of India (RBI) slashing the Cash Reserve Ratio (CRR) by 100 basis points (BPS) from 4% to 3% will improve the bottom line of banks.

“The three months repayment moratorium on all loans without down gradation of assets will mitigate debt servicing burden and go a long way in overcoming the financial stress caused by Covid-19,” he said in a statement.

The Economic Times, 27th March, 2020

Discuss how the above mentioned monetary instrument in news report is helpful in correcting the situation of excess demand and deficient demand.

16. (a) ‘GDP as an index of welfare of a country has some limitations.’ Defend or refute the given statement with valid reason.
(b) ‘Payment of fees to a lawyer engaged by a firm.’ State with valid reason, should the given payment be included or not included in the estimation of national income of India.

OR

Calculate the Net National Product at Market Price from the given details:

S.No.	Particular	(` in Crores)
(i)	Mixed income of self-employed	8,000
(ii)	Depreciation	200
(iii)	Profit	1,000
(iv)	Rent	600
(v)	Interest	700
(vi)	Compensation of employees	3,000
(vii)	Net indirect taxes	500
(viii)	Net factor income to abroad	60
(ix)	Net exports	(-) 50
(x)	Net current transfers to abroad	20

17. Classify the following items as revenue and capital expenditure and give reason for your answer :-

- Subsidies
- Grants by the government
- Construction of school building

SECTION - B

(Indian Economic Development)

18. Railways were introduced in India in (Choose the correct alternative)

- 1853
- 1850
- 1851
- 1854

19. is an economy in which means of production are used in a manner such that social welfare is maximised. (Choose the correct alternative)

- Capitalist economy
- Socialist economy
- Mixed economy
- Free economy

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

Assertion (A): Five year plans gave a big push to the basic and capital goods industries.

Reason (R): Indian economy is now ranked as the eleventh largest industrial economy in the world.

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 but 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 statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): Economic and social equality was considered as the principal goal of planning.

Reason (R): Real income of the people decreased due to high rate of inflation.

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 but 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.

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

Assertion (A): Wage goods are luxuries of life.

Reason (R): Agriculture provides wage goods to about 121 crore of people 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 but 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. Choose the correct pair of statement from the following column I and column II:

Column I		Column II	
A	One child policy	(i)	India
B	Jobless growth process	(ii)	China
C	Problem of environmental degradation	(iii)	Pakistan
D	Commune system of farming	(iv)	Collective farming

Alternatives:

- (a) A-(i) (b) B-(ii)
 (c) C-(iii) (d) D-(iv)
23. China surpassed India and Pakistan in sector of the economy.
(Choose the correct alternative)
- (a) primary (b) manufacturing
 (c) tertiary (d) None of these

Read the following hypothetical case study carefully and answer the question numbers 24-27 on the basis of the same.

Diversification includes two aspects - one relates to change in cropping pattern and the other relates to a shift of workforce from agriculture to other allied activities like livestock, poultry, fisheries etc. and non-agriculture sector. The need for diversification arises from the fact that there is greater risk in depending exclusively on farming for livelihood. Diversification towards new areas is necessary not only to reduce the risk from agriculture sector but also to provide productive sustainable livelihood options to rural people. Much of the agricultural employment activities are concentrated in the Kharif season. But during the Rabi season, in areas where there are inadequate irrigation facilities, it becomes difficult to find gainful employment. Therefore, expansion into other sectors is essential to provide supplementary gainful employment and in realising higher levels of income for rural people to overcome poverty and other tribulations. Hence, there is a need to focus on allied activities, non-farm employment and other emerging alternatives of livelihood, though there are many other options available for providing sustainable livelihoods in rural areas.

24. relates to a shift of workforce from agriculture to other allied activities
(Monocropping/Diversification)
25. Livestock comes under the category ofactivities. **(allied/diversification)**
26. Diversification provides options to rural people. **(livelihood/irrigation)**
27. It is difficult to find gainful employment in season, in areas where there are inadequate irrigation facilities. **(Kharif/Rabi)**
28. 'Economic growth occurs when GDP rises'. Defend the statement with valid reasons.

OR

Distinguish between formal workers and informal workers.

29. Discuss briefly about Regional Rural Banks.
30. "British intended to achieve some objectives through their policies of infrastructure." Explain the given statement.
31. 'Protection of small scale industry and regulation of large scale industry was prevalent before 1991'. Justify the rationale of the given statement.

OR

Explain the term globalisation. Explain 'long term trade policy' of the globalisation of the Indian economy.

32. Compare and analyse the given data of India, Pakistan and China with valid arguments.

Structure of Growth- India, Pakistan and China

Sector	% Share in GDP			% Share in Employment		
	India	Pakistan	China	India	Pakistan	China
Primary	15.4	24.4	7.9	47	42.3	27.7
Secondary	23.1	19.1	40.5	22	22.6	28.8
Tertiary	61.5	56.5	51.6	31	35.1	43.5

33. (a) "Challenge of poverty must be given prior importance than environmental degradation." Discuss the rationale of the given statement with valid reasons.
 (b) "Sustainable development is a process to be taken as a daily life activity." Establish the rationale of the given statement with valid reasons.

OR

- (a) Why are female workers in rural areas unwilling to migrate outside jobs?
 (b) Analyse the change in occupational structure of the country on the basis of the following table:

Change in occupational structure

Sector	% of Workforce	
	1950-51	2017-18
Primary	72.72	43.8
Secondary	10.02	24.7
Tertiary	17.26	31.5
Total	100	100

34. State giving the valid reasons whether the following statements are true or false.
 (a) Higher percentage of workforce in rural areas suggests a higher contribution of the rural economy to GDP.
 (b) Workforce is the difference between total population and no. of persons not working.
 (c) Lack of warehousing causes loss of revenue to the farmers.

Answers

SECTION - A

(Macro Economics)

1. (d) final consumer, final producer

OR

$$(b) 130 \left[\text{Deflator} = \frac{\text{GDP}_{\text{nominal}} \times 100}{\text{GDP}_{\text{real}}} \right]$$

2. Central Bank
 3. (c) fiat money
 4. (a) A-(i)

5. (c) Managed floating is also known as dirty floating.
 6. (b) debit, capital
 7. deflationary gap
 8. (a) non-essential
 9. more
 10. (d) both (b) and (c)
 11. (a) True. GDP growth as an index of welfare loses its importance if there is deep economic divide in the economy as economic divide indicates increasing gap between rich and poor people.
 (b) False. Real GDP increases only when there is increase in the quantity of output in the economy.
 12. (a) False. The value of domestic currency will increase in relation to the currency of other country in case of appreciation. Thus, less rupees are to be paid for US dollar.

(b) False. Flexible exchange rate is determined by the forces of demand and supply in the international money market.

OR

No, This statement is refuted. Devaluation is the fall in the value of domestic currency in relation to foreign currency as planned by the government. In other words, it occurs when the value of the domestic currency is deliberately reduced by the government by raising the exchange rate. On the other hand, depreciation occurs when the value of the domestic currency reduces due to the market forces of demand and supply. Here, government plays no role. Thus, it is clear that both the terms are not same.

13. Legal tender money refers to money which can be legally used to make payment of debts or other obligations. Fiat money refers to that money which is issued by order of the government. It must be accepted for all debts. Thus, it can be said that legal tender money is also called fiat money because it has to be accepted as money as per the orders of the government. It includes all notes and coins which the people in a country are legally bound to accept as a medium of exchange.

14. (a) As 75% of the increase in income is spent on consumption

Therefore, $MPC = \frac{\Delta C}{\Delta Y} = \frac{75}{100} = 0.75$

$$K = \frac{1}{1 - MPC} = \frac{1}{1 - 0.75} = \frac{1}{0.25} = 4 \text{ here } K = \text{Investment Multiplier}$$

Increase in income = Increase in investment \times Multiplier

$$\begin{aligned} Y &= \Delta I \times K \\ &= 1,000 \times 4 \\ &= \text{₹ } 4,000 \text{ crore} \end{aligned}$$

Thus, Total increase in income (ΔY) = ₹ 4,000 crore

(b) Given that $\Delta Y = \Delta C + \Delta I$

$$\begin{aligned} \text{Therefore, } \Delta C &= \Delta Y - \Delta I \\ &= 4,000 - 1,000 \\ &= \text{₹ } 3,000 \text{ crore} \end{aligned}$$

Thus, Total increase in consumption expenditure (ΔC) = ₹ 3,000 crore

OR

The ratio between the change in consumption expenditure with the change in income is called Marginal Propensity to Consume. Marginal Propensity to Consume tells about the relationship between the change in consumption due to change in National income.

$$\text{Marginal Propensity to Consume (MPC)} = \frac{\Delta C}{\Delta Y}$$

Where, ΔC = Change in consumption expenditure

ΔY = Change in income

Relationship between Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS)— Sum of MPC and MPS is equal to 1. Thus, it can be explained as follows:

$$MPC + MPS = 1$$

or $MPS = 1 - MPC$

and $MPC = 1 - MPS$

15. The above mentioned monetary instrument in news report is CRR i.e. Cash Reserve Ratio. It is the minimum percentage of a bank's total deposits required to be kept with the RBI. It is fixed by RBI and changes from time to time to control the supply of money in the economy. When the supply of money is to be increased, then CRR is lowered and when the supply of money is to be reduced then it is to be raised.

Thus to control the situation of excess demand/inflation, It should be increased as it will reduce the supply of money and the problem of excess demand can be controlled.

On the other hand, CRR should be lowered to correct the situation of deficient demand as it will increase the supply of money.

In the given news report, CRR is reduced from 4% to 3% as they want to increase supply of money and want to solve the problem of deficient demand.

16. (a) This statement is true, so it is defended. GDP as an index of welfare of a country is not free from limitations. It also has some limitations which are as follows:
- Distribution of GDP is not taken into account.
 - Composition of GDP is not taken into consideration.
 - Non-monetary exchanges are not recorded which underestimates the GDP.
 - Externalities are not considered.
- (b) It is an intermediate expenditure for the firm because it involves purchase of services by one production unit (firm) from another production unit (lawyer). So, it will be deducted from the value of output of the firm to get the figure of value addition. So, it will not be included in national income.

OR

Net Domestic Product at Factor Cost (NDP_{FC})

= Compensation of Employees + Rent + Interest + Profit + Mixed Income of Self-Employed

= 3,000 + 600 + 700 + 1,000 + 8,000 = ₹ 13,300 crores

Net National Product at Market Price (NNP_{MP})

= NDP_{FC} – Net Factor Income to Abroad + Net Indirect Taxes = 13,300 – 60 + 500

= ₹ 13,740 crores

17. (a) It is a revenue expenditure as it neither creates asset nor reduce any liability.
 (b) It is a revenue expenditure as it neither creates asset nor reduce any liability.
 (c) It is a capital expenditure as it creates an asset for the government.

SECTION - B

(Indian Economic Development)

18. (a) 1853
 19. (b) socialist economy
 20. (c) Assertion (A) is true but Reason (R) is false.

OR

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

21. (d) Assertion (A) is false but Reason (R) is true.
 22. (d) D-(iv)
 23. (b) manufacturing
 24. Diversification
 25. allied
 26. livelihood
 27. Rabi
 28. This statement is true. Economic growth occurs when GDP rises which means increase in the level of output. It can be achieved in two ways:
 (i) through greater employment and
 (ii) through better technology

In developing countries like India, economic growth becomes more important when it is related with greater opportunities of employment as there is massive unemployment and with employment opportunities, poverty can be handled.

But India is taking another option to increase GDP i.e. through technology which creates a situation of jobless growth.

OR

Difference between Formal workers and Informal workers

Formal workers	Informal workers
1. These are those workers who are working in organised or formal sector.	1. These are those workers who are working in unorganised or informal sector.
2. They are entitled to social security benefits.	2. They are not entitled to social security benefits.

3. They are protected by various labour laws against uncertainties of the market.	3. They do not get any protection due to which they are highly vulnerable to uncertainties of the market.
4. They can form trade unions.	4. Trade union does not exist in informal sector.
5. They are like regular workers.	5. They are like daily wage workers.

29. Regional Rural Banks were established under the Regional Rural Banks Act, 1976. They provide loans to small and marginal farmers, agricultural labourers and artisans. The main objective of setting up RRBs is to provide financial facilities for development of agriculture and other productive activities in rural areas. The performance of the RRBs, however, has not been quite satisfactory due to poor recovery rates. Many sponsoring banks had their own branches in rural areas and the revenue earning capacity of RRBs was very poor due to various restrictions placed on them. The government, therefore, initiated a reform process of the RRBs in 2004, as a result of which the performance of the RRBs improved after 2010.
30. This is true statement. British intended to achieve the following objectives through their policies of infrastructure.
- Expansion of Indian market for the British products through the railways expansion.
 - To handle export of raw material to Britain and import of finished goods from Britain through the development of ports.
 - To increase administrative efficiency through the development of post and telegraphs.
 - To facilitate transportation of raw material from different parts of the country to the ports through the developments of roads.

Thus, it is clear from the above points that they were having personal objectives for which they were making policies and developing infrastructure.

31. This is absolutely true statement. Before 1991, this was one of the important feature of economic policy. During that period, Government used to protect small scale industries to avoid competition from large scale industries. Large scale industry was regulated through several Acts like MRTP Act. On the other hand, small scale industry was offered protection from competition. For this, certain areas of production were exclusively reserved for small scale industries specially, labour intensive industries. Financial institutions were also developed to cater to the needs of small scale industries. Several boards were established to promote the products of such industries in the global market. These industries were getting full spoon feeding from the government.

OR

Globalisation means integrating the economy of a country with the economies of other countries under conditions of free flow of trade and capital across borders. For instance, a car manufacturer based in Japan can manufacture auto parts in several developing countries and ship the parts to another country for assembly, then sell the finished cars to any other country.

Long term trade policy : There are different policy strategies promoting globalisation of the Indian economy. One of these is long term trade policy. In conformity with economic reforms, foreign trade policy is enforced for a longer duration which indicates it as a liberal policy. According to this policy, all restrictions and controls on foreign trade have been removed and open competition is encouraged except for some specific goods.

32. From the following table, it is observed that all the three countries have experienced a noticeable structural change as all have shifted to secondary and tertiary sector. China is relying more on secondary sector whereas India and Pakistan are relying more on tertiary sector. In case of the employment primary sector provides maximum employment opportunities in India and Pakistan and Tertiary sector in case of China. However, China is showing great sign of becoming developed countries in the world. Expansion of service sector in India and Pakistan is due to globalisation *i.e.* faster integration with the global economies. Thus, we can analyse from the given table that all the three countries are going towards the path of development but China has shown better performance than other two countries.
33. (a) This statement is true as poverty itself is a significant cause of environmental degradation. If poverty is reduced, then automatically the problem of environmental degradation will solve to much extent. It can be explained with the help of the following examples:
- It is due to poverty that the rural and tribal people resorts to tree-felling to get wood for domestic fuel. It causes deforestation.

(ii) Slums are mushrooming across all parts of the country because of poverty only. It also causes environmental degradation by way of excessive release of domestic waste into the waterbodies.

Thus, it is clear that poverty should be addressed before environmental degradation.

- (b) It is rightly said that sustainable development should be practised daily as a routine activity. It can be achieved when there is check on environmental pollution and environmental degradation. We can stop littering on roads and public places, we can maintain our vehicles to minimise the smoke emitted by vehicles. We can use public transport. All such activities will help in reducing pollution. Likewise, we can recycle the waste or not to construct our houses in unauthorised areas. These will help in minimising environmental degradation.

OR

- (a) Female workers in the rural areas are unwilling to migrate for outside jobs. They prefer to work at their place of home even for a low wage. However, they must work to supplement their family income for a meaningful subsistence. Due to this high percentage of female workforce in rural areas is engaged in primary sector.
- (b) From the above table, it is clear that percentage of workforce engaged in primary sector has reduced from 72.72% to 43.8%. In secondary sector, it has increased from 10.02% to 24.7%. Likewise, workforce has increased from 17.26% to 31.5% in tertiary sector. However, the shift from primary to secondary and tertiary sector is noticeable but not significant. The Indian economy is still known as agricultural economy.
34. (a) False, There is low productivity and low reward for work which leads to widespread poverty in rural areas. Nearly 50% of workforce is employed in rural area but it is contributing less than 20% to GDP.
- (b) False, Workforce refers to number of person actually working or willing to work.
- (c) True, The farmers are forced to sell their produce immediately after harvesting due to lack of warehousing facility. It creates the situation of excess supply in the market due to which crop price falls and consequently there is a loss of revenue to the farmers.

••

Practice Paper

Medium Level

6

Questions

SECTION - A

(Macro Economics)

1. A consumption function describes the relationship between and
(Fill up the blank with correct alternative)
- (a) income, expenditure (b) consumption, income
(c) consumption, expenditure (d) production, consumption

OR

If in an economy the value of Net Factor Income from Abroad is ` 500 crores and the value of Factor Income to Abroad is ` 400 crores. Identify the value of Factor Income from abroad. (Choose the correct alternative)

- (a) ` 200 crore (b) ` 900 crore
(c) ` 100 crore (d) ` 300 crore
2. During the situation of COVID, many economist have agreed that the government could take initiatives that could protect the economy from getting into recession as Indian economy from so long is suffering from the problem of low demand. On this the finance ministry has decided to take loans from the Central Bank to inject money in the economy.
You are advised to look into the government accounts book. You will record this transaction as (revenue/capital) receipt.
3. is an apex institute of banking structure of India. (Choose the correct alternative)
- (a) Central Bank (b) Commercial Bank
(c) State bank of India (d) Government of India
4. Identify the correct pair from the column I and II. (Choose the correct alternative)

	Column I		Column II
A	Open market operations	(i)	Qualitative Measure
B	Margin Requirement	(ii)	Minimum ratio of total bank deposits which they have to keep with themselves
C	Banker's bank	(iii)	Function of Central Bank
D	Reserve Requirement	(iv)	Sale and Purchase of Securities

Alternatives :

- (a) A - (i) (b) B - (ii)
(c) C - (iii) (d) D - (iv)
5. Identify which of the following statement is true : (Choose the correct alternative)
- (a) Current account does not count transfer payments.
(b) Balance of trade does not count services.
(c) Net invisibles is a component of capital account.
(d) Portfolio investment is a type of external assistance.
6. The value of multiplier is related with marginal propensity to save while with marginal propensity to consume. (Fill up the blank with correct alternatives)
- (a) directly, directly (b) directly, inversely
(c) inversely, directly (d) inversely, inversely

Read the following news report and answer Question 7-10 on the basis of the same :

It is welcome that the Reserve Bank of India (RBI) has announced a series of measures to inject liquidity in the financial system, declared a moratorium on repayment of term loans and has reduced its key policy rate, by which

it signals the cost of funds for banks, by 75 basis points or 0.75%, to reduce the repo rate to a record low of 4.4%. ... "I have served here for just about a year and a half. During this period it has been my privilege to see the Indian economy enter onto a sustained and robust growth path of around 7.5 to 8 % per year. This has been possible only because of the reforms pursued by the NDA, as well as by earlier Governments", Jaswant Singh had said in his interim Budget speech.

The Economic Times : March 27, 2020

7. A strong banking system and higher rate of interest will.....(attract/ distact) foreign investment.
(Choose the correct alternative)
8. Lower repo rate will lead to
(Choose the correct alternative)
- (a) decrease in money supply (b) increase in money supply
(c) the same supply of money in the economy (d) decrease in money demand
9. If the estimated expenditure of the government is higher than their receipts then that type of budget is known as (surplus/deficit) budget.
(Choose the correct alternative)
10. Which of the following is a component of two sector model of an economy?
(Choose the correct alternative)
- (a) Foreign sector (b) Government
(c) Public enterprises (d) Households
11. State with valid reason , which of the following statement is true or false:
(a) National income calculated by income method and by product method shows difference in the resultant.
(b) Net factor income from abroad is included in national income as it is a bilateral transfer.
12. State, giving valid reasons, whether the following statements are true or false :
(a) Induced level of consumption do not get affected by the level of disposable income.
(b) MPC cannot be greater 1.

OR

'The summation of APS and APC always results unity.' Defend or refute the statement with valid argument.

13. (a) Is open market operation a qualitative or quantitative instrument of credit control? Elaborate how this can be used under the situation of excess demand?
(b) 'Money resolves the issue of double coincidence of wants'. Justify the given statement, using a hypothetical example.
14. Calculate Fiscal deficit and primary Deficit from the following Data :

Items	in billion
Interest paid	440
Recoveries of loan	100
Total expenditure	1400
Revenue receipts	600

OR

Define :

- (i) Escheat (ii) Economic stability function of government budget

15. The rupee slumped on Friday to a record closing low of 75.20 against the U.S. dollar as deepening concerns about the economic fallout of the COVID-19 pandemic sent global investors scurrying to dump most assets, especially emerging market holdings, and opt for cash and the relative safety of the greenback. The rupee has now depreciated by more than 5.3% in 2020, with the bulk of its losses, a 4.1% slide, having occurred in March.

The Hindu, March 22, 2020

As per the above article, whether the rupee is appreciating or deprecating against dollar? Discuss the possible causes of this situation.

16. From the following data, calculate gross national product at factor cost by

- (a) Income method (b) Expenditure Method

Items	(in crores)
Net domestic capital formation	630
Compensation of employees	2,000
Depreciation	150

Government final consumption expenditure	1,200
Private final consumption expenditure	1,700
Rent	250
Dividend	100
Interest	300
Net exports	-50
Profits	800
NFIA	-30
Net Indirect taxes	130

OR

- (a) Meals given to a beggar will not be counted under national income accounts but will increase the welfare of the economy. Defend or refute the given statement with valid reason.
- (b) 'Profit earned by the branch of Indian Bank in London.' State with valid reason, should it be included/not included in the estimation of national income of India.
17. (a) Explain the equilibrium level of income with the help of saving and investment approach.
- (b) Define the situation of deficient demand and discuss one measure to correct it.

SECTION - B

(Indian Economic Development)

18. The main causes behind poverty are. (Choose the correct alternative)
- (a) Social inequality (b) Indebtedness
- (c) Unequal wealth distribution (d) Both (a) and (c)
19. Which of the following are biotic elements. (Choose the correct alternative)
- (a) Plants (b) Land
- (c) Air (d) None of these
20. Read the following statements Assertion (A) and Reason (R). Choose one of correct alternatives given below:
- Assertion (A) :** India could not develop a sound industrial base under the colonial rule.
- Reason (R) :** The colonial government reduced India to the status of a mere exporter of important raw materials for the upcoming modern industries in Britain.
- 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

- Read the following statements Assertion (A) and Reason (R). Choose one of correct alternatives given below :
- Assertion (A) :** Under the colonial regime, basic infrastructure such as railways, ports, water transport, posts and telegraphs did develop.
- Reason(R) :** Roads constructed in India prior to the advent of the British rule were not fit for modern transport.
- 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.
21. Read the following statements Assertion (A) and Reason (R). Choose one of correct alternatives given below:
- Assertion (A) :** The Great Leap Forward (GLF) campaign initiated in 1958 aimed was at industrialising the country on a massive scale. People were encouraged to set up industries in their backyards.
- Reason (R) :** People were encouraged to set up industries in their backyard in 1958.

33. (a) "There is regional differences in educational attainment in India." Discuss the rational of the given statement.
- (b) "Education is considered as an important factor for the development of the country". Discuss the rational of the given statement.

OR

- (a) Explain the need of on-the-job-training for an individual.
- (b) Determine the distribution of employment from the graph given below:



Source : Indian Economic Development, NCERT

34. State whether the following statements are true or false.
- (a) An educated individual give rise to various innovative techniques.
- (b) The physical capital of the country are the means of producing various other valuable products.
- (c) Free education a fundamental right for all children in India.

Answers

SECTION - A

(Macro Economics)

1. (b) consumption, income

OR

- (c) ₹ 100 crore
2. capital
3. (a) Central Bank
4. (c) C - (iii)
5. (b) Balance of trade does not count services.
6. (c) inversely, directly
7. attract
8. (b) increase in the money supply
9. deficit
10. (d) households
11. (a) This statement is false. It is because as per the circular flow of income the value of production, income and expenditure in an economy always remain same. Therefore, national income calculated by either product method, income method or expenditure method always gives same result.
- (b) This statement is true. National income only includes bilateral transfers *i.e.*, all those transfers that involve the exchange of goods and service in returns of any remuneration. Net factor income from abroad is the net income received in exchange of services and therefore, is included in national income accounts.

12. (a) This statement is false. The level of consumption that varies with the level of income is termed as induced consumption while the autonomous consumption is free from income level.
 (b) This statement is true. MPC is the change in consumption due to change in income. Therefore, this cannot be greater than one.

OR

This statement is correct. Following equation shows the relationship :

$$APS + APC = \frac{S}{Y} + \frac{C}{Y} = \frac{C+S}{Y} = \frac{Y}{Y} = 1$$

∴

$$C + S = Y$$

13. (a) Open market operation is the quantitative measure of credit control. Under this, Central Bank either make purchase or sale the securities of government as per the ongoing situation of the market. In case of excess demand, the aim of the Central Bank is to reduce the money supply in the market in order to reduce the demand. Therefore, Central Bank will purchase government securities from Commercial Bank which further reduces their lending capacity and the situation of excess demand will be corrected.
 (b) With the help of money two participants can involve in exchange of goods and services. For instance, If Ram has to buy shoes then he can do so by giving money to the shopkeeper in exchange of shoes. But in the absence of money, Ram would have to search someone who is willing to sacrifice shoes in exchange of what Ram is willing to give. Therefore, money resolves the issue of double coincidence of wants.
14. Fiscal Deficit = Total Government Expenditure – Total Government Receipt – Borrowings
 Fiscal Deficit = 1400 – (600+ 100) = ` 700 billion
 Primary Deficit = Fiscal Deficit – Interest Payment
 = 700 – 440 = ` 260 billion

OR

- (a) **Escheat** : It refers to that income of the government which arises out of the property left by the people without a legal heir.
 (b) **Economics Stability Function of Government Budget** : Economic stability is a Precondition of growth and development for any economy. Volatile economy does not provide a favourable environment for investor. Hence the rate of growth suffers resulting unemployment and social unrest. Government works to maintain the economic stability with the help of its revenue and expenditure policy (budget policy). During recession, investment can be boosted up by giving tax-breaks and subsidies. In the situation of inflation government may rise tax and reduce subsidies.
15. The rupee is depreciating against dollar as per the given article. The possible causes of this situation are as follows :
- (i) Lower demand of Indian goods and services in foreign countries.
 (ii) Lower foreign investment in India.
 (iii) Higher exports by Indian exporters.
 (iv) Less remittance received by foreign nations.
- All the above mentioned causes may either reduce the demand of Indian rupee or causes a higher demand of dollars that lead to the situation of depreciation in Indian currency.

16. (a) Income method

$$\begin{aligned} \text{Gross national product at factor cost (GNP}_{FC}) \text{ is} \\ \text{GNP}_{FC} &= C + P + R + I + \text{NFIA} + D \\ &= 2000 + 800 + 250 + 300 + (- 30) + 150 \\ &= 3470 \text{ crores} \end{aligned}$$

Where,

C = Compensation of employees

P = Profit

R = Rent

I = Interest

D = Depreciation

NFIA = Net factor income from abroad

- (b) Expenditure method

$$\text{Gross national product at factor cost (GNP}_{FC}) \text{ is}$$

$$\begin{aligned} \text{GNP}_{\text{FC}} &= P + G + N + D + \text{NX} - \text{NIT} + \text{NFIA} \\ &= 1,700 + 1,200 + 630 + 150 + (-50) - 130 + (-30) \\ &= 3,470 \text{ crores} \end{aligned}$$

Where,

P = Private final consumption expenditure

G = Government final consumption expenditure

N = Net domestic capital formation

D = Depreciation

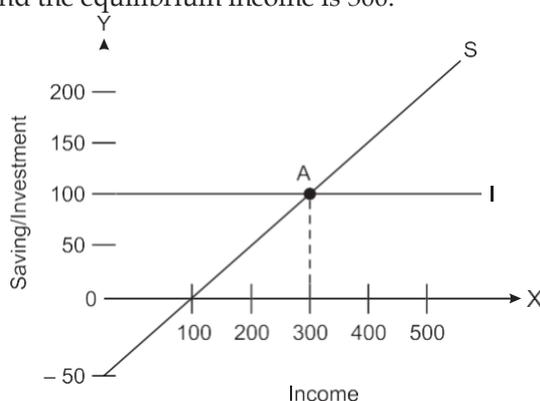
NX = Net Export

NIT = Net Indirect Tax

NFIA = Net factor income from abroad

OR

- (a) The given statement is correct. Meals to beggar is a unilateral transfer because beggars do not give anything in return to get meals. Such transactions are not included in national income accounts but these transactions helps in fulfilment of basic requirements of those who cannot afford it. Therefore, these transactions will cause an increase in the welfare of the nation.
- (b) This transaction will be included in the national income of India because the Indian bank is the normal resident of India. Any income or profit earned by Indian bank is counted in the national income of India.
17. (a) According to saving and investment approach, the equilibrium level of an economy is achieved at a point where the investment curve intersects the saving curve. In the figure below, autonomous investment curve intersects the upward sloping saving curve at point A, income corresponding to this point of intersection is termed as equilibrium income. Therefore, in the given figure equilibrium level of saving and investment is 100 and the equilibrium income is 300.



- (b) Deficient demand is the situation when the equilibrium level of output fall short of the full employment output level. Decrease in cash reserve ratio is one of the measure that can be used to correct this situation. This will increase the money supply in the economy and therefore, people will have more money to raise their demand.

SECTION - B

(Indian Economic Development)

18. (d) Both (a) and (c)
19. (a) Plants
20. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

OR

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
21. (b) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
22. (b) A-(ii) (b) B-(iii) (c) C-(iv) (d) D-(i)
23. (b) capital goods industry
24. GDP
25. Socialism

26. ambiguous
27. skill training
28. The statement is defended as less number of women are found in regular salaried employment as compared to men because of the following reasons :
 - (i) A larger number of women are engaged in the economic activities without stable agreements and steady income.
 - (ii) Women are engaged in informal employment in the economy, where they are not provided with any social security benefits.
 - (iii) They work in more difficult situations than men and have lower bargaining power and, therefore, are paid lesser wages than the male workforce.

OR

The rate of employment rate is less among urban women as compared to rural women because of the following reasons :

- (i) As in the agricultural, high degree of skills and specialisations are not required, so, rural women participate in agricultural activities to support their family on farms.
 - (ii) As poverty in the rural areas is more prevalent than in the urban areas, so, the rural women work in low productive jobs to support their and their family's livelihood.
 - (iii) As the families in urban areas usually earn higher income than the rural families and, so, there is less need for female members to get themselves employed.
29. Role of infrastructure in economic development of a nation are :
 - (i) **Infrastructure Increases Productivity** : Infrastructure, whether it is social or economic facilitates production. The availability of good quality infrastructure promises increase in production and productivity.
 - (ii) **Infrastructure Encourages Investment** : Infrastructure provides an encouraging environment to investment.
 - (iii) **Infrastructure Generates Linkages in Production** : Infrastructure promotes economic development through forward and backward linkages in the production process.
 30. It is important for any country to become a member of WTO (World Trade Organisation) for the following reasons :
 - (i) WTO provides equal opportunities to all its member countries to trade in the international market.
 - (ii) It provides its member countries with larger scope to produce at large scale to cater to the needs of people across the international boundaries.
 - (iii) It supports the abolition of tariff and non-tariff barriers, thereby, promoting healthier and fairer competition among different manufacturers of different countries.
 - (iv) The countries of similar economic conditions being members of WTO can raise their demands for protection of their common interests.
 31. The public sector undertakings that are unable to make profits or are going under huge losses, which are unable to make the best use of all the resources they have, or have more expenses than the total revenues, these should be privatized because they can revive the resources more feasibly and convert them into economic profits and can result in economic development. On the other hand, the public sector undertakings, which are making huge profits, should not be privatized. Privatization may result in the exploitation of the employees in the organization. They might also focus only on the profits, which can also result in a huge deadweight loss in the economy. The public sector undertaking should only be privatized when there is a possibility of earning better revenues and growth in the economy. The profits from these public sector undertakings must be used for the betterment of the societies and the people living in those societies.

OR

The Navaratna Policy focuses on indentifying the public sector undertakings and declare them as Navaratnas to improve their efficiency and the competitiveness in the outside world. The Navaratna organizations are those who are given greater operational autonomies and managerial decision authorities while making various decisions. This gives the firms greater flexibility to take the decisions which focuses on the improvement and growth of the organization. Therefore, Navaratna Policy do improve the performance of the public sector organizations greatly. It improves the cost efficiency, generates more employment, more profits, increases in size over time and various other enhancements. Then, the government decides to retain them in the public sector undertakings and allow them to expand in the global markets and grow financially and economically.

32. The number of workers estimated in Rural area will be = (Estimate of population in rural area)/100 × worker population in rural area ratio of rural area

$$\frac{71.88}{100} \times 41.9 = 30.12 \text{ crores}$$

The number of workers estimated in Urban area will be = Estimate of population in urban area)/100 × worker population ratio of urban area

$$\frac{28.52}{100} \times 33.7 = 9.611 \text{ crores}$$

The total workforce of India will be = Estimate of total/100 × worker population ratio of total population

$$\frac{100.40}{100} \times 39.5 = 39.65 \text{ crores}$$

33. (a) Yes, the education attainment in India widely differs among states. For instance, states like Kerala has the highest literacy rate while that of in Bihar is the lowest. The difference in this lies due to various issues such as population, number of universities, number of colleges, government policies, and per capita income. The poor states do not afford education majorily due to less income and therefore, they indulge their children into child labour. The variation is an important factor responsible for the gap between rural and urban per capita income as well as for migration.
- (b) Yes, education is an important and key factor for the growth and development of any nation. Education adds on the to the stock of human capital and also give rise to the invention of innovative technology. Also, better human capital can efficiently uses physical capital to reap the maximum profit from the resources and therefore, education indirectly increases the efficiency of physical capital too. The government should therefore take initiatives to enhance education policies like the Indian government recently has New Education Policy.

OR

- (a) Due to the following reasons on-the-job training is required for an individual :
- (i) It enhances individual's productivity and therefore, will help in getting higher wages as well as increases firm's profit.
 - (ii) It enhances the individual's skills and make them ready to get the new and higher opportunities in the organization whenever required.
 - (iii) It also enhance the morale of employees and reduces the absenteeism and employee's turnover.
- (b) According to the given graph :
- (i) In both rural and urban areas, the self employment contributes towards the major source of livelihood.
 - (ii) The casual workers account for 37% of the workforce in rural area and 18% of workforce in urban area.
 - (iii) The regular salaried employees accounts for 40% of the workforce in urban area and only 7% for rural area.
34. (a) This statement is true. Human capital is the key to innovation and education adds on to the stock of capital. The educated man can think and implement their knowledge and give rise to innovative techniques.
- (b) This statement is true. Physical capital comprises of all tangible thing which are used by various enterprises to either buys, invest or to use for manufacturing things. Therefore, physical capital is the key determinant for the production of other valuable products.
- (c) This statement is true. In 2009, the government of India has passed an act called Right of Children to Free and Compulsory Education Act. With this Act, education has become a fundamental right for all children in India within the age group of 6-14 years.



Questions

SECTION - A

(Macro Economics)

1. The broad definition of money is based on : (Fill up the blank with correct alternative)
- (a) Medium of Payment Function (b) Store of value Function
 (c) Transferability of money (d) None of these

OR

If legal reserve ratio is 20%, the value of money multiplier would be

(Choose the correct alternative)

- (a) 3 (b) 2
 (c) 5 (d) 6
2. Amit was telling to Sumit about free distribution of LPG connection to the poor people. Amit told to Sumit that government is trying to achieve.....objective of government budget. (redistribution of income and wealth/allocation of resources) (Choose the correct alternative)
3. Ex-ante saving is : (Choose the correct alternative)
- (a) desired saving during the period of one year (b) planned saving during the period of one year
 (c) both (a) and (b) (d) neither (a) nor (b)
4. Identify the correct pair of statements from the following column I and column II. (Choose the correct alternative)

	Column I		Column II
A	MGNREGA	(i)	Offers employment to urban people
B	Equitable distribution of income	(ii)	Principle objective of any profit oriented state
C	SEZ	(iii)	Special economic zones
D	Tax receipts	(iv)	Capital receipts

Alternatives :

- (a) A-(i) (b) B-(ii)
 (c) C-(iii) (d) D-(iv)
5. Identify which of the following statements is true? (Choose the correct alternative)
- (a) Demand deposits are equal to cash deposits with the Commercial Banks.
 (b) The Central Bank is a banker to the government.
 (c) In India, CRR and SLR are fixed by the Commercial Banks themselves.
 (d) The Central Bank issues currency on the basis of CRR.
6. Consumption function is a functional relationship between and (Fill up the blanks with correct alternative)
- (a) consumption, income (b) price, consumption
 (c) income, saving (d) None of these

Read the following news report and answer Questions 7-10 on the basis of the same :

State Bank of India's latest edition of Ecowrap has noted that many households may have marginal propensity to consume less because several types of spending are not easily available amid social distancing constraints. Analysing the trends in deposits since the lockdown was first imposed, on May 25, the bank noted that the data revealed that deposits (savings, current and term) increased significantly during Lockdown-1 as people were apprehensive in the beginning about spending, and turned frugal. During Lockdown-2, there was a 25% decline in bank deposits, but term deposit accrual was very healthy.

7. is the ratio of change in consumption to change in income.

(APC/MPC) (Choose the correct alternative)

8. According to given article, many households may have marginal propensity to consume _____ because several types of spending are not easily available amid social distancing constraints.

(Choose the correct alternative)

- (a) no change (b) more
(c) less (d) None of these

9. There was a 25%..... n bank deposits, but term deposit accrual was very healthy during lockdown 2.

(increase/decline) (Choose the correct alternative)

10. The sum of APC and MPC is

(Choose the correct alternative)

- (a) 1 (b) 0
(c) both (a) and (b) (d) None of these

11. State with valid reason, which of the following statement is true or false :

- (a) According to Keynesian theory of employment, the state of full employment is obtained only when the economy is in equilibrium.
(b) Implementation of the 7th pay commission will impact AD in the economy.

12. State, giving valid reasons, whether the following statements are true or false :

- (a) The value of MPS is always positive.
(b) APS is never negative.

OR

'Aggregate demand and market demand are same concepts'. Defend or refute the statement, with valid argument.

13. (a) Define Nominal GDP.

(b) 'Composition of GDP may also be a limitation of Using GDP as an index of social welfare' . Justify the given statement with the help of an example.

14. Explain M1 measure of money supply.

OR

Explain any two functions of Central Bank.

15. Finance minister Nirmala Sitharaman introduced the Direct Tax Vivad Se Vishwas Bill, 2020, in the Lok Sabha on Wednesday, which she had announced during her February 1 budget speech.

The Economic Times; Feb 06, 2020

Discuss briefly about direct tax indicated in the given news.

16. (a) 'Financial assistance to flood victims will be included in the estimation of national income of India'. Defend or refute the given statement with valid reason.

(b) 'Gifts given by employer to his employees on independence day will be included while estimating domestic product of a country'. State with valid reason, should it be included in the estimation of domestic product of India.

OR

Find Operating surplus and Domestic Income.

S.No.	Items	(` in Crores)
(i)	Compensation of employees	2,000
(ii)	Rent & Interest	800
(iii)	Indirect taxes	120
(iv)	Corporation tax	460
(v)	Consumption of fixed capital	100
(vi)	Subsidies	20
(vii)	Dividend	940
(viii)	Undistributed profits	300
(ix)	Net Factor Income to Abroad	150
(x)	Mixed income	200

17. Discuss the merits and demerits of foreign investment.

SECTION - B

(Indian Economic Development)

18. refers to increase in the country's capacity to produce the output of goods and services within the country. (Choose the correct alternative)

- (a) Modernisation (b) Production
(c) Development (d) Growth

19. means fixing the maximum size of land which could be owned by an individual. (Choose the correct alternative)

- (a) Land reforms (b) Land ceiling
(c) Zamindari (d) Land holdings

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

Assertion (A) : Absorptive capacity means the ability of the environment to absorb degradation.

Reason (R) : Many resources have become extinct and the wastes generated are beyond the absorptive capacity of the environment.

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 but 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

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

Assertion (A) : Large deposits of iron-ore, coal and natural gas are found in the country.

Reason (R) : India accounts for nearly 8 per cent of the world's total iron-ore reserves. Alternatives:

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 but 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.

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

Assertion (A) : Infrastructure contributes to economic development of a country both by increasing the productivity of the factors of production and improving the quality of life of its people.

Reason (R) : Infrastructure can have multiple adverse effects on health.

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 but 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. Choose the correct pair of statement from the following column I and column II:

	Column I		Column II
A	It did not have any compulsion to introduce reforms as dictated by the World Bank and International Monetary Fund.	(i)	Pakistan
B	When many developed countries were finding it difficult to maintain a growth rate of even 5 per cent.	(ii)	India was able to maintain near double-digit growth during 1980s.

C	Introduced reforms in phases.	(iii)	Pakistan
D	SAARC, European Union, ASEAN, G-8, G-20, BRICS.	(iv)	Regional and global economic groups.

Alternatives :

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

23. introduced the Great Proletarian Cultural Revolution (1966–76) under which students and professionals were sent to work and learn from the countryside. **(Choose the correct alternative)**

- (a) Deng Xiaoping (b) Chiang
(c) Mao (d) Zhou Enlai

Read the following hypothetical case study carefully and answer the question numbers 24-27 on the basis of the same.

In most areas of human development, China has performed better than India and Pakistan. This is true for many indicators-per Capita GDP or proportion of population below poverty line, health indicators such as mortality rates, access to sanitation, literacy, life expectancy or malnourishment etc. Pakistan is ahead of India in reducing proportion of people below the poverty line and also its performance in transferring labour force from agricultural sector to industrial sector and access to water is better than India. Contrary to it, India is ahead of Pakistan in education sector and providing health services. India and Pakistan are ahead of China in providing improved water sources.

24. Pakistan is ahead of India inproportion of people below the poverty line. **(reducing /increasing)**
25. India is ahead of Pakistan in sector and providing health services. **(service /education)**
26. India and Pakistan are ahead of China in providing water sources. **(deteriorate/better)**
27. Mortality rate is also known as **(birth rate/death rate)**
28. 'Development of agriculture has nothing to do with the removal of poverty'. Defend or refute the statement with valid reasons.

OR

Discuss briefly about 'Swarna Jayanthi Gram Swarozgar Yojana (SGSY)' poverty alleviation program.

29. Explain 'On the job training' as a source of human capital formation.
30. "Credit needs of the typical Indian farmer are broadly classified into three types". Explain the given statement.
31. 'Joint family system is one of the cause of unemployment'. Justify the rationale of the given statement.

OR

Discuss briefly some social consequences of unemployment.

32. Compare and analyse the given data of productivity of principal crops with India and other advanced countries with valid arguments.

Productivity of Principal Crops (April 2014)

Crop	Country	Productivity (tonnes of Output per Hectare of Land)
Rice	Indian	3.6
	China	6.8
	Vietnam	5.8
	World Average	4.5
Wheat	India	3.1
	China	6.5
	UK	9.0
	World Average	3.3
Maize	India	2.5
	China	5.8
	USA	10.7
	World Average	5.6

Source : Agricultural Census Statistics 2016

33. 'Agriculture sector appears to be adversely affected by the reform process'.

Discuss the rationale of the given statement with valid reasons.

OR

Analyse the given data on volume of India's foreign trade during different plan periods.

Volume of India's Foreign Trade During Different Plan Periods

Year/Period	Imports	Exports	Total
1st Plan (1951-56)	3,651	3,109	6,760
2nd Plan (1956-61)	5,402	3,063	8,465
3rd Plan (1961-66)	6,119	2,735	8,854
4th Plan (1969-74)	10,035	9,426	19,461
5th Plan (1974-79)	20,882	17,937	38,819
6th Plan (1980-85)	17,134	11,744	28,878
7th Plan (1985-90)	35,412	27,681	63,093
8th Plan (1992-97)	4,70,445	4,20,351	8,90,796
9th Plan (1997-2002)	11,75,975	8,59,530	20,35,505
10th Plan (2002-07)	26,58,294	19,52,041	46,10,335
11th Plan (2007-12)	78,68,723	49,44,356	1,28,13,079
12th Plan (2012-17)	1,31,89,647	90,01,485	2,21,91,132

[Source: Economic Survey 2017-18]

34. State giving the valid reasons whether the following statements are true or false.

- NABARD was set up to provide urban credit.
- Fertilisers restore crop health, not the soil health.
- It is easier to obtain institutional credit rather than non-institutional credit.



Practice Paper

Hard Level

13

Questions

SECTION - A

(Macro Economics)

1. Air conditioner purchased by a dealer is a..... good but an air conditioner purchased by a household is good. **(Fill up the blank with correct alternative)**
- (a) final, final (b) intermediate, final
(c) final, intermediate (d) intermediate, intermediate

OR

The total indirect tax collected by the government is ₹ 750 crores while the total subsidy provided by the government on various programs costs ₹ 250 crores to the government. Identify the value of Net Indirect Tax of the economy. **(Choose the correct alternative)**

- (a) ₹ 500 crores (b) (-) ₹ 500 crores
(c) ₹ 250 crores (d) (-) ₹ 250 crores
2. In a barter exchange, person A has rice and person B has shoes. Person A wants to sell rice and want clothes in exchange. Person B also wants to sell shoes in exchange for rice. Therefore, person B want to enter in trade with person A but person A does not.
The above situation depicts the problem of..... **(double coincidence of want/store of value)**
3. is known as the most liquid assets. **(Choose the correct alternative)**
- (a) gold (b) cash
(c) securities (d) all of these
4. Identify the correct pair from the column I and II. **(Choose the correct alternative)**

	Column I		Column II
A	Capital account	(i)	Autonomous transactions
B	Current account	(ii)	Visible and Invisible goods
C	Accommodating Items	(iii)	Made for the purpose of profit.
D	Borrowing from Abroad	(iv)	Cannot be recorded in BoP.

Alternatives :

- (a) A - (i) (b) B - (ii)
(c) C - (iii) (d) D - (iv)
5. Identify which of the following statement is true relating to deficit in balance of payment account : **(Choose the correct alternative)**
- (a) Payments of the country exceed receipts of the country.
(b) Payments and receipts of the country are balanced.
(c) There is an increase in the official reserves of the country.
(d) Payment of the country are less than receipts of the country.
6. Accommodating items are also known as and autonomous items are also known as **(fill up the blank with correct answer)**
- (a) above the line, below the line (b) below the line, above the line
(c) invisible, visible (d) visible, invisible

Read the following news report and answer, questions 7-10 on the basis of the same :

Global economic activity is picking up with a long-awaited cyclical recovery in investment, manufacturing, and trade. World growth is expected to rise from 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018. Stronger activity, expectations of more robust global demand, reduced deflationary pressures, and optimistic financial markets are all upside developments. But structural impediments to a stronger recovery

and a balance of risks that remains tilted to the downside, especially over the medium term, remain important challenges.

International Monetary Fund, January 11, 2018

7. The planned level of output tends to decrease because of(deflationary gap/inflationary gap).
(Choose the correct alternative)
8. When the level of investment in economy is more than the level of saving :
(Choose the correct alternative)
 - (a) producers plan to produce higher level of output in future.
 - (b) producers plan to produce lower level of output in future.
 - (c) profits in the economy will start falling.
 - (d) planned output will fall. (Choose the correct alternative)
9. In order to deal with the problem of deficit demand, the bank rate should be (increased/decreased).
(Choose the correct alternative)
10. Full employment in the economy is :
(a) a situation when labour demand is not equal to labor supply.
(b) a situation of zero unemployment.
(c) a situation of highest level of employment.
(d) consistent with natural rate of unemployment. (Choose the correct alternative)
11. State with valid reason , which of the following statement is true or false :
(a) While estimating the national income of a country, transfer payments are also considered.
(b) The money made by selling various shares is included in the domestic factor income.
12. State, giving valid reasons, whether the following statements are true or false :
(a) The growth potential of any country is depicted through its BoP account.
(b) The capital account of BoP records the entry for import of machinery.

OR

‘The movement of products across the nation is caused because of accommodating items.’ Defend or refute the statement with valid argument.

13. (a) State various instruments of monetary policy.
(b) ‘Open market operations are conducted by Central Bank to influence the money supply’. Justify the given statement.
14. The consumption function in the economy is given as $C = 1,000 + 0.6Y$. Find the saving function for the economy.

OR

Define :

- (i) Consumption function (ii) Involuntary unemployment

15. “As an instrument of monetary policy, inflation targeting has outlived its utility”. The following news appeared in the Economic Times.

Considering the above news, state and discuss any two instruments of fiscal policy that could be used by the government to deal with inflationary gap.

16. Using the following data calculate Gross National Product at market price using Income Method.

S.No.	Items	(in crores)
(i)	Mixed income of the self employed	400
(ii)	Compensation of employees	500
(iii)	Private final consumption expenditure	900
(iv)	Net factor income from abroad	- 20
(v)	Net indirect tax	100
(vi)	Consumption of fixed capital	120
(vii)	Net domestic capital formation	280
(viii)	Net exports	- 30
(ix)	Profit	350
(x)	Rent	100
(xi)	Interest	150
(xii)	Government final consumption expenditure	450

OR

- (a) Both the concept of value added and value of output are same concept. Defend or refute the given statement with valid reason.
- (b) 'Change in stock.' State with valid reason, should it be included/not included in the estimation of gross domestic fixed capital formation.
17. (a) Explain Revenue receipts, capital receipts and revenue expenditure.
(b) Distinguish between Direct taxes and Indirect taxes.

SECTION - B**(Indian Economic Development)**

18. is not a notable economists who estimated India's per capita income during the colonial period?
- (a) Findlay Shirras (b) Romesh Chunder Dutt
(c) William Digby (d) Dadabhai Naoroji
- (Choose the correct alternative)**
19. Which of the following is a goal of five years plan?
- (a) Growth (b) Modernisation
(c) self-reliance (d) All of these
- (Choose the correct alternative)**
20. Read the following statements Assertion (A) and Reason (R). Choose one of correct alternatives given below:
Assertion (A) : The tax reductions in the reform period, aimed at yielding larger revenue and curb tax evasion, have not resulted in increase in tax revenue for the government.
Reason(R) : The reform policies, involving tariff reduction, have curtailed the scope for raising revenue through custom duties.
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

Read the following statements Assertion (A) and Reason (R). Choose one of correct alternatives given below :
Assertion (A) : Low cost housing for the poor is much needed but will not count as demand in the market sense.

Reason(R) : The poor do not have the purchasing power to back the demand.

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. **(Choose the correct alternative)**
21. Read the following statements Assertion (A) and Reason (R). Choose one of correct alternatives given below :
Assertion (A) : The policy of 'land to the tiller' is based on the idea that the cultivators will take more interest they will have more incentive in increasing output if they are the owners of the land.
Reason(R) : Ownership of land enables the tiller to make profit from the increased output.
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. **(Choose the correct alternative)**

32. Compare the growth of China, India, and Pakistan based on the given data:

Table : Annual Growth of Gross Domestic Product in Percent (1980-2015)

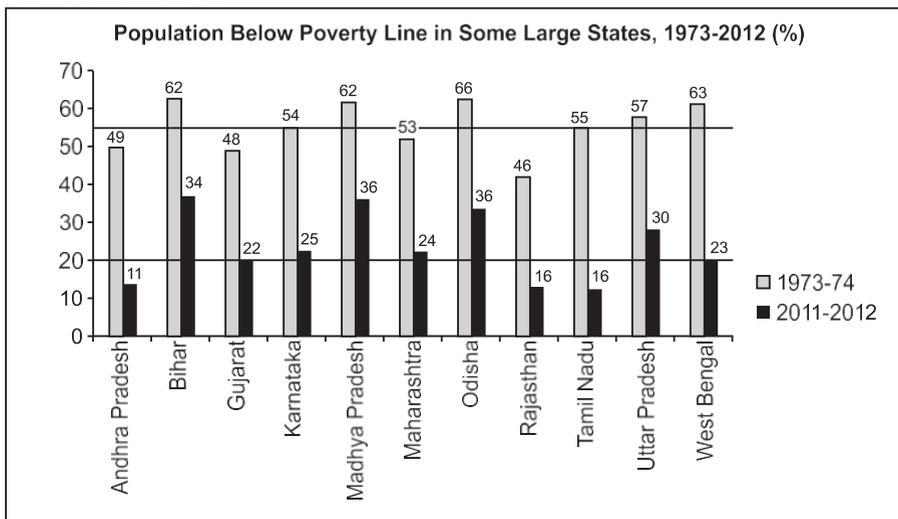
Country	1980-90	2011-15
India	5.7	6.7
China	10.3	7.9
Pakistan	6.3	4.2

Source : Key indicators for Asia and Pacific 2016, Asian Development Bank, Philippines; World Development.

33. Discuss the three dimensional attack on poverty adopted by the government of India for the poverty alleviation.

OR

- (a) Explain the relationship between unemployment and poverty.
 (b) Study the graph given below showing the population below poverty line and analyse the trend of poverty from 1973 to 2012.



Note : For the year (1973, Uttar Pradesh includes the present Uttrakhand. Madhya Pradesh includes Chhattisgarh and Bihar includes Jharkhand.

Source: Indian Economic Development (NCERT)

34. State, giving valid reasons whether the following statements are true or false.

- (a) Dadabhai Naoroji used the menu for a prisoner and used appropriate prevailing prices to arrive at what may be called 'jail cost of living'.
 (b) Government is the major formal sector employer in the country.
 (c) In the 1990s, the absolute number of poor in rural areas had increased whereas the number of their urban counterparts decreased marginally.

□□