



**ANANDALAYA**  
**PRE BOARD EXAMINATION**  
Class : XII

Subject : Economics  
Date : 10-01-2023

M.M:80  
Time:3 hours

**General Instructions:**

1. This question paper contains two sections:  
Section A – Macro Economics  
Section B – Indian Economic Development
2. This paper contains 20 Multiple Choice Questions of 1 mark each.
3. This paper contains 4 Short Answer Questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions of 6 marks each to be answered in 100 to 150 words.

**SECTION A – MACRO ECONOMICS**

1. Read the following statements carefully. (1)  
**Statement 1:** Savings curve has a negative intercept on Y-axis of the same magnitude as the consumption curve has a positive intercept on the Y-axis.  
**Statement 2:** There is autonomous consumption when national income is zero.  
In the light of the given statements, choose the correct alternative:  
(A) Statement 1 is true and statement 2 is false  
(B) Statement 1 is false and statement 2 is true  
(C) Both statements 1 and 2 are true  
(D) Both statements 1 and 2 are false
2. Read the following statements carefully. (1)  
**Statement 1:** Currency depreciation makes the domestic currency less valuable and more of it is required to buy the foreign currency.  
**Statement 2:** Currency depreciation leads to an increase in national income.  
In the light of the given statements, choose the correct alternative:  
(A) Statement 1 is true and statement 2 is false  
(B) Statement 1 is false and statement 2 is true  
(C) Both statements 1 and 2 are true  
(D) Both statements 1 and 2 are false
3. To reduce inflation, the Central Bank should \_\_\_\_\_. (1)  
(A) Reduce Cash Reserve Ratio.  
(B) Purchase government securities in open market.  
(C) Reduce Repo Rate.  
(D) Increase Cash Reserve Ratio
4. Identify which of the following is not an example of 'invisible item' under Current Account of the Balance of Payments transactions. (1)  
(A) Air and sea transport  
(B) Postal and courier services  
(C) Education-related travel  
(D) Merchandise linked transactions
5. Identify the missing item in the following flowchart (1)



- (A) Depreciation
- (B) Net Indirect Taxes
- (C) Net factor Income from Abroad
- (D) Indirect Taxes

**OR**

When Nominal Gross Domestic Product is ₹ 840 crores and price index is 120, then the Real Gross Domestic Product will be ₹ \_\_\_\_\_ crores.

- (A) 700 (B) 500  
(C) 800 (D) 900

6. If the value of Average Propensity to Save is 0.2 and National Income is ₹ 4,000 crore, then consumption will be ₹ \_\_\_\_\_ crores. (1)
- (A) 4,000 (B) 3,200 (C) 3,800 (D) 2,600

**OR**

If Marginal Propensity to save is 0.25 and initial change in investment is ₹ 250 crores, then the final change in income would be ₹ \_\_\_\_\_ crores.

- (A) 1,000 (B) 1,200 (C) 500 (D) 3,500

7. The main aim of monetary policy is \_\_\_\_\_. (1)
- (A) to increase trade surplus (B) employment generation in the country  
(C) to bring price stability in the economy (D) to generate greater tax revenue
8. Suppose that the Balance of Trade (BOT) of a nation, exhibits a surplus of ₹ 20,000 crores. The import of merchandise of the nation is half of the exports of merchandise to the rest of the world. The value of exports would be ₹ \_\_\_\_\_ crores. (1)
- (A) 30,000 (B) 40,000 (C) 24,000 (D) 35,000

**OR**

“The Reserve Bank of India is said to have intervened lately to arrest the rupee's slide by selling Dollars on a large scale.”

*Source: The Economic Times, March 03, 2021*

Which of the following statements regarding the above news is FALSE?

- (A) The transaction above will be termed as an accommodating transaction.  
(B) The foreign exchange rate for one rupee must be rising before intervention.  
(C) The value of the rupee against one dollar must be rising before the intervention.  
(D) The transaction will be categorised as a below-the-line item in the balance of Payments.
9. Read the following statement -Assertion and Reason. Choose one of the correct alternatives given below: (1)
- Assertion:** Higher the value of MPC, higher is the value of Investment Multiplier.  
**Reason:** Investment Multiplier is directly related to MPS.
- (A) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.  
(B) Both Assertion and Reason are true and Reason is not the correct explanation of Assertion.  
(C) Assertion is true but Reason is false.  
(D) Assertion is false but Reason is true.
10. Read the following statement -Assertion and Reason. Choose one of the correct alternatives given below: (1)
- Assertion:** Average Propensity to Consume can be greater than one.  
**Reason:** Consumption can be greater than income in an economy.
- (A) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.  
(B) Both Assertion and Reason are true and Reason is not the correct explanation of Assertion.  
(C) Assertion is true but Reason is false.  
(D) Assertion is false but Reason is true.

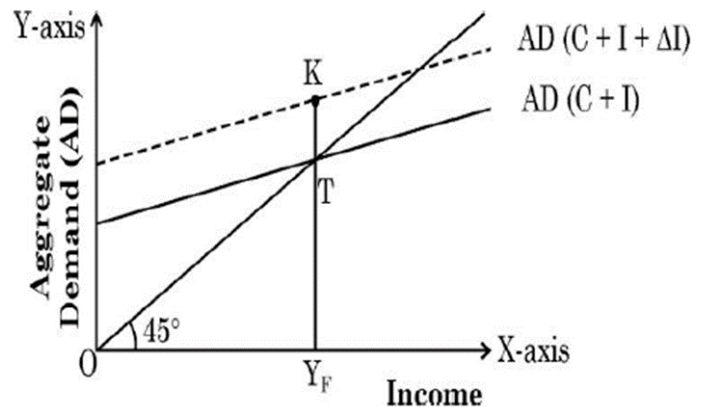
11. Distinguish between stocks and flows. Give an example of each. (3)
12. Discuss briefly the meaning of the following terms: (3)
- (a) Fixed exchange rate  
(b) Flexible exchange rate  
(c) Managed floating exchange rate

**OR**

What is meant by “balance of payment” account? Distinguish between current account and capital account of BOP.

13. Estimate the value of Aggregate Demand in an economy if: (4)
- Autonomous Investment (I) = 100 Crore.
  - Marginal Propensity to Save = 0.2
  - Level of Income (Y) = 4,000 crores.
  - Autonomous Consumption Expenditure = 50 Crore

14. In the given figure, what does the gap 'KT' represents? State and discuss any two fiscal measures to correct the situation. (4)



15. Elaborate how a Central Bank stabilizes money supply through 'Bank rate'. (4)

**OR**

State the two components of M1 measure of money supply. Explain the 'bank of issue' function of the Central Bank.

16. (a) State any two precautions to be considered while estimating National Income by Income Method. (2)
- (b) Find Net Domestic Product at Factor Cost from the following: (4)

Particulars	crores
Rent	200
Net current transfers to abroad	10
National debt interest	60
Corporate tax	100
Compensation to employees	900
Interest	400
Undistributed profits	50
Dividend	250
Net factor income to abroad	(-) 10

17. (a) From the following data, calculate (i) Revenue Deficit, (ii) Fiscal Deficit (3)

Particulars	crores
Tax revenue	1,000
Revenue expenditure	3,821
Non-tax revenue	2,000
Recovery of loans	135
Capital expenditure	574
Disinvestent	100
Interest payments	1,013

- (b) Giving reasons, categorise the following into revenue receipts and capital receipts: (3)
- Sale of shares of Public Sector Undertaking (PSU) to a private company Y Ltd.
  - Financial help from a multinational corporation for victims in a flood affected area.
  - Borrowings from International Monetary Fund (IMF).

**OR**

- (a) Government provides essential items of food grains almost free to the families below the poverty line. Which objective the government is trying to fulfill through the government budget and how? Explain.
- (b) Distinguish between Revenue Expenditure and Capital Expenditure in a government budget. Give examples.

## SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. In the 20th century, under British rule, India had an export surplus. Where was this surplus used? (1)
- (A) To invest in capital goods industries in India.
  - (B) To invest in capital goods industries in Britain.
  - (C) To meet the official and war expenses of the British.
  - (D) To pay the salaries of Indian government employees.

19. Read the following statements carefully. (1)

**Statement 1:** Demonetization was the step taken by the Government of India in order to tackle the problems of corruption, black money, terrorism and circulation of fake currency in the Indian Economy.

**Statement 2:** Demonetization has ensured improved tax compliance in India over the period of time.

In the light of the given statements, choose the correct alternative:

- (A) Statement 1 is true and statement 2 is false
- (B) Statement 1 is false and statement 2 is true
- (C) Both statements 1 and 2 are true
- (D) Both statements 1 and 2 are false

**OR**

Which of the following is not a valid statement in the context of industrial policy resolution (IPR) 1956?

- (A) Ownership and management of the core industries were given to the public sector.
- (B) Tax benefits were given to the industries being established in backward region to promote regional equalities.
- (C) A few industries were allowed to be owned by the private sector.
- (D) Goods produced by the small scale industries were de-reserved.

20. In china, commune system is related to \_\_\_\_\_. (1)
- (A) Agriculture
  - (B) Industry
  - (C) Services
  - (D) Informal

**OR**

Introduction of economic reforms in Pakistan took place in \_\_\_\_\_.

- (A) 1978
- (B) 1980
- (C) 1988
- (D) 1991

21. The “Golden Revolution” was a period of very high productivity in \_\_\_\_\_. (1)
- (A) Food grain production
  - (B) Horticulture
  - (C) Organic farming
  - (D) Jute production

22. Arrange the following events in chronological order and choose the correct alternative (1)
- (i) Establishment of People’s Republic of China
  - (ii) Creation of Pakistan
  - (iii) First Five-Year Plan of India
  - (iv) First Five-Year Plan of China
- (A) (i), (iv), (ii), (iii)
  - (B) (iii), (ii), (i), (iv)
  - (C) (ii), (i), (iii), (iv)
  - (D) (iv), (iii), (ii), (i)

23. Read the following statements carefully. (1)

**Statement 1:** Human capital formation promotes inventions, innovations and technological improvement.

**Statement 2:** Human capital and human development are similar terms and can be used interchangeably.

In the light of the given statements, choose the correct alternative:

- (A) Statement 1 is true and statement 2 is false
- (B) Statement 1 is false and statement 2 is true
- (C) Both statements 1 and 2 are true
- (D) Both statements 1 and 2 are false

24. Read the following statements carefully. (1)
- Statement 1:** Between India and China, India has higher value of human development index.  
**Statement 2:** Out of India, China and Pakistan, China has the lowest workforce engaged in agriculture.  
 In the light of the given statements, choose the correct alternative:
- (A) Statement 1 is true and statement 2 is false  
 (B) Statement 1 is false and statement 2 is true  
 (C) Both statements 1 and 2 are true  
 (D) Both statements 1 and 2 are false

25. Which of the following statement is correct? (1)
- (A) Global warming is entirely a natural phenomenon.  
 (B) Global warming is simply another term used for global development.  
 (C) Global warming is the rise in average temperature at the earth's surface.  
 (D) Global warming is caused by ozone depletion.

**OR**

Absorptive capacity is defined as \_\_\_\_\_.

- (A) Ability of the environment to absorb degradation.  
 (B) Resource generation within the assimilating capacity of the environment.  
 (C) Average number of organisms living in a given environment.  
 (D) The minimum population surviving in the world as a whole.
26. Read the following statement -Assertion and Reason. Choose one of the correct alternatives given (1)  
 below:
- Assertion:** More females are found working in urban areas than rural areas.  
**Reason:** Economic condition of rural households is poorer than urban households.
- (A) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.  
 (B) Both Assertion and Reason are true and Reason is not the correct explanation of Assertion.  
 (C) Assertion is true but Reason is false.  
 (D) Assertion is false but Reason is true.

27. A campaign in china in 1958 where people were encouraged to set up industries in their backyard was (1)  
 named as\_\_\_\_\_.
- (A) Great proletarian cultural revolution      (B) Great leap forward  
 (C) Anti-rightist movement                      (D) Giant lead forum

28. Distinguish between Physical Capital and Human Capital. (3)
29. "The efforts of the government in generating employment can be broadly categorized into two aspects." (3)  
 Elucidate.

**OR**

"Diversification has many benefits." Defend or refute the given statement with valid explanation.

30. Answer the following questions on the basis of the following data:

Country	Estimated Population (in millions)	Annual Growth of Population (in %)	Sex Ratio
India	1311	1.2	929
China	1371	0.5	941
Pakistan	188	2.1	947

*Source: World Development Indicators, 2015, www.worldbank.org*

- (a) Comment upon the population growth rates among the three countries. (3)  
 (b) Which country has most skewed in sex ratio? (1)

31. Explain the need and types of land reforms implemented in the agricultural sector. (4)

**OR**

Discuss briefly the major steps taken by the Government of India on “Financial Sector” front under the Economic Reforms of 1991.

32. (a) ‘Pesticides are chemical compounds designed to kill pests. Many pesticides can also pose health risks to people even if exposed to nominal quantities.’ (2)

In the light of the above statement, suggest any two traditional methods for replacement of the chemical pesticides.

- (b) “India’s environmental problems are both poverty induced as well as the consequence of affluence.” (2)  
Comment.

33. (a) Briefly discuss the disadvantages faced by the workers working in Informal sector. (3)

- (b) “The gap between the growth of GDP and employment is widening.” Briefly discuss the trend which highlights this phenomenon. (3)

**OR**

- (a) Discuss the steps taken by the government in the direction of improving agricultural marketing system in India, since independence.

- (b) Explain the role of micro-credit in meeting credit requirements of the poor.

34. Read the following text carefully and answer the given questions on the basis of the same and common understanding:

The performance of Indian economy during the period of first seven five year plans (1950-1990) was satisfactory if not very impressive. On the eve of independence, India was an industrially backward country, but during this period of first seven plans our industries became far more diversified, with the stress being laid on the public investments in the industrial sector.

The policy of import substitution led to protection of the domestic industries against the foreign producers but we failed to promote a strong export surplus. Although public sector expanded to a large extent but it could not bring desired level of improvement in the secondary sector. Excessive government regulations prevented the natural trajectory of growth of entrepreneurship as there was no competition, no innovation and no modernization on the front of the industrial sector.

Many Public Sector Undertakings (PSU’s) incurred huge losses due to operational inefficiencies, red-tapism, poor technology and other similar reasons. These PSU’s continued to function because it was difficult to close a government undertaking even it is a drain on country’s limited resources.

On the Agricultural front, due to the measures taken under the Green Revolution, India more or less became self-sufficient in the production of food grains. Green Revolution is the spectacular advancement in the field of agriculture.

So the needs for reform of economic policy was widely felt in the context of changing global economic scenario to achieve desired growth in the country.

- (a) What is import substitution? Explain how import substitution can protect domestic industry. (3)

- (b) ‘Green Revolution is the spectacular advancement in the field of agriculture.’ In the light of the above statement, discuss any three benefits of Green Revolution. (3)