



विद्या सर्वार्थ साधिका

ANANDALAYA
PERIODIC TEST- 2
Class : XII

Subject : Economics
Date : 19-09-2022

M.M : 80
Time : 3 hours

General Instructions:

1. Please check that this question paper contains 44 questions.
2. All the questions are compulsory.
3. Marks for questions are indicated against each question.
4. One mark questions are required to be answered in one sentence each.
5. Three marks questions should be answered in about 60 words each.
6. Four marks questions should be answered in about 70 words each.
7. Six marks questions should be answered in about 100 words each.

SECTION A: MACROECONOMICS

1. Read the following statements carefully and choose the correct alternatives given below: (1)
Statement 1: All the coins are issued by Finance Ministry in India.
Statement 2: All the currency notes are issued by Reserve Bank of India.
Alternatives:
(A) Both the statements are true.
(B) Both the statements are false.
(C) Statement 1 is true and Statement 2 is false
(D) Statement 2 is true and Statement 1 is false
2. Read the following dialogue between Rita and Roma: (1)
Rita: I want 1 kg of potatoes.
Roma: What will you give in exchange?
Rita: I can give you 2 litres of milk in return for the potatoes.
Roma: I don't need milk. I want wheat.
Which of the following problem is being faced by Rita and Roma in their exchange process?
(A) Lack of store of value (B) Lack of standard o deferred payments
(C) Lack of double coincidence of wants (D) Lack of common measure of value
3. Read the following statements -Assertion and Reason and choose one of the correct (1)
alternatives given below:
Assertion: Money supply is a stock concept.
Reason: Money supply is measured over a period of time.
Alternatives:
(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.
4. Two components of money supply are _____ and _____. (1)
5. Margin Requirement is raised by the Central Bank to _____ (increase/ decrease) (1)
money supply.

6. Two friends Mira and Rina were discussing about the exchange rate system: (1)
 ‘Under this system, the exchange rates are determined by the market forces of demand and supply. However deliberate efforts are made by the Central Bank of the country to keep the exchange rates within a specific range.’
 The above mentioned statement was given by Mira, identify the type of exchange rate system she was talking about.

Study the following data and answer Q. No. 7 to 11 on the basis of the same.

Budget at a Glance

(in ₹ crores)

Particulars	Budget Estimates (2022-23)
1. Revenue Receipts	2204422
2. Tax Revenue	1934771
3. Non Tax Revenue	269651
4. Capital Receipts	1740487
5. Recovery of Loans	14291
6. Other Receipts	65000
7. Borrowings and Other Liabilities	1661196
8. Total Receipts (1+ 4)	3944909
9. Total Expenditure (10+ 13)	3944909
10. On Revenue Account of which	3194663
11. Interest Payments	940651
12. Grants in Aid for creation of capital assets	317643
13. On Capital Account	750246

Source: www.indiabudget.gov.in

7. The value of Revenue Deficit for the year 2022-23 would be ₹ _____ crores. (1)
8. The formula to calculate Primary Deficit is _____. (1)
9. Identify which of the following is not an example of non-tax revenue? (1)
 I. Fines and Penalties II. Escheats III. GST IV. Grants
 (A) Only III (B) III and IV
 (C) Only IV (D) II and IV
10. Expenditure on old-age pension is an example of _____ expenditure. (1)
 (A) Capital (B) Revenue
 (C) Debt creating (D) Asset creating
11. Read the following statements carefully and choose the correct alternative from the following: (1)
Statement 1: Fiscal deficit gives borrowing requirements of the government.
Statement 2: The value of Fiscal Deficit for the year 2022-23 would be ₹ 1661196 crores.
Alternatives:
 (A) Both the statements are true.
 (B) Both the statements are false.
 (C) Statement 1 is true and Statement 2 is false
 (D) Statement 2 is true and Statement 1 is false

Q.No. 12 – 16 are to be answered on the basis of the following data:

Preliminary data on India's balance of payments (BoP) for the first quarter (Q1), i.e., April-June 2021-22.

Key Features of India's BoP in Q1:2021-22

- India's current account balance recorded a surplus of US\$ 6.5 billion (0.9 per cent of GDP) in Q1:2021-22 as against a deficit of US\$ 8.1 billion (1.0 per cent of GDP) in Q4:2020-21 and a surplus of US\$ 19.1 billion (3.7 per cent of GDP) a year ago [i.e. Q1:2020-21].
- The surplus in the current account in Q1:2021-22 was primarily on account of contraction in the trade deficit to US\$ 30.7 billion from US\$ 41.7 billion in the preceding quarter, and an increase in net services receipts.
- Net services receipts increased, both sequentially and on a year-on-year (y-o-y) basis, on the back of robust performance of net exports of computer and business services.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to US\$ 20.9 billion, an increase of 14.8 per cent from their level a year ago.
- In the financial account, net foreign direct investment recorded inflow of US\$ 11.9 billion as against outflow of US\$ 0.5 billion in Q1:2020-21.
- Net foreign portfolio investment was US\$ 0.4 billion as compared with US\$ 0.6 billion in Q1:2020-21.
- Net external commercial borrowings to India recorded inflow of US\$ 0.5 billion in Q1:2021-22 as against an outflow of US\$ 0.6 billion a year ago.
- There was an accretion of US\$ 31.9 billion to the foreign exchange reserves (on a BoP basis) as compared with that of US\$ 19.8 billion in Q1:2020-21

Source: <https://www.rbi.org.in>

12. Balance of payments of an economy records _____ for a fiscal year. (1)
(A) Income and expenditure of the government.
(B) Inflow and outflow of funds of the government.
(C) Inflow and outflow of foreign exchange to/from the economy.
(D) Inflow and outflow of loans to/from the rest of the world.
13. Which one of the following item is included in capital account of Balance of payments of a country? (1)
(A) Interest and rent received from assets abroad
(B) Income from Banking services.
(C) Remittances from abroad
(D) Foreign Direct Investment.
14. Read the following statements-Assertion and Reason and choose one of the correct alternatives given below: (1)
Assertion: If the receipts and payments on the current account are equal to each other, it depicts a situation of Current Account Surplus.
Reason: A surplus current account means that the nation is a lender to other countries and a deficit current account means that the nation is a borrower from other country.
Alternatives:
(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.
15. Charity from Abroad will be recorded on _____ (credit/ debit) side of Balance of payment Account. (1)

16. What is meant by balance of trade? (1)
17. Giving reason, classify the following as revenue receipts and capital receipts. Give reasons. (3)
 (a) Sale of shares of Public Sector Undertaking (PSU) to a private company.
 (b) Borrowings from International Monetary Fund (IMF).
 (c) Fees of Government College.
18. RBI hikes repo rate by half a percent to 5.40% (3)
 Source- <https://economictimes.indiatimes.com>, Aug 05, 2022
 Elaborate the rationale behind the step taken by the Central Bank.
19. The rupee hit a fresh historical low of 79.66 against the US dollar (4)
 Source- <https://www.livemint.com>, 12 Jul 2022
 In the light of the above report, discuss the impact of the situation on Indian Imports and exports.
20. Distinguish between autonomous and accommodating transactions of balance of payments account. (4)
21. “Through its budgetary policy, government allocates resources in accordance with the requirements of the country.” Justify. (4)
22. Explain the process of money creation by the commercial banks with the help of a numerical example. (6)

SECTION B: INDIAN ECONOMIC DEVELOPMENT

23. Agriculture marketing does not comprise of (1)
 (A) Transportation of the produce to the market place for sale.
 (B) Grading of the produce according to the quality.
 (C) Storage of the produce for sale in future.
 (D) Credit taken to meet expenditure on agriculture.

For Questions 24 and 25, read the following statements -Assertion and Reason and choose one of the correct alternatives given below:

Alternatives:

- (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.
24. **Assertion:** The major policy initiatives i.e. land reforms and green revolution helped India to become self-sufficient in food grains production. (1)
Reason: The proportion of people depending on agriculture did not decline as expected.
25. **Assertion:** Human capital treats human beings as a means to an end (increase in productivity). (1)
Reason: Human Capital Formation decreases by way of investments in education and health.

26. Ms. Ramanpreet has started a new business venture, she intends to spend a huge amount towards 'on-the-job training' of her workers before putting them to work. It exhibits the right step in the direction of Human Capital Formation. (1)
Spot which of the following does not directly contributes to the process of human capital formation by Ms. Ramanpreet:
(A) Adds skills and expertise (B) Improves efficiency
(C) Ensures gender equity (D) Increases output productivity
27. Identify the incorrect statement from the following: (1)
(A) Diversification in agriculture sector provides sustainable livelihood rural population.
(B) Diversification includes - change in cropping pattern, shift of workforce from agriculture to other allied activities and non-agriculture sector.
(C) Diversification reduces the proportion of unemployed population in the rural areas to considerable limits.
(D) Objective of investment in new agricultural avenues (non-farm activities) increases financial risks for the rural population.
28. Which of the following statements is true? (1)
(A) Expenditure per student at tertiary level is higher than that of elementary level of education.
(B) Higher education takes a major share of the total education expenditure in India.
(C) Educational achievements in a country are indicated in terms of adult literacy level only.
(D) No education cess has been imposed by the Government of India.
29. State any two advantages of demonetization. (1)
30. Which year is described as 'Year of Great Divide'? (1)
31. Name any two taxes which were subsumed in Goods and Services Tax (GST). (1)
32. First Industrial Policy Resolution of Independent India was announced in the year _____. (1)
33. Identify the correct sequence of alternatives given in Column II by matching them with respective terms in Column I: (1)

Column – I	Column – II
A. Land Ceiling	i. Increase in production of food grain using high yielding variety seeds
B. Land reforms	ii. Portion of agricultural produce sold in the market
C. Green Revolution	iii. Fixing the maximum limit of land holding for an individual.
D. Marketed Surplus	iv. Change in the ownership of land (land to tillers)

Read, the following hypothetical Case Study carefully and answer the question numbers 34 - 38 on the base 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.

34. Uncertainty of income for farmers in India is majorly caused by _____.(irregular rainfall/unavailability of loans). (1)
35. 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) (1)
36. 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. (1)
37. _____ is the apex body which coordinates the functioning of different financial institutions working for expansion of rural credit. (1)
38. _____ is the most prominent body responsible for providing loans for long term land development. (1)
39. (a) State any two positive contributions of the British on the Indian economy. (1)
(b) 'The primary motive of British rule behind the systematic de-industrialisation was two-fold.' Comment. (2)
40. 'India has certain advantages which makes it a favourite outsourcing destination.' What are these advantages? (3)
41. (a) 'The goal of equity was not fully served even after the abolition of intermediaries.' Highlight any two reasons behind the same. (2)
(b) Why was public sector given a leading role in industrial development during the planning period? (2)
42. Argue in favour of the need for different forms of government intervention in education and health sectors. (4)
43. 'The agricultural sector appears to be adversely affected by the reform process.' Justify. (4)
44. 'Despite all the benefits of organic farming on biodiversity, it also comes with some limitations.'
In the light of the above statement, explain any three benefits and three drawbacks of organic farming. (6)