



विद्या सर्वार्थ साधिका

ANANDALAYA
PERIODIC TEST- 1
Class : XII

Subject : Economics (030)
Date : 18-07-2023

M.M:40
Time: 1 hour 30 mins

General Instructions:

1. This question paper contains two sections:
Section A – Macro Economics
Section B – Indian Economic Development
2. This paper contains 10 Multiple Choice Questions of 1 mark each.
3. This paper contains 2 Short Answer Questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 3 Short Answer Questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 2 Long Answer Questions of 6 marks each to be answered in 100 to 150 words.

SECTION A – MACRO ECONOMICS

1. If government borrowing for the fiscal year is ` 35,000 crores and interest payments are ` 5,000 crores then the value of fiscal deficit will be _____.
(A) ` 7,000 crores (B) ` 30,000 crores
(C) ` 40,000 crores (D) ` 35,000 crores
2. In order to tackle the problem of rising general price level in an economy, government may come up with a surplus budget to achieve the budget objective of _____.
(i) reallocation of resources (ii) price stability (iii) redistribution of income
(A) (i) only (B) (ii) only (C) (iii) only (D) (i) and (iii)
3. ‘Money is an asset which can be stored for use in future.’ (1)
In the light of the given statement, identify the function of money.
(A) Measure of value (B) Medium of exchange
(C) Store of value (D) Standard of deferred payment
4. On the basis of the following data, calculate the value of the revenue deficit: (1)

Sr. no.	Items	` in crores
(i)	Tax Receipts	1,542
(ii)	Revenue Expenditure	1,927
(iii)	Direct Taxes	670
(iv)	Non-Tax Receipts	303

- (A) ` 1,845 crores (B) ` 100 crores
(C) ` 82 crores (D) ` 588 crores
5. Distinguish between direct and indirect taxes, with suitable examples. (3)
6. State which category of receipts or expenditures the following are categorized as in the Government budget. Give reason. (3)
(a) Grant received from World Bank
(b) Government acquisition of land
(c) Sale of PSUs

7. As per the following news published in 'The Hindu' on 6th August, 2022: (4)
"The Monetary Policy Committee (MPC) of the Reserve Bank of India raised the Repo Rate by 50 basis points."
In the light of the above news, define Repo Rate and also explain the likely consequences of the action taken by the Reserve Bank of India.

8. Explain the process of credit creation by commercial banks with the help of a numerical example. (6)

SECTION B – INDIAN ECONOMIC DEVELOPMENT

9. _____ refers to contracting out some of its activities to a third party which were earlier performed by the organization. (1)
(A) Outsourcing (B) Privatisation
(C) Globalisation (D) Liberalisation
10. From the following statements regarding Goods and Services Tax (GST), identify the incorrect statement: (1)
(A) It ensures uniformity of tax rates across all states.
(B) It ensures better tax compliance and tax collection.
(C) All types of direct and indirect taxes have been subsumed by it.
(D) It is imposed on the supply of goods and services.
11. Which of the following is NOT true about foreign trade during the colonial rule? (1)
(A) India suffered from large trade deficit.
(B) Restrictive policies of commodity production, were followed.
(C) Britain maintained a monopoly control over India's exports and imports.
(D) India became an exporter of primary products and an importer of finished consumer goods.
12. Read the following statements carefully and choose the correct alternatives given below: (1)
Statement 1: Subsidies do not add any burden on the financial health of a nation.
Statement 2: Complete removal of subsidies may violate the aim of equitable distribution of income.
(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
13. Among the following estimators, whose estimates of per capita income of India during the colonial period was considered very significant? (1)
(A) Dadabhai Naoroji (B) William Digby
(C) R.C. Desai (D) V.K.R.V. Rao
14. Read the following statements - Assertion and Reason and choose the correct alternative: (1)
Assertion: Major policy initiatives (land reforms and Green Revolution) helped India to become self-sufficient in food grains production.
Reason: The proportion of people depending on agriculture did not decline as expected after the Green Revolution.
(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. "British rule adversely hampered the Industrial sector of India." Justify. (4)
16. "Import restrictions were imposed in India with the dual objective to save foreign exchange reserves and to be self-sufficient." (4)
Give the meaning of Import Substitution. Briefly outline and discuss the steps taken by the government to promote import substitution policy.

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

Three decades ago India embarked on a new economic journey when Manmohan Singh, then Finance Minister, placed the reform Bill and echoed Victor Hugo, “No power on earth can stop an idea whose time has come,” in Parliament. Since then, the crisis-hit economy has come a long way and marked its firm presence in the global platform.

By the beginning of the 1990s, India was reeling under double-digit inflation, gross fiscal deficits above 7.5 per cent of GDP, internal debt close to 54 per cent of GDP and foreign currency reserves were just enough to cover import bills of a fortnight. Further, there was a new government at the Centre.

With an economic crisis looming and political confidence on the verge of collapse, the economy was at its Nadir. It was a ‘TINA’ (there is no alternative) situation for Singh, to turn the crisis into an opportunity and undertake structural reforms that were long overdue.

Liberalisation started with a dose of devaluation and was followed by slew of policies which together were famously termed as LPG (Liberalisation, Privatisation and Globalisation) reforms. As is always the case, the change was not welcomed by all. There was political resistance from within and outside the ruling party since many were not sanguine about its success.

Thirty years down the line, from a GDP of \$512.92 billion in 1991, India had grown to a \$2.70-trillion (in constant 2010 US\$) by 2020. Besides, the average annual growth rates in GDP, post the 1990s, have been around 6.25 per cent against 4.18 per cent for the three decades prior to the reforms. The average annual rates of inflation in the post-reform period were significantly lower at around 5 per cent and the gross fiscal deficit below 4.80 per cent of GDP.

Abolition of licence- *raj* and curbing of excessive regulations saw rewards in terms of better foreign investment. From \$236.69 million in 1991 the net FDI inflows stood at \$50.61 billion in 2020. With more foreign companies entering India, domestic consumers benefited from healthy market competition. For Indian manufacturing, the foreign collaborations meant access to technology and, thereby, efficient production. Also, there has been a significant improvement in forex reserves, which are now sufficient to cover 15 months’ imports.

However, a major criticism about the reforms has been that it has widened the gap between rich and poor. The World Bank estimates show that the Gini index, a measure of income inequality, has deteriorated marginally from 31.7 in 1993 to 35.7 in 2011.

A major reason for the rising inequality is the heterogeneity of the Indian population, leading to varying adjustment capacity. The inequalities also can stem from structural changes induced by the reforms. While the increase in the share of service sector to GDP has its advantages, it has also resulted in reduction of share of agriculture income in the total GDP.

<https://www.thehindubusinessline.com/opinion/30-years-on-economic-reforms-have-paid-off/article36386547.ece>

- (a) Briefly discuss any two reasons for the initiation of Economic Reforms in 1991. (2)
- (b) “Liberalisation started with a dose of devaluation and was followed by slew of policies which together were famously termed as LPG (Liberalisation, Privatisation and Globalisation) reforms.” (4)

In the light of the above statement, state any two positive outcomes of the LPG reforms. Also analyse any two reasons, why the agricultural sector has been adversely affected by the reform process?