

D.A.V. PUBLIC SCHOOL, M.C.L, KALINGA AREA

ECONOMICS

PRACTICE PAPER - 02

CBSE Class XII Examination

Time : 3 hrs

Max. Marks : 80

General Instructions

1. All questions in both the sections A and B are compulsory. However, there is internal choice in questions of 1, 3, 4 and 6 marks.
2. Question Nos. 1-10 and 18-27 are objective type questions, carrying 1 mark each. They are required to be answered in one sentence each.
3. Question Nos. 11-12 and 28-29 are short answer type I questions, carrying 3 marks each. Answers to them should not normally exceed 60 words each.
4. Question Nos. 13-15 and 30-32 are short answer type II questions, carrying 4 marks each. Answers to them should not normally exceed 70 words each.
5. Question Nos. 16-17 and 33-34 are long answer type questions, carrying 6 marks each. Answers to them should not normally exceed 100 words each.
6. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

SECTION A : Objective Type Questions (1 Mark)

Multiple choice questions (Q. no. 1 to 5)

There are four options for each question, out of these, only one is correct. You have to identify the correct option.

1. Barter economy is also referred to as
(a) G-G economy (b) P-P economy (c) C-C economy (d) S-S economy
2. When APC falls, then APS
(a) also falls (b) rises (c) can rise or fall (d) None of these
3. Choose the incorrect statement from given below
(a) Coins are limited legal tender in India.
(b) Central bank functions as a "lender of last resort".
(c) Increase in case reserve ratio leads to increase in money supply.
(d) M_1 is the most liquid measure of money supply.

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

Assertion (A) Deflationary gaps reflects presence of unemployment in an economy.

Reason (R) Full employment doesn't ensure zero unemployment during a period of time.

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
5. Write the incorrect pair.

Column I	Column II
A Fees and fines	(i) Revenue receipts
B Payment of interest on loan	(ii) Capital expenditure
C Deficit financing	(iii) Printing of new currency
D Tax revenue	(iv) Recurring in nature

Codes

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

Case based questions (Q. no. 6 to 9)

Read the following case study paragraph carefully and answer the questions on the basis of the same.

The overall objective of political activities in democratic societies is to ensure the highest possible level of welfare for the country's citizens now and in the future. When politicians, macroeconomists and others discuss welfare and economic development, they often focus on the Gross Domestic Product (GDP).

GDP is a measure of the economic prosperity of a country compiled as output or income. However, GDP is regularly criticised for not presenting a fair view of welfare. If GDP is a poor measure of welfare, focusing one-sidedly on increasing GDP may lead to misguided political decisions. For example, Nobel laureate Joseph Stiglitz has argued that the objective of the highest possible GDP growth will result in reduced welfare.

The criticism of GDP is not new, and over the last 30-40 years, efforts have been made to put together alternative objectives. The debate has revived recently, partly as a result of the publication of a recent report concerning the limitations of GDP as a measure of economic performance and social progress. The report was written by the two Nobel laureates for economy, Joseph Stiglitz and Amartya Sen, among others.

6. (Real GDP/Nominal GDP) is considered as a better measure of economic growth of an economy.
7. GDP is not considered as a better measure of development. Which of the following reasons could be accounted for the same?
 (a) Externalities (b) Non-marketable services
 (c) Production of harmful goods (d) All of these
8. A course of action by one economic agent which has an adverse impact on other economic agent without cost sharing, is known as (positive/negative) externality.
9. Which of the following measures of GDP considers base year's price for calculation of gross income?
 (a) Nominal GDP (b) Green GDP
 (c) GDP deflator (d) Real GDP

10. means consumption by one individual does not reduce the amount available for the others.

Or Recovery of loans is receipt of government.

Short Answer Type I Questions (3 Marks)

11. "Non-monetary exchanges are a limitation in taking domestic product as an index of welfare." Discuss.

Or Why are export receipts not a part of Net Factor Income from Abroad?

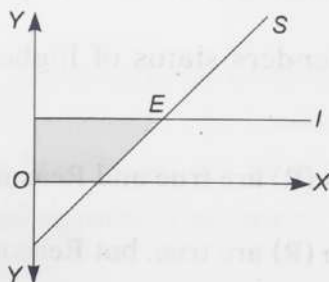
12. From the information given below, find Net Value Added at Factor Cost.

Item	(₹ in crore)
(i) Durable use Capital Goods with a life span of 10 years	100
(ii) Single use producer goods	50
(iii) Sales	200
(iv) Unsold output produced during the year	20
(v) Taxes on production	10

Short Answer Type II Questions (4 Marks)

13. "Budget can be used as an instrument to reduce inequalities in the distribution of income." Discuss.

14. Consider the diagram given below



What changes will take place if the economy is operating in the shaded region?

Or

What are the differences between inflationary gap and deflationary gap?

15. State any four advantages of commercial banks.

Long Answer Type Questions (6 Marks)

16. (i) What is meant by flexible exchange rate system and fixed exchange rate systems?

(ii) Differentiate between capital and current account of BOP.

17. Consider the information given below

(i) Autonomous consumption = ₹ 5,000

(ii) Marginal Propensity to Save (MPS) = 0.2

(iii) Investment = ₹ 20,000

On the basis of the above informations, calculate

(a) Equilibrium level of National Income (b) MPC

(c) Investment Multiplier

Discuss

Or

- (i) How bank rate policy works as a monetary measure to bring equilibrium in the economy.
- (ii) How open market operations work as a monetary measure to bring equilibrium in the economy

SECTION B : Objective Type Questions

(1 Mark)

18. In the last two decades, the growth of agriculture sector has declined in
 - (a) China
 - (b) Pakistan
 - (c) India
 - (d) All of these
19. How much of the total land area is suitable for cultivation in China?
 - (a) 10%
 - (b) 15%
 - (c) 30%
 - (d) 40%
20. Choose the correct statement from given below
 - (a) Great leap forward was started in 1968 by Mao Tse Tung.
 - (b) Life expectancy in Pakistan is better than India and China.
 - (c) Special economic zones were made to attract foreign trade in China.
 - (d) Pakistan literacy percentage compared with India.
21. Read the following statements Assertion (A) and Reason (R). Choose one of the correct alternatives given below
Assertion (A) Demonetisation in India was an attempt by the government to curb black money.
Reason (R) Removal of legal tenders status of higher denominations leads to increase in liquidity in the economy.
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. Write the correct pair.

Column I	Column II
A Socialist economy	(i) Germany
B Capitalist	(ii) China
C Mixed	(iii) India

Codes

- (a) A-(i)
- (b) B-(ii)
- (c) C-(iii)
- (d) None of these

Case based questions (Q. no. 23 to 26)

Read the following case study paragraph carefully and answer the questions on the basis of the same.

While India did gain its independence from British rule in 1947, the country still suffers from extreme poverty today. India has the largest number of poor people in one country; of its nearly 1 billion inhabitants, about 350-400 million live in poverty. The division of resources and wealth is very uneven. For example, Delhi and Punjab, both urban areas, have very low poverty rates. On the other hand, in rural cites Bihar and Orissa, 40% to 50% of the population lives in destitution, among the world's most extreme rates.

Eradication of poverty can only be a long-term goal in India. Poverty in India is caused by a number of factors. India was already in a weak state after becoming independent from Britain. However, overpopulation tends to be the leading reason. As there are poor employment opportunities in villages, people moved to cities, leading to crowded streets and unhealthy living conditions.

Also, the belief of inferiority of women brought about the penury that Indians suffer from. If females were viewed as equals to men, they would be able to obtain a successful job, make money, and provide for the family; however, this is not the case. Those living in rural areas depend on agriculture, which is dependent on rain patterns and the monsoon season. If there happens to be inadequate rain or monsoon failure, crops cease to grow, leading to a number of starving people.

In addition, Indian families are generally made up of many members; thus, it is very difficult to provide for everyone. The caste system also plays a role in poverty, *i.e.* those in the lower classes are deprived of various opportunities. Because of this, more than 40% of India's population is illiterate. Just as the rest of the impoverished world, they are misinformed about diseases and sanitation. Consequently, Indians suffer from diseases such as polio and yellow fever. Also, many women are giving live birth without any medical assistance.

23. It has been observed that in recent time in India, poverty in urban areas has declined at a slower pace as compared with rural areas. Which of the following reason can be accounted for that?
- (a) Migration of people from rural to urban areas
 - (b) Better poverty alleviation programmes in rural areas
 - (c) Increase in density of population in urban areas
 - (d) Both (a) and (c)
24. (Absolute/Relative) poverty is used to compare state of poverty in different regions of the country.
25. Which of the following has the major cause of poverty in India?
- (a) Growth rate of population
 - (b) Caste discrimination
 - (c) Lack of development of agricultural sector
 - (d) All of these
26. What are the three-dimensional approach adopted by Indian policy makers to address the problem of poverty?
- (i) Growth orientation
 - (ii) Minimum basic needs
 - (iii) Poverty alleviation programmes
 - (iv) Education and health for all
- Choose from the option below
- (a) (i), (ii) and (iv)
 - (b) (i), (iii) and (iv)
 - (c) (i), (ii) and (iii)
 - (d) (ii), (iii) and (iv)
27. The Central Pollution Control Board (CPCB) has identified categories of industries as significantly polluting.

Or

..... (NABARD/RRB) was set up in 1982 as an apex body to coordinate the activities of all institutions involved in rural banking.

Short Answer Type I Questions

(3 Marks)

28. What is meant by the term 'affluence trap'?

Or Explain the concept of sustainable development.

29. There are some areas in which Pakistan has an edge over India. State any three such areas.

Short Answer Type II Questions

(4 Marks)

30. Discuss briefly the condition of agricultural sector at the time of independence.

Or

“The New Economic Policy is said to be liberal.” Comment.

31. Explain how infrastructure impacts productivity and induces investment.

32. Why is it said that unemployment is related to poverty?

Long Answer Type Questions

(6 Marks)

33. Discuss briefly the importance of industries for an economy.

34. How does finance sector be regularised so that the objective of rural development can be achieved?

Or (i) Multinational companies can play an important role in rural development. Discuss.

(ii) “The opportunity costs of negative environmental impacts are high.” Comment.