



BANGALORE SAHODAYA SCHOOLS COMPLEX ASSOCIATION (BSSCA)

PRE-BOARD EXAMINATION (2023-2024)

ECONOMICS /GRADE XII

Date: 22/12/2023

Max. Marks: 80

Subject: Economics (Set-B)

Time: 3 Hrs

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 type questions of 1 mark each.
3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

SECTION A – MACROECONOMICS

[40 MARKS]

1. Read the following statements carefully

Statement 1: Leakages are flow variables which are withdrawals from the circular flow income.

Statement 2: Export is an example of leakage.

In the light of the given statements, choose the correct alternative from the following.

- a. Both statements are true
- b. Both statements are false
- c. Statement 1 is true and statement 2 is false
- d. Statement 1 is false and statement 2 is true

OR

Which of the following is a flow variable?

- a. Wealth of a nation
- b. Closing stock of the firm
- c. Balance in bank account
- d. Depreciation of machines

2. When the government increases taxes on liquor, which of the following objectives related to the budget is being met?
 - a. Economic stability
 - b. Reallocation of resources
 - c. Reducing inequalities in income and wealth
 - d. Economic Growth
3. Identify revenue receipts from the following options
 - a. Loans recovered from public sector enterprises
 - b. Sale of shares of public sector undertaking to a private company
 - c. Profits of public sector enterprise
 - d. None of the above
4. Money supply in India will increase if
 1. The RBI injects more money in circulation
 2. The commercial banks expand their credit operation
 3. Tax rates are reduced by the Central government.
 4. RBI increases the Bank Rate.
 - a. 1,2 and 3 are correct
 - b. 2,3 and 4 are correct
 - c. 1,3 and 4 are correct
 - d. All are correct

5. Assertion (A) Demand deposits with commercial banks are not part of money supply
Reason (R) Demand deposits are treated as equal to currency held as they are readily accepted as means of payment

- 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 and 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.

6. In August 1971, U.S. President Richard Nixon announced the "temporary" suspension of the dollar's convertibility into gold. This announcement led to the end of

- Gold standard system of exchange rate
- The Bretton Woods system
- Flexible exchange rate system
- Dollar being the world currency

7. Where will remittances from abroad be recorded in BoP account?

- Debit side in current account
- Credit side in current account
- Debit side in capital account
- Credit side in capital account

8. Statement 1: Any addition to foreign exchange is entered in the debit side of BOP
Statement 2: Autonomous transactions account for deficit or surplus in BoP.

- Both statements are true
- Both statements are false
- Statement 1 is true and statement 2 is false
- Statement 1 is false and statement 2 is true

9. Out of the following, which can have a negative value ?

- MPC
- APC
- APS
- MPS

10. Consumption curve makes an intercept on the Y axis. It indicates that

- Savings is positive when income is zero
- Consumption is positive when income is zero
- Saving is negative when income is zero
- Both b and c

11. Geopolitical uncertainties like wars can lead Indian investors to retreat from emerging markets like India to the safety net of USD. Explain the impact of this on the market exchange rate.

OR

Differentiate among fixed exchange rate, flexible exchange rate and managed floating exchange rate 3 marks

12. What is the difference between nominal GDP and real GDP? The value of nominal GNP of an economy was Rs 2500 crore in a particular year. The value of GNP of that country during the same year evaluated at the prices of the same base year was Rs 3000 crores. Calculate the value of GNP deflator of the year in percentage terms. Has the price level increased between the base year and the year under consideration? 3marks

13. Explain the working of credit multiplier using a numerical illustration where initial deposit is Rs 1000 and LRR is 20%.(Show atleast three rounds).In this context explain how launching of Pradhan Mantri Jan Dhan Yojana can lead to economic growth.

3+1 marks

OR

Explain any four ‘banker to the government functions’ of the central bank.

14. Read the following passage and answer the following questions

Some states are identified as fiscally stressed which is measured in terms of level of revenue deficit. Their specific shares of revenue deficit in fiscal deficit for 2023-24 are Andhra Pradesh(40.9%),Haryana (50.9%)Kerala (60.4%), Punjab (70.7%)Rajasthan (39.7%), TamilNadu (40.8%) and West Bengal (47%). It is true that mere presence of a revenue deficit cannot be considered as a sign of fiscal profligacy. It is also true that pressure on revenue expenditure was high during Covid 19 pandemic. However increasing revenue deficit driving the fiscal imbalance has long run fiscal implications and there is a need to correct this imbalance in the revenue account.

(Excerpt from the article A Macro view of the fiscal health of states, The Hindu, July 5 2023)

- a. Write the formulas for calculating revenue deficit and fiscal deficit. 1 mark
- b. What is the criteria used to identify fiscally stressed states? 1 mark
- c. Can an economy incur fiscal deficit without incurring revenue deficit? Explain. 1m
- d. Why do you think revenue deficit need to be controlled? Explain giving a reason. 1 mark

15. Graphically derive the aggregate savings function from a linear aggregate consumption function. Briefly explain the procedure. 3 marks

Explain the significance of the point where $APC = 1$ 1 mark

16. A. Under what situation will the following equations be true? 2 marks

- a. Value of output = Value added
- b. National income = Domestic income

B. Calculate GDP_{mp} by income method and closing stock 4 marks

Particulars	Rs in crore
Private final consumption expenditure	450
Rent	120
Government final consumption expenditure	50
Indirect taxes	60
Interest	150
Mixed income of self employed	20
Consumption of fixed capital	30
Opening stock	10
Gross fixed capital formation	300
Compensation of employees	200
Net exports	-10
Net factor income from abroad	-10
Subsidies n	10
Profit	250

17. Using a suitable diagram show the determination of equilibrium aggregate income according to the AD=AS approach. 4marks
What do you understand by 'paradox of thrift'? 2marks

OR

Using a suitable diagram show the determination of equilibrium aggregate income according to the S=I approach. 4marks
What is the difference between autonomous and induced investment? 2marks

SECTION B INDIAN ECONOMIC DEVELOPMENT

[40 MARKS]

18. First stage of demographic transition is characterised by

- High birth rate and high death rate
- High birth rate and low death rate
- Low birth rate and low death rate
- Low birth rate and high death rate

19. Dr. M.S. Swaminathan was undoubtedly a visionary who initiated a great change in India. What was the change that he initiated?

- Golden Revolution
- Operation Flood
- Green Revolution
- Five year plans

20. Which of the following is not a feature of financial sector reform initiated in 1991?

- Reduce role of RBI from regulator to facilitator
- Foreign investment limit in banks increased
- Simplification of tax procedures
- Allow FIIs to invest in Indian financial markets

21. Statement 1:Physical capital is tangible
Statement 2: Both physical and human capital depreciate with time.

- Both statements are true
- Both statements are false
- Statement 1 is true and statement 2 is false
- Statement 1 is false and statement 2 is true

22. Assertion(A) Organic produce has a longer shelf life.

Reason (R) Yields from organic farming are less than modern agricultural farming

- a) (A) IS True AND (R) is False
- b) (A) IS False AND (R) is True
- c) Both (A) and (R) are TRUE and R is the correct explanation of A
- d) Both (A) and (R) are TRUE but R is not the correct explanation of A

23. Identify the incorrect statement

- A. Casual wage labourers constitute the majority of the workforce in India
- B. The difference in participation rates among males and females is higher in rural areas when compared to urban areas
- C. Primary sector is the main source of employment for majority of workers in India
- D. Distribution of workforce by industrial sectors have shown substantial shift from farm work to non farm work
 - a. Only A
 - b. Both A and B
 - c. Both C and D
 - d. Both A and D

24. From the set of terms given in Column I and corresponding definitions/categories given in Column II.

Choose the correct pair of statement :

	Column I		Column II
A	Labour force	(i)	Secondary sector
B	Mining	(ii)	Number of people who are employed plus the unemployed who are looking for work
C	Workforce	(iii)	Primary sector
D	Paper production	(iv)	Total number of people who work in a company, factory, etc.

Alternatives :

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

25. Following are the rankings based on HDI of India, China and Pakistan 86, 130 150. What is India's HDI rank?

- 86
- 130
- 150

26. A richer country lends to poorer countries – that are resource-rich or strategically placed – overwhelming them with debts that are not sustainable. This leads the poorer countries to give up their strategic assets or give in to political leverage. The term referring to this

- Debt trap diplomacy
- Import substitution strategy
- Closed door policy
- Inward looking strategy

27. Which of the following is not a characteristic of renewable resource?

- It cannot deplete over time
- It includes sunlight, wind, water etc.
- It involves comparatively higher carbon footprints and carbon emissions
- The upfront cost is high

28. Giving three reasons, argue in favour of the need for government intervention in education and health sectors. 3 marks

29. Large export surplus generated by India came at a huge cost to the country's economy. Explain giving two points. 3 marks

OR

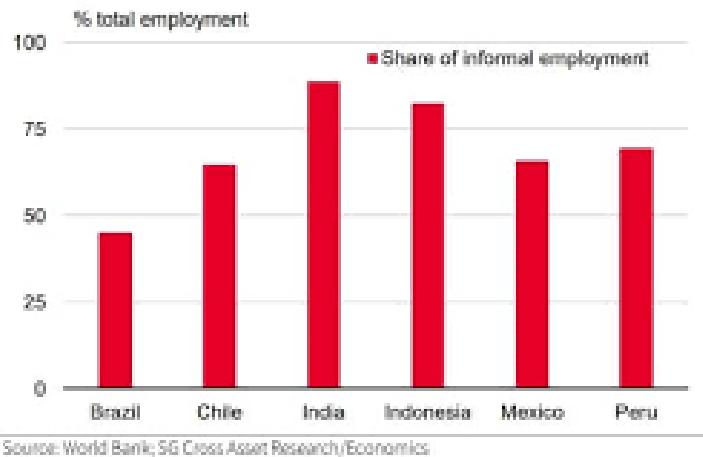
Indicate the volume and direction of trade at the time of independence.

30. What are the two aspects related to diversification? Why is agricultural diversification essential for sustainable livelihoods? 4 marks

OR

Explain two merits and two demerits each associated with organic farming.

31. What is the information that can be deduced from the graph presented below? Is the feature presented in the graph a boon for India's economy? Defend or refute giving any two valid reasons. 4marks



32. The destruction wreaked by the floods in north India in August has evoked concern at the highest levels. In August 2023, the Supreme Court suggested that an expert committee conduct a “complete and comprehensive” study on the carrying capacity of the Himalayan region. Generally, population exceeding capacity will lead to a natural decline in numbers, as witnessed when grasslands or overgrazed or invasive species throttle existing biome. Applying these ideas in the context of hill-stations and Himalayan States — the challenge is between balancing rising population, infrastructural needs and the precarious geography — is bound to be a challenging enterprise. Going by recent history, it is unlikely that a disinterested scientific opinion will be palatable to every stakeholder in the Himalayan States. (The Hindu, Sep 2023)

4 marks

- a. What is carrying capacity ?
- b. What happens if the carrying capacity is exceeded ?
- c. All the stakeholders will not be happy with the outcome if a balance is tried to be struck between the various factors. Explain.

33. Compare and contrast agricultural policies during colonial period and post independence period. 6 marks

OR

Compare and contrast the trade policies during post independence period and post reform period.

34. Read the excerpts from various sources and answer the questions below. 6 marks

China's Belt and Road Initiative (BRI), sometimes referred to as the New Silk Road, is one of the most ambitious infrastructure projects ever conceived. Launched in 2013, the vast collection of development and investment initiatives was originally devised to link East Asia and Europe through physical infrastructure. In the decade since, the project has expanded to Africa, Oceania, and Latin America, significantly broadening China's economic and political influence.

(Council on Foreign relations, Feb 2, 2023)

India, the United States, Saudi Arabia, and the European Union have unveiled a groundbreaking multinational rail and ports initiative aimed at countering China's Belt and Road Initiative at the G20 summit in Delhi recently. The initiative, dubbed the "Modern-day Spice Route," aims to enhance trade between India, the Middle East, and Europe, with significant infrastructure projects, including rail, electricity, and hydrogen pipelines. This game-changing plan offers an alternative to China's extensive strategic investments and seeks to boost prosperity, address infrastructure needs, and reduce regional instability. It comes as a response to China's Belt and Road Initiative, which faces challenges like rising loan defaults and slowing investments. (Times of India, Sep 23)

The ongoing conflict between Hamas militants and Israel in recent days has likely cast a shadow on India's ambitions to play a bigger role in global trade. The recently announced complex trade corridor linking India to the Middle East and Europe may have fallen flat before it ever bore wings. (The Economic Times, Oct 10)

a. What are the two trade routes that are initiated by China and India respectively?
Explain each one briefly. 3 marks

b. How can wars impact the economy of the nations? Explain giving any two points. 3 marks
