

**Sample Questions 2020-21****Class 12th  
MM – 80****Economics (030)****Time: 3 Hours****General Instructions:**

1. This question paper contains two parts:  
Part A - Macro Economics (40 marks)  
Part B - Indian Economic Development (40 marks).
2. Marks for questions are indicated against each question.
3. Question No. 1-10 and Question No. 18 – 27 (including two Case Based Questions) are 1 mark questions and are to be answered in one word/sentence.
4. Case Based Questions (CBQ's) are Question No. 7-10 and Question No. 25-27.
5. Question No. 11-12 and Question No. 28 – 29 are 3 marks questions and are to be answered in 60 - 80 words each.
6. Question No. 13-15 and Question No. 30 – 32 are 4 marks questions and are to be answered in 80-100 words each.
7. Question No. 16-17 and Question No. 33 – 34 are 6 marks questions and are to be answered in 100-150 words each.
8. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

## Blue Print

Section-A Macro Economics					
Unit name	1 mark	3 Marks	4 Marks	6 marks	Total
National Income	1(R)	1(U)		1(A)	10
Money and Banking	1(U),1(A)		1(U)		6
Income determination	1(R), 1(U), 1(E)	1(A),		1(U)	12
Government Budget	1(U), 1(E)		1(R)		6
Balance of Payment	1(A), 1(E)		1(E)		6
Section A	10*1=10	2*3=6	3*4=12	2*6=12	40
Section- B Indian Economic Development					
Development Experience and Economic Reforms	1(R), 1(U), 1(A), 1(E)		1(R), 1(U)		12
Current Challenges facing Indian Economy	1(R), 1(U), 1(A), 1(E)	1(U), 1(A)		1(R), 1(E)	22
Development Experience of India	1(U), 1(E)		1(A)		6
Section B	10*1=10	2*3=6	3*4=12	2*6=12	40
<b>Total</b>	<b>20*1=20</b>	<b>4*3=12</b>	<b>6*4=24</b>	<b>4*6=24</b>	<b>80</b>

**Creative Answer Type Questions:** Q.No. – 29, 32, 34

**Change in Questions:**

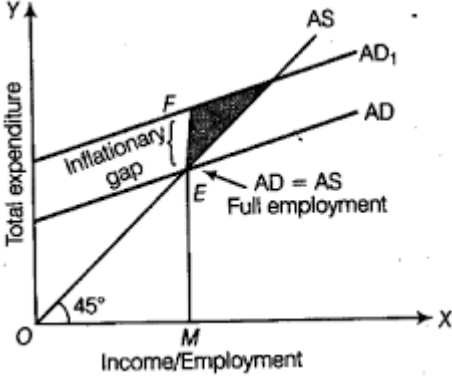
Marks Category	2018-19	2019-20	Changes
1 mark	8	20	Increased by 12
3 marks	4	4	No change
4 marks	6	6	No change
6 marks	6	4	Decreased by 2
<b>Total Questions</b>	<b>24</b>	<b>34</b>	

## Solutions

Q	Macroeconomics	Marks
1	(b) Zero	1
2	a. stock, flow	1
3	(c) ₹ 240 crores	1
4	True. The needs of the rich are already fulfilled so the increased income is saved rather than consumed. However, for the poor, the needs are not fulfilled so the increased income is consumed leading to a higher MPC.	1

5	a) price stability in the economy.	1
6	Zero	1
7	(a). Downward sloping	1
8	Exports bring about an inflow of foreign exchange and therefore is being entered as a positive item in BoP.	1
9	foreign aid, domestic spending abroad	1
10	Revenue expenditure.	1
11	It is considered that an increase in the Gross Domestic Product (GDP) of any economy (India in this case) ensures an increase in welfare of the people of the country. However, this may not always be correct. Some of the prime reasons for the same are: a) Unequal distribution and composition of GDP, b) Non-monetary transactions in the economy which are not accounted for in GDP, and c) Occurrence of externalities in the economy (both positive and negative)	3
12	(a) Investment multiplier = Change in Income/ change in investment Investment multiplier = $10000/1000 = 10$  (b) Investment multiplier = $1/MPS$ $10 = 1/MPS$ $MPS = 1/10$ $MPS = 0.10$  OR  $S = -200 + 0.25Y$ , $C = 200 + 0.75Y$ .  At equilibrium  $AS = AD$ $Y = C + I$ $Y = 200 + 0.75Y + 2200$ $Y = 2400 + 0.75Y$ $0.25Y = 2400$ $Y = 2400/0.25$ $Y = \text{Rs. } 9600 \text{ Cr Ans}$	3
13	Money or Credit Creation by Commercial Banks Commercial banks increases the flow of money in an economy by credit creation. This process of credit creation is an outcome of its two primary functions, i.e., acceptance of loans and advancement of deposits. The banks issue loans from their cash reserves with the confidence on their historical experience that all depositors will not withdraw their funds at the same time. In this way, commercial banks create credit many more times than their cash reserves and contributes to increased money supply in the economy. It depends on the initial level of deposits and money multiplier.	4

	<p>Money Multiplier It refers to the fraction by which commercial banks would be able to multiply money from their initial level of deposits. It is obtained by the following formula</p> $\text{Money Multiplier} = \frac{1}{\text{LRR}} \text{ (Where, LRR = Legal Reserve Ratio)}$ $\text{Money Creation} = \text{Initial Deposits} \times \frac{1}{\text{LRR}}$ <table border="1"><thead><tr><th>Round</th><th>Initial deposit</th><th>Loan</th><th>Reserve</th></tr></thead><tbody><tr><td>1</td><td>1000</td><td>-</td><td>100</td></tr><tr><td>2</td><td>-</td><td>900</td><td>90</td></tr><tr><td>3</td><td>-</td><td>810</td><td>81</td></tr><tr><td>4</td><td>-</td><td>729</td><td>72.9</td></tr><tr><td>total</td><td>1000</td><td>10000</td><td>1000</td></tr></tbody></table> <p>This process continues till Initial deposit becomes equal to the total reserve. The total deposition this example is</p> <p>Money multiplier = <math>1/\text{CRR} = 1/0.10 = 10</math></p> <p>Total deposit = Money multiplier X initial deposit = <math>10 \times 1000 = 10000</math></p>	Round	Initial deposit	Loan	Reserve	1	1000	-	100	2	-	900	90	3	-	810	81	4	-	729	72.9	total	1000	10000	1000	
Round	Initial deposit	Loan	Reserve																							
1	1000	-	100																							
2	-	900	90																							
3	-	810	81																							
4	-	729	72.9																							
total	1000	10000	1000																							
14	<p>A devaluation means there is a fall in the value of a currency. The main effects are: Exports are cheaper to foreign customers. In the short-term, a devaluation tends to cause inflation, higher growth and increased demand for exports. The exchange rate has an effect on the trade surplus or deficit, which in turn affects the exchange rate, and so on. In general, however, a weaker domestic currency stimulates exports and makes imports more expensive. Conversely, a strong domestic currency hampers exports and makes imports cheaper.</p>	4																								
15	<p>(i) Fiscal deficit = Total expenditure - (revenue receipts + non debt capital receipts) Fiscal deficit = <math>150,000 - (120000 + 10000)</math> FD = <math>150000 - 130000</math> FD = 20000</p> <p>(ii) Primary Deficit = Fiscal deficit - Interest payment PD = <math>20000 - 7500</math> PD = 12500</p>	4																								
16	<p>(i) 1300 cr (ii) 50 cr</p>	6																								

17	<p>Answer. When in an economy, aggregate demand is in excess of 'aggregate supply at full employment', the demand is called an excess demand. Alternatively, when aggregate demand exceeds 'aggregate supply at full employment level the demand is said to be an excess demand and the gap is called inflationary gap.</p>  <p>Measures to correct the inflationary gap.</p> <p>(i) decrease in government spending reduces the flow of money in the economy thus the level of aggregate demand in the economy decreases and helps to correct the inflationary pressure in the economy.</p> <p>(ii) Increase in Legal reserve ratio - An increase in the reserve ratio like CRR and SLR reduces the amount of money with the commercial bank and limits their credit creating ability. It ultimately helps in reducing credit availability in the economy and thus corrects the inflationary gap.</p>	6
<b>Indian Economic Development</b>		
18	b. Handicraft	1
19	True	1
20	It is the process by which key economic decisions are made or influenced by central governments.	1
21	Any loss-making PSUs would be advised to be privatised	1
22	NABARD (National Bank for Agriculture and Rural Development)	1
23	India - Mixed Economy Pakistan - Mixed Economy China - Socialist Economy	1
24	(d), (e), and (f)	1
25	Worker-population ratio	1
26	growth and development of small-scale industries	1
27	The process of assembling, storing, processing, transporting, packaging, grading, and distribution of different agricultural products across the country is known as agricultural marketing.	1

28	<p>The given statement is quite right. Indian traditional practices were eco-friendly and supported the system. All the traditional practices such as agriculture, healthcare, housing, transport etc. were inherently environment friendly. The traditional practices used natural products and processes which are free from any side effects. For example, by adopting solar heaters or solar panels we can save the electricity or resources and achieve sustainable development.</p> <p>OR</p> <p>Air pollution, poor management of waste, growing water scarcity, falling groundwater tables, water pollution, preservation and quality of forests, biodiversity loss, and land/soil degradation are some of the major environmental issues India faces today.</p> <p>Air pollution - Air pollution is a mixture of solid particles and gases in the air. Car emissions, chemicals from factories, dust, pollen and mold spores may be suspended as particles. Ozone, a gas, is a major part of air pollution in cities. When ozone forms air pollution, it's also called smog.</p> <p>Water pollution- Water pollution occurs when harmful substances—often chemicals or microorganisms—contaminate a stream, river, lake, ocean, aquifer, or other body of water, degrading water quality and rendering it toxic to humans or the environment.</p> <p>Soil degradation - Soil degradation is the physical, chemical and biological decline in soil quality. It can be the loss of organic matter, decline in soil fertility, and structural condition, erosion, adverse changes in salinity, acidity or alkalinity, and the effects of toxic chemicals, pollutants or excessive flooding.</p>	3												
29	<table><tr><td>Basis of Difference</td><td>Human Capital</td><td>Human Development</td></tr><tr><td>Concept</td><td>Human capital is a comparatively narrow concept</td><td>Human development is a comparatively broader concept</td></tr><tr><td>Central theme</td><td>It considers that health and education are the best means to improve the productivity of the labour force</td><td>It considers that health and education help in the overall development of the individual, as a healthy individual with proper education can take decisions that will help them lead a happy and healthy life</td></tr><tr><td>Welfare</td><td>In case of human capital, health and education are not useful as long as they do not result in improved productivity</td><td>Human development considers that human welfare is increased by having good health and proper education even if they do not result in any improvements in productivity</td></tr></table>	Basis of Difference	Human Capital	Human Development	Concept	Human capital is a comparatively narrow concept	Human development is a comparatively broader concept	Central theme	It considers that health and education are the best means to improve the productivity of the labour force	It considers that health and education help in the overall development of the individual, as a healthy individual with proper education can take decisions that will help them lead a happy and healthy life	Welfare	In case of human capital, health and education are not useful as long as they do not result in improved productivity	Human development considers that human welfare is increased by having good health and proper education even if they do not result in any improvements in productivity	3
Basis of Difference	Human Capital	Human Development												
Concept	Human capital is a comparatively narrow concept	Human development is a comparatively broader concept												
Central theme	It considers that health and education are the best means to improve the productivity of the labour force	It considers that health and education help in the overall development of the individual, as a healthy individual with proper education can take decisions that will help them lead a happy and healthy life												
Welfare	In case of human capital, health and education are not useful as long as they do not result in improved productivity	Human development considers that human welfare is increased by having good health and proper education even if they do not result in any improvements in productivity												

30	<p>(i) Import Substitution - Import substitution is a strategy under trade policy that abolishes the import of foreign products and encourages the production in the domestic market. The purpose of this policy is to change the economic structure of the country by replacing foreign goods with domestic goods. Post-Independence India adopted the policy of import substitution by imposing heavy tariffs on import duty.</p> <p>(ii) Outsourcing - It is a process where the business operation or particular business activity is given as a contract to the specialized agency. Most of the company outsources security, sanitation, pantry, household, etc. by making a formal agreement with that particular agency.</p> <p>The agency then assigns the workforce as required by the company and charges them for their assistance. Across the globe, outsourcing business is rising rapidly, and with its help, firms can focus on their core operations and gain more profits and enhance product quality.</p>	4
31	<p>Positive contribution of British Rule: British Rule also had some positive effects on Indian economy. They are discussed as under:</p> <p>(1) Self-sufficiency in food grain production: Commercialization of agriculture initiated by British Government resulted in self-sufficiency in food grain production.</p> <p>(2) Better means of Transportation: Development of roads and railways provided a cheap and rapid transport system and opened up new opportunities of economic and social growth.</p> <p>(3) Check on Famines: Roads and railways worked as a great check on the occurrence and impact of famines as food supplies could be transported to the affected areas in case of droughts.</p> <p>(4) Shift to Monetary Economy: British rule helped Indian economy to shift from barter system of exchange (exchange of goods for goods) to monetary system of exchange.</p> <p>OR</p> <ol style="list-style-type: none"> <li>1. India had an independent economy before British rule.</li> <li>2. Agriculture was the main source of livelihood for the majority of the population, even though the country's economy was characterised by various kinds of manufacturing activities.</li> <li>3. India had the great repute of its handicraft industries in the fields of cotton and silk textiles, metal and precious stone works etc. due to fine quality of material used and the high standards of craftsmanship</li> <li>4. The economic policies persuaded by the colonial government in India were concerned more with the protection and promotion of the economic interest of their home country than with the development of the Indian economy.</li> <li>5. Such policies brought about a fundamental change in the structure of the Indian economy-transforming India into supplier of raw materials and consumer of finished industrial products from Britain.</li> <li>6. The colonial government never made any sincere attempts to estimate India's national and Per capita income.</li> </ol>	4



32	<p>(a) The given data shows that the annual growth rate of population is maximum in Pakistan standing at 2.1%, whereas; the same stands at a meager 0.5% in case of China (might be a direct result of the One Child Policy adopted). The annual population growth rate of India is in the danger zone of more than 1% p.a. India will be overtaking China as the most populous country in the world in near future.</p> <p>(b) Amongst the three countries stated above, India has most skewed data sex ratio (929 female per 1000 male). This is one of the major concerns for the demographers in India. This is caused because of girl foeticide in a few states in India.</p>	4
33	<ol style="list-style-type: none"> <li>1. Measures to control population: The government-initiated measures to control birth and created awareness among the people to protect the environment. Thus, they attempted to control the increased population to a level within the carrying capacity of the environment.</li> <li>2. Use of non-conventional sources of energy: Thermal and hydro power plants are the two non-conventional sources of energy which have negative impacts on the environment. Thermal power plants emit enormous quantities of carbon dioxide in the environment. Hydro power plants inundate forests and obstruct the natural water flow in catchment areas and river basins. Hence, the use of non-renewable resources should deplete at a rate not exceeding the rate of creation of renewable substitutes.</li> <li>3. Mini hydel plants in mountainous regions: Mini-hydel plants are environment-friendly as they do not change the land-use pattern in the mountainous regions. They always do with the need for large-scale transmission loss and generate power to meet local demands.</li> <li>4. Use of LPG and gobar gas in rural areas: Wood, cow dung and other biomass are used as fuel by households in rural areas. Because of the adverse effects such as deforestation and reduction in green cover, subsidised liquefied petroleum gas (LPG) is being provided along with gobar gas plants through easy loans and subsidy in rural areas.</li> <li>5. Use of CNG as fuel in urban areas: In urban areas, compressed natural gas (CNG) is used as fuel in public transport vehicles. This significantly lowers air pollution.</li> </ol>	6
34	<p>The health system in India has undoubtedly improved over the years but the pace of improvement has been unreasonably slow and truly we carry an unhealthy health system in India. Following may be the most important concerns ailing Indian health system.</p> <p>Low public expenditure - In India the health expenditure as a percentage of GDP is low as compared to some of the major developing countries. It was only 4.7% of the total GDP in the year 2014-15. In recent years there has been an increase.</p> <p>Urban rural divide - More than 60% of people live in the rural areas which have only 20% hospitals of the country.</p> <p>Women and child issues- More than 50% of married women in the age group of 15-50 years have iron deficiency which has contributed to maternal deaths and infant deaths.</p> <p>Infant mortality rate is 34 deaths per 1000 births in India. Malnutrition and inadequate supply of vaccines leading to death of millions of children every year.</p>	6



