

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.

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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
Total	20*1=20	4*3=12	6*4=24	4*6=24	80

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
Total Questions	24	34	

Solutions

Q	Macroeconomics	Marks
1	MPC = 0.8	1
2	If the value of imports is more than the value of exports then it makes the net exports negative.	1
3	The deposits, which can be encashed by issuing cheques at any point by the account holders. It is treated as equal as cash as it is readily accepted as a means of payment.	1
4	True, APC will be zero only when consumption is zero, which is not possible.	1
5	The primary functions of money is accepting deposits and advancement of loans.	1

6	(a) commercial banks	1
7	(a) BOP deficit countries run down the stock of gold	1
8	Primary deficit is calculated as the (Fiscal deficit - Interest payment.)	1
9	(a)-(iv), (b)-(i), (c)-(iii), (d)-(ii)	1
10	It is a type of direct tax in India that is payable on income earned from the sale of investments or assets. ... Capital gains are calculated as the difference between the sale value and the purchase value of these assets.	1
11	Nominal GDP = 4000 Real GDP = 5000 GDP deflator = Nominal GDP / Real GDP X 100 GDP deflator = 4000/5000 X100 GDP deflator = 0.8 X 100 = 80	3
12	<p>Answer. C-bar = 250 I = 2000 Y = 9000 Y = C + I 9000 = 250 + MPC*9000 + 2000 MPC * 9000 = 6750 MPC = 6750/9000 MPC = 0.75</p> <p>OR</p> <p>Change in savings = 40 Change in Income = 200 MPS = Change in savings / change in income = 40/200 = 0.2 Investment Multiplier = 1/MPS = 1/0.2 = 5 Investment multiplier = change in income /change in investment New Change in Income = 12000 Therefore, 5 = 12000/Change in investment Change in investment = 12000/5 = 2400 Cr</p>	3
13	<p>(a) As a government's bank - The Central bank everywhere in the world acts as banker, fiscal agent and adviser to their respective government.</p> <p>(i) As Banker: As a banker to the government, the central bank performs the same functions as performed by the commercial banks to their customers. It receives deposits from the government and collects cheques and drafts deposited in the government account. It provides cash to the government as resumed for payment of salaries and wages to their staff and other cash disbursements. It makes payments on behalf of the government. It also advances short term loans to the government. It supplies foreign exchange to the government for repaying external debt or making other payments.</p>	4

	<p>(ii) As Fiscal Agent: As a fiscal agent, it performs the following functions: It manages the public debt. It collects taxes and other payments on behalf of the government. It represents the government in international financial institutions (such as the World Bank, International Monetary Fund, etc.) and conferences.</p> <p>(iii) As Adviser The central bank also acts as the financial adviser to the government. It gives advice to the government on all financial and economic matters such as deficit financing, devaluation of currency, trade policy, foreign exchange policy, etc.</p> <p>(b) Open market operations - It consists of buying and selling of government securities and bonds in the open market by the Central Bank. In a situation of excess demand leading to inflation, the central bank sells government securities and bonds to commercial banks. With the sale of these securities, the power of commercial bank of giving loans decreases, which will control excess demand. In a situation of deficient demand leading to deflation, central bank purchases government securities and bonds from commercial banks. With the purchase of these securities, the power of commercial banks to give loans increases, which will control deficient demand.</p>	
14	<p>A favourable balance of payment in a nation's balance of payments in which payments made by the country are less than payments received by the country. This is also termed a balance of payments surplus. It's considered favourable because more currency is flowing into the country than is flowing out. Components of BOP:</p> <p>Current Account The current account monitors the flow of funds from goods and services trade (import and export) between countries. Now this includes money received or spent on manufactured goods and raw materials. It also includes revenue from tourism, transportation receipts, revenue from specialized services (medicine, law, engineering), and royalties from patents and copyrights. In addition, the current account includes revenue from stocks.</p> <p>Capital Account The capital account monitors the flow of international capital transactions. These transactions include the purchase or disposal of non-financial assets (for example, land) and non-produced assets. The capital account also includes money received from debt-forgiveness and gift taxes. In addition, the capital account records the flow of the financial assets by migrants leaving or entering a country and the transfer, sale, or purchase of fixed assets.</p>	4
15	<p>Reallocation of resources - Government through its budgetary policies tries to reallocate resources to ensure fulfillment of various socio-economic objectives. The government may influence the allocation of resources through:</p> <p>(a) Taxation policy - Heavy taxes may be imposed on harmful products to discourage their production and subsidies may be provided on the production of socially useful products to encourage their production.</p>	4

	(b) Government may directly undertake production of certain goods and services in the areas where the private sector may not be willing to participate in production activities.	
16	480Cr	6
17	<p>An economy is said to be operating at under-employment equilibrium level, if the planned aggregate expenditure falls short of available output in the economy, corresponding to the full employment level. It results in excess of output available over the anticipated aggregate demand at full employment level. To tackle such a situation the aggregate demand has to be increased up to the level that the stocks can be cleared.</p> <p>Following measures may be taken to correct the same:</p> <p>(i) Fiscal measure- Decrease in taxes: The government under its fiscal policy may decrease the rate of taxes (both direct and indirect taxes). This will ensure greater purchasing power in the hands of the general public. This will help to increase aggregate demand and remove the deflationary gap.</p> <p>(ii) Monetary measure- Increase in money supply: The Central bank through its expansionary monetary policy can increase the money supply in the economy. Central bank can use tools like bank rate, cash reserve ratio, repo and reverse repo rates etc. to ensure greater money in the hands of general public which would in turn increase the aggregate demand in the economy and be helpful in reducing removing the deflationary gap</p>	6
	Indian Economic Development	
18	d. Fix quantum of land held by an individual	1
19	True	1
20	Infant mortality rate means the number of deaths of children below the age of one year per thousand live birth.	1
21	(a)-(iv), (b)-(iii), ©-(i), (d)-(ii).	1
22	Swarn Jayanti Shahri Rozgar Yojana (SJSRY), Rural Employment Generation Programme (REGP)	1
23	<p>The two characteristics of NABARD are.</p> <ul style="list-style-type: none"> It provides aid to small scale, cottage, and village industries, and rural artisans using both credit and non-credit approaches. It provides professional counselling and consultancy services, arranges training, development programmes for rural entrepreneurs. 	1
24	Operation flood was started by the National Dairy Development Board (NDDB) in 1970s. The objective of this programme was to create a nationwide milk grid and make India a self-sufficient nation in terms of milk production. The results of Operation Flood were that India became the largest producer of milk in the world by surpassing USA in 1998.	1
25	Photovoltaic cell	1

26	(b) iv, ii, i, iii	1
27	Pakistan	1
28	<p>Following are the causes of unemployment in India</p> <p>(i) Increase in Population: Constant increase in population has been a big problem in India. It is one of the main causes of unemployment. The rate of unemployment is 11.1% in the 10th Plan.</p> <p>(ii) Agriculture is a Seasonal Occupation: Agriculture is underdeveloped in India. It provides seasonal employment. Large part of the population is dependent on agriculture. But agriculture being seasonal provides work for a few months. So this gives rise to unemployment.</p> <p>(iii) Joint Family System: In big families having big business, many such persons will be available who do not do any work and depend on the joint income of the family.</p> <p>OR</p> <p>Some of the problems being faced by India's power sector are :</p> <p>(i) At present, India is able to add only 20000 MW a year. India's installed capacity to generate electricity is not sufficient to feed an annual economic growth of 9% and even this capacity remains under-utilized due to inefficient operation of plants.</p> <p>(ii) State Electricity Boards (SLBs) which distribute electricity, incur losses which exceed Rs. 500 billion due to transmission and distribution losses, wrong pricing of electricity and other inefficiencies.</p> <p>(iii) Electricity is stolen in different areas and tariffs are not paid which also adds to the losses of SEBs.</p>	3
29	<p>Increasing use of chemical fertilisers make the country self-dependent in food production but it deteriorates the environment and causes harmful impacts on living beings. This problem can be handled by promoting organic farming. Organic farming is the process of producing safe and healthy food. Moreover, organic agriculture restores, maintains and enhances the ecological balance. There is an increasing demand for organically grown food, to enhance food safety throughout the world.</p>	3
30	An economic plan allocates the resources of a nation to fulfil the general and specific goals as planned by the government for a specified period. In India, these	4

	<p>plans are made for five years and hence are known as five-year plans. These five-year plans are ultimately a short-term plan for a perspective plan. A perspective plan outlines the long-term goals of a nation, spanning twenty years.</p> <p>The basic goals of five years plan in India -</p> <ol style="list-style-type: none"> 1. Economic growth 2. Full Employment 3. Economic equity and social justice 4. Economic self-reliance 5. Modernisation 	
31	<p>The given statement is true to its character. The foreign investments, both Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII), have increased from about US \$100 million in 1990-91 to US \$ 74 billion recently. This has changed the status of India from a 'begging bowl' in 1990's to a 'self-dependent' economy in the present ages. Due to the opening up of the Indian Economy, she has become one of the largest foreign exchange reserve holders in the world. India was able to register an increase in the foreign exchange reserves from about US \$ 6 billion in 1990-91 to about US \$ 321 billion in 2014-15.</p> <p>OR</p> <p>Being a resident of a village, I would suggest the following measures to tackle the problem of poverty:</p> <ul style="list-style-type: none"> → Redistribution of income-earning assets. → Encouraging poor for their active participation → Organising Training Camps and Night Classes for imparting vocational training to unskilled labourers. → Advancing financial and technical assistance to establish small enterprises. → Upgradation of agricultural practices to raise productivity → Enforcement of measures to check population growth. → Development of infrastructure. → Motivating the poor to acquire skills, information and knowledge. 	4
32	<p>The following are the main reasons for the slow growth and re-emergence of poverty in Pakistan</p> <p>(i) Lack of Proper Planning: The main cause behind the slow economic growth in Pakistan is the lack of proper planning in the economy. Pakistan relied largely on the policy of protection by assigning central roles to the Public Sector Enterprises. The operational inefficiencies of the system along with the misallocation of scarce resources resulted in slow economic growth rate and poverty.</p> <p>(ii) Traditional Agricultural Practices: The agricultural practices in Pakistan were not modernised and there remained heavy dependence on rainfall and traditional</p>	4

	<p>methods of farming, thereby reducing agricultural productivity and output.</p> <p>(iii) Slow Industrial Growth: The manufacturing sector in Pakistan could not grow at a sufficient pace due to low efficiency and productivity, this can be regarded as one of the reasons for the slow economic growth.</p> <p>(iv) Debt Trap: There was an increasing dependence on foreign loans in Pakistan and repayment of these loans became difficult. New loans were taken to repay older ones and thus interest obligations mounted over the years.</p>	
33	<p>Mahatma Gandhi had always maintained that the real growth of India lies in the growth of villages. The importance of rural development in India lies in the fact that 2/3rd of the population still (directly or indirectly) depends on agriculture and around 1/3rd of the rural population still lives in poverty.</p> <p>Some of the prime areas for the development of the rural India may be quoted as follows:</p> <p>Infrastructure development - is the key to any development process. Basic infrastructure requirements like electricity, irrigation, credit availability, transport facilities, construction of village roads and feeder roads to nearby highways, etc. are the areas which still need the attention of the government so as to gain commanding heights.</p> <p>Alleviation of poverty - poverty in rural India is an area that should be taken up as a mission for improvement in the living conditions of particularly those living at the bottom of the pyramid. This problem may be tackled by emphasizing on greater access to productive employment opportunities.</p> <p>Development of Human Capital - Rural human capital must be developed by taking sincere steps in the direction of education and health.</p>	6
34	<p>Poverty Alleviation Programmes could not succeed due to:</p> <ol style="list-style-type: none"> 1. Lack of Resources: Resources allocated to different programmes were far less than required keeping in mind the magnitude of poverty. 2. Lack of Proper implementation: Due to corruption, lack of training, pressure from local leaders, and lack of awareness amongst the beneficiary group, these programmes were not properly implemented. 3. Lack of Active participation of Beneficiary Group: Poor people did not actively participate in the implementation of these programmes. 4. Lack of Infrastructure: Infrastructure required for implementation of these programmes was lacking in the economy. 5. Lack of political will: poverty has been a hindrance in the development of India as a whole since Independence. There have been a lot of schemes aimed at poverty alleviation like provision of ration cards, food for work, MGNREGA, etc. yet 	6

	<p>all of them have failed to get implemented due to lack of penetration of democracy at local levels, lack of political participation, lack of education, etc.</p> <p>6. Lack in holistic approach: schemes that have been implemented in India to alleviate poverty have been primarily aimed at just covering the monetary part. E.g. in the case of Food for work, only the food portion was being covered. In MGNREGA, the beneficiary was entitled only for the monetary benefit. As per the UN report, poverty is just not about money, and yet the governmental schemes had failed to realize this.</p>	
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