



# PRINCE ACADEMY

## OF HIGHER EDUCATION

[Co-edu. Sr. Sec. School, Affiliated to CBSE, Affiliation No. - 1730387]

Palwas Road, Near Jaipur - Bikaner Bypass Crossing, SIKAR - 332001 (Raj.) INDIA

Mob. : 9610-75-2222, 9610-76-2222

www.princeeduhub.com | E-mail : princeacademy31@gmail.com

### SAMPLE PAPER SET - 02 (2024-25)

SUBJECT : ECONOMICS (030)

CLASS - XII ARTS

TIME : 3:00 Hours

M.M. : 80

#### GENERAL INSTRUCTIONS:

I. This question paper contains two sections:

Section A – Macro Economics

Section B – Indian Economic Development

II. This paper contains 20 Multiple Choice Type Questions of 1 mark each.

III. This paper contains 4 Short Answer Type Questions of 3 marks each to be answered in 60 to 80 words.

IV. This paper contains 6 Short Answer Type Questions of 4 marks each to be answered in 80 to 100 words.

V. This paper contains 4 Long Answer Type Questions of 6 marks each to be answered in 100 to 150 words.

#### (Section-A)

- Supply of money refers to ..... 1
  - currency held by the public.
  - currency held by Reserve Bank of India (RBI).
  - currency held by the public and demand deposits of the public with commercial banks.
  - currency held in the government account.
- Credit cards are excluded from all measures of the quantity of money, because they are not really a method of payment, but of method of deferring payment. When you buy a meal with a credit card, the bank that issued the card pays the restaurant the amount that is due. At a later date, you will have to repay the bank, perhaps with interest. For this, you might use the money in your demand deposits, and that money is included in the economy's stock of money. Which of the following can happen with an increased use of credit cards in an economy. 1
  - increase in money supply
  - decrease in money supply
  - increase in money demand
  - decrease in money demand
- Assertion (A) :** To increase the money supply in the economy, Central Bank reduces the margin requirement. 1  
**Reason (R) :** Decrease in margin requirements enhances of borrowing capacity of public, which

raises the money supply in the economy.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation for Assertion (A).

(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation for Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

**OR**

Statement I - Effective demand is defined as that level of output and employment where Aggregate Demand is equal to Aggregate Supply.

Statement II : As per Keynesian theory in an economy, full employment can never exist.

(a) Both the statements are true

(b) Both the statements are false.

(c) Statement I is true, Statement II is false.

(d) Statement II is true, Statement I is false.

4. The saving function of an economy is : 1

$$S = -10 + 0.20 Y$$

If the planned investment in Rs. 100 crores, aggregate demand at income of Rs. 300 crores will be :

(a) Rs. 550 crores

(b) Rs. 350 crores

(c) Rs. 300 crores

(d) Rs. 100 crores

5. The Union Government has set an ambitious disinvestment target of Rs. 1.75 trillion for the financial year 2023-24. Income received from disinvestment can be classified as ..... in the Government Budget. 1

(a) Capital Receipts

(b) Revenue Receipts

(c) Capital Expenditure

(d) Revenue Expenditure

6. Identify the incorrect statement from the following about the Revenue Budget of the Government: 1

(a) It records all the transactions which are recurring in nature.

(b) Proceeds from disinvestment are recorded under this category.

(c) It has two components - revenue receipts and revenue expenditure.

(d) Payment of salaries by government departments is recorded in revenue budget.

7. Fiscal deficit in Government Budget indicates ..... 1

(a) Excess of capital expenditure over capital receipt (excluding borrowings)

(b) Excess of revenue expenditure over revenue receipt.

(c) Borrowing requirement of the State Governments only.

(d) Excess of total expenditure over revenue receipts and non-debt creating capital receipts.

**OR**

'Government of India has recently implemented various measures (like cash transfers to senior citizens and widows).'

The government is trying to achieve the objective of ..... using such measures.

(a) Reallocation of resources

(b) Redistribution of income

(c) Regional equality

(d) Economic instability

8. From the following statements, choose the correct statement: 1
- (a) Trade deficit refers to the excess of 'total value of exports' over the 'total value of imports' of goods and services.
- (b) Trade surplus refers to the excess of 'total value of imports' over the 'total value of exports' of goods and services.
- (c) Current account deficit in a nation occurs when the foreign exchange receipts in current account fall short of foreign exchange payments in current account.
- (d) Current account surplus in a nation occurs when the credit items of Balance of Payments are less than the debit items of Balance of Payments.
9. From the following, which of the item would appear on the credit side of capital account of the balance of payment in India ? 1
- (a) Education consultation from a firm in New York.
- (b) Borrowings from rest of thw world.
- (c) Earthquake relief aid received from France.
- (d) Imports of edible oils.
10. Consider the following statement about 'Portfolio Investment in India' and choose the correct alternative. 1
- (i) Investment by a foreign company to start its subsidiary company in India.
- (ii) Investments by a foreign company to acquire some company in India.
- (iii) A foreign investor buying shares in Indian markets.
- (iv) A foreign investor buying Goods in Indian markets.
- (a) (i), (ii) and (iii)      (b) (ii), (iii) and (iv)      (c) (iii) only      (d) (iii) and (iv)
11. Outline a hypothetical scenario where a government is considering implementing a new tax policy. In this scenario, explain how the introduction of a Progressive Tax would affect individuals with low, middle and high incomes. 3
12. What is the role of a Central Bank in the following exchange rate ? 3
- (a) Fixed exchange      (b) Floating exchange      (c) Managed floating

**OR**

Distinguish between Autonomous and accommodating transactions in the Balance of Payments Accounts.

13. Read the following News Report and answer the questions that follow. 4
- During Covid - 19, the Reserve Bank of India (RBI), cut Repo Rate to 4.4% the lowest in at least 15 years. Also, it reduced the CRR by 100 basis points. Previously, it was 4% . RBI governor Dr. Shaktikanta Das predicted a big global recession and said India will not be immune. It all depends how India responds to the situation. Aggregate demand may weaken and ease core inflation.
- (i) What is CRR ?
- (ii) What is the likely effect of cut in Repo Rate buy RBI on the aggregate demand in te Indian economy.
- (iii) "... reduced the CRR by 100 basis points. Previously, it was 4%". Thus, CRR is reduced to .....
- (iv) Besides reduction in CRR and Repo Rate, what other measure can be taken by the Government of India through its budgetary policy to combat recession ? State any one.

14. Calculate Gross National Product at market price.

4

	Particulars	Amount (In Rs. Crores)
(i)	Compensation of employees	2500
(ii)	Profit	700
(iii)	Mixed income of self-employed	7500
(iv)	Net addition to capital stock	400
(v)	Rent and royalty	400
(vi)	Interest	350
(vii)	Factor income from abroad	150
(viii)	Indirect taxes	200
(ix)	Gross investment	470
(x)	Net exports	40
(xi)	Factor income paid to abroad	100
(xii)	Subsidies	50

**OR**

**Compute National Income.**

	Particulars	(In Rs. Crores)
(i)	Private final consumption expenditure	900
(ii)	Government final consumption expenditure	400
(iii)	Net imports	30
(iv)	Gross domestic capital formation	250
(v)	Change in stock	50
(vi)	Net domestic fixed capital formation	180
(vii)	Net indirect taxes	100
(viii)	Net factor income from abroad	(-) 40
(ix)	Profits	100

15. (a) In an economy, if there is a rise in Bank Rate, how would it affect the demand for credit? Explain.

(b) Calculate, change in Income ( $\Delta Y$ ) for a hypothetical economy, for which it is given that : 2+2

(i) Marginal Propensity to Consume (MPC) = 0.75, and

(ii) Change in Investments ( $\Delta I$ ) = Rs. 20,000 crore.

16. (a) Calculate the value of Nominal Gross Domestic Product (GDP) for a hypothetical economy. The values of Real Gross Domestic Product (GDP) and Price Index are given as Rs. 1,000 crores and 250 respectively.

(b) Giving valid reasons, explain which of the following will not be included in the estimation of National Income of India ?

3+3

(i) Purchase of shares by an investor in the Bombay Stock Exchange.

(ii) Salaries paid to Russian working in Indian Embassy in Russia.

(iii) Imputed rent of self-occupied houses.

**OR**

(a) Giving valid reasons, explain how the following would be treated while estimating National income.

(i) Payment of indirect taxes by a firm.

(ii) Purchase of goods by foreign tourists.

(b) Using the following information, calculate and analyse the value of Gross Domestic Product (GDP) deflator. 3+3

Year	2021-22	2022-23
Nominal GDP	6.5	9
Real GDP	6.5	7.2

17. (a) "Taxes help to curb deflationary situation in the economy". Comment. 3+3  
(b) "In a hypothetical economy, planned savings fall short of planned investments, leading to fall in employment and income".  
Do you agree with the given statement? Support your answer with a valid explanation.

**Section - B**

18. Read the following statements relating to foreign trade during British rule and choose the correct sequence of these statements. 1

(i) India was exporter of products like raw silk, cotton etc.

(ii) Britain maintained monopoly control over India's foreign trade.

(iii) India generated large export surplus.

(iv) Exports did not result in any flow of wealth into the country.

(a) (i), (ii), (iii), (iv)      (b) (iv), (iii), (ii), (i)      (c) (ii), (i), (iii), (iv)      (d) (iv), (i), (ii), (iii)

19. **Assertion (A):** In developing countries, growth of human capital has been faster than growth of per capita real income. 1

**Reason (R):** Empirical evidence to prove that increase in human capital causes economic growth is rather nebulous.

(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 and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true and Reason (R) is false.

(d) Assertion (A) is false and Reason (R) is true.

20. Which of the following highlights the role of Information Technology (IT) in rural development? 1

(i) It helps in achieving sustainable development.

(ii) It helps in attainment of food security.

(iii) It disseminates information regarding emerging technologies.

(a) Only (i)      (b) Only (iii)      (c) (i) and (iii)      (d) (i), (ii) and (iii)

21. Find the odd man out: 1

(a) A clerk in the electricity office

(b) Computer operator in the state government office working on a temporary basis

(c) Worker in a hotel which has seven hired workers and three family workers.

(d) A police constable

22. The newly emerging jobs are found mostly in the sector. 1  
 (a) service (b) manufacturing (c) agriculture (d) All of these
23. "Unemployment is a situation in which all those who, owing to lack of work, are not working but either seek work through employment exchanges, intermediaries, friends or relatives or by making applications to prospective employers or express their willingness or availability for work under the prevailing condition of work and remunerations." This definition is given by: 1  
 (a) Economists  
 (b) The National Statistical Office  
 (c) Census of India  
 (d) Directorate general of Employment and Training

**OR**

In urban areas with high population density, the challenge which is often associated with housing and living conditions?

- (a) High home ownership rates, leading to limited rental options  
 (b) Difficulty in accessing essential services due to congested living conditions  
 (c) Limited open spaces and recreational areas, affecting quality of life  
 (d) Inadequate housing and overcrowding, leading to slum settlements
24. Statement - 1 : Jobless growth has been a Significant challenge in the Indian economy in recent years,  
 Statement - 2 : Despite witnessing economic growth, the Indian economy has been struggling to create sufficient employment opportunities to absorb the growing workforce. 1  
 (a) Statement 1 is true and Statement 2 is false.  
 (b) Statement I is false and Statement 2 is true  
 (c) Both Statements 1 and 2 are true.  
 (d) Both Statements 1 and 2 are false

25. .... means the ability of the environment to absorb degradation. 1  
 (a) Absorptive capacity (b) Carrying capacity  
 (c) Assimilating capacity (d) Sustainable development

**OR**

Two major environmental issues facing the world today are ..... and .....

- (a) Rising population. Air pollution  
 (b) Global warming, Ozone depletion  
 (c) Overuse of environmental resources, Misuse of environmental resources  
 (d) Water contamination, Poaching
26. Which of the following countries initiated its process of Economic Reforms in the year 1991? 1  
 (a) Pakistan (b) India (c) Russia (d) China

**OR**

The main objective of China's One Child Policy, which was implemented from 1979 to 2016 was;

- (a) to provide financial incentives for families with multiple children  
 (b) to promote gender equality by limiting the number of male children.  
 (c) to control the population growth and address overpopulation concerns.  
 (d) to encourage families to have more children and increase the population.

27. Identify the correct sequence of alternatives given in Column I by matching them with respective events in Column II: 1

Column - I	Column - II
A. India announced its first five year plan	(i) 1951
B. Pakistan announced its first five year plan, now called the Medium Term Development Plan.	(ii) 1953
C. China announced its first five year plan.	(iii) 1956

- (a) (i), (iii), (ii)                      (b) (ii), (iii), (i)                      (c) (iii), (ii), (i)                      (d) (i), (ii),(iii)
28. What was the focus of the economic policies pursued by the colonial government in India? What were the impacts of these policies? 3

**OR**

What do you understand by the drain of Indian wealth during the colonial period?

29. "Recently the government of India has taken a few steps to reach the 6% growth goal as recommended by the Education Commission, 1964." 3

Do you agree with the given statement? Give valid reasons in support of your answer.

30. Why was it necessary for a developing country like India to follow self-reliance as a planning objective. 4

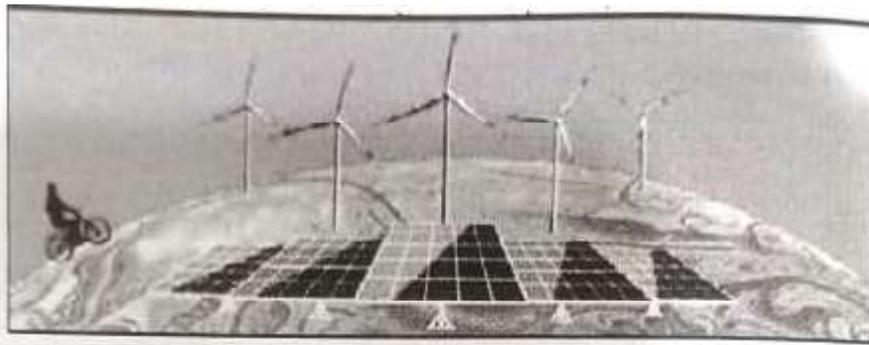
**OR**

Discuss briefly how institutional reforms (land reforms) have played a significant role in transforming Indian agriculture.

31. "Some economists believe that the economic reforms have adversely affected the agriculture sector in India. "Do you agree with the given statement? Justify your answer with valid reason. 4

32. What are the emerging alternate marketing channels for agricultural products ? Explain their benefits. 4

33. "Serious concerns over the climate change is taking over the attention of the world. 6



In the light of the above statement and image, discuss any two strategies to tackle this global concern of Environmental degradation.

**OR**

(a) Explain how 'Bio-composting' and 'Bio-pest control' can be helpful in achieving the objective of sustainable development.

(b) India's environmental problems pose a dichotomy- they are poverty induced and at the same time due to affluence in living standards - Is this true?

**SINO-INDIAN RELATIONS**

India and China had historically maintained peaceful relations for thousands of years of recorded history. But the harmony of the relationship has varied in modern time, especially after the rule of the Communist Party in China; the two nations have sought economic cooperation with each other, while frequent border disputes and economic nationalism in both countries are a major point of contention. The modern relationship began in 1950 when India was among the first countries to end formal ties with the Republic of China (Taiwan) and recognise the People's Republic of China as the legitimate government of Mainland China. China and India are two of the major regional powers in Asia, and are the two most populous countries and among the fastest growing major economies in the world. Growth in diplomatic and economic influence has increased the significance of their bilateral relationship.

Relations between contemporary China and India have been characterised by border disputes, resulting in three military conflicts the Sino-Indian War of 1962, the border clashes in Nagasaki in 1967, and the 1987 Sum-dorong Chu standoff. However, since the late 1980s, both countries have successfully rebuilt diplomatic and economic ties. In 2008, China became India's largest trading partner and the two countries have also extended their strategic and military relations. Since 2013, border disputes have reemerged to take centre-stage in the two countries' mutual relations. In early 2018, the two armies got engaged in a standoff at the Doklam plateau along the disputed Sino-Nepalese border. Since summer 2020, armed standoffs and skirmishes at multiple locations along the entire Sino-Indian border escalated. A serious clash occurred in the Galwan Valley resulting in the death of 20 Indian soldiers and some number of Chinese soldiers.

Despite growing economic and strategic ties, there are a lot of hurdles for India and the PRC to overcome. India faces trade imbalance heavily in favour of China. The two countries failed to resolve their border dispute and Indian media outlets have repeatedly reported Chinese military incursions into Indian territory. Both countries have steadily established military infrastructure along border areas including amidst the 2020 China-India skirmishes. Additionally, India remains wary about China's strong strategic bilateral relations with Pakistan, and China's funding to the separatist groups in Northeast India, while China has expressed concerns about Indian military and economic activities in the disputed South China Sea.

(a) "India and China had historically maintained peaceful relations for thousands of years of recorded history. But the harmony of the relationship has varied in modern time." Explain the statement by giving valid reasons.

(b) "Despite growing economic and strategic ties, there are a lot of hurdles for India and the PRC to overcome." Explain.