



PRINCE ACADEMY

OF HIGHER EDUCATION

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SAMPLE PAPER SET - 02 (2024-25)

TIME : 3:00 Hours

SUBJECT : ECONOMICS (030)
CLASS - XII COMMERCE

M.M. : 80

General instructions: -

1. This question paper contains two parts:

Part A- Macro Economics (40marks)

Part B- Indian Economic Development (40marks)

2. All the questions in both the sections are compulsory.

3. Question number 1 - 10 and 18 - 27 are very short-answer questions carrying 1 mark each(MCQ).

4. Question number 11 - 12 and 28 - 29 are short-answer questions caring 3 marks each. Answers to them should not normally exceed 60-80 words each.

5. Question number 13 - 15 and 30 - 32 are also short-answer questions carrying 4 marks each. Answers to them should not normally exceed 80-100 words each.

6. Question number 16 - 17 and 33 - 34 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100-150 words each.

SECTION A- (Macro Economics)

1. Read the following statement carefully:

Assertion (A): Average Propensity to Consume can be greater than one.

Reason (R): consumption can be greater than income in an economy.

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

(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 but Reason (R) is false

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

2. Following information is the status of government budget of an imaginary economy. Based on the given information find out the amount of interest payment:

Sr.	Particulars	Amount (Rs. Crore)
1	Tax revenue	50
2	Capital receipt other than borrowing	60
3	Borrowing	40
4	Revenue expenditure	80
5	Primary deficit	20

- (a) Rs. 5 Crore (b) Rs. 15 Crore (c) Rs. 20 Crore (d) Rs. 25 Crore
3. Which of the following is an example of intermediate goods?
- (a) Fertilizers purchased by a farmer (b) Steel and cement used to construct a flyover
(c) Milk purchased by a restaurant (d) All of these
4. A country experiences a large capital inflow due to high foreign investment in its domestic market. Assuming all other factors remain constant, what is the most likely impact on the country's currency and its Balance of Payments
- (a) The currency will appreciate, and the Balance of Payments will show a surplus.
(b) The currency will depreciate, and the Balance of Payments will show a deficit.
(c) The currency will appreciate, and the Balance of Payments will be balanced.
(d) The currency will depreciate, and the Balance of Payments will be balanced.
5. **Assertion:** During periods of economic depression, economy is caught in a low level equilibrium trap as investment in the private sector tends to slide to its bottom.
Reason : The government can break the deadlock of low demand side factors by pumping investment into an economy and there by raising AD till such time the private investment is revived to achieve higher level of output and employment.
- 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 and 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
6. Read the following statements carefully:
- Statement 1:** A tax system that is progressive applies higher tax rates to higher levels of income.
Statement 2: A regressive tax is one where the average tax burden decreases with income. In the light of the given statements, choose the correct alternative from the following:
- (a) Statement 1 is false and statement 2 is true
(b) Statement 1 is true and statement 2 is false
(c) Both statements 1 and 2 are false
(d) Both statements 1 and 2 are true

7. Find the missing figures and choose the correct alternatives

Income	Consumption	Average Propensity to Consume(APC)
0	30	--
10	70	(iii)
30	(ii)	3.67
50	150	(iv)
(i)	190	2.71

Alternatives

- (a) 80, 120, 8, 4 (b) 60, 120, 8, 4 (c) 70, 110, 7, 3 (d) 60, 110, 7, 3

8. Identify the correct pair of items from the following Column I and Column II:

Column I

- (A) Exports of merchandise
 (B) A gift from foreigner
 (C) Imports of services
 (D) Lending abroad

Column II

- (i) Debit item in the Current Account of BOP
 (ii) Credit item in the Capital Account of BOP
 (iii) Debit item in the Current Account of BOP
 (iv) Credit item in the Capital Account of BOP

Alternatives:

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

9. **Assertion (A):** Consumption and investment are the two components of aggregate demand in a closed economy.

Reason (R): Aggregate demand curve always start from origin with a positive slope.

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

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 (c) Assertion (A) is false but Reason (R) is true
 (d) Assertion (A) is true but Reason (R) is false

10. "Considering the depreciation of Indian currency in the international market, the Reserve Bank of Indian (RBI) has decided to purchase Indian currency in the open market." This represents ____ exchange rate system.

- (a) fixed (b) managed floating (c) flexible (d) manipulated

Short answer type questions.

11. Calculate intermediate consumption from the following:

Items	(Rs. in lakhs)
(i) Value of output	2,000
(ii) Depreciation	40
(iii) Subsidy	10
(iv) Sales tax	30
(v) Net Value Added at factor cost	1600
(vi) Intermediate consumption	?

OR

State three precautions in measuring national income by expenditure method.

12. State whether the following is revenue receipts and capital receipts. Give reason for your answer.
(i) Recovery of loan (ii) Income tax (iii) Disinvestment
13. India's exports of software services (excluding their sales through overseas commercial presence) increased by 2.8 per cent during 2023-24 to \$ 190.7 billion, according to the data related to the 2023-24 round of RBI annual survey on computer software and information technology enabled-services (ITES) exports.'
- (A) Based on the above statement state under which side and which account in the Balance of Payments of India exports of software services is recorded?
- (B) Define Balance of Trade.
14. An economy is in equilibrium. From the following data about an economy, calculate autonomous consumption.
- (a) National Income = Rs 5,000 crore
(b) Marginal Propensity to save= 0.3
(c) Investment expenditure= Rs 800 crore

OR

For two hypothetical economies A and B, the value of Marginal Propensity to Consume (MPC) stands at 0.6 and 0.8 respectively. Assuming for both the economies, Autonomous Consumption (\bar{C}) to be Rs 40 crore and Investment Expenditure (I) to be Rs 100 crore.

Calculate:

- (I) Break-even level of income for Economy A
(II) Equilibrium level of income for Economy B

15. Read the following news report and answer the following questions on the basis of the same:
'The reserve Bank of India(RBI), cut Repo Rate to 4.4%, the lowest in at least 15 years. Also it reduced the Cash Reserve Ratio(CRR) maintained by the banks for the first time in over seven years. CRR for all banks was cut by 100 basis points to release Rs. 1.37 lakh crores across the banking system. RBI governor Dr.shaktikanta Das predicted a big global recession and".

The Economic Times , March 27th , 2020

- (i) Cut in Repo Rate by RBI is likely to _____(increase/decrease) the demand for goods and services in the economy. (Choose the correct alternative)
- (ii) Why did RBI take the above initiative and how it may affect the aggregate demand in the economy?

16. (A) Given the following data, find the value of 'Gross National Product at Market Price'

Sr.	Items	Amount (in Rs Crore)
(i)	Private final consumption expenditure	800
(ii)	Net factor income to abroad	20
(iii)	Government final consumption expenditure	300
(iv)	Net Domestic capital formation	200
(v)	Net indirect tax	150
(vi)	Consumption of fixed capital	100
(vii)	Net Imports	30
(viii)	Net change in stock	(-20)

(B) Giving valid reasons, explain how following would be treated while estimating *domestic income*?

(i) Broker's commission on the sale of second hand goods.

(ii) Salary received by an Indian working in the Japanese embassy in New Delhi.

OR

(A)'Circular flow principle is based on the assumption that one's expenditure will become other's income.' Explain the given statement.

(B) Distinguish between final goods and intermediate goods.

17. (A)"The PradhanMantri Jan-DhanYojana (PMJDY), launched by Prime Minister ShriNarendraModi on 28th August 2014. It is a national financial inclusion mission that ensures access to financial services namely, banking/savings and deposit accounts, remittances, loans, insurance, pensions in an affordable manner. The account can be opened in any bank branch or business representative (Bank Mitra) outlet. PMJDY accounts are being opened with zero balance."

On the basis of the given statement, explain possible impact of this scheme on Indian banking system.

(B)"There is inverse relationship between Legal Reserve Ratio and money multiplier (M)." defend or refute the statement with valid numerical example.

SECTION B - INDIAN ECONOMIC DEVELOPMENT

18. **Assertion (A):** Sustainable development is an important element of growth and development of nations.

Reason (R): All the countries of the world are facing environmental issues like global warming. Climate change, ozone layer depletion etc.

(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 but Reason (R) is false.

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

19. On the eve of independence, India's demographic condition was characterized by which of the following statement?
- Low level of literacy, low mortality rates and high life expectancy
 - High level of literacy, high mortality rates and high life expectancy
 - Low level of literacy , high mortality rates and high life expectancy
 - Low level of literacy, high mortality rates and low life expectancy
20. 'Since independence, India has witnessed a considerable fall in the Infant Mortality Rate in India. Identify which of the following **may not** be one of the reasons for the fall in the Infant Mortality Rate?
- Improvement in health facilities over the years
 - Improvement in educational standards over the years
 - Fall in standard of living of the population of the nation over the years
 - Technological expansion over the years
- (a) (iii) and (iv) (b) (i) and (ii) (c) only (iii) (d) (ii) and (iv)
21. **Statement 1:** Diversification in agriculture means shift of workforce to non-farm sector and change in cropping pattern.
Statement 2: Diversification is important to provide sustainable livelihood option and to control disguised unemployment.
- In the light of the given statements, choose the correct alternative from the following:
- Statement 1 is false and statement 2 is true
 - Statement 1 is true and statement 2 is false
 - Both statements 1 and 2 are false
 - Both statements 1 and 2 are true
22. "Modernisation as a planning objective refers to the use of new and modern technology in production process." In the context of the given statement, which of the following is/are the components of modernisation a planning objective?
- Modernisation in the technology
 - Modernisation in the outlook
 - Both (a) and (b)
 - Neither (a) and (b)
23. Which of the following bodies was a predecessor to the World Trade Organisation?
- General Agreement on Tariff and Trade (GATT)
 - International Monetary Fund (IMF)
 - International Bank for Reconstruction and Development (IBRD)
 - None of the above
24. "Between 1966-76 , Mao introduced this movement under which professionals and students were asked to work and learn from real life situations in the countryside of China". Identify the correct alternative for the statement .
- Commune system
 - Great Leap Forward
 - Open door policy
 - Great Proletarian Cultural Revolution
25. Environment has many resources for us. A resource that can be totally replaced or is always available naturally, or that is practically inexhaustible is known as_____.
- non-renewable resource
 - conventional resource
 - non-conventional resource
 - renewable resource

26. The government of India has introduced policies to encourage entrepreneurship and innovation. What is a likely benefit of an entrepreneurial culture?
- (a) Reduced competition and monopoly formation
 - (b) Deceased risk-taking behaviour among individuals
 - (c) Increased job opportunities and skill diversification
 - (d) Slower economic growth due to reduced stability

27. **Assertion (A):** Animal husbandry is the part of diversification of productive activities in rural area
Reason (R): It provides stable employment opportunities in off season.

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

following: (a) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

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

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

Short answer type questions.

28. What kind of liberalisation measures implemented in industrial sector after 1991.

OR

"India compelled to adopt New economic Policy in 1991 due to emergence of economic crisis in the 1980s". Defend or refute the statement with valid reasons.

29. China Adopted 'One Child Policy' in 1979 to control its population growth. In 2016 it ended this policy. Write two probable reasons behind this motive of China.

30. Read the following text carefully:

The UN Climate Change Conference COP29 is scheduled to be held in Baku, Azerbaijan in November 2024. With climate impacts inflicting growing human and economic costs in every country, every COP is a vital global moment that must deliver major progress, and COP29 is no exception.

Ambitious outcomes in Baku are vital, because unless all countries can cut emissions and build more resilience into global supply chains, no economy - including the G20 - will survive unchecked global heating, and no household will be spared its severe inflationary impacts.

On the basis of the given text and common understanding, answer the following questions:

(i) Outline two steps involved in attaining sustainable development in India.

(ii) Write down any two negative impacts that global warming can pose?

31. Based on the given data, compare any two parameters for the economies of India and China:

Some Selected Indicators of Human Development		
Item	India	China
Human Development Index (HDI) Value	0.645	0.761
Rank(based on HDI)	130	87
Gross National Income per capita (PPP US \$)	6,681	16,057
Life expetancy at Birth (years)	69.7	76.9

32. Brain drain, the emigration of skilled professionals from developing to developed countries, poses significant challenges to the development of the source countries. Factors such as better job opportunities, higher wages, and political instability contribute to brain drain. This phenomenon results in the loss of talent and expertise, hindering the economic growth and development of the home country. Brain circulation initiatives aim to mitigate brain drain by encouraging skilled professionals to return to their home countries and contribute to development. However, brain drain continues to be a persistent issue, impacting the workforce, innovation, and overall economic progress of developing nations.

(a) What is brain drain?

(b) Brain drain is a significant challenge for developing countries. Explain

OR

"Regulation of Agricultural Marketing is pre-requisite for rural development".

Explain the govt. initiatives to improve agricultural marketing.

Long answer type questions:

33. Agriculture, which is the primary source of livelihood for many rural households, is highly seasonal. Farmers require credit to finance agricultural inputs such as seeds, fertilizers, and equipment before the planting season begins. Without access to credit, farmers may struggle to purchase inputs on time, leading to reduced crop yields and income. Rural households often experience irregular income streams due to the seasonal nature of agricultural activities and the dependency on weather conditions. Credit helps smooth out these income fluctuations by providing funds during lean periods, enabling households to meet their consumption needs, invest in productive assets, and cope with emergencies.

Access to credit allows farmers to invest in technologies, irrigation systems, and mechanization, which can enhance agricultural productivity and resilience to climate variability. By financing investments in modern farming practices, credit enables farmers to improve crop yields, reduce production costs, and increase their income over the long term.

(a) List out the necessity of cheap credit to rural household.

(b) How availability of credit can create more employment opportunity to rural household?

34. (a) Why was Green revolution implemented and how did it benefit the farmers?

(b) Justify the following statement with valid explanation: 'Green revolution enabled the government to procure sufficient food grains to build its stocks that could be used during time of shortage Stocks of food grains but also became a dominant player in food grain exports market'.

OR

(a) In India, the era of five year plans begun with setting up of Planning Commission in 1950. First Five Year plan was started in 1951 with specific plan objectives to build newly emerging Indian economy. Although plan objectives were common for all five years plans, choice had to be made in each plan about which of the goals was to be given primary importance."

In the light of the given statement, explain any two goals of five year plans.

(b) Discuss briefly the estimates made by notable scholars regarding the national income and per capita income during the colonial rule in India.