

# D.A.V. INSTITUTIONS, CHHATTISGARH

## PRACTICE PAPER-8 -2023-24

### CLASS –XII

### SUBJECT: ECONOMICS

**Time Allowed: 3 Hours**

**Maximum Marks: 80**

#### GENERAL INSTRUCTIONS:

6. This question paper contains two sections:  
Section A – Macro Economics  
Section B – Indian Economic Development
7. This paper contains 20 Multiple Choice Questions of 1 mark each.
8. This paper contains 4 Short Answer Questions of 3 marks each to be answered in 60 to 80 words.
9. This paper contains 6 Short Answer Questions of 4 marks each to be answered in 80 to 100 words.
10. This paper contains 4 Long Answer Questions of 6 marks each to be answered in 100 to 150 words.

#### SECTION – A- MACRO ECONOMICS

1. Read the following statements carefully: 1  
**Statement 1:** Equilibrium is possible even at a level lower than the full employment level.  
**Statement 2:** At equilibrium level of income, there is absence of involuntary unemployment.  
In the light of the given statements, choose the correct alternative from the following:  
a) Statement 1 is true and statement 2 is false  
b) Statement 1 is false and statement 2 is true  
c) Both statements 1 and 2 are true  
d) Both statements 1 and 2 are false
2. Gross domestic Product is a..... 1  
a) Stock as it is related to a point of time  
b) Stock as it is measured over a period of time  
c) Flow as it is related to a point of time  
d) Flow as production is measured over period of time
3. If Marginal Propensity to Save (MPS) is 0.25 and initial change in investment is Rs.250 crores, then the final change in income would be \_\_\_\_ (Choose the correct alternative) 1  
a) Rs.1000 Crores  
b) Rs.500 crores  
c) Rs.1200 crores  
d) Rs.3500 crores.
4. Ms. Meenaskhi is a student of class XII, was asking about the reason for price rise in petroleum products due to Russia Ukraine crisis. The teacher was explaining the hike in price of crude oil by the OPEC countries in the international market.  
From the above discussion, which item of the Balance of Payment explained by them? 1  
(a) Visible items  
(b) Invisible item  
(c) Unilateral items  
(d) Capital items
5. High powered money consists of: 1  
a) Currency and coins held by the public

- b) Currency, cash reserves with banks and demand deposits  
 c) Currency held by public and cash reserves with banks  
 d) Currency and demand deposits
6. In a hypothetical economy, Mr. Virat has deposited Rs.100 in the bank. If it is assumed that there is no other currency circulation in the economy, then the total money supply in the economy will be \_\_\_\_\_. 1  
 a) Zero            b) Rs. 100            c) Not defined            d) Rs. 120
7. What will happen, when  $AS < AD$ ? 1  
 a) To clear unwanted stocks, the producers would plan a cut down in production  
 b) To rebuild the desire stocks, the producers would plan greater production  
 c) The producers would plan same level of production  
 d) Both (a) and (c)
8. Which of the following items raises the supply of foreign exchange? 1  
 a) Import of goods from China  
 b) Indian students going to USA for MBA  
 c) Donation of 50 million \$ received from Microsoft  
 d) Purchase of land in England
9. Given an economy with a Consumption Function of  $C = 750 + 0.5Y$ , where C represents Consumption Expenditure, Y represents National Income and an Investment Expenditure of 2,300, what would be the Consumption Expenditure at the equilibrium level? 1  
 a) 1,400            b) 6,100            c) 3,050            d) 3,800
10. Identify the incorrect statement with reference to balance of payments. 1  
 a) Current account records Exports and Imports transactions of a nation.  
 b) Export of machinery is recorded in capital account.  
 c) Transfer of funds to the relatives abroad, entered on debit side of current account.  
 d) Current account records all such transactions, which do not impact asset or liability status of a country.
11. In an economy, following transactions took place. Calculate value of output and value added by firm B  
 a) Firm A sold to Firm B goods of Rs.80 crores; to firm C Rs. 50 crores; to households rs.30 crores and goods of value Rs. 10 crores remain unsold  
 b) Firm B sold to firm C goods of Rs.70 crores; to firm D Rs. 40 crores; goods of value Rs. 30 crores were exported and goods of value 5 crore was sold to Government. 3

**OR**

Explain the concept of Double Counting in the context of calculating National Income and provide a practical way to avoid it. 3

12. What is meant by Current Account Deficit (CAD) & Current Account Surplus (CAS)? State their significance. 3
13. Calculate the value of Marginal Propensity to Consume (MPC), If in an economy, autonomous consumption is Rs. 500 crores, ex-ante investments are Rs. 4000 crores and equilibrium level of income of the economy is Rs. 18000 crores. 4
14. Describe the adjustments that may take place in an economy when ex-ante savings are greater than ex-ante investments. 4

**OR**

‘India’s GDP contracted 23.9% in the April- June quarter of 2020-21 as compared to same period of 2019-20, suggesting that the lockdown has hit the economy hard.’

State and discuss any two fiscal measures that may be taken by the Government of India to correct the situation indicated in the above news report. 4

15. Explain using numerical example, how an increase in reserve deposit ratio affects the credit creation power of the banking system. 4

16. (A) In the Government of India’s budget for the year 2022-23, the finance minister proposed to raise the Goods and Service Tax (GST) on luxury items. She also proposed to increase Income tax on Individual earning.

Identify and explain the type of tax proposed by the finance minister? What possible welfare objectives could the Government be considering? 3

(B) From the following data, calculate: (a) Revenue Deficit; (b) Fiscal deficit 3

Particulars	₹ in crores
(i) Tax Revenue	1,000
(ii) Revenue Expenditure	3,821
(iii) Non-tax Revenue	2,000
(iv) Recovery of Loans	135
(v) Capital Expenditure	574
(vi) Disinvestment	100
(vii) Interest Payments	1,013

**OR**

(A) Identify the following as Revenue Expenditure and Capital expenditure. Give reasons: 3

- Expenditure on construction of Metro
- Pension paid to retired Government Employees

(B) Explain the need for reduction in inequalities of income and wealth. Explain any two budgetary measures by which it can be done. 3

17. (A) How will you treat the following while estimating domestic factor income of India? Give reason for your answer. 3

- Remittances from non-resident Indians to their families in India.
- Rent paid by the Embassy of Japan in India to a resident Indian.
- Profits earned by branches of foreign bank in India.

(B) ‘Real GDP is a better indicator of economic growth than Nominal Gross Domestic Product.’ Do you agree with the given statement? Support your answer with a suitable numerical example.

### **SECTION- B- INDIAN ECONOMIC DEVELOPMENT**

18. Which of the following statements is not true about the demographic condition of India during the Colonial period? 1

- Infant mortality rate was very high
- After 1921, India entered the second stage of demographic transition
- Life expectancy was too high
- Female literacy rate was just 7%

19. Arrange the following events in the correct chronological order: 1

- Great Proletarian Cultural Revolution
- Great Leap Forward Campaign

iii) Introduction of Economic Reforms

iv) First five-year plan

**Alternative:**

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

20. When extraction is above the rate of regeneration of the resource and the wastage are outside the absorptive capacity of the environment, then environment fails to perform its one of the vital functions. What is that function? 1
- a) It supplies resources.  
b) It assimilates waste.  
c) It sustains life.  
d) It provides aesthetic services.
21. Agricultural marketing does not comprise of \_\_\_\_\_. 1
- a) Transportation of the produce to the market place for sale.  
b) Grading of the produce according to the quality.  
c) It provides healthy food.  
d) All of these
22. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below: 1
- Assertion (A):** The purpose of disinvestment is to improve financial discipline and facilitate modernization of PSEs.  
**Reason (R):** The PSEs are categorized into Maharatnas, Navratnas and Miniratnas.  
**Alternatives:**
- a) Both Assertion (A) Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).  
b) Both Assertion (A) 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.
23. '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? 1  
(Choose the correct alternative)
- a) Improvement in health facilities over the years.  
b) Improvement in educational standards over the years.  
c) Fall in standard of living of the population of the nation over the years.  
d) Technological expansion over the years.
24. The problem of \_\_\_\_\_ is caused by high levels of chlorine and bromine compounds in the stratosphere. 1
- a) Ozone Depletion    b) Global Warming    c) Water Pollution    d) All of these
25. Some economists argue that debt waiver schemes are extremely beneficial to the poor and marginalized farmers, as these schemes reduce the burden of \_\_\_\_\_. 1
- a) Indebtedness    b) Personal expenditure  
c) Debt of technical education and training    d) All of the above
26. Read the following statements carefully: 1
- Statement 1:** Lesser women are found in regular salaried employment as jobs generally require skills there is lack of mobility among women in India due to social constraints.  
**Statement 2:** In case of rural areas, regular salaried employees account for second major source of employment.  
In light of the given statements, choose the correct alternative from the following:
- a) Statement 1 is true and Statement 2 is false.

- b) Statement 1 is false and Statement 2 is true.
- c) Both Statements 1 and 2 are true.
- d) Both Statements 1 and 2 are false

27. From the set of statements given in Column I and Column II, choose the correct pair of statements 1

Column I	Column II
A. Great leap forward	i) Cultivating land collectively
B. Commune system	ii) Opening of the Industries in their homes
C. Proletarian cultural revolution	iii) Students were sent to work and learn from the countryside
D. Economic reforms in China	iv) 1988

Alternatives:

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

28. “By the time India won its independence, the impact of the two-century long British colonial rule was already showing on all aspects of the Indian economy. The social and economic challenges before the country were enormous”.

Do you agree with the statements? Justify by giving three arguments. 3

**OR**

The goal of equity was fully served by ‘Abolition of Intermediaries’. Comment. 3

29. In your view, is it essential for the government to regulate the fee structure in education and healthcare institutions? Why? 3

30. “India, China and Pakistan have travelled more than seven decades of developmental path with varied results.” Explain the given statement with valid arguments. 4

31. Rapid expansion of the banking system had a positive effect on rural farm and non-farm output, income and employment, especially after the green revolution. Justify by giving reasons. 4

**OR**

“Agricultural marketing has come a long way with the intervention of the government.” Evaluate the statement. 4

32. Given figure represents various occupations that come under the purview of one of the sectors in an economy. Name the sector and briefly explain any three reasons for growth of this sector in context of the Indian economy. [1+3]



33. (A) "Import restrictions were imposed in India with the dual objective to save foreign exchange reserves and to be self-sufficient." Justify the given statement with valid arguments. 3

(B) 'Economists advocate that subsidies should be selective, limited and specially targeted for weaker sections only.' Justify the statement. 3

**OR**

(A) As in the case of agriculture, so also in manufacturing, India could not develop a sound industrial base under the colonial rule. Evaluate the basic reasons. 3

(B) "Modernisation as a planning objective shows a dichotomy with employment generation." Justify the statement. 3

34. Read the following passage and answer the following questions:

In the early days when civilisation just began, or before this phenomenal increase in population, and before countries took to industrialisation, the demand for environmental resources and services was much less than their supply. This meant that pollution was within the absorptive capacity of the environment and the rate of resource extraction was less than the rate of regeneration of these resources. Hence environmental problems did not arise.

But with population explosion and with the advent of industrial revolution to meet the growing needs of the expanding population, things changed. The result was that the demand for resources for both production and consumption went beyond the rate of regeneration of the resources; the pressure on the absorptive capacity of the environment increased tremendously this trend continues even today. Thus, what has happened is a reversal of supply-demand relationship for environmental quality, we are now faced with increased demand for environmental resources and services but their supply is limited due to overuse and misuse. Hence, the environmental issues of waste generation and pollution have become critical today.

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

(A) State any three factors stated in the case study which are responsible for degeneration of environment. 3

(B) Do you think putting pressure on existing resources to meet the demands of growing population justified? Explain with examples. 3

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