

SAMPLE QUESTION PAPER 2020-21

CLASS XII ECONOMICS (030)

MM – 80

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.

Q.No	QUESTIONS	Marks
	PART A - MACRO ECONOMICS	
1	Inventory is aconcept whereas the change in inventory is a concept. (Fill up the blank with correct alternative) a. stock, flow b. flow, stock c. stock, stock d. flow, flow Or	1

	<p>If in an economy the value of Net Factor Income from Abroad is ₹ 200 crores and the value of Factor Income to Abroad is ₹ 40 crores. Identify the value of Factor Income from Abroad. (Choose the correct alternative)</p> <p>a) ₹ 200 crores b) ₹ 160 crores c) ₹ 240 crores d) ₹ 180 crores</p>	1																				
2	<p>In the present COVID-19 times, many economists have raised their concerns that Indian economy may have to face a deflationary situation, due to reduced economic activities in the country.</p> <p>Suppose you are a member of the high powered committee constituted by the Reserve Bank of India (RBI).</p> <p>You have suggested that as the supervisor of commercial banks, (restriction/release) of the money supply be ensured, by the Reserve Bank of India (RBI). (Choose the correct alternative)</p>	1																				
3	<p>Supply of money refers to..... (Choose the correct alternative)</p> <p>a. currency held by the public b. currency held by Reserve Bank of India (RBI) c. currency held by the public and demand deposits with commercial banks d. currency held in the government account</p>	1																				
4	<p>Identify the correct pair of formula from the following column I and II: (Choose the correct alternative)</p> <table border="1" data-bbox="416 1346 1190 1682"> <thead> <tr> <th></th> <th>Column I</th> <th></th> <th>Column II</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>Current Account Surplus</td> <td>i.</td> <td>Receipts < Payments</td> </tr> <tr> <td>B</td> <td>Current Account Surplus</td> <td>ii.</td> <td>Receipts > Payments</td> </tr> <tr> <td>C</td> <td>Balance Current Account</td> <td>iii.</td> <td>Receipts ≠ Payments</td> </tr> <tr> <td>D</td> <td>Current Account Deficit</td> <td>iv.</td> <td>Receipts ≤ Payments</td> </tr> </tbody> </table> <p>Alternatives: a) A - i b) B - ii c) C - iii d) D - iv</p>		Column I		Column II	A	Current Account Surplus	i.	Receipts < Payments	B	Current Account Surplus	ii.	Receipts > Payments	C	Balance Current Account	iii.	Receipts ≠ Payments	D	Current Account Deficit	iv.	Receipts ≤ Payments	1
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5	<p>Identify which of the following statements is true? (Choose the correct alternative)</p> <p>a. The flexible exchange rate system gives the government more</p>																					

9	The difference by which actual Aggregate Demand exceeds the Aggregate Demand, required to establish full employment equilibrium is known as.....(inflationary gap/deflationary gap). (choose the correct alternative)	1
10	The impact of 'Excess Demand' under Keynesian theory of income and employment, in an economy are: (choose the correct alternative) a. decrease in income, output, employment and general price level b. decrease in nominal income, but no change in real output c. increase in income, output, employment and general price level d. no change in output/employment but increase in general price level.	1
11.	State with valid reason, which of the following statement is true or false: a. Gross Value Added at market price and Gross Domestic Product at market price are one and the same thing. b. Intermediate goods are always durable in nature.	3
12	State, giving valid reasons, whether the following statements are true or false: a. Current account in Balance of Payments records only the exports and imports of goods and services. b. Borrowings from abroad are recorded in the Capital Account of the Balance of Payments on the debit side. Or 'Trade Deficit must exist if a country is facing a situation of Current Account Deficit'. Defend or refute the statement, with valid argument.	3 3
13	a. Define money multiplier. b. 'Credit creation is inversely related to the reserve deposit ratio'. Justify the given statement, using a hypothetical example.	1 3
14	In an economy $C = 200 + 0.5 Y$ is the consumption function where C is the consumption expenditure and Y is the national income. Investment expenditure is ₹ 400 crores. Is the economy in equilibrium at an income level ₹1500 crores? Justify your answer.	4

	Or Define: i) Ex-Ante Savings ii) Full Employment	2+2
15	<p>‘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’.</p> <p style="text-align: center;">The Hindustan Times, 1st September 2020</p> <p>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.</p>	4
16	<p>a. ‘Domestic/household services performed by a woman may not be considered as an economic activity’.</p> <p>Defend or refute the given statement with valid reason.</p> <p>b. ‘Compensation to the victims of a cyclone is an example of a welfare measure taken by the government’.</p> <p>State with valid reason, should it be included/not included in the estimation of national income of India.</p> <p style="text-align: center;">Or</p> <p>Suppose the Gross Domestic Product (GDP) of Nation X was ₹ 2,000 crores in 2018-19, whereas the Gross Domestic Product of Nation Y in the same year was ₹ 120,000 crores. If the Gross Domestic Product of Nation X rises to ₹ 4,000 crores in 2019-20 and the Gross Domestic Product of Nation Y rises to ₹ 200,000 crores in 2019-20.</p> <p>Compare the rate of change of GDP of Nations X and Y, taking 2018-19 as base year.</p>	3 3 6
17	<p>a. Elaborate the objective of ‘allocation of resources’ in the Government budget.</p> <p>b. Discuss briefly how the Government budget can be used as an effective tool in the process of employment generation.</p>	3 3
PART B - INDIAN ECONOMIC DEVELOPMENT		
18	<p>.....was the Indian Finance Minister in 1991, acknowledged for his capabilities to steer away the economic crisis looming large on the erstwhile Indian Economy.</p> <p style="text-align: right;">(Choose the correct alternative)</p>	

	<p>a. Dr. Subramanian Swamy c. Pranab Mukherjee</p> <p>b. Dr. Manmohan Singh d. Dr. Urjit Patel</p>	1
19	<p>India entered thestage of Demographic Transition after the year 1921. (Choose the correct alternative)</p> <p>a. forth b. second c. third d. first</p>	1
20	<p>Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p>Assertion (A): India became an exporter of primary products and an importer of finished consumer and capital goods produced in Britain.</p> <p>Reason (R): Restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.</p> <p>Alternatives:</p> <p>a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p> <p>b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)</p> <p>c. Assertion (A) is true but Reason (R) is false.</p> <p>d. Assertion (A) is false but Reason (R) is true.</p> <p style="text-align: center;">Or</p> <p>Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p>Assertion (A): The major policy initiatives i.e. land reforms and green revolution helped India to become self-sufficient in food grains production.</p> <p>Reason (R): The proportion of people depending on agriculture did not decline as expected</p> <p>Alternatives:</p> <p>a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).</p> <p>c. Assertion (A) is true but Reason (R) is false.</p>	1

	<p>Read, the following hypothetical Case Study, carefully and answer the question numbers 24 - 27 on the base of the same.</p> <p>Since ages, farmers in India have taken recourse to debt. In the earlier times the same was from informal sources. Since independence with the efforts of the government, formal sector has actively come into picture. Farmers borrow not only to meet their investment needs but also to satisfy their personal needs. Uncertainty of income caused by factors likes crop failure caused by irregular rainfall, reduction in ground water table, locust/other pest attack etc. These reasons push them into the clutches of the private money lenders, who charge exorbitant rates of interest which add to their miseries.</p> <p>Various governments in India, at different times for different reasons, introduced debt relief/waiver schemes. These schemes are used by governments as a quick means to extricate farmers from their indebtedness, helping to restore their capacity to invest and produce, in short to lessen the miseries of the farmers across India. The costs and benefits of such debt relief schemes are, however, a widely debated topic among economists.</p> <p>Some economists argue that such schemes are extremely beneficial to the poor and marginalised farmers while others argue that these schemes add to the fiscal burden of the government, others believe that these schemes may develop the expectation of repeated bailouts among farmers which may spoil the credit culture among farmers.</p>	
24	Uncertainty of income for farmers in India is majorly caused by (irregular rainfall/unavailability of loans).	1
25	Some economists argue that debt waiver schemes are extremely beneficial to the poor and marginalised farmers, as these schemes reduce the burden of(indebtedness/personal expenditures)	1
26	The rural banking structure in India consists of a set of multi-agency institutions. (Regional Rural Banks / Small Industries Development Bank of India) is expected to dispense credit at cheaper rates for agricultural purposes to farmers.	1

27 (Regional Rural Banks/ Land Development Banks) is the most prominent body responsible for providing loans for long term land development.	1									
28	‘India has emerged as a hotspot for medical tourism’. Defend the statement with valid arguments. Or Discuss any two steps taken by the government in the direction of improving agricultural marketing system in India, since independence.	3 3									
29	Discuss briefly the concept of 'informalisation of workforce', in the context of Indian economy.	3									
30	“Agriculture sector appears to be adversely affected by the economic reform process.” Explain the given statement.	4									
31	‘Atamirbhar Bharat’ had been at the roots of the Indian planning process in the form of ‘self reliance’ as an objective of the planning process. Do you agree with the given statement? Justify the rationale of the given statement. Or Discuss briefly any two major steps taken by the Government of India on ‘Financial Sector’ front under the Economic Reforms of 1991.	4 4									
32	Compare and analyse the given data of India and China with valid arguments. Annual Growth of Gross Domestic Product (%), 1980-2017 <table border="1" data-bbox="560 1413 1043 1610"> <thead> <tr> <th>COUNTRY</th> <th>1980-90</th> <th>2015-2017</th> </tr> </thead> <tbody> <tr> <td>India</td> <td>5.7</td> <td>7.3</td> </tr> <tr> <td>China</td> <td>10.3</td> <td>6.8</td> </tr> </tbody> </table> <p>Source: Key Indicators for Asia and Pacific 2016, Asian Development Bank, Philippines; World Development Indicators 2018.</p>	COUNTRY	1980-90	2015-2017	India	5.7	7.3	China	10.3	6.8	4
COUNTRY	1980-90	2015-2017									
India	5.7	7.3									
China	10.3	6.8									
33	a. ‘If the rate of resource extraction exceeds the rate of regeneration, it leads to reduction in carrying capacity of the environment.’ Discuss the rationale of the given statement with valid reasons. b. ‘Calorie-based norm is not an adequate measure to identify the poor.’ Establish the rationale of the given statement with valid reasons. Or	3 3									

	<p>a. Why are less women found in regular salaried employment?</p> <p>b. Analyse the recent trends in sectoral distribution of workforce in India:</p> <p>Trends in Employment Pattern (Sector wise), 1993-2012 (in %)</p> <table border="1" data-bbox="486 376 1117 645"> <thead> <tr> <th>Sector</th> <th>1993-94</th> <th>1999-2000</th> <th>2011-2012</th> </tr> </thead> <tbody> <tr> <td>Primary</td> <td>64</td> <td>60.4</td> <td>24.3</td> </tr> <tr> <td>Secondary</td> <td>16</td> <td>15.8</td> <td>24.3</td> </tr> <tr> <td>Services</td> <td>20</td> <td>23.8</td> <td>26.8</td> </tr> </tbody> </table>	Sector	1993-94	1999-2000	2011-2012	Primary	64	60.4	24.3	Secondary	16	15.8	24.3	Services	20	23.8	26.8	<p>2</p> <p>4</p>
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Primary	64	60.4	24.3															
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34	<p>State, giving valid reasons whether the following statements are true or false.</p> <p>a. Since independence, the benefits of the increase in economic growth in India have trickled down to the people at the bottom of population pyramid.</p> <p>b. Human Capital Formation gives birth to innovation, invention and technological improvements.</p> <p>c. There exists an inverse correlation between infrastructural growth and national income.</p>	<p>2</p> <p>2</p> <p>2</p>																

MARKING SCHEME - SAMPLE QUESTION PAPER 2020-21

CLASS XII ECONOMICS (030)

Q.No	ANSWERS	Marks
	PART A - MACRO ECONOMICS	
1	a. stock, flow. Or c. ₹ 240 crores	1 1
2	release	1
3	c. currency held by the public and demand deposits with commercial bank.	1
4	b. B-ii	1
5	c. In the Managed floating exchange rate system, the central bank intervenes to moderate exchange rate fluctuations.	1
6	a. credit, current	1
7	increase	1
8	c) rise in aggregate demand	1
9	inflationary gap	1
10	d. no change in output/employment but increase in general price level.	1
11	a. The given statement is false as Gross Domestic Product is the result of sum of Gross Value Added by all the producing units/firms in an economy, during an accounting year. b. The given statement is false as intermediate goods are generally non-durable in nature. They are the goods used as raw material and they lose their identity in the production process for the creation of a new commodity, during an accounting year.	1½ 1½
12	a. The given statement is false as the Current Account of Balance of Payments records unilateral transfers along with exports and imports of goods and services. b. The given statement is false as the borrowings from abroad are recorded in the Capital Account of Balance of Payments on the credit side as it results in an inflow of foreign currency in the economy. or	1½ 1½

	no involuntary unemployment.													
15	<p>The situation suggests that Aggregate Demand is less than Aggregate Supply. Following two fiscal measures may be taken to control it:</p> <p>a. Decrease in Taxes - To curb the situation, the government may decrease the taxes. This may increase the purchasing power in the hands of the general public. This may increase the Aggregate Demand in the economy to bring it equal to the Aggregate Supply.</p> <p>b. Increase in Government Expenditure - The government may also increase its expenditure. This may increase the purchasing power in the hands of the general public which in turn may increase the Aggregate Demand in the economy to bring it equal to the Aggregate Supply.</p>	2 2												
16	<p>a. The given statement is defended; as it is difficult to measure the monetary value of the services performed by a woman (homemaker). Therefore, these activities may not be considered as an economic activity.</p> <p>b. Compensation given to the victims of a cyclone is an example of a social welfare measure taken by the government. However, it is not included in estimation of national income as it is a transfer payment which does not lead to corresponding flow of goods and services.</p> <p style="text-align: center;">OR</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Nations/ Years</th> <th>2018-19</th> <th>2019-20</th> <th>Growth Rate of GDP = $\frac{\text{Change in GDP}}{\text{Base Year GDP}} \times 100$ (Base year = 2018-19)</th> </tr> </thead> <tbody> <tr> <td>X</td> <td>₹2,000 crores</td> <td>₹ 4,000 crores</td> <td>= $\frac{2000}{2,000} \times 100$ = 100%</td> </tr> <tr> <td>Y</td> <td>₹1,20,000 crores</td> <td>₹2,00,000 crores</td> <td>= $\frac{80,000}{1,20,000} \times 100$ = 66.67%</td> </tr> </tbody> </table> <p>Nation X has registered a GDP growth rate of 100% and has performed better on the front of GDP rise as compared to Nation Y that has registered a GDP growth rate of 66.67%.</p>	Nations/ Years	2018-19	2019-20	Growth Rate of GDP = $\frac{\text{Change in GDP}}{\text{Base Year GDP}} \times 100$ (Base year = 2018-19)	X	₹2,000 crores	₹ 4,000 crores	= $\frac{2000}{2,000} \times 100$ = 100%	Y	₹1,20,000 crores	₹2,00,000 crores	= $\frac{80,000}{1,20,000} \times 100$ = 66.67%	3 3 4 2
Nations/ Years	2018-19	2019-20	Growth Rate of GDP = $\frac{\text{Change in GDP}}{\text{Base Year GDP}} \times 100$ (Base year = 2018-19)											
X	₹2,000 crores	₹ 4,000 crores	= $\frac{2000}{2,000} \times 100$ = 100%											
Y	₹1,20,000 crores	₹2,00,000 crores	= $\frac{80,000}{1,20,000} \times 100$ = 66.67%											
17	<p>a. Allocation of resources: Government seeks to allocate resources with a view to balance the goals of all sections of the society. Production of goods and services which are injurious to health may be discouraged through taxation policy. Similarly, production of</p>													

	<p>goods of socially beneficial nature may be encouraged through subsidies. If the private sector does not take initiative in certain activities (Public Goods), the government may directly control them like water supply and sanitation etc.</p> <p>b. Government budget can be used as an effective tool in the process of employment generation in various ways. Investment in infrastructural projects like construction of flyovers, bridges, expansion of roads etc. creates jobs for different sections of the workforce. In rural/urban areas government can provide jobs through various employment generation schemes like MGNREGA, SJSRY, PMRY etc.</p>	3
		3
	PART B - INDIAN ECONOMIC DEVELOPMENT	
18	b. Dr. Manmohan Singh	1
19	b. second	1
20	Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1
	Or	
	Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).	1
21	b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)	1
22	c. C – iii	1
23	b. China	1
24	irregular rainfall	1
25	indebtedness	1
26	Regional Rural Banks	1
27	Land Development Banks	1
28	<p>The given statement is defended as in the recent past India has witnessed many foreign nationals visiting for surgeries, organ transplant, dental and even cosmetic care. The prime reason for this phenomenon can be quoted as:</p> <p>i. Health services in India offer latest medical technologies with qualified professionals.</p> <p>ii. All these medical services are less costly in India as compared to</p>	<p>1 ½</p> <p>1 ½</p>

	<p>similar health care services in other countries.</p> <p>Or</p> <p>Two major steps taken by the government in the direction of improving agricultural marketing system in India, since independence are:</p> <p>i. Regulation of markets: This step was necessary in the post-independence period so as to create an orderly and transparent marketing condition across India. This policy benefitted both farmers as well as consumers.</p> <p>ii. Physical Infrastructure: This is another important aspect tackled by the government. Improvement of physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages, processing units etc. has been the target of the government since decades.</p>	<p>1 ½</p> <p>1 ½</p>
29	<p>In the recent years, India has witnessed an unprecedented shift of the workforce from the formal sector to informal sector. This process whereby, the proportion of informal worker in the total workforce increases is known as informalisation of workforce.</p>	3
30	<p>The agricultural sector was adversely affected by the reform process in the following manner-</p> <p>(i) Public investment in agriculture sector especially in infrastructure like irrigation, power etc. has been reduced in the reform period</p> <p>(ii) Reduction of fertilizer subsidy has increased the cost of production affecting thereby the small and marginal farmers</p> <p>(iii) Increased international competitiveness due to liberalisation and reduction of import duties.</p> <p>(iv) Shift from food crops to cash crops due to export-oriented policy in agriculture led to a rise in prices of food-grains.</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p>
31	<p>The given statement is correct; in the early post-independence period the aim of the government's policy was to reduce the dependence on the foreign countries for goods, services, technology and capital. It stressed on the use of domestic resources to avoid foreign interference, as it was feared that the dependence on the imported food supplies, foreign technology and foreign capital may increase foreign interference in the policies of our country.</p> <p>Similarly, the main thrust of the 'Atmanirbhar Bharat' is also to make India an economy that is self-reliant and self-sufficient.</p> <p>or</p> <p>Two steps taken by the government of India on financial sector under the Economic Reforms of 1991 were:</p>	4

	<p>a. Change in the role of Reserve Bank of India (RBI): The role of RBI was reduced from regulator to facilitator of financial sector. This means that financial sector was given greater autonomy (to take decisions) on many matters independent of RBI.</p> <p>b. Origin of Private Banks: The reform process led to establishment of private sector banks of Indian as well as foreign origin.</p>	<p>2</p> <p>2</p>
32	<p>The given data shown that China has gained economic strength over the years. When many developed countries were finding it difficult to maintain a growth rate of even 5%, China was able to maintain near double-digit growth during the decade of 1980s. The growth rate of China has decelerated to an average of 6.8%, over the period 2015-17.</p> <p>In the recent past India has posted a decent rise in the growth rate. While India had maintained a reasonable growth rate of 5.7% in the decade of 1980's it has shown great calibre and character in the period 2015-17 by registering an average of 7.3%, over the period 2015-17.</p> <p>Nevertheless, Indian elephant has to travel a long distance before it could present itself as a real threat to the growth story of the Chinese dragon.</p>	4
33	<p>a. The environment is able to perform its functions uninterruptedly so long as the demand for these functions is within the carrying capacity of the environment. This means that the resources are not extracted beyond the rate of their regeneration.</p> <p>If there is a disequilibrium (demand being more than supply), the environment fails to replenish itself and it will lead to environmental crisis. Thus, to maintain a healthy environment, the carrying capacity of the environment must be valued and respected.</p> <p>b. The calorie based norms is not an adequate measure to identify the poor as this method does not differentiate between the very poor and the other poor. This mechanism takes into account expenditure on food and a few other items as proxy for income. It ignores many other vital factors associated with poverty; for instance, the accessibility to basic education, health care, drinking water and sanitation.</p> <p style="text-align: center;">Or</p> <p>a. Lesser women are found in regular salaried employment in India, because:</p> <p>(i) jobs generally require skills and high level of literacy.</p> <p>(ii) lack of mobility among women in India due to social constraints.</p> <p>b. The given data indicates that over the given period, the proportion of workforce in primary sector has gone down from</p>	<p>3</p> <p>3</p> <p>2</p>

	<p>64% in 1993-94 to 24.3% in 2011-12, this account to nearly a fall of 20% over the years. Whereas, the employment share of both secondary and the services sector has increased in India.</p> <p>The share of secondary sector has gone up by approximately 9% (from 16% in 1993-94 to 24% approximately in 2011-12), the corresponding figure for services sector has gone up by 7% (from 20% in 1993-94 to 27% approximately in 2011-12).</p> <p>These sectoral changes have been very significant in the growth journey of India, showing the gradual shift of the workforce from primary sector to the secondary and tertiary sector.</p>	4
34	<p>a. The given statement is false as there have been different factors (like massive rate of growth of population, unequal distribution of wealth, skewed benefits accruing from green revolution etc.) due to which benefits of increase in the Gross Domestic Product have not trickled down completely to the people at the bottom of population pyramid.</p> <p>b. The given statement is true. Human Capital Formation (investment in education/health) not only increases the productivity of the available human resources but also stimulates innovations and creates ability to adopt and adapt to the new technologies.</p> <p>c. The given statement is false, as generally, there exists a positive correlation between infrastructural growth and national income. Infrastructure is the support system for an economy which facilitates greater productive activities, higher levels of output/income and improvement of quality of life in an economy.</p>	2 2 2