Blue Print

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**	

SAMPLE QUESTION PAPER (2019-20)

ECONOMICS (030)

Time allowed: 3 hours   Maximum Marks: 80
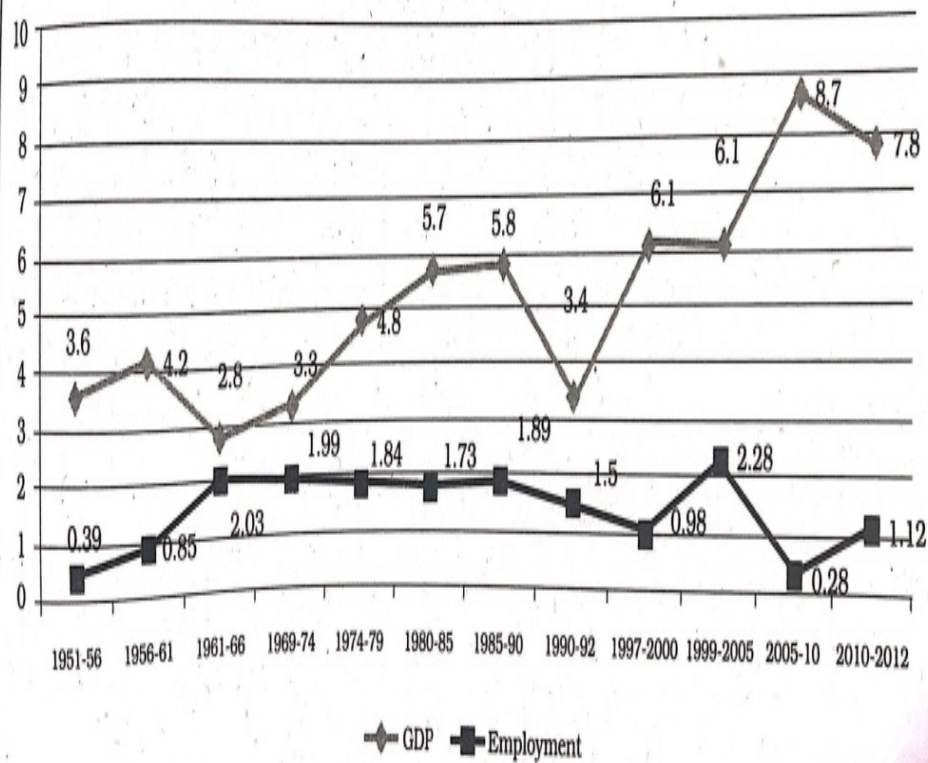
General instructions:

i.	*All the questions in both the sections are compulsory. Marks for questions are indicated against each question.*
ii.	*Question number 1 - 10 and 18 - 27 are very short-answer questions carrying 1 mark each. They are required to be answered in one word or one sentence each.*
iii.	*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.*
iv.	*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.*
v.	*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.*
vi.	*Answer should be brief and to the point and the above word limit be adhered to as far as possible.*

SECTION - A (Macro Economics)

Q.No	QUESTION	Marks
1	Value of Money Multiplier ………………(increases/decreases/remains unchanged) with an increase in Cash Reserve Ratio. **(Fill up the blank with correct alternative)**	1
2	Define an intermediate good.	1
3	Average Propensity to Consume can never be ………………………... **(choose the correct alternative)** a) positive b) zero c) more than one d) less than one	1
4	Name any two quantitative tools to control credit creation in an economy. **Or** What are demand deposits?	1
5	The monetary policy generally targets to ensure……………..…… **(Choose the correct alternative)** a) price stability in the economy b) employment generation in the country. c) stable foreign relations. d) greater tax collections for the government.	1
6	In an economy, break-even point and equilibrium point may lie at the same level of income, if ex-ante investments are ………………… **(Fill up the blank with correct answer)**	1
7	**State whether the given statement is true or false:** 'Managed Floating Exchange Rate is decided by market forces but remains within a specific range as decided by central bank'.	1
8	The formula to calculate Primary deficit is ……………..… **(Fill up the blank with correct answer)**	1

9	From the set of statements given in Column I and Column II, choose the correct pair of statements:	
	<table><tr><td>**Column I**</td><td>**Column II**</td></tr><tr><td>a) Export of software to France</td><td>(i) Debit side of current account</td></tr><tr><td>b) Import of Machinery from China</td><td>(ii) Capital Account of Balance of Payments</td></tr><tr><td>c) Remittances to relative staying abroad</td><td>(iii) Debit side of Current Account of Balance of Payments</td></tr><tr><td>d) Investment by Apple phones firm in India</td><td>(iv) Credit side of Current Account of Balance of Payments</td></tr></table>	1
10	Government expenditure on Mid-Day Meal scheme running in government (state run) schools is a type of ……………….……….. expenditure in government budget. **(Fill up the blank with correct answer)**	1
11	"India's GDP is expected to expand 7.5% in 2019-20: World Bank" - *The Economic Times*. Does the given statement mean that welfare of people of India increase at the same rate? Comment with reason.	3
12	Calculate the value of Marginal Propensity to Consume (MPC), if in an economy, autonomous consumption is ₹ 500 crores, ex-ante investments are ₹ 4000crores and equilibrium level of Income of the economy is ₹ 18,000 crores. **Or** Suppose in a hypothetical economy, the savings increase by ₹ 20 crores when national income increases by ₹ 100 crores. Compute the additional investments needed to attain an increase in national income by ₹ 6,000 crores?	3 3
13	Discuss any one of the following functions of a central bank: a) As government's bank b) Open market operations.	4
14	"Foreign Institutional Investors (FIIs) remained net seller in the Indian capital markets over the last few weeks". - *The Economic Times*. State and discuss the likely effects of the given statement on foreign exchange rate with reference to the Indian Economy. **Or** 'Many large Multinational Corporations (MNCs) have recently shifted their investments from China and have started their production in India, thereby boosting the Make in India plans of the Government'. Presuming other factors being constant, discuss the effects of the given statement on Foreign Exchange rates with reference to the Indian Economy.	4 4
15	Elaborate the objective of 'reallocation of resources' in the government budget.	4
16	a) 'Real Gross Domestic Product 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. b) Calculate 'Depreciation on Capital Asset' from the following data	4

S.no	Particulars	Amount (in ₹crores)	
i.	Capital value of the asset	1,000	
ii.	Estimated life of the asset	20 years	2
iii.	Scrap Value	Nil	

Or

a) 'Circular flow of income in a two sector economy is based on the axiom that one's expenditure is other's income'.
Do you agree with the given statement? Support your answer with valid reasons.

3

b) Calculate compensation of employees from the following data:

S.no	Particulars	Amount (in ₹crores)
i.	Profits after tax	20
ii.	Interest	45
iii.	Gross Domestic Product at Market Price	200
iv.	Goods and Services Tax	10
v.	Consumption of Fixed Capital	50
vi.	Rent	25
vii.	Corporate Tax	5

3

17	'An economy is operating at under-employment level of income'. What is meant by the given statement? Discuss one fiscal measure and one monetary measure to tackle the situation.	6

SECTION-B (Indian Economic Development)

18	Name any two taxes which were subsumed in Goods and Services Tax (GST).	1
19	**State weather the following statement is true or false:** 'The latest demonetization of currency was undertaken by the Government of India on November 8, 2016'.	1
20	Identify the correct sequence of alternatives given in **Column II** by matching them with respective terms in **Column I:**	

Column – I	Column – II	
A. Land Ceiling	i.	Increase in production of food grain using high yielding variety seeds
B. Land reforms	ii.	Portion of agricultural produce sold in the market
C. Green Revolution	iii.	Fixing the maximum limit of land holding for an individual.
D. Marketed Surplus	iv.	Change in the ownership of land (land to tillers)

1

21	Agriculture marketing does not comprise of ……………..… **(Choose the correct alternative)** a) Transportation of the produce to the market place for sale.	

	b) Grading of the produce according to the quality. c) Storage of the produce for sale in future. d) Credit taken to meet expenditure on agriculture.	1
22	Under ………………………type of unemployment, marginal product gained by employing one additional unit of labour is zero. **(Fill up the blank with correct answer)** **Or** ……………………… an indicator which is used for analyzing the employment situation of a country. **(Fill up the blank with correct answer)**	1
23	In 1955, Karve committee was constituted for aiming the…..…………… **(Fill up the blank with correct answer)**	1
24	Identify the correct sequence of alternatives given in **Column II** by matching them with respective terms in **Column I** <table><tr><th>Column – I</th><th colspan="2">Column -II</th></tr><tr><td>A. Study Group formed by Planning Commission for Poverty</td><td>i.</td><td>2005</td></tr><tr><td>B. 'Task Force on Projections of the Minimum Needs and Effective Consumption Demand'</td><td>ii.</td><td>1962</td></tr><tr><td>C. Mahatma Gandhi National Rural Employment Guarantee Act</td><td>iii.</td><td>2014</td></tr><tr><td>D. Jan DhanYojana</td><td>iv.</td><td>1979</td></tr></table> Choose the correct alternative: a) ii , iii , iv , i b) iii , ii , i, iv c) i , ii , iii , iv d) ii , iv , i, iii	1
25	Solar energy can be converted into electricity with the help of ……….…………………….. (Photovoltaic cell/Lithium cells). **(Fill up the blank with correct alternative)**	1

26	Arrange the following events of China in chronological order and choose the correct alternative:
	    i. Great Proletarian Cultural Revolution
	    ii. Great Leap Forward campaign
	    iii. Introduction of Economic Reforms
	    iv. First five year plan
	       Choose the correct alternative:
	       a) ii, iv, iii, i
	       b) iv, ii, i, iii
	       c) ii, iv, i, iii
	       d) iv, i, ii, iii
		1

27	Introduction of Economic Reform in Pakistan took place in…………… **(Choose the correct alternative)** a) 1978 b) 1980 c)1988 d) 1991	1

28	"Recently Indians have drifted away from the traditional knowledge and practices and caused large scale damage to environment". Explain how, adopting the traditional practices can be helpful in achieving the objective of sustainable development? **Or** 'Power sector in India has major issues with its installed capacity'. Discuss the given statement.	3
29	'Education Commission 1964-66 had recommended that at least 6 per cent of GDP must be spent on education'. How far India has been able to achieve the said goal?	3
30	'The opening up of the Indian Economy has led to a rapid increase in Foreign Direct Investments and Foreign Exchange Reserves of the country'. Defend or refute the given statement.	4
31	Define the following terms a) Disinvestment b) Import Substitution OR Define the following terms a) Outsourcing b) Quota	4
32	Answer the following questions on the basis of the following data: a) Comment upon the population growth rates among the three countries. b) Which country has most skewed in sex ratio? | Country	Estimated Population (in million)	Annual Growth of Population (in %)	Sex Ratio
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India	1311	1.2	929
China	1371	0.5	941
Pakistan	188	2.1	947 | Source: World Development Indicators, 2015, www.worldbank.org	3 1
33	"Rural Economic development is essential for Indian Economic development". Do you agree with the given statement? Support your answer with valid reasons.	6
34	'In spite of the increase in public health expenditure Indian Health System is an ailing system in itself'. Defend the statement citing any three major problems of Health sector in India. **Or** Study the following chart showing the Growth of Employment and Gross Domestic Product and analyse the trend of the two variables from 1990-2012.	6

Growth of Employment and Gross Domestic Product, 1951–2012 (%)

Period	GDP	Employment
1951-56	3.6	0.39
1956-61	4.2	0.85
1961-66	2.8	2.03
1969-74	3.3	1.99
1974-79	4.8	1.84
1980-85	5.7	1.73
1985-90	5.8	1.89
1990-92	3.4	1.5
1997-2000	6.1	0.98
1999-2005	6.1	2.28
2005-10	8.7	0.28
2010-2012	7.8	1.12

◆ GDP ■ Employment

Marking Scheme
SECTION - A (Macro Economics)

Ques. No	Description	Marks
1	Decreases	1
2	An intermediate good refers to that good which is purchased during the year by a firm from another for the purpose of further production/resale.	1
3	b) Zero	1
4	i) CRR, ii) SLR, iii) Bank Rate, iv) Repo rate, v) Reverse repo rate (any two) Or Demand deposits are the deposits which can be withdrawn on demand by the depositors from banks.	½ + ½ 1
5	a) price stability in the economy.	1
6	Zero	1
7	True	1
8	Primary Deficit = Fiscal Deficit - Interest Payments	1
9	c) Remittances to relative staying abroad - (iii) Debit side of current Account of Balance of Payments	1
10	Revenue	1
11	Generally it is considered that an increase in the Gross Domestic Product (GDP) of any economy (India in this case) ensures increase in welfare of the people of the country. However, this may not always be correct. Some of the prime reasons for the same are: a) unequal distribution and composition of GDP, b) non-monetary transactions in the economy which are not accounted for in GDP, and c) occurrence of externalities in the economy (both positive and negative).	3

12	We know that consumption function is: $C = \bar{c} + MPC.Y$
	 At equilibrium level of Income in the economy $Y = C + I$
	 Given, Autonomous Consumption $(\bar{C})$ = ₹ 500 crores and
	     Ex-ante Investments (I) = ₹ 4000 crores
	       $18{,}000 = 500 + MPC(18{,}000) + 4{,}000$
	       $MPC(18{,}000) = 18000 - 4500$
	       $MPC = 13{,}500/18{,}000$
	       $MPC = 0.75$
	 Or
	 $MPS = \left(\dfrac{\text{Change in Savings}}{\text{Change in Income}}\right) = \left(\dfrac{\Delta S}{\Delta Y}\right) = \dfrac{20}{100} = 0.20$
	 Investment Multiplier $(K) = \dfrac{1}{MPS} = \dfrac{1}{0.20} = 5$
	 Investment Multiplier $(K) = \dfrac{\text{Change in Income}}{\text{Change in Investment}} = \left(\dfrac{\Delta y}{\Delta I}\right)$
	     $5 = \dfrac{₹6{,}000}{\text{Change in Investment } (\Delta I)}$
	 Change in Investment (ΔI) = ₹ 1200 crores
	 Increase in investment by ₹ 1200 crores is required to attain additional income of ₹ 6000 crores.
		½
		 ½
		
		 ½
		 ½
		 ½
		 ½
		
		 1
		 ½
		 ½
		
		 ½
		 ½

13	**Central Bank as government's bank -** The Central Bank acts as a banker to both central as well as state governments. The Central Bank accepts receipts and makes payments for the government and carries out exchange, remittance and other banking operations. It advances credit/loan to the government to meet its requirements in case of crisis. It also acts as an agent to buy and sell government securities & advises the government on various financial matters.	4
	Or	
	Open Market Operations by Central Bank - Open Market Operations refers to buying and selling of government securities (bonds) by the Central Bank from/to the general public. It is an important step which may be undertaken to control money supply in the economy. The Central Bank may sell government securities to reduce the money supply in the hands of general public and vice-versa.	4
14	Selling of securities by Foreign Institutional Investors (FII's) in Indian capital market will lead to fall in the supply of foreign currency in the economy. This situation might lead to excess demand of foreign currency at the prevailing foreign exchange rate. As a result, a new equilibrium rate of foreign exchange will be determined which will be higher than the prevailing foreign exchange rate, leading to depreciation of domestic currency.	4
	Or	
	Investments by large multinational corporations (MNCs) in India will ensure greater inflow of foreign exchange, leading to an increase in the supply of foreign currency. This situation may result into excess supply of foreign currency in the economy at the prevailing foreign exchange rate. As a result, a new equilibrium rate of foreign exchange will be determined which will be lower than the prevailing foreign exchange rate, leading to appreciation of domestic currency.	4

15	**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:
	      (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.
	
	      b) Government may directly undertake production of certain goods and services in the areas where private sector may not be willing to participate in production activities.
		4

16	a) The given statement is correct. Real Gross Domestic Product (GDP) is a better indicator of economic growth than Nominal Gross Domestic Product (GDP) as it is not affected by changes in general price level. Numerical Example:	1

Goods	Price of Current Year (P1) (in ₹)	Price of Base Year (P0) (in ₹)	Quantity of Current Year (Q1) (in units)	Nominal GDP (P1Q1)	Real GDP (P0Q1)	
A	20	10	100	2,000	1,000	
B	10	5	200	2,000	1,000	
C	30	20	50	1,500	1,000	
				$\sum P_1Q_1$ =5,500	$\sum P_0Q_1$ =3,000	

In the above example the difference between Real GDP ($\sum P_0Q_1$) and Nominal GDP ($\sum P_1Q_1$) is 5,500-3,000 = ₹2,500.

This is only the monetary difference as the quantity sold in the market remains unchanged and the variation in the value of GDP is merely due to the change in the prices in the economy.

3

b)

$$Depreciation\ on\ capital\ asset = \frac{Cost\ of\ the\ capital\ asset\ - Scrap\ Value}{Estimated\ life\ of\ the\ capital\ asset}$$

1

$$Depreciation = \frac{1000-0}{20}$$

½

$$Depreciation = ₹50\ crores$$

½

Or

a) Yes, the given statement is correct. In a two sector economy, the firms produce goods and services and make factors payments to the households. The factor income earned by the households will be used to buy the goods and services which would be equal to income of firms. The aggregate consumption expenditure by the households in the economy is equal to the aggregate expenditure on goods and services produced by the firms in the economy (Income of the producers).

3

b) Compensation of Employees = (iii) – (v) – (iv) – (vi+ii+i+vii)

= 200 – 50 -10 – (25+45+20+5)

= ₹45 crores.

1 ½
1
½

| 17 | 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 into 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.

 Following measures may be taken for the same: <br> i) **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 general public. This will help to increase aggregate demand and remove the deflationary gap. | 2

 2 |

	ii) **Increase in money supply:** 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.	2
	SECTION-B (Indian Economic Development)	
18	Value added tax, service tax, excise duty, sales tax. (any two correct alternatives)	½ + ½
19	True	1
20	b) iii , iv, i , ii	1
21	d) Credit taken to meet agriculture expenditure.	1
22	Disguised **Or** Work force participation rate	1
23	Development of small scale industries	1
24	d) ii , iv , i, iii	1
25	Photovoltaic cell	1
26	b) iv, ii, i, iii	1
27	c)1988	1

28	The given statement is quite appropriate. Indian traditional practices were environment friendly and worked as complementary to the system and not its controller. The traditional agriculture system, healthcare system, housing, transport etc. were intrinsically environment friendly. The traditional practices used natural products and processes which are more or less free from side effects. For example by adopting medicinal plants/products we can conserve the resources and achieve the objective of sustainable development.
	Or
	The given statement states about the insufficiency of the installed capacity of production of power in India. If the Indian economy wants to touch the GDP growth rate between 7-8% it must target to produce electricity with a growth rate of 7% which is not possible with the present production capacity in the power sector. Thus, we need to work in two directions to improve installed capacity:
	    i. increased investments (by both public and private players) in the power generation sector.
	    ii. better utilization of the present infrastructure.
		3
		
		3

29	Investment in education system in India has been a woeful failure. The fact of the matter is that, in 1952 we were spending a meager 0.6% of our GDP on education that rose to only 4% in 2014. This has fallen well short of 6% target as proposed by the Education Commission, 1964. Moreover, throughout this period the increase in education expenditure has not been uniform and there has been irregular rise and fall. This shows the apathy of the government towards investment in the education system. One can imagine, if the recommended 6% p.a. of the GDP would have been spent properly the present education system would have reached unforeseen heights.	3

30	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.	2
	Due to the opening up of the Indian Economy, she has become one of the largest foreign exchange reserve holders in the world. India been 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.	2
31	a) Disinvestment: Privatisation of the public sector enterprises (PSEs) by selling off a part/whole of the equity to the general public or any private sector player is known as disinvestment.	2
	b) Outsourcing: Hiring of regular service from external sources, mostly from foreign countries, which was previously provided internally or from within the country is known as outsourcing.	2
	OR	
	a) Import Substitution: The policy aimed at replacing or substituting imports with domestic production by protecting the domestic industries from foreign competition is known as Import Substitution.	2
	b) Quota : Quantitative restrictions on imports for the protection of the domestic firms from foreign competition. Under this quantity of goods which can be imported is specified by the state.	2
32	a) The given data shows that the annual growth rate of population is maximum in Pakistan standing at 2.1%, whereas; the same stands at a meager 0.5% in case of China (might be a direct result of the One Child Policy adopted). The annual population growth rate of India is in the danger zone of more than 1% p.a. India will be overtaking China as the most populous country in the world in near future.	3
	b) Amongst the three countries stated above, India has most skewed data sex ratio (929 female per 1000 male). This is one of the major concerns for the demographers in India.	1
33	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 abject poverty.	
	Some of the prime areas for the development of the rural India may be quoted as follows:	
	• **Infrastructure development** – is the key to any development process. Basic infrastructure requirement like electricity, irrigation, credit availability, transport facilities, construction of village roads and feeder	2

	roads to nearby highways, etc. are the area which still need attention of the government so as to gain commanding heights.	
	• **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 pyramid. This problem may be tackled by emphasizing on greater access to productive employment opportunities.	2
	• **Development of Human Capital** – Rural human capital must be developed by taking sincere steps in the direction of education and health.	2
34	The health system in India has undoubtedly improved over the years but the pace of improvement has been unreasonably slow and truly we carry an unhealthy health system. Following may be the most important concerns ailing Indian health system:	
	• **Low Public Expenditure** – In India the health expenditure as a percentage of GDP is abysmally low as compared to some of the major developing countries. It stood at around 4.7% of the total GDP in the year 2014-15.	2
	• **Urban Rural Divide –** People living in rural India do not have sufficient medical infrastructure. Nearly 70% of the population lives in rural areas which have only 20% of the total hospitals of the country.	2
	• **Women and child health issues -** More than 50 per cent of married women in the age group of 15–49 years have iron deficiency, which has contributed to maternal deaths. Infant Mortality Rate per 1,000 live births in India is 34. Malnutrition and inadequate supply of vaccines lead to the death of millions of children every year.	2

	Or The period between 1990 to 2012 had been a significant one. Introduction of Economic Reforms in India has changed everything in India. Variables shown in the given graph show that GDP growth rate has taken an upwards tread over the years whereas the situation of Employment growth rate has seen major fluctuations while going down in overall trend.
	   GDP growth rate has increased from a meager 3.4% in 1991 to 7.8% in 2012. However the employment growth rate has shown declining trends from 1.5% in 1991 to 1.12% in 2012. Between the period 1999-2005 the employment generation rate was at peak since independence i.e. 2.28% p.a. with the corresponding GDP growth rate standing at a decent 6.1% p.a.
	   The gap between the two variables is maximum between the period 2005-10 when the employment growth rate hit the lowest in history of Independent India i.e. 0.28%. In the same period the GDP growth rate had hit the highest level since independence to the tune of 8.7% p.a. Indian economy has witnessed the peculiar phenomena of 'jobless growth' over all these years. Learning from the situation government had put in serious efforts on employment front and brought it to a level of 1.12% p.a. between the period 2010-12.
	In all the period between 1990-2012 has been a real roller coaster ride for the India economy on the two front of GDP and Employment Growth rate.
		6