

**CBSE Class 12 Economics**  
**Sample Paper 05 (2019-20)**

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**Maximum Marks: 80**

**Time Allowed: 3 hours**

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**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 carrying 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.
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**Section A**

1. Fill in the blanks:

In a \_\_\_\_\_ system, the rate of a tax falls as the tax base increases.

2. What do you mean by circular flow of income?

3. In  $S = -a + (1-b)Y$ ,  $-a$  represents

- a. The amount of savings done when there is high level of income.
- b. The amount of dissavings done when there is high level of income.
- c. The amount of dissavings done when there is zero level of income.

d. The amount of savings done when there is zero level of income.

4. What is forward market?

**OR**

What is spot market?

5. Borrowings by govt.

a. Revenue Receipts

b. Capital Expenditure

c. Capital Receipts

d. Revenue Expenditure

6. Fill in the blanks:

If disposable income is ₹1000 and consumption expenditure is ₹750, the value of average propensity to save will be \_\_\_\_\_.

7. Fill in the blanks:

\_\_\_\_\_ is the gap showing deficient of current aggregate demand over 'aggregate supply at the level of full employment'.

8. State true or false:

Excess of foreign exchange payments on account of accommodating transactions equals deficit in BOP.

9. Fill in the blanks:

\_\_\_\_\_ refers to the excess of revenue expenditure of the government over its revenue receipts.

10. Match the following-:

(a) Plan expenditure	(i) salaries
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(b) Revenue expenditure	(ii) emergency war expenses
(c) Capital expenditure	(iii) construction of hospital by govt.
(d) Non plan expenditure	(iv) purchase of shares by govt.

11. Explain any two objectives of government budget.
12. In an economy, income increases by 10,000 as a result of a rise in investment expenditure by 1,000. Calculate:
  - a. Investment Multiplier
  - b. Marginal Propensity to Consume.

**OR**

Complete the following table.

<b>Income (Y)</b>	<b>Marginal Propensity to Consume (MPC)</b>	<b>Saving (S)</b>	<b>Average Propensity to Consume (APC)</b>
0		-30	
100	0.75	.....	.....
200	0.75	.....	.....
300	0.75	.....	.....

13. Explain the banker to the Government<sup>9</sup> function of the Central bank.
14. International trade patterns take time to respond to changes in exchange rates. A considerable period of time may elapse before any improvement in net exports is apparent. In the light of the above statement, explain the concept of "Exchange Rate Changes"

**OR**

Are the following entered (i) on the credit side or the debit side and (ii) in the current account or capital account in the Balance of Payments account?

You must give reasons for your answer.

- i. Investments from abroad.
- ii. Transfer of funds to relatives abroad.

15. From the following data about a government budget find (a) revenue deficit, (b) fiscal deficit and (c) primary deficit.

	(Rs. arab)
(i) Plan capital expenditure	120
(ii) Revenue expenditure	100
(iii) Non-plan capital expenditure	80
(iv) Revenue receipts	70
(v) Capital receipts net of borrowing	80
(vi) Interest payments	30

16. (i) Although India's GDP is increasing but the welfare of the people is not increasing with that pace. Do you think the concept of "Green GNP" should be followed?

(ii) Calculate a)  $GDP_{FC}$  from the following data

Items	Rs (in crores)
i) Rent	1400
ii) Royalty	200
iii) Interest	1500
iv) Wages and salaries	800
v) Profit	500
vi) Mixed-income	1000
vii) Depreciation	70
viii) Employer's contribution to social security schemes	200

**OR**

From the following data calculate,

- a. Gross Domestic Product at Market Price and
- b. Factor Income to Abroad

Items	(Rs.in Crore)
Compensation of employees	1000
Net exports	(-) 50
Profits	400
Interest	250
Rent	150
Gross national product at factor cost	1850
Gross domestic capital formation	220
Net fixed capital formation	150
Change in stock	20
Factor income from abroad	30
Net indirect taxes	100

17. In an economy,  $C = 200 + 0.9 Y$  is the consumption function, (where, C - Consumption expenditure and Y = National Income) and investment expenditure is Rs. 3,000.

Calculate

- i. Equilibrium level of National Income
- ii. Consumption Expenditure at equilibrium level of National Income

### Section B

18. Name two services outsourced in India.
19. State true or false:

In human capital, investment in education and health is unproductive if it does not enhance output of goods and services.

20. Match the following:-

(a) Industrial Development & Regulation Act	(i) 1956
(b) Monopolistic & Restrictive Trade Practices Act	(ii) 1973
(c) Industrial Policy	(iii) 1969
(d) Foreign Exchange Regulation Act	(iv) 1951

21. Micro credit programme

- a. None
- b. Credit provision made by large farmers
- c. Credit provisions made by self-help group to its members
- d. Credit provision made by small farmers

22. Fill in the blanks:

An arrangement in which a worker sells his labour and earns wages in return is known as \_\_\_\_\_.

**OR**

Fill in the blanks:

Infrastructure is divided into two category which are economic and \_\_\_\_\_ infrastructure.

23. Fill in the blanks:

\_\_\_\_\_ was a strategy launched in October 1965 for an increase in agricultural output.

24. Which state has lowest percentage of population living below poverty line?

- a. Kerala

- b. Punjab
- c. Haryana
- d. Goa

25. Fill in the blanks:

\_\_\_\_\_ refers to the rate of assimilation at which the environment can maintain itself.

26. All production unit engaged in transforming one good into another is called

- a. Primary sector
- b. Secondary sector
- c. None
- d. Tertiary sector

27. Quality life index is prepared by UNDP for how many countries

- a. 185
- b. 186
- c. 188
- d. 187

28. Reversal of supply-demand relationship has had a major effect on the degradation of the quality of environment. Elaborate.

**OR**

Expansion of one industry facilitates the expansion of the other. How economic growth can become a dynamic process and a self-propelling activity of change?

29. 'India is going to be a knowledge-based economy in the near future'. Discuss.

30. Why has the industrial sector performed poorly in the reform period?

31. What were the main shortcomings of IPR 1956?

**OR**

What were the objectives behind Trade and Investment Policy reforms?

32. Study the following data and answer the questions.

<b>Country</b>	<b>estimated population(in millions)</b>	<b>annual growth of population(2001-10)</b>	<b>density(per sq.km.)</b>	<b>Sex ratio</b>	<b>urbanisation</b>
India	1210	1.76	382	940	31.2
China	1339	0.47	143	950	51.3
Pakistan	176.2	1.8	225	952	37.2

Identify two demographic parameters in favour of China and also write reforms taken by china to achieve the same.

33. Explain three defects of agriculture of marketing.

34. Do you agree with the statement that India has built up health infrastructure and has made considerable progress in improving the health of its population? Explain the advancements in this sector.

**OR**

What do you mean by organised sector? Discuss the reasons for fall in employment in organised sector.

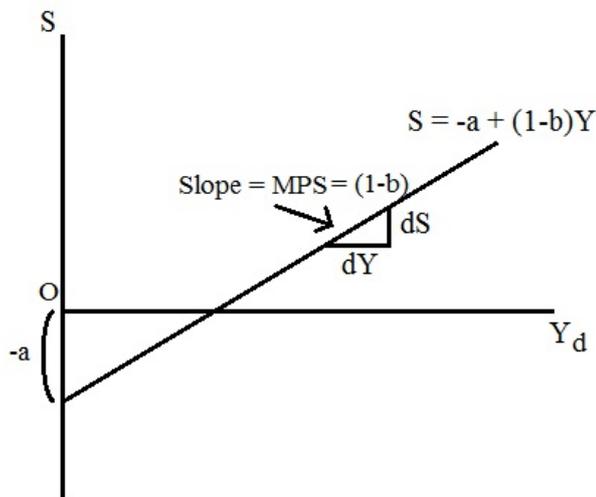
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**Solution**  
**Section A**

1. Regressive Tax
2. It refers to the unending flow of the activities of production, income generation and expenditure involving different sectors of the economy, producers and households in particular.
3. (c) The amount of dissavings done when there is zero level of income.

**Explanation:** Here,  $-a$  implies dissavings when level of income is zero.



4. It deals with such sale and purchase of foreign exchange which is contracted today but is implemented sometimes in the future. It defines forward rate of exchange.

**OR**

It deals with current rate and purchase of foreign exchange. It defines spot rate of exchange.

5. (c) Capital Receipts

**Explanation:** The borrowings by the govt creates liability. So borrowing by the govt

comes under capital receipts.

6. 0.25
7. Deflationary gap
8. False
9. Revenue deficit
10. (a) - (iii), (b) - (i), (c) - (iv), (d) - (ii)
11.
  - i. **Economic stability:** Government budget is used to prevent business fluctuations of inflation or deflation to achieve the objective of economic stability. The government aims to control the different phases of business fluctuations through its budgetary policy. Policies of the surplus budget during inflation and deficit budget during deflation helps to maintain the stability of prices in the economy.
  - ii. **Re-distribution of income:** Reducing inequality is a major objective of government's budget especially in developing country like India, where inequality of income and wealth is very high. Government uses its financial tools of taxation and subsidies to enhance equal distribution of income and wealth. In order to ensure equity of income, the progressive tax structure is followed in India, which imposes a higher burden of taxes on higher-income group and a lesser burden on lower-income group. Also, those who earn below a substantial limit are exempted from payment of taxes. The additional income generated from the higher income group is re-distributed by the government in the form of subsidies to the poor sections of the society, to ensure the objective of welfare. LPG subsidy is a good example of such re-distribution of income.

12. Increase in income ( $\Delta Y$ ) = Rs.10,000

Increase in investment ( $\Delta I$ ) = RS, 1,000

Investment multiplier = ?

a. Investment multiplier =  $\frac{\Delta Y}{\Delta I} = \frac{10,000}{1,000} = 10$

b.  $K = \frac{1}{1-MPC}$   
 $10 = \frac{1}{1-MPC}$

MPC = 0.9

OR

Income (Y)	Change in Income ( $\Delta Y$ )	Marginal Propensity to Consume (MPC)	Change in Consumption Expenditure ( $\Delta C$ )	Consumption (C)	Saving (S)	Average Propensity to Consume
0	0	-	-	30	-30	-
100	100	0.75	75	105	-5	1.05
200	100	0.75	75	180	20	0.9
300	100	0.75	75	45	45	0.85

Formulae used

$S = Y - C$ ,  $APC = C / Y$ ,  $\Delta C = MPC \times \Delta Y$ .

13. The Central bank acts as a banker to the central and state government. Central bank is a banker, agent and financial adviser to the government.
  1. As a banker: Central bank performs the same function for the government as commercial banks perform for their customers. It maintains the accounts of the central as well as the state governments. It receives deposits from the government and makes short term advances to the government. It collects cheques and drafts deposited in the government accounts.
  2. As a Fiscal agent: The central bank collects taxes and other payments on behalf of the government. It raises loans from the public and thus manages public debt.
  3. As a Financial adviser: The central bank gives advice to the government on economic, monetary, financial and fiscal matters such as deficit financing, devaluation, trade policy and foreign exchange etc. According to De Kock, "The central bank operates as govt's banker because of the intimate connection between public finance and monetary affairs".
  
14. International trade patterns take time to respond to changes in exchange rates. A considerable period of time may elapse before any improvement in net exports is

apparent. The following points explain the concept of Exchange rate changes:

- The exchange rate is one of the most important determinants of a country. It plays a vital role in the country's level of trade.
- Changes in nominal exchange rates would change the real exchange rate and hence international relative prices.
- A depreciation of the rupee will raise the cost of buying foreign goods and make domestic goods less costly. This will raise net exports and therefore increase aggregate demand.
- Conversely, a currency appreciation would reduce net exports and, therefore, decrease aggregate demand.

**OR**

- i. **Investments from abroad:** In a capital account, such investments are entered in the credit side because they increase the assets of the country by increasing the flow of foreign exchange in the country.
- ii. **Transfer of funds to relatives abroad:** In a current account, such funds are entered on the debit side as they result in an outflow of domestic currency with no returns.

15. (a) Revenue deficit = revenue expenditure - revenue receipts =  $100 - 70 = 30$  arabs.

(b) Fiscal deficit = total expenditure (revenue expenditure + capital expenditure) - (revenue receipts + non debt capital receipts) =  $100 + 120 + 80 - 70 - 80 = 150$  arabs .

(c) primary deficit = fiscal deficit - interest payments =  $150 - 30 = 120$  arabs.

16. (i) Yes, the concept of Green GNP can be followed.

- a. Green GNP measures national income or Output adjusted for the depletion of natural resources and degradation of the environment.
- b. It will help to attain sustainable use of the natural environment and equitable distribution of benefits of development. A large number signifies greater Sustainability.

(ii)  $NDP_{FC} = \text{Compensation of the employees} + \text{Mixed Income of the self employed} +$

Operating surplus

Compensation of Employees = Wages + Employer's Contribution =  $800+200= 1000$

Mixed Income of Self Employed = 1000

Operating Surplus = Rent + Royalty + Interest + Profit

$=1400+200+1500+500=3600$

$NDP_{FC} = 1000+1000+3600$

= Rs 5600 crore

$GDP_{FC} = NDP_{FC} + \text{Depreciation}$

$= 5600 + 70$

= Rs 5670 Crore

**OR**

**Gross Domestic Product at Market Price ( $GDP_{MP}$ ):**

= Compensation of employees + Operating surplus (Rent + Royalty + Interest + Profit) +  
Mixed income + Depreciation + Net Indirect taxes

To calculate depreciation,

Gross Domestic Capital Formation = Net domestic capital formation + Depreciation

Put in equation (i)

$1000 + (150 + 250 + 400) + 0 + 50 + 100$

$GDP_{MP} = \text{Rs.}1950 \text{ crore}$

**Factor Income to Abroad:**

$GNP_{FC} = GDP_{MP} - \text{NIT} + \text{NFIA}$

$1850 = 1950 - 100 + (\text{Factor income to abroad} - \text{Factor income from abroad})$

$0 = \text{Factor income to abroad} - 30$

Rs.30 crore = Factor income to abroad

17. i) Given,  $I = \text{Rs. } 3,000$  and  $C = 200 + 0.9 Y$

For equilibrium, Income (Y) = Consumption (C) + Investment (I)

$$Y = C + I$$

$$Y = (200 + 0.9 Y) + 3000$$

$$Y - 0.9 Y = 3200$$

$$\text{or } 0.1 Y = 3200$$

$$\text{or } Y = \frac{3,200}{0.1}$$

or National income (Y) = Rs. 32,000

ii) Given, I = Rs. 3,000 and  $C = 200 + 0.9 Y$

Again, for equilibrium, Income (Y) = Consumption (C) + Investment (I)

$$Y = C + I$$

$$\text{or } 32,000 = C + 3,000 \quad [Y = 32,000, \text{ calculated in (i) ]}$$

$$\text{or } C = 32,000 - 3,000$$

or Consumption expenditure (C) = Rs. 29,000

### **Section B**

18. Voice-based business process and banking services are the two services outsourced in India. Since India is a labour surplus country, MNCs benefit via outsourcing in India.

19. True

20. (a) - (iv), (b) - (iii), (c) - (i), (d) - (ii)

21. (c)

Credit provisions made by self help group to its members

Explanation:

SHGs promote saving habit among rural household.

22. Wage Employment

**OR**

Social

23. Green revolution

24. (d) Goa

**Explanation:** Goa has the lowest percentage of people living below the poverty line. According to the Planning Commission's recent report. It recorded 5.09 per cent or about 75,000 poor in Goa which has a 14-lakh population. The monthly per capita income of the state is Rs 1,090 in rural areas and Rs 1,134 in urban areas. There are 37,000 poor people (6.81%) in rural Goa, while 38,000 (4.09%) in urban Goa.

25. Carrying capacity

26. (b) Secondary sector

**Explanation:** Secondary sector takes raw materials and converts them into finished products.

27. (d) 187

**Explanation:** The Physical Quality of Life Index (PQLI) is an attempt to measure the quality of life or well-being of a country. The value is the average of three statistics: basic literacy rate, infant mortality, and life expectancy at age one, all equally weighted on a 0 to 100 scale.

28. The given statement is true. In the past, the demand for resources was less than their supply and the rate at which the resources were extracted was less than the rate of regeneration of these resources. On the other hand, in the present period, the demand for resources is in excess of supply which means that the demand is beyond the rate of regeneration of these resources. Their supply is limited due to overuse and misuse. Thus we see that the issues related to the environment like pollution and waste generation have become critical today.

**OR**

Availability of proper means of transport and communication, ample sources of energy and a developed system of banking and finance generate an environment of inter-industrial linkages.

In this situation, expansion of one industry facilitates the expansion of the other. Accordingly, growth becomes a dynamic process and a self-propelling activity of change. Indian economy has a very large skilled workforce which is still unemployed.

It is the established of industries only, which can generate employment opportunities on a large scale.

29. India is soon emerging as a knowledge bank and has the potential to become a leading knowledge-based economy with its youth population and growing information technology. The Indian software industry has been showing an impressive growth over the past decade. The use of e-mail, e-governance and development of information technology shows that India is slowly transforming itself into a knowledge-based economy.
30. The Industrial Sector has performed poorly in the reform period because of decreasing demand for industrial products due to various reasons such as cheaper imports, inadequate investment, infrastructure, etc. Following reasons may be enumerated in this context:
  - i. Cheaper imports have decreased the demand for domestic industrial goods.
  - ii. Globalisation created conditions for the free movement of goods and services from foreign countries that adversely affected the local industries and employment opportunities in developing countries.
  - iii. There was an inadequate investment in infrastructural facilities such as power supply.
  - iv. A developing country like India still does not have access to developed countries markets because of high non-tariff barriers.
  - v. The investment made in infrastructure facilities including power supply has remained inadequate and hence domestic industries have not found conditions favourable to compete with foreign goods. Globalisation has led to the free movement of goods and services from foreign countries and thus, caused the local industries to die out and employment opportunities to fall in developing countries like India.
31. There were many shortcomings of IPR 1956.
  1. Many industries which could easily be handed over to private sector were kept under public sector control.
  2. Too many industries were covered under license policy which created hurdle in

industrial development.

3. Too many regulations led to low level of industrial development.
4. This Resolution reduced the scope for the expansion of the private sector significantly. Private sector apprehended that the expansion of public sector meant swallowing of the private sector.

**OR**

Trade and investment policy reforms were initiated to:

- a. Remove the restrictions on foreign goods and to increase international competitiveness in Indian markets.
- b. Attract foreign investment and to promote the adoption of modern technology into the economy.
- c. Dismantling of quantitative restrictions on imports and exports.
- d. Reduction of tariff rates
- e. Removal of licensing procedures for imports.
- f. To increase the efficiency of domestic market.

32. The two demographic parameters in favour of China are:-

- Moderate growth rate of population
- Low density of population

Measures taken by china to achieve this are:-

- One child policy was adapted by china since 1979 to reduce the growth rate of the population to nearly half from 1.33% to 0.47% in the recent past.
- To control its density of population they focused on the quality of life rather than the sustenance of the people.

33. 1. Absence of Grading: As a general rule, there is hardly any grading of the commodities to be marketed. Therefore, the purchaser has little, if any, confidence in the quality of the product(s). But nothing really has happened. As per the Act, licenses

are issued on a selective basis to reliable merchants, under the supervision and control of the Government staff. The graded commodities are subsequently passed on to the market under the label of “AGMARK”.

2. Inadequate Storage and Warehousing Facilities: The average Indian farmer does not have adequate storage facilities. Moreover, there is no satisfactory warehousing facilities in the market. For these two reasons the farmer has to sell his produce immediately after the harvest. He cannot wait to obtain better prices in the future. Moreover, due to lack of storage facilities, farmers are unable to obtain loans from co-operative marketing societies or even commercial banks against the security of the stored output.

3. Lack of Information: The market for agricultural products in India is not perfectly competitive in the sense that the farmers do not usually get adequate information about the price that prevail in big and organised markets. Due to lack of communication facilities, the information about market prices rarely reaches the farmers.

34. Yes, India has no doubt made extensive progress in health infrastructure and over the years we have built up a vast health infrastructure and manpower at different levels. The same has resulted in the eradication of deadly diseases and it has almost eradicated polio and leprosy. India has developed a three-tier healthcare system that takes care of the health needs at all levels.

Tier-1 includes PHC(Primary Health Centres), CHC(Community health centres) and Sub centres. These are small hospitals set up mostly in small towns and rural areas and managed by a single doctor and ANM. They educate people on healthcare facilities, provide immunisation facilities.

Tier-2 includes Secondary Healthcare institutes. These are upgraded compared to PHCs and have facilities for surgery, ECG and X-rays. They are located in big town and district headquarters.

Tier-3 includes Tertiary Healthcare Centres. These are high end and fully equipped medical centres offering specialised medical facilities. This sector also includes educational and research centres such as AIIMS, NIMHNS etc.

## OR

Organised sectors are the sectors where all the policies and regulations formulated by the Government regarding the general condition of employment are followed. Various Acts such as the Minimum Wages Act and payment of Gratuity Act are followed. In the organised sector, people enjoy security of employment. They are expected to work only for a fixed number of hours and any overtime work is paid. Paid holidays, provident fund, gratuity and medical benefits are given to the people. Many facilities such as clean drinking water, proper sanitation and safe working conditions are ensured to the people.

The organized sector employment which grew 1.2 per cent per annum during 1983-94 recorded much less growth (0.05 per cent) during the post-reform period (1994-2008). However, the growth rate of GDP accelerated from 5.4 per cent in 1983-1994 to 7.2 per cent in 1994-2011. Thus, higher output growth failed to generate higher employment in the nineties and in the first decade of the present century 1994-2011.

During 1994 to 2004-08 there was negative growth in employment in the organised public sector (-0.65 per cent per annum), whereas in the organised private sector employment increased at the rate of 1.75 per cent per annum. Thus, in the organised private sector, the growth in employment was not sufficient to make up for the loss of jobs in the public sector.

As a result, there was a decline in employment (-0.05 per cent per annum) in the organised sector in 1999-2000 to 2004-08 despite a quite high growth of output in it. The much lower growth of employment opportunities is due to the fact that the employment elasticity of output growth in the organised private sector has sharply declined in the recent years as a result of an increase in capital intensity. It means fewer people have been able to participate in and benefit from the growth process in the organised sector in the post-reform period. The Downsizing of the public sector also contributed to job losses in organised sector.