

CBSE Class 12 Economics
Sample Paper 07 (2019-20)

Maximum Marks: 80

Time Allowed: 3 hours

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:

_____ is a legally compulsory payment imposed by the government on income and profit of persons and companies without reference to any benefit.

2. Why is Net National product at market prices (NNP_{mp}) always greater than Net National Product at factor prices (NNP_{fc}).
3. Autonomous consumption is assumed to be at
- a. Low level of Income
 - b. Zero level of Income

- c. High level of Income
- d. Maximum level of Income

4. State two sources of demand of foreign exchange.

OR

What is par rate of exchange?

5. One of the source to finance the budget deficit is
- a. Foreign exchange expansion
 - b. Trade expansion
 - c. Fiscal expansion
 - d. Monetary expansion

6. Fill in the blanks:

The levels of national income when aggregate supply falls short of aggregate demand _____.
_____.

7. Fill in the blanks:

The ratio of change in consumption (C) to change in income (Y) is known as _____ to consume.

8. State true or false:

Export and import of machines are recorded in capital account of BOP account.

9. Fill in the blanks:

If the revenue received by the general government is more in comparison to expenditure, it is known as _____.

10. Match the following-:

(a) GDP growth	(i) implies higher tax on rich and low on poor
(b) Balanced Regional growth	(ii) correcting inflationary and deflationary
(c) Economic Stability	(iii) development of all regions

(d) Redistribution of income	(iv) by making investment in infrastructure
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11. Giving reason, state whether the following is a revenue expenditure or a capital expenditure in a government budget

i. Expenditure on scholarships

ii. Expenditure on building a bridge

12. Calculate equilibrium level of income

Autonomous consumption = Rs. 200

Marginal Propensity to Consume = 0.9

Investment expenditure = Rs. 1,000

OR

In an economy the MPC is 0.75. Investment expenditure in the economy increase by Rs. 75 Crore. Calculate total increase in national income.

13. Define money supply and explain its components.

14. India's current account deficit for the third quarter in 2019 narrowed to 2.5% of the GDP compared with 2.9% in the preceding quarter, latest data released by the Reserve Bank of India (RBI) showed. - The Hindu

In the light of the given statement explain what is current account and list the transactions of the current account of the Balance of Payments.

OR

What will be the effect of the following on the Balance of Payments?

i. Make in India Programme.

ii. Import of pulses.

15. What is revenue deficit? State its implications.

16. (i) In 2018, Kerala was hit by a massive flood causing huge loss of property. Life of people has come to a standstill. Govt. of India announces compensation to flood victims to meet the needs of their food, clothes and shelter.

- a. Is this expenditure included in National income?
- b. How does it impact life in the city?

(ii) There are only two producing sectors A and B in an economy. Calculate Gross value added at market price by each sector.

Item	Rs. (Crore)
(i) Net factor income from Abroad	100
(ii) Sales by A	5000
(iii) Sales by B	10000
(iv) Change in stock of B	(-) 1000
(v) Closing stock of A	250
(vi) Opening stock of A	500
(vii) Consumption of fixed capital by A and B	900
(viii) Indirect taxes paid by A and B	600
(ix) Purchase of raw material by A	2500
(x) Purchase of raw material by B	3000
(xi) Exports by B	350

OR

There are only two producing sectors A and B in an economy. Calculate

- i. Gross Value Added at Market Price by each sector
- ii. National Income.

S.no.	Contents	(Rs. in crores)
(i)	Net Factor Income from Abroad	20
(ii)	Sales by A	1,000
(iii)	Sales by B	2,000
(iv)	Change in Stock of B	(-) 200

ii)	Consumption of Fixed Capital by A and B	180
(viii)	Indirect Taxes Paid by A and B	120
(ix)	Purchase of Raw Materials by A	500
(x)	Purchase of Raw Materials by B	600
(xi)	Exports by B	70

17. In an economy equilibrium level of income of Rs. 1200 Crores. The ratio of MPC to MPS is 3 : 1. Calculate the additional investment needed to reach a new equilibrium level of income of Rs. 2000 crores.

Section B

18. What was the limit of automatic approval for direct foreign investment?
19. State true or false:

AICTE stands for All India Council of Technical Education.

20. Match the following:

(a) Industrial Policy	(i) aims at preventing concentration of economic power in the hands of few business houses.
(b) Foreign Exchange Regulation Act	(ii) aims of development and regulation of industries in India by the Central Government.
(c) Monopolistic & Restrictive Trade Practices Act	(iii) aims at promoting the regulatory roles of the government
(d) Industrial Development & Regulation Act	(iv) aims strict regulations on the dealings in forex and securities

21. SHG was introduced in

- a. 1985
- b. 1995
- c. 1984
- d. 1992

22. Fill in the blanks:

A person who works for someone else for a fixed wage is called a _____.

OR

Fill in the blanks:

Working of a modern economy depends on _____.

23. Fill in the blanks:

Landlords, moneylenders, traders, and employers are _____ sources of rural credit.

24. Under the Food for work programme, the wages to the workers can be paid in

- a. Neither cash form nor food form
- b. In the form of cash
- c. In form of food
- d. Both partly in cash and partly in food form

25. Fill in the blanks:

Cutting down of forests to make land available for farming or industrial activities for dwellings is known as _____.

26. When was the first five-year plan started in China

- a. 1952

- b. 1951
- c. 1953
- d. 1954

27. Common success of India and Pakistan except

- a. Rise in GDP per capita
- b. Dismal fiscal management
- c. Self-sufficiency in food production
- d. Reduction in poverty

28. How has population explosion and the advent of industrial revolution resulted in environmental crisis?

OR

What is the significance of private sector in health care system in India?

- 29. Looking at the statistics, we find that more of educated people are engaged in crimes. More of educated people are committing suicide. How do you think we need to mould our education system to correct the situation?
- 30. Write a short note on WTO.
- 31. Distinguish between planning objectives and plan objectives on any four basis.

OR

Explain briefly the meaning of economic reforms. What are the main economic reforms?

32. Discuss some similarities of India, China and Pakistan by studying the table.

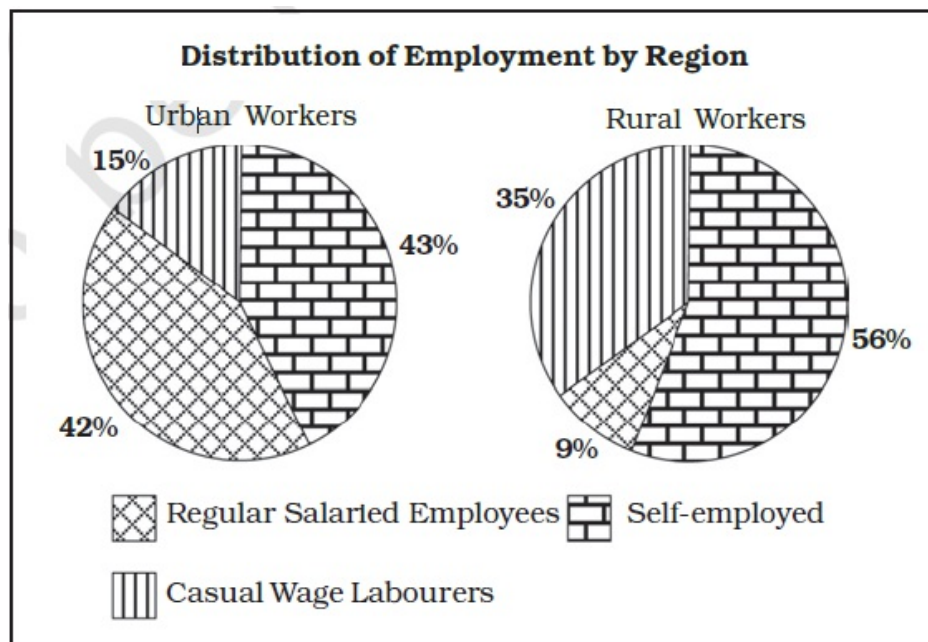
	India	Pakistan	China
Independence	1947	1947	1949

Plan(First)	1951-56	1956	1953
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33. What steps have been taken by the government to improve agricultural market system in India?
34. Power development has been significant during the last four decades of planning. Do you think generation of power is sufficient in comparison to its requirement? Suggest some measures to meet the power crisis in India.

OR

Study the following chart showing the distribution of Employment by region and compare the distribution of workforce in rural and urban areas:



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Solution
Section A

1. Tax
2. $NNP_{mp} = NNP_{fc} + [\text{Indirect taxes} - \text{subsidies}]$

In the above formula, since indirect taxes are usually greater than subsidies.

$NNP_{mp} = NNP_{fc} + \text{Positive number.}$

Hence, the above explanation justifies that Net National product at market prices (NNP_{mp}) is always greater than net national product at factor prices (NNP_{fc}).

3. (b) Zero level of Income **Explanation:** Autonomous consumption is independent of income. So, it takes place even when income is zero.
4. 1. Gifts and grants to rest of the world.
2. Foreign investment across the world.

OR

The exchange rate at which demand for different currencies is equal to its supply.

5. (d) Monetary expansion **Explanation:** Budgetary deficit may be financed by deficit financing. Deficit financing is the level of support extended by Reserve Bank of India to the government's borrowing programmes. The government borrows from the RBI which in turn issues new currency money.
6. Increases
7. Marginal propensity
8. False

9. Surplus budget
10. (a) - (iv), (b) - (iii), (c) - (ii), (d) - (i)
11. i. Expenditure on scholarships is a revenue expenditure because it neither leads to a decrease in liabilities nor leads to an increase in assets.
 ii. Expenditure on building a bridge increases the assets of the country therefore it is a capital expenditure.
12. Autonomous Consumption (\bar{C}) = 200
 MPC = 0.9, I = 1,000
 At equilibrium level $Y = C + I$ (i)
 and $C = \bar{C} + bY$
 $C = 200 + (0.9)Y$
 Substituting the value of C in equation (i), we get
 $Y = 200 + (0.9)Y + 1,000$
 $Y - (0.9)Y = 1,200 \Rightarrow (0.1)Y = 1,200$
 $Y = \frac{1200}{0.1} = Rs.12,000$. Therefore Equilibrium level of Income is equal to Rs. 12,000.

OR

$$K = \frac{1}{1-MPC} = \frac{1}{1-0.75}$$

$$K = 4$$

$$K = \frac{\Delta Y}{\Delta I}$$

$$4 = \frac{\Delta Y}{75}$$

$$\Delta Y = 4 \times 75 = 300 \text{ Crore.}$$

13. By money supply we mean the total stock of monetary media of exchange available to society for use in connection with the economic activity of the country. According to the standard concept of money supply it is composed of the following two elements:
1. Currency with the public,
 2. Demand deposits with the public.

Currency with the public consists of currency notes in circulation issued by RBI, the

number of rupee notes and coins in circulation and small coins in circulation.

The other important component of the money supply is demand deposits of the public with the banks. These demand deposits held by the public are also called bank money. Further deposits with the banks are divided into demand deposits and time deposits.

14. **Current Account:** Current account is that account of BoP, which records exports and imports of visible and invisible items and unilateral transfers.

The transactions included in the current account of the Balance of Payments are:

- i. Export and import of visible items.
- ii. Export and import of services (invisible items)
- iii. Unilateral transfers

OR

- i. **Make in India Programme:** The aim of 'Make in India' programme is to attract foreign investment. This will increase the flow of foreign exchange in the country leading to an improvement in the Balance of Payments account.
- ii. **Import of pulses:** It would result in the outflow of foreign exchange. Due to this, there will be an adverse effect on Balance of Payments account.

15. Revenue deficit is concerned with the revenue expenditures and revenue receipts of the government. It is the excess of total revenue expenditure over total revenue receipts.

Implication:

- i. It implies that government is dis-saving.
- ii. It implies that the government is spending more than the current income.
- iii. A high revenue deficit gives a warning signal to the government to either curtail its expenditure or increase its revenue.

16. (i) a) This Expenditure by the Govt. is not included in National income as it is transfer Payment and does not correspond to the flow of goods and services
b) This Expenditure will help people to get their lives back on track. It will add to their consumption expenditure. Also, if some expenditure is incurred to rebuild

their houses, it will add to the capital formation in the city.

(ii) GVA_{MP} of Sector A = Sales + Change in stocks - Purchase of raw material by A

$$= 5000 + (250 - 500) - 2500$$

$$= \text{Rs } 2250 \text{ crore}$$

GVA_{MP} of Sector B = Sales + Change in Stocks - Purchase of raw material by B

$$= 10000 - 1000 - 3000$$

$$= \text{Rs } 6000 \text{ crore}$$

OR

Gross Value Added by A	Gross Value Added by B	Gross Value Added by A and B
= Sales by A + Change in Stock of A (Closing Stock - Opening Stock) - Purchases of Raw Materials by A	= Sales by B + Change in Stock of B - Purchase of Raw Materials by B	= GDP _{mp}
= 1,000 + (50 - 100) - 500 = 950 - 500 = Rs. 450 crores	= 2,000 + (-200) - 600 = 1,800 - 600 = Rs. 1,200 crores	= 450 + 1,200 = Rs. 1,650 crores

National Income (NNP_{FC}) = GDP_{mp} - Consumption of Fixed Capital - Indirect Taxes +

Net Factor Income from Abroad

$$= 1,650 - 180 - 120 + 20$$

$$= \text{Rs. } 1,370 \text{ crores}$$

$$17. \quad MPC = \frac{3}{4} = 0.75$$

$$K = \frac{1}{(1-MPC)} = \frac{1}{(1-0.75)} = 4$$

$$\Delta Y = 2000 - 1200 = 800 \text{ Crores}$$

$$K = \frac{\Delta Y}{\Delta I}$$

$$4 = \frac{800}{\Delta I}$$

$$\Delta I = 200 \text{ Crores}$$

Section B

18. The limit of automatic approval for direct foreign investment was 51% for a wide range of industries.

19. True

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

21. (d) 1992

Explanation: In 1991-92 NABARD started promoting self help groups on a large scale.

22. Hired worker

OR

Development of infrastructure

23. Institutional credit

24. (c) In form of food

Explanation: National Food for Work Programme was launched in 14th November 2004 in 150 most backward districts of the country, identified by the Planning Commission in consultation with the Ministry of Rural Development and the State Governments. The objective of the programme was to provide additional resources apart from the resources available under the Sampoorna Grameen Rozgar Yojana (SGRY) to 150 most backward districts of the country so that generation of supplementary wage employment and providing food security through creation of need based economic, social and community assets in these districts are further intensified.

25. Deforestation

26. (c) 1953

Explanation: The period 1953–57, corresponding to the First Five-Year Plan, was the beginning of China's rapid industrialization, and it is still regarded as having been enormously successful. A strong central governmental apparatus proved able to channel scarce resources into the rapid development of heavy industry.

27. (b) Dismal fiscal management

Explanation: Must be able to plan the work unit's budget and manage income and expenditure, through responsible implementation of policies, practices and decisions in order to achieve unit objectives effectively and efficiently.

28. With population explosion and with the advent of industrial revolution, to meet the growing needs of the expanding population, the demand for resources for both production and consumption has gone beyond the rate of regeneration of the resources and due to this, the pressure on environment has increased tremendously. The increasing population has led to increased demand for housing and this has led to widespread deforestation. In order to accelerate the process of industrialisation, natural resources are being used up at a much faster pace. We are now faced with increased demand for environmental resources and services but their supply is limited due to overuse and misuse of these resources. Hence, the environmental issues of waste generation and pollution have become critical today.

OR

Private sector is playing a significant role in health care system India. At present, private sector has proved much better than public sector in delivering quality health services. More than 70% of the hospitals in India are run by the private sector. 80% of out-patients and 46% of in-patients are handled by private sector. In 2001-02, there were more than 13 lakh medical enterprises employing 22 lakh people. 80% of them are single person owned and operated by one person occasionally employing a hired worker. Since the 1990s, owing to liberalisation measures, many non-resident Indians and industrial and pharmaceutical companies have set up state of the art, super-speciality hospitals to attract India's rich and medical tourists.

29. Education system is being taken by parents, students and teachers as a means to earn income. They are trying to imbibe computer skills, communication skills, body language and intellectual development amongst learners but they are ignoring value

education and not teaching struggle in life. Children need to be given situations where they learn to struggle. I, as an educationist, recommend even real-life situations may be given to them so that they learn and love to struggle in life. Further our attitude towards marks and grades needs to be changed. Also in my opinion the more advanced technology must be brought in India to just lesser down the burden of books and increasing the practical knowledge.

30. In 1948, GATT (General Agreement on Tariffs and Trade) was formed with 23 countries as the founder members to administer all multilateral trade agreements. WTO was formed as successor of GATT on 1 January, 1995. It aimed to establish a rule-based trading regime in which nations cannot place arbitrary restrictions on trade. Unlike GATT, the WTO is a permanent organisation created by international treaty ratified by the govts. and legislatures of member states. India was a founder member. It has been in forefront in WTO. It has kept its commitment towards liberalisation of trade made in the WTO by removing quantitative restrictions on imports and reducing tariff rates. India has consistently taken the stand that launch of any new round of talks depend on a full convergence of views amongst the entire WTO membership on the scope and framework for such negotiations.
31. The differences between planning objectives and plan objectives are

Basis	Planning Objectives	Plan Objectives
Aim	They are long-term objectives to be achieved over a long period.	They are objectives to be achieved in a short period say 1 to 5 years.
Nature	They are common to all plans.	They vary from plan to plan.
Plans	They are broad goals, which development plans seek to achieve.	They are planned with greater precision.
Changes	They aim at structural changes.	They aim at quantitative changes.

OR

Economic reforms refer to the changes made in the economy with a view to deregulate it and to solve the prevailing economic problems of the country. In India,

economic reforms were introduced in 1991, with the implementation of New Economic Policy. These reforms can be categorised as

- i. **Stabilisation Reforms:** These reforms were short-term measures which intended to correct disequilibrium in BoP and to check inflation.
- ii. **Structural Reforms:** These are long-term measures which intend to bring efficiency in the working of the economy. These reforms can be categorised as liberalisation, privatisation and globalisation.

These economic reforms in India are structurally classified as liberalization, globalization, and privatization.

Liberalisation: Liberalization was brought up with the fact that any restrictions which became a hindrance to development and growth will be put to an end.

Privatisation: Privatization largely refers to giving more opportunities to the private sector, such that the role of the public sector is reduced.

Globalisation: Globalization in simpler terms is to connect with the world. In this context, globalization means the integration of the economy of India with that of the world.

32. Equity is the development path of India, Pakistan and China. All three nations had started towards their development path at the same time. These nations have similar development strategies. India and Pakistan got freedom in 1947. The people's Republic of China was established in 1949. India introduced its first five-year plan for 1951-56 followed by Pakistan in 1956 and but China announced in 1953.

The growth rates and per capita incomes of these three countries were the same till 1980. Now, there is a huge economic gap between the three countries.

33. i) **Organisation of Regulated Markets:** Regulated markets have been organised with a view to protect the farmers from the malpractices of sellers and brokers. The management of such markets is done by a Market Committee which has nominees of the State Government, local bodies, Aarhatiyas, brokers and farmers.
- ii) Most of the State and Union Territory governments have enacted legislation

(Agriculture Produce Marketing Committee Act) to provide for regulation of agricultural produce markets. There were 7,157 regulated markets in the country as on March 31, 2010.

iii) Grading and Standardisation: Improvements in agricultural marketing system cannot be expected unless specific attempts at grading and standardisation of the agricultural produce are made. The government recognised this quite early and the Agricultural Produce (Grading and Marketing) Act was passed in 1937. Initially, grading was introduced for hemp and tobacco.

iv) The government set up a Central Quality Control Laboratory at Nagpur and a number of regional subsidiary quality control laboratories. Samples of important products are obtained from the market and their physical and chemical properties are analysed in these laboratories. On this basis, grades are drawn up and authorised packers are issued AGMARK seals (AGMARK is simply an abbreviation for Agricultural Marketing).

3. Use of Standard Weights.

4. Godown and Storage Facilities.

5. Dissemination of Market Information.

6. Government Purchases and Fixes Support Prices.

34. Though power development has been significant during the last four decades of planning, I feel that the generation of power is still insufficient in comparison to its requirement in India. As a result, we are facing a power crisis in the recent years. Some of the challenges faced in the power sector are poor performance of the State Electricity boards, Inadequate electricity generation, underutilisation of installed capacity and limited role of private and foreign entrepreneurs. The following measures can be taken to meet the power crisis:-

- a. Since the Plant Load Factor is an important indicator of the efficiency of thermal power plants, they should be improved so that the capacity of the plant can be utilised in the best manner.
- b. The transmission and distribution losses should be managed effectively as these

losses can adversely affect the health of the power utilities.

- c. Promote the private sector to venture into this sector and produce power on a large scale.
- d. Encouraging use of renewable energy resources as this can ensure an additional supply of electricity. Greater reliance on renewable energy resources can give us various economic, social and environmental benefits.
- e. India has a hydropower potential of more than 1,50,000 MV. But only 21.4% of this potential has been developed till date. This should be developed in order to meet the power crisis.

OR

When the comparison is done regarding the distribution of workforce in rural and urban areas in the given chart it is noted that the self-employed (56%) and casual wage labourers (35%) are found more in rural areas than in urban areas. It is because in urban areas, people are skilled and work for jobs in offices and factories. But in rural areas, people work on their own farms.

In urban areas, both self-employment (43%) and regular wage salaried jobs (42%) are greater. In the rural areas, since the majority of those depending on farming own plots of land and cultivate independently, the share of self-employed is greater. The nature of work in urban areas is different. Moreover, enterprises in urban areas require workers on a regular basis.