



**B K BIRLA CENTRE FOR EDUCATION**  
**SARALA BIRLA GROUP OF SCHOOLS**  
**SENIOR SECONDARY CO-ED DAY CUM BOYS' RESIDENTIAL SCHOOL**  
**MID-TERM EXAM (2024-25)**  
**ECONOMICS (030)**



**CLASS: XII**  
**DATE: 16/09/2024**  
**Admission no.:**

**TIME: 3 hrs**  
**MAX. MARKS:80**  
**Roll No.:**

**General Instructions :**

**Read the following instructions carefully and follow them :**

**(i) This question paper contains 34 questions. All questions are compulsory.**

**(ii) This question paper contains two sections :**

**Section A Micro Economics**

**Section B Statistics for Economics**

**(iii) This question paper contains 20 Multiple Choice type questions. Each question carries 1 mark.**

**(iv) This question paper contains 4 Short Answer Type-I questions. Each question carries 3 marks.**

**Answer these questions in 60 to 80 words.**

**(v) This question paper contains 6 Short Answer Type-II questions. Each question carries 4 marks.**

**Answer these questions in 80 to 100 words.**

**(vi) This question paper contains 4 Long Answer type questions. Each question carries 6 marks.**

**Answer these questions in 100 to 150 words.**

**(vii) Attempt all parts of a question together.**

**(ix) There is no overall choice in the question paper. However, an internal choice has been provided in few questions. Only one of the choices in such questions has to be attempted.**

**SECTION – A (MACRO ECONOMICS)**

**1. Keeping all other factors constant, trade surplus may arise in the Balance of Payments of a nation because of\_\_\_\_\_ 1)**

- (A) rise in export of coffee to Japan (B) fall in import of banking services  
 (C) fall in exports of cereals (D) rise in remittances to abroad

**2. Suppose in a hypothetical economy, the Central Bank increases the reserve ratio from 10% to 25%. 1)**

**Keeping the amount of initial deposits constant at ₹1,000 crores, the amount of total money creation would be ₹\_\_\_\_\_ crore.**

- (A) 10,000 (B) 4000  
 (C) 6000 (D) 5000

**3. Match the following. 1)**

| <b>COLUMN I</b>              | <b>COLUMN II</b>                           |
|------------------------------|--|
| a) CRR                       | i) Central Bank                            |
| b) Reverse Repo rate         | ii) Charged by commercial bank from public |
| c) Lender of the last resort | iii) Given by central bank                 |
| d) Interest Rate             | iv) Quantitative tool of credit control    |

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

4. Which of the following does not qualify for “banker’s bank” function of RBI ? 1)
- A) Keeps the cash reserves of the commercial banks in its custody.  
 B) Managing the public debt .  
 C) Advancing loans to commercial banks .  
 D) Settling interbank claims .
5. **Statement 1.** Open market operations refers to purchase and sale of government securities in the open market by RBI to control money supply. 1)
- Statement 2.** By purchasing the government securities, RBI injects additional purchasing power to contract credit and reduce money supply.
- (A) Both the statements are true  
 (B) Both the statements are false  
 (C) Statement 1 is true and statement 2 is false.  
 (D) Statement 1 is false and statement 2 is true
6. Read the following statements carefully: 1)
- Statement 1:** If in an economy the level of income increases ( $\Delta Y$ ), it will always proportionately increase the level of consumption ( $\Delta C$ ).  
**Statement 1:** Marginal propensity to consume (MPC) and Marginal propensity to save (MPS) are always equal to each other.
7. Total consumption expenditure by households under Keynesian economics is a combination of \_\_\_\_\_ and \_\_\_\_\_. 1)
- (A) Autonomous consumption, Autonomous Investments  
 (B) Autonomous Investments, Induced Consumption  
 (C) Induced Investments, Autonomous Investments  
 (D) Autonomous consumption, Induced Consumption
8. Suppose for a hypothetical economy: 1)
- $C = 100 + 0.75Y$  (where  $C =$  Consumption and  $Y =$  Income)  
 $I_0 = 400$  ( $I_0 =$  Autonomous Investment)  
 Value of Investment Multiplier ( $K$ ) would be \_\_\_\_\_
- (A) 5 (B) 4  
 (C) 6 (D) 3
9. Read the following statements – Assertion (A) and Reason (R). 1)
- Choose the correct alternative given below:  
**Assertion (A):** Full employment situation refers to absence of involuntary unemployment.  
**Reason (R):** Under full employment situation, all the willing and able-bodied people get employment at the prevailing wage rate.  
 Alternatives:  
 (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)  
 (B) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
 (C) Assertion (A) is true but Reason (R) is false.  
 (D) Assertion (A) is false but Reason (R) is true.

10. From the following data about a government budget find primary deficit:

1)

| Particulars            | In ₹ crores            |
|------------------------|------------------------|
| i) Revenue expenditure | 70000                  |
| ii) Borrowings         | 15000                  |
| iii) Revenue receipts  | 50000                  |
| iv) Interest payments  | 25% of revenue deficit |

(A) ₹ 15000 crore

(B) ₹ 10000 crore

(C) ₹ 20000 crore

(D) None of these

11. 'Free distribution of LPG connection to poor people is a sign of social justice.'

1)

Identify the objective of Government Budget from the above-mentioned statement.

(A) Promote economic growth

(B) Management of Public enterprises

(C) Create equitable distribution of income

(D) Create fluctuation in revenue of the Government.

12. (a) Assume the following for a hypothetical economy:

3)

(i) Autonomous Consumption Expenditure ( $\bar{C}$ ) = ₹ 25 crore

(ii) Marginal Propensity to Save (MPS) = 0.1

(iii) Level of Income (Y) = ₹ 2,000 crore

(iv) Autonomous Investment (I) = ₹ 25 crore

Is the economy in equilibrium situation? Justify your answer with valid calculations.

**OR**

(b) "When ex-ante Aggregate Demand (AD) falls short of ex-ante Aggregate Supply (AS) it results in fall in unintended inventories."

Defend or refute the given statement, giving valid arguments.

13. Devaluation of currency and Depreciation of currency have the same implications, but they originate from divergent sources."

3)

Do you agree with the given statement? Give valid reason in support of your answer.

14. Define inflationary gap with a well labelled diagram. Suggest any one monetary measure to rectify this situation.

3)

15. Complete the following table. Construct /Express the Consumption function at ₹200 crore level of income.

4)

| Income(Y) in (In ₹Crore) | Saving (in ₹Crore) | Average propensity to consume (APC) | Marginal Propensity to save (MPS) |
|--------------------------|--------------------|-------------------------------------|-----------------------------------|
| 0                        | (-) 30             | -                                   | -                                 |
| 100                      | -----              | 1                                   | -----                             |
| 200                      | -----              | 0.85                                | -----                             |
| 300                      | -----              | 0.8                                 | -----                             |

16. (a) Define 'Revenue Expenditure'.

1)

(b) Distinguish between Direct tax and Indirect Tax.

3)

17. Explain the meaning of the following:

4)

(i) Revenue Deficit

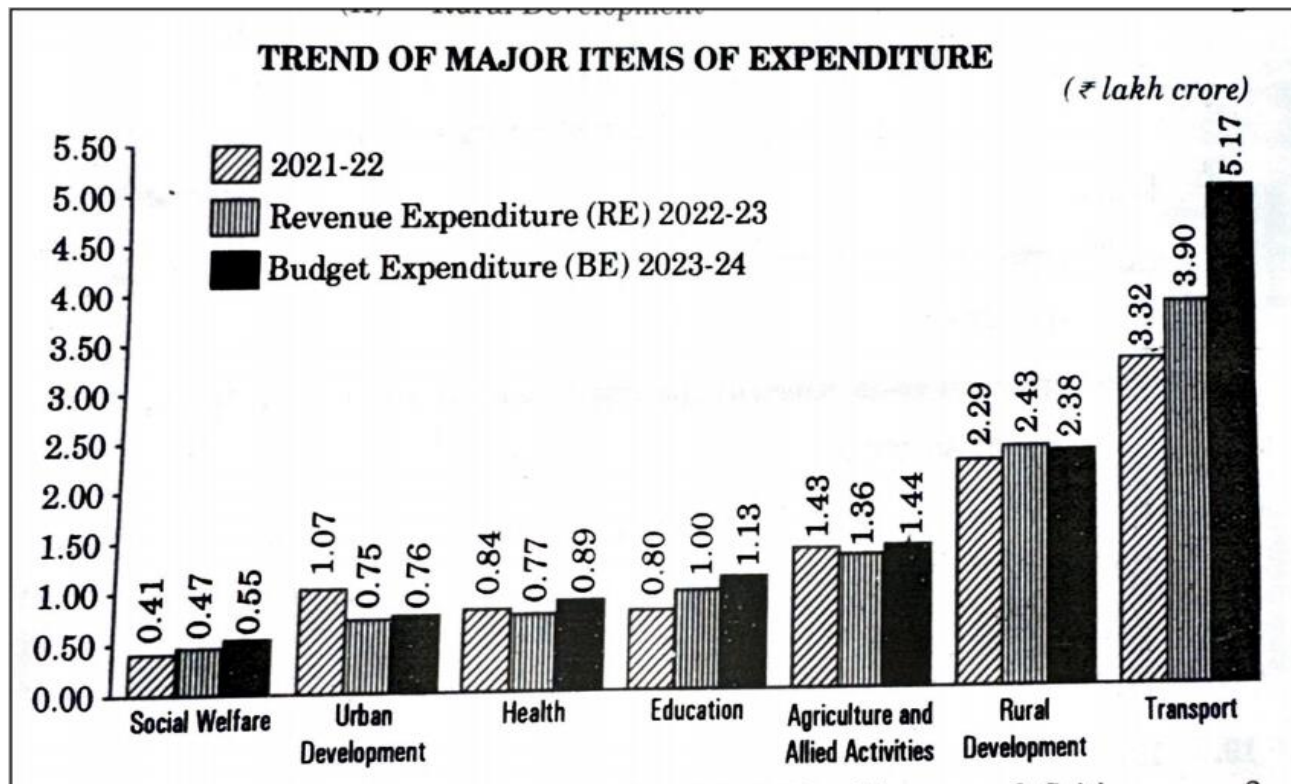
(ii) Fiscal Deficit

OR

Study the following chart carefully and analyse the changing trends in the government expenditure on:

(I) Transport

(II) Rural Development



18. (a) “Reserve Ratio and Credit creation are inversely related.” Do you agree with the given statement? Justify your answer with a suitable numerical example. 3)

(b) “With an objective to reduce inflation, Reserve bank of India may promote the commercial banks to park their surplus funds with it.” Discuss the rationale behind the step taken by the Reserve Bank of India. 3)

19. (a) Using a well labelled diagram, show how Saving curve can be derived from Consumption curve. 4)

(b) Estimate the change in final income if Marginal Propensity to consume (MPC) is 0.75 and change in initial investment is ₹2000 crores. 2)

20. (a) Distinguish between fixed exchange rate system and flexible exchange rate system. 3)

(b) Define “Trade Surplus”. How is it different from “Current account surplus”. 3)

OR

**Read the following paragraph and answer the questions on the basis of the same:**

Foreign Direct Investment (FDI) provides a more stable source of financing the CAD as compared to external borrowings. During 2014 – 19, gross FDI to India has been robust as compared to the previous five years: the trend has continued in 2019-20 as well. In the first eight months of 2019-20, both gross and net FDI flows to the country have been more than the flows received in corresponding period of 2018-19. Net FDI inflows in H1 of 2019-20 was also robust at US \$7.3 billion as against an outflow of US \$7.9 billion in H1 of 2018-19.

(a) External borrowing relates to which account. Explain its components. 3)

(b) When Does Current Account Deficit (CAD) occur and what does it indicate? 2)

(c) What does Foreign Direct Investment relate to? 1)

## INDIAN ECONOMY

21. Britain maintained a monopoly control over India's exports and imports while the rest was allowed with a few other countries like \_\_\_\_\_ . 1)

(Choose the correct alternative to fill in the blank)

- (i) China (ii) Ceylon (Sri Lanka)  
(iii) Persia (Iran)

Alternatives:

- (A) Only (i) (B) (i) and (ii)  
(C) Only (ii) (D) (i), (ii) and (iii)

22. Read the following statements carefully: 1)

**Statement 1:** The commercialisation of Indian agriculture was coercively introduced by the colonial government.

**Statement 2:** Britishers had a two-fold motive behind the enforcement of food crops production.

In the light of the given statements, choose the correct alternative from the following:

- (A) Statement 1 is true and Statement 2 is false.  
(B) Statement 1 is false and Statement 2 is true.  
(C) Both Statements 1 and 2 are true.  
(D) Both Statements 1 and 2 are false.

23. Identify the incorrect statement from the following: 1)

- (A) Import substitution was the strategy used to save foreign exchange.  
(B) License policy ensured regional equality  
(C) Russian economic model was the base for the Indian economic system  
(D) Small Scale Industries are one of the essential tools for employment generation

24. Read the following statements – Assertion (A) and Reason (R). Choose the correct alternative given below: 1)

**Assertion (A):** World Trade Organisation (WTO) is expected to establish the rule-based trading regime, to avoid unilaterally placed arbitrary restrictions by member nations.

**Reason (R):** It is imperative to enlarge world production and ensure optimum utilisation of world resources along with environmental protection.

Alternatives:

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)  
(B) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
(C) Assertion (A) is true but Reason (R) is false.  
(D) Assertion (A) is false but Reason (R) is true.

25. **Assertion (A):** The excessive regulation of permit license raj prevented certain private firms from becoming fairly competitive. 1)

**Reason (R):** Private sector wasted huge amounts in obtaining licenses rather than on improving the product quality and international competitiveness.

26. When was NITI Aayog formed? 1)

- (A) 1950 (B) 1991  
(C) 2015 (D) 2012

**27.** Identify, which of the following does not reflect a direct relationship between human capital formation and economic growth? 1)

(A) Employability of an educated person is higher than that of an uneducated person.  
(B) On the job training will reduce the skills of labour  
(C) Healthy workforce is a boon to the economy  
(D) Digital information helps in taking real time decisions

**28.** Which of the following statements is incorrect with respect to women education in India? 1)

(A) Education helps to improve economic independence.  
(B) Education helps to promote family welfare programmes  
(C) Education enables women to take care of their own health  
(D) Inappropriate planning of human resource improves human capital formation.

**29.** Which of the following is false regarding Human Capital? 1)

(A) It is separable from its owner (B) It increase the efficiency to produce tangible goods  
(C) It can be built through policy formulation (D) It creates both private and social benefits

**30.** “In India, National Education Policy 2020 has stressed a lot on in-service training for the teachers” 3)

(i) Identify the source of Human Capital Formation indicated in the aforesaid statement.  
(ii) Elaborate the likely impacts of this source on the economic development of India.

OR

“Economists believe that India should spend at least 6% of its GDP on Education for achieving desired results”. Justify the statement with valid reasons.

**31.** “Every coin has two sides – debate over farm subsidies is one such classic example of the same.” 4)

Justify the given statement with two arguments each in favour of and against the continuation of farm subsidies.

**32.** (i) Elaborate the need for promoting women’s education in India. 3)  
(ii) Rising population is not the cause for quality of human capital formation. 1)  
True or false. Justify the statement.

**33.** Explain the need and type of land reforms implemented in the agriculture sector. 4)

OR

“Despite the implementation of Green Revolution, 65% of India’s population continued to be engaged in the agriculture sector till the 1990s.”

Justify the given statement with valid explanation.

**34. Read the following text carefully:**

With the July 1991 budget, there was a clear switch in favour of a move towards an outward-oriented, market-based economy. The liberalisation steps initiated in the budget were very comprehensive although the pace remained gradual and there were occasional hiccups.

The 1991 reforms did away with import licensing on all but a handful of intermediate inputs and capital goods. Consumer goods, accounting for approximately 30% of tariff lines, remained under licensing, Only a decade later, after a successful challenge by India’s trading partners at the World Trade Organisation (WTO), were these goods freed of licensing.

Today, except for a handful of goods that are disallowed on environmental/health/safety grounds, all goods may be imported without a license or other restrictions.

With the removal of licensing, the tariff rates became effective restrictions on imports. Therefore, a major task of the reforms has been to lower the tariff rates. Tariff reductions have been mainly confined to non-agricultural, industrial goods.

Therefore, the liberalization applies strictly to these goods. The reduction in tariffs has been achieved through a gradual compression of the tariff rates. A simultaneous rationalization of the tariff structure through a reduction in the number of tariff bands helped in this direction.

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

(i) “The trade liberalization reforms initiated in 1991 budget were very comprehensive.”

Justify the given statement explaining any two trade reforms introduced in 1991.

4)

(ii) State any two areas in which tariff reductions were introduced.

2)

**OR**

(i) “Indian economy has certain advantages, which have made it a favourite outsourcing destination.”

3)

Do you agree with the given statement? Give valid reasons in support of your answer.

(ii) “In the post reform period the government of India decided to privatise profit making Public Sector Undertakings (PSUs).

3)

Do you agree with the given statement? Give valid arguments in support of your answer.

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