



TIME: 3 hrs

CLASS: XII

SECTION A – MACRO ECONOMICS

1.
(b) Both the Statements are true.
Explanation:
Both the Statements are true.
2.
(d) Option (d)
Explanation:
Time or Term deposits are for a fixed period of time, thus money cannot be withdrawn using mode like cheque.
3.
(b) MPS, APC
Explanation:
MPS, APC
4. (a) revaluation
Explanation:
This is a deliberate step taken by the government to rise the value of domestic currency. This is known a revaluation of domestic currency against foreign currency.
5. (a) All of these
Explanation:
By increasing bank rate, selling government securities by RBI and increasing cash reserve ratio decrease the aggregate demand in an economy.
6.
(d) all of these
Explanation:
Deficient demand refers to the situation when aggregate demand (AD) is short of aggregate supply (AS) corresponding to full employment in an economy.
7.
(c) ₹ 3,200 crores
Explanation:
 $APC = 1 - APS = 1 - 0.2 = 0.8$
Also $APC = \frac{\text{Consumption (C)}}{\text{Income (Y)}} = \frac{C}{4,000} = 0.8$
 $\therefore C = 4,000 \times 0.8 = ₹ 3,200 \text{ crores}$
8. (a) All of these
Explanation:
All of these
9.
(d) Legal reserve ratio is low
Explanation:
Legal reserve ratio is low

10. (a) Direct relationship

Explanation:

As the price of foreign currency increases, its supply increases and as its price decreases its supply decreases, other factors remaining the same.

11. The increased sales of electric vehicles may have positive impacts on both GDP and welfare. An increase in sales of E-vehicles directly contributes to the value addition in the economy which in turn leads to increase in Gross Domestic Product. Electric vehicles are generally considered environment-friendly and improve public welfare

12. Differences between autonomous and accommodating transactions are

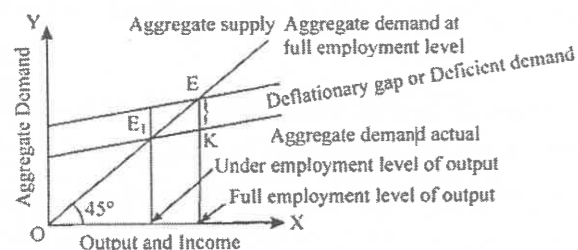
Basis	Autonomous Transactions	Accommodating Transactions
Meaning	Autonomous transactions are the transactions between the residents of two countries which take place due to some economic motive such as profit maximisation. These transactions are also known as "above the line items".	Accommodating transactions are those transactions which help to restore the identity of Balance of Payments. In other words, these transactions are undertaken to cover the deficit or surplus in autonomous transactions. These transactions are also known as "below the line items,"
Recorded in	These transactions can either be recorded in current account or capital account, depending on their nature.	These transactions are recorded only in the capital account.
effect on BOP account	Autonomous transactions are independent of the state of BOP account	Accommodating transactions are undertaken to maintain the balance in BOP account.
Example	Exports and imports of goods and services, unilateral transactions etc are examples of autonomous transactions.	Borrowings from IMF, change in foreign exchange reserves etc are examples of accommodating transactions.

OR

The differences between devaluation and depreciation of domestic currency are as follows :-

Basis	Devaluation	Depreciation
Meaning	Devaluation is the fall in the value of the domestic currency in relation to foreign currency under the fixed exchange rate regime. It is planned by the Government in a situation when the exchange rate is not determined by the forces of demand and supply.	It occurs when the value of domestic currency decreases in relation to the value of foreign currency in the foreign exchange market under the flexible exchange rate regime. It takes place due to market forces of demand and supply.
Example	The government has changed the exchange rate of \$1 from Rs. 40 to Rs. 45. This is an example of the devaluation of currency made by the government.	The increase in demand or decrease in supply for the foreign exchange causes depreciation of domestic currency, e.g. \$1 exchange rate is Rs. 45 instead of Rs. 40 due to the market forces of demand and supply. Here there is no government intervention. The depreciation is happening solely due to the effect of changes in demand and supply for the foreign exchange.

13. Deficiency of demand creates a deflationary gap in the economy. The deflationary gap may be defined as an excess of aggregate supply over aggregate demand at the full employment level. Thus,
 Deflationary gap = Equilibrium level of expenditure - Planned aggregate expenditure.
 It is a situation when lack of demand leads to deflationary pressures in the economy. Inducement to invest is hurt. Low investment leads to low output. Implying low-income, and low demand once again.
 Following is the diagram showing the deflationary gap:



In the above diagram, E is the equilibrium point but the current actual demand is less than the full employment level of income.

The gap between E and K is a deflationary gap.

14. Voluntary unemployment refers to a situation when a person is unemployed because he is not willing to work at the existing wage rate. On the other hand, involuntary unemployment refers to an unemployment in which all those people, who are willing and able to work at the existing wage rate, do not get work.

The distinction is significant to determine the total unemployment in an economy. Voluntary unemployment is not counted while estimating the size of unemployment. While involuntary unemployment is considered while estimating the total unemployment in an economy.

OR

Components of Aggregate Demand are:

- i. Consumption Expenditure(C)
- ii. Investment Expenditure(I)
 - a. Consumption Expenditure(C): it is that portion of income that is spent on the purchase of goods and services by the consumers in an economy during the accounting period. Consumption expenditure depends on disposable income.
 - b. Investment Expenditure(I): The addition to the stock of physical capital and change in inventories of a firm in an economy.

In Closed economy model, it is assumed that investments are an autonomous investment.

15. Central Bank, as the Banker's bank, accepts deposits from the commercial banks and offers them loans as and when required.

Central Bank also provides clearing house facility to the commercial banks. In its supervisory role, it ensures that the commercial bank follow all the rules and instructions for the smooth functioning of the banking system. they ensures fair mergers, Acquisition, give licenses to open new branch etc.

16. Answer the following questions:

- (i) i. a. When Net Factor Income from Abroad is zero, domestic income is equal to national income.
- b. When intermediate consumption is zero.

Because Value added= Value of output- Intermediate Consumption

- a. When a net change in stocks is zero.
- b. When there is no income in the form of interest.

- ii. **Gross Domestic Product at Market Price (GDP_{mp})**

$$\begin{aligned}
 &= \text{Private Final Consumption Expenditure} + \text{Government Final Consumption Expenditure} + \text{Gross Domestic Capital Formation} - \text{Net Imports} \\
 &= 5,000 + 3,000 + 1,000 - 200 \\
 &= \text{Rs. 8,800 crores}
 \end{aligned}$$

$$\begin{aligned}
 \text{National Income} &= \text{GDP}_{mp} - \text{Consumption of Fixed Capital} - \text{Net Factor Income to Abroad} - \text{Net Indirect Taxes} = \\
 &= 8,800 - 150 - (-50) - 800 \\
 &= \text{Rs. 7,900 crores}
 \end{aligned}$$

(ii) OR

- i. Goods which remain unsold during the year are treated as a part of the change in stock during the year. These goods become a part of the inventory investment of the producers and added while calculating GDP by Expenditure Method. Accordingly, the income method and expenditure method must yield identical estimates of GDP.

- ii. a. Net Indirect Taxes(Indirect Taxes-subsidies) is the difference between MP and FC.

$$\begin{aligned}
 &= \text{Net national product at market price} - \text{Net national product at factor cost (Gross national product at factor cost} - \text{Consumption of fixed capital)} \\
 &= ₹1,400 \text{ crore} - (₹1,300 \text{ crore} - ₹100 \text{ crore}) \\
 &= ₹1,400 \text{ crore} - ₹1,200 \text{ crore} \\
 &= ₹200 \text{ crore}
 \end{aligned}$$

b. Net Domestic Product at Factor Cost
 = Gross national product at factor cost - Consumption of fixed capital - Net factor income from abroad
 = ₹1,300 crore - ₹100 crore - (-) ₹20 crore
 = ₹1,300 crore - ₹100 crore + ₹20 crore
 = ₹1,220 crore

So,

a. Net indirect taxes = ₹200 crore
 b. Net domestic product at factor cost (NDP at FC) = ₹1,220 crore

17. Answer the following questions:

(i) Surplus budget is an useful measure to control inflation. Surplus budget refers to a situation in which government's expenditures are less than government's revenues. This is a good policy to reduce the liquidity and hence demand and inflation, however surplus budget cannot be presented in developing countries like India due to low level of development.

(ii) Interest Payment = 13,500

Primary Deficit = $\frac{13,500}{30\%}$

Primary Deficit = 45,000

Primary Deficit = Fiscal Deficit - Interest Payment

45,000 = Fiscal Deficit - 13,500

Fiscal Deficit = 45,000 + 13,500

Fiscal Deficit = 58,500

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18.

(b) All of these

Explanation:

All of these are adding to the productivity of the country. So, these are workers.

19.

(c) India and Pakistan

Explanation:

India and Pakistan

20.

(b) Industrial Policy Resolution, 1956

Explanation:

Industrial Policy Resolution, 1956

21.

(d) Money lenders

Explanation:

Landlords, village traders and Moneylenders are the three important sources of non-institutional source. They charge exorbitantly high interest rates and manipulated the accounts to exploit the illiterate farmers. Non-institutional credit led to a debt trap for the farmers.

22.

(c) A is true but R is false.

Explanation:

Financial sector may be allowed to take decisions on many matters without consulting the RBI.

23.

(d) Education and Health

Explanation:

Education and health are two major aspects of social sector reforms. An educated and healthy person can contribute positively to the growth of society and vice-versa where the individual interest lies in the collective interest.

24.

(d) G-20, SAARC

Explanation:

G-20, SAARC

25.

(b) 17

Explanation:

17

26.

(d) Both the statements are false

Explanation:

Both the statements are false

27.

(a) (I) and (II)

Explanation:

(I) and (II)

28. Sustainability is a paradigm for thinking about a future in which environmental, social and economic considerations are balanced in the pursuit of development and an improved quality of life. World population is projected to increase [by around 2 billion] by 2050. Practically all that growth will be in the developing countries of Asia and Africa. This will put increased strain on resources and systems that are already insufficient in many cases (Emerging Risks in the 21st Century: An Agenda for Action). The sustainability paradigm is a major change from the previous paradigm of economic development with its damaging social and environmental consequences. Until recently these consequences have been seen as inevitable and acceptable.

OR

Yes, plastic bags result in serious environmental problems. Because plastic bags can not be recycled.

29. 1. **Labour Force:** It refers to the number of persons actually working or willing to work. It does not depend upon the wage rate and is measured in terms of the number of days.

2. **Labour Supply:** It refers to the number of persons willing to work at different wage rates. It depends upon the existing wage rate and is measured in terms of man-days.

3. **Workforce:** It refers to the number of persons actually working. This measure does not include those persons who are willing to work but are not getting work.

30. At the time of independence, Indian economic conditions were very poor and weak. There was neither much private capital nor did India have international investment credibility so as to attract foreign investment. Moreover, Indian planners did not want to be dependent on foreign capital for economic development. In such a situation, it was only logical that the public sector should take the initiative.

During the planning period, the public sector was given a leading role in industrial development because of the following reasons:

i. **Lack of Capital with the Private Entrepreneurs:** At the time of Independence, the requirement of capital for diversified industrial growth far exceeded its availability with private entrepreneurs. Accordingly, it became essential for the state to foster industrial growth through public sector undertakings.

ii. **Lack of Incentive among the Private Entrepreneurs:** The Indian market was comparatively small which discouraged Indian industrialists to invest in major projects (even though they had sufficient capital to invest). Thus, the government promoted the industrial sector.

iii. **Socialistic Pattern of Society:** Indian planners wanted to develop the Indian economy on a socialist base, so they focused on government-funded major projects.

iv. **Social welfare:** In India, there were certain projects in which the profit margin was negligible. Thus, the private sector was not interested in such projects, and it was only the public sector which could bring the balanced regional growth with the

establishment of government units in the backward areas. This move could increase the employment and income of the people.

31. IMF was conceived at the Bretton Woods Conference held in 1944 and set-up in 1946. The main objective of setting up of such an organisation was to administer a code of good conduct in international liquidity of its member countries and to grant short-term loans to economies, experiencing a temporary deficit in Balance of Payments (BoP). IMF started to function from March 1947. Its headquarters is located in Washington DC. There are 189 member countries including India. The highest authority of the IMF is the Board of Governors, which consists of the most part of Ministers of Finance or Central Bank Governors of the member countries. Each member country appoints one Governor. The board generally meets only once in a year. The main objectives of IMF are as follows

- i. **To promote international monetary cooperation:** IMF provides the machinery for consultation and collaboration on international monetary problems. During the Second World War, IMF had played a vital role to promote monetary co-operation amongst the different countries of the World.
- ii. **To promote exchange stability:** Before the Second World War, great instability was prevailing in the foreign exchange rates of different countries which had adversely affected international trade. Thus, IMF has the objective to promote exchange stability and to avoid the bad effects of depreciation on exchange rates.
- iii. **Establishment of Multilateral Trade and Payment:** To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions.
- iv. **Confidence to member nations:** To give confidence to members by making the general resources of the fund temporarily available to them under adequate safeguards.

OR

The process of globalisation through liberalisation and privatisation policies has produced positive, as well as, negative results for India and other countries. The given statement is true to its character.

- i. Greater access to global markets,
- ii. High technology and,
- iii. Increased possibilities of large industries of developing countries to become important players in the international arena.

On the contrary, the critics argue that:

- i. Globalisation is a strategy of the developed countries to expand their markets in other countries. According to them, it has compromised the welfare and identity of people belonging to poor countries.
 - ii. Market-driven globalisation has widened the economic disparities among nations.
 - iii. It has increased the income and quality of further consumption of only high income groups.
 - iv. The growth has been concentrated only in some select areas in the service sector such as telecommunication, IT, finance, entertainment, travel and hospitality services, real estate and trade rather than vital sectors such as agriculture and industry which provide livelihoods to millions of people in the country.
32. Migration is shifting of a person from one place to another with the intentions of settling, permanently or temporarily in a new location. The movement is often over long distances and from one country to another. When people migrate from one country to another country it is known as external migration, on the otherhand when people shift from one state to another state it is known as internal migration.

Costs of Migration:

- a. It involves higher cost of living in migrated area.
- b. It involves cost of transportation.
- c. It involves psychological cost of living in a foreign culture.

Benefits of Migration:

- a. Higher earnings
- b. Better social status

33. Answer the following questions:

- (i) i. Agricultural marketing does not simply refer to the farmers' act of bringing their produce to the market for sale. It includes all those activities/processes which help them in getting the maximum price for their produce. These processes include grading, packaging and storing. Hence we can say that the given statement is incorrect.
- ii. The only factor which can ensure higher productivity in agriculture in rural economy is Capital. It can grow only if it has an adequate flow of finance. Provision of rural credit enables a farmer to buy fertilisers, improved seeds of organic pesticides and equipment. All these inputs help him to increase his agricultural productivity and income. Credit is the lifeline of farming activity. Because:

- i. Most farming families in India are small and marginal holders, producing just enough for subsistence. They seldom generate surplus for further investment.
- ii. Gestation period between sowing and harvesting is quite long. This necessitates borrowing for the purchase of inputs.

So, the importance of credit in rural development can be perceived as a means to break the vicious circle of low capital, low productivity and low savings of the rural poor.

(ii) OR

- i.
 - i. True. The Government of India has implemented schemes like Jan-Dhan Yojana, which has promoted thrift habits and efficient allocation of financial resources. The formal banking system has been benefitted by mobilization of a substantial amount under this yojana.
 - ii. True. Cooperatives play a pivotal role in the availability of credit in rural India. They offer accessible financial services to farmers, small businesses, and individuals, bridging gaps left by formal banking institutions. With lower transaction costs, resource pooling and risk-sharing, they provide vital credit support, empowering rural communities and fostering economic growth.
 - ii. The problems faced by farmers during the initial years of organic farming are:
 - i. Organic farming requires inputs like organic manure, bio-fertilisers and organic pesticides. Though they are cheaper yet farmers find it difficult to get them.
 - ii. Existing infrastructure is inadequate for taking up organic farming on a large scale.
 - iii. The yield from organic farming is much less than that of modern agricultural farming. Therefore, small and marginal farmers may find it difficult to sustain production.
 - iv. The price of organic food is high, so it is difficult to sell them. Also, there are problems with marketing the products as there is little awareness about the benefits of organic farming.
 - v. Organic products generally have more blemishes and shorter shelf life.
 - vi. Choice in production of off-season crops is quite limited in organic farming.
34.
 - i. The given extract highlights the effect of smog on the Indian subcontinent (primarily Northern India and Pakistan). Smog is the world's most poisonous air pollution, as measured by levels of "microparticle" pollutants that are fine enough to lodge deep in people's lungs and enter their bloodstream. India ranks second, and Pakistan third, behind China, in the numbers of people who die prematurely each year from pollution, according to health data analyzed in 2019 by the Global Alliance on health and pollution. Every winter, the subcontinent becomes brown haze, heavy with sulfur and metals including lead, thickens as winds and rain subside. In November, Delhi recorded its worst five-day stretch of smog since 2016. The epidemiologists and the World Health Organization said the pollution is likely to elevate the death toll from COVID-19.
 - ii. The issue of COVID and pollution together has made it necessary for both India and Pakistan to hold a long-term accord. It has offered the chance to launch a necessarily long process of building the mandatory political will in both countries to cooperate in reducing air pollution. Such an act of environmental peacebuilding could constructively build confidence between the countries while avoiding the more intractable elements of their conflicts.