



B K BIRLA CENTRE FOR EDUCATION
SARALA BIRLA GROUP OF SCHOOLS
SENIOR SECONDARY CO-ED DAY CUM BOYS' RESIDENTIAL SCHOOL
PRE BOARD -3 (2024-25)
ECONOMICS (030)
CLASS XII



Date: 16/01/2025

Time: 3 hrs

Admission No.

M.M:80

SECTION A (Macro Economics)

1. Option (C) is correct. 1)
2. Option (D) is correct. 1)
3. Option (D) is correct. 1)
4. Option (C) is correct. 1)
5. Option (B) is correct. 1)
6. Option (C) is correct. 1)
7. Option (A) is correct. 1)
8. Option (D) is correct. 1)
9. Option (A) is correct. 1)
10. Option (A) is correct. 1)

11. **Yes, I agree.** Services rendered by commercial undertakings are invisible items which are included in current account. There are following examples of commercial undertaking services: 3)

- (i) International transport services for goods
- (ii) Payment of claims and insurance instalments
- (iii) Services of experts
- (iv) Income obtained from investment
- (v) Government transactions through embassies.

12. **(A)** Private Final Consumption Expenditure + Government Final Consumption Expenditure + Net Export + Gross Domestic Fixed Capital Formation – Indirect tax + Subsidies – Consumption of Fixed Capital. 3)
= (i) + (ii) + (iii) + (v) – (viii) + (ix) – (iv)
= ` 10,000 + ` 8,000 + ` 850 + ` 5,000 – ` 500 + 300 – ` 900
= ` 22,750 Cr.

OR

(B) I do not fully agree with the statement that “increase in domestic income always leads to an increase in national income.”

An increase in domestic income refers to the total income earned by residents of a country from both domestic and foreign sources. However, national income is the sum of all incomes earned by a country's residents within its borders and excludes income earned abroad by foreign residents.

For example:

If there is a significant rise in domestic income due to a large inflow of remittances from abroad, the domestic income may increase, but this would not directly increase national income because these earnings come from foreign sources and do not contribute to domestic production.

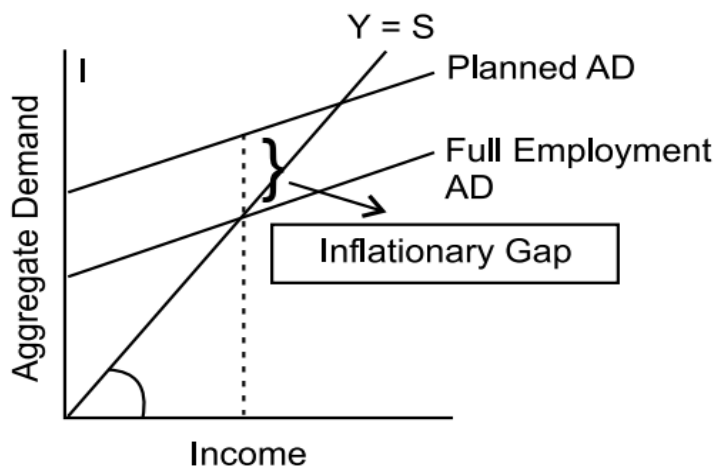
Conversely, foreign investments in a country may increase its national income as they lead to higher domestic production, but the profits earned by foreign investors are sent abroad, thus increasing national income without raising domestic income.

13. **(i)** The foreign loan received from the World Bank will be recorded on the credit side of the capital account of the Balance of Payments. It is on the credit side because it results in an inflow of foreign exchange into the country. Loans from international financial institutions are recorded in the capital account as they reflect changes in external debt and liabilities. 3)

(1)

(ii) Marginal propensity to save is the ratio of the change in total desired saving to change in total income. 1)

14. (A) Inflationary Gap is a condition of the economy that arises due to excess demand. In this situation aggregate demand exceeds aggregate supply. 4)



Its impact on production, employment and price is as follows:

(a) Output: In the situation of inflationary gap, there is no effect on production of goods because there is full employment in the economy and factors are already employed and technology remains constant.

(b) Employment: During the situation of inflationary gap, there is already full employment among resources. No additional employment opportunity is generated in the economy.

(c) Price level: Due to excess demand arising in the economy, cost of production tends rise which leads to a rise in the price level of goods and services.

OR

(B) Given, Autonomous Consumption (c) = ₹ 40 crore

Investment expenditure (I) = ₹ 200 crore

For economy A, Marginal Propensity to Consume (MPC) = 0.4

For economy B, Marginal Propensity to Consume (MPC) = 0.8

(i) At break-even level for economy A; $Y = C$

$$Y = 40 + 0.4Y$$

$$0.6Y = 40$$

$$Y = ₹ 66.67 \text{ crore}$$

(ii) Equilibrium level of income for economy B;

$$Y = C + I$$

$$Y = c + (MPC) \times Y + I$$

$$Y = 40 + 0.8Y + 200$$

$$Y = ₹ 1200 \text{ crore}$$

15. The principal functions of central bank are as follows:

(i) **Monopoly in issuing currency:** Central bank as apex monetary institution, has monopoly right of issuing currency. 4)

(ii) **Banker to the government:** Central bank acts as the banker, advisor and agent of the government.

It looks after all the accounts of the government and also buys and sells securities on behalf of the government. It also gives financial suggestions to the government.

(iii) **Banker's Bank:** Central Bank is the bank of all the commercial banks. It accepts deposits from bank and also provides loan to them as per the requirement. Central bank supervises and guides all commercial bank.

(iv) **Control of credit:** Central bank controls the supply of credit in the economy through its monetary instruments and regulates the credit creation by the commercial bank.

(2)

16. (i) The budget is an account of the estimated income and expenditure of the government during a financial year. If the estimated income of the government is not equal to its estimated expenditure, then it is called unbalanced budget. It is of two types: **3)**

Surplus budget: The budget in which estimated income exceeds estimated expenditure of the government, known as surplus budget.

Deficit budget: The budget in which government expenditure exceeds budgeted receipt (income) is known as deficit budget. Deficit budget includes revenue deficit, fiscal deficit and primary deficit.

(ii) Yes, I agree with this statement. Fiscal deficit refers to the shortfall when a government's total expenditure exceeds its total receipts (excluding borrowings). It indicates how much the government needs to borrow to meet its expenses. A high fiscal deficit can stimulate economic growth in the short term by increasing government spending, especially during a recession. However, in the long term, it may lead to higher interest rates, inflation, and increased public debt, which can reduce private investment and strain future government finances, potentially destabilizing the economy. **3)**

17. (A)(i) Fiscal Deficit (Revenue Expenditure + Capital Expenditure) – (Revenue Receipts + Recovery of loans and other receipts) **3)**

$$= ₹ 34,83,236 - ₹ 17,88,424 + ₹ 1,88,000$$

$$= ₹ 15,06,812 \text{ crore}$$

(ii) The statement is defended. When the expected governmental expenditure exceeds the governmental expected income, then that budget is called deficit budget. Deficit budget is generally considered to be a negative symptom for the economy, but the several economist advocates for deficit budget for coming out from the problem of depression in the economy. It is beneficial during an economic depression because increasing government spending boosts aggregate demand and stimulates economic activity. This additional expenditure creates jobs and raises income levels, further enhancing consumer spending and supporting economic recovery. **3)**

OR

(B) (i) Precautions to be taken during the estimation of national income by value added method are as follows:

(a) Value of intermediate goods not to be counted.

(b) Value of sale and purchase of second hand goods not to be included. Subsidy amount not to be counted.

(ii) Yes, I agree with the statement. The income of an Indian citizen working abroad is part of factor income. It should be included in national income of India. The income received by an Indian resident abroad from his entrepreneurship should be included in Indian national income because it is a part of factor income from rest of the world.

SECTION B (Indian economic Development)

- 18. Option (A) is correct** **1)**
- 19. Option (D) is correct.** **1)**
- 20. Option (D) is correct.** **1)**
- 21. Option (B) is correct** **1)**
- 22. Option (A) is correct.** **1)**
- 23. Option (A) is correct.** **1)**
- 24. Option (D) is correct.** **1)**
- 25. Option (A) is correct.** **1)**
- 26. Option (C) is correct.** **1)**
- 27. Option (D) is correct.** **1)**

- 28. (A)** Consequences of land settlement system were: **3)**
- (i) Profits accruing out of agricultural sector went to the zamindars in the form of land revenue.
 - (ii) Farmers become landless and the zamindars became the owners of the soil.
 - (iii) It increased the gap between tiller and owner of the soil.
 - (iv) The attention of both the farmers and the zamindars remained confined to the land revenue and the expectation of agrarian reforms began to decline.

OR

(B) Indian handicrafts used to be the main means of rural livelihood during the colonial period but they were destroyed due to the discriminatory taxation policy of the British government. It made the raw material going from India to Britain tax free and made the products of British factories free from import tax in India. But tax rates on handicraft products made in India were kept high. As a result, handicrafts became costlier and East India Company's products took their place in the Indian markets.

- 29.** Human capital formation refers to the process of enrichment in the skill and ability of population. **3)**
- Education, health and training are areas by which a nation can accelerate the process of human capital formation by investing in them. In a developing country like India, where the population is very high, increasing the government's expenditure on education will give very positive results. The ability of self-employment and entrepreneurship will increase in people.

- 30. Yes, I agree with the given statement.** Indian and Pakistan adopted almost a similar strategy of growth **4)** but China adopted state-managed strategy for growth and development.

Following policy is responsible for the faster growth of China:

(i) China introduced the Great Leap Forward policy between 1958 and 1960, which was based on a logical theory of economic development. Its purpose was to increase the level of industrial production in the country, which represented an unambiguous social invention. The Chinese Communist government has an ambitious plan that China should become economically self-sufficient by rapidly developing both heavy and light industry, urban and rural areas, and large and small-scale industries.

(ii) China tried to control its population under one child policy. China has started the Great Proletarian Cultural Revolution in 1965 on a large scale. Since 1978, several phases of economic reform policies were started in China, due to which there has been progress in the fields of agriculture, foreign trade and investment.

- 31.(A)** Cooperative marketing helps farmers by organizing them into groups that collectively sell their produce, **4)** reducing middlemen and ensuring better prices. Acting as a link between farmers and the government, cooperatives facilitate access to government schemes, subsidies, and market information. They empower small farmers by giving them a stronger bargaining position, improving income stability, and ensuring fair market practices. Moreover, cooperatives help in distributing government-provided inputs like seeds and fertilizers, ensuring timely payments, and promoting efficient agricultural practices, thus benefiting both farmers and the broader economy.

OR

(B) Infant Mortality Rate (IMR) refers to the death rate of newly born babies before completing the age of one year, counted per 1,000 live children. It was 146 in the year 1951 due to lack of hospitals, doctors and medical facilities but it has come down to 30 in 2019.

This remarkable decline in India's Infant Mortality Rate (IMR) is largely due to significant improvements in healthcare services, including better prenatal and postnatal care as well as widespread immunization. Additionally, enhanced sanitation practices and better nutrition have further contributed by reducing the prevalence of diseases that affect infants.

- 32. (i)** The image depicts the problem of insufficient local employment opportunities, leading people to **1)** migrate from rural areas to cities or from developing to developed countries in search of work.

(4)

(ii) The migration due to inadequate local employment creates a strain on urban infrastructure and increases competition for jobs in cities. It also leads to reduced household incomes in rural areas, which diminishes both production and consumption, negatively affecting the overall economy. Additionally, this migration can create social, political, and demographic challenges for the country. **3)**

33. (i) In 1991, the Indian government opened the country's border to producers from all over the world under the economic reforms. Liberalization refers to the removal of governmental limitations on private individual activity. Customs duties and import and export taxes were reduced. The policy of liberalization was adopted by abolishing the licensing policy in the country and it introduces a free market system in India. It minimises the government's restrictions and regulations in Indian Economy. **2)**

(ii) After globalisation India opened its doors to multinational companies and we became completely dependent on the products of these multinational companies. This has the following consequences: **3)**

Dependence on the products of foreign companies transfers the wealth of our country to the countries of the world. Our hard earned money goes out of our country through these companies. Dependence on foreign goods can also be harmful for the independence and sovereignty of our country.

The consumption tendency of foreign goods is also fatal for the development of industrial centres of our country.

(iii) India faced a severe shortage of foreign exchange reserves, barely enough to cover a few weeks of imports. This led to an urgent need for structural changes to stabilize the economy, which led to the Economic reforms in 1991. **1)**

34. (A) (i) Chipko or Appiko movement has been mentioned here which took place in Sirsi district, symbolising protection for the trees. The Chipko movement was a famous movement which aimed at: **4)**

Stop the cutting of trees to protect the environment.

(a) To make people aware of environmental protection.

(b) To attract people's attention towards tree plantation and forestry.

(c) Creating pressure on the government and industrial centres to control the cutting of trees.

(d) Use of forest resources while giving careful thought to protecting natural resources.

(ii) Following steps can be taken to stop deforestation: **2)**

(a) Industrial centers should be set up on vacant and barren land so that there is no need to cut trees.

(b) If necessary, uprooting trees in a scientific way and planting them at another place can be good alternative to cutting tree.

OR

(B) (i) Sustainable development is a key objective for the Indian government because it helps to protect the environment and ensure that the needs of the present generation are met without compromising the needs of future generations. Sustainable Buildings is committed to developing solutions that reduce environmental impact, achieve zero carbon emissions, optimise energy efficiency, and create high-quality indoor and outdoor environments. **3)**

(ii) Organic farming is a system of farming which enhances and maintains ecological balance with the help of techniques such as crop rotation, green manure, compost and biological pest control, etc. Organic farming is needed to achieve sustainable agricultural development. Sustainable agriculture is necessary to attain the goal of sustainable development. Sustainable agriculture requires that the quality of environment should be maintained and natural resources should be conserved. Organic farming is one of the ways of meeting the objective of sustainable agriculture as organic farming is environment friendly. **3)**

(5)

