



# BK BIRLA CENTRE FOR EDUCATION

SARALA BIRLA GROUP OF SCHOOLS  
SENIOR SECONDARY|CO-ED DAY CUM BOYS' RESIDENTIAL SCHOOL

MID-TERM EXAMINATION 2023-24

ECONOMICS (030)



Class : XII  
Date : 13/10/2023  
Admission No.:

Duration : 3 Hrs  
Max. Marks : 80  
Roll No.:

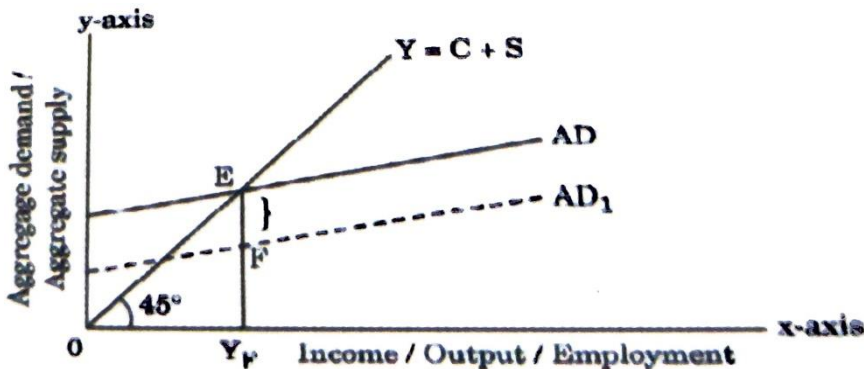
## General Instructions:

- This question paper contains two sections:  
Section A – Macro Economics  
Section B – Indian Economic Development
- This paper contains 20 Multiple Choice Questions of 1 mark each.
- This paper contains 4 Short Answer Questions of 3 marks each to be answered in 60 to 80 words.
- This paper contains 6 Short Answer Questions of 4 marks each to be answered in 80 to 100 words.
- This paper contains 4 Long Answer Questions of 6 marks each to be answered in 100 to 150 words.

## SECTION A – MACRO ECONOMICS

1. In the context of commercial bank, which of the following alternatives is correct. (1)
- (i) Deposits are liabilities of banks  
(ii) Commercial banks are creator of money  
(iii) Commercial banks accept deposits of the general public  
(iv) Accept deposits of World bank for agricultural and rural development.
- (a) (i) and (ii) (b) (ii) and (iii)  
(c) (i), (ii) and (iii) (d) (i) and (iv)

2. What does the figure below depict? (1)



- (a) Deflationary gap and under-employment equilibrium  
(b) Excess demand and inflationary gap  
(c) Deficient demand and inflationary gap  
(d) Full employment equilibrium

3. If the central bank wants to reduce money supply in the economy; it may.... (1)
- (i) increase Bank Rate (ii) reduce Cash Reserve Ratio  
(iii) sell securities in the open market (iv) buy securities in the open market

Alternatives:

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

4. Banks are able to create many times more than initial deposit through \_\_\_\_\_ (1)  
(a) Secondary deposits (b) Advancing loans  
(c) Accepting deposits (d) Providing overdraft facility

Alternatives:

- a) Both the statements are true  
(b) Both the statements are false  
(c) Statement 1 is true and Statement 2 is false  
(d) Statement 2 is true and Statement 1 is false

5. **Statement 1:** Credit creation is inversely related to the LRR (1)  
**Statement 2:** Encouraging borrowing by households and businesses will adversely affect the economy as the deposits with the commercial banks will reduce.

6. For the given Consumption function,  $C = 205 + 0.9Y$ , the value of investment multiplier would be..... (1)  
(a) 0.09 (b) 10.0  
(c) 0.9 (d) 9.0

OR

The range of value of Investment Multiplier is always between.....and .....

- (a) zero (0), infinity (b) one, infinity  
(c) zero, one (d) minus one (-1), plus (+)

7. **Assertion (A):** At the break - even level of income, the value of Average propensity to Consume (APC) is zero (1)

**Reason (R):** Sum of Average propensity to Consume (APC) and Average propensity to Save (APS) is always equal to one

- (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.

8. If in an economy, the investment multiplier is 4 and autonomous Consumption is ₹30crore, the relevant consumption function would be..... (1)

- (a)  $C = 30 + 0.75Y$  (b)  $C = (-) 30 + 0.25Y$   
(c)  $C = 30 + 0.25Y$  (d)  $C = (-) 30 - 0.25Y$

9. A tax whose burden cannot be shifted to others is imposed generally on..... (1)  
(a) producer of goods (b) seller of goods  
(c) buyer of goods (d) income earners

10. **Assertion (A):** Recovery of loan is a revenue receipt for the government (1)  
**Reason (R):** Recovery of loans leads to decline in financial assets of the government

11. In the light of the given statements, choose the correct alternative from the following. (1)

**Statement 1:** Borrowings by a nation from the World Bank to finance Balance of Payment (BOP) Deficit will be recorded in the capital account.

**Statement 2:** Autonomous transactions are independent of the condition of Balance of Payment (BOP) account

12. 'In an economy ex-ante Aggregate Demand is more than ex-ante Aggregate Supply.' (3)  
Explain its impact on the level of output, income, employment and price level in the economy.

13. Suppose the following information is given about a hypothetical economy. (3)  
 $C = 100 + 0.75Y$  (where C = Consumption and Y = Income)  
 $I = 200$  (I = Autonomous Investment)  
Calculate Aggregate Demand at Equilibrium level of Income.

14. Giving valid reasons, state whether the following statements are true or false: (3)

(i) Dividend received from investment abroad is recorded on the credit side of the capital account.

(ii) Depreciation of the Indian currency will lead to promotion of Indian exports.

**OR**

Distinguish between autonomous and accommodating transactions in Balance of payments accounts.

15. Discuss briefly the working process of investment multiplier (K), assuming that Change in Investment ( $\Delta I$ ) is Rs.4000 crore and Marginal propensity to Consume (MPC) is 0.5. (4)

16. The government decides to give budgetary incentives to investors for making investments in backward regions. Explain these possible incentives and the reasons for the same. (4)

**OR**

In the government of India's budget, the Finance Minister proposed to raise the excise duty on Cigarettes. He also proposed to increase income tax on individual earning more than Rs.one crore per annum.

Identify and explain the types of taxes proposed by the Finance Minister. Was the objective only to earn revenue for the government? What possible welfare objectives could the Government be considering?

17. Calculate the value of: (i) Fiscal deficit and (ii) Primary deficit (4)

Items	Rs. In crore
i) Revenue Receipts	20
ii) Capital expenditure	15
iii) Revenue deficit	10
iv) Non-debt creating capital receipts	50% of revenue receipts
v) Interest Payments	4

18. Read the following text carefully. Answer the given questions on the basis of the same and common understanding.

On 30th September 2022, the Reserve Bank of India (RBI) raised Repo Rate for the fourth time in a row. The Monetary Policy Committee (MPC) decided to raise the policy rate by 50 basis points.

(1 basis point = 1/100th of a percent). After this announcement, the new repo rate stands at 5.9%, while the reverse repo rate continues to stand at 3.35%. Commercial banks borrow money from the Central

Bank, when there is a shortage of funds. With the surge in the repo rate, borrowings by general public will become costlier. This is because, as RBI hikes its repo rate, it becomes costly for the banks to borrow short term funds from the Central Bank. As a result, the banks hike the rates at which customers borrow money from them to compensate for the hike in the repo rate. This happens because banks offer loans to retail consumers at an interest rate which is generally directly proportional to the repo rate. The increase of 0.50 percent in repo rate will lead to a higher interest rate on loans for borrowers, implying that the Equated Monthly Instalments (EMIS) for repaying the existing loans will also increase.

- (a) Identify and define the two monetary policy measures and their nature mentioned in the above text. (3)
- (b) 'Increase in repo rate is an important tool used by Monetary Policy Committee to combat the situation of inflation in the economy'. Justify the given statement. (2)
- (c) Outline the recent change made by the Monetary Policy Committee of RBI in the Repo rate. (1)

**19. (a)** 'The government has raised the exemption limit for the payment of Income tax from Rs.2 lakh to Rs.2.5 lakh.' (3)

If the situation of deficient demand is prevailing in the economy, what will be the impact of this action taken by the government?

**(b)** At the break-even point, level of income for the economy is Rs.10,000 crores and if the people tend to save 20% of their additional income, then calculate the value of Autonomous Consumption. (3)

- 20. (a)** Explain the significance of Current Account Deficit and Current Account surplus. (3)
- (b) Explain the Managed Floating Exchange Rate system. (3)

**OR**

State, giving valid reasons, whether the following statements are true or false.

- (i) Current Account in Balance of Payments records only the exports and imports of goods and services.
- (ii) Borrowings from abroad are recorded in the Capital account of the Balance of Payments on the debit side.
- (iii) Depreciation of the Indian currency will lead to promotion of Indian exports.

### **SECTION A – INDIAN ECONOMY**

- 21.** Which of the following is not true about foreign trade during the colonial rule? (1)
- (a) India suffered from large trade deficit
- (b) Restrictive policies of commodity production, were followed.
- (c) Britain maintained a monopoly control over India's exports and imports
- (d) India became an exporter of primary products and an importer of finished consumer goods.

**22.** Read the statements and choose the correct option. (1)

**Statement 1:** Air India, a fully owned Public Sector Undertaking (PSU) was disinvested and sold to a private entity.

**Statement 2:** Public Sector Undertakings (PSU) are sold to create more direct and/or indirect employment opportunities in the country.

**23. Assertion (A):** Post independence Public Sector was given a prominent role due to requirement of huge investments in the secondary sector (1)

**Reason (R):** Industrial sector is the backbone of any economy.

24. In 1955, Karve committee was constituted for aiming at..... (1)
- (a) Modernisation (b) Industrial Development  
(c) Development of small-scale industries (d) Self-reliance

25. Identify the correct sequence of alternatives given in column II by matching them with respective terms in column I. (1)

Column I	Column II
A. Land Ceiling	(i) Increase in production of food grains using high yielding variety seeds
B. Land reforms	(ii) Portion of agricultural produce sold in the market
C. Green revolution	(iii) Fixing the maximum limit of land holding for an individual
D. Marketed Surplus	(iv) Change in the ownership of land (land to tillers)

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

26. Which of the following falls under the role of the World Trade Organisation? (1)
- (a) Setting the limit for domestic and foreign investments in a country.  
(b) Mandating the level of tax levied on foreign firms in developing countries  
(c) Aiding the development of poor countries by providing infrastructural investment  
(d) Providing a platform for member countries to decide future tariff-related strategies.

27. "Skill India" programme launched by the Government is not an attempt to increase..... (1)  
in India.

- (a) Human capital formation (b) efficient utilisation of inputs  
(c) Increase in GDP growth (d) inadequate spread of vocational Education

28. **Assertion (A):** Human capital is not traded in the market; however, its services are traded. (1)  
**Reason (R):** Human capital is intangible in nature

OR

Identify which of the following does not reflect a direct relationship between human capital formation and economic growth.

- (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

29. Identify which of the following are associated with the problem of human capital formation in India? (1)

- (i) Brain Drain (ii) Low academic standards  
(iii) Rising population (iv) Changes in social outlook  
(a) (i) and (ii) (b) (ii) and (iii)  
(c) (i), (ii) and (iii) (d) (i) and (iv)

30. 'Education Commission 1964-66 had recommended that at least 6% of the GDP must be spent on education.' (3)

How far India has been able to achieve the said goal?

OR

“Human capital formation gives birth to innovation, invention and technological improvements.”  
Do you agree with the given statement? Support your answer with valid arguments.

31. Point out the differences between Human Capital and Human Development. (4)

32. Answer the following questions on the basis of the given picture:



(i) How had the nation immensely benefitted from the technology in agriculture which permanently broke the stagnation in agriculture during the colonial rule in India? (3)

(ii) Explain one argument against giving fertilizer and pesticide subsidy. (1)

33. (i) Discuss briefly any two major steps taken by Government of India on ‘Financial Sector’ front under the Economic Reforms of 1991. (2)

(ii) “India is often called as ‘outsourcing hub’ of the world.” State and discuss the prime reason for this name given to India. (2)

OR

“Some economists believe that the economic reforms have adversely affected the agriculture sector in India.” Justify your answer with valid reason.

34. (i) Why and how was private sector regulated under IPR 1956? (3)

(ii) What is the role of small-scale industries in industrial development of India? (3)

OR

(i) Explain how import substitution can protect the domestic industries? (3)

Why did the policy makers adopt such policy of protection?

(ii) Why was it necessary for a developing country like India to follow self-reliance as a planning objective? (3)

\*\*\*\*\*End of Paper\*\*\*\*\*

