

SAMPLE QUESTION PAPER 7

Economics

Instructions

Time : 3 hrs Max. Marks : 80

1. This question paper contains two sections
Section A- Macroeconomics
Section B- Indian Economic Development
2. This paper contains 20 Multiple Choice Questions of 1 Mark each.
3. This paper contains 4 Short Answer Questions of 3 Marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions of 4 Marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions of 6 Marks each to be answered in 100 to 150 words.

■ Section A (Macroeconomics)

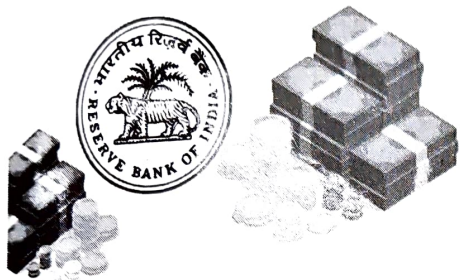
1. refers to a situation where all those who are able to work and are willing to work, are getting work. (1)
 - (a) Under employment
 - (b) Partial employment
 - (c) Full employment
 - (d) Voluntary employment
2. Choose the correct statement from the options given below (1)
 - (a) BoP is in surplus when credit side balance is equal to debit side balance
 - (b) BoP is in surplus when credit side balance is less than debit side balance
 - (c) BoP is in surplus when credit side balance is more than debit side balance
 - (d) BoP can never in the situation of surplus.
3. **Statement I** Public goods are those goods and services that are collectively consumed by the public.
Statement II Public goods are excludable and rivalrous in nature.
Alternatives
 - (a) Both the statements are true
 - (b) Both the statements are false
 - (c) Statement I is true and Statement II is false
 - (d) Statement II is true and Statement I is false
4. Two friends Mira and Sindhu were discussing the exchange rate systems. "Under this system, the exchange rates are determined by the market forces of demand and supply.

However, deliberate efforts are made by the competent authority to keep the exchange rates within a specific range".

The above mentioned statement was given by Sindhu, identify the type of exchange rate system was she talking about. (1)

- (a) Fixed exchange rate
- (b) Floating exchange rate
- (c) Managed floating exchange rate
- (d) Managed fixed exchange rate

5. Which of the following functions of the central bank is shown below? (1)



- (a) Issuer of currency
- (b) Banker's bank
- (c) Lender of last resort
- (d) None of the above

6. If the value of Average Propensity to Save (APS) is 0.2 and national income is ₹ 4,000 crore, then consumption will be (1)

- (a) ₹ 4,000 crore
- (b) ₹ 3,200 crore
- (c) ₹ 3,800 crore
- (d) ₹ 2,600 crore

7. Money was evolved to remove the problems of barter exchange system. Find the correct sequence of evolution of money concepts. (1)

- (i) Paper money
- (ii) Plastic money
- (iii) Metallic money
- (iv) Digital money

Codes

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

8. Suppose that the Balance of Trade (BoT) of a nation, exhibits a surplus of ₹ 20,000 crore.

The import of merchandise of the nation is half of the exports of merchandise to the rest of the world.

The value of exports would be ₹ (1)

- (a) 30,000
- (b) 40,000
- (c) 24,000
- (d) 35,000

9. Dividends received from Public Sector Undertakings (PSUs) are a part of the government's (1)

- (a) non-tax revenue receipts
- (b) tax receipts
- (c) capital receipts
- (d) capital expenditure

10. Find the missing figures and choose the correct alternative (1)

Economy	Nominal GDP (in crore)	Real GDP (in crore)	GDP Deflator
(A)	3,500	6,000	... (i) ...
(B)	4,000	... (ii) ...	50 %
(C)	... (iii) ...	7,500	66.67 %
(D)	2,000	2,500	... (iv) ...

Alternatives

- (a) 50%, 6,000, 5,000, 58%
- (b) 58%, 8,000, 5,000, 60%
- (c) 58.33%, 8,000, 5,000, 80%
- (d) 60%, 8,000, 4,000, 90%

11. From the following data, calculate national income by expenditure method. (3)

Items	₹ (in crores)
Interest	300
Rent	500
Government final consumption expenditure	1,200
Private final consumption expenditure	2,400
Profits	1,280
Compensation of employees	2,000
Net factor income to abroad	60
Net indirect taxes	120
Net exports	(-) 80
Consumption of fixed capital	100
Net domestic capital formation	680

Or How will you treat the following while estimating national income of India?

Give reasons for your answer.

- (i) Salaries paid to Russians working in Indian embassy in Russia.
- (ii) Profits earned by an Indian company from its branches in Singapore.

(iii) Capital gains to Indian residents from sale of shares of a foreign company.

12. "An increase in the exchange rate can have significant implications on national income"

Explain the impact of rise in exchange rate on national income. (3)

13. The following excerpt has been taken from the article 'What is commercial bank' published by The Economic Times on 22nd September, 2022.

"According to the commercial bank definition, it is a financial institution whose purpose is to accept deposits from customers and lend out loans. Commercial banks are important because they help in creating liquidity in the market.

The basic functions are accepting deposits, lending out loans, transfer of money, and discounting bills of exchange."

From the given excerpt, it can be understood that one of the important functions for them is to accept deposits. Can you think of any two forms through which commercial banks accept deposits? (4)

Or

"Currency is issued by the central bank, yet we say that commercial banks create money". Explain. How is this money creation by commercial banks likely to affect the national income?

14. Find equilibrium level of Savings (S) and Investments (I),

when Income (Y) = ₹4,400,

Marginal Propensity to Consume (MPC) = 0.75 and

Autonomous Consumption (\bar{C}) = ₹100.

Do you think that the concept of autonomous consumption is valid in real life? (4)

15. Classify the following statements as revenue receipts or capital receipts. Give valid reasons in support of your answer.

(i) Financial help from a multinational corporation for victims in a flood affected area.

(ii) Sale of shares of a Public Sector Undertakings (PSUs) to a private company, Y Ltd.

(iii) Dividends paid to the government by the state bank of India.

(iv) Borrowings from International Monetary Fund (IMF). (4)

16. (i) From the following data, calculate

(a) gross domestic product at market price (3)

(b) factor income from abroad (2)

S. No	Items	₹ (in crores)
(a)	Profits	500
(b)	Exports	40
(c)	Compensation of employees	1,500
(d)	Gross national product at factor cost	2,800
(e)	Net current transfers from rest of the world	90
(f)	Rent	300
(g)	Interest	400
(h)	Factor income to abroad	120
(i)	Net indirect taxes	250
(j)	Net domestic capital formation	650
(k)	Gross fixed capital formation	700
(l)	Change in stock	50

(ii) Define intermediate goods. (1)

Or (i) How can externalities be a limitation of using gross domestic product as an index of welfare? (3)

(ii) "Circular flow of income in a two-sector economy is based on the axiom that one's expenditure is the other's income". Do you agree with the given statement? Support your answer with valid reasons. (3)

17. (i) Assuming that increase in investment is ₹1,000 crore and marginal propensity to consume is 0.9, explain the working of multiplier. (3)

(ii) Explain the relationship between
(a) Average propensity to consume and average propensity to save
(b) Marginal propensity to consume and investment multiplier. (3)

Section B

(Indian Economic Development)

18. Prior to India's independence, the stagnation in the agricultural sector was mainly caused by (1)
- investment in technology
 - investment in agriculture facilities
 - advanced infrastructural facilities
 - land settlement system

19. National Bank for Agricultural and Rural Development (NABARD) was set up in 1982 as a/the body to coordinate the activities of all institutions involved in the rural financing system. (1)
- cooperative
 - apex
 - micro credit
 - private credit

20. "It is an economic phenomenon in which an economy grows without maintaining or declining its level of employment. i.e. when the economy expands without creating new jobs, unemployment stays persistently high".

The situation highlighted in the above statement is an indicator of (1)

- jobless growth
- casual workforce
- unemployment
- Both (a) and (b)

21. Which of the following were reasons of slow growth rate in Pakistan? (1)
- Reliance on remittance
 - Political instability
 - Growing dependence on foreign loans

Codes

- (i) and (ii)
- (ii) and (iii)
- (i) and (iii)
- (i), (ii) and (iii)

22. **Statement I** TANWA was a project initiated in the late 1980s in Gujarat to train women in latest agricultural techniques and in organic farming.

Statement II Government maintains Minimum Support Price (MSP) policy, in order to safeguard the interest of farmers. (1)

Alternatives

- Both the statements are true
- Both the statements are false

- Statement I is true and Statement II is false
- Statement II is true and Statement I is false

23. 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.	Share of service sector is the highest	(i)	In India and Pakistan
B.	Around 45% of the population is engaged in agriculture sector	(ii)	In China
C.	The growth rate was lowest in 1980s	(iii)	In China, India and Pakistan
D.	Fertility rate is low	(iv)	In India

Codes

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

24. The environment performs four vital functions and the environment is able to perform these functions without any interruption as long as the demand on these functions is within its carrying capacity. In the given statement 'carrying capacity' implies to (1)

- The resource extraction is not above the rate of regeneration.
- Wastes generated are beyond the absorptive capacity of the environment.
- The resource extraction is not below the rate of regeneration.
- The resource and the wastes generated are within the assimilating capacity of the environment.

Codes

- (i), (ii) and (iv)
- (ii) and (iv)
- (i) and (iv)
- All of the above

25.is/are an important factor(s) of human capital formation as it results in enhanced labour productivity. (1)
- Education
 - On-the-job training
 - Migration

Codes

- (i) and (ii)
- (ii) and (iii)
- (i) and (iii)
- (i), (ii) and (iii)

26. Which adverse effect of unemployment is being depicted in the picture below? (1)



- Loss of output
- Low productivity
- Increase in inequalities
- Depression

27. **Assertion (A)** Brain drain is a serious threat to the process of human capital formation in the country.
Reason (R) People of high calibre such as scientists, engineers, educationists, etc, may decide to migrate. (1)

Alternatives

- Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A)
 - Both Assertion (A) and Reason (R) are true, but Reason (R) is not correct explanation of Assertion (A)
 - Assertion (A) is true, but Reason (R) is false
 - Assertion (A) is false, but Reason (R) is true
28. "Small Scale Industries (SSIs) exhibit certain distinct characteristics that differentiate them from large enterprises". Explain three characteristics of SSIs. (3)

29. Unemployment in India is one of the most faced challenges by the government. Many programmes are initiated for the same. One of the most successful programmes is NREGA." In the light of the statement, briefly explain the main features of the National Rural Employment Guarantee Act, 2005.

Or "Air pollution is a significant contributor to the environmental crisis in India." Comment.

30. Analyse and compare the two images given below



31. "The traditional handicrafts industries were ruined under the British rule". Do you agree with this view? Give reasons in support of your answer. (4)

32. State the following statement as true or false with valid explanation
- 'Atmanirbhar Bharat' had been at the roots of the Indian planning process in the form of 'self reliance' as an objective of the planning process. (2)
 - Those Public Sector Undertakings (PSUs) which are making profits should be privatised. (2)

Or "India has certain advantages which makes it a favourite outsourcing destination". What are these advantages? (4)

33. (i) "The government plays a significant role in generating employment opportunities in the economy". Explain the role of the government in generating employment opportunities? (3)

(ii) Is environmental crisis a recent phenomenon? If so, why? (3)

Or

(i) You are residing in a village. If you are asked to advice the village panchayat, what kinds of activities would you suggest for the improvement of your village which would also generate employment?

(ii) "Economic development and sustainable development are two terms often used interchangeably, though they are not same". In the light of the statement, differentiate between economic development and sustainable development.

34. Read the following text carefully and answer the given questions on the basis of the same and common understanding.

Comparative development of India and its neighbours is an important knowledge to possess as an Indian citizen.

As a rational citizen of a country, it is crucial to have a deep understanding of the developments in your country. In fact, it is also very important to learn about the developmental processes of your neighbouring countries.

Not only citizens but countries are also eager to understand the developmental system of their neighbours.

This understanding enables comprehension of strengths and weaknesses of yours as well as the neighbouring countries. Due to the process of globalisation, it is essential for every nation to compete with developed countries. Hence, it is important to study the comparative development of India and its neighbours.

The Chinese reform process began more strongly and comprehensively during the 1980s. At this time, India was in the mid-stream of a rather slow growth process. Although the two countries (Pakistan and India) started together, Pakistan has seen a better result in certain areas. However, India is better placed than Pakistan in the area of skilled manpower and research and development institutions.

It is common to find developmental strategies of a country as a model to others for lessons and guidance for their own development. It is particularly evident after the introduction of the reform process in different parts of the world. In order to learn from economic performance of our neighbouring countries, it is necessary to have an understanding of the roots of their successes and failures. It is also necessary to distinguish between and contrast, the different phases of their strategies.

(i) Compare and contrast the development of India, China and Pakistan with respect to some salient human development indicators. (4)

(ii) Mention the areas in which India has an edge over Pakistan. (2)