

Section A: Macroeconomics

1. Read the following statements carefully: (1)

Statement 1: Autonomous consumption leads to negative saving.

Statement 2: That proportion of income which is not consumed is saved.

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.

2. Current account BOP records – (1)

- (a) export and import of goods (b) export and import of services (c) current transfers (d) all of these

3. Credit creation by the commercial banks is equal to – (1)

- (a) $1/LRR$ (b) $1/LRR \times \text{Cash reserves}$ (c) $1/LRR \times \text{Total deposits}$ (d) $1/LRR \times 1/\text{Cash reserves}$

4. Read the following statements carefully: (1)

Statement 1: Autonomous items are the cause of BOP imbalance.

Statement 2: Accommodating items do not involve the movement of goods across the borders.

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.

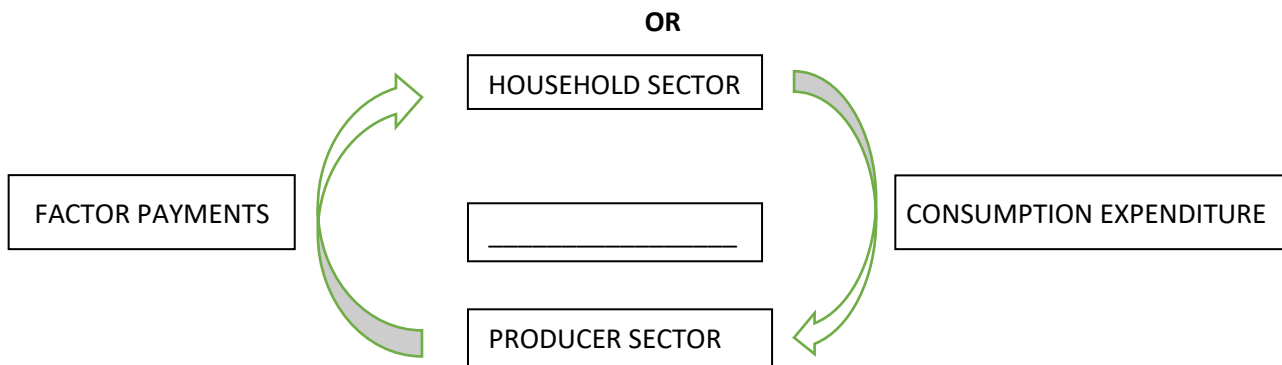
5. Read the following statements carefully: (1)

Statement 1: Expenditure on final goods includes consumption expenditure and investment expenditure.

Statement 2: Expenditure on intermediate goods leads to intermediate consumption.

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.



On the basis of the above diagram, choose the correct option to be filled in the blank–

- (a) Money Flow (b) Real flow (c) Circular flow (d) None of these

6. The equilibrium level of GDP is determined when – (1)

- (a) $Y = \hat{C} + bY - I$ (b) $Y = \hat{C} + bY + I$ (c) $Y = \hat{C} - bY + I$ (d) $Y = \hat{C} - bY + I$ **OR**

When $\hat{C} = \text{Rs } 50$, $MPC = 0.6$ and $Y = \text{Rs } 800$, value of savings will be –

- (a) 270 (b) 370 (c) 320 (d) None of these

7. To reduce credit availability in the economy, Central bank may – (1)

- (a) buy securities in the open market (b) sell securities in the open market (c) reduce reserve ratio (d) None of these

8. When BOP is in equilibrium, there is movement of official reserves of the central bank. True or False. Give reasons. **OR**

On the basis of the below table, the value of capital account balance for the above data of a hypothetical economy is –

- (a) Rs 3700 cr (b) Rs 6700 cr (c) Rs 300 cr (d) Rs 2800 cr (1)

Outflow of forex (Debit)	Rs in cr	Inflow of forex (Credit)	Rs in cr
Import of goods	4000	Export of goods	6000
Import of services	9000	Export of services	2000
Unilateral transfers to rest of the world	700	Unilateral transfers received from rest of the world	2000
Long term lendings	2000	Long term borrowings	2000
Capital payments	3000	Capital receipts	6700
Total payments	18700	Total assets	18700

9. Read the following statement – Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): Deflationary gap can be corrected by increasing the level of AD.

Reason (R): Inflationary gap can be corrected by increasing the availability of credit in the economy. (1)

Alternatives:

- (a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
 (b) Both Assertion and Reason are true and Reason is not the correct explanation of Assertion.
 (c) Assertion is true but Reason is false (d) Assertion is false but Reason is true

10. Read the following statement – Assertion (A) and Reason (R). Choose one of the correct alternatives given below: (1)

Assertion (A): Average propensity to save is negative. **Reason (R):** APS shows saving per unit of total income.

Alternatives:

- (a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
 (b) Both Assertion and Reason are true and Reason is not the correct explanation of Assertion.
 (c) Assertion is true but Reason is false (d) Assertion is false but Reason is true

11. Firm A spent Rs 500 on non-factor inputs and produced goods worth Rs 900. It sold goods worth Rs 600 and Rs 300 to firm B and consumer households respectively. Find out Gross value added by firm A. (3)

12. What is meant by official reserve transactions? Discuss their importance in balance of payments. OR (3)
 Explain the role of central bank in managed floating exchange rate system.

13. The saving function of an economy is $S = -200 + 0.25Y$. The economy is in equilibrium when income is equal to Rs 2000. Calculate:(a) Autonomous Consumption (b) Investment expenditure at equilibrium level of income (c) Investment multiplier. OR (4)

Explain with the help of a numerical example how an increase in investment in an economy affects its level of income.

14. 'India's GDP contracted 23.9% in the April – June quarter of 2020 – 21 as compared to same period of 2019 – 20, suggesting that the lockdown has hit the economy hard.'

Source: The Hindustan Times, 1st September 2020.

State and discuss one fiscal measure that may be taken by the government of India and one monetary measure that may be taken by RBI to correct the situation indicated in the above news report. Use diagram. (4)

15. Read the following case study carefully and answer the question on the basis of the same: (4)

The Reserve bank of India has the sole right to issue bank notes in India. The bank notes are legal tender guaranteed by the Central Government. The issue of bank note is conducted by a separate department called issue department. The central government on the recommendations of Central board specifies denomination of bank notes including discontinuation of bank notes. The central government approves design, form and material of bank notes on consideration of recommendations of the central board. The Reserve is empowered to formulate banking policy in the interest of the public or depositors banking policy in relation to advance and provide direction on the purpose of the advances, margins to be maintained in a secured advances, the maximum amount of advance may be made, the rate of interest, terms and conditions for advances or guarantees may be given.

Source: Mandeep kour Bansal, Role of Reserve Bank of India in Indian economy, International Journal of Business Administration and management, 2017.

"RBI has the currency authority and acts as a bankers' bank and performs a supervisory role as well." Explain.

16. (a) Calculate Net Domestic Product at factor cost:

(3)

S.NO.	Particulars	Rs cr
1	Private final consumption expenditure	8000
2	Government final consumption expenditure	1000
3	Exports	70
4	Imports	120
5	Consumption of fixed capital	60
6	Gross domestic fixed capital formation	500
7	Change in stock	100
8	Factor income to abroad	40
9	Factor income from abroad	90
10	Indirect taxes	700
11	Subsidies	50
12	Net current transfers to abroad	(-)30

(b) How will you treat the following items in the calculation of domestic income and national income of India? Give reasons. (3)

1. Salary of residents of France working in Indian embassy in France.
2. Retained Earnings of foreign companies from India.

17. (a) From the following data about a government budget, find (a) Revenue deficit (b) Fiscal Deficit (c) Primary deficit (4)

S.NO.	Particulars	Rs cr
1	Plan capital expenditure	13000
2	Revenue expenditure	11000
3	Non plan capital expenditure	9000
4	Revenue receipts	8000
5	Capital receipts net of borrowings	15000
6	Interest payments	4000

With the above level of fiscal deficit, state its implications and measures to control it.

(b) Explain how the government budget can be used to fight inflationary tendencies in the economy. **OR** (2)

Categorize the following into receipts and expenditure of revenue and capital nature. Also give reasons. (2)

- (1) Repayment of loans
- (2) Grants given to state government

Section B: Indian Economic Development

18. Commercialization of agriculture during the British rule led to: (1)

- (a) More production of food crops
- (b) Improvement in economic conditions of farmers
- (c) More production of cash crops used by Britishers as raw material
- (d) The aggregate area under cultivation expanded

19. The maximum size of cultivable land holdings that an individual can own is known as – (1)

- (a) Subsistence farming
 - (b) small holdings
 - (c) consolidation of holdings
 - (d) ceiling on holdings
- OR**

Land reforms aimed at –

- (a) Increasing profit in the rural economy
- (b) increasing social welfare
- (c) promoting equality in Indian agriculture
- (d) None of these

20. China succeeded in achieving higher growth rate than India because: (1)

- (a) It followed communist pattern of economy
 - (b) It started reforms early
 - (c) It gave much importance to manufacturing sector
 - (d) All of the above
- OR**

Commune system of farming in China refers to privatization of enterprises. True or False. Give reasons.

21. Cooperatives have received a set back during the recent past due to: (1)

- (a) Inadequate coverage of farmer members (b) lack of appropriate link between marketing and processing cooperatives
(c) inefficient financial management (d) all of these

22. Arrange the following items in the chronological order and choose the correct answer from the given alternatives: (1)
(i) Establishment of People's Republic of China (ii) Creation of Pakistan (iii) First five year plan of India (iv) First five year plan of China

Alternatives:

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

23. Read the following statement – Assertion (A) and Reason (R). Choose one of the correct alternatives given below: (1)

Assertion (A): Rapidly rising population adversely affects the quality of human capital.

Reason (R): Population reduces per head availability of the existing facilities relating to housing, sanitation, etc.

Alternatives:

- (a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
(b) Both Assertion and Reason are true and Reason is not the correct explanation of Assertion.
(c) Assertion is true but Reason is false (d) Assertion is false but Reason is true

24. Read the following statements carefully: (1)

Statement 1: Under commune system, peasants shared farm implements and pooled their land to create larger fields that could yield greater output.

Statement 2: It focused on widespread industrialization of the economy.

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.

25. Environmental crisis occurs when – (1)

- (a) Absorptive capacity of environment exceeds the generation of wastes (b) Generation of wastes exceeds the absorptive capacity of environment (c) Wastes occur due to production and consumption activities in the economy (d) None of these

26. _____ is not a strategy of sustainable development. (1)

- (a) Disregard for traditional knowledge and practices (b) Use of CNG in urban areas
(c) Reliance on Non conventional sources of energy (d) Use of wind power

27. Read the following statement – Assertion (A) and Reason (R). Choose one of the correct alternatives given below: (1)

Assertion (A): Pakistan has experienced a phenomenal rise in its growth rate.

Reason (R): Domestic investment and FDI has been shrinking in Pakistan.

Alternatives:

- (a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
(b) Both Assertion and Reason are true and Reason is not the correct explanation of Assertion.
(c) Assertion is true but Reason is false (d) Assertion is false but Reason is true

28. Interpret the given picture on account of factors triggering the environmental crisis. (3)



Source: <https://www.worldfuturefund.org/Projects/Indicators/ST/GlobalEnvironmentalCrisis.html>

29. Does the diversification of crop production and diversification of production activity are identical concepts? **OR**
Study the following table and analyze the trends in employment status – wise. (3)

Status	1972-73	1983	1993-94	1999-2000	2011-12
Self employed	61.4	57.3	54.6	52.6	52.0
Regular salaried employees	15.4	13.8	13.6	14.6	18.0
Casual wage labourers	23.2	28.9	31.8	32.8	30.0
Total	100	100	100	100	100

30. “India, China, Pakistan have travelled more than seven decades of developmental path with varied results.” Explain the given statement with valid arguments. (4)

31. (a) A rise in GDP level in India has been associated with a gradual shift from subsistence agriculture to commercial agriculture even when share of agriculture in GDP has tended to fall. True or False. Give reasons. (1)

(b) Write any 3 observations highlighting salient features of the growth strategy during the period 1950 – 1990 (3)

OR “Agriculture sector appears to be adversely affected by the economic reform process”. Explain the given statement. (4)

32. Critically appraise the growth of education sector in India during 1952 – 2014. **OR** (4)

“Recently the government of India has taken a few steps to reach the 6% growth goal as recommended by the Education Commission, 1964”. Do you agree with the given statement? Give valid reasons in support of your answer.

33. (a) Describe the principal measures initiated by the government to improve marketing system for farmers in India. (3)

(b) Critically evaluate the role of rural banking system in the process of rural development in India. **OR** (3)

Explain the advantages of organic farming in India. (3)

34. Read the following case study carefully and answer the question on the basis of the same:

The economic policies pursued by the colonial government were basically aimed at the protection and promotion of the economic interests of their home country rather than with the development of the Indian economy. Such policies transformed the country into a net supplier of raw materials and consumer of finished industrial products from Britain. During the second half of the nineteenth century, modern industry began to take root in India, in the form of cotton and jute textile mills and iron and steel industry among others. However, the British government never supported the growth of such industries and imported its own products to serve the market. Therefore, Mahatama Gandhi, with an objective of self sufficiency, protested against English textile imports and demonstrated the need of a society of small scale agriculture and industry. During this period, the foundation of the modern industry in India was laid by number of pioneering private business houses headed by entrepreneurs like Jamshedji Tata, Walchand Hirachand, Lala Sriram, G.D.Birla and others, which in spite of many obstructions imposed and nil investment by the British government , flourished and managed to earn huge profits. **Source: L.G. Burange, Shruti Yamini, A review of India's Industrial Policy and Performance, 2011**

(a) Define small scale industries. How do they help in promoting rural development? (3)

(b) What were the features of the industrial policy of 1956? (3)