

O.P. JINDAL SCHOOL, PATRATU

MODEL QUESTIONS

Class: XII
Subject: Economics
General instructions:

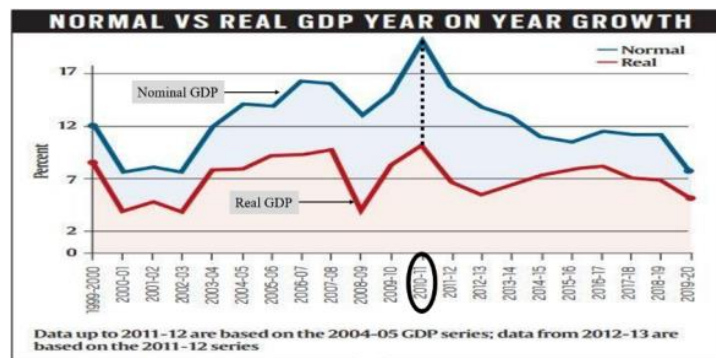
M.M.: 80
Duration: 180 Min.

- All the questions in both the sections are compulsory. Marks for questions are indicated against each question.
- Question number 1 - 10 and 18 - 27 are very short-answer questions carrying 1 mark each. They are required to be answered in one word or one sentence each.
- Question number 11 - 12 and 28 - 29 are short-answer questions caring 3 marks each. Answers to them should not normally exceed 60-80 words each.
- Question number 13 - 15 and 30 - 32 are also short-answer questions carrying 4 marks each. Answers to them should not normally exceed 80-100 words each.
- Question number 16 - 17 and 33 - 34 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100-150 words each.
- Answer should be brief and to the point and the above word limit be adhered to as far as possible.

PART (A) – MACROECONOMICS

1 MARKS QUESTIONS

Q.1. Observe the given graph, explain why difference between nominal GDP & real GDP is maximum in 2010-11? 01



Q.2. What are three main components of NFIA? 01

Q.3. Find Aggregate Demand, given the following information: 01

	<i>Items</i>	<i>(₹ in crore)</i>
(i)	Private consumption expenditure	50,000
(ii)	Private investment expenditure	30,000
(iii)	Government expenditure	20,000
(iv)	Export	10,000
(v)	Imports	5,000

Q.4. Show that $APC + APS = 1$ 01

OR

Show that $MPC + MPS = 1$

Q.5. (a) Using a suitable example, distinguish between positive externalities and negative externalities. 01

OR

(b) Using a suitable example, distinguish between stock variables and flow variables.

Q.6. Read the following statements – Assertion (A) and Reason (R) 01

Choose one of the correct alternatives given below:

Assertion (A): National Debt Interest is not added in National Income.

Reason (R): Transfer payments are excluded in computing gross national product.

Alternatives:

- (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 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.
- Q.7. According to a report forwarded by RBI, there was a fall in rate of inflation as measured by Consumer Price Index (CPI) on year-to-year basis to 5% from 8% in the previous year. Which of the following statements represents the situation? 01
- (a) CPI has fallen
 (b) CPI has risen at a rate lower than the preceding year
 (c) CPI is constant
 (d) None of the above
- Q.8. "The Government Budget of a country cannot have Fiscal Deficit without the existence of revenue deficit." – Prove the given statement. 01
- Q.9. Rise in GDP is the result of more production of _____ which provide less welfare as compared to consumer goods. 01
- Q.10. If additional investment and marginal propensity to consume are ₹ 900 crore and 0.6 respectively, find some of income at infinite round. 01

3 – MARKS QUESTIONS

- Q.11. (a) In an economy, the equilibrium level of income is ₹ 15,000 crore. The ratio of marginal propensity to consume and marginal propensity to save is 3:1. Calculate the additional investment needed to reach a new equilibrium level of income of ₹ 22,000 crore. 03
- (b) An increase in investment by ₹ 400 crore leads to an increase in national by ₹ 1,600 crore, calculate MPC.

OR

State whether the following statements are true or false? Give reasons in support of your answer.

- (i) When MPC is greater than MPS, the value of investment multiplier will be greater than 1.
 (ii) The value of MPS can never be negative.
- Q.12. How are these included in 'Domestic Income' and 'National Income'? 05
- (i) Profits earned by a branch foreign bank in India.
 (ii) Profit earned by a company in India owned by non-residents.
 (iii) Profits earned by a branch of SBI in England.

4 – MARKS QUESTIONS

- Q.13. Diagrammatically explain problem of excess demand what the measures are to control this situation. 04

OR

Why should planned saving and planned investment be equal at equilibrium level of income? Use diagram.

- Q.14. (a) What is problem of double counting? How can we avoid it? 04
 (b) Calculate "sales" from the following data:

<i>Particulars</i>		<i>(Rs. In Lakh)</i>
<i>(i)</i>	Net Value Added at Factor Cost	560
<i>(ii)</i>	Depreciation	60
<i>(iii)</i>	Change in stock	(-)30
<i>(iv)</i>	Intermediate cost	1000
<i>(v)</i>	Exports	200
<i>(vi)</i>	Indirect Taxes	60

OR

- (a) Define Investment Multiplier and give its limitations.
 (b) Explain the process of investment multiplier with numerical example (Assume $\Delta I = 800$, $MPC = 0.5$).
- Q.15. Increase in per capita real income means increase in per capita availability of goods and services. Does it necessary mean rise in the welfare of the people of the country? Give any one argument in support of your answer and explain the same. 04

6 – MARKS QUESTIONS

Q.16. Calculate (a) GDP MP by Income Method; and (b) Closing Stock.

06

<i>Particulars</i>		<i>(Rs. In Crores)</i>
(i)	Private final consumption expenditure	450
(ii)	Rent	120
(iii)	Government final consumption expenditure	50
(iv)	Indirect taxes	60
(v)	Interest	150
(vi)	Mixed income of self – employed	20
(vii)	Consumption of fixed capital	30
(viii)	Opening stock	10
(ix)	Gross fixed capital formation	300
(x)	Compensation of employees	200
(xi)	Net exports	(-)10
(xii)	NFIA	(-)10
(xiii)	Subsidies	10
(xiv)	Profit	250

Or

- (a) Estimate the value of ex-ante AD, when autonomous investment and consumption expenditure (A) is ₹ 50 crore, and MPS is 0.2 and level of income is ₹ 300 crore.
- (b) Derive saving function from given consumption function. $C = 50 + 0.5 Y$.

Case Based Question

Q.17. With new definition & base yr., GDP rises Movement of indirect taxes and subsidies explain surprising growth
Induvial Dhasmana | [New Delhi Last Updated on February 5, 2015, 02:05 IST](#) 06

The revised definition of gross domestic product (GDP) and the new base year has pushed up India's economic growth in 2012-13 and 2013-14, compared to the older series, surprising many. A small part of this is accounted for by the movement of indirect taxes and subsidies. Besides, manufacturing rose 5.3 per cent in 2013-14 against contraction in the older series as some services that go in promoting factory production by large corporates are included only in this output.

In the new definition of the economic growth, GDP is estimated at market prices, which includes indirect taxes but excludes subsidies. Earlier, GDP growth was estimated at factor cost, which excludes indirect taxes but includes subsidies. Taking the old definition and base of 2004-05, India's GDP growth stood at 4.5 per cent in 2012-13 and 4.7 per cent in 2013-14. However, the new series put GDP growth at 5.1 per cent for 2012-13 and 6.9 per cent for 2013-14. GDP at factor cost is now passé and will not even be mentioned by the government in future statements. GDP at market prices was recorded in the past as well even though it was not counted while calculating economic growth.

In place of GDP at factor cost, gross value added (GVA) at basic prices will be used now. The difference between GDP at factor cost and GVA at basic prices is that production taxes are included, and production subsidies excluded from the latter. Production taxes and subsidies are different from product taxes and subsidies.

“These (production taxes) are imposed even if the products are not produced, such as property. However, excise duty, value added tax etc are all product taxes. Similarly, product subsidies would not include interest subsidies, which will form part of production subsidies,” explained National Statistical Commission chairman Pronab Sen. Now, GDP at market prices would come by adding product taxes and deducting product subsidies from GVA at basic prices.

GVA at factor cost rose 4.9 per cent in 2012-13 and 6.6 per cent in 2013-14.

These subsidies at product prices rose 18.6 per cent (at constant prices) in 2012-13 and declined 3.8 per cent in 2013-14.

A WHOLE NEW APPEOACH						
Gross domestic product & growth at 2011 – 12 prices						
		2011 – 12 (₹ crore)	2012 – 13 (₹ crore)	%eg y-0-y	2013 14 (₹ crore)	%eg y-0-y
(A)	Gross value added at basic prices	81,95,546	85,99,224	4.9	91,69,787	6.6
(B)	Product – Indirect taxes	8,86,969	9,78,603	10.3	10,37,006	6.0
(C)	Product – Subsidies	2,50,503	2,97,024	18.6	2,85,687	-3.8
GDP at market prices (A+B-C)		88,32,012	92,80,803	5.1	99,21,106	6.9
Source: Ministry of Statistics and Programme Implementation (MoSPI)						
Gross domestic product & growth at 2004 – 05 prices						
		2011 - 12 (₹ crore)	2012 – 13 (₹ crore)	%eg y-0-y	2013 14 (₹ crore)	%eg y-0-y
(a)	GDP _{FC}	52,47,530	54,82,111	4.5	57,41,791	4.7
	Indirect Taxes	NA	NA	NA	NA	NA
	Subsidies	NA	NA	NA	NA	NA
	GDP _{MP}	56,33,050	58,99,847	4.7	61,95,842	5.0
Note: NA is Not Available				Source: MoSPI		

On the basis of above information calculate Net Domestic Product at Factor cost from the following data.

	Particulars	(₹ crore)
(i)	Private Final Consumption Expenditure	8,000
(ii)	Government Final Consumption Expenditure	1,000
(iii)	Export	70
(iv)	Imports	120
(v)	Annual allowance for wear and tear of capital stock	60
(vi)	Fixed Business Investment	300
(vii)	Residential Investment	200
(viii)	Change in Stock	100
(ix)	Factor Income to Abroad	40
(x)	Factor Income from Abroad	90
(xi)	Net Product Taxes	400
(xii)	Net Production Taxes	250

(b) Use the following information of imaginary country:

Year	Nominal GDP	GDP Deflator
2014 – 2015	6.5	100
2015 -2016	8.4	140
2016 -2017	9	125

- For which year is real GDP and nominal GDP same and why?
- Calculate Real GDP for the given years. Is there year for which Real GDP falls?

PART (B) – INDIAN ECONOMY

1 – MARKS QUESTIONS

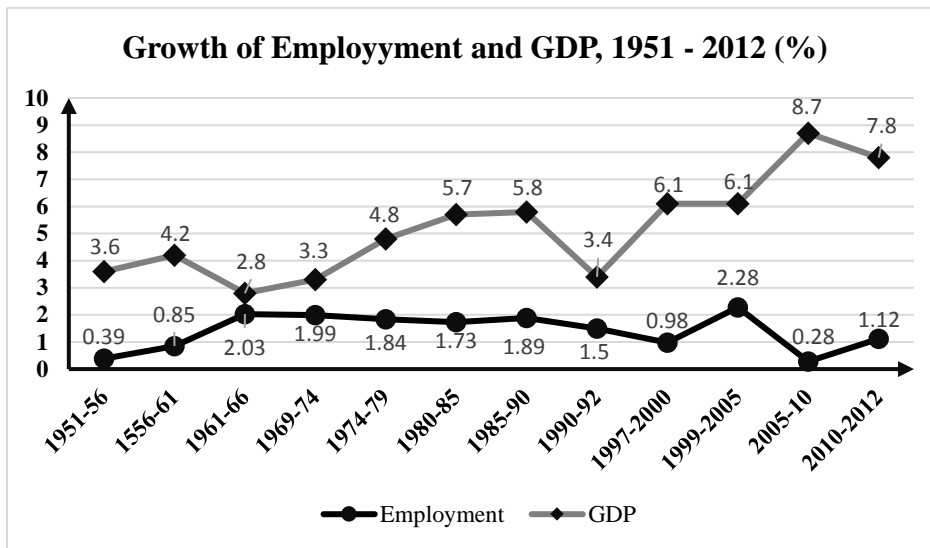
Q.18. Fill in the blank:

According to IPR – 1956 schedule _____ includes industries like aluminium, other mining industries, machine tools, fertilizers. etc. (A, B, C, D) 01

Q.19. In the first _____ plans, trade was characterized by an inward-looking Trade Strategy. Technically, this strategy is called 'Import Substitution'. 01

- (a) 7 (b) 6 (c) 4 (d) 2

Q.20. Analysis the situation of Indian Economy in the given graph and comment on it. 1



Q.21. Statement 1: Tariffs refer to taxes levied on imported goods. The basic aim for imposing heavy duty on imported goods was to make them more expensive and discourage their use. 01
Statement 2: Quotas refer to fixing the maximum limit on the imports of a commodity by a domestic producer.

	Statement 1	Statement 2
(a)	True	False
(b)	False	True
(c)	True	True
(d)	False	False

Q.22. Write the correct sequence of alternatives given in Column II by matching them with respective terms in Column I:

Column I	Column II
A. India's first official census	(i) Less than 2%
B. Introduction of the railways in India	(ii) About 7%
C. India's annual growth rate of aggregate real output during colonial period	(iii) 1850
D. Female literacy level at the time of independence	(iv) 1881

Q.23. During 1911 – 21 India's Birth rate and Death rate was so high. What does it indicate? 01

Q.24. What was main cause behind to stagnation in cotton and jute industry of India after partition? 01

Q.25. What do you mean by Amputated Economy? 01

Q.26. Which constitutional amendment is done to pass the GST bill? 01

- (a) 101st (b) 120th (c) 122nd (d) 115th

Q.27. Which of the following statement is correct about the NITI Aayog? 01

- (a) NITI Aayog was Formed 25 January 2016
 (b) NITI Aayog comes under the Ministry of Commerce and Industry
 (c) The full form of NITI Aayog is National institute for Transforming India
 (d) The NITI Aayog is a policy think tank of the Government of India

3 – MARKS QUESTIONS

Q.28. NEW DELHI: A Supreme Court mandated panel on Friday declared a public health emergency in the Delhi-NCR region and banned construction activity till November 5. Schools have been shut in Delhi, till November 5. As the pollution levels in the region entered the 'severe plus' 'category', the Environment Pollution (Prevention and Control) Authority also banned the bursting of crackers during the winter season. 03

In a letter to chief secretaries of Delhi, Haryana, Rajasthan and Uttar Pradesh, EPCA Chairman Bhure Lal said, "The air quality in Delhi and NCR deteriorated further last night and is now at the severe plus level. We have to take this as a public health emergency as it will have adverse health impacts on all, particularly our children" How can you explain the above news article is rightly said that the opportunity costs of negative environmental impact are high?

Q.29. Contrary to investment in irrigation, East India Company invested in Railway. What do you think about such type of industrialization strategy by EIC? 03

4 – MARKS QUESTIONS

Q.30. Look at this picture and answer the questions: 04



This 'cartoon' was drawn by famous cartoonist R.K. Laxman. The New Economic Policy authored by Dr. Manmohan Singh and Narasimha Rao in 1991 took India away from its decades – long socialistic policies. Finance minister Dr. Manmohan Singh had to seek help from IMF to bail India out of the economic crisis, which was known to arm-twist developing countries into tough deals on borrowed loans. Explain the satire on arm – twist in this picture.

Q.31. "Treating education or humans as resource is against Indian values that look at education more holistically. The word 'human resources' reeks of mechanisation and commercialisation... whereas education ministry depicts what the ministry should focus on, making education accessible and universal, not just creating Industry-ready graduates." That is why President Ram Nath Kovind gave assent to the change in name of the Ministry of Human Resource Development (MHRD) as Ministry of Education. What are your opinions regarding to this key change in New Education Policy (NEP)? 04

Q.32. How did India go from producing clothing, to producing cotton? Doing business with Britain seemed like a good idea at the time, but one country's industrial advances can have the reverse effect on another. A key part of that story is the de-industrialization of India. Explain the process and causes of de-industrialization along with its impact on Indian economy during colonial period. 04

6 – MARKS QUESTIONS

Q.33. Read the following article and answer the questions given below:

A panel set up by the Dispute Settlement Body (DSB) of the World Trade Organization (WTO) has ruled against India's sugar subsidies and asked it to "withdraw its prohibited subsidies under the Production Assistance, the Buffer Stock, and the Marketing and Transportation Schemes within 120 days from the adoption of [the] report". Australia, Brazil, and Guatemala said India's domestic support and export subsidy measures appeared to be inconsistent with various articles of the WTO's Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures (SCM), and Article XVI (which concerns subsidies) of the General Agreement on Trade and Tariffs (GATT).

All three countries complained that India provides domestic support to sugarcane producers that exceeds the de minimis level of 10% of the total value of sugarcane production, which they said was inconsistent with the Agreement on Agriculture.

They also raised the issue of India's alleged export subsidies, subsidies under the production assistance and buffer stock schemes, and the marketing and transportation scheme. Australia accused India of "failing" to notify its annual domestic support for sugarcane and sugar subsequent to 1995-96, and its export subsidies since 2009-10, which it said were inconsistent with the provisions of the SCM Agreement.

According to the panel's report, India said that the "complainants have failed to meet their burden of showing" that India's market price support for sugarcane, and its various schemes violate the Agreement on Agriculture. It also argued that "the requirements of Article 3 of the SCM Agreement are not yet applicable to India and that India has a phase-out period of 8 years to eliminate export subsidies, if any, pursuant to Article 27 of the SCM Agreement".

On the complaint regarding India's domestic support to sugarcane producers, the panel found that for five consecutive sugar seasons from 2014-15 to 2018-19, India provided non-exempt product-specific domestic support to sugarcane producers in excess of the permitted level of 10% of the total value of sugarcane production.

"Therefore, we find that India is acting inconsistently with its obligations under Article 7.2(b) of the Agreement on Agriculture," the panel said. According to a WTO summary of the panel's key findings, "the threshold issue...was whether 'market price support' within the meaning of the Agreement on Agriculture only exists when the government pays for or procures the relevant agricultural product."

While India argued that its “mandatory minimum prices are not paid by the central or state governments but by sugar mills, and hence do not constitute market price support”, the panel rejected this argument — saying “market price support does not require governments to purchase or procure the relevant agricultural product”.

On India’s alleged export subsidies for sugar, “the panel found that the challenged schemes are export subsidies within the meaning of Article 9.1(a) of the Agreement on Agriculture,” according to the summary. “Since India’s WTO Schedule does not specify export subsidy reduction commitments with respect to sugar, the panel found that such export subsidies are inconsistent with Articles 3.3 and 8 of the Agreement on Agriculture.”

With respect to Australia’s claims regarding India’s notification obligations, the panel’s report said that “by failing to notify to the Committee on Agriculture its domestic support to sugarcane producers subsequent to the 1995-96 marketing year, as well as its export subsidies for sugar subsequent to the 2009-10 marketing year”, India had “violated its obligation under Article 18.2 of the Agreement on Agriculture”. Also, “by failing to notify to the SCM Committee its export subsidies for sugar under the Production Assistance, the Buffer Stock, the Marketing and Transportation, and the DFIA Schemes, India has violated its obligations under Articles 25.1 and 25.2 of the SCM Agreement”, the panel said in its report.

Source:

<https://indianexpress.com/article/explained/india-sugar-report-dispute-wto-7676449/>

https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds580_e.htm

Questions:

(i) Match the followings:

Column I	Column II
(A) Article 3.3 & 8	(i) Reduction of Export Subsidy
(B) Article 3	(ii) Is not yet applicable to India
(C) Article 9.1 (a)	(iii) Define alleged Export Subsidy
(D) Article 16	(iv) Concerns with subsidies

(ii) Why the panel rejected India’s argument? 01

(iii) Why is export subsidy prohibited by WTO? 01

(iv) As a panellist, what will you recommend to India? 01

(v) If in the year 2016 – 17, total production of sugarcane in India was 61.5 lakh tonne then as per Article 7.2(b) of the Agreement on Agriculture, what quantity of sugarcane was eligible for domestic support. 01

(a) More than 6.15 (b) Less than 6.15 (c) More than 12.3 (d) Less than 12.3

(vi) Export subsidies for sugar under the Agreement on Agriculture, India has violated its obligations under _____ 01

(a) Article 25.1 and 25.2 (b) Article 18.2 (c) Only (a) (d) All the above

(vii) Match the followings: 01

Column I	Column II
(A) Article 3.3 & 8	(i) Reduction of Export Subsidy
(B) Article 3	(ii) Is not yet applicable to India
(C) Article 9.1 (a)	(iii) Define alleged Export Subsidy
(D) Article 16	(iv) Concerns with subsidies

Q.34. (a) **Read the following passage and answer the given questions:**

In case of urban areas educated unemployment has become a common phenomenon. Many youths with matriculation, graduation and post-graduation degrees are not able to find job. A study showed that unemployment of graduate and post-graduate has increased faster than among matriculates. A paradoxical manpower situation is witnessed as surplus of manpower in certain categories coexist with shortage of manpower in others. There is unemployment among technically qualified person on one hand, while there is a dearth of technical skills required for economic growth. Unemployment leads to wastage of manpower resource. People who are an asset for the economy turn into a liability. There is a feeling of hopelessness and despair among the youth. People do not have enough money to support their family. Inability of educated people who are willing to work to find gainful.

Questions:

(i) What is meaning of paradoxical manpower situation? 1.5

(ii) How People who are an asset for the economy turn into a liability. Explain. 1.5

(b) Do you think outsourcing is good for India? Why are developed countries opposing it? 03

