CBSE Class 12 Economics 2023 - Set 58/2/2

Question Paper

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 Hours **Maximum Marks: 80**

General Instructions

(i) This question paper contains 34 questions. All questions are compulsory.

(ii) This question paper contains two sections: Section A – Macro Economics; Section B – Indian Economic Development.

(iii) This paper contains 20 Multiple Choice type questions. Each question carries 1 mark.

(iv) This paper contains 4 Short Answer Type-I questions. Each question carries 3 marks. Answer these questions in 60 to 80 words.

(v) This paper contains 6 Short Answer Type-II questions. Each question carries 4 marks. Answer these questions in 80 to 100 words.

(vi) This paper contains 4 Long Answer type questions. Each question carries 6 marks. Answer these questions in 100 to 150 words.

(vii) Attempt all parts of a question together.

Section A

1. Read the following statements carefully :

Statement 1 : The induced consumption shows, the direct relation between consumption and income.

Statement 2 : With a certain increase in income, induced consumption also increases.

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. "In the Annual Budget 2022-23, the Government of India set up disinvestment targets of ₹ 65,000 crore".

Such proceeds from disinvestment can be classified as _____ receipts in the Government Budget as it leads to _____ of the Government.

(Choose the correct alternative)

(A) capital, decrease in assets

(B) revenue, increase in assets

(C) capital, increase in liabilities

(D) revenue, decrease in liabilities

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

Assertion (A) : The Balance of Payments is in surplus, if autonomous receipts are greater than autonomous payments.

Reason (R) : Autonomous transactions are determined by the difference in the Balance of Payments.

(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.

4. As per the Reserve Bank of India (RBI) press report, dated 22nd June, 2022 :

"Net Foreign Portfolio Investment (FPI) recorded an outflow of US$15.2 billion mainly from the equity market."

The above transaction will be recorded in the _____ account on _____ side of Balance of payments account of India. (Choose the correct alternative)

(A) current, credit

(B) current, debit

(C) capital, credit

(D) capital, debit

5. Ms. Iqra Ansari, a teacher, was explaining in her class about various types of deposits with the commercial banks. She quoted that –

"These deposits form a part of M1 measure of money supply and are payable on demand by the commercial banks."

Identify the type of deposits she was explaining about and choose the correct alternative :

(i) Demand Deposits

(ii) Time Deposits

(iii) Post Office Deposits

(A) Only (i)
(B) Only (ii)
(C) (i) and (ii)
(D) (i), (ii) and (iii)

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

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

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.

OR

6(b). _____ refers to that level of Aggregate Demand, which can be met by the corresponding supply in the economy.

(Fill up the blank with correct alternative)

(A) Autonomous Consumption
(B) Effective Demand
(C) Excess Demand
(D) Deficient Demand

7(a). Read the following statements carefully :

Statement 1 : Gross Domestic Product (GDP) is the sum total of the gross market value of all the final goods and services added by all the sectors in the economy during a fiscal year.

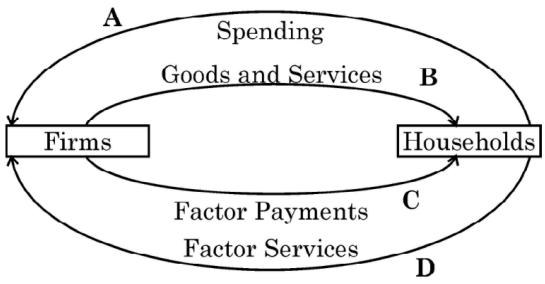
Statement 2 : Gross Value Added at Market Price (GVAMP) is equal to the excess of value of output over intermediate consumption.

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.

OR

7(b).



On the basis of the figure given below, identify the type of flow indicated by B and D :

(Choose the correct alternative)

(A) Real flow
(B) Money flow
(C) Nominal flow
(D) National flow

8. Assuming that, the following data is given for an imaginary economy :

Items / Year	2020 (₹ in Cr.)	2021 (₹ in Cr.)
Exports of visbles	1,000	1,100
Imports of visibles	800	850

The balance of Trade from 2020 to 2021 _____ by ₹ _____ crore.

(Choose the correct alternative)

(A) increased, 200 (B) decreased, 200

(C) increased, 50 (D) decreased, 50

9(a). In the Indian economy, _____ are issued by the Reserve Bank of India and acts as legal tender money.

(i) Coins of all denomination

(ii) Currency notes of various denominations, except one rupee note

(iii) Demand deposits

(A) Only (i) (B) Only (ii)

(C) Only (iii) (D) (i) and (ii)

OR

9(b). _____ formulates the Monetary Policy in the economy.

(Fill up the blank with correct alternative)

(A) Commercial Banks (B) International Monetary Fund

(C) Central Bank (D) Central Government

10. In order to tackle the problem of rising general price level in an economy, government may come up with a surplus budget to achieve the budget objective of _____.

(i) reallocation of resources

(ii) price stability

(iii) redistribution of income

(A) (i) only (B) (ii) only

(C) (iii) only (D) (i) and (iii)

11. On the basis of the data given below for an imaginary economy, estimate the Net Domestic Product at Factor Cost (NDPFC) :

S. No.	Items	Amount (₹ in crore)
(i)	Household Consumption Expenditure	3,000
(ii)	Government Final Consumption Expenditure	1,000
(iii)	Net Domestic Fixed Capital Formation	1,000
(iv)	Change in Stock	200
(v)	Exports	500
(vi)	Indirect Taxes	350
(vii)	Imports	300
(viii)	Subsidies	50

12(a). "Under the flexible exchange rate system, the Central Bank does not intervene in the foreign exchange market."

Justify the statement, giving valid arguments.

OR

12(b). Explain the impact of home currency depreciation on the exports of a nation.

13(a). "In an economy ex-ante Aggregate Demand is less than ex-ante Aggregate Supply."

Explain its impact on the level of output, income and employment.

OR

13(b). For a hypothetical economy, assuming there is an increase in the Marginal Propensity to Consume (MPC) from 80% to 90% and change in investment to be ₹ 1000 crore.

Using the concept of investment multiplier, calculate the increase in income due to change in Marginal Propensity to Consume.

14. With suitable examples, distinguish between Direct taxes and Indirect taxes.

15. "The process of credit creation by commercial banks comes to an end when the total of required reserves become equal to the initial deposits."

With the help of a numerical example, prove that the given statement is true.

16(a)(i). "Many goods and services which may contribute to welfare, but are not included in estimating Gross Domestic Product (GDP)." Do you agree with the given statement ? Give valid reason in support of your answer.

16(a)(ii). With suitable examples, distinguish between final goods and intermediate goods.

OR

16(b)(i). Using a suitable numerical example, distinguish between Real Gross Domestic Product (GDP) and Nominal Gross Domestic Product (GDP).

16(b)(ii). State the meaning of 'normal resident' of a country.

17. Read the following text carefully and 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 rates on loans for borrowers, implying that the Equated Monthly Instalments (EMIs) for repaying the existing loans will also increase.

Source : https://www.businessstandard.com/article/economicpolicy/monetary-policy-repo-rate-up-by-50bps-here-s-how-it-will-impact-you-122093000267 (Edited)

17(a). State the meaning of repo rate and reverse repo rate.

17(b). In order to bring down the rate of inflation, outline and discuss the step taken by the Monetary Policy Committee of Reserve Bank of India.

Section B

18. Which of the following was NOT the benefit accruing from 'Golden Revolution' ?

(Choose the correct alternative)

(A) Increase in the income of the farmers.

(B) Increase in production of milk and related products.

(C) Increase in production and exports of fruits and vegetables.

(D) Employment for women in rural areas.

19. Which of the following is NOT true about foreign trade during the colonial rule ?

(Choose the correct alternative)

(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.

20(a). _____ is a process, which includes all the activities from sowing till sale of the final produce in the market.

(Fill up the blank with correct alternative)

(A) Rural Development

(B) Agricultural Diversification

(C) Organic Farming

(D) Agricultural Marketing

OR

20(b). _____ have emerged as an important micro finance system and led to women empowerment. (Fill up the blank with correct alternative)

(A) NABARD

(B) Self-Help Groups

(C) Commercial Banks

(D) Land Development Banks

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

Assertion (A) : Human capital is not traded in the market; however its services are traded.

Reason (R) : Human capital is intangible in nature.

(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.

OR

21(b). Benefits of physical capital accrue only to private entities, whereas human capital provides private as well as _____ benefits.

(Fill up the blank with correct alternative)

(A) profitable

(B) social

(C) fiscal

(D) monetary

22. Read the following statements carefully :

Statement 1 : China introduced structural economic reforms on its own, without any pressure.

Statement 2 : Scholars argue that in India, the economic reforms process led to the worsening of all the economic indicators.

In the light of the given statements, choose the correct alternatives 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.

23. In an economy, when the rate of resource extraction is lower than the rate of regeneration of the resource, the environment may operate _____

(Fill up the blank with correct alternative)

(A) within its carrying capacity.
(B) beyond its absorptive capacity.
(C) beyond its carrying capacity.
(D) beyond its aesthetic capacity.

24. From the set of the events given in Column – I and the corresponding year in Column – II, choose the incorrect pair :

Column – I

A. Introduction of railways in India

B. Incorporation of TISCO

C. First Official Census of India

D. Opening of Suez Canal

Column – II

(i) 1850

(ii) 1807

(iii) 1881

(iv) 1869

(A) A – (i)
(B) B – (ii)
(C) C – (iii)
(D) D – (iv)

25. Read the following statements carefully :

Statement 1 : Amongst India, China and Pakistan, China is the largest nation and has the highest population density.

Statement 2 : One-child policy introduced in the late 1970s in China led to a considerable decline in the population growth rate.

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.

26. On the basis of the data given below, identify the incorrect statement in terms of annual growth of GDP (%) :

(Choose the correct alternative)

Annual Growth of Gross Domestic Product (%). 1980 – 2017

Country	1980 – 90	2015 – 2017
India	5.7	7.3
China	10.3	6.8
Pakistan	6.3	5.3

Source : Key Indicators for Asia and Pacific 2016. Asian Development Bank. Philippines : World Development Indicators 2018.

(A) China was able to maintain near double-digit growth during the 1980s.
(B) Pakistan was ahead of India during 1980 – 2017.
(C) India experienced a rapid rise in Gross Domestic Product during 2015-17.
(D) Both China and Pakistan experienced a decline in growth rate during 2015-17.

27(a). China initiated _____ in 1958, that aimed at industrializing the country on a massive scale. (Fill up the blank with correct alternative)

(A) The Great Proletarian Cultural Revolution
(B) Setting up of Special Economic Zones
(C) Introduction of Economic Reforms
(D) The Great Leap Forward Campaign

OR

27(b). _____ acts as a measure of 'the extent of democratic participation in social and political decision-making.'

(Fill up the blank with correct alternative)

(A) Human Development Index
(B) Liberty Indicator
(C) Economic Growth
(D) Poverty Index

28. "In order to protect the future of our planet, it is important to tackle carbon emissions."

In the light of the above statement and image discuss any two strategies to tackle this global concern.

29(a). "Recently the Government of India has taken numerous steps towards increasing the farmer's income through agricultural diversification."

In light of the above statement, explain any two advantages of diversification in agriculture.

OR

29(b). "Active Government intervention is essential in education and health sectors in India."

Do you agree with the given statement ? Give reasons in support of your answer.

30. "The debate over farm subsidies in India is enraged at different platforms."

Discuss any two arguments in favour of continuing farm subsidies.

31(a). "Expenditure on On-the-job training is an important means of human capital formation in an economy."

Give valid reasons to justify the given statement.

OR

31(b). "Organic Farming is the need of the hour to promote sustainable development but, has its own limitations."

Elaborate any two advantages and limitations each of organic farming in the light of the above statement.

32. On the basis of the given data :

Some Selected Indicators of Human Development, 2017-2019

Item	India	China	Pakistan
Human Development Index (Value)	0.645	0.761	0.557
Rank (based on HDI)	130	87	154
Life Expectancy at Birth (years)	69.7	76.9	67.3
Mean years of Schooling (% aged 15 and above)	6.5	8.1	5.2
Gross National Income per capita (PPP US$)	6,681	16,057	5,005
Percentage of People living Below Poverty Line (National)	21.9*	1.7**	24.3*
Infant Mortality Rate (per 1000 live births)	29.9	7.4	57.2
Maternal Mortality Rate (per 1 lakh births)	133	29	140
Population using at least basic Sanitation (%)	60	75	60
Population using at least basic drinking Water Source (%)	93	96	91
Percentage of Undernourished Children	37.9	8.1	37.6

Note: * for the year 2011; for the years 2015.

Sources: Human Development Report 2019 and 2020.

32(i). Identify one income indicator and one health indicator, each.

32(ii). Compare India and China on the basis of any one of the indicator identified above in part (i).

33(a)(i). Define Worker Population Ratio. Discuss its usefulness.

33(a)(ii). 'Mr. Rishi, after completing his education, has joined his family business but his marginal productivity is zero.' Comment upon the employment status of Mr. Rishi. Give valid reasons in support of your answer.

OR

33(b)(i). 'Kavya works on her family farm and is neither paid in cash nor in the form of grains.' Can she be categorized as a worker ? Give valid reasons in support of your answer.

33(b)(ii). "In the late 1990's India experienced a widening gap between the growth of GDP and employment generation". Discuss.

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

The stabilisation and structural adjustment measures, initiated under the 1991 "Economic Reforms" mark a watershed moment in India's economic policies. For almost three decades since independence, India's development strategy and economic policies were guided by the objectives of accelerating the growth of output and employment with social justice and equity.

Ever since the 1970's, it was realised that many of the regulations on economic activities have outlived their usefulness and were in fact hampering economic growth and development. In response to this, the government initiated some milder liberalisation reforms for almost a decade since the early 1980's.

However, the Indian economy soon had to face the Gulf crisis and consequently :

(i) The uncertainties about the oil prices;

(ii) The external payment problems;

(iii) The serious inflationary pressures;

(iv) The scarcities of essential commodities;

(v) The deterioration of fiscal discipline, etc.

These led to the Indian economy on the verge of Economic crisis.

34. (continued)

In response to this emerging crisis, the Government initiated a set of stabilisation and structural reforms like :

(i) Reduction in fiscal deficit;

(ii) Containment of growth in money supply;

(iii) An exchange rate adjustment system etc.

The key objective of stabilisation policy was to bring the growth of aggregate demand in line with long term growth path of the economy.

In conjunction, the structural adjustment measures like;

(i) industrial delicensing

(ii) liberalisation of policy regime governing international trade

(iii) deregulation of financial sector

Were taken to improve the supply side of the economy. This shifted the long-term growth path of the economy itself completely.

(Adapted and modified)

Source :
https://niti.gov.in/planningcommission.gov.in/docs/reports95.htm

34(a). Discuss any two reasons behind the introduction of Economic Reforms in 1991.

34(b). "In response to the emerging crisis in 1991, the Government initiated a set of stabilisation and structural reforms".

Briefly discuss any three of such measures.

- End of Question Paper -