CBSE Class 12 Economics 2023 - Set 58/3/2

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 Questions Type questions of 1 mark each.

(iv) This paper contains 4 Short Answer Questions Type-I questions of 3 marks each to be answered in 60 to 80 words.

(v) This paper contains 6 Short Answer Questions Type-II questions of 4 marks each to be answered in 80 to 100 words.

(vi) This paper contains 4 Long Answer Questions Type questions of 6 marks each to be answered in 100 to 150 words.

(vii) Attempt all parts of a question together.

Section A - Macro Economics

1. Keeping other factors constant, if the price of crude oil falls in the international market, it may lead to _____.

(Choose the correct alternative to fill up the blank)

(A) increase in trade deficit
(B) decrease in trade deficit
(C) no change in trade deficit
(D) no change in the foreign exchange reserves

2. Identify, which of the following is not a function of the Reserve Bank of India.

(Choose the correct alternative)

(A) Controller of money supply
(B) Credit provider to commercial banks
(C) Central agency preparing the annual budget of the Government
(D) Issuer of currency

3. Read the following statements carefully :

Statement 1 : Import of gold from Dubai will be recorded on the debit side of the current account in Balance of Payments of India.

Statement 2 : Outflow of Foreign Institutional Investment (FII) from Indian stock markets will be recorded on the credit side of the capital account.

In 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.

4(a). Read the following statements carefully :

Statement 1 : Stock variables are measured at a point of time.

Statement 2 : Flow variables and stock variables are same.

In 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

4(b). Identify, flow variable from the following :

(Choose the correct alternative)

(A) Distance between Delhi and Amritsar
(B) Annual expenditure of a school
(C) Bank balance of Mr. Mukesh as on 31st March, 2022
(D) Investments of Mr. Mohit as on 31st December, 2021

5. If the central bank wants to reduce money supply in the economy, it may _____.

(Choose the correct alternative to fill up the blank)

(i) increase Bank Rate

(ii) reduce Cash Reserve Ratio

(iii) sell securities in the open market

(iv) buy securities in the open market

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

6(a). Identify, which of the following is not a source of supply of foreign exchange for India.

(Choose the correct alternative)

(A) Exports of goods and services abroad

(B) Remittances by Indian workers working abroad

(C) Imports of goods and services from abroad

(D) Foreign Direct Investment (FDI) by a German automobile manufacturer

OR

6(b). Read the items given in Columns I and II carefully and choose the correct pair of statements from the given alternatives.

Column I		Column II	
i.	Export of software by an Indian company	1.	Demand of foreign currency
ii.	Accommodating nature of transactions	2.	Profit motive
iii.	Autonomous nature of transactions	3.	Non-Profit motive
iv.	Loan forwarded to Sri Lanka during its economic crisis	4.	Supply of foreign exchange

(A) i – 1

(B) ii – 2

(C) iii – 3

(D) iv – 4

7. Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from those given below.

Assertion (A) : Ex-ante savings and Ex-ante investments are never equal to each other.

Reason (R) : At equilibrium level of income, aggregate demand may not be equal to the aggregate supply.

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

8. Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from those given below.

Assertion (A) : The value of Average Propensity to Consume (APC) can never be zero or negative.

Reason (R) : Average Propensity to Consume (APC) is independent of the level of income.

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

9. Read the following statements carefully :

Statement 1 : Savings function can be derived from Consumption function.

Statement 2 : Consumption curve must always start from the point of origin.

In 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.

10(a). If in an economy, the value of Investment Multiplier is 5 and dissavings are (–)100 crore, the relevant savings at income level of ₹ 1,400 crore would be ₹ _____ crore.

(Choose the correct alternative to fill up the blank)

(A) 80

(B) 180

(C) 140

(D) 240

OR

10(b). The range of value of Investment Multiplier is always between _____ and _____.

(Choose the correct alternative to fill up the blanks)

(A) zero (0), infinity (∞)

(B) one (+ 1), infinity (∞)

(C) zero (0), one (+ 1)

(D) minus one (– 1), plus one (+ 1)

11. Discuss briefly the determination of exchange rate under the flexible exchange rate system.

12(a). Discuss briefly the three components of 'operating surplus'.

OR

12(b). Defend or refute the following statement, with valid argument :

"Depreciation is fall in the value of an asset due to unexpected obsolescence".

13(a)(i). Read the following information carefully :

"The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), recently increased the Repo Rate by 50 basis points. The Rate stands today at 5.40%, whereas Reverse Repo Rate was left unchanged at 3.35%."

Answer the following questions :

Identify the nature of the two monetary policy measures mentioned in the above text.

13(a)(ii). Read the following information carefully :

"The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), recently increased the Repo Rate by 50 basis points. The Rate stands today at 5.40%, whereas Reverse Repo Rate was left unchanged at 3.35%."

Answer the following questions :

Elaborate the likely economic rationale behind the increase in Repo Rate by the Monetary Policy Committee.

OR

13(b). Suppose an imaginary economy is facing a situation of deficient demand in the short run time period.

Discuss briefly, the probable impacts of the same on the economy.

14. Using a suitable numerical example, explain the credit creation process of the banking system, in a hypothetical economy.

15(a). Suppose the following information is given about a hypothetical economy :

$C = 200 + 0.75\ Y$ (where, C = Consumption and Y = Income)

$I_0 = 300$ (I_0 = Autonomous Investment)

Calculate the following on the basis of the given information :

Equilibrium Level of Income

15(b). Suppose the following information is given about a hypothetical economy :

$C = 200 + 0.75\ Y$ (where, C = Consumption and Y = Income)

$I_0 = 300$ (I_0 = Autonomous Investment)

Calculate the following on the basis of the given information :

Aggregate Demand at Equilibrium Level of Income

15(c). Suppose the following information is given about a hypothetical economy :

C = 200 + 0.75 Y (where, C = Consumption and Y = Income)

I_0 = 300 (I_0 = Autonomous Investment)

Calculate the following on the basis of the given information :

Marginal Propensity to Save

16(a)(i). "In the recent times, the Government of India has incurred a lot of expenditure on acquisition of indigenous defence items under 'Make-in-India' programme."

Identify and discuss the two types of budget expenditures which may by undertaken by the Government as suggested in the above statement.

16(a)(ii). State any two examples of revenue expenditure of the Government.

OR

16(b)(i). Two friends, Deepak and Krish were discussing the impact of increase in GST rates on luxury items, as recently undertaken by the Government. Krish was of the view that most of the luxury items (like foreign travel, imported cigarettes, etc.) should be taxed exorbitantly, while the items related to daily consumption of poor and middle class should be tax-free. Identify and explain the objective of the Government budget Krish is suggesting.

16(b)(ii). State the meaning of 'primary deficit' in the government budget.

17. Read the following text carefully :

In India, after Covid-19 period, household and private sector consumption, as measured by Private Final Consumption Expenditure (PFCE), was ₹ 39.7 trillion in nominal terms in Q1 FY23, compared with ₹ 28.4 trillion for the same period last year, and ₹ 39.2 trillion in the fourth quarter (Q4) of 2021 – 22 (FY22).

As a percentage of Nominal GDP, PFCE was 61.1 per cent, compared with 55.5 per cent in Q1 FY22. However, in real terms at constant prices, PFCE grew just 9.88 per cent, compared with Q1 of 2019 – 20 — the year before the Covid-19 pandemic.

"Recovery in domestic demand is reflected in the growth rates of PFCE and Gross Fixed Capital Formation (GFCF) over the corresponding quarter of the previous year," said D.K. Srivastava. GFCF came in at ₹ 19 trillion in Q1 FY23, compared with ₹ 14.4 trillion in Q1 FY22. However, it was slightly lower than ₹ 20.2 trillion in Q4 FY22.

In the media briefing after the GDP numbers, Finance Secretary T.V. Somanathan said this trend was expected as GFCF in present Q1 was usually lower than the previous year's Q4.

On the basis of the given text and common understanding, answer the following questions :

17(a). Compare and analyse the trends of change in PFCE as a percentage of GDP, both in real and nominal terms.

17(b). "Private Final Consumption Expenditure is an important factor determining Gross Domestic Product at Market Price." Justify the given statement.

Section B - Indian Economic Development

18(a). From the following alternatives, identify the correct full form of 'NITI' in NITI Aayog :

(A) National Institution for Tribal India
(B) National Institution for Technical India
(C) National Institution for Transforming India
(D) National Institution for Training India

OR

18(b). In a _____ economy, resources are owned and operated by both public and private sectors.

(Choose the correct alternative to fill up the blank)

(A) Socialist
(B) Capitalist
(C) Democratic
(D) Mixed

19(a). Identify the correct alternative with reference to the following statement :

"Between 1966 – 76, Mao introduced this movement under which professionals and students were asked to work and learn from real life situations prevailing in the countryside of China."

(A) Commune System
(B) Great Leap Forward
(C) Open Door Policy
(D) Great Proletarian Cultural Revolution

OR

19(b). Read the following statements carefully :

Statement 1 : In the agricultural sector, communes were established, where land holdings were allocated to individual households for ownership.

Statement 2 : Special Economic Zones (SEZs) were established to attract foreign investments and technology.

In 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.

20(a). Micro credit programmes play a vital role in ensuring an overall development of the rural economy as they _____.

(Choose the correct alternative to fill up the blank)

(i) provide financial support

(ii) lead to women empowerment

(iii) enhance the reach of formal credit system

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

OR

20(b). _____ revolution was the harbinger of major changes in the credit system as it led to diversification of the portfolio of rural credit towards production-oriented lending.

(Choose the correct alternative to fill up the blank)

(A) White
(B) Silver
(C) Blue
(D) Green

21. "Multiple reasons for economic slowdown and re-emergence of poverty in Pakistan may be enumerated."

Identify which of the following might not be one of them.

(i) Rising dependence on foreign loans

(ii) Stable macroeconomic indicators

(iii) Unstable agricultural growth

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

22(a). _____ adopted the resolution to ban the use of Chlorofluorocarbon (CFC) compounds along with other ozone depleting chemicals.

(Choose the correct alternative to fill up the blank)

(A) Kyoto Protocol
(B) Paris Protocol
(C) Montreal Protocol
(D) Brundtland Commission Report

OR

22(b). According to Herman Daly (an environmental economist), which of the following is not an essential step towards achieving sustainable development ?

(A) Limiting human population to carrying capacity of the environment
(B) Input inefficient technological progress
(C) Rate of extraction of renewable resources should not exceed rate of regeneration
(D) Correction of inefficiencies arising from pollution

23. Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from those given below.

Assertion (A) : Government can try to reduce unemployment through special poverty removal programmes.

Reason (R) : Such poverty removal programmes directly or indirectly lead to employment generation.

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

24. Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from those given below.

Assertion (A) : Post independence, public sector was given a prominent role, due to requirement of huge investments in the secondary sector.

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

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

25. 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.

26. Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from those given below.

Assertion (A) : Lower child mortality rate is a better indicator of gender equality.

Reason (R) : Preference for a male child exists in India, Pakistan and China.

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

27. Read the following statements carefully :

Statement 1 : 'One-child policy' was very effectively used in controlling the population by the Chinese authorities.

Statement 2 : One-child policy, according to scholars, led to a decline in gender ratio (the proportion of females per 1000 males).

In 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.

28. "A well-structured agricultural credit system is very essential for the rural sector."

Do you agree with the given statement ? Justify your answer with a valid argument.

29(a). Define worker-population ratio and give its significance.

OR

29(b). Distinguish between 'Human Capital' and 'Human Development'.

30(a). "Many economists believe that the economic reforms process of 1991 had adversely affected the agricultural sector."

Do you agree with the given statement ? Quote valid arguments in favour of your answer.

OR

30(b)(i). Explain any two shortfalls of the industrial policy under the British rule.

30(b)(ii). Quote the four goals of the five year plans process of India.

31. Read the following schedule carefully :

Trends in Output Growth in Different Sectors, 1980 – 2015

Country	**1980 – 90 — Agriculture**	**1980 – 90 — Industry**
India	3.1	7.4
China	5.9	10.8
Pakistan	4	7.7

Country	**1980 – 90 — Service**	**2011 – 2015 — Agriculture**
India	6.9	2.3
China	13.5	4.1
Pakistan	6.8	2.7

Country	**2011 – 2015 — Industry**	**2011 – 2015 — Service**
India	5	8.4
China	8.1	8.4
Pakistan	3.4	4.4

Analyse the output growth trend in the three sectors over the given years between India and Pakistan.

32(a). State, whether the following statements are true/false, with valid arguments :

Indian economy has shown satisfactory progress towards formalisation of the workforce in the recent past.

32(b). State, whether the following statements are true/false, with valid arguments :

Economic participation of women as homemakers is not accounted for in the Gross Domestic Product.

33(a)(i). Explain the role of education in the economic development of the nation.

33(a)(ii). State the importance of rural banking in an economy like India.

OR

33(b)(i). Who is a casual wage labourer ?

33(b)(ii). State and discuss any one recommendation of the Education Commission (1964 – 66).

33(b)(iii). In the light of the given image, identify and explain any one strategy to ensure sustainable development.



33-VI. For visually impaired candidates only, in lieu of the corresponding visual question:

Note : The following question is for the Visually Impaired Candidates only in lieu of Q. No. 33 (b) (iii) :

Explain any one function of the environment.

34. Read the following text carefully :

With independence, India chose the closed economy model in pursuit of its objective of industrial self-sufficiency. As a result, industrial structure has become considerably important. In the post-independence era, the industrial growth was rapid during the first two decades, especially during the Second and Third Plan period. The Second Plan introduced 'Industrial Revolution' in the country. The main reasons for high rates of industrial growth witnessed during this period were due to :

(i) Emphasis on industrialisation in economic policies.

(ii) Making industrial growth the main objective in the industrial policy and planning.

(iii) Huge investments being made to support capacity creation in the industrial sector.

(iv) Growing demands for a variety of new products on the part of the urban consumers and the relatively better-off sections of the society.

(v) Pace of economic expansion supported by domestic savings and inflow of resources from abroad.

On the basis of the given text and common understanding, answer the following questions :

34(a). State the time period of the Second Five Year Plan of India

34(b). Who is considered as the Father of the Second Five Year Plan of India ?

34(c). Discuss briefly any two reasons behind the industrial growth during the Second and Third Five Year Plans of India.

- End of Question Paper -