CBSE Class 12 Economics 2024 - Set 58/2/1

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 question paper contains 20 Multiple Choice type questions. Each question carries 1 mark.

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

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

(vi) This question 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.

(viii) In addition to this, note that a separate question has been provided for Visually Impaired candidates in lieu of questions having visual inputs, map etc. Such questions are to be attempted by Visually Impaired candidates only.

(ix) There is no overall choice in the question paper. However, an internal choice has been provided in few questions. Only one of the choices in such questions has to be attempted.

Section A - Macro Economics

1. Read the following statements carefully :

Statement 1 : A consumption function describes the relationship between consumption and savings.

Statement 2 : Consumption function consists of two components — autonomous consumption and induced 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.

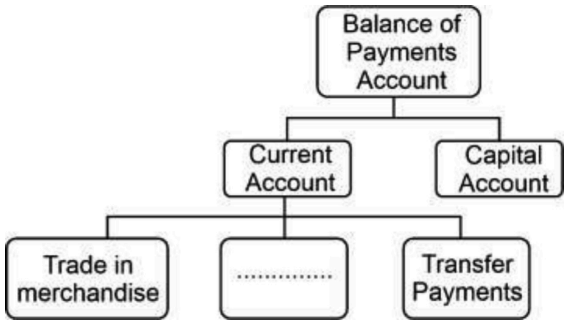
2. Identify which of the following is not one of the merits of fixed exchange rate system.

(A) Ensures stability in exchange rate
(B) Possibility of under or over valuation of foreign currency
(C) Prevents speculations in foreign exchange market
(D) Coordination of macroeconomic policies becomes convenient

3. Identify which of the following will appear on the debit side in the Capital Account of India's Balance of Payments.

(A) An Indian sending remittances from England
(B) Investing in assets abroad by Indians
(C) An American company purchasing shares of an Indian company
(D) Export of spices from India

4. Study the following figure carefully and choose the correct alternative to fill in the blank :



(A) Investments
(B) Trade of Services
(C) External Borrowings
(D) External Assistance

5. Read the following statements carefully :

Statement 1 : Economic territory and political frontier of a nation are one and the same thing.

Statement 2 : American Embassy in India is a part of the economic territory of India.

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.

6. Read the following statements carefully :

Statement 1 : Money is a commodity which is generally accepted as a medium of exchange.

Statement 2 : Money solved the problem of double coincidence of wants.

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.

7. Suppose in an imaginary economy, autonomous consumption = ₹ 500 crore and marginal propensity to consume = 0.8. The saving function for the economy would be _____.

(Choose the correct alternative to fill in the blank)

(A) 500 + 0.8Y
(B) (–) 500 + 0.8Y
(C) 500 + 0.2Y
(D) (–) 500 + 0.2Y

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

Assertion (A) : The maximum value of Marginal Propensity to Save (MPS) can be unity.

Reason (R) : At the break-even level of income, savings are zero.

(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, but 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.

9. Identify the incorrect statement with reference to Cash Reserve Ratio (CRR) :

(A) It is a certain percentage of demand and time deposit liabilities that every bank must keep as cash reserves with the Central Bank.
(B) It is fixed by the Central Bank.
(C) It is not binding on the commercial banks.
(D) It is a tool used by the Central Bank to control the credit creation in the economy.

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

Assertion (A) : The equilibrium level of income is determined, when ex-ante spending and ex-ante output are equal.

Reason (R) : The equilibrium level of income may or may not be the same as the full employment level of output.

(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, but 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.

11(a). "Accommodating transactions are undertaken to maintain stability in the Balance of Payments Account."

Justify the given statement with valid explanation.

OR

11(b). "Depreciation of currency may promote exports of a nation."

Defend or refute the given statement with valid arguments.

12. On the basis of the data given below, estimate the value of Gross National Product at Factor Cost (GNP_{FC}) :

S.No.	Items	Amount (in ₹ crore)
(i)	Wages and Salaries	2,000
(ii)	Rent and Interest	700
(iii)	Corporate Tax	500
(iv)	Undistributed Profit	300
(v)	Consumption of Fixed Capital	200
(vi)	Dividend	150
(vii)	Net factor income from abroad	(–) 50

13. For a hypothetical economy, assume the government increased an infrastructural investment by ₹ 10,000 crore. 80% of additional income is consumed in the economy. Estimate the increase in income and the corresponding increase in consumption expenditure in the economy.

14(a). "If actual demand for final goods falls short of the actual output of final goods corresponding to full employment level, it may lead to an unintended accumulation of inventories."

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

OR

14(b). Complete the following table. Construct the consumption function at ₹ 200 crore level of income.

Income (Y) (in ₹ crore)	Savings (S) (in ₹ crore)	Average Propensity to Consume (APC)	Marginal Propensity to Save (MPS)
0	(–) 50	–	–
100	_____	1	_____
200	_____	3/4	_____
300	_____	2/3	_____

15. Reserve Bank of India undertakes the important function of managing the government's banking transactions.

Discuss the above stated function performed by the Reserve Bank of India.

16(a)(i). Distinguish between direct tax and indirect tax with the help of suitable examples.

16(a)(ii). Explain the 'redistribution of income' objective of the Government Budget.

OR

16(b)(i). Suppose the following data is presented for an imaginary economy :

S.No.	Items	Amount (in ₹ Crore)
(i)	Tax Receipts	1,200
(ii)	Revenue Expenditure	3,700
(iii)	Non-Tax Receipts	2,000
(iv)	Recovery of Loans	145
(v)	Capital Expenditure	500
(vi)	Disinvestment	120
(vii)	Interest Payments	1,070

Calculate Revenue Deficit and Fiscal Deficit.

16(b)(ii). Differentiate between public provision and public production.

17. Read the following text carefully :

Decisions taken by factors of production in the production process often may affect the stakeholders indirectly. Such impacts at times are huge but are not accounted for, while estimating national income. Economists call them as externalities and they can be positive or negative.

In this regard, many economists suggest carbon pricing as an important tool to ensure ecological balance.

Carbon pricing tries to control greenhouse gas emissions by either placing a fee on emitting or offering subsidies on lesser emission. Through instruments like carbon tax, green cess, eco tax, etc. economists suggest moving towards greener technology eliminating such negative externalities.

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

17(i). Define externalities.

17(ii). Differentiate between positive and negative externalities.

17(iii). Elaborate how and why carbon pricing should be promoted.

Section B - Indian Economic Development

18. During the British rule, India's foreign trade had various features except _____.

(Choose the correct alternative to fill in the blank)

(A) Restrictive policies of commodity production, trade and tariff

(B) British monopoly over India's exports and imports

(C) Free trade from India to the rest of the world

(D) Large export surplus

19. China was able to control its rapid population growth rate owing to _____.

(Choose the correct alternative to fill in the blank)

(A) Economic reforms

(B) One-Child Policy

(C) Great Proletarian Cultural Revolution

(D) Special Economic Zones

20. Modernization is an important economic planning objective that focuses on _____.

(Choose the correct alternative to fill in the blank)

(i) Adoption of innovative technology

(ii) Equal distribution of income and wealth

(iii) Bringing positive changes in the social outlook

(A) Only (i)

(B) (i) and (ii)

(C) (i) and (iii)

(D) (i), (ii) and (iii)

21. The present day rapid industrial growth in China can be traced back to the economic reforms introduced in 1978, where _____.

(Choose the correct alternative to fill in the blank)

(i) initially reforms were initiated in agriculture, foreign trade and investment sectors

(ii) the policy of dual pricing was adopted

(iii) the Government revoked the policy of Special Economic Zones

(A) Only (i)

(B) Only (ii)

(C) (i) and (ii)

(D) (i), (ii) and (iii)

22. _____ farming is a system that is helpful in restoring, maintaining and enhancing the ecological balance.

(Choose the correct alternative to fill in the blank)

(A) Conventional

(B) Organic

(C) Chemical

(D) Multi-layered

23. Read the following statements carefully :

Statement 1 : India, Pakistan and China have similar physical endowments, but totally different political systems.

Statement 2 : Both India and Pakistan laid great emphasis on creating a large private sector.

In the light of the given statements, choose the correct alternative from the following :

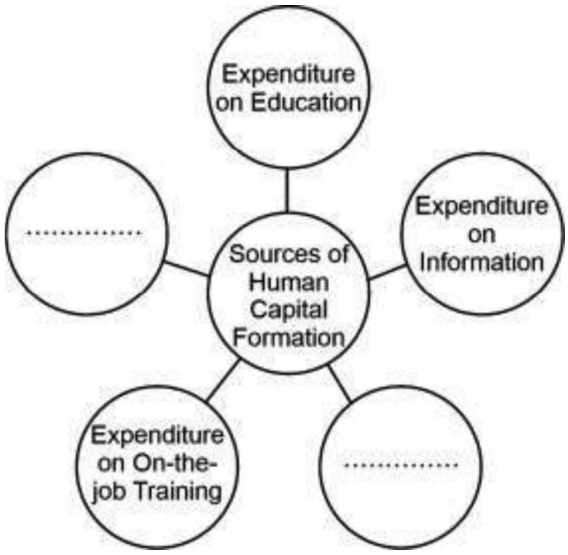
(A) Statement 1 is true and statement 2 is false.

(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.

24. Identify the sources of Human Capital Formation and choose the correct alternative to fill in the blanks.



(A) Expenditure on Health and Expenditure on Schools

(B) Expenditure on Technology and Expenditure on Knowledge

(C) Expenditure on Migration and Expenditure on Knowledge

(D) Expenditure on Health and Expenditure on Migration

25. From the type of workers given in Column I, identify the correct nature of work in Column II :

Column I	Column II
1. Cement shop owner	(i) Regular salaried
2. Construction worker	(ii) Casual wage workers
3. Civil engineer	(iii) Self-employed

(A) 1–(i); 2–(ii); 3–(iii)

(B) 1–(ii); 2–(i); 3–(iii)

(C) 1–(iii); 2–(ii); 3–(i)

(D) 1–(iii); 2–(i); 3–(ii)

26. After the implementation of economic reforms, Pakistan experienced slowdown of growth due to various reasons including _____.

(Choose the correct alternative to fill in the blank)

(i) Volatile performance of the agriculture sector

(ii) Over-dependence on remittances from abroad

(iii) Political instability

(A) (i) and (ii)

(B) (ii) and (iii)

(C) (i), (ii) and (iii)

(D) (i) and (iii)

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

Assertion (A) : In the recent past, Indian economy has been facing the problem of jobless growth.

Reason (R) : Jobless growth refers to a situation where an economy is able to produce more goods and services without generating additional employment.

(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, but 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.

28(a). "Self-Help Groups provide stimulus to socio-economic development in rural areas."

Justify the given statement with valid explanation.

OR

28(b). "The Government of India has taken various measures to align the agricultural marketing system with the growing production activities in the rural areas."

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

29. Interpret the given picture and explain any one strategy to control it from becoming an ecological disaster.



29-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. 29.

State any two strategies to achieve the objective of sustainable development.

30(a). Discuss any two factors that lead to stagnating Indian agriculture sector during British rule.

OR

30(b). Discuss any two liberalization measures pertaining to the tax reforms, introduced by the government, during the economic reform process of 1991.

31. "There exists a positive correlation between human capital formation and economic growth of a nation."

Justify the given statement with valid explanation.

32. On the basis of the data given below, discuss the shift in output and employment sector-wise, in India and China :

Sectoral share of Employment and GVA (%) in 2018 – 2019

Sector	Contribution to GVA	Contribution to GVA
	India	China
Agriculture	16	7
Industry	30	41
Services	54	52
Total	100	100

Sector	Contribution to GVA	Distribution of Workforce
	Pakistan	India
Agriculture	24	43
Industry	19	25
Services	57	32
Total	100	100

Sector	Distribution of Workforce	Distribution of Workforce
	China	Pakistan
Agriculture	26	41
Industry	28	24
Services	46	35
Total	100	100

Source : Human Development Report 2019 : Key Indicators of Asia and Pacific, 2019

33(a)(i). "Amita is a regular worker in a private firm that employs twelve hired workers."

Is she working in the formal/informal sector ? Give valid reasons in support of your answer.

33(a)(ii). State any two sources of data on unemployment in India.

33(a)(iii). Elaborate the need to promote women's education in India.

OR

33(b)(i). "The participation rate of people in economic activities in rural areas is more than that in urban areas."

Justify the given statement.

33(b)(ii). Define disguised unemployment. State its implications on output and employment in a country.

34. Read the following text carefully :

India's industrial policy since independence has been shaped broadly in terms of the Industrial Policy Resolution of 1948. It emphasized on the sole responsibility of the government in the matter of promoting, assisting and regulating the development of industries in the national interest. It envisaged an active and dominant role of public sector.

The next Industrial Policy Resolution was placed before the Parliament by the Prime Minister on 30th April, 1956. It suggested that, "There is a need for adoption of the socialist pattern of economy as the national objective, along with the need for planned and rapid development. It required that all industries of basic and strategic importance, or in public utility services, should be in the public sector.

Other industries which are essential and require investment on a massive scale (which only the State could provide) have also to be in the public sector. Thus, the State has to assume direct responsibility for the future development of industries."

This Resolution classifies industries into three categories :

- The first category given in Schedule A, consists of industries the future development of which will be the exclusive responsibility of the State.
- The second category given in Schedule B, are industries which will be progressively State-owned. However, in them, private enterprise will also be expected to participate.
- The third category comprises all the remaining industries, the further development of which will be left to the initiative and enterprise of the private sector.

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

34(i). "The Government of India, in the initial years of economic development, emphasized on a greater role of the public sector in the industrial development." Justify the statement, giving reasons in support of your answer.

34(ii). Outline and discuss the classification of industries into various categories as per Industrial Policy Resolution, 1956.

- End of Question Paper -