

**Instructions to the Students**

- Write only question numbers clearly outside the margin (1, 2, 3.i, 5.b, 4.c.ii, etc.).
- Do not write questions or any titles. (For ex. - Do not write **II. Answer the following**).
- After every answer, give a one-line space.
- For Multiple choice Questions - Both Option and Answer should be written.
- Bullet points & Sub-points should be written inside the margin.
- Do not fold / staple the paper.

Section A**Answer all questions:****(10 x 1 = 10)**

1. When the Reserve Bank of India wants to reduce the money supply in the economy, it can _____ the Repo Rate.
a) Decrease b) Increase c) Stabilize d) Eliminate
2. Deflationary Gap refers to the gap by which _____ falls short of the Aggregate Demand required to establish full employment equilibrium.
a) ex-ante Aggregate Demand b) ex-post Aggregate Demand
c) ex-ante Aggregate Supply d) ex-post Aggregate Supply
3. Which of the following is a part of the revenue expenditure in the Indian Government budget?
a) Interest payments b) Defence purchases
c) Wage bill of the government d) All of these
4. Money serves several crucial functions in an economy, including acting as a medium of exchange of value, allowing individuals to save purchasing power for future use. Which of the following correctly identifies the functions mentioned?
a) Money acts as a medium of exchange and helps in the distribution of income
b) Money acts as a medium of exchange and as a store of value
c) Money acts as a measure of national income and helps increase GDP
d) Money acts as a store of value and determines the rate of inflation
5. If consumption takes place even when income is zero, it is because of _____.
a) Induced consumption b) Marginal propensity to consume
c) Autonomous consumption d) Disposable income
6. Under the _____ exchange rate system, market forces automatically adjust the surplus and deficit in the Balance of Payments account.
a) fixed b) managed floating c) flexible d) dirty floating
7. The ratio that measures the change in consumption resulting from a change in income is called the Marginal Propensity to _____, indicating consumer spending behavior.
a) Save b) Invest c) Consume d) Expand
8. If the fiscal deficit is ₹10 lakh crore and interest payments are ₹2 lakh crore, the _____ deficit is ₹8 lakh crore.
a) Revenue b) Budgetary c) Primary d) Capital
9. The difference between Gross Domestic Product (GDP) and Net Domestic Product (NDP) is _____.
a) Depreciation b) Net Indirect Taxes
c) Net Factor Income from Abroad d) Personal Disposable Income

10. **Assertion (A):** A country always tries to balance the BoP, i.e., balance in current account equals to balance in capital account.

Reason (R): Balanced BoP indicates stable economic relations with rest of the world.

- Both (A) and (R) are true and (R) is the correct explanation of (A)
- Both (A) and (R) are true but (R) is not the correct explanation of (A)
- (A) is correct but (R) is wrong
- (A) is wrong but (R) is correct

Answer the following questions :

(2 x 3 = 6)

11. Calculate the value of Domestic Income (NDP at FC) from the given data:

Sr No.	Items	Amount in Crore
(i)	Household consumption Expenditure	800
(ii)	Gross business fixed capital formation	150
(iii)	Gross residential construction investment	120
(iv)	Govt. final consumption expenditure	170
(v)	Excess of imports over exports	20
(vi)	Inventory investment	140
(vii)	Gross public investment	500
(viii)	Net indirect tax	70
(ix)	Net factor income from abroad	(-) 50
(x)	Consumption of fixed capital	40

- 12.a. “Foreign Institutional Investors (FIIs) remained net seller in the Indian capital markets over the last few weeks”.—The Economic Times State and discuss the likely effects of the given statement on foreign exchange rate with reference to the Indian Economy.

(OR)

- 12.b. Explain how the government can use its budgetary policy in reducing the inequality of income in the country.

Answer the following questions:

(3 x 4 = 12)

- 13.a. Read the following text carefully :

“Currency is issued by the central bank, yet we say that commercial banks create money”.

Explain. How is this money creation by commercial banks likely to affect the national income?

(OR)

- 13.b. During an economic slowdown, a country experiences falling investment, declining consumption, and rising unemployment. The overall production level is much below the economy’s potential, and businesses report unsold inventories piling up. Economists term this situation as one where the economy is operating below full employment equilibrium. Explain the concept of ‘deficient demand’ with the help of a suitable diagram.

14. Consider the information given below:

(i) Autonomous consumption = ₹ 5,000

(ii) Marginal Propensity to Save (MPS) = 0.2

(iii) Investment = 20,000 On the basis of the above information.

Calculate (a) Equilibrium level of national income (b) Investment multiplier

15. ‘Lack of store of value’ was a major problem under barter system, but goods like diamond, gold can be easily stored for future use. Then why this was not a popular mean under barter system?

Answer the following questions:**(2 x 6 = 12)**

16.a.i. From the following data about a government budget, find out the following:

[3]

- (a) Revenue deficit
- (b) Fiscal deficit
- (c) Primary deficit

Contents	₹ (in Arab)
Tax revenue	47
Capital receipts	34
Non-tax revenue	10
Borrowings	32
Revenue expenditures	80
Interest payments	20

16.a.ii. Explain the budgetary measures for achieving the objective of setting up of production units in backward regions.

[3]

(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.

ii. State any two examples of non-tax receipts of the Government.

17. i. On the basis of following information, identify whether the economy is in equilibrium or not:

S.No.	Particulars	Amount (in ₹)
(i)	Autonomous Consumption and Investment Expenditure (\bar{A})	₹ 500 crores
(ii)	Marginal Propensity to Save (MPS)	0.2
(iii)	National Income	₹ 4,000 crores

ii. If a consumption function of a hypothetical economy is given as: $C = 100 + 0.6Y$; then

i. What will be the values of marginal propensity to consume and marginal propensity to save for the economy?

ii. Write the corresponding saving function.

Section B**Answer all questions:****(10 x 1 = 10)**

18. Which of the following are considered sources of human capital formation in India?

- a) Natural resources and capital goods
- b) Education and healthcare services
- c) Infrastructure and technology
- d) Foreign investment and trade

19. Example of misuse of environmental resource

- a) Ozone depletion and Global warming
- b) Reforestation and Land up gradation
- c) None
- d) Deforestation and Land degradation

20. **Assertion (A):** The concept of economic planning for the country's growth and development was first conceived by the Soviet Union in 1928.
Reason (R): There was no difference in the nature of the planning model adopted by India compared with the Soviet Union.
- Both (A) and (R) are true and (R) is the correct explanation of (A)
 - Both (A) and (R) are true but (R) is not the correct explanation of (A)
 - (A) is correct but (R) is wrong
 - (A) is wrong but (R) is correct
21. **Statement 1:** Under the financial sector reforms, the limit of foreign investment in banks was raised.
Statement 2: The financial sector reforms led to the establishment of Indian as well as foreign private sector banks.
- Both Statements 1 and 2 are true
 - Both Statements 1 and 2 are false
 - Statement 1 is true and Statement 2 is false
 - Statement 1 is false and Statement 2 is true
22. Demonetisation is the _____ policy wherein the legal status of a currency unit is cancelled and new one comes into circulation.
- Legal
 - Social
 - Political
 - Economic
23. Identify which of the following statements correctly describe the relationship between human capital and economic development.
- Human capital has no significant impact on economic development
 - Increased human capital leads to higher unemployment rates
 - Human capital enhances productivity and drives economic growth
 - Economic development reduces the need for human capital investment
24. Identify which of the following factors significantly contributed to the low level of economic development in India on the eve of independence. Which of the following is correct?
- High dependency on agriculture with minimal industrial growth
 - Extensive industrialization and technological advancements
 - Strong domestic market supporting local industry
 - Well-developed transportation and communication infrastructure across the country
25. The main objective of the zamindars during the land settlement system was to ____.
- collect rent with no interest in the economic condition of the cultivators
 - cooperate with colonial government to improve the condition of agriculture
 - improve the economic condition of the cultivators
 - improve the crop yield by making significant contributions in technology and fertilisers usage
26. Which of the following features is common in India and Pakistan?
- Large population
 - One child norm
 - Growth due to service sector
 - Very high fertility rate
27. High level of physical and human capital can lead to a higher level of ____.
- Population
 - Inflation
 - Economic growth
 - Poverty

Answer the following questions:**(2 x 3 = 6)**

28. Interpret the given picture on account of current environmental challenges.



- 29.a. Explain the primary causes of low agricultural productivity in India during the British colonial era. Discuss how exploitative land revenue systems and the lack of technological advancement contributed to stagnation in the agricultural sector.

(OR)

- 29.b. What were the drawbacks of the licensing policy followed by the government before 1991?

Answer the following questions:**(3 x 4 = 12)**

- 30.a. Explain why the Indian economy was considered stagnant on the eve of independence.

(OR)

- 30.b. As a form of economic activity, outsourcing has intensified in recent times. Most MNCs, and even small companies, are outsourcing their services to India. Defend or refute the above statement.

31. State, giving valid reasons, whether the following statements are true or false:

(a) Unemployment is the reason for the rural-urban migration in India.

(b) Human capital formation gives birth to innovation, invention and technological improvements.

32. It is believed by some of the economists that 'once the technology is found profitable and is widely adopted, subsidies should be phased out'. Accept/Refute the above statement.

Answer the following questions:**(2 x 6 = 12)**

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

The term 'sustainable development' was used by the Brundtland Commission (1987) which coined what has become the most often-quoted definition of sustainable development "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Sustainable development does not focus solely on environmental issues. The United Nations 2005 World Summit Outcome Document refers to the four 'interdependent and mutually reinforcing pillars' of sustainable development as including: economic development, social development and environmental protection. The fourth pillar is indigenous people and culture. Proponents of Sustainable Development argue that it provides a context in which overall sustainability is improved where cutting edge Green development is unattainable. For example, a cutting edge treatment plant with extremely high maintenance costs may not be sustainable in regions of the world with fewer financial resources. Sustainability requires that human activity only use nature's resources at a rate, which they can be replenished naturally. Inherently, the concept of sustainable development is intertwined with the concept of carrying capacity.

- 33.a.i. What is sustainable development? Does sustainable development solely focus on environment? Why?

[2]

- 33.a.ii. Explain any two strategies for sustainable development in India.

[4]

(OR)

33.b.i. "Multinational companies have not only contributed towards the IT sector but also have a tremendous role to play towards rural development". Justify the given statement with valid arguments. [3]

33.b.ii. "The opportunity costs of negative environmental impacts are high". Defend or refute the given statement with valid reasons. [3]

34.a. The following table shows distribution of workforce in India for the year 1972-73. Analyse it and give reasons for the nature of workforce distribution: [3]

Place of Residence	Workforce (in millions)		
	Male	Female	Total
Rural	125	69	195
Urban	32	7	39

34.b. Define the following: [3]

- a) Golden Revolution
- b) Carrying capacity of Environment
- c) Sustainable Development