



SAMPLE PAPER 1 2024-25

Class 12 - Economics

Time Allowed: 3 hours

Maximum Marks: 80

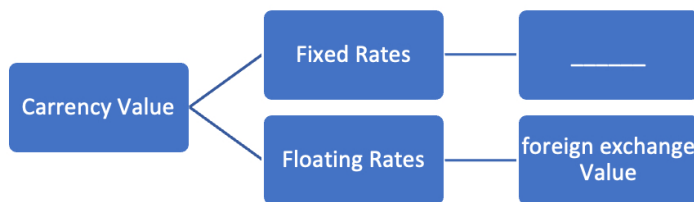
General Instructions:

1. This question paper contains two sections:
Section A – Macro Economics
Section B – Indian Economic Development
2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

SECTION A – MACRO ECONOMICS

1. **Statement I:** Portfolio Investment, e.g. Foreign Institutional Investments (FIIs), Offshore Funds, etc is included in the current account of BOP. [1]
Statement II: Surplus in capital account arises when capital inflows (like receipt of loans from abroad, sale of assets or shares in foreign companies) are greater than capital outflows (like repayment of loans, purchase of assets or shares in foreign countries).
a) Statement I is true and statement II is false. b) Statement II is true and statement I is false.
c) Both the statements are true. d) Both the statements are false.
2. In the terminology of economics and money demand, the terms M3 and M4 are also known as : [1]
a) Long money b) Short money
c) Broad money d) Narrow money
3. If Marginal Propensity to Save (MPS) is equal to zero, it indicates that the National Income of the economy will be _____. [1]
a) < 1 b) not defined (∞)
c) 0 d) 1
4. If the value of export of merchandise is ₹1,500 crore and imports of goods are 20 percent more than exports. The value of imports and trade deficit will be ₹_____ crores and ₹_____ crores respectively. [1]
a) 1,800; 3,300 b) 1,200; 300
c) 1,200; 3,300 d) 1,800; 300
5. The important factor influencing the propensity to save in an economy is: [1]
a) The level of savings b) The level of investment

- c) The level of consumption
d) The level of income (Y)
6. Deficient demand refers to a situation when: [1]
- a) $AD < AS$ (corresponding to full employment level)
b) $AS > AD$ (corresponding to underemployment level)
- c) $AD > AS$ (corresponding to full employment level)
d) $AD = AS$ (corresponding to underemployment level)
7. When income is zero, savings will be _____. [1]
- a) infinity
b) negative
- c) zero
d) positive
8. In a two sector economy, firms depend on the households for supply of: [1]
- a) Money
b) Both Goods and Services and Factor Inputs
- c) Goods and Services
d) Factor Inputs
9. Deposit creation by banks comes to an end when _____. [1]
- a) money multiplier becomes zero
b) legal reserve ratio becomes zero
- c) total reserves equal initial deposits
d) fresh deposits with banks become zero
10. When the value of a currency is fixed in terms of some other currency, it is called: [1]



- a) Money value
b) Parity value
- c) Free value
d) Commodity value
11. Explain why interest on public debt is treated as a transfer payment. [3]
12. State the components of capital account of balance of payment. [3]
- OR
- Explain why there is a rise in demand for foreign exchange when its price falls.
13. State the meaning of **Deficient Demand**. Suggest any two monetary policy tools used to reduce deficient demand. [4]
14. $C = 100 + 0.75 Y$ is a consumption function (where C = consumption expenditure and Y = national income) and investment expenditure is 800. On the basis of this information calculate: [4]
- i. The equilibrium level of national income.
- ii. Saving at the equilibrium level of national income.

OR

Calculate Marginal Propensity to Consume from the following data about an economy which is in equilibrium.

National income = 2000

Autonomous consumption expenditure = 200

Investment expenditure = 100

15. Explain the **Government's Bank** function of the central bank. [4]

16. **Answer the following questions:** [6]

- (a) i. How are the following treated while estimating private final consumption expenditure? Give reasons for your answer. [3]
- i. Exports.
 - ii. Direct purchases made abroad by resident households.
 - iii. Final consumption expenditure of non-profit institutions serving households.
 - iv. Change in stocks.
- ii. How will you treat the following while estimating National Income? Give reasons for your answer. [3]
- i. Salaries received by non-residents Indian working in Russian Embassy in India.
 - ii. Profits earned by an Indian bank from its branches abroad.
 - iii. Entertainment tax received by the government.

(b) **OR**

- i. Calculate **National Income** and **Net National Disposable Income** from the following: [3]

Items	(Rs.in Arab)
Net change in stocks	50
Government final consumption expenditure	100
Net current transfers to abroad	30
Gross domestic fixed capital formation	200
Private final consumption expenditure	500
Net imports	40
Depreciation	70
Net factor income to abroad	(-) 10
Net indirect tax	120
Net capital transfers to abroad	25

- ii. Calculate national income. [3]

S.no.	Contents	(Rs. in crores)
(i)	Net Domestic Capital Formation	150
(ii)	Government Final Consumption Expenditure	300
(iii)	Net Factor Income from Abroad	(-) 200
(iv)	Private Final Consumption Expenditure	600
(v)	Depreciation	30
(vi)	Net Exports	50
(vii)	Net Indirect Taxes	90
(viii)	Net Current Transfers from Rest of the World	40

- a) Both A and R are true and R is the correct explanation of A. b) Both A and R are true but R is not the correct explanation of A.
- c) A is true but R is false. d) A is false but R is true.
23. Following states have high literacy rate except_____ . [1]
- a) Mizoram b) Rajasthan
- c) Kerala d) Delhi
24. The size of population is comparatively very small in Pakistan just about ____ of China [1]
- a) 1/15th b) 1/10th
- c) 1/5th d) 1/2th
25. Two major environmental issues facing the world today are _____ and _____ [1]
- a) global warming and air pollution b) ozone depletion and pollution
- c) global warming and ozone depletion d) air pollution and noise pollution
26. **Statement I:** Under the colonial regime, the motive behind infrastructure development was to provide basic amenities to the people. [1]
- Statement II:** The real motive behind infrastructure development was to subserve various colonial interests.
- a) Statement I is true, but statement II is false. b) Both the statements are false.
- c) Statement II is true, but statement I is false. d) Both the statements are true.
27. Match the following. Options are as below [1]
- | | |
|-----------------------------------|---|
| a. Intermediaries | i. Bringing together all plots of land into one block |
| b. Tenancy reforms | ii. Take cultivated land on rent |
| c. Consolidation of land holdings | iii. Exploitative agrarian relations |
- a) a(i),b(ii),c(iii) b) a(iii),b(i),c(ii)
- c) a(iii),b(ii),c(i) d) a(ii),b(iii),c(i)
28. How do the Illiteracy factor contribute to the environmental crisis in India? What problem do they pose for the government? [3]
- OR
- State the role of Pollution Control Boards in India.
29. Compared to females, more males are found to be working. Why? [3]
30. Do you think there is any contradiction between growth and self-reliance and growth and employment generation? [4]
31. Why there was need for economic reforms? [4]
- OR
- Agricultural sector appears to be adversely affected by the reform process. Why?
32. Discuss the weaknesses of education sector in India. [4]
33. **Answer the following questions:** [6]
- (a) i. If farmers who borrowed from cooperative banks could not pay back loan due to crop failure and other reasons, their loans should be waived off else they might commit suicide. Do you [3]

agree? Explain.

- ii. Explain the importance of credit availability to farmers in rural development. [3]

(b) **OR**

- i. Information technology plays a very significant role in achieving sustainable development and food security. Comment. [3]

- ii. Write a short note on- [3]

- a. MSP (Minimum Support Price)
- b. Buffer Stock
- c. PDS (Public Distribution System)

34. **Read the following text carefully and answer the questions given below:** [6]

Foreign direct investment

Unlike India, FDI makes China a global player. In 2000, in cumulative terms, China was world's fifth-largest recipient of FDI, after the United States (USD1.3 trillion), the United Kingdom (USD497 billion), Benelux Economic Union states (USD482 billion) and Germany (USD480 billion). But for 2004, China was to clock the second largest FDI inflow of USD62 billion—next only to the United States which makes this FDI inflows the most critical as also most visible indicator of its sustained and rapid economic development. Even India is expected to emerge as the next hot spot for FDI inflows. Amongst others, the UNCTAD-DITE Global Investments Prospects Assessment 2004, estimates for 2004-2007 put China and India at the top two ranks followed by the US as third. This, however, remains rather ambitious, especially for India. Even for China, while it is expected to continue to leapfrog, it is likely to stay at its second position and may not surpass the US for a very long time.

But there are indicators that FDI inflows to China (even India) will continue unhindered. For example, China today accounts for over 10% of US foreign trade destinations and China owns USD167 billion of US securities issued by the Federal Government. During the year 2000, the total US corporate revenue generated from China was USD7.2 billion, compared to USD4.6 billion from Mexico, USD3.5 billion from Singapore, and USD1.85 billion from Brazil. Though China faced some phases when FDI had gone down yet it has gradually witnessed rise from USD2.7 billion for 1984 to USD62 billion by 2004, largely staying within the range of USD45 to USD60 billion on an average year.

By comparison, India's FDI has been generally sluggish and, for the early 1990s India's contracted FDI stood at USD0.15 billion for 1991, USD0.23 billion for 1992, USD0.57 billion for 1993, USD0.95 billion for 1994, and USD1.96 billion for 1995. But from there, India's FDI has experiences some acceleration and rose to USD3.4 billion for 2002 and USD4.3 billion for 2003; and some experts also question calculation methods and suspect underplaying of India's FDI statistics. For year 2004, India's FDI was estimated to exceed a rather impressive USD8 billion. And, given this new enthusiasm of the United Progressive Alliance, the government has been talking of absorbing an FDI of USD15 billion for 2005 and USD30 billion for 2007 to reach a total of USD150 billion of fresh FDI in next ten years.

Among the reasons cited to explain India lagging behind, is the argument that China had decided to open up to FDI back in 1979 and created special economic zones (SEZs) in coastal regions that had the clear advantage of geographical proximity to Hong Kong—the hub of capital investment in Asia —, and that China had the added advantage of its political system, cheap labour and special incentives for foreign investors as for its armed forces which were to become major players in China's opening up experiments. Also important is overseas Chinese contributions. Non-resident Indians and overseas Chinese have been distinct categories in FDI inflows into their

respective homelands. Beginning only from the early 1990s, while non-resident Indians do contribute a little to India's FDI, overseas Chinese are known to present a unique example by contributing over two-thirds of the whopping inflows of FDI into China.

Questions:

- i. Discuss the reason for India's FDI being sluggish compared to that of China.
- ii. Analyse the growth of the Chinese Economy focusing on the role of SEZs towards boosting FDI.

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