

# ECONOMICS

## A Highly Simulated Practice Question Paper for CBSE Class XII Examination

Time : 3 hrs

M.M. : 80

### General Instructions

1. All questions in both the sections A and B are compulsory. However, there is internal choice in questions of 1, 3, 4 and 6 marks.
2. Question Nos. 1-10 and 18-27 are objective type questions, carrying 1 mark each. They are required to be answered in one sentence each.
3. Question Nos. 11-12 and 28-29 are short answer type I questions, carrying 3 marks each. Answers to them should not normally exceed 60 words each.
4. Question Nos. 13-15 and 30-32 are short answer type II questions, carrying 4 marks each. Answers to them should not normally exceed 70 words each.
5. Question Nos. 16-17 and 33-34 are long answer type questions, carrying 6 marks each. Answers to them should not normally exceed 100 words each.
6. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

### SECTION A

#### Objective Type Questions

(1 Mark)

#### Multiple choice questions (Q. no. 1 to 5)

There are four options for each question, out of these, only one is correct. You have to identify the correct option.

1. Who presents the annual budget in India?

- (a) Prime Minister  
(b) President  
(c) Finance Minister  
(d) None of these

2. In an economy, autonomous consumption stands at ₹ 100 crore and national income at ₹ 1,000 crore. The value of MPC is 0.70. The consumption expenditure for the economy will be

- (a) ₹ 600 crore  
(b) ₹ 800 crore  
(c) ₹ 1,000 crore  
(d) ₹ 1,200 crore

Or The minimum value of investment multiplier can be

- (a) 0  
(b) -1  
(c) 1  
(d) -2

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

**Assertion (A)** Marginal propensity to consume tends to fall with rise in level of income and eventually becomes zero.

**Reason (R)** A person supports his/her basic consumption needs from past savings or borrowings.

**Alternatives**

- (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

4. Choose the incorrect statement from given below

- (a) Central bank has the sole authority to issue currency in India.
- (b) All currency coins are minted by Central government in India.
- (c) Currency notes in India are guaranteed by the central government.
- (d) Currency notes are known as 'limited legal tender'.

5. Write the correct pair.

Column I	Column II
A Dividend received from public enterprises	(i) Revenue expenditure
B Grants from foreign government	(ii) Capital expenditure
C Sale of public sector undertakings	(iii) Capital receipt
D Expenditure on purchasing computers	(iv) Revenue receipt

**Codes**

- (a) A-(i)
- (b) B-(ii)
- (c) C-(iii)
- (d) D-(iv)

**Case based questions (Q.no. 6 to 9)**

Read the following case study paragraph carefully and answer the questions on the basis of the same.

In the wake of the Mexican and Asian currency turmoil, the subject of financial crisis has come to the forefront of academic and policy discussions. It has been found that the problems in the banking sector typically precede a currency crisis, i.e. the currency crisis deepens the banking crisis activating a vicious spiral; financial liberalisation often precedes banking crisis.

The anatomy of these episodes suggests that crisis occur as the economy enters a recession, following a prolonged boom in economic activity that was fuelled by credit, capital inflows, and accompanied by an overvalued currency.

Whatever the causes of currency crisis, neither the old literature nor the new models of self-fulfilling crisis have paid much attention to the interrelation between banking and currency problems, despite the fact that many of the countries that have had currency crisis have also had full-fledged domestic banking crisis around the same time.

6. How will a banking crisis in domestic country affects demand curve for foreign exchange?

- (a) Demand for foreign exchange will shift to the right
- (b) Demand for foreign exchange will shift to the left
- (c) There will be downward movement along demand curve
- (d) There will upward movement along demand curve

7. Increase in demand for foreign exchange will lead to ..... (increase/decrease) in foreign exchange rate.
8. During the currency crisis, the foreign exchange reserve with central bank will  
 (a) increase (b) decrease (c) remain constant (d) None of these
9. Which of the following steps should be taken by central bank in order to control fluctuation in external price of currency?  
 (a) Demand more foreign exchange  
 (b) Supply foreign exchange from its reserves  
 (c) Do not intervene in the foreign exchange market  
 (d) Both (a) and (b)
10. .... exchange rate system has been discontinued by all the leading economies of the world, including India.

### Short Answer Type I Questions

(3 Marks)

11. Explain any two functions of Central Bank.

Or

Money has overcome the limitations of barter system. Comment.

12. Explain any three sources of foreign exchange in a country.

### Short Answer Type II Questions

(4 Marks)

13. Explain the role of the following in correcting the inflationary gap in an economy.  
 (i) Legal reserves (ii) Bank rate

Or

Explain the role of following in correcting deflationary gap in the economy.

- (i) Margin requirements (ii) Open market operations
14. Are the following included in the estimation of national income of a country? Give reasons for your answer.  
 (i) Government expenditure on street lighting.  
 (ii) Receipts from the sale of land.  
 (iii) Money received from a worker, working abroad by his family.  
 (iv) Government expenditure on defence.

15. "Government budget comprises of various components". Explain them briefly.

### Long Answer Type Questions

(6 Marks)

16. Draw the straight line saving curve for an economy and derive from it the consumption curve, explaining the method of derivation. Show a point on the consumption curve at which Average Propensity to Consume (APC) is equal to 1.
17. Calculate national income from the following

S.No.	Items	(₹) in crores
(i)	Net Imports	(-) 10
(ii)	Private Final Consumption Expenditure	700
(iii)	Undistributed Profit	20

S.No.	Items	(₹) in crores
(iv)	Net Domestic Capital Formation	120
(v)	Government Final Consumption Expenditure	200
(vi)	Net Factor Income to Abroad	(-) 5
(vii)	Corporation Tax	100
(viii)	Net Indirect Tax	10

Or

How is national income computed by using income method?

## SECTION B

### Objective Type Questions

(7 Marks)

#### Multiple choice questions (Q. no. 18 to 22)

There are four options for each question, out of these, only one is correct. You have to identify the correct option.

18. .... economy is referred to as Laissez-faire economy.
- (a) Socialist (b) Capitalist  
(c) Mixed (d) None of these
19. .... is an inter-governmental political forum of the industrialised economies of the world which are democratic in character.
- (a) G-8 (b) G-20  
(c) European union (d) BRICS
20. Choose the correct statement from given below
- (a) Industrial sector's contribution is highest in GDP in China.  
(b) Pakistan has low dependency on primary sector in terms of employment.  
(c) Industrial sector's contribution in GDP was remained more or less in India.  
(d) Post new economic policy, contribution of agriculture in GDP has gradually increased.
21. Read the following statements Assertion (A) and Reason (R). Choose one of the correct alternatives given below
- Assertion (A)** During the initial phase of reforms, India opted for 'import substitution industrialisation'.
- Reason (R)** Domestic industries were given protection from foreign competition to help them grow competitive.
- Alternatives**
- (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

22. Write	Column I	Column II
A	Mid-day Meal Scheme	(i) This scheme was launched on 2nd October, 1975
B	Valmiki Ambedkar Awaas Yojana	(ii) It seeks to improve the living conditions of slum dwellers in urban areas
C	Pradhan Mantri Gramodya Yojana	(iii) This scheme was launched in 2007
D	Integrated Child Development Scheme	(iv) Under it, cooked meal is provided to students studying in government schools

**Codes**

(a) A-(i)

(b) B-(ii)

(c) C-(iii)

(d) D-(iv)

### Case based questions (Q.no. 23 to 26)

Read the following case study paragraph carefully and answer the questions on the basis of the same.

This paragraph is about the environmental problems of Jodhpur city in terms of air quality, water supply, wastewater disposal, and solid waste management. Maps have been prepared to show the boundaries of municipal circles responsible for the disposal of solid wastes. Areas of comparatively higher degrees of air pollution have also been demarcated on the maps.

The daily output of urban refuse and the intensity of urban refuse for wards within Jodhpur's walled city versus for wards outside the walled city have been cartographically depicted. Also, in cities like Delhi, poor air quality index is a major concern, specially during winters, the air quality deteriorates partly because of burning of crops in NCR region and partly because of vehicular emission.

23. Which of following is/are major environmental change(s) faced in India?

(a) Air Pollution

(c) Loss of vegetation

(b) Land degradation

(d) All of these

24. .... (Montreal/Cartagena) protocol was set-up to deal with air and water pollution.

25. Central Pollution Control Board (CPCB) was set-up in ..... (1974/1990)

26. Lichens are good bioindicators for

(a) environmental radiation

(c) water and air pollution

(b) soil pollution

(d) None of these

27. .... is measured in terms of number of persons who did not find any work even for an hour during the week preceeding the survey week.

Or

..... is measured in terms of number of persons who remained unemployed for a major part of the year.

### Short Answer Type I Questions

(3 Marks)

Write a brief note on ozone depletion.

Or

Write a brief note on global warming.

29. "Regional inequality exists in health infrastructure in India." Comment.

### Short Answer Type II Questions

(4 Mark

30. Enumerate the measures that have been taken for globalisation of Indian economy.

Or

Give two objectives each of liberalisation and globalisation.

31. Enumerate the differences between formal and informal sector in India.  
32. What are the reasons for the slow growth and re-emergence of poverty in Pakistan?

### Long Answer Type Questions

(6 Mar

33. Mixed economy is the basic framework of planning in India. Explain.  
34. Discuss the causes of unemployment in India.

Or

Briefly discuss any four strategies of sustainable development.

## ANSWERS

1. (c) 2. (b) Or (c) 3. (b) 4. (d) 5. (c) 6. (a) 7. increase 8. (b) 9. (d) 10. Fixed  
17. National Income = ₹ 1,025 crore  
18. (b) 19. (a) 20. (c) 21. (a) 22. (b) 23. (d)  
24. Montreal 25. 1974 26. (c)  
27. Weekly status unemployment  
Or Usual status unemployment