



CBSE

ADDITIONAL PRACTICE QUESTIONS

Economics (030)

Class XII | 2023–24

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 of 1 mark each.

3. This paper contains 4 Short Answer Questions of 3 marks each to be answered in 60 to 80 words.

4. This paper contains 6 Short Answer Questions of 4 marks each to be answered in 80 to 100 words.

5. This paper contains 4 Long Answer Questions of 6 marks each to be answered in 100 to 150 words.

Q.NO.	SECTION A – MACRO ECONOMICS	MARKS
1	<p>Read the following statements carefully:</p> <p>Statement 1: The level of consumption has a direct impact on the amount of savings the households can accumulate over time.</p> <p>Statement 2: Higher consumption often lead to lower savings, while lower consumption tend to facilitate higher levels of savings.</p> <p>In light of the given statements, choose the correct alternative from the following:</p> <p>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.</p>	1
2	<p>The scenario which would lead to an increase in GDP, but might not necessarily improve overall welfare?</p> <p>a) Reduction in income inequality b) Rapid growth of the financial sector c) Expansion of environmentally harmful industries d) Increased government investment in education and healthcare</p>	1
3	<p>If the government implements a tax cut and people use most of their extra money to increase their consumption, this suggest about the MPC that:</p>	1



	<p>a) It is not applicable in this situation</p> <p>b) It is low, indicating people prefer saving over spending</p> <p>c) It is negative, indicating people are decreasing their consumption</p> <p>d) It is high, indicating people are responsive to changes in income</p>	
4	<p>A positive balance in the Capital Account of the Balance of Payments of a country indicates that:</p> <p>a) trade balance is positive</p> <p>b) currency is depreciating</p> <p>c) it is experiencing a budget surplus</p> <p>d) it is receiving more foreign investments than it is making abroad</p>	1
5	<p>In the web of financial interactions, when individuals harmoniously enter into agreements to honor the repayment of a loan at a designated point in the future, they are engaging in which pivotal function of money:</p> <p>a) a safe place to keep the wealth</p> <p>b) a tool that helps to compare the value of different things</p> <p>c) a bridge between people who want to buy things and people who want to sell things</p> <p>d) a steady foundation that helps to agree on how to settle debts or loans at a later time</p>	1
6	<p>Punjab National Bank receives a deposit of 80,000 and the reserve requirement is 10%. If the bank decides to hold reserves equal to 20% of the deposit instead of the required amount, how much excess reserve does the bank hold?</p> <p>a) 4,000</p> <p>b) 8,000</p> <p>c) 12,000</p> <p>d) 16,000</p>	1
7	<p>The interaction between the concept of the price level and the dynamics of aggregate demand in an economy is interconnected as:</p> <p>a) the price level increases, aggregate demand increases</p> <p>b) the price level increases, aggregate demand decreases</p> <p>c) changes in the price level have no impact on aggregate demand</p> <p>d) the relationship between the price level and aggregate demand is unpredictable</p>	1
8	<p>The influence exerted by international borrowing on the foreign exchange supply within an economy is indicated when it:</p> <p>a) minimally affects the supply of foreign exchange</p> <p>b) tends to diminish the supply of foreign exchange</p> <p>c) intends to increase the supply of foreign exchange</p> <p>d) confined solely to alterations in the supply of domestic currency</p>	1
9	<p>Given an economy with a Consumption Function of $C = 750 + 0.5Y$, where C represents Consumption Expenditure, Y represents National</p>	1



	<p>Income and an Investment Expenditure of 2,300, what would be the Consumption Expenditure at the equilibrium level?</p> <p>a) 1,400 b) 6,100 c) 3,050 d) 3,800</p>																									
10	<p>Which of the following best defines 'Unilateral Transfers' in the context of international transactions?</p> <p>a) Funds transferred internationally as loans for a specified tenure and interest rate. b) Trade transactions involving goods and services between two countries. c) Payments made by one party without expecting any return in the future. d) Investments made by a country in the stock market of another country.</p>	1																								
11	<p>Elucidate the distinction between Autonomous Items and Accommodating Items concerning a nation's Balance of Payments. Give examples to demonstrate country's international economic interactions.</p>	3																								
12	<p>(A) Calculate Gross Domestic Product at market price using Expenditure method:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>S.No.</th> <th>Items</th> <th>Amount (in crore)</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Private final consumption expenditure</td> <td>9,800</td> </tr> <tr> <td>(ii)</td> <td>Government final consumption expenditure</td> <td>12,000</td> </tr> <tr> <td>(iii)</td> <td>Change in stock</td> <td>275</td> </tr> <tr> <td>(iv)</td> <td>Gross domestic fixed capital formation</td> <td>875</td> </tr> <tr> <td>(v)</td> <td>Consumption of fixed capital</td> <td>600</td> </tr> <tr> <td>(vi)</td> <td>Net exports</td> <td>(-)90</td> </tr> <tr> <td>(vii)</td> <td>Net factor income from abroad</td> <td>790</td> </tr> </tbody> </table> <p style="text-align: center;">OR</p> <p>(B) Explain the concept of Double Counting in the context of calculating National Income and provide a practical way to avoid it.</p>	S.No.	Items	Amount (in crore)	(i)	Private final consumption expenditure	9,800	(ii)	Government final consumption expenditure	12,000	(iii)	Change in stock	275	(iv)	Gross domestic fixed capital formation	875	(v)	Consumption of fixed capital	600	(vi)	Net exports	(-)90	(vii)	Net factor income from abroad	790	3 3
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13	<p>If National Income is 250 crore and Savings is 80 crore, find out Average Propensity to Consume. When National Income rises to 390 crore and Savings to 115 crore, what will be the Average Propensity to Consume and the Marginal Propensity to Save?</p>	4																								
14	<p>(A) Describe the economic scenario when ex-post Aggregate Demand surpasses ex-post Aggregate Supply and its potential consequences on price levels, production and employment.</p> <p style="text-align: center;">OR</p>	4 4																								



	(B) Demonstrate your understanding of how the Reserve Bank of India can apply monetary policy tools to tackle a scenario of Deficient Demand in the economy? Identify and discuss four specific measures that the Reserve Bank of India can employ to effectively correct the situation.																						
15	Explore four main functions of the Reserve Bank of India and how each of these functions contributes to the overall growth of the Indian economy.	4																					
16	<p>(A). Utilizing the provided data, compute Revenue Deficit, Fiscal Deficit and Primary Deficit:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">S.No.</th> <th style="width: 60%;">Given Data</th> <th style="width: 30%;">(in crore)</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>Revenue expenditure</td> <td>80,350</td> </tr> <tr> <td>B</td> <td>Capital expenditure</td> <td>92,000</td> </tr> <tr> <td>C</td> <td>Interest payments</td> <td>18,000</td> </tr> <tr> <td>D</td> <td>Revenue receipts</td> <td>63,875</td> </tr> <tr> <td>E</td> <td>Borrowings</td> <td>59,640</td> </tr> <tr> <td>F</td> <td>Capital receipts</td> <td>74,000</td> </tr> </tbody> </table> <p>(B) Outline a hypothetical scenario where a government is considering implementing a new tax policy. In this scenario, explain how the introduction of a Progressive Tax would affect individuals with low, middle and high incomes.</p> <p style="text-align: center;">OR</p> <p>(C) Explain the Government's Budget and its various sources of revenue. Present three actual instances of non-tax revenue earnings that a government could accumulate during its fiscal year.</p> <p>(D). Highlight three main objectives that guide the government to frame their policies and decisions. Explain these three objectives providing examples.</p>	S.No.	Given Data	(in crore)	A	Revenue expenditure	80,350	B	Capital expenditure	92,000	C	Interest payments	18,000	D	Revenue receipts	63,875	E	Borrowings	59,640	F	Capital receipts	74,000	3 3 3 3
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17	<p>(a). In the estimation of a country's National Income, are the following items included? Provide reasons for each.</p> <p>(i) Rent-free house to an employee by an employer</p> <p>(ii) Purchases by foreign tourists</p> <p>(iii) Purchase of a truck to carry goods by a production unit</p> <p>(b). Elaborate on the concepts of Nominal Gross National Product and Real Gross National Product with examples to illustrate the significance of these measures in economic decision-making.</p>	3 3																					
	SECTION B – INDIAN ECONOMIC DEVELOPMENT																						
18	<p>The overarching objective of equitable distribution goals in planning is to:</p> <p>a) ensure a fair and just society for all citizens</p> <p>b) foster competition by reducing government intervention in markets</p> <p>c) focus on short-term gains rather than long-term societal benefits</p> <p>d) enhance economic growth through targeted investments in specific sectors</p>	1																					



19	<p>The main objective of China's One Child Policy, which was implemented from 1979 to 2016 was:</p> <p>a) to provide financial incentives for families with multiple children</p> <p>b) to promote gender equality by limiting the number of male children</p> <p>c) to control the population growth and address overpopulation concerns</p> <p>d) to encourage families to have more children and increase the population</p>	1
20	<p>Due to increasing expenses related to energy and ecological considerations, a country chose to make significant investments in domestic renewable energy technologies instead of bringing in traditional energy sources from abroad.</p> <p>What favorable outcomes can be anticipated from this strategy of substituting imports?</p> <p>I: lower energy costs for consumers due to subsidised imports II: promotion of domestic green energy sector through targeted investments III: enhanced self-sufficiency in energy production and greater sustainability IV: increased dependence on foreign technology for renewable energy implementation</p> <p>Alternatives:</p> <p>a) I and II b) II and III c) III and IV d) IV and I</p>	1
21	<p>A farmer Chandu practices organic farming and uses crop rotation and natural predators to control pests.</p> <p>Is there an advantage of this approach provided as compared to conventional pesticides use?</p> <p>a) faster and predictable pest eradication b) lower labor costs for pest management c) increased risk of crop failure and reduced yields d) reduced harm to beneficial insects and pollinators</p>	1
22	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below.</p> <p>Assertion (A): The industrial sector reforms implemented under liberalization policies in a country led to an increase in Foreign Direct Investment in the manufacturing sector.</p> <p>Reason (R): Liberalization policies aimed to toughen trade barriers, regulate industries, and provide a conducive environment for</p>	1



	<p>Indigenous investors, making the manufacturing sector more attractive for FDI.</p> <p>Alternatives:</p> <p>a) The Assertion (A) is true, but the Reason (R) is false.</p> <p>b) The Assertion (A) is false, but the Reason (R) is true.</p> <p>c) Both the Assertion (A) and Reason (R) are true, but the Reason (R) is not the correct explanation of the assertion.</p> <p>d) Both the Assertion (A) and Reason (R) are true, and the Reason (R) is the correct explanation of the assertion.</p>	
23	<p>The multifaceted process of demographic transition within the context of India pertains to:</p> <p>a) a sudden decline in the population growth rate due to migration</p> <p>b) a change in the population density across different states in India</p> <p>c) a significant increase in the birth rate and death rate simultaneously</p> <p>d) a shift from high birth and death rates to low birth and death rates over time</p>	1
24	<p>Select the option that presents a common challenge associated with sustainable aquaculture practices:</p> <p>a) guaranteed financial gains</p> <p>b) neutral impact on ecosystems</p> <p>c) struggle to maintain ecological equilibrium</p> <p>d) independent of technological advancements</p>	1
25	<p>In urban areas with high population density, the challenge which is often associated with housing and living conditions?</p> <p>a) high home ownership rates, leading to limited rental options</p> <p>b) difficulty in accessing essential services due to congested living</p> <p>c) limited open spaces and recreational areas, affecting quality of life</p> <p>d) inadequate housing and overcrowding, leading to slum settlements</p>	1
26	<p>Read the following statements carefully:</p> <p>Statement 1: Jobless growth has been a significant challenge in the Indian economy in recent years.</p> <p>Statement 2: Despite witnessing economic growth, the Indian economy has been struggling to create sufficient employment opportunities to absorb the growing workforce.</p> <p>In light of the given statements, choose the correct alternative from the following:</p> <p>a) Statement 1 is true and Statement 2 is false.</p> <p>b) Statement 1 is false and Statement 2 is true.</p> <p>c) Both Statements 1 and 2 are true.</p> <p>d) Both Statements 1 and 2 are false</p>	1
27	<p>From the set of statements given in Column I and Column II, choose the correct pair of statements:</p>	1



	Column I		Column II	
	A. Medium Term Development Plan	I	China model of growth	
	B. NITI Aayog	II	Reforms in India	
	C. Command Economy	III	Pakistan's Five-Year Plans	
	D. Economic Reform 1991	IV	Planning commission is replaced	
	<p>Alternatives: (a) A-II, B-I, C-III, D-IV (b) A-III, B-IV, C-I, D-II (c) A-I, B-II, C-IV, D-III (d) A-IV, B-III C-II, D-I</p>			
28	(A) Identify and briefly explain three key features of the Indian economy on the eve of independence that contributed to its predominantly stagnant structure.		3	
	OR			
	(B) Describe three key features of India's foreign trade on the eve of independence. Illustrate with examples the country's trading patterns with other nations.		3	
29	Outline three sources of the development of human capital and provide instances of investments in human capital that can contribute positively to a nation's economic expansion and overall well-being.		3	
30	Enumerate four primary policy endeavors undertaken by the Chinese government subsequent to attaining independence, aimed at attaining economic advancement and industrialization. Illustrate the consequences of these approaches on its economic progress and evolution into a significant global economic force.		4	
31	(A) Give a thorough analysis of four primary obstacles encountered by rural banking establishments when fostering financial inclusion and driving economic growth within a developing nation.		4	
	OR			
	(B) State four measures that a government in a developing country can implement to enhance the efficiency and effectiveness of the agricultural marketing system.		4	
32	Identify the situation depicted in the given image. Categorize the three main causes of it in the country.		4	

	<p>Source: LinkedIn, from an article by Emanuele Musa</p>	
33	<p>(A). "Considering 'Agricultural Subsidy as a Vice,' analyze three prominent negative implications stemming from agricultural subsidies associated with providing subsidies to farmers.</p> <p>(B) Highlighting three significant adverse impacts, conduct a comprehensive analysis to evaluate the potential negative repercussions of implementing the economic strategy of Import Substitution in developing nations.</p> <p style="text-align: center;">OR</p> <p>(C) In order to understand the complexities of the industrial sector in India on the eve of independence, elaborate on the prevailing conditions that contributed to “Systematic de-industrialization” and technological backwardness.</p> <p>(D) Analyze the complex challenges posed by India's foreign trade situation on the eve of independence. Investigate the factors that led to the trade imbalances and dependence on imports during this period.</p>	3 3 3 3
34	<p>Read the following passage on the causes of the environmental crisis and answer the questions that follow:</p> <p>The world is facing an unprecedented environmental crisis characterized by various interconnected challenges. Several factors have contributed to this alarming situation, threatening the delicate balance of ecosystems and the well-being of both humans and wildlife. One of the primary causes of the environmental crisis is the rapid growth of human population. The increasing demand for resources, food and energy has led to extensive deforestation, habitat destruction and overconsumption of natural resources.</p> <p>Industrialization and modernization have played a significant role in exacerbating the environmental crisis. The reliance on fossil fuels and the emission of greenhouse gases have resulted in global warming and climate change, leading to extreme weather events, rising sea levels and disruptions in natural cycles. The unchecked discharge of</p>	



	<p>pollutants and waste from industries has further contaminated air, water and soil, endangering human health and biodiversity. Another critical factor contributing to the environmental crisis is the expansion of agriculture and urbanization. The conversion of forests and natural habitats into agricultural lands and urban areas has led to the loss of biodiversity and fragmentation of ecosystems. This has disrupted the natural habitats of numerous species, leading to the extinction of many plants and animal species. Moreover, human activities such as irresponsible waste management and improper disposal of plastics have resulted in the accumulation of plastic waste in oceans and landfills, causing harm to marine life and contaminating the environment. The excessive use of chemical fertilizers and pesticides in agriculture has also led to soil degradation, water pollution and loss of biodiversity. The environmental crisis is a complex issue with various interconnected causes. The rapid growth of human population, industrialization, urbanization, and irresponsible waste management practices are some of the major contributors to this crisis. Addressing these causes requires a collective effort from governments, industries and individuals to adopt sustainable practices and promote environmental conservation.</p> <p><i>Source from: National Institutes of Health, Mongabay, UNFCCC, Intergovernmental Panel on Climate Change</i></p> <p>On the basis of the given text and common understanding, answer the following question:</p> <p>(i). Elucidate the primary causes of the environmental crisis described in the passage.</p> <p>(ii). Discuss the connection between industrialization and the ongoing environmental crisis.</p> <p>(iii). Explain the impact of agriculture and urbanization on the environment.</p>	<p>2</p> <p>2</p> <p>2</p>
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