Roll No. ☐☐☐☐☐☐☐☐

Q.P. Code 58/1/1

ECONOMICS

CBSE Class XII Board Examination 2023

Time allowed: 3 hours **Maximum Marks: 80**

General Instructions:

1. The paper has 34 questions; all are compulsory.
2. It has two sections: Section A – Macro Economics and Section B – Indian Economic Development.
3. 20 multiple-choice questions carry 1 mark each.
4. 4 Short Answer Type-I questions carry 3 marks each (about 60–80 words).
5. 6 Short Answer Type-II questions carry 4 marks each (about 80–100 words).
6. 4 Long Answer questions carry 6 marks each (about 100–150 words).
7. Answer all parts of a question together; internal choice is given in some questions.

SECTION A

Macro Economics. Q1–10 carry 1 mark each; Q11–12: 3 marks; Q13–15: 4 marks; Q16–17: 6 marks.

1. Consider the two statements below. **1**

Statement 1: Primary deposits are the cash that the general public deposits with commercial banks.

Statement 2: Secondary deposits are the deposits that arise because commercial banks give loans (credit) to people.

Choose the correct alternative.

(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.

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2. National Income at market price minus National Income at factor cost equals _____. **1**

(A) net indirect taxes **(B)** net factor income from abroad

(C) consumption of fixed capital **(D)** market price

OR

Each figure below is a two-sector circular flow with an upper arrow from Firms to Households and a lower arrow from Households to Firms. Which one shows ONLY the real flow?

(A) Upper: goods and services; lower: factor payments

(B) Upper: goods and services; lower: factor services

(C) Upper: factor payments; lower: consumption expenditure

(D) Upper: goods and services; lower: consumption expenditure

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3. The rate at which commercial banks borrow from the RBI to meet their long-term needs is called _____. **1**

(A) Margin requirement **(B)** Bank rate

(C) Repo rate **(D)** Reverse repo rate

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4. Consider the two statements below. **1**

Statement 1: A loan taken by a country from the World Bank to finance its BoP deficit is recorded in the capital account.

Statement 2: Autonomous transactions take place regardless of the position of the BoP account.

Choose the correct alternative.

(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.

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5. A news item reports that the central bank fined two cooperative banks (one in Hisar and one in Andaman and Nicobar) for breaking banking rules. Which function of the central bank does this show? **1**

(A) Issue of currency

(B) Banker to the public

(C) Banker to the Government

(D) Banker's Bank

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6. The investment multiplier is 4 and autonomous dissaving is (−) 60. Which is the correct saving function? **1**

(A) S = (−) 60 + 0·25 Y

(B) S = (−) 60 + 0·75 Y

(C) S = (−) 60 + 0·20 Y

(D) S = (−) 60 + 0·60 Y

OR

If the consumption function is C = 205 + 0·9 Y, the investment multiplier is _____.

(A) 0·09

(B) 10·0

(C) 0·9

(D) 9·0

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7. Assertion (A): At income levels below the break-even level, APC is greater than one. **1**

Reason (R): APC is the ratio of total consumption to total income.

(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.

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8. A country's Balance of Trade shows a deficit of ₹ 50,000 crore. Its visible imports are five times its visible exports. Its visible exports are ₹ _____ crore. **1**

(A) 20,000 **(B)** 10,000

(C) 12,500 **(D)** 20,300

OR

Gifts and remittances sent abroad are entered on the _____ side of the _____ account of the Balance of Payments.

(A) credit, capital **(B)** debit, capital

(C) credit, current **(D)** debit, current

9. Which of these equations is true? **1**

(A) MPC + MPS = 0 **(B)** MPC + MPS = 1

(C) MPC + MPS > 1 **(D)** MPC + MPS < 1

10. When an able-bodied person does not want to work at the current wage rate, the situation is called _____. **1**

(A) Full employment **(B)** Involuntary unemployment

(C) Voluntary unemployment **(D)** Disguised unemployment

11. Distinguish between 'Value Addition' and 'Final Value of Output'. **3**

OR

Calculate the value added by Firm A from the data below (₹ crore):

S.No.	Particulars	₹ crore
(i)	Purchase of factor inputs by Firm A	5
(ii)	Purchase of non-factor inputs by Firm A	2
(iii)	Sales by Firm A to other domestic firms	10
(iv)	Import of raw materials by Firm A from abroad	50
(v)	Excess of opening stock over closing stock	3

12. "The foreign exchange rate and the supply of foreign exchange are positively related." Do you agree? Justify with valid arguments. **3**

13. Describe how the economy adjusts if ex-ante (planned) savings are less than ex-ante (planned) investment. **4**

14. A news report of 26 September 2022 says the central bank has raised the benchmark lending rate by 140 basis points. Identify the likely cause of this RBI action and its consequences. **4**

15. Explain the 'Government's Bank' (banker to the government) function of the central bank. **4**

OR

With a hypothetical numerical example, explain how a rise in the reserve ratio affects credit creation by commercial banks.

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16. (a) "National income is always more than domestic income." Do you agree? Give a valid reason. **6**

(b) "While estimating GDP by the expenditure method, only the expenditure of the country's residents is counted." Do you agree? Give valid reasons.

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17. (i) A pie-chart titled 'Where India gets its money from (for every ₹ 1 the Government earns)' shows: Corporation tax 21 paise, Borrowings and other liabilities 20 paise, GST and other taxes 19 paise, Income tax 16 paise, Non-tax revenue 9 paise, Excise duties 8 paise, Customs 4 paise, Recovery of loans 3 paise. Classify these items into revenue receipts and capital receipts, with reasons. (4) **6**

(ii) Distinguish between revenue deficit and fiscal deficit. (2)

OR

(i) Calculate primary deficit from the data below (₹ crore): (3)

S.No.	Particulars	₹ crore
(i)	Revenue deficit	40
(ii)	Non-debt creating capital receipts	190
(iii)	Tax revenue	125
(iv)	Capital expenditure	220
(v)	Interest payments	20

(ii) Explain the 'economic stability' function of the government budget. (3)

SECTION B

Indian Economic Development. Q18–27 carry 1 mark each; Q28–29: 3 marks; Q30–32: 4 marks; Q33–34: 6 marks.

18. Consider the two statements below. **1**

Statement 1: Commercialisation of agriculture under British rule was responsible for the frequent famines between 1875 and 1900.

Statement 2: During British rule, India started exporting food grains.

Choose the correct alternative.

(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.

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19. Consider the two statements below. **1**

Statement 1: Food grains bought by the government at the Minimum Support Price (MSP) are kept as buffer stock.

Statement 2: MSP protects farmers from a sharp fall in the prices of farm produce.

Choose the correct alternative.

(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.

OR

Which statement is NOT correct?

(A) Import substitution was a strategy used to save foreign exchange.

(B) The licence policy ensured regional equality.

(C) The Russian economic model was the base of the Indian economic system.

(D) Small-scale industries are an important tool for generating employment.

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20. Mini-hydel plants are good for the environment because: **1**

(i) they generate electricity for local areas only

(ii) they do not change the land-use pattern

(iii) they use perennial streams

(A) (i), (ii) and (iii) **(B)** (ii) and (iii)

(C) (i) only **(D)** (i) and (ii)

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21. China's Great Leap Forward (GLF) campaign focused on _____. **1**

(A) Widespread industrialisation **(B)** New agricultural strategy

(C) Privatisation **(D)** Economic reforms

OR

India is NOT a member of which regional/global economic group?

(A) European Union **(B)** BRICS

(C) G20 **(D)** SAARC

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22. The government's 'Skill India' programme is NOT an attempt to increase _____ in India. **1**

(A) human capital formation

(B) efficient utilisation of inputs

(C) increase in GDP growth

(D) inadequate spread of vocational education

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23. Which movement is described here? 'Between 1966 and 1976, Mao started a movement in which students and professionals were sent to the Chinese countryside to work and learn from real rural life.' **1**

(A) Commune System **(B)** Great Leap Forward

(C) Open Door Policy **(D)** Great Proletarian Cultural Revolution

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24. Consider the two statements below. **1**

Statement 1: In both India and Pakistan, the service sector has emerged as a major source of growth.

Statement 2: Among India's neighbours (India, China, Pakistan), China has the highest life expectancy.

Choose the correct alternative.

(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.

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25. Workers who are on the permanent pay-roll of their employer are called _____ workers. **1**

(A) self-employed **(B)** casual

(C) regular **(D)** hired

OR

Jobless growth leads to unemployment because _____.

(A) Labour refuses to migrate

(B) Labour is very expensive

(C) Growth rate is low

(D) Growth is due to technological development

26. Growing many different crops instead of one specialised crop is called _____. **1**

(A) diversification of crops

(B) diversification of agricultural production

(C) diversification in sectors

(D) diversification of employment

27. Consider the two statements below. **1**

Statement 1: India announced its First Five Year Plan in 1951.

Statement 2: India, Pakistan and China all adopted economic planning as their main development strategy.

Choose the correct alternative.

(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.

28. A photograph shows a hillside where many trees have been cut down: tree stumps and a pile of felled logs lie in the foreground, with forest left only in the background. Interpret the picture in terms of current environmental challenges. **3**

29. Critically evaluate the role of the rural banking system in rural development in India. **3**

OR

Dr. Khurana, a dentist, earned a fairly low income from his clinic in an economically backward area, so he spent a large amount to shift to a city. Identify and explain the type of expenditure he incurred that directly adds to human capital formation.

30. Explain the reasons for slow growth and the re-emergence of poverty in Pakistan. **4**

31. (a) Briefly explain the reasoning behind the 'Licence Raj' under the Industrial Policy Resolution, 1956. **4**

(b) Define multilateral trade.

32. State whether the following is true or false and explain with valid arguments: "In the recent past, the Indian economy has made satisfactory progress towards formalisation of its workforce." **4**

OR

Around 60% of workers in India are self-employed, and underemployment is highest among them. As an economist, suggest and explain any two measures to make employment of the self-employed more productive.

33. (a) Why are fewer women found in regular salaried employment? **6**

(b) Distinguish between human capital and physical capital.

OR

(a) State and discuss any one strategy for achieving sustainable development in India.

(b) Briefly discuss the importance of micro-credit programmes in rural India.

34. A passage based on a NITI Aayog report on digital banks says India has the technology (UPI, Aadhaar, open banking) to support digital banks and needs a licensing and regulatory framework for them. It notes that digital banking lets users set up automatic payments of regular utility bills, reduces the risk of counterfeit currency through fund transfers, and checks black money by promoting a cashless society. **6**

(a) Which institution did NITI Aayog replace? Who is its ex-officio Chairman? (2)

(b) State and discuss any two main advantages of digital banking. (4)

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Questions restated from the CBSE Class XII Board Examination 2023 (set 58/1/1) for practice. Reading passages and map items are described, not reproduced.