CLASS XII: ECONOMICS(030)
MID-TERM ASSESSMENT
SESSION: 2024-2025

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Roll No- 20

Weightage:

Time Duration:

80 marks.

3 Hours

GENERAL INSTRUCTIONS:

(i) This question paper consists of two sections :

Section A: Introductory Macroeconomics

Section B: Indian Economic Development

(ii) This paper contains 20 Multiple Choice Questions of 1 mark each.

(iii) This paper contains 4 short Answer Questions of 3 marks each to be answered in 60 to 80 words.

(iv) This paper contains 6 short Answer Questions of 4 marks each to be answered in 80 to 100 words.

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

(VI) Answer should be brief and to the point and the above word limit be adhered to as far as possible.

SECTION-A

1. Which of the following statements is incorrect
   A. Gross Domestic product (GDP) at Market price = GDP at factor cost plus Net Indirect taxes
   B. Net National Product (NNP) at Market price = NNP at Factor cost
   C. Gross National Product (GNP) at Market price = GDP at market price plus NFIA
   D. Net National Product (NNP) at factor cost = National Income   (1)

2. The difference between National income at market price and National income at factor cost is

   A. Net indirect taxes   C. Net Factor income from abroad
   B. Consumption of fixed capital   D. Market price .   (1)

3. Increase in Real Domestic Product (GDP) implies _____ in the economy.
   A. Increase in the level of income   C. Increase in general price level
   B. Increase in flow of goods and services   D. Decrease in aggregate demand   (1)

4. Which of the following will be included in National Income?
   A. Sale of bonds by a company   C. Transport expenses by a firm ·
   B. Interest on loan paid by household to banks   D. None of these   (1)

5. The ratio of total deposits that a commercial bank has to keep with Reserve Bank of India is called:
   A. Statutory Liquidity Ratio   C. Deposit Ratio
   B. Cash Reserve Ratio ·   D. Legal Reserve Ratio   (1)

6. Assertion (A) : Production of services for self consumption are not included in national income.
Reason (R) : Services for self consumption are not rendered for earning income and it's difficult to ascertain their market value.

   A. Both Assertion and Reason are true, R is the correct explanation of A
   B. Both Assertion and Reason are true, R is not the correct explanation of A
   C. Assertion is true, but Reason is false   (1)
   D. Assertion is false, but Reason is true

7. There are two statements given below, about the effect of a rise in the general price of an economy.

   P: It will lead to a rise in the value of money.
   Q: It will lead to a rise in the demand for money.

Which of these are true?
   A. Only P   C. Both P and Q
   B. Only Q   D. Neither P nor Q   (1)

8. Statement 1 : Reserve bank of India keeps a certain percentage of deposits as reserves to avoid 'too much lending to the public'.
   Statement 2 : The reserve deposit ratio acts as a deterrence to the amount of credit created by the commercial banks.
   A. Both statements are true.   C. Only Statement 1 is true
   B. Both statements are false   D. Only statement 2 is true   (1)

9. According to the theory of Keynesian economics, the value of APC can never be
   A. Zero   C. More than one
   B. Unity   D. less than one   (1)

10. Which of the following can be more than one (Unity)?
   A. Marginal propensity to consume   C. Average propensity to save
   B. Average propensity to consume   D. Marginal propensity to save   (1)

11. Assertion (A) : The minimum value of multiplier is one.
   Reason (R) : Total increase in income will be equal to increase in consumption
   A. Both Assertion and Reason are true, R is the correct explanation of A
   B. Both Assertion and Reason are true, R is not the correct explanation of A
   C. Assertion is true, but Reason is false
   D. Assertion is false, but Reason is true   (1)

12. If MPC = 1, the value of multiplier is _____
   A. 0   C. Between 0 and 1
   B. 1   D. Infinity   (1)

13. Identify the incorrect statement from the following:
   A. There exists inverse relationship between multiplier and MPS
   B. When investment multiplier is 1, the value of MPC is zero
   C. If ratio between MPC and MPS is 4:1, then the value of multiplier is 4
   D. None of the above   (1)

14. MPC is always less than one because
   1. People do not spend whole of their additional income on additional consumption
   2. People spend the entire increase in their income on additional consumption
   3. MPC cannot be negative
   4. None of the above

Which of the above statements are correct?
   A. 1,2 and 3
   B. 2 and 3
   C. 4 only
   D. 1 only   (1)

15. Giving valid reasons, explain how the following would be treated while estimating domestic income?
   1. Payment made by a Japanese tourist for goods purchased in India   (3)
   2. Brokers commission on the sale of second hand goods
   3. Depreciation on capital assets charged by firms   (3)

16. Define money supply and explain its components.

17. "Money multiplier plays a vital role in determining the credit creation power of the banking system". Elaborate the statement with a suitable numerical example.

Or

Provide the mathematical derivation of the relationship between Investment multiplier and MPS.   (3)

18. Discuss briefly the working process of investment multiplier k, assuming that change in investment is 4000 crore and MPC is 0.5.   (3)

19. State and discuss any one component of Aggregate Demand in a two sector economy.   (4)

20. Answer the following questions based on the data given below:
   Planned investment= Rs.100 crore
   C= 50+0.5 Y
   a) Determine the equilibrium level of income.
   b) Calculate the saving and consumption expenditure at equilibrium level of national income. (4)

21. An economy is in equilibrium, calculate the MPS from the following :
   National Income (Y)   4400
   Autonomous Consumption (C)   1000
   Investment Expenditure (I)   70

Or

Distinguish between capital expenditure and revenue expenditure with examples.   (4)

22. Explain how open market operations are helpful in controlling credit creation.   (4)

23.   1) If MPC is four times and consumption at zero level of income is 70 crores, derive the consumption function.

2)The consumption curve makes an intercept of 60 crore on the Y axis. If MPC:MPS can be expressed as 1:3, then derive the saving and consumption function. Also determine the level of income, when saving becomes zero?

Or

Explain 'consumption function' with the help of a schedule and diagram. (6)

24. Explain the working of an investment multiplier with the help of a numerical example.——(6)

25. From the following data, calculate National Income by (a) Income Method and

(b)Expenditure Method (6)

Items	Rs. in Crores
1. Private final consumption expenditure	2000
2. Net capital formation	400
3. Change in stock	50
4. Compensation of employees	1900
5. Rent	200
6. Interest	150
7. Operating surplus	720
8. Net indirect taxes	400
9. Employers contribution to social security schemes	100
10. Net exports	20
11. Net factor income from abroad	-20
12. Government final consumption expenditure	600
13. Consumption of fixed capital	100

SECTION-B

26. _____ was the objective of import substitution policy in India.
   A. Production of high quality products
   B. Protection of domestic industries from foreign competition
   C. Promote imports
   D. Promote privatization

27. India has become a preferred outsourcing destination because of _____
    1. Availability of unskilled labour
    2. Quality of IT services
    3. Availability of skilled labour

    A. Only 1   C. Only 2   (1)
    B. 1 and 2   D. 2 and 3

28. Which of the following reforms were introduced by the Indian government under Liberalization?
    A. Financial sector reforms   C. Tax reforms   (1)
    B. Industrial sector reforms   D. All of the above

29. During India's first seven "five -year" plans, the Government of India adopted _____ policy to protect domestic industries.   (1)

30. When was the planning commission set up
    A. 1947   C. 1950   (1)
    B. 1949   D. 1952

31. Name the primary item of imports made by India during British Rule.
    A. Raw silk   C. Sugar
    B. Cotton   D. Capital goods

32. Explain "growth with equity as a planning objective".   (4)

33. Explain how tariffs and quotas protect the domestic industries.   (4)

34. A. "The basic custom duty (BCD) on mobile phones, mobile printed circuit board assembly (PCBA), and mobile chargers has been reduced from 20% to 15%. The government has also slashed duties on raw materials for electronic components in Budget 2024." In context of the globalization policies adopted by India, how can this step lead to increase in employment and manufacturing?

    B. "India has set a target to achieve 500 billion US dollar in electronics manufacturing in value terms by 2030." State the policies that the government can adopt to increase exports.   (3+3)