



# 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

**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.

### Section A

Serial No.	Question	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 individuals can accumulate over time.</p> <p>Statement 2: Higher consumption rates often lead to lower savings, while lower consumption rates 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.</p>	1



	<p>(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>	
2	<p>What is the potential outcome of implementing social policies that improve areas like healthcare, education, or environmental regulations, but do not directly affect industrial production or economic activities?</p>	1
3	<p>As an economic analyst studying the investment patterns in an economy, you observe a consistent correlation between changes in the economy's income level and the corresponding changes in investment. Which type of investment is most likely to be represented in such a scenario?</p> <p>(a) Fixed investment (b) Induced investment (c) Independent investment (d) Autonomous investment</p>	1
4	<p>Sarah, a foreign investor, decides to invest in a company located in India. She purchases shares of the company and also buys some real estate properties in India. At the same time, a local company from India invests in a foreign country by acquiring a factory and machinery there. Which of the following components of the Capital Account of the Balance of Payments are being demonstrated here?</p> <p>a) Foreign Direct Investment inflow and outflow b) Portfolio Investment inflow and outflow c) Foreign Aid received by India d) Import and export of goods and services</p> <p>Choose the correct options from the following:</p> <p>(a) Option A and B (b) Option A and C (c) Option B and D (d) Option A and D</p>	1
5	<p>Tim went to the supermarket with Rs,5,000 in his wallet to buy groceries for his family. He purchased vegetables, fruits, and other household items, paying the respective prices at the counter. Which functions of money were being demonstrated in this real-life scenario?</p> <p>a) Unit of Labor</p>	1



	<p>b) Store of Value</p> <p>c) Medium of Exchange</p> <p>d) Measure of Creditworthiness</p> <p>Choose the correct options from the following:</p> <p>(a) Option A and B</p> <p>(b) Option B and C</p> <p>(c) Option A, B and D</p> <p>(d) Option A, C and D</p>	
6	<p>As a banking expert analyzing the potential effects of a change in the reserve requirement on credit creation by commercial banks, which option do you believe is the most appropriate?</p> <p>(a) It will decrease as banks will have to hold more reserves</p> <p>(b) It will increase as banks will have more excess reserves to lend out</p> <p>(c) It will remain unaffected as it depends on other factors</p> <p>(d) It will become entirely dependent on the central bank's actions</p>	1
7	<p>Suppose an economy experiences an increase in consumer confidence, leading to a surge in consumer spending on goods and services. At the same time, the government implements an infrastructure development plan, boosting public investments. How will these factors impact the equilibrium in the economy's AD and AS?</p> <p>(a) AD will increase, and AS will decrease, resulting in inflationary pressures.</p> <p>(b) AD will decrease, and AS will increase, causing deflationary pressures.</p> <p>(c) AD will remain unchanged, and AS will decrease, leading to stagflation.</p> <p>(d) AD will increase, and AS will increase, promoting economic growth with stable prices.</p>	1
8	<p>A country's currency exchange rate against another currency can undergo changes over time, affecting international trade and investment. China's currency has depreciated significantly against Japan's currency over the past year. As a result of this depreciation, which of the following statements is most likely to be true?</p> <p>(a) Both China's exports to Japan and imports from Japan will become cheaper.</p> <p>(b) Both China's exports to Japan and imports from Japan will become more expensive.</p>	1



	<p>(c) China's exports to Japan will become more expensive, and imports from Japan will become cheaper.</p> <p>(d) China's exports to Japan will become cheaper, and imports from Japan will become more expensive.</p>	
9	<p>What is the level of consumer spending (C) in the country when the disposable income (Y) is Rs. 1,200, given that the consumption function is represented as <math>C = 0.75Y + 100</math>? The consumption function consists of an autonomous consumption (a) of Rs. 100 and a marginal propensity to consume (b) of 0.75.</p> <p>(a) 400 (b) 600 (c) 1,000 (d) 1,200</p>	1
10	<p>Imagine you're studying the Balance of Payments (BOP), which keeps track of a country's transactions with the rest of the world. In this record, there's a category called "Invisible items." These are transactions that don't involve physical goods but are still important for the economy.</p> <p>Which of the following is a good example of an "invisible item" in the BOP?</p> <p>(a) People working in other countries sending money home to help their families. (b) Buying machines from another country to improve how we make products here. (c) Foreign investors using money to build a factory in our country. (d) Providing computer software to a company in another country.</p>	1
11	<p>Explain the pivotal concepts of autonomous and accommodating items within the domain of Balance of Payments for India, providing three concrete and India-specific examples of both, along with a brief explanation of why each example fits the category.</p>	3
12	<p>The following data represents the components of expenditure (all values are in crores):</p> <p>Consumption Expenditure by households (C) = Rs. 1,200 crores Investment Expenditure by businesses (I) = Rs. 800 crores Government Expenditure (G) = Rs. 500 crores</p>	3



	<p>Net Exports (Exports - Imports) = Rs. 100 crores</p> <p>Net Indirect Taxes = Rs. 150 crores</p> <p>Change in Stock = Rs. (-) 50 crores</p> <p>Private Final Consumption Expenditure = Rs. 1,100 crores</p> <p>Fixed Capital Consumption (Depreciation) = Rs. 200 crores</p> <p>Government Final Consumption Expenditure = Rs. 400 crores</p> <p>Net Factor Income from Abroad (Income from abroad - Income sent abroad) = Rs. 80 crores</p> <p>Imports (Net) = Rs. (-) 60 crores</p> <p>Additionally, consider the following information:</p> <ol style="list-style-type: none"><li>1. Income earned by residents working abroad = Rs. 70 crores</li><li>2. Income earned by foreign residents working in Economy = Rs. 20 crores</li><li>3. Net Transfer Payments from the Government to Households = Rs. 30 crores</li></ol> <p>Calculate the National Income using the Expenditure Method.</p>	
13	<p>As an economic consultant, you are analysing the National Income of a country. During your research, you come across a significant problem of Double Counting in the National Income data, which can lead to distorted economic measurements. Explain the concept of Double Counting in the context of calculating National Income and provide three practical ways to avoid it.</p>	3
14	<p>In an economy the total consumption expenditure of households is Rs. 1,500 crore, and the total disposable income is Rs. 2,000 crore. Additionally, there is a government tax policy change that reduces the disposable income by 10% of the original value. However, this change does not affect the consumption expenditure. Calculate the new Average Propensity to Consume after the tax policy change.</p> <p style="text-align: center;"><b>OR</b></p> <p>Imagine you are an economist studying the current economic conditions of a country. After conducting a comprehensive analysis, you discover that, the ex-post Aggregate Demand (AD) exceeds the ex-post Aggregate Supply (AS). Elaborate on the potential real-life impact of this situation on the level of output, income, and employment in the country.</p>	4



15	<p>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 RBI can employ to effectively correct the situation.</p> <p style="text-align: center;"><b>OR</b></p> <p>As an economic advisor to the government, you are tasked with explaining the four main functions of the Reserve Bank of India and how each of these functions contributes to the overall stability and growth of the Indian economy.</p>	4
16	<p>A) The government of a country recorded the following data for the fiscal year 2023:</p> <p>Total Government Revenue: Rs.500 crore</p> <p>Total Government Expenditure: Rs. 600 crore</p> <p>Transfer Payments: Rs.50 crore</p> <p>Interest Payments on Debt: Rs.40 crore</p> <p>Calculate the Fiscal Deficit for the fiscal year 2023.</p> <p>B). In the fiscal year 2023, a country's government recorded the following data:</p> <p>Total Government Revenue: Rs. 800 crore</p> <p>Total Government Expenditure: Rs. 900 crore</p> <p>Transfer Payments: Rs. 70 crore</p> <p>Interest Payments on Debt: Rs. 50 crore</p> <p>Calculate the Primary Deficit for the fiscal year 2023.</p>	6
17	<p>a) Imagine you are a financial advisor working with a government's finance ministry. One of your responsibilities is to educate the public about the government's budget and its various sources of revenue. Provide three real-life examples of non-tax revenue receipts that a government might have in its fiscal year, and briefly describe each of them.</p> <p>b) As a concerned citizen, you are attending a town hall meeting where government officials are discussing the key objectives of the government in your country. During the meeting, they highlight three main objectives that guide their policies and decisions. Explain these three objectives of a government in a real-life context.</p>	6



<b>OR</b>		
	<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) As a financial analyst working for a government economic research institute, you have been invited to speak at a public seminar on economic indicators. During the seminar, you are asked to define and elaborate on the concepts of Nominal Gross National Product (GNP) and Real Gross National Product (GNP). Additionally, you are requested to provide real-life examples to illustrate the significance of these measures in economic analysis and decision-making.</p>	
<b>SECTION B</b>		
18	<p>Which of the following is the overarching objective of equitable distribution goals in planning?</p> <p>(a) enhance economic growth through targeted investments in specific sectors</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) ensure a fair and just society for all citizens</p>	1
19	<p>In recent years, what major change has been made to the One Child Policy in China?</p> <p>(a) It was replaced with a "Two Child Policy."</p> <p>(b) The policy was expanded to restrict immigration.</p> <p>(c) The policy was strengthened to allow no exceptions.</p> <p>(d) It was abolished and families can have as many children as they wish.</p>	1
20	<p>In response to rising energy costs and environmental concerns, a nation decided to invest heavily in renewable energy technologies domestically instead of importing traditional energy sources.</p> <p>What positive impact is expected from this import substitution approach?</p> <p>I: lower energy costs for consumers due to subsidised imports</p> <p>II: promotion of domestic green energy sector through targeted investments</p> <p>III: enhanced self-sufficiency in energy production and greater sustainability</p> <p>IV: increased dependence on foreign technology for renewable energy implementation</p>	1



	(a) I and II (b) II and III (c) III and IV (d) IV and I	
21	<p>A farmer Chandu practices organic farming and uses crop rotation and natural predators to control pests. What advantage does this approach provide compared to conventional pesticide 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>Assertion: The industrial sector reforms implemented under liberalisation policies in a country led to an increase in Foreign Direct Investment in the manufacturing sector.</p> <p>Reason: Liberalisation policies aimed to toughen trade barriers, regulate industries, and provide a conducive environment for indigenous investors, making the manufacturing sector more attractive for FDI.</p> <p>(a) The assertion is true, but the reason is false. (b) The assertion is false, but the reason is true. (c) Both the assertion and reason are true, but the reason is not the correct explanation of the assertion. (d) Both the assertion and reason are true, and the reason is the correct explanation of the assertion.</p>	1
23	<p>Which of the following statements correctly describes demographic transition?</p> <p>(a) a sudden decline in the population growth rate due to migration (b) a change in the population density across different states in India (c) a significant increase in the birth rate and death rate simultaneously (d) a shift from high birth and death rates to low birth and death rates over time</p>	1
24	<p>What is a potential challenge in the promotion of sustainable aquaculture practices in the context of rural development?</p> <p>(a) difficulty in reducing dependence on wild-caught fish without putting pressure on fish stocks (b) balancing aquaculture development with environmental and social considerations (c) limited opportunities for economic diversification and livelihood enhancement (d) difficulty in increasing fishery exports and foreign exchange earnings</p>	1





25	<p>In urban areas with high population density, what challenge is often associated with housing and living conditions?</p> <p>(a) difficulty in accessing essential services due to congested living conditions            (b) inadequate housing and overcrowding, leading to slum settlements            (c) limited open spaces and recreational areas, affecting quality of life            (d) high home ownership rates, leading to limited rental options</p>	1																				
26	<p>Assertion: Jobless growth has been a significant challenge in the Indian economy in recent years.</p> <p>Reason: Despite witnessing economic growth, the Indian economy has been struggling to create sufficient employment opportunities to absorb the growing workforce.</p> <p>(a) The assertion is true, but the reason is false.            (b) The assertion is false, but the reason is true.            (c) Both the assertion and reason are true, and the reason is the correct explanation of the assertion.            (d) Both the assertion and reason are true, but the reason is not the correct explanation of the assertion.</p>	1																				
27	<p>From the set of statements given in Column I and Column II, choose the correct pair of statements:</p> <table border="1" data-bbox="313 1094 1295 1486"> <thead> <tr> <th></th> <th>Column I</th> <th></th> <th>Column II</th> </tr> </thead> <tbody> <tr> <td>A.</td> <td>Medium Term Development Plan</td> <td>I</td> <td>China model of growth</td> </tr> <tr> <td>B.</td> <td>NITI Aayog</td> <td>II</td> <td>Reforms in India</td> </tr> <tr> <td>C.</td> <td>Command Economy</td> <td>III</td> <td>Pakistan's Five Year Plans</td> </tr> <tr> <td>D.</td> <td>Economic Reform 1991</td> <td>IV</td> <td>Planning commission is replaced</td> </tr> </tbody> </table> <p>(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>		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	1
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28	<p>Identify and briefly explain three key features of the Indian economy on the eve of independence that contributed to its predominantly stagnant structure.</p> <p style="text-align: center;">OR</p>	3																				



	Describe the state of foreign trade in India on the eve of independence. Mention three key features of India's foreign trade during that period with examples to illustrate the country's trading patterns with other nations.	
29	Imagine you are an economic advisor to a developing country's government. Explain three sources of human capital formation in the context of economic development. Give examples of how your recommended investments in human capital can positively impact the country's economic growth and overall prosperity.	3
30	As a policy analyst studying China's economic development, describe the strategy pursued by the country after gaining independence. Identify four key policy initiatives implemented by the Chinese government to achieve economic growth and industrialisation. Demonstrate the impact of these strategies on China's economic development and transformation into a major global economic power.	4
31	As a financial analyst, critically evaluate four key challenges faced by rural banking institutions in fostering financial inclusion and economic development in a developing country.  <b>OR</b>  As a marketing analyst, evaluate four key measures initiated by the government in a developing country to enhance the efficiency and effectiveness of the agricultural marketing system.	4
32	As a socio-economic researcher, you are conducting a study on unemployment in India. Based on your research, identify and categorize the four main causes of unemployment in the country.	4
33	A). Consider the concept of Agricultural Subsidies, which are financial aids provided by governments to support farmers and agricultural production. As a policymaker, evaluate the virtues and analyze the vices of agricultural subsidies on the agricultural sector, the economy, and society as a whole.  B) As a researcher specializing in economic analysis, critically examine the concept of Import Substitution as an economic strategy in developing countries and thoroughly assess its potential three adverse effects on their economies.  <b>OR</b>  C) Describe a real-life example of 'Systematic De-industrialization' in a specific developing country during British rule. Identify three main factors reasons that led to the decline of industrial activities in that country.  D) Provide a case study of infrastructure development during British	6



	colonial rule in a specific region of India. Highlight three key infrastructural projects initiated by the British administration and analyze their impact on the region's economy, transportation, and communication systems.	
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 pollutants and waste from industries has further contaminated air, water, and soil, endangering human health and biodiversity.</p> <p>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.</p> <p>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.</p> <p>In summary, 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>On the basis of the given text and common understanding, answer the</p>	6



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	<p>following question:</p> <p>A) What are the primary causes of the environmental crisis described in the passage? (2 marks)</p> <p>B) How has industrialization contributed to the environmental crisis? (2 marks)</p> <p>C) Explain the impact of agriculture and urbanization on the environment. (2 marks)</p>	
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