

# Solved Paper 2022

## ECONOMICS (TERM-I) Class-XII

Time : 90 Minutes

Max. Marks : 40

### General Instructions :

- (i) This question paper contains 60 questions out of which 50 questions are to be attempted. All questions carry equal marks.
- (ii) This question paper consists of three sections - Section-A, Section-B and Section-C.
- (iii) Section - A contains 24 questions. Attempt any 20 questions from Q.No. 01 to 24.
- (iv) Section - B contains 24 questions. Attempt any 20 questions from Q.No. 25 to 48.
- (v) Section - C contains 12 questions. Attempt any 10 questions from Q.No. 49 to 60.
- (vi) First 20 attempted questions in Section - A and Section - B each first 10 attempted questions in Section - C will be evaluated.
- (vii) There is only one correct option for every multiple choice question (MCQs). Marks will not be awarded for answering more than one option.
- (viii) There is no negative marking.

Series: SSK/3

058/3/4

### SECTION - A

1. 'Free distribution of LPG connection to poor people is a sign of social justice'

Identify the 'Objective of Government Budget' from the above mentioned statement. 1

(Choose the correct alternative)

- (a) Promote Economic Growth
- (b) Management of public enterprises
- (c) Create equitable distribution of income
- (d) Create fluctuation in revenue of the government

Ans. Option (c) is correct.

*Explanation:* Free distribution of income is a sign of social justice. Government under Ujjwala scheme is trying to reduce the gap between rich and poor. Government sells LPG gas at a high rate to those who can afford it. The money thus collected is spent as expenditure in providing free gas cylinders to poor people.

2. Exports and Imports of which of the following items will be component of 'Balance of Trade'? 1

- (a) Banking
- (b) Shipping
- (c) Merchandise
- (d) Insurance

Ans. Option (c) is correct.

*Explanation:* Balance of trade only records merchandise which means goods. Export and import of goods is recorded in BOT whereas import and export of goods and services are recorded in Balance of payment.

3. In the context of commercial bank, which of the following alternative is correct? (Choose the correct alternative) 1

- (i) Deposits are liabilities of banks.
- (ii) Commercial banks are creator of money.

- (iii) Commercial banks accept deposits of the general public.

- (iv) Accept deposits of World Bank for Agriculture and Rural developments.

Identify the correct alternative from the following:

1

Alternative:

- (a) (i) and (ii)
- (b) (ii) and (iii)
- (c) (i), (ii) and (iii)
- (d) (i) and (iv)

Ans. Option (c) is correct.

*Explanation:* Deposits are liabilities owed by the bank to the depositor because after a prescribed date bank has to return it to the depositor with a rate of interest depending on the nature of deposit.

Commercial banks are also creators of money in the economy. It is done through demand deposits. The creation of demand deposits leads to the creation of more credit than the initial deposits.

Commercial banks accept deposits of the general public in various forms like current account deposits, fixed deposits and savings deposits.

4. Find the odd one out among the following, with respect to the 'Balance of Payments' in India : 1

(Choose the correct alternative)

- (a) Investments by Indian Investors under the Make in India Programme.
- (b) Loan received from Australia.
- (c) Investments from abroad.
- (d) Purchase of machinery from abroad.

Ans. Option (a) is correct.

*Explanation:* Investment by Indian investor under Make in India programme is not a part of India's BOP. Because, Balance of payment is a statement showing the economic transaction between residents and rest of the world during a given year. In this case there

is no economic transaction between the country and rest of the world as investment is made by an Indian in Indian rupee in India.

5. Read the given statements carefully and choose the correct alternative:

**Statement 1:** Demonetization was an initiative taken by the Government of India to curb black money, terrorism and circulation of fake currency.

**Statement 2:** Demonetization has lead people to shift from cash payments to electronic payments. 1

**Alternatives:**

- (a) Both the statement are true.
- (b) Both the statements are false.
- (c) Statement 1 is true and statement 2 is false.
- (d) Statement 2 is true and statement 1 is false.

**Ans. Option (a) is correct.**

*Explanation:* Demonetization was introduced in India on November 8, 2016 to tackle the problem of corruption, black money, terrorism and circulation of fake currency. It has led to an increase in digital transaction as people started searching for alternative channels due to cash crunch. After that also most of them are sticking on to cashless transactions.

6. The total stock of money in circulation among the public ..... is called as 'money supply' 1

(Fill up the blank with correct alternative)

- (a) during a period of time
- (b) during a calendar year
- (c) during a fiscal year
- (d) at a particular point of time

**Ans. Option (d) is correct.**

*Explanation:* Money supply refers to total volume of money held by public at a particular point of time in an economy. It is a stock concept.

7. All currencies other than the domestic currency of a country are called as ..... 1

(Fill up the blank with correct alternative)

- (i) Foreign exchange rate
- (ii) Foreign exchange
- (iii) Foreign aid

Identify the correct alternative from the following.

**Alternative:**

- (a) (i) and (ii)                      (b) (i) and (iii)
- (c) (i), (ii) and (iii)            (d) (ii) only

**Ans. Option (d) is correct.**

*Explanation:* All currencies other than domestic

currency are known as forex or foreign exchange. For example in India, US dollar is a foreign exchange.

8. Read the following statements carefully and choose the correct alternative from the following

**Statement 1:** Government Budget is a detailed economic statement presented by Finance Minister.

**Statement 2:** Government Budget consists of financial programmes and policies of the government for the next year. 1

**Alternatives:**

- (a) Both the Statement are true
- (b) Both the Statement are false
- (c) Statement 1 is true and statement 2 is false
- (d) Statement 2 is true and statement 1 is false

**Ans. Option (a) is correct.**

*Explanation:* Union budget is presented by the finance minister for the next fiscal year . It is the financial statement that shows the receipts and expenditure during a fiscal year.

9. From the following statements, choose the correct statement : 1

- (a) Trade deficit refers to the excess of 'total value of exports' over the 'total value of imports' of goods and services.
- (b) Trade surplus refers to the excess of 'total value of import' over the 'total value of exports' of goods and services.
- (c) Current account deficit in a nation occurs when the foreign exchange receipts in current account fall short of foreign exchange payments in current account.
- (d) Current account surplus in nation occurs when the credit items of Balance of Payments are less than the debit items of Balance Payments.

**Ans. Option (c) is correct.**

*Explanation:* Current account deficit occurs when foreign exchange receipts of a country are less than foreign exchange payments.

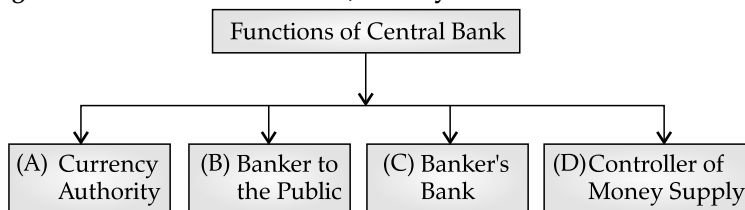
**Options A:** is wrong because trade deficit occurs only when total value imports is more than total value of exports.

**Options B:** is wrong because trade surplus occurs when total value of exports is more than total value of imports.

**Options D:** is wrong because current account surplus occurs when credit items in Current account of BOP are more than debit items.

10. From the following functions of the Central Bank, identify the odd one out:

1



Alternatives:

(a) A

(b) B

(c) C

(d) D

Ans. Option (b) is correct.

*Explanation:* Central bank or reserve bank cannot be a banker to the public. It acts as a banker to the government.

RBI is the currency issuing authority. It is also banker's banks and also RBI controls money supply. So all these 3 are the functions of RBI.

11. Which of the following statement is correct with reference to the mixed economy system in India? 1

(Choose the correct alternative)

(a) Predominance of free market economics system over the government regulated economy.

(b) Absence of economic planning.

(c) Ownership of factors of production only to private sector.

(d) Co- existence of public and private sector.

Ans. Option (d) is correct.

*Explanation:* Mixed economy is an economy where private and public sector coexists and which has both the features of capitalistic economy and socialistic economy.

12. Read the following statements carefully and choose the correct alternative:

**Statement 1:** Zamindari was introduced by the British, to ensure proper control over the revenue system in India.

**Statement 2:** Zamindari were given full freedom to collect and keep the rent collected by them.

**Alternative:**

(a) Statement 1 is true and statement 2 is false.

(b) Statement 2 is true and statement 1 is false.

(c) Both statements are true.

(d) Both statements are false.

Ans. Option (a) is correct.

*Explanation:* Zamindari system was introduced by the government to keep full control over the revenue system. But statement 2 given is false. Because zamindars were just an intermediary between farmers and the British as they had to return the revenue collected from tillers. They were not allowed to keep the revenue collected.

13. .... was the objective of Import Substitution policy in India. 1 (Choose the correct alternative)

(a) Production of high quality products

(b) Production of domestic industries from foreign competition

(c) Promote imports

(d) Promote privatisation

Ans. Option (b) is correct.

*Explanation:* Import substitution is an objective of the government aims at reducing imports and promoting domestic industries.

14. Read the following statements carefully and choose the correct alternative: 1

**Statement: 1** The official data on poverty in India is issued by NITI Aayog.

**Statement: 2** Since independence the number of poor people in India has declined.

**Alternative:**

(a) Statement 1 is true and statement 2 is false.

(b) Statement 2 is true and statement 1 is false.

(c) Both statements are true.

(d) Both statements are false.

Ans. Option (c) is correct.

*Explanation:* Both statements are true as now poverty is estimated by NITI Aayog as it has replaced the planning commission. Since Independence, poverty has reduced in India. At the time of Independence poverty rate was almost 80 percentage of the population where as it is only 25 percentage of the population as per 2022 estimates (MPI)

15. Read the following statements carefully and choose the correct alternative. 1

**Statement 1:** Economic Reforms of 1991 paved the way for the liberalisation of Indian Economy.

**Statement 2:** Economic Reforms of 1991 relaxed the restrictions imposed by the government on private sector.

(a) Statement 1 is true and statement 2 is false.

(b) Statement 2 is true and statement 1 is false.

(c) Both statements are true.

(d) Both statements are false.

Ans. Option (c) is correct.

*Explanation:* LPG reforms were introduced in 1991 in India. Liberalization was a part of the policy as it has reduced the restrictions imposed by the government on private sector.

16. From the following statements regarding Goods and Services Tax (GST), identify the incorrect statement: 1

(a) It ensures uniformity of tax rates across all states.

(b) It ensures better tax compliance and tax collection.

(c) All types of direct and indirect taxes have been subsumed by it.

(d) It's imposed on the supply of goods and services.

**Ans. Option (c) is correct.**

*Explanation:* GST is an indirect tax. So all types of indirect taxes have only been subsumed by it not direct taxes. So the given statement is false.

**17. From the following, which of the item would appear on the credit side of capital account of the balance of payment in India? 1**

- (a) Education consultation from a firm in New York.
- (b) Borrowings from rest of the world.
- (c) Earthquake relief aid received from France.
- (d) Imports of edible oils.

**Ans. Option (b) is correct.**

*Explanation:* Borrowings from abroad are included in the credit side of capital account of BOP as foreign exchange is coming to the economy and it is a credit item in the capital account.

**18. Identify which of the following statement is not correct with reference to Self Help Groups? 1**  
(Choose the correct alternative)

- (a) Group members in need of funds can borrow at nominal rate of interest.
- (b) Borrowings in micro-credit system are mainly taken of consumption purposes.
- (c) Micro-credit system has helped men in rural areas to become self-dependent.
- (d) Formal credit system has failed to provide credit to the needy people in the rural areas.

**Ans. Option (c) is correct.**

*Explanation:* Micro credit has helped women to become self dependent by increasing women's access to financial services.

**19. Read the following statements carefully and choose the correct alternative. 1**

**Statement 1 :** Recovery of loans is a non - debt creating capital receipt.

**Statement 2 :** Recovery of loans cause a reduction in assets of the government.

**Alternative:**

- (a) Statement 1 is true and statement 2 is false.
- (b) Statement 2 is true and statement 1 is false.
- (c) Both the statements are true.
- (d) Both the statements are false.

**Ans. Option (c) is correct.**

*Explanation:* Both statements are true. Capital receipts refer to those which either create a liability or cause a reduction in the assets of the government. Government may grant loans to various state governments and union territories. Recovery of such loan is capital receipt as it reduces the assets of the government.

**20. Which one of following features are identified for the 'Urban poor'? (Choose the correct alternative) 1**

- (i) Lack of income generating assets
- (ii) Limited skills availability
- (iii) Lack of job security
- (iv) Lack of job opportunities

**Alternatives:**

- (a) (i) and (ii)
- (b) (i), (ii) and (iii)
- (c) (i), (ii) (iii) and (iv)
- (d) (i) (iii) and (iv)

**Ans. Option (c) is correct.**

*Explanation:* Urban poor lacks income generating assets. They have only limited skills. They lack job security and lack job opportunities. So all given statements are true

**21. Which of the following is correct with reference of Ministry of Finance? 1**

(Choose the correct alternative)

- (a) It issues coins only
- (b) It issues all type of currency notes
- (c) It issues one rupee note and coins
- (d) It issues only rupee note

**Ans. Option (c) is correct.**

*Explanation:* In India, ministry of finance issues 1 Rupee notes except other currency notes. Coins are also minted by the ministry of finance on behalf of the government.

**22. On the eve of Independence, India's demographic condition was characterised by which of the following statement? 1**

- (a) Low level of literacy, low mortality rates and high life expectancy.
- (b) High level of literacy, high mortality rates and low life expectancy.
- (c) Low level of literacy, high mortality rates and high life expectancy.
- (d) Low level of literacy, high mortality rates and low life expectancy.

**Ans. Option (d) is correct.**

*Explanation:* On the eve of Independence, India was having low literacy rate, high mortality rate and low life expectancy. Literacy rate was only 12%. Life expectancy was only 32 years of age

**23. 'In India, agricultural subsidies have always been a topic of debate among the economic thinkers'.**

**Identify, which of the following statement is not an argument in favour of continuation of the agricultural subsidies in India. 1**

**Alternative:**

- (a) Subsidies encourage farmers to adopt newer technologies.
- (b) Subsidies help farmers to face the uncertainties of future.
- (c) Subsidies aim to reduce the inequalities between rich and poor farmer.
- (d) Subsidies mainly benefits the fertilizer industry among farmers.

**Ans. Option (d) is correct.**

*Explanation:* One of the criticisms against agriculture subsidy is that it has helped fertilizer industry and rich farmers. Fertilizer subsidy ultimately goes to the fertilizer industry even though farmer will be able to buy fertilizer at a low price. Thus it has helped rich industrialists to boost their production and even rich farmers are availing benefit from subsidy.

**24. Identify the correct statement from the following: 1**

- (a) India developed sound industrial base under the colonial rule.
- (b) India had very developed capital goods industries structure on the eve of independence.

- (c) Under the colonial rule, India generated export surplus.
- (d) The real motive of development of infrastructure under the British rule was to ensure development of India.

**Ans. Option (c) is correct.**

*Explanation:* Under British rule India generated export surplus. British government had exported primary or agricultural products to Britain, Sri Lanka, Iran etc and generated export surplus. But it did not result in any flow of gold or silver into India. This surplus was taken by the British government to meet their war expenses and thus there was drain of wealth from India to Britain.

### SECTION - B

**25. Consider the following statement about 'Portfolio Investment in India' and choose the correct alternative:**

- (i) Investments by a foreign company to start its subsidiary company in India.
- (ii) Investments by a foreign company to acquire some company in India.
- (iii) A foreign investor buying shares in Indian markets.
- (iv) A foreign investor buying Goods in Indian markets.

1

**Alternative:**

- (a) (i), (ii) and (iii)                      (b) (ii), (iii) and (iv)
- (c) (iii) only                                      (d) (iii) and (iv)

**Ans. Option (c) is correct.**

*Explanation:* Foreign portfolio investment in India refers to the foreign company or investor buying Indian company shares from our market.

**26. Read the following statements carefully and choose the correct alternative:**

**Statement 1:** Reserve Bank of India keeps a certain percentage of deposits as reserve to avoid 'too much lending to public'.

**Statement 2:** The reserve deposits ratio acts as a deterrent to the amount of credit created by the commercial banks.

1

**Alternative:**

- (a) Statement 1 is true and statement 2 is false.
- (b) Statement 2 is true and statement 1 is false.
- (c) Both the statements are true.
- (d) Both the statements are false.

**Ans. Option (c) is correct.**

*Explanation:* Commercial banks park a percentage of their deposits with RBI to reduce credit especially during inflation. If more money is with RBI, this would reduce the money available with commercial banks, reducing the availability of credit.

**27. Which of the following is not a valid statement in the context of Industrial Policy Resolution (IPR) 1956? (Choose the correct alternative)**

1

- (a) Ownership and management of the core industries were given to the public sector.
- (b) Tax benefits were given to industries being established in backward region to promote regional equalities.
- (c) A few industries were allowed to be owned by

the private sector.

- (d) Goods produced by the small scale industries were deserved.

**Ans. Option (d) is correct.**

*Explanation:* Option D is not a valid statement. Because goods produced by small scale industries were not deserved under this policy. All the other three statements are correct.

**28. Read the following statement - Assertion (A) and Reason (R) and choose the correct alternative:**

**Assertion (A):** After independence there was an expansion, in farm and non-farm output, income and employment.

**Reason (R):** Rural banking has helped farmers to avail benefits of credit facilities for meeting their needs.

1

**Alternative:**

- (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 and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true and Reason (R) is false.
- (d) Assertion (A) is false and Reason (R) is true.

**Ans. Option (a) is correct.**

*Explanation:* Rural banking has helped farmers to avail benefits of credit facilities to meet their needs. After independence there was an expansion in farm and non-farm output, income as well as employment.

**29. Identify the incorrect statement from the following:**

1

- (a) Human capital represents enhanced labour productivity.
- (b) Investment in human capital enhances efficiency and skills, implying economic growth.
- (c) Human capital is separable from its owner.
- (d) Human capital treats human beings as a means to an end.

**Ans. Option (c) is correct.**

*Explanation:* This statement is incorrect because we cannot separate human capital from its owner because without owner we will not get this service.

**30. Read the following statement - Assertion (A) and Reason (R) and choose the correct**

1

**Alternative :**

**Assertion (A):** Urban poverty is considered as a spill over of the rural poverty.

**Reason (R):** Rural poor migrate to cities in search of employment and livelihood.

**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 and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true and Reason (R) is false.
- (d) Assertion (A) is false and Reason (R) is true.

**Ans. Option (a) is correct.**

**Explanation:** Rural poor migrates to cities in search of employment and livelihood resulting into urban poverty. So urban poverty is a spillover of rural poverty.

**31. Read the following statements carefully and identify the false statement with respect to the Pradhan Mantri Jan Dhan Yojana. 1**

**(Choose the correct statement)**

- (a) It promotes habit of saving among masses
- (b) Government uses it for direct benefit transfers under various schemes.
- (c) Each account holder is entitled to ₹ 5,00,000 accidental insurance and ₹ 30,000 life insurance.
- (d) It ensures financial inclusion of every account holder.

**Ans. Option (c) is correct.**

**Explanation:** All other options are true. As per Pradhan Mantri Jan-Dhan Yojana Life Insurance cover for the account holder is ₹ 30,000 and accidental insurance cover of ₹ 1 lakh and not ₹ 50,000.

**32. Which of the following statements is not false? (Choose the correct statement) 1**

- (a) Higher education takes a major share of the total educational expenditure in India
- (b) No education cess has been imposed by the government of India.
- (c) Educational achievements in a country are indicated in terms of about literacy level only.
- (d) Expenditure per student at tertiary level is higher than that of elementary level of education.

**Ans. Option (d) is correct.**

**Explanation:** Educational expenditure per student at tertiary level of education is higher than that of elementary education in India even though expenditure on elementary education is more than expenditure on tertiary education in total educational expenditure.

**33. Structural composition refers to the ..... (Choose the correct alternative) 1**

- (a) number of people engaged in training
- (b) number of people engaged in different sectors
- (c) number of people engaged in tertiary sector
- (d) number of people facing unemployment

**Ans. Option (b) is correct.**

**Explanation:** Structural composition means number of people engaged in all the three sectors which are primary sector, secondary sector and tertiary sector.

**34. Read the following statements carefully and choose the correct alternative:**

**Statement 1:** Modernization refers to the use of new technology only.

**Statement 2:** To Enhance the productivity in an economy, women must be given equal opportunities at work place. 1

**Alternative:**

- (a) Statement 1 is true and statement 2 is false.
- (b) Statement 2 is true and statement 1 is false.

(c) Both the statements are true.

(d) Both the statements are false.

**Ans. Option (b) is correct.**

**Explanation:** Adoption of modern technology is only a part of modernization. So the first sentence is wrong whereas second sentence is correct. If equal opportunities are given to the women at workplace their efficiency or productivity will improve and more and more women will join the workforce.

**35. Identify the incorrect statement from the following. (Choose the correct alternative) 1**

- (a) Diversification into other sector is essential to enable rural people to overcome poverty.
- (b) Diversification is an essential component because there is greater link in depending exclusively on farming for livelihood.
- (c) Diversification provides supplementary gainful employment.
- (d) Diversification activities are not beneficial.

**Ans. Option (d) is correct.**

**Explanation:** Diversification activities are beneficial as it helps to overcome poverty, provides supplementary employment opportunities. It is essential because if there is no diversification, there is greater risk in engaging only in farming for livelihood.

**36. Suppose money created by the banking system is ₹ 1,000 and the primary deposits is ₹ 250. The respective values of deposit multiplier and reserve ratio would be ..... and ..... (Choose the correct alternative) 1**

- (a) 4, 25%
- (b) 8, 12.5%
- (c) 4, 12.5%
- (d) 5, 20%

**Ans. Option (a) is correct.**

**Explanation:** Deposit multiplier = Total deposits / initial deposits

$$= ₹ 1000 / ₹ 250 = 4$$

Cash reserve ratio is = 1 / deposit multiplier × 100

$$1/4 \times 100 = 25$$

**37. Identify the incorrect statement with reference to Balance of Payments. (Choose the correct alternative) 1**

- (a) Current account records Exports and Imports transactions of a nation.
- (b) Export of machinery is recorded in capital account.
- (c) Transfer of funds to the relatives abroad, entered on debit side of current account.
- (d) Current account records all such transactions which do not impact asset or liability status of a country.

**Ans. Option (b) is correct.**

**Explanation:** Exports of machinery is recorded in current account and not capital account because machinery is a good and import and export of goods are only records in the current account.

**38. Read the following statements - Assertive (A) and Reason (R), choose the correct alternative.**

**Assertion (A) :** In developing countries, growth of human capital has been faster than the growth is rather nebulous.

**Reason (R) :** Empirical evidence to prove that increase in human capital causes economic growth is rather nebulous. **1**

- (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 and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is false.
- (d) Assertion (A) is true but Reason (R) is true.

**Ans. Option (b) is correct.**

**Explanation:** Empirical evidence to prove that increase in human capital causes economic growth is rather nebulous because of measurement problems. This is because education measured in terms of years of schooling, teacher pupil ratio etc. do not reflect the quality of education, health services measured in monetary terms, life expectancy and mortality rate does not measure health status of the people in an economy. Using the indicators mentioned above an analysis of improvement in health, education and growth in percapita income In both developed and developing countries shows that there is convergence in the measures of human capital but no convergence of per capita real income.

39. **A process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country is known as ..... (Fill up the blank with correct alternative)** **1**
- (a) Agriculture Diversification
  - (b) Agriculture Banking
  - (c) Agriculture Management
  - (d) Agriculture Marketing

**Ans. Option (a) is correct.**

**Explanation:** Agricultural diversification involves assembling, storage, processing, transportation, packaging, grading and distribution of various agricultural goods across the country.

40. **'If India has to make real progress it has to develop its rural areas'**  
Which of the following is incorrect reason for the above mentioned statement ? **1**  
(Choose the correct alternative)
- (a) Approximately one-third population of rural India still lives in abject poverty.
  - (b) More than 50 per cent India's population depends on agriculture for their livelihood.
  - (c) Growth rate in Indian agriculture sector has been quite lower than of other sector.
  - (d) Majority of rural people have access to the basic necessities of life.

**Ans. Option (d) is correct.**

**Explanation:** Rural India lacks basic facilities so majorities of rural people have only less access to health facilities.

41. **Read the following statement - Assertion (A) and Reason (R), choose the correct alternative from the alternatives given below:**

**Assertion (a):** Notes and Coins are the only source of money supply in the economy

**Reason (R):** Demand deposits with commercial bank is also a component of money supply. **1**

**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 and 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.

**Ans. Option (d) is correct.**

**Explanation:** Assertion A is false. Notes and coins are only one of the sources of money supply, demand deposits other deposits with RBI, savings deposits with Post office Savings Bank, time deposit with banks, total deposit with Post office savings bank etc. are also the sources of money supply.

42. **Programme(s) that improves the food and nutritional status of poor are ..... (Choose the correct alternative)** **1**

- (i) Mid-day meal scheme
- (ii) Public distribution system
- (iii) Integrated child development scheme
- (iv) National family benefits scheme

**Alternatives:**

- (a) (i), (ii), (iii) and (iv)
- (b) (i), (ii) and (iii)
- (c) (ii), (iii) and (iv)
- (d) (i) only

**Ans. Option (b) is correct.**

**Explanation:** ICDS, PDS AND Mid-day meal programmes are the one started by the government to improve nutritional status of poor.

43. **Number of times the commercial banks are able to create total deposits with the help of reserves ratio and initial deposits is known as ..... (Fill up the blank with correct alternative)** **1**

- (a) Investment multiplier
- (b) Money multiplier
- (c) Domestication
- (d) Rationalisation

**Ans. Option (b) is correct.**

**Explanation:** Number of times the commercial banks are able to create deposits with the help of initial deposit and reserve ratio is only known as deposit multiplier or money multiplier.

44. **If Balance of Trade of nation shows deficit of ₹ 300 crore. The value of Exports are ₹ 400 crores and transfer payments are ₹ 50 crore. ₹ ..... crore will be the value of imports.** **1**  
(Choose the correct alternative)

- (a) 1700
- (b) 1500
- (c) 300
- (d) 700

**Ans. Option (d) is correct.**

**Explanation:** Value of Export – value of Import is only Balance of Trade.

$$\text{Here BOT} = -300$$

$$\text{Value of exports} = ₹ 400$$

$$\text{Value of imports} = ?$$

$$400 - \text{value of imports} = -300$$

$$\text{Value of imports} = 400 + 300 = ₹ 700$$

45. Read the following statements and choose the correct alternative from the alternatives given below:

**Statement 1:** Unemployment and Poverty are directly related.

**Statement 2:** Unemployment refers to a situation when some one, who is able and willing to work, does not find work at prevailing wage rate; this may result into poverty of the masses.

1

**Alternatives:**

- (a) Both the statements are true.
- (b) Both the statements are false.
- (c) Statement 1 is true and statement 2 is false.
- (d) Statement 2 is true and statement 1 is false.

**Ans. Option (a) is correct.**

**Explanation:** Unemployment is a situation in which all those who are able and willing to do a job are not getting job. Unemployment leads to poverty of the masses.

46. Read the following statement - Assertion (A) and Reason (R), choose one of the correct alternative given below:

**Assertion (A):** Managed floating exchange rate system is also known as 'hybrid system'.

**Reason (R):** Managed floating exchange rate system is a combination of a flexible and fixed exchange rate system.

1

**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 and 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.

**Ans. Option (a) is correct.**

**Explanation:** Managed floating system is a combination of fixed and flexible exchange rate system. It is known as hybrid system as it is a mixture of both fixed and flexible exchange rate systems.

47. From the following, identify the incorrect statement in the light of India's pre- independence occupational structure:

1

- (a) Agricultural sector accounted for the largest share of workforce.
- (b) Industrial and Service sectors grew at a faster rate than the agriculture sector.
- (c) Agriculture sector was marked with disguised unemployment.

(d) Unbalanced growth was created due to unequal distribution of workforce.

**Ans. Option (b) is correct.**

**Explanation:** Industrial and service sectors growth rate was high when compared to agriculture sector during the British rule. India was an agrarian economy during the pre- independence period as agriculture contributed more to GDP than the other sectors.

48. Identify the organisation, which is functioning as an apex organisation to provide quality school education. 1 (Choose the correct alternative)

- (a) University Grants Commission
- (b) Indian Council for Medical Research
- (c) All India Council of Technical Education
- (d) National Council of Educational Research and Training

**Ans. Option (d) is correct.**

**Explanation:** NCERT is the apex institution which ensures quality school education.

UGC is the apex institution in higher education.

ICMR is the apex body to ensure quality medical education.

AICTE is the apex body regulating engineering education.

### SECTION - C

**Q. No. 49-54 are to be answered on the basis of following data:**

S. No.	Items	Budget Expenditure 2020-21 (percentage of GDP)
(i)	Revenue Receipts	20.21
(ii)	Gross Tax Receipts	24.23
(iii)	Net Tax Receipts	16.36
(iv)	Non-Tax Receipts	3.85
(v)	Non-debt Capital Receipts	2.25
(vi)	Non-debt Receipts	22.46
(vii)	Total Expenditure	30.42
(viii)	Revenue Expenditure	26.30
(ix)	Capital Expenditure	4.12

49. Identify the value of fiscal deficit: 1  
(Choose the correct alternative)

- (a) 6.09
- (b) 7.96
- (c) 3.85
- (d) 4.12

**Ans. Option (b) is correct.**

**Explanation:** Fiscal deficit = Revenue deficit + (Capital expenditure – Non-debt creating capital receipts)

$$\text{Revenue deficit} = \text{Revenue expenditure} - \text{Revenue receipts} = 26.30 - 20.21 = 6.09$$

$$\text{Revenue deficit} + (\text{Capital expenditure} - \text{Non-debt creating capital receipts}) = 6.09 + (4.12 - 2.25) = 7.96$$



50. If primary deficit is 0.88, the value of interest payment would be ..... 1  
(Choose the correct alternative)

(a) 7.96 (b) 7.08  
(c) 4.12 (d) 3.85

Ans. Option (b) is correct.

*Explanation:* Primary deficit = fiscal deficit – Interest payments

$$0.88 = 7.96 - \text{interest payments}$$

$$\begin{aligned} \text{Interest payments} &= \text{fiscal deficit} - \text{Primary deficit} \\ &= 7.96 - 0.88 = 7.08 \end{aligned}$$

51. Revenue deficit in the government budget is: 1  
(Choose the correct alternative)

(a) Fiscal deficit + Interest Payments  
(b) Total Expenditure – Total Receipts  
(c) Total Receipts – Total Expenditure  
(d) Revenue Expenditure – Revenue Receipts

Ans. Option (d) is correct.

*Explanation:* Revenue deficit = Revenue expenditure – Revenue receipts

52. Which of the following is a non-tax receipts? 1  
(Choose the correct alternative)

(a) Gift Tax (b) Sales Tax  
(c) Dividend (d) Excise duty

Ans. Option (c) is correct.

*Explanation:* Dividend is a non-tax receipt. It is a part of company's profit that is paid to the people who own shares in it.

53. Expenditure on old-age pensions is an example of ..... expenditure. 1  
(Choose the correct alternative)

(a) capital (b) revenue  
(c) debt creating (d) asset creation

Ans. Option (b) is correct.

*Explanation:* Revenue expenditure refers to the expenditure which neither creates any asset nor causes reduction in any liability of the government. Old age pension is an example.

54. .... is/are debt creating capital receipts for the Government. 1 (Choose the correct alternative)
- (a) Recovery of loans from State governments  
(b) Sale of Public Sector Undertakings  
(c) Borrowings from World Bank  
(d) Partial sale of government shares in a company

Ans. Option (c) is correct.

*Explanation:* The capital receipts that must cause a decrease in assets are only debt creating assets. Money borrowed from World Bank at low interest rate creates liability or reduce assets and thus treated as capital receipt.

**Q. are to be answered on the basis of the following text:**

**To make India a globally competitive economy, there must be a larger focus on exporting to the most demanding markets. A stronger participation of Indian Micro, Small and Medium Enterprises**

**(MSMEs) in the global market can accelerate such a growth. This will lead to more opportunities in scaling up production, will speed up innovation and productivity. The MSME sector in India is the backbone of our country's economic structure and without this the country cannot progress. With over 63 million, MSME units, this sector covers 80% of the industries. This sector accounts for 31% of GDP and 45% of total exports. It is also the second largest employer in India providing jobs to over 120 million people. The MSME's should work towards becoming a part of global value chains (GVCs). It must also, find new opportunities to integrate themselves with the GVCs as exporters.**

55. Read the following statements - Assertion (A) and Reason (R) carefully, choose the correct alternative given below:

**Assertion (a): Globalization has resulted in higher inflows of foreign exchange in the Indian economy.**

**Reason (R): Globalization implies integration of domestic economy with rest of the world through trade and capital flow.**

1

**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 and 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.

Ans. Option (a) is correct.

*Explanation:* Globalization is the integration of domestic economy with world economy. It has resulted in higher inflows of foreign exchange to our country due to increase in exports to other countries.

56. Which of the following is not a feature of MSMEs? 1 (Choose the correct alternative)

(a) It involves use of more labour and less capital  
(b) It aims at balanced regional development  
(c) It leads to concentration of wealth in few hands  
(d) Promotion of social welfare.

Ans. Option (c) is correct.

*Explanation:* Medium and small scale enterprises does not lead to the concentration of wealth in the hands of few individuals. MSME's uses labour intensive techniques. It promotes social welfare and ensures balanced regional development.

57. On the basis of the given text and common knowledge, identify the incorrect statement. 1  
(Choose the correct alternative)

(a) A stronger participation of MSMEs helps in fulfilling export demand and accelerating growth in India.  
(b) Globalization brings innovation and hence enhances productivity.

- (c) MSMEs is a part of global value chains.
- (d) MSMEs are the nominal source of employment in India.

**Ans. Option (d) is correct.**

*Explanation:* MSME's are the major source of employment opportunities in India. It has Created million jobs in India as per the 73rd NSSO. (2015-2016)

**58. Identify the incorrect statements from the following: 1 (Choose the correct alternative)**

- (a) MSMEs covers 80 per cent of industries in the country.
- (b) MSMEs accounts for more than 50 per cent of exports.
- (c) MSMEs provides job to over 120 million people.
- (d) MSMEs accounts for 31 per cent of Gross domestic product.

**Ans. Option (b) is correct.**

*Explanation:* MSME's accounts for only 45 percentage of total exports.

**59. Vocal for local initiative of the Government of India is a boon for the MSMEs segment as it ..... 1**

**(Choose the correct alternative)**

- (i) reduces dependence on other countries for import
- (ii) boost entrepreneurship in the country

- (iii) save foreign exchange
- (iv) uses superior technology

**Alternatives:**

- (a) (i) and (ii)                      (b) (i), (ii) and (iv)
- (c) (i), (ii), (iii) and (iv)      (d) (i), (ii) and (iii)

**Ans. Option (d) is correct.**

*Explanation:* Vocal for local is a part of Atmanirbhar Bharat Abhiyaan or self-reliant India programme that reduces dependence on other countries for import, boosts entrepreneurship in India, saves foreign exchange and uses superior technology.

**60. .... is the outcome of structural measure under new economic policy. 1**

**(Choose the correct alternative)**

- (i) Improves efficiency
- (ii) Increase International Competitiveness
- (iii) Remove Rigidities

**Alternatives:**

- (a) (i) only                              (b) (i) and (ii)
- (c) (i), (ii) and (iii)                (d) (iii) only

**Ans. Option (c) is correct.**

*Explanation:* New Economic Policy was framed in 1991 by Dr. Manmohan Singh the then Finance Minister which has improved efficiency, increased international competitiveness and removed rigidities.

