

DINDIGUL DISTRICT

QUARTERLY EXAMINATION - 2022

12 - Std

ECONOMICS

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TIME : 3.00 HRS

MARKS : 90

PART - A

I Answer all the questions. Choose the correct answer.

20 X 1 = 20

- Macro economics is a study of
a) individuals b) firms c) a nation d) aggregates
- The branches of the subject Economics is
a) Wealth and welfare b) production and consumption
c) Demand and supply d) Micro and macro
- The country following capitalism is
a) Russia b) America c) India d) China
- PQLI is the indicator of
a) Economic growth b) Economic welfare
c) Economic progress d) Economic development
- The financial year in India is
a) April 1 to March 31 b) March 1 to April 30
c) March 1 to March 16 d) January 1 to December 31
- Aggregate supply is equal to
a) $C + I + G$ b) $C + S + G + (X - M)$
c) $C + S + T + (X - M)$ d) $C + S + T + R_f$
- The component of aggregate demand is
a) personal demand b) Government expenditure
c) only export d) only import
- Classical theory advocates
a) Balanced Budget b) Un balanced Budget
c) Surplus Budget d) Deficit Budget
- As income increases, consumption will
a) fall b) note change c) fluctuate d) increase
- The term MEC was introduced by
a) Adam Smith b) J.M. Keynes c) Ricardo d) Malthus
- Lower interest rates are likely to
a) Decrease in consumption b) Increase cost of borrowing
c) Encourage saving d) Increase borrowing and spending
- The RBI headquarters is located at
a) Delhi b) Chennai c) Mumbai d) Bengaluru
- Paper currency system is managed by the
a) Central monetary authority b) State Government
c) Central Government d) Banks
- is a decrease in the rate of inflation
a) Disinflation b) Deflation c) Stagflation d) Depression
- Credit Creation means
a) Multiplication of loans and advances b) Revenue
c) Expenditure d) Debt
- Bank credit refers to
a) Bank loans b) Advances c) Bank loan and Advances d) Borrowings
- ARDC started functioning from
a) June 3, 1963 b) July 3, 1963 c) June 1, 1963 d) July 1, 1963

12 - ECONOMICS

EM பக்கம் - 1

18. Who among the following enunciated the concept of single factorial term of trade?
a) Jacobviner b) G.S. Donens c) Taussig d) J.S. Mill
19. Foreign direct investments not permitted in India
a) Banking b) Atomic energy
c) Pharmaceutical d) Insurance
20. Exchange rates are determined in
a) Money market b) foreign exchange market
c) stock market d) capital market

PART - B**II. Answer any seven questions. 30th questions is compulsory.****7 X 2 = 14**

21. Define Terms of Trade.
22. What is meant by Exchange rate?
23. What is rationing of credit?
24. Distinguish between CRR and SLR.
25. What is commodity money?
26. Define multiplier.
27. Define average propensity to consume (APC)?
28. Define full employment?
29. Define GDP deflator.
30. Define the term Inflation.

PART - C**III. Answer any seven questions. Q.No. 40 is compulsory.****7 X 3 = 21**

31. Indicate the elements of socialism.
32. List out the uses of national income.
33. Write a short note on percapita Income.
34. Write short note on the implications of Say's law.
35. State the concept of super multiplier.
36. Mention the differences between accelerator and multiplier effect.
37. Explain disinflation.
38. Write the types of inflation.
39. What are the functions of NABARD?
40. What are import quotas?

PART - D**IV. Answer the following in details.****7 X 5 = 35**

41. Explain briefly the comparative cost theory. (OR)
Discuss the various types of disequilibrium in the balance of payments.
42. Elucidate the functions of commercial banks. (OR)
Describe the functions of Reserve Bank of India.
43. Explain the functions of money. (OR)
Describe the phases of Trade cycle.
44. Illustrate the working of multiplier. (OR)
Explain the operation of the acceleration.
45. Describe the types of unemployment. (OR)
Critically explain say's law of market.
46. What are the difficulties involved in the measurement of national income. (OR)
Discuss the various method of estimating the national income of a country.
47. Discuss the scope of Macro Economics. (OR)
Compare the feature among capitalism, secularism and mixedism.

VIVEKANANDA VIDYALAYA MATRIC HR SEC SCHOOL, PANNAIKADU PIRIVU**KODAIKANAL, DINDIGUL DISTRICT****QUARTERLY EXAMINATION (DINDIGUL DISTRICT) KEY – SEPTEMBER 2022****CLASS: 12 STD****ECONOMICS – ANSWER KEY****MARKS: 90****I. CHOOSE THE CORRECT ANSWER:****20*1=20**

1	d). aggregate	11	d). Increase borrowing and spending
2	d). Micro and macro	12	c). Mumbai
3	b). America	13	a). central Monetary Authority
4	b). Economics welfare	14	a). Disinflation
5	a). April 1 to march 31	15	a). Multiplilication of loans and advances
6	d). $C + S + T + R_f$	16	c). Bank loan and advances
7	b). Government Expenditure	17	c). June 1, 1963
8	a). Balanced Budget	18	a). Jacobvinger
9	d). Increase	19	b). Automic energy
10	J.M.Keynes	20	b). Foreign exchange market

II. ANSWER ANY 7 QUESTIONS: (Q.NO: 30 IS CUMPULSORY)**7*2=14****21 Define Terms of Trade.**

- It is the rate at which the goods of one country are exchanged for goods of another country.

22 What is meant by exchange rate?

- It is the price paid in the home currency for a unit of foreign currency that is the rate at which one currency is exchanged for another currency.

23 What is rationing of credit?

- This is the oldest method of credit card
- It aims to control and regulate the purposes for which credit is granted by commercial banks.

24 Distinguish between CRR and SLR?

S.No	CRR	SLR
1	The commercial Bank has to maintain reserve with the RBI	The amount which a bank has to maintain form of cash or gold.
2	Regulates the flow of money in the economy	Ensure the solvency of the banks

25 What is commodity money?

- It is the value from the commodity by which it is made.
- Commodity money has value in itself and value in its use of money.
- Example: Jewels

26 Define Multiplier?

- The ratio of the change in national income to change in investment.

$$\star K = \Delta Y / \Delta I$$

- J.M Keynes

27 Define Average propensity to consume (APC)?

- The average propensity to consume is the ratio of consumption expenditure to particular level of income.”
- $APC = C/Y$

28 Define Full employment?

- Full Employment as the absence of involuntary unemployment.

- Keynes

29 Define GDP deflator?

- ♣ It is an index of price changes of goods and services included in GDP.
- ♣ $GDP \text{ deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$

30 Define the term Inflation?

- A study increase in general price level is called inflation.

III. ANSWER ANY 7 QUESTIONS: (Q.NO: 40 IS CUMPULSORY)

7*3=21

31 Indicate the elements of socialism?

- | | |
|---|------------------------------|
| • Public Ownership of means of production | Central planning |
| • Maximum social benefit | Non-existence of competition |
| • Absence of Price Mechanism | Equality of Income |
| • Equality of opportunity | Classless society |

32 List out the uses of national income?

- ❖ To know the relative importance of the various sectors of the economy and their contribution towards national income.
- ❖ To formulate the national policies such as monetary policy, fiscal policy and other policy.
- ❖ To formulate planning and evaluate plan progress.

33 Write a short note on Per capita Income?

- ★ The average income of a person of a country in a particular year is called Per Capita Income.
- ★ $\text{Per capita income} = \text{National income} / \text{Population}$.

34 Write short note on the implications of Say's law?

- ⊗ There is no possibility for over production or unemployment.
- ⊗ As automatic price mechanism operates in the economy, there is no need for government intervention.
- ⊗ Interest flexibility brings about equality between saving and investment.
- ⊗ Money performs only the medium of exchange function in the economy.

35 State the concept of super multiplier?

- ★ The super multiplier is worked out by combining both induced consumption and induced investment.
- ★ It is greater than simple multiplier.
- ★ It is K and β integration, $Y = C + I_A + I_P$

36 Mention the differences between accelerator and multiplier effect?

S.No	Accelerator	Multiplier
1	It is the ratio between induced investment and an initial change in consumption.	The ratio of the change in national income to change in investment.
2	Change in consumption expenditure forms the effect.	Change in investment forms the effect.
3	$\beta = \Delta I / \Delta C$	$K = \Delta Y / \Delta I$

37 Explain Disinflation?

- ♣ It is the slowing down the rate of inflation by controlling the amount of credit available to consumers without causing more unemployment.
- ♣ The process of reversing inflation without creating unemployment or reducing output in the economy.

38 Write the types of Inflation.**i). Based on Speed:**

- ★ Creeping inflation
- ★ Walking inflation
- ★ Running inflation
- ★ Galloping inflation

ii). On the basis of Demand and Cost:

- ★ Demand - Pull inflation
- ★ Cost- Push inflation

iii). On the basis of Inducement:

- ★ Currency inflation
- ★ Credit inflation
- ★ Deficit induced inflation
- ★ Profit induced inflation
- ★ Tax induced inflation

39 What are the functions of NABARD?

- It acts as a refinancing institution for all kinds of production and investment credit to agriculture, small-scale industries, cottage and village industries.
- It provides short-term, medium-term and long-term credits to state co-operative Banks SCBs, RRBs, LDBs.

- It gives long-term loans to State Government to enable them to subscribe to the share capital of co-operative credit societies.

40. What are Import quotas?

- ★ It is a quantitative limit fixed on the import of some type of goods.
- ★ It may be fixed either in terms of quantity or the value of the product.
- ★ This is imposed to conserve foreign exchange or protect domestic consumption.

IV. ANSWER THE FOLLOWING QUESTIONS:

7*5=35

41 Explain briefly the comparative cost theory?

Meaning:

- ★ A country can gain from trade when it produces at relatively lower costs.
- **Ricardo**
- ★ Even when a country enjoys absolute advantage in both goods, the country would specialize in the production and export of those goods which are relatively more advantageous.
- ★ Similarly, even when a country has absolute disadvantage in production of both goods, the country would specialize in production and export of the commodity in which it is relatively less disadvantageous.

Assumptions

- There are only two nations and two commodities.
- Labour is the only element of cost of production.
- All laborers are of equal efficiency.
- No change in technology.
- No transport cost.
- Perfect competition.
- Full employment.
- No government intervention.

Explanation:

- ★ India should concentrate on the production of wheat in which she enjoys a comparative cost advantage.
- ★ America will specialize in the production of cloth and export it to India in exchange for wheat.
- ★ With trade, India can get 1 unit of cloth and 1 unit of wheat by using its 160 labour units.
- ★ With trade, America can get 1 unit of cloth and one unit of wheat by using its 200 units of labour.

Discuss the various types of disequilibrium in the balance of payments?

i). Cyclical Disequilibrium:

- ✿ Two countries may be passing through different phases of business cycle.
- ✿ The elasticity's of demand may differ between countries.

ii). Secular Disequilibrium:

- ✿ The secular or long-run disequilibrium in BOP occurs because of long-run.
- ✿ In the initial stages of development, domestic investment exceeds domestic savings and imports exceed exports, as it happens in India since 1951.

iii). Structural Disequilibrium:

- ✿ Structural changes in the economy may also cause such structural changes include development of alternative sources of supply, development of better substitutes, exhaustion of productive resources or changes in transport routes and costs.

42 Discuss the functions of commercial banks**A). Primary Function:****i). Accepting Deposits:**

- ♣ It implies that commercial banks are mainly dependent on public deposits.
- ♣ There are two types of deposits which are discussed as follows
 - Demand Deposit
 - Time Deposit

ii). Advancing Loans:

- ♣ It refers to granting loans to individuals and business.
- ♣ Commercial bank grants loans in the form of overdraft, cash credit, and discounting bills of exchange.

B. Secondary Function:**i). Agency Function:**

It implies that commercial banks act as agents of customers by performing various functions.

- College Cheques
- Collecting Income
- Paying Expenses

ii). General Utility Functions:

- Providing Locker Facilities
- Issuing Travelers Cheque

iii). Transferring funds:

- ♣ It refers to transferring of funds from one bank to another.
- ♣ Funds are transferred by means of draft, telephonic transfer, and electronic transfer.

C). Other Functions:

Money Supply
Credit Creation

Describe the functions of Reserve Bank of India.**i). Monetary Authority:**

- ✿ It controls the supply of money in the economy to stabilize exchange rate, maintain

healthy balance of payment, attain financial stability, control inflation.

ii). The issuer of currency:

- ✱ The objective is to maintain the currency and credit system of the country.
- ✱ It is the sole authority to issue currency.
- ✱ It also takes action to control the circulation of fake currency.

iii). The issuer of Banking License:

- ✱ As per Sec 22 of Banking Regulation Act, every bank has to obtain a banking license from RBI to conduct banking business in India.

iv). Banker to the Government:

- ✱ It acts as banker both to the central and the state governments.
- ✱ It provides short-term credit.

v). Banker's Bank:

- ✱ RBI is the bank of all banks in India as it provides loan to banks, accept the deposits of banks, and rediscount the bills of banks.

43 Explain the functions of Money?

A). Primary Functions:

i) Money as a medium of exchange:

- ✱ This is considered as the basic function of money.
- ✱ The quality of general acceptability, and all exchanges take place in terms.

ii) Money as a measure of value:

- ✱ Money is that it measures the value of goods and services.

B). Secondary Functions

i) Money as a Store of value:

- ◆ Savings done in terms of commodities were not permanent.
- ◆ This difficulty has now disappeared and savings are now done in terms of money.

ii) Money as a Standard of Deferred Payments:

- ◆ In the absence of money, the borrowed amount could be returned only in terms of goods and services.

C. Contingent Functions

i) Basis of the Credit System:

- ♣ Money is the basis of the Credit System.
- ♣ Business transactions are either in cash or on credit.

ii) Money facilitates distribution of National Income:

- ♣ The task of distribution of national income was exceedingly complex under barter system.

D. Other Functions

i) Money helps to maintain Repayment Capacity:

- To maintain its repayment capacity, every firm has to keep assets in the form of liquid cash.

ii) Money represents Generalized Purchasing Power:

- Purchasing power kept in terms of money can be put to any use.

Describe the phases of Trade cycle

i) Boom:

- ✖ The movement of the economy beyond full employment is characterized as boom period.
- ✖ During this period money wages rise, profits increase and interest rates go up.

ii) Recession:

- ✖ The turning point from boom condition is called recession.
- ✖ This happens at higher rate, than what was earlier.

iii) Depression:

- ❖ The level of economic activity becomes extremely low.
- ❖ Interest prices, profits and wages are low.
- ❖ The agricultural class and wage earners would be worst hit.
- ❖ Depression is the worst phase of the business cycle.

iv. Recovery:

- ⊛ This is the turning point from depression to revival towards upswing.
- ⊛ It begins with the revival of demand for capital goods.
- ⊛ Autonomous investments boost the activity.
- ⊛ Recovery may be initiated by innovation or investment or by government expenditure.

44 Illustrate the working of multiplier?

Meaning:

- ♣ The multiplier is defined as the ratio of the change in national income to change in investment.
- ♣ If ΔI stands for increase in investment and ΔY stands for resultant increase in income, the multiplier $K = \Delta Y / \Delta I$.

Multiplier $K = 1 / 1 - MPC$

- ✿ The multiplier is the reciprocal of one minus marginal propensity to consume. marginal propensity to save is $1 - MPC$. ($MPC + MPS = 1$).
- ✿ Multiplier is $1 / MPS$.
- ✿ The multiplier is therefore defined as reciprocal of MPS.
- ✿ Multiplier is inversely related to MPS and directly with MPC.

Working of Multiplier:

- ◆ Suppose the Government undertakes investment expenditure equal to Rs.100 on some public works, by way of wages, price of materials etc.
- ◆ Thus income of labourers and suppliers of materials increases by Rs.100. Suppose the MPC is 0.8 that is 80 %.
- ◆ A sum of Rs.80 crores is spent on consumption .

- ◆ As a result, suppliers of goods get an income of Rs. 80 crores.
- ◆ They in turn spend Rs.64 crore.
- ◆ In this manner consumption expenditure and increase in income act in a chain manner.

The final result is $\Delta Y = 100 + 100 \times 4/5 + 100 \times [4/5]^2 + 100 \times [4/5]^3$

Explain the operation of the acceleration?

Meaning:

- ✪ It is the numerical value of the relation between an increase in consumption and the resulting increase in investment.

$$\text{Accelerator } (\beta) = \Delta I / \Delta C$$

Operation of the Acceleration principle:

- * To produce 1000 consumer goods, 100 machines are required.
- * Life of a machine is 10 years.
- * This means that every year 10 machines have to be replaced in order to maintain a constant flow of 1000 consumer goods.
- * This might be called replacement demand.
- * Demand for consumer goods rises by 10 percent. That causes increase in demand for 10 more machines.
- * So that total demand for machines is 20.
- * It may be noted here a 10 percent increase in demand for consumer goods causes a 10 percent increase in demand for machines.

Operation of Accelerator.

- SS is the saving curve.
- II is the investment curve.
- At point E1, the economy is in equilibrium with OY1.
- Saving and investment are equal at OI 2.
- Now, investment is increased from OI2 to OI 4.
- This increases income from OY1 to OY3, the equilibrium point being E3.
- If the increase in investment by I2 I4 is purely exogenous, then the increase in income by Y1 Y3 would have been due to the multiplier effect.
- But in this diagram it is assumed that exogenous investment is only by I2 I3 and induced investment is by I3 I4.
- Therefore, increase in income by Y1 Y2 is due to the multiplier effect and the increase in income by Y2 Y3 is due to the accelerator effect.

45 Describe the types of unemployment?

i). Cyclical Unemployment

- * This unemployment exists during the downturn phase of trade cycle in the economy.

ii). Seasonal unemployment:

- ♣ It occurs during certain seasons of the year.

- ♣ In agriculture and agro based industries like sugar, production activities are carried out in some seasons.

iii). Frictional Unemployment.

- ⊛ It's arises due to imbalance between supply of labour and demand for labour.

iv). Educated unemployment:

- ★ Sometimes educated people are under employed or unemployed when qualification does not match the job.

v). Structural unemployment:

- ★ It is due to drastic change in the structure of the society.

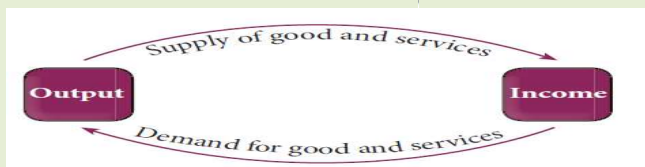
Critically explain says law of market?

i). Says' Law: "Supply creates its own demand"

ii). Explanation of Say's Market Law:

- ★ When goods are produced by firms in the economy, they pay reward to the factors of production.
- ★ The households after receiving rewards of the factors of production spend the amount on the purchase of goods and services produced by them.

iii). Says Law Chart:



iv). Assumptions:

- ♣ No single buyer or seller of commodity or an input can affect price.
- ♣ Full employment.
- ♣ There is wage-price flexibility.
- ♣ Money acts only as a medium of exchange.
- ♣ Long - run analysis.

Criticisms of Say's Law:

- ♣ According to Keynes, supply does not create its demand.
- ♣ Automatic adjustment process will not remove unemployment.
- ♣ Money is not neutral.
- ♣ Say's law is based on wrong proposition.
- ♣ Keynes regards full employment as a special case.

46 What are the difficulties involved in the measurement of national Income?

i). Transfer payments:

- ⊙ These are government expenditure.
- ⊙ Government makes payments in the form of pensions, unemployment allowance, subsidies, etc.
- ⊙ But they are not included in the national income.

ii). Difficulties in assessing depreciation allowance:

- ◆ The deduction of depreciation allowances, accidental damages, and repair and

replacement charges from the national income is not an easy task.

- ◆ It requires high degree of judgment to assess the depreciation allowance and other charges.

iii). Unpaid services:

- ★ A housewife renders a number of useful services like preparation of meals, serving, tailoring, mending, washing, cleaning, bringing up children, etc.

iv). Income from illegal activities:

- Income earned through illegal activities like gambling, smuggling, illicit extraction of liquor, etc., is not included in national income.

v). Production for self-consumption and changing price

- ★ Farmers keep a large portion of food and other goods produced on the farm for self consumption.

Discuss the various method of estimating the national income of a country?

i). Product Method

- ★ It is measures the output of the country.
- ★ It is also called inventory method.
- ★ The gross value of output from different sectors like agriculture, industry, trade and commerce, etc., is obtained for the entire economy during a year.
- ★ Care must be taken to avoid double counting.

ii). Income Method (Factor Earning Method)

- ♣ This method approaches national income from the distribution side.
- ♣ It is calculated by adding up all the incomes generated in the course of producing national product.
- ♣ It is also called Factor Earning Method.

iii). Expenditure method.

- ★ The total expenditure incurred by the society in a particular year is added together.
- ★ To calculate the expenditure of a society, $GNP = C + I + G + (X-M)$.

C - Private consumption expenditure

I - Private Investment Expenditure

G - Government expenditure

X-M = Net exports

47 Discuss the scope of Macro Economics?

i). National Income:

- ♣ Measurement of national income and its composition by sectors are the basic aspects of macroeconomic analysis.
- ♣ Its composition provides a long term understanding of the growth process of an economy.

ii). Inflation:

- A study increase in general price level is called inflation.

iii). Business Cycle:

- ★ Almost all economies face the problem of business fluctuations and business

cycle.

- ★ The cyclical movements in the economy need to be carefully studied based on aggregate economic variables.

iv). Economic Growth:

- ❖ The growth and development of an economy and the factors determining them could be understood only through macro analysis.

v). Economic Policies:

- Macro Economics is significant for evolving suitable economic policies.
- To solve the basic problems, to overcome the obstacles and to achieve growth.

Compare the features among Capitalism, Secularism, and Mixedism?

S.No	Basics	Capitalism	Secularism	Mixedism
1	Ownership	Private ownership	Public ownership	Private and public
2	Economic mo	Profit	Social welfare	Social welfare and profit motive
3	Government role	Internal regulation only	Complete involvement	Limited role
4	Income Distribution	Unequal	Equal	Less unequal
5	Economic freedom	Complete freedom	Lack of freedom	Limited freedom

@* @* @* @* @* @* @

- ❖ All of the above I mentioned is my own proposed list.
- ❖ This is not final decision.
- ❖ This subject to be changed.
- ❖ If there is any error in this, please correct it.

PREPARED BY

P.VAHEESWARAN *M.COM., M.PHIL. DCA., B.ED*

VICE- PRINCIPAL

PG ASSISTANT OF COMMERCE & ACCOUNTANCY

**VIVEKANANDA VIDYALAYA MATRIC HR SEC SCHOOL
PANNAIKADU PIRIVU, KODAIKANAL MAIN ROAD,
DINDIGUL DISTRICT.**

CELL: 9791324143 EMAIL: npvasu92@gmail.com