

Namakkal District

N

**SECOND MID TERM TEST, NOVEMBER - 2019**

**STANDARD - XII**

**Time : 1.30 hrs**

**ECONOMICS**

**Marks: 50**

**Part - I**

**Answer all the questions:-**

**I. Choose the correct answer:-**

**10×1=10**

- 1) The modern state is
  - a) Laissez-Faire-State
  - b) Aristocratic State
  - c) Welfare State
  - d) Police State
- 2) Which of the following canons of taxation was not listed by Adam Smith.
  - a) Canon of equality
  - b) Canon of Certainty
  - c) Canon of Convenience
  - d) Canon of Simplicity
- 3) Consider the following statements and Identify the right ones.
  - i) The finance commission is appointed by the president
  - ii) The tenure of finance commission is five years.
  - a) i only
  - b) ii only
  - c) both
  - d) none of the above
- 4) The word biotic means environment
  - a) living
  - b) Non-living
  - c) Physical
  - d) None of the above
- 5) Global Warming is also refers to as
  - a) Ecological Change
  - b) Climate Change
  - c) Atmosphere Change
  - d) None of the above
- 6) Electronic Waste is commonly referred as \_\_\_\_\_.
  - a) Solid Waste
  - b) Composite Waste
  - c) e-Waste
  - d) Hospital Waste
- 7) Alkali soils are predominantly located in the \_\_\_\_\_ plains.
  - a) Indus-Ganga
  - b) North-Indian
  - c) Gangetic plains
  - d) All the above
- 8) Which is not the feature of Economic growth?
  - a) Concerned with developed nations
  - b) Gradual change
  - c) Concerned with quantitative aspect
  - d) Wider concept
- 9) Which of the following country adopts indicative planning?
  - a) France
  - b) Germany
  - c) Italy
  - d) Russia
- 10) Planning Commission was set up in the year \_\_\_\_\_.
  - a) 1950
  - b) 1951
  - c) 1947
  - d) 1948



N

2

XII- Economics

## Part - II

Answer any Five questions in which question number 17 is compulsory:

5×2=10

- 11) Define Public Finance.
- 12) Give two examples for direct tax?
- 13) What do you mean by ecosystem?
- 14) Define the Global Warming?
- 15) Specify the meaning of Seed ball?
- 16) Define - Economic development.
- 17) What are the Social Indicators of Economic development?

## Part - III

Answer any Five questions in which question number 24 is compulsory:

5×3=15

- 18) Describe Canons of taxation?
- 19) State any three characteristics of taxation.
- 20) Point out any three differences between direct tax and indirect tax.
- 21) Explain different types of air pollution?
- 22) What are the causes of Water Pollution?
- 23) What are the non-economic factors determining development?
- 24) State the meaning of e-waste?

## Part - IV

Answer all the questions:-

3×5=15

- 25) Explain the Scope of Public finance? [or]  
Explain the concepts of externality and its classification.
- 26) Bring out the merits of indirect taxes. [or]  
Describe different types of Planning.
- 27) Briefly explain the relationship between GDP-growth and the quality of environment. [or]  
What are the reasons for the recent growth in Public Expenditure?

\*\*\*\*\*

# SHRI VIDHYABHARATHI MATRIC HR.SEC.SCHOOL



**SAKKAMPALAYAM , AGARAM (PO) ELACHIPALAYAM  
TIRUCHENGODE(TK), NAMAKKAL (DT) PIN-637202**

**Cell : 99655-31727, 99655 - 35967**

**+2 - II MID TERM TEST - NOVEMBER - 2019**

**TENTATIVE ANSWER KEY**

SUBJECT: ECONOMICS

MARKS : 50

Q.NO	CONTENT	MARKS
	<b>SECTION - I</b>	<b>10X1=10</b>
	<b>CHOOSE THE CORRECT ANSWER</b>	
1.	c) Welfare State	
2.	d) Canon of Simplicity	
3.	c) both	
4.	a) living	
5.	d) none of the above	
6.	c) e-Waste	
7.	d) All the above	
8.	d) Wider concept	
9.	b) Germany	
10.	a) 1950	
	<b>SECTION - II</b>	<b>5X2=10</b>
11.	<p><b>Public Finance :</b></p> <p>❖ ‘Public finance is one of those subjects that lie on the border line between Economics and Politics. It is concerned with income and expenditure of public authorities and with the adjustment of one to the other’. - <b>Huge Dalton</b></p> <p>“Public finance is an investigation into the nature and principles of the state revenue and expenditure”. - <b>Adam Smith</b></p>	2
12.	<p><b>Two Examples for direct tax:</b></p> <p>❖ Income tax</p> <p>❖ WEALTH TAX</p> <p>❖ CAPITAL gains tax</p>	2
13.	<p><b>Mean by Ecosystem:</b></p> <p>❖ An ecosystem includes all living things (plants, animals and organisms) in a given area, interacting with each other, and also with their non-living environments</p>	2

**SHRI VIDHYABHARATHI MATRIC HR.SEC.SCHOOL - 99655-31727**

Kindly send me your district question papers to our whatsapp number: 7358965593

	(weather, earth, sun, soil, climate, atmosphere). Ecosystems are the foundations of the Biosphere and they determine the health of the entire earth system.	
14.	<p><b>Global warming.</b></p> <ul style="list-style-type: none"> <li>❖ Global warming is the current increase in temperature of the Earth's surface (both land and water) as well as its atmosphere.</li> <li>❖ Average temperatures around the world have risen by 0.75°C (1.4°F) over the last 100 years. About two thirds of this increase has occurred since 1975.</li> </ul>	2
15.	<p><b>The meaning of seed ball.</b></p> <ul style="list-style-type: none"> <li>❖ A seed ball (or seed bomb) is a seed that has been wrapped in soil materials, usually a mixture of clay and compost, and then dried.</li> <li>❖ Essentially, the seed is 'pre-planted' and can be sown by depositing the seed ball anywhere suitable for the species, keeping the seed safely until the proper germination window arises.</li> <li>❖ Seed balls are an easy and sustainable way to cultivate plants that provide a larger window of time when the sowing can occur.</li> </ul>	2
16.	<p><b>Economic development :</b></p> <ul style="list-style-type: none"> <li>❖ Michael P. Todaro, "Development must, therefore, be conceived as a multidimensional process involving major changes in social structures, popular attitudes and national institutions as well as the acceleration of growth, the reduction of inequality and the eradication of absolute poverty".</li> </ul>	2
17.	<p><b>The social indicators of economic development?</b></p> <ul style="list-style-type: none"> <li>❖ <b>Social Indicators :</b> The basic needs for development such as health, education, sanitation, water, food etc.</li> </ul>	2
	<b>SECTION -II</b>	<b>5X3=15</b>
18.	<p><b>Canons of Taxation.</b></p> <ul style="list-style-type: none"> <li>❖ The characteristics or qualities which a good tax should possess are described as canons of taxation. It must be noted that canons refer to the qualities of an isolated tax</li> </ul>	

	and not to the tax system as a whole. A good tax system should have a proper combination of all kinds of taxes having different canons.	3												
19.	<p><b>Three Characteristics of Taxation.</b></p> <p><b>Characteristics of Tax</b></p> <ul style="list-style-type: none"> <li>❖ A tax is a compulsory payment made to the government. People on whom a tax is imposed must pay the tax. Refusal to pay the tax is a punishable offence.</li> <li>❖ There is no quid pro quo between a taxpayer and public authorities. This means that the tax payer cannot claim any specific benefit against the payment of a tax.</li> <li>❖ Every tax involves some sacrifice on part of the tax payer.</li> <li>❖ A tax is not levied as a fine or penalty for breaking law.</li> </ul>	3												
20.	<p><b>Three differences between direct tax and indirect tax.</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Basis for comparison</th> <th style="width: 35%;">Direct tax</th> <th style="width: 35%;">Indirect tax</th> </tr> </thead> <tbody> <tr> <td>Nature</td> <td>Progressive</td> <td>Regressive</td> </tr> <tr> <td>Incidence and Impact</td> <td>Falls on the same person.</td> <td>Falls on different persons.</td> </tr> <tr> <td>Evasion</td> <td>Tax evasion is possible</td> <td>Tax evasion is hardly possible</td> </tr> </tbody> </table>	Basis for comparison	Direct tax	Indirect tax	Nature	Progressive	Regressive	Incidence and Impact	Falls on the same person.	Falls on different persons.	Evasion	Tax evasion is possible	Tax evasion is hardly possible	3
Basis for comparison	Direct tax	Indirect tax												
Nature	Progressive	Regressive												
Incidence and Impact	Falls on the same person.	Falls on different persons.												
Evasion	Tax evasion is possible	Tax evasion is hardly possible												
21.	<p><b>Different types of air pollution.</b></p> <p><b>Types of Air pollution</b></p> <ul style="list-style-type: none"> <li>❖ <b>Indoor Air Pollution:</b> It refers to toxic contaminants that we encounter in our daily lives in our homes, schools and workplaces. For example, cooking and heating with solid fuels on open fires or traditional stoves results in high levels of indoor air pollution.</li> <li>❖ <b>Outdoor Air Pollution:</b> It refers to ambient air. The common sources of outdoor air pollution are caused by combustion processes from motor vehicles, solid fuel burning and industry.</li> </ul>	3												



22.

**The causes of water pollution?**

- ❖ **Causes of Water Pollution** Water pollution is caused due to several reasons. Here are the few major causes of water pollution:
- ❖ **Discharge of sewage and waste water:** Sewage, garbage and liquid waste of households, agricultural runoff and effluents from factories are discharged into lakes and rivers. These wastes contain harmful chemicals and toxins which make the water poisonous for aquatic animals and plants.
- ❖ **Dumping of solid wastes:** The dumping of solid wastes and litters in water bodies cause huge problems.
- ❖ **Discharge of industrial wastes:** Industrial waste contains pollutants like asbestos, lead, mercury, grease oil and petrochemicals, which are extremely harmful to both people and environment.
- ❖ **Oil Spill:** Sea water gets polluted due to oil spilled from ships and tankers while travelling. The spilled oil does not dissolve in water and forms a thick sludge polluting the water.
- ❖ **Acid rain:** Acid rain is pollution of water caused by air pollution. When the acidic particles caused by air pollution in the atmosphere mix with water vapor, it results in acid rain.
- ❖ **Global warming:** Due to global warming, there is an increase in water temperature as a result aquatic plants and animals are affected.

**Eutrophication:** Eutrophication is an increased level of nutrients in water bodies. This results in bloom of algae in water. It also depletes the oxygen in water which negatively affects fish and other aquatic animal population.

3

23.

**The non-economic factors determining development**

- ❖ **Human Resources:** Human resource is named as human capital because of its power to increase productivity and thereby national income. There is a circular relationship between human development and economic growth.
- ❖ **Technical Know-how:** As the scientific and technological knowledge advances, more and more sophisticated techniques steadily raise the productivity levels in all sectors.
- ❖ **Political Freedom:** The process of development is linked with the political freedom. Dadabhai Naoroji explained in his classic work 'Poverty and Un-British Rule in India' that the drain of wealth from India under the British rule was the major cause of the increase in poverty in India.
- ❖ **Social Organization:** People show interest in the development activity only when they feel that the fruits of development will be fairly distributed. Mass participation in development programs is a pre-condition for accelerating the development process.
- ❖ **Corruption free administration:** Corruption is a negative factor in the growth process. Unless the countries root-out corruption in their administrative system, the crony capitalists and traders will continue to exploit national resources.
- ❖ **Desire for development:** If in some country, the level of consciousness is low and the general mass of people has accepted poverty as its fate, then there will be little scope for development.
- ❖ **Moral, ethical and social values:** These determine the efficiency of the market, according to Douglas C. North. If people are not honest, market cannot function.
- ❖ **Casino Capitalism :** If People spend larger proportion of their income and time on entertainment liquor and other illegal activities, productive activities may suffer, according to Thomas Piketty.
- ❖ **Patrimonial Capitalism :** If the assets are simply passed on to children from their parents, the children would not work hard, because the children do not know the value of the assets.

3

24.	<p><b>The meaning of e-waste.</b></p> <ul style="list-style-type: none"> <li>❖ Electronic waste which is commonly referred as “e-waste” is the new byproduct of the Info Tech society.</li> <li>❖ It is a physical waste in the form of old discarded, end of life electronics. It includes a broad and growing range of electronic devices from large household appliances such as refrigerators, air conditioners, cellular phones, computers and other electronic goods".</li> <li>❖ Similarly, e-waste can be defined as the result when consumer, business and household devices are disposed or sent for re-cycling (example, television, computers, audio-equipments, VCR, DVD, telephone, Fax, Xerox machines, wireless devices, video games, other household electronic equipments).</li> </ul>	3
<b>SECTION -III</b>		<b>3X5=15</b>
25.	<p><b>The scope of public finance:</b> <b>Subject Matter / Scope of Public Finance</b></p> <ul style="list-style-type: none"> <li>❖ In Modern times, the subject ‘Public Finance’ includes five major sub-divisions, viz., Public Revenue, Public Expenditure, Public Debt, Financial Administration and Fiscal Policy.</li> <li>❖ <b>Public Revenue</b> Public revenue deals with the methods of raising public revenue such as tax and non-tax, the principles of taxation, rates of taxation, impact, incidence and shifting of taxes and their effects.</li> <li>❖ <b>Public Expenditure</b> This part studies the fundamental principles that govern the Government expenditure, effects of public expenditure and control of public expenditure.</li> <li>❖ <b>Public Debt</b> Public debt deals with the methods of raising loans from internal and external sources. The burden, effects and redemption of public debt fall under this head.</li> </ul>	5



❖ **Financial Administration**

This part deals with the study of the different aspects of public budget. The budget is the Annual master financial plan of the Government. The various objectives and steps in preparing a public budget, passing or sanctioning, allocation evaluation and auditing fall within financial administration.

❖ **Fiscal Policy**

Taxes, subsidies, public debt and public expenditure are the instruments of fiscal policy.

(OR)

**The concepts of externality and its classification**

- ❖ Externality may be defined as “the cost or benefit imposed by the consumption and production activities of the individuals on the rest of the society not directly involved in these activity and towards which no payment is made”.
- ❖ The externalities arise from both production and consumption activities and their impact could be beneficial or adverse. Beneficial externalities are called “positive externalities” and adverse ones are called “negative externalities”.
- ❖ **Positive Consumption Externality** When some residents of a locality hire a private security agency to patrol their area, the other residents of the area also benefit from better security without bearing cost.
- ❖ **Negative Consumption Externality** A person smoking cigarette gets may gives satisfaction to that person, but this act causes hardship (dissatisfaction) to the non-smokers who are driven to passive smoking.
- ❖ **Positive Production Externality** The ideal location for beehives is orchards (first growing fields). While bees make honey, they also help in the pollination of apple blossoms. The benefits accrue to both producers (honey as well as apple).

	<ul style="list-style-type: none"> <li>❖ This is called 'reciprocal untraded interdependency. Suppose training is given for the workers in a company. If those trained workers leave the company to join some other company, the later company gets the benefit of skilled workers without incurring the cost of training.</li> <li>❖ <b>Negative Production Externality</b> The emissions and effluents of a factory cause air and water pollution. Water becomes contaminated and unfit for drinking e.g. Tanneries. The innocent community bears the external cost for which it is not compensated.</li> </ul>	
26.	<p><b>The merits of indirect taxes over direct taxes.</b> <b>Merits of Indirect Taxes</b></p> <ul style="list-style-type: none"> <li>❖ <b>Wider Coverage</b> All the consumers, whether they are rich or poor, have to pay indirect taxes. For this reason, it is said that indirect taxes can cover more people than direct taxes. For example, in India everybody pays indirect tax as against just 2 percent paying income tax.</li> <li>❖ <b>Equitable</b> The indirect tax satisfies the canon of equity when higher tax is imposed on luxuries used by rich people.</li> <li>❖ <b>Economical</b> Cost of collection is less as producers and retailers collect tax and pay to the Government. The traders act as honorary tax collectors.</li> <li>❖ <b>Checks harmful consumption</b> The Government imposes indirect taxes on those commodities which are harmful to health e.g. tobacco, liquor etc. They are known as sin taxes.</li> <li>❖ <b>Convenient</b> Indirect taxes are levied on commodities and services. Whenever consumers make purchase, they pay tax along with the price. They do not feel the pinch of paying tax.</li> </ul>	5

(OR)

**Different types of Planning.**

- ❖ **Democratic Vs Totalitarian:** Democratic planning implies planning within democracy. People are associated at every step in the formulation and implementation of the plan. The plan prepared by the Planning Commission is not accepted as such. It can be accepted, rejected or modified by the Parliament of the country.
- ❖ **Centralized Vs Decentralized:** Under centralized planning, the entire planning process in a country is under a central planning authority. This authority formulates a central plan, fixes objectives, targets and priorities for every sector of the economy.
- ❖ **Planning by Direction Vs Inducement:** Under planning by direction, there is a central authority which plans, directs and orders the execution of the plan in accordance with pre-determined targets and priorities.
- ❖ **Indicative Vs Imperative Planning:** Indicative planning is peculiar to the mixed economies. It has been in practice in France since the Monnet Plan of 1947- 50. In a mixed economy, the private sector and the public sector work together. Under this plan, the outline of plan is prepared by the Government. Then it is discussed with the representatives of private management, trade unions, consumer groups, finance institutions and other experts. The private sector is expected to fulfill the targets and priorities. The state does not force the private sector but just indicate the areas of operation and targets to be fulfilled. In short, the planning procedure is soft and flexible.
- ❖ **Short, Medium and Long term Planning:** Short-term plans are also known as 'controlling plans'. They encompass the period of one year, therefore, they are



also known as 'annual plans'.

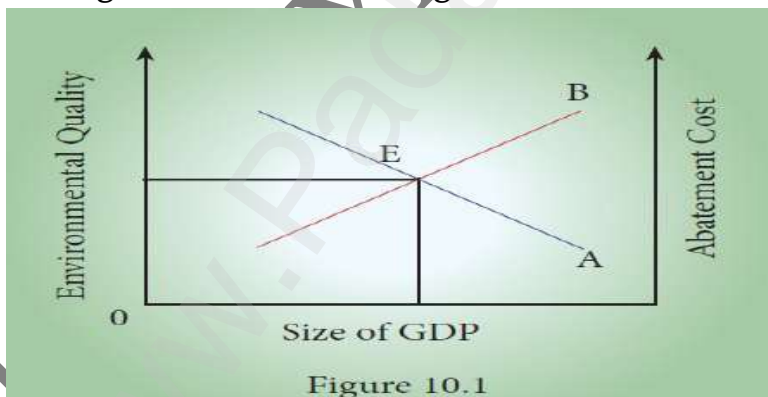
The medium-term plans last for the period of 3 to 7 years. But normally, the medium term plan is made for the period of five years. The medium-term planning is not only related to allocation of financial resources but also physical resources. Long-term plans last for the period of 10 to 30 years. They are also known as 'perspective plans'. The basic philosophy behind long-term planning is to bring structural changes in the economy.

- ❖ **Financial Vs Physical Planning:** Financial planning refers to the technique of planning in which resources are allocated in terms of money while physical planning pertains to the allocation of resources in terms of men, materials and machinery.
- ❖ **Functional Vs Structural Planning:** Functional planning refers to that planning which seeks to remove economic difficulties by directing all the planning activities within the existing economic and social structure.
- ❖ **Comprehensive Vs Partial Planning:** General planning which concerns itself with the major issues for the whole economy is known as comprehensive planning whereas partial planning is to consider only the few
- ❖ important sectors of the economy.

27.

**The relationship between GDP growth and the quality of environment.**

- ❖ GDP is an indicator of a society's standard of living but it is only a rough indicator because it does not directly account for leisure, environment quality, levels of health and education, activities conducted outside the market, changes in inequality of income, increase in variety, increase in technology etc.
- ❖ The relationship between the economy and the environment is generally explained in the form of a "Material Balance Model" developed by Alen Kneese and R.V. Ayres. The model considers the total economic process as a physically balanced flow between inputs and outputs. Inputs are bestowed with physical property of energy which is received from the environment. The interdependence of economics and environment is given in the figure 10.1 and flow diagram



(OR)

**The reasons for the recent growth in public expenditure?**

- ❖ **Causes for the Increase in Government Expenditure**  
The modern state is a welfare state. In a welfare state, the government has to perform several functions viz Social, economic and political. These activities are the cause for increasing public expenditure.
- ❖ **Population Growth**  
During the past 67 years of planning, the population of

5

India has increased from 36.1 crore in 1951, to 121 crore in 2011. The growth in population requires massive investment in health and education, law and order, etc. Young population requires increasing expenditure on education & youth services, whereas the aging population requires transfer payments like old age pension, social security & health facilities.

#### ❖ Defence Expenditure

There has been enormous increase in defence expenditure in India during planning period. The defence expenditure has been increasing tremendously due to modernisation of defence equipment. The defence expenditure of the government was Rs 10,874 crores in 1990-91 which increased significantly to Rs 2,95,511 crores in 2018-19.

#### ❖ Government Subsidies

The Government of India has been providing subsidies on a number of items such as food, fertilizers, interest on priority sector lending, exports, education, etc. Because of the massive amounts of subsidies, the public expenditure has increased manifold.

#### ❖ Debt Servicing

The government has been borrowing heavily both from the internal and external sources, As a result, the government has to make huge amounts of repayment towards debt servicing. The interest payment of the central government has increased from Rs 21,500 crores in 1990-



91 to Rs 5, 75,794crores in 2018-19.

❖ **Development Projects**

The government has been undertaking various development projects such as irrigation, iron and steel, heavy machinery, power, telecommunications, etc. The development projects involve huge investment.

❖ **Urbanisation**

There has been an increase in urbanization. In 1950-51 about 17% of the population was urban based. Now the urban population has increased to about 43%. There are more than 54 cities above one million population.

❖ **Industrialisation**

Setting up of basic and heavy industries involves a huge capital and long gestation period. It is the government which starts such industries in a planned economy. The under developed countries need a strong of infrastructure like transport, communication, power, fuel, etc.

❖ **Increase in grants in aid to state and union territories**

There has been tremendous increase in grant-in-aid to state and union territories to meet natural disasters.

**DEPARTMENT OF ECONOMICS**

**SHRI VIDHYABHARATHI MATRIC HR. SEC. SCHOOL,**

**SAKKARAMPALAYAM, AGARAM (POST), ELACHIPALAYAM**

**THIRUCHENGODU (TK), NAMAKKAL (DT) - 637 202**

**CELL; 9965-31727, 63838-05818**

**SHRI VIDHYABHARATHI MATRIC HR.SEC.SCHOOL - 99655-31727**

**Kindly send me your district question papers to our whatsapp number: 7358965593**