



Standard 12 ECONOMICS

Time: 3.00 Hrs.

Marks: 90

PART - A

I. Choose the correct answer:

20×1=20

- 1) A steady increase in general price level is termed as _____.
a) Wholesale price index b) Business cycle
c) Inflation d) National Income
- 2) The country following Capitalism is _____.
a) Russia b) America c) India d) China
- 3) The Circular Flow Model that represents an open Economy.
a) Two Sector Model b) Three Sector Model
c) Four Sector Model d) All the above
- 4) $GNP = \text{_____} + \text{Net factor income from abroad.}$
a) NNP b) NDP c) GDP d) Personal Income
- 5) _____ is deducted from gross value to get the net value.
a) Income b) Depreciation
c) Expenditure d) Value of final goods
- 6) The basic concept used in Keynes Theory of Employment and Income is _____.
a) Aggregate demand b) Aggregate supply
c) Effective demand d) Marginal propensity consume
- 7) The multiplier is calculated as
a) $1/(1-MPC)$ b) $1/MPS$ c) $1/MPC$ d) a and b
- 8) During depression the level of economic activity becomes extremely
a) high b) bad c) low d) good
- 9) Online Banking is also known as
a) E-Banking b) Internet Banking c) RTGS d) NEFT
- 10) BOP includes
a) visible items only b) invisible items only
c) both visible and invisible items d) merchandise trade only
- 11) The first ministerial meeting of WTO was held at
a) Singapore b) Geneva c) Seattle d) Doha
- 12) The primary purpose of deficit financing is
a) Economic development b) Economic stability
c) Economic equality d) Employment generation
- 13) In the regression equation $Y = \beta_0 + \beta_1 X$, the Y is called
a) Independent variable b) Dependent variable
c) Continuous variable d) None of the above
- 14) Which of the following is responsible for protecting humans from harmful ultraviolet rays?
a) UV-A b) UV-C c) Ozone layer d) None of the above
- 15) Perspective plan is also known as
a) Short-term plan b) Medium-term plan
c) Long-term plan d) None of the above
- 16) In the regression equation $Y = \beta_0 + \beta_1 X$, the X is called
a) Independent variable b) Dependent variable
c) Continuous variable d) None of the above
- 17) The value of national income adjusted for inflation is called
a) Inflation rate b) Disposal income c) GNP d) Real national income
- 18) In Keynes theory, the demand for and supply of money are determined by
a) Rate of interest b) Effective demand
c) Aggregate demand d) Aggregate supply

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2

- 19) If the MPC is 0.5, the multiplier is _____.
 a) 2 b) 1/2 c) 0.2 d) 20
- 20) _____ inflation is in no way dangerous to the economy.
 a) Walking b) Running c) Creeping d) Galloping

PART - B

II. Answer any seven of the following questions.

7×2=14

Q.No. 30 is compulsory.

- 21) What do you mean by capitalism?
 22) Define GDP deflator.
 23) What is effective demand?
 24) What do you mean by propensity to consume?
 25) Distinguish between CRR and SLR.
 26) What is meant by exchange rate?
 27) Mention any two objectives of ASEAN.
 28) What are the kinds of statistics?
 29) Mention the countries where per capita carbon dioxide emission is the highest in the world.
 30) Write a short note on NITI Aayog.

PART - C

III. Answer any seven of the following questions.

7×3=21

Q.No. 40 is compulsory.

- 31) Outline the major merits of capitalism.
 32) Give a short note on expenditure method.
 33) Write short notes on implications of Say's law.
 34) Mention the differences between accelerator and multiplier effect.
 35) Explain demand pull and cost push inflation.
 36) Explain the Net barter terms of trade and Gross barter terms of trade.
 37) Mention any three methods of redemption of public debt.
 38) Brief the linkage between economy and environment.
 39) What are non economic factors determining development?
 40) What are the functions of statistics?

PART - D

IV. Answer all the questions:

7×5=35

- 41) a) Compare the features of capitalism and socialism. **(OR)**
 b) Explain the differences between Classical theory and Keynes theory.
- 42) a) Discuss the various methods of estimating the national income of a country. **(OR)**
 b) What are the differences between MEC and MEI.
- 43) a) Describe the phases of Trade cycle. **(OR)**
 b) Explain the role of Commercial Banks in economic development.
- 44) a) How the Rate of Exchange is determined? Illustrate. **(OR)**
 b) Explain the scope of public finance.
- 45) a) Bring out the functions of World Bank. **(OR)**
 b) Explain the importance of sustainable development and its goals.
- 46) a) Bring out the arguments against planning. **(OR)**
 b) Calculate the Karl Pearson correlation co-efficient for the following data.

Demand for product X	23	27	28	29	30	31	33	35	36	39
Sale for product Y	18	22	23	24	25	26	28	29	30	32

- 47) a) Describe the functions of Reserve Bank of India. **(OR)**
 b) Describe the various types of deficit in budget.



A.U.P.E.T CHINMAYA VIDYALAYA MATRIC. HR. SEC. SCHOOL, PALAYAMKOTTAI
(Meena Sankar Group of Institutions)

III- REVISION ECONOMICS ANSWER KEY

PART - A

Q.NO	OPTION CODE	ANSWER	MARKS
1	C	Inflation	1
2	B	America	1
3	C	Four sector model	1
4	C	GDP	1
5	B	Depreciation	1
6	C	Effective demand	1
7	D	a and b	1
8	C	low	1
9	B	Internet Banking	1
10	C	both visible and invisible items	1
11	A	Singapore	1
12	A	Economic development	1
13	B	Dependent variable	1
14	C	Ozone layer	1
15	C	Long-term plan	1
16	A	Independent variable	1
17	D	Real national income	1
18	A	Rate of interest	1
19	A	2	1
20	C	creeping	1

PART - B(7×2=14)

Q.NO	ANSWER	MARKS															
21	The system where the means of production are privately owned and market determines the economic activities.	2															
22	GDP deflator is an index of price changes of goods and services included in GDP. $\text{GDP deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$	1 1															
23	“Effective demand signifies the money spent on consumption of goods and services and on investment.	2															
24	The proportion of total income or of an increase in income that consumers tend to spend on goods and services rather than to save.	2															
25	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">Cash Reserve Ratio (CRR)</th> <th style="width: 50%;">Statutory Liquidity Ratio (SLR)</th> </tr> </thead> <tbody> <tr> <td>It is the fraction of the deposits the banks must keep with RBI.</td> <td>It is the fraction of the total demand and time deposits of the commercial banks in the form of specified liquid assets.</td> </tr> </tbody> </table>	Cash Reserve Ratio (CRR)	Statutory Liquidity Ratio (SLR)	It is the fraction of the deposits the banks must keep with RBI.	It is the fraction of the total demand and time deposits of the commercial banks in the form of specified liquid assets.	2											
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26	The rate at which one currency is exchanged for another currency.	2															
27	1. To accelerate the economic growth, social progress and cultural development in the region; 2. To promote regional peace and stability and adherence to the principles of the United Nations Charter; 3. To serve as a centre of information and as an ASEAN link with other international organizations. (Any two)	2															
28	Descriptive Statistics Inferential Statistics	2															
29	<table border="1" style="width: 100%;"> <thead> <tr> <th>No</th> <th>Countries</th> <th>2016 per capita carbon dioxide emissions (metric tons)</th> </tr> </thead> <tbody> <tr><td>1</td><td>Saudi Arabia</td><td>16.3</td></tr> <tr><td>2</td><td>Australia</td><td>16.2</td></tr> <tr><td>3</td><td>United States</td><td>15.0</td></tr> <tr><td>4</td><td>Canada</td><td>14.9</td></tr> </tbody> </table>	No	Countries	2016 per capita carbon dioxide emissions (metric tons)	1	Saudi Arabia	16.3	2	Australia	16.2	3	United States	15.0	4	Canada	14.9	2
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30	NITI Aayog (National Institution for Transforming India) was formed on January 1, 2015 through a Union Cabinet resolution. The Prime Minister is the Chairperson of NITI Aayog and Union Ministers will be Ex-officio members. (COMPULSORY)	2
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PART-C (7×3=21)

Q.NO	ANSWER	MARKS								
31	<u>Merits of Capitalism</u> 1. Automatic Working 2. Efficient Use of Resources 3. Incentives for Hard work 4. Economic Progress 5. Consumers Sovereignty 6. Higher Rates of Capital Formation 7. Development of New Technology (Explain any 3 headings)	3								
32	<u>The Expenditure Method</u> 1. It is otherwise called Outlay method 2. Under this method, the total expenditure incurred by the society in a particular year is added together. 3. $GNP = C + I + G + (X-M)$	1 1 1								
33	<u>Implications of Say's law</u> 1. There is no possibility for over production or unemployment. 2. As automatic price mechanism operates in the economy 3. Interest flexibility brings about equality between saving and investment. 4. Money performs only the medium of exchange. (Any 3 points)	3								
34	<table border="1"> <thead> <tr> <th>ACCELERATOR</th> <th>MULTIPLIER</th> </tr> </thead> <tbody> <tr> <td>The accelerator coefficient is the ratio between induced investment and an initial change in consumption</td> <td>The multiplier is defined as the ratio of the change in national income to change in investment.</td> </tr> <tr> <td>Change in consumption expenditure forms the effect</td> <td>Change in Investment forms the effect</td> </tr> <tr> <td>$\beta = \Delta I / \Delta C$</td> <td>$K = \Delta Y / \Delta I$</td> </tr> </tbody> </table>	ACCELERATOR	MULTIPLIER	The accelerator coefficient is the ratio between induced investment and an initial change in consumption	The multiplier is defined as the ratio of the change in national income to change in investment.	Change in consumption expenditure forms the effect	Change in Investment forms the effect	$\beta = \Delta I / \Delta C$	$K = \Delta Y / \Delta I$	3
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35	<u>Demand-Pull Inflation:</u> Demand and supply play a crucial role in deciding the inflation levels in the society at all points of time. For instance, if the demand is high for a product and supply is low, the price of the products increases. <u>Cost-Push Inflation:</u> When the cost of raw materials and other inputs rises inflation results. Increase in wages paid to labour also leads to inflation.	1½ 1½								
36	<u>Net Barter Terms of Trade</u> The ratio between the prices of exports and of imports is called the "net barter terms of trade". $T_n = (P_x / P_m) \times 100$ <u>Gross Barter Terms of Trade</u> It is an index of relationship between total physical quantity of imports and the total physical quantity of exports. $T_g = (Q_m / Q_x) \times 100$	1½ 1½								
37	<u>Methods of Redemption of Public Debt</u> Sinking Fund Conversion Budgetary Surplus Terminal Annuity Repudiation Reduction in Rate of Interest Capital Levy (Explain any 3 headings)	3								

38	The relationship between the economy and the environment is generally explained in the form of a "Material Balance Model" developed by AlenKneese 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	3
39	<u>non-economic factors determining Economic development</u> 1.Human Resource 2.Technical Know-how 3.Political Freedom 4.Social Organization 5.Corruption free administration 6. Moral, ethical and social values	3
40	<u>Functions of Statistics</u> i) Statistics are an aggregate of facts. ii) Statistics are numerically enumerated, estimated and expressed. iii) Statistical collection should be systematic with a predetermined purpose iv) Should be capable of being used as a technique for drawing comparison (or) 1. Statistics presents facts in a definite form. 2. It simplifies mass of figures. 3. It facilitates comparison. 4. It helps in formulating and testing. 5. It helps in prediction. 6. It helps in the formulation of suitable policies. (any three points)	3

PART- D (7×5=35)

Q.NO	ANSWER	MARKS																																			
41	<p>a)</p> <table border="1"> <thead> <tr> <th>Features</th> <th>Capitalism</th> <th>Socialism</th> </tr> </thead> <tbody> <tr> <td>Ownership (Means of Production)</td> <td>Private Ownership</td> <td>Public Ownership</td> </tr> <tr> <td>Economic motive</td> <td>Profit</td> <td>Social Welfare</td> </tr> <tr> <td>Government Role</td> <td>Interanal Regulation only</td> <td>Complete Involvement</td> </tr> <tr> <td>Income Distribution</td> <td>Unequal</td> <td>Equal</td> </tr> <tr> <td>Nature of Enterprise</td> <td>Private Enterprise</td> <td>Government Enterprise</td> </tr> <tr> <td>Major Problem</td> <td>Inequality</td> <td>Inefficiency</td> </tr> </tbody> </table> <p>(OR)</p> <p>b)</p> <table border="1"> <thead> <tr> <th>Keynesianism</th> <th>Classicism</th> </tr> </thead> <tbody> <tr> <td>Short-run equilibrium</td> <td>Long-run equilibrium</td> </tr> <tr> <td>Saving is a vice.</td> <td>Saving is a social virtue</td> </tr> <tr> <td>The function of money is a medium of exchange on the one side and a store of value on the other side.</td> <td>The function of money is to act as a medium of exchange</td> </tr> <tr> <td>Macro approach to national problems</td> <td>Micro foundation to macro problems</td> </tr> <tr> <td>Rate of interest is a flow.</td> <td>Rate of interest is a stock.</td> </tr> <tr> <td>Demand creates its own supply.</td> <td>Supply creates its own demand.</td> </tr> </tbody> </table>	Features	Capitalism	Socialism	Ownership (Means of Production)	Private Ownership	Public Ownership	Economic motive	Profit	Social Welfare	Government Role	Interanal Regulation only	Complete Involvement	Income Distribution	Unequal	Equal	Nature of Enterprise	Private Enterprise	Government Enterprise	Major Problem	Inequality	Inefficiency	Keynesianism	Classicism	Short-run equilibrium	Long-run equilibrium	Saving is a vice.	Saving is a social virtue	The function of money is a medium of exchange on the one side and a store of value on the other side.	The function of money is to act as a medium of exchange	Macro approach to national problems	Micro foundation to macro problems	Rate of interest is a flow.	Rate of interest is a stock.	Demand creates its own supply.	Supply creates its own demand.	5
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43	<p>a) <u>Phases of Trade Cycle</u></p> <p>(i) Boom (ii) Recession (iii) Depression (iv) Recovery.</p> <p style="text-align: right;">} with explanation</p> <p>Diagram</p> <p align="center">(OR)</p> <p><u>Role of Commercial bank</u></p> <p>b) 1. Capital Formation 2. Creation of Credit 3. Channelizing the funds 4. Encouraging Rights Type of Industries 5. Banks Monetize Debt 6. Finance to Government 7. Employment Generation 8. Bank Promote Entrepreneurship</p> <p style="text-align: right;">} any five heading with explanation</p>	<p align="center">4 1 5</p>												
44	<p>a)</p> <p>Definition Diagram Diagram explanation</p> <p align="center">(OR)</p> <p>b) <u>scope of public finance.</u></p> <p>1. Public Revenue: 2. Public Expenditure 3. Public Debt: 4. Financial Administration: 5. Fiscal Policy:</p> <p style="text-align: right;">} with explanation</p>	<p align="center">2 2 1 5</p>												
45	<p>a) <u>Functions of IBRD/ World Bank:</u></p> <p>1. Investment for productive purposes 2. Balanced growth of international trade 3. Provision of loans and guarantees 4. Promotion of foreign private investment 5. Technical services</p> <p style="text-align: right;">} with explanation</p> <p align="center">(OR)</p> <p>b)</p> <p>Definition Importance of Sustainable Development Sustainable Development Goals</p>	<p align="center">5 1 2 2</p>												
46	<p>a) <u>Case against planning:</u></p> <p>Loss of freedom. Elimination of Initiative High cost of Management Difficulty in advance calculations</p> <p style="text-align: right;">} with explanation</p> <p align="center">(OR)</p>	<p align="center">5</p>												

<p>b)</p> <p>Let A = 30 and B = 26 then dx = X- A dy= Y-B</p> <table border="1"> <thead> <tr> <th>X</th> <th>Y</th> <th>d_x</th> <th>d_y</th> <th>d_x²</th> <th>d_y²</th> <th>d_x d_y</th> </tr> </thead> <tbody> <tr><td>23</td><td>18</td><td>-7</td><td>-8</td><td>49</td><td>64</td><td>56</td></tr> <tr><td>27</td><td>22</td><td>-3</td><td>-4</td><td>9</td><td>16</td><td>12</td></tr> <tr><td>28</td><td>23</td><td>-2</td><td>-3</td><td>4</td><td>9</td><td>6</td></tr> <tr><td>29</td><td>24</td><td>-1</td><td>-2</td><td>1</td><td>4</td><td>2</td></tr> <tr><td>30</td><td>25</td><td>0</td><td>-1</td><td>0</td><td>1</td><td>0</td></tr> <tr><td>31</td><td>26</td><td>1</td><td>0</td><td>1</td><td>0</td><td>0</td></tr> <tr><td>33</td><td>28</td><td>3</td><td>2</td><td>9</td><td>4</td><td>6</td></tr> <tr><td>35</td><td>29</td><td>5</td><td>3</td><td>25</td><td>9</td><td>15</td></tr> <tr><td>36</td><td>30</td><td>6</td><td>4</td><td>36</td><td>16</td><td>24</td></tr> <tr><td>39</td><td>32</td><td>9</td><td>6</td><td>81</td><td>36</td><td>54</td></tr> <tr> <td></td> <td></td> <td>11</td> <td>-3</td> <td>275</td> <td>159</td> <td>175</td> </tr> </tbody> </table> <p>Table Formula Steps Answer</p>	X	Y	d _x	d _y	d _x ²	d _y ²	d _x d _y	23	18	-7	-8	49	64	56	27	22	-3	-4	9	16	12	28	23	-2	-3	4	9	6	29	24	-1	-2	1	4	2	30	25	0	-1	0	1	0	31	26	1	0	1	0	0	33	28	3	2	9	4	6	35	29	5	3	25	9	15	36	30	6	4	36	16	24	39	32	9	6	81	36	54			11	-3	275	159	175	$r(x,y) = \frac{N\sum dxdy - \sum dx \sum dy}{\sqrt{N\sum d_x^2 - (\sum dx)^2} \sqrt{N\sum d_y^2 - (\sum dy)^2}}$ $= \frac{10(175) - (11)(-3)}{\sqrt{10(215) - (11)^2} \sqrt{10(159) - (-3)^2}}$ $= \frac{1750 + 33}{\sqrt{2150 - 121} \sqrt{1590 - 9}}$ $= \frac{1783}{\sqrt{(45.044)} \sqrt{(39.761)}}$ $= \frac{1783}{1790.94}$ <p>Ans:r(x,y) = 0.9955</p>	<p>1 1 2 1</p>
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<p>47</p>	<p>a) <u>Functions of Central Bank (Reserve Bank of India)</u></p> <ol style="list-style-type: none"> 1. Monetary Authority 2. The issuer of currency: 3. The issuer of Banking License 4. Banker to the Government 5. Banker's Bank 6. Custodian of foreign exchange reserves. 7. Regulator of Economy, <p>(OR)</p> <p>b) <u>various types of deficit in budget</u></p> <p>Revenue Deficit Revenue Deficit (RD) = Total Revenue Expenditure (RE) - Total Revenue Receipts (RR), Budget Deficit Budget Deficit = Total Expenditure - Total Revenue Fiscal deficit Fiscal deficit (FD) = Budget deficit + Government's market borrowings and liabilities Primary Deficit Primary Deficit (PD) = Fiscal deficit (PD) - Interest Payment (IP)</p> <p>Any five with Explanation</p>	<p>5</p> <p>5</p>																																																																																				

Prepared By:

P.Anandaperumal. M.A., B.Ed.,
Chinmaya vidyalaya
Tirunelveli.

Economics is everywhere, and understanding economics can help you make better decisions and lead a happier life.

“If four things are followed - having a great aim, acquiring knowledge, hard work, and perseverance - then anything can be achieved.”

A. P. J. Abdul Kalam