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ECONOMICS

12

This special guide is prepared on the basis of New Syllabus and Govt. Key.

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லொயோலா பப்ளிகேஷன்

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தயாரிப்பு

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Author's Note

Dear policy makers and the architects.

I thank the almighty to introduce this EC Economics 12th Std guide to the students of Economics who are tomorrow's policy makers and the teachers who are the architects shaping the future of every student with utmost care.

This EC Guide is prepared in such a manner to guide the students to secure full marks in the Exam.

Each and every answer is prepared to guide both the Slow learners and the Toppers.

Enough number of additional questions to test the understanding of the subject from the text book are included.

Try to answer diagrammatic questions and problems during Examination.

Practice the diagrams, Tables, headings, Sub-headings and Problems during leisure.

I pray the divine to bless the students to secure good marks in the Exam and reach great heights in your career.

K. Vidhya
P.G. Assistant



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CHAPTER

I

Introduction to Macro Economics

Part - I - Book Back Questions

PART - A

I. Multiple Choice questions

1. The branches of the subject Economics are PTA-6 May-2022
 a) Wealth and welfare
 b) Production and consumption
 c) Demand and supply
 d) micro and macro
Ans:- d) Micro and Macro
-
2. Who coined the word 'Macro'? QY-2019
 a) Adam Smith
 b) J M Keynes
 c) Ragnar Frisch
 d) Karl Marx
Ans:- c) Ragnar Frisch
-
3. Who is regarded as the Father of Modern Macro Economics? GMQ-19, SEP-20, MAR-20
 a) Adam smith
 b) J M Keynes
 c) Ragnar Frisch
 d) Karl Marx
Ans:- b) J M Keynes
-
4. Identify the other name for Macro Economics. PTA-1 Aug-2022 Mar-2023
 a) Price Theory
 b) Income Theory
 c) Market Theory
 d) Micro Theory
Ans:- b) Income Theory
-
5. Macro economics is a study of _____. PTA -6, MAR-20
 a) individuals
 b) firms
 c) a nation
 d) aggregates
Ans:- d) aggregates
-
6. Indicate the contribution of J M Keynes to economics May-2022
 a) Wealth of Nations
 b) General Theory
 c) Capital
 d) Public Finance
Ans:- b) General Theory
-
7. A steady increase in general price level is termed as _____.
 a) wholesale price index
 b) Business Cycle
 c) Inflation
 d) National Income
Ans:- c) Inflation

8. Identify the necessity of Economic policies.

PTA-5

- a) to solve the basic problems b) to overcome the obstacles
c) to achieve growth d) all the above

Ans:- d) all the above

9. Indicate the fundamental economic activities of an economy.

- a) Production and Distribution b) Production and Exchange
c) Production and Consumption d) Production and Marketing

Ans:- c) Production and Consumption

10. An economy consists of

PTA-4, HY -2019

- a) Consumption sector b) Production sector
c) Government sector d) All the above

Ans:- d) All the above

11. Identify the economic system where only private ownership of production exists.

- a) Capitalistic Economy b) Socialistic Economy
c) Globalistic Economy d) Mixed Economy

Ans:- a) Capitalistic Economy

12. Economic system representing equality in distribution is

- a) Capitalism b) Globalism c) Mixedism d) Socialism

Ans:- d) Socialism

13. Who is referred as 'Father of Capitalism'?

- a) Adam smith b) Karl Marx c) Thackeray d) J M keynes

Ans:- a) Adam smith

14. The country following Capitalism is _____.

PTA -3, AUG -2021 Mar-2023

- a) Russia b) America c) India d) China

Ans:- b) America

15. Identity The Father of Socialism,

PTA -1, HY -2021, AUG -2021

- a) J M Keynes b) Karl Marx c) Adam smith d) Samuelson

Ans:- b) Karl Marx

16. An economic system where the economic activities of a nation are done both by the private and public together is termed as _____.

PTA-6 Aug-2022

- a) Capitalistic Economy b) Socialist Economy
c) Globalist Economy d) Mixed Economy

Ans:- d) Mixed Economy

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17. Quantity of a commodity measured at a point of time is termed as _____.
 a) production b) stock c) variable d) flow
 Ans: b) stock
-
18. Identify the flow variable QY -2019, SEP-2020
 a) money supply b) assets
 c) income d) foreign exchange reserves
 Ans: c) Income
-
19. Identify the sectors of a Two Sector Model. PTA-5
 a) Households and Firms b) Private and Public
 c) Internal and External d) Firms and Government
 Ans: a) Households and Firms
-
20. The Circular Flow Model that represents an open Economy. PTA-2
 a) Two Sector Model b) Three Sector Model
 c) Four Sector Model d) All the above
 Ans: c) Four sector Model

PART - B**II. Answer the following questions in one or two sentences**

21. Define Macro Economics. PTA-4, QY-2019 May 2022
 1) Macros in Greek means `large`. Macro Economics is a study of the economy as a whole
 2) It deals with aggregates such as national income, employment and output.
-
22. Define the term 'Inflation'. GMQ-2019, MAR -2020, QY-2019
 Inflation refers to steady increase in general price level
-
23. What is meant by an `Economy`? PTA -1 & 5, HY-2019
 An Economy is referred to any system or area where economic activities are carried out. (Or)
 "An Economy is a cooperation of producers and workers to make goods and services that satisfy the wants of the consumers" - J.R.Hicks. (Or)
 "A system by which people earn their living" - A.J. Brown
-
24. Classify the economies based on the status of development.
 Developed, underdeveloped, undeveloped and developing economies.
-
25. What do you mean by Capitalism? HY-2019
 Capitalism is an economic system where the role of the government is minimum and market determines the economic activities.

26. Define 'Economic Model'.**PTA-6**

A Model is a simplified representation of real situation. An Economic model is an explanation of how the economy or part of the economy, works.

27. 'Circular Flow of Income' - Define.**PTA -2, 3**

The circular flow of income is a model of an economy showing connections between different sectors of an economy.

PART - C**III. Answers the following questions in about a paragraph.****28. State the importance of Macro Economics.****PTA-5, MAR-2020**

- i) To solve the basic problems prevailing in an economy by understanding the economy as a whole.
- ii) To evolve precautionary measures to avoid economic crises.
- iii) It provides opportunities to use scientific investigation to understand the reality
- iv) To compare and analyse the economic indicators.

29. Describe the different types of economic systems.**QY -2019 May-2022**

1. **Capitalism** : It is an economic system where the role of the government is minimum and market determines the economic activities.
2. **Socialism** : It is a system in which major industries are owned and controlled by the government.
3. **Mixedism** : In a mixed economy both private and public sectors co - exist.

30. Outline the major merits of capitalism.**PTA -6. AUG-2021 Aug-2022**

- 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.

31. Indicate the demerits of socialism.**PTA-1 Mar-2023**

- 1) **Red Tapism and Bureaucracy** : As decisions are taken by government agencies, approval of many officials and movement of files from one table to other takes time and leads to red tapism.
- 2) **Absence of Incentive** : The system does not provide any incentive for efficiency.
- 3) **Limited Freedom of choice** : There is no freedom of choice over the consumption of goods and services.
- 4) **Concentration of power** : Major decisions are taken by the state.

32. Enumerate the features of mixed economy.

PTA -2, SEP-2020

- 1) Ownership of property and means of production : The means of production and production and properties are owned by both private and public. Public and private have the right to purchase, use or transfer their resources.
- 2) Coexistence of public and private sectors : Private industries undertake activities primarily for profit. Public sector firms are owned by the government with a view to maximize social welfare.
- 3) Economic planning: The central planning authority prepares the economic plans. All sectors of the economy function according to the objectives, priorities and targets laid down in the plan.
- 4) Solution to Economic problems : The basic economic problems are solved through the price mechanism as well as state intervention.
- 5) Freedom and control : Private has freedom to own resource, to produce and to distribute, the overall control on the economic activities rests with the government.

33. Distinguish between Capitalism and Globalism.

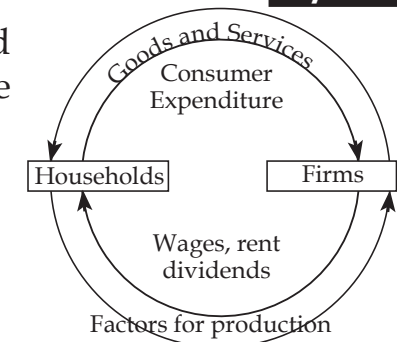
PTA-4

	Capitalism	Globalism
1.	It is a free market economy where the role of the government is minimum.	It is a ideology of globalisation that connects nations together through international trade.
2.	The system is for national development	It aims at global development.
3.	It is also called as free market economy	It is also termed as `Extended capitalism`.

34. Briefly explain the two sector circular flow model.

May 2022

- There are only two sector namely households and firms. Here, Production and sales are equal and there will be a circular flow of income and goods.
- Real flow indicates the factor services flow from household sector to the business sector.
- Monetary flow indicates the good and services flow from business sector to the household.



The basic identity are $Y = C + I$

PART - D

IV. Answer the following questions in one page.

35. Discuss the scope of Macro Economics.

QY-2019, PTA-1

The study of macro economics has wide scope and it covers the following, major areas.

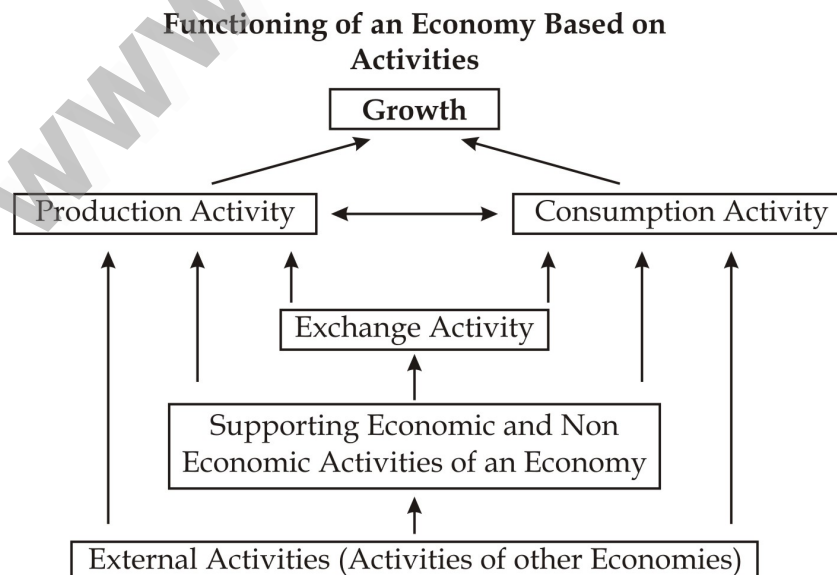
- (i) **National Income** : Measurement of national income and its composition by sectors are the basic aspects of macro economic analysis. It provide a long term understanding of the growth process of an economy.
- (ii) **Inflation** : It refers to steady increase in general price level. To estimate the general price level various price index numbers like wholesale price Index, consumer price Index etc are needed.
- (iii) **Business cycle** : All economies face the problem of business fluctuations and business cycle. It can be carefully studied based on aggregate economic variables.
- iv) **Poverty and unemployment** : The economic paradox of poverty and unemployment in resource - rich nations can be corrected by initiating macro economic measures.
- v) **Economic growth** : The factors determining growth and development of an economy can be understood only through macro analysis.
- vi) **Economic policies** : Macro Economics is significant for evolving suitable economic policies.

36. Illustrate the functioning of an economy based on its activities.

An economy is referred to any system or area where economic activities are carried out.

PTA-2 &5, GMQ-2019 Aug-2022

Functioning of an Economy Based on Activities



- i) In an economy, the fundamental economic activities are production and consumption .
- ii) The 'exchange activity' supports the production and consumption activities. These activities are influenced by several economic and non-economic activities.
- iii) The major economic activities include transportation, banking, advertising, planning, government policy and others.
- iii) The major economic activities are environment, health, education, entertainment, governance, regulations etc.,
- v) The external activities from other economies such as import, international relations, emigration,immigration, foreign investment, foreign exchange earnings etc ., also influence the entire functioning of the economy.

37. Compare the features of capitalism and socialism.

PTA -3, 4 . 6, MAR-20, SEP-20, AUG-21

S.No	Features	Capitalism	Socialism
1.	Ownership of means of production	Private ownership	Public ownership
2.	Economic motive	Profit	Social welfare
3.	Solution of central problems	Free market system	Central planning system
4.	Government Role	Internal regulation only	Complete involvement
5.	Income Distribution	unequal	Equal
6.	Nature of Enterprise	Private Enterprise	Government Enterprise
7.	Economic Freedom	Complete Freedom	Lack of Freedom
8.	Major problem	Inequality	Inefficiency

38. Compare the feature among capitalism, socialism and Mixedism **May-22** **Mar-23**

S.No	Features	Capitalism	Socialism	Mixedism
1.	Ownership of means of production	Private ownership	Public ownership	Private and public ownership
2.	Economic motive	Profit	Social welfare	Social welfare and profit motive
3.	Solution of central problems	Free market system	Central Planning system	Central planning and Free market system

4.	Government Role	Internal regulation only	Complete involvement	Limited Role
5.	Income Distribution	unequal	Equal	Less unequal
6.	Nature of Enterprise	Private Enterprise	Government Enterprise	Both private and state Enterprise
7.	Economic freedom	Complete freedom	Lack of freedom	Limited freedom
8.	Major Problem	Inequality	Inefficiency	Inequality and Inefficiency.

PART II - GMQ, PTA, GOVT EXAM QUESTION & ANSWERS

I. Assertion and Reason :-

- i) J.M. Keynes is the father of modern micro economics. PTA-5
 ii) J.M. Keynes is the father of Modern macro economics
 a) Both i and ii are true b) Both i and ii are false
 c) i is true and ii are false d) i is false but ii is true

Ans : d). i is false but ii is true

II. Short Answer Questions :-

Mention the limitations of Macro Economics. GMQ -2019

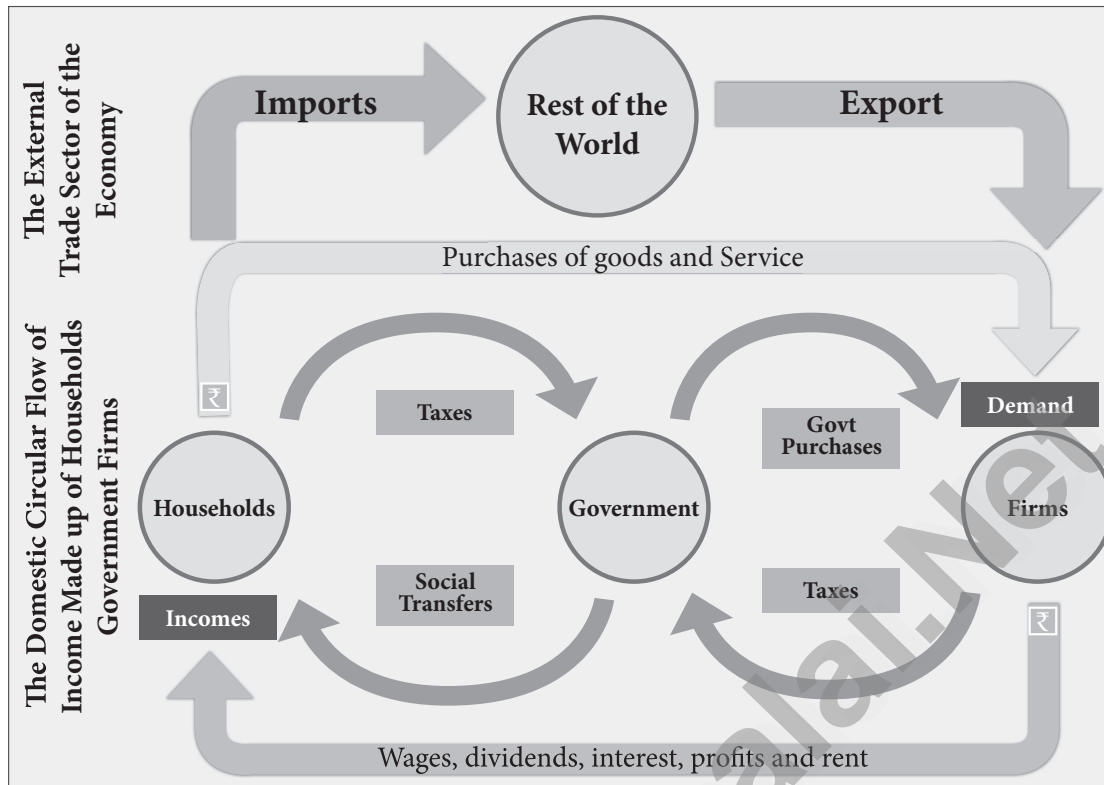
- 1) There is a danger of excessive generalization of the economy as a whole.
- 2) It assumes homogeneity among the individual units.
- 3) There is a fallacy of composition.
- 4) Many non-economic factors determine economic activities but are not considered in Macro Economics.

III. Long Answer :-

1. **Draw and explain that circular flow of income is a four sector economy.**

1. In a four sector economy there are PTA -3, QY-2019
 - i) Households, ii) Firms, iii) Government, iv) External sector
2. In real life only four sector economy exists.
3. The external sector comprises of exports and imports.
4. The expenditure for the entire economy include domestic expenditure (C+I+G) and net exports (X-M) therefore,

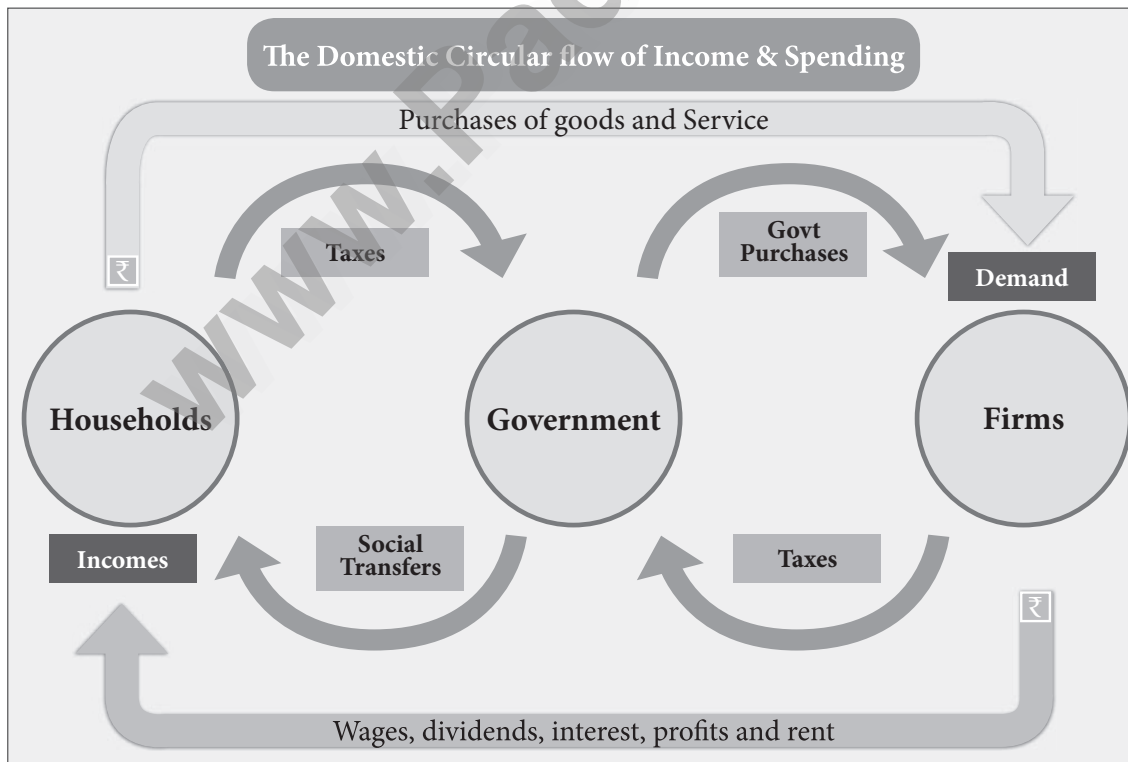
$$y = C + I + G + (X - M)$$



2. Briefly explain the three sector circular flow model

SEP-2020 May-2022

Circular Flow of Income in a Three-Sector Economy:



In addition of household and firms, inclusion of the government sector makes this model a three - sector model. The government levies taxes on households and firms, purchases goods and services from firms, and receive factors of production from household sector. On the other hand, the government also makes social transfers such as pension, relief, subsidies to the households. Similarly, Government pays the firms for the purchases of goods and services. The Flow Chart illustrates three - sector economy model:

Under three sector model, national income (Y) is obtained by adding Consumption expenditure (C), Investment expenditure (I) and Government expenditure (G).

Therefore:

$$Y = C + I + G$$

PART III - ADDITIONAL QUESTIONS

PART - A

I. Match the following :

1. A) Micro - 1) J.M.Keynes
 B) Macro - 2) Micro Economics
 C) National Income - 3) Ragnar Frish
 D) Individual Income - 4) Macro Economics

Ans : A B C D

- a) 1 2 3 4
 b) 3 1 4 2
 c) 4 3 2 1
 d) 1 4 3 2

Ans : b) 3 1 4 2

2. A) Macro Economics - 1) National Accounts
 B) Micro Economics - 2) Depression
 C) Business cycle - 3) Income theory
 D) Circular flow of Income - 4) Price theory

Ans : A B C D

- a) 2 1 3 4
 b) 1 2 4 3
 c) 3 2 4 1
 d) 3 4 2 1

Ans : d) 3 4 2 1

3. A) Capitalism - 1. North Korea
 B) Socialism - 2. United States
 C) Communism - 3. India
 D) Mixedism - 4. China

Ans :

	A	B	C	D
a)	2	4	1	3
b)	1	2	3	4
c)	3	4	2	1
d)	2	3	4	1

Ans : a) 2 4 1 3

II. Multiple Choice questions

1. Inflation refers to

- a) Decrease in price level and increase in money value.
 b) Increase in price level and decrease in money value.
 c) Increase in price level and increase in money value.
 d) None of the above.

Ans : b) Increase in price level and decrease in money value.

2. The term 'Globalism' was coined by _____ .

- a) A.J. Brown
 b) Manfred D Steger
 c) J. R. Hicks
 d) J.M. Keynes

Ans : b) Manfred D Steger

3. _____ is the driving force behind capitalism.

- a) Social welfare b) Equality c) Profit motive d) Private ownership

Ans : c) Profit motive

4. _____ countries are the examples of Mixedism.

- a) India, Russia, England, France b) England, China, Russia, Brazil
 c) India, China, England, France d) India, England, France, Brazil

Ans : d) India, England, France, Brazil

5. Poverty and unemployment can be minimized by

- a) Proper allocation of resource and initiating corrective measures.
 b) Increasing the Role of Government.
 c) Increasing production and Investment.
 d) All the above.

Ans : a) Proper allocation of resource and initiating corrective measures.

6. ___ helps to make meaningful comparison and analysis of economic indicators.

- a) Micro Economics b) Command Economy
 c) Fiscal Economics d) Macro Economics

Ans : d) Macro Economics

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7. There are _____ major types of economic systems.
a) 4 b) 5 c) 3 d) 2 **Ans : c) 3**
8. Circular flow of income representing the major economic systems are of _____ types.
a) 4 b) 3 c) 5 d) 2 **Ans : b) 3**
9. The commonly used economic models are _____
a) The supply - demand models. b) Circular flow models
c) Smith models d) All the above **Ans : d) All the above**
10. In a four - sector economy
a) $Y = C + I + G + (X / M)$ b) $Y = C + I + G + (X - M)$
c) $Y = C + I + G + (X + M)$ d) $Y = C + I + G + (X \times M)$
Ans : b) $Y = C + I + G + (X - M)$

III. Choose the correct pair :

1. a) Father of Macro Economics - Adam Smith
b) Father of Socialism - J.M. Keynes
c) Extended capitalism - Manfred D. Steger
d) Father of capitalism - Karl Marx
Ans : c) Extended capitalism - Manfred D. Steger
- 2) a) Capitalist Economy - Foreign Exchange
b) Socialist Economy - Market Economy
c) Stock variable - Command Economy
d) Flow variable - Consumption
Ans : d) Flow variable - Consumption
- 3) a) Y - Government
b) C - Consumption
c) I - Income
d) G - Investment **Ans : b) C - Consumption**

IV. Choose the Incorrect pair :

- 4) a) Two sector Economy - $Y = C + G$
b) Three sector Economy - $Y = C + I + G$
c) Four sector Economy - $Y = C + I + G + (X-M)$
d) Socialist Economy - Planned Economy
Ans : a) Two sector Economy - $Y = C + G$

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- 5) a) Capitalist Economy - USA, West Germany
 b) Socialist Economy - Australia, Japan
 c) Mixed Economy - France, Brazil
 d) Globalism - International trade

Ans : b) Socialist Economy - Australia, Japan

- 6) a) Red tapism and corruption - Laissez faire Economy
 b) Bureaucratic Expansion - Socialism
 c) Profit motive - Capitalism
 d) Customs and tradition - Traditional Economy

Ans : a) Red tapism and corruption - Laissez faire Economy**V. Choose the correct statement**

- 1.) a) J.M.Keynes was awarded first Nobel prize in Economics.
 b) Ragnar Frisch wrote the General Theory of Employment, Interest and Money
 c) Micro Economics studies the economy as a whole.
 d) Macro Economics covers National income, inflation, business cycles, poverty and Inequality.

Ans : d) Macro Economics covers National income, inflation, business cycles, poverty and Inequality.

- 2) a) "An Economy is a cooperation of producers and workers to make goods and services that satisfy the wants of the consumers" - A.J. Brown.
 b) "A system by which people earn their living" - J.R. Hicks
 c) Inflation refers to steady increase in general price level.
 d) The means of production in a capitalistic economy are owned by Government.

Ans : c) Inflation refers to steady increase in general price level.**VI. Choose the incorrect statement**

- 1) a) Socialism aims at equality on the distribution of income and wealth for all.
 b) In a capitalist economy resources are owned by individuals and the government.
 c) Stock refers to a quantity of a commodity measured at a point of time.
 d) Flow variables are measured over a period of time.

Ans : b) In a capitalist economy resources are owned by individuals and the government.

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- 2) a) The circular flow of income is a model of a economy showing connections between different economies of the world.
 b) Two sector model is for a simple economy with households and firms.
 c) Three sector model is for a mixed and closed economy.
 d) Four sector model is for an open economy.

Ans : a) The circular flow of income is a model of a economy showing connections between different economies of the world.

VII. Choose the Odd One Out

- 1) **Four - Sector Economy comprises of**
 a) Households b) Firms c) Government d. Internal sector
Ans : d) Internal sector
-
- 2) a) Traditional Economy b) Socialism
 c) Globalism d) capitalism **Ans : c) Globalism**
-
- 3) a) Boom b) Extension
 c) Recession d) Depression **Ans : b) Extension**

VIII. Analyse the Reason

- 1) **Assertion (A) :** Profit is the driving force behind all economic activities in capitalism.
Reason (R) : The golden rule for a producer under capitalism is to maximise profit.
 a) Both (A) and (R) are true and R is the correct explanation of (A).
 b) Both (A) and (R) are true but R is not the correct explanation of (A).
 c) A is true but R is false
 d) A is false but R is true.

Ans : a) Both (A) and (R) are true and R is the correct explanation of (A).

- 2) **Assertion(A) :** In a socialistic economy all the resources are owned and operated by the Government.
Reason (R) : Public welfare is the main motive behind all economic activities.
 a) Both A and R are true but R is not the correct explanation of A.
 b) Both A and R are true, R is the correct explanation of A.
 c) (A) is true (R) is false.
 d) (A) is false (R) is true.

Ans : b) Both A and R are true, R is the correct explanation of A.

X. 3 Mark Questions

1) What are the demerits of Capitalism?

- 1) Capitalism increases inequalities of income.
 - 2) Large amount of resources are wasted on competitive advertising and duplication of products.
 - 3) Capitalism leads to class struggle as it divides the society into capitalists and workers.
 - 4) Free market system leads to frequent violent economic fluctuations and crises.
 - 5) Even the harmful goods are produced if there is possibility to make profit.
-

2) State the merits of Socialism?

- 1) There is a reduction in Inequalities and exploitation.
 - 2) The central planning authority allocates the resources in a planned manner. So wastages are minimized.
 - 3) As inequalities are minimum there is no conflict between rich and poor class.
 - 4) Planning authority takes control over production and distribution. Therefore economic fluctuations can be avoided.
 - 5) It promotes social welfare. There is absence of exploitation, reduction in economic inequalities.
-

3) Explain the features of mixed Economy.

- 1) The means of production and properties are owned by both private and public.
 - 2) In mixed economies, both private and public sectors coexist. Private industries work for profit whereas public sector had a view to maximize social welfare.
 - 3) The central planning authority prepares the economic plans. National plans are drawn up by the Government and both public and private abide.
 - 4) The basic problems of the economy are solved through the price mechanism as well as state intervention.
 - 5) The overall control on the economic activities rests with the government.
-

4. What is circular flow of income?

- 1) The circular flow of income is a model of an economy showing connections between different sectors of an economy.
- 2) It shows flows of income, goods and services and factors of production between economic agents such as firms, households, government and nations.
- 3) The circular flow analysis is the basis of national accounts and macroeconomics.

 XI. 5 Mark Questions

1) Explain the merits and demerits of capitalism.

Merits of capitalism :

- 1) **Automatic working** : Without any government intervention, the economy works automatically.
- 2) **Efficient use of Resources** : All resources are put into optimum use.
- 3) **Incentives for Hard work** : Hard work is encouraged and entrepreneurs get more profit for more efficiency.
- 4) **Consumer Sovereignty** : All production activities are aimed at satisfying the consumers.
- 5) **Development of New Technology** : As profit is aimed at, producers invest on New technology and produce quality goods.
- 6) **Economic progress** : Production and productivity levels are very high in capitalistic economies.
- 7) **Higher rates of capital Formation** : Increase in saving and Investment leads to higher rates of capital formation.

Demerits of capitalism :

- 1) **Concentration of wealth and Income** : Capitalism causes concentration of wealth and income in a few hands and thereby increases inequalities of income.
- 2) **Wastages of Resources** : Large amount of resources are wasted on competitive advertising and duplication of products.
- 3) **class struggle** : Capitalism leads to class struggle as it divides the society into capitalists and workers.
- 4) **Business cycle** : Free market system leads to frequent violent economic fluctuations and crises.
- 5) **Production of non essential goods** : Even the harmful goods are produced if there is possibility to make profit.

2) Explain the merits and demerits of Mixed economy.

Merits of Mixed Economy:

- 1) **Rapid Economic Growth**: It promotes rapid economic growth. Thus, both public requirements and private needs are taken care of.
- 2) **Balanced Economic Growth**: It promotes balanced growth between agriculture and industry, consumer goods and capital goods, rural and urban etc.

- 3) **Proper utilization of Resources:** The government can ensure proper utilization of resources. The government controls most of the important activities directly and the private sector indirectly.
- 4) **Economic Equality:** The government uses progressive rates of taxation for levying income tax to bring about economic equality.
- 5) **Special Advantages to the society:** The government safeguards the interest of the weaker sections by legislating on minimum wages and rationing, establishing fair price shops and formulating social welfare measures.

Demerits of Mixed Economy:

- 1) **Lack of coordination:** As private and public sector work with divergent motives, it creates many coordination related problem.
- 2) **Competitive Attitude:** It is expected that both government and private should work with a complementary spirit towards the welfare of the society, but in reality they are competitive in their activities.
- 3) **Inefficiency:** Most of the public sector enterprises remain inefficient due to lethargic bureaucracy red tapism and lack of motivation.
- 4) **Fear of Nationalization:** In a mixed economy, the fear of nationalization discourages the private entrepreneurs in their business operations and innovative initiatives.
- 5) **Widening Inequality:** Ownership of resources, laws of inheritance and profit motive of people widens the gap between rich and poor.



PARENT TEACHER ASSOCIATION

ECONOMICS

MODEL QUESTION PAPER - I

Time Allowed : 15 min + 3 Hrs

Maximum Marks : 90

PART - I

Note: (i) Answer all the questions. 20×1=20

(ii) Choose the most suitable answer from the given four alternative and write the option code with the corresponding answer

1. Identify the other name for Macro Economics
 - a) Price theory
 - b) Income theory
 - c) Market theory
 - d) Micro theory
2. Who is the father of socialism?
 - a) Adam Smith
 - b) J.M. Keynes
 - c) Karl Marx
 - d) Marshall
3. Tertiary sector is also called as _____ sector
 - a) Service
 - b) Income
 - c) industrial
 - d) Production
4. 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+Rf
5. According to Keynes, which type Of unemployment prevails in a capitalist economy?
 - a) Fully employment
 - b) Voluntary unemployment
 - c) Involuntary unemployment
 - d) Under employment
6. Lower interest rate are likely to
 - a) Decrease in consumption
 - b) Increase cost of borrowing
 - c) Encourage saving
 - d) Increase borrowing and spending
7. State whether the following statements are true or false
 - i) APC - ratio of the consumption expenditure to income
 - ii) APS - ratio of their savings to income
 - a) both (i) and (ii) are true
 - b) both (i) and (ii) are false
 - c) (i) is true but (ii) is false
 - d) (i) is false but (ii) Is true
8. During inflation who are the gainers?
 - a) Debtors
 - b) Creditors
 - c) Wage and salary earners
 - d) Government
9. During depression the land of economic activity becomes extremely
 - a) Maximum high
 - b) Very bad
 - c) Very low
 - d) Very good
10. Expansion of ATM
 - a) Analytic Teller Machine
 - b) Adjustment Teller Machine
 - c) Automatic Teller machine
 - d) Any Time Money
11. BOP includes
 - a) Visible items only
 - b) Invisible services only
 - c) a and b
 - d) Merchandise trade only
12. BENELUX is a form of
 - a) Free trade area
 - b) Economic Union
 - c) Common market
 - d) Customs Union
13. The WTO was established in 1995 as a successor to the _____
 - a) BRICS
 - b) GATT
 - c) ASEAN
 - d) SAARC
14. GST is equivalence of _____
 - a) Sales Tax
 - b) Corporation Tax
 - c) Income Tax
 - d) Local Tax

15. Consider of the following statement and identify the right one
 i) The finance communication is constituted by the president
 ii) The tenure of finance commission is five years.
 a) (i) only b) (ii) only
 c) both d) None
16. The word biotic means environment
 a) Living b) non-living
 c) physical d) none of the above
17. For the given assertion and reason choose the correct answer
Assertion (A) : polluted water is harmful for agriculture
Reason (R) : It self affect the crops and the soil fertility
 a) Both A and R are correct
 b) Both A and R are not correct
 c) Both A and R are true R is the correct explanation of A
 d) A is correct by R is not suitable explanation of A
18. The chairperson of by NITI Aayog is
 a) Prime Minister
 b) President
 c) Vice president
 d) Finance Minister
19. Economic growth measures the
 a) Growth up productivity
 b) Increase in normal income
 c) Increase in output
 d) None of the above
20. Source of secondary data are _____
 a) Primary data
 b) Secondary data
 c) Published data
 d) Grouped data
25. Define commercial Banks **Chap -6**
 26. State any two merits of international trade? **Chap -7**
 27. Point out any two ways in which IBRD lends to member countries. **Chap -8**
 28. Specify the meaning of seed ball. **Chap -10**
 29. Define correlation. **Chap -12**
 30. Differentiate internal and external Public debt? **Chap -9**

PART - III

Answer any 7 questions. Question no 40 is compulsory. 7×3=21

31. Indicate the demerits of socialism **Chap -1**
 32. Write any five differences between classism and Keynesianism **Chap -3**
 33. Differentiate autonomous and induced investment **Chap -4**
 34. State Cambridge equations of value of money **Chap -5**
 35. Describe the subject matter of international economics. **Chap -7**
 36. What are trade blocks? **Chap -8**
 37. Mention any three method of redemption of public debt **Chap -9**
 38. What are the causes of water pollution? **Chap -10**
 39. Find the standard deviation of the following data. 14, 22, 9, 15, 20, 17, 12, 11 **Chap -12**
 40. Distinguish between economic growth and economic development. **Chap -11**

PART - IV

Answer all the questions 7×5=35

41. a) Discuss the scope of microeconomics **Chap -1**
 (or)
 b) Explain the various method of estimating the national income of a country **Chap -2**
 42. a) Elucidate the primary and secondary functions of commercial banks **Chap -6**
 (or)
 b) Explain Keynes psychological law of consumption function with diagram. **Chap -4**

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43. a) Describe any five types of unemployment (or) **Chap -3**
 b) Bring out the objectives and methodology of Econometrics. **Chap -12**
44. a) Explain the function of money (or) **Chap -5**
 b) Elucidate the objectives of IMF. **Chap -8**
45. a) Discuss Adam Smith Theory of Absolute cost advantage (or) **Chap -7**
 b) Explain the scope of public finance **Chap -9**
46. a) analysis the function of NITI analogue (or) **Chap -11**
 b) Explain the qualitative credit control **Chap -6**
47. a) Explain the concepts of externality and its classification (or) **Chap -10**
 b) Bring out the arguments against planning. **Chap -11**

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MODEL QUESTION PAPER - II**PART - I****20×1=20**

1. Macro economics is a study of
 a) Individual b) Firms
 c) a nation d) aggregates
2. 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
3. The largest proportion of national Income comes from
 a) Private sector
 b) Local sector
 c) Public sector
 d) None of the above
4. ED = _____
 a) $Y = C + I = \text{output} = \text{Employment}$
 b) $Y = C + I + S = \text{output}$
 c) $Y = I + S = \text{output} = \text{employment}$
 d) $Y. C + I = \text{employment}$
5. The MPC is equal to
 a) Total spending / total consumption
 b) Total consumption / total income
 c) Change in consumption / change in income
 d) None of the above
6. The multiplier tells us how much output changes after a shift in _____
 a) Income b) Output
 c) Investment d) Aggregate demand
7. The basic difference between M1 and M2 is _____
 a) Post office department
 b) Time deposit of banks
 c) Saving deposits of banks
 d) Currency
8. 'V' in $MV = PT$ equation stands for
 a) Volume of trade
 b) Velocity of circulation of money
 c) Volume of transaction
 d) Volume of bank and credit money
9. Credit creation means
 a) Multiplication of loans and advances
 b) Revenue
 c) Expenditure
 d) Debt
10. Bank rate means.
 a) Re-discounting first class securities
 b) Interest rate
 c) Exchange rate
 d) Growth rate
11. Favourable trade means value of export are _____ than that of imports
 a) More b) less
 c) more of less d) not more than
12. _____ relates to parent, copyrights, trade secrets etc.
 a) TRIPS b) TRIMS
 c) GATTs d) NAMA
13. The tax possesses the following characteristics
 a) Compulsory
 b) no quid pro quo
 c) Failure to pay is an offence
 d) All the above
14. Which of the following in not correctly matched
- | | | |
|-----------------------------|---|--|
| a) Balanced Budget | - | Revenue equal to expenditure |
| b) <u>Unbalanced Budget</u> | - | <u>Revenue and expenditure are equal</u> |
| c) Surplus Budget | - | Revenue exceed expenditure |
| d) Deficit Budget | - | Expenditure exceeds revenue |

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15. Global warming also refers to
a) Ecological change
b) climate change
c) atmosphere change
d) none of the above
16. Environmental goods are
a) Market goods
b) non - market goods
c) both a and b
d) none of the above
17. Pick the odd one out
The economic factors to determine economic development are
a) Capital formation
b) Size of market
c) Human resources
d) Natural resources
18. Planning commission in India was set up in the year
a) 1950 b) 1951
c) 1947 b) 1948
19. The value of coefficient of correlation 'r' lies between
a) 0 and 1 b) -1 and 0
c) -1 and +1 d) -0.5 and +0.5
20. Econometrics is the integration of
a) Economics and statistics
b) Economics and mathematics
c) Economics mathematics and statistics
d) None of the above

PART - II

Answer any 7 questions. Question no. 30 is compulsory. $7 \times 2 = 14$

21. Define circular flow of income **Chap -1**
22. Write the relationship between GNP and NNP **Chap -2**
23. List out assumptions of "say's Law" **Chap -3**
24. What are the technical attributes of conception function? **Chap -4**
25. Define money **Chap -5**
26. What is rationing of credit? **Chap -6**
27. What is meant by exchange rate? **Chap -7**
28. Distinguish between economic growth and economic development. **Chap -11**
29. Define public finance **Chap -9**
30. What is Buffer Stock Facility? **Chap -8**

PART - III

Answer any 7 questions. Question no 40 is compulsory. $7 \times 3 = 21$

31. Enumerate the features of mixed economy **Chap -1**
32. List out a few statistical problems in calculating national income **Chap -2**
33. State the prepositions of Keynes' psychological law of consumption **Chap -4**
34. What are the determinants of money supply? **Chap -5**
35. Give a brief note on NBF1 **Chap -6**
36. State the objectives of Foreign Direct Investment. **Chap -7**
37. What are objectives of economictrics **Chap -12**
38. Brief the linkage between economy and environment **Chap -10**
39. How would you break the vicious circle of poverty. **Chap -11**
40. Write a note on sinking fund. **Chap -9**

PART - IV

Answer all the questions $7 \times 5 = 35$

41. a) Illustrate the functioning of an economy based on its activities **Chap -1**
(or)
b) Narrate the equilibrium between ADF and ASF with diagram. **Chap -3**
42. a) Explain any five difficulties involved in the measurement of national income **Chap -2**
(or)
b) Briefly explain the subjective factors of consumption function **Chap -4**
43. a) Explain 'Effective Demand' in detail **Chap -3**
(or)
b) Describe the achievements of SAARC **Chap -8**
44. a) Illustrate Fishers Quantity Theory of Money. (or) **Chap -5**
b) Find the regression equation You X and X on Y for the following data
Y: 45 48 50 55 65 70 75 72 80 85
X: 25 30 35 30 40 50 45 55 60 65 **Chap -12**
45. a) Explain any five objectives of monetary policy. **Chap -6**
(or)
b) Bring out the importance of sustainable development and its goals. **Chap -10**
46. a) Elucidate the functions of World Bank. (or) **Chap -8**
b) Describe the various types of deficit in budget **Chap -9**

47. a) Describe any five types of planning.
(or) **Chap -11**

b) Explain the gains from international trade. **Chap -7**

MODEL QUESTION PAPER - III

PART - I 20×1=20

- The country following capitalism is
a) Russia b) America
c) India d) China
- Net National product at factor cost is also known as
a) National income
b) Domestic income
c) Per capita income
d) Salary
- Per capita income is obtained by dividing the National income by
a) production
b) Population of a country
c) Expenditure
d) GNP
- Structural unemployment is a feature in a
a) Static society
b) Socialist society
c) Dynamic society
d) Mixed economy
- J.B say is a
a) Neo classical economist
b) Classical economist
c) Modern economist
d) New economist
- Match the following and choose the correct answer by using code given below

A	APC	(i) $\Delta S / \Delta Y$
B	MPC	(ii) S / Y
C	APS	(iii) C / Y
D	MPS	(iv) $\Delta C / \Delta Y$

Codes:

- A-(iii) B-(ii) C-(iv) D-(i)
- A-(ii) B-(iii) C-(ii) D-(i)
- A-(iii) B-(iv) C-(ii) D-(iv)
- A-(ii) B-(iii) C-(iv) D-(i)

- _____ a serious depreciation of the value of money in the result of
a) Creeping Inflation
b) Walking Inflation
c) Running Inflation
d) Hyper Inflation
- Decrease in the rate of inflation is ____
a) Disinflation b) Deflation
c) Stagflation d) Depression
- Central Bank is ____ authority of any Country.
a) Monetary b) Fiscal
c) Wage d) National income
- NABARD was set up in
a) July 1962 b) July 1972
c) July 1982 d) July 1992
- Trade between two countries is known as ____ trade
a) External b) Internal
c) Inter-regional d) Home
- Large _____ are driving out foreign inverters
a) Public debt b) private debt
c) Public revenue d) private revenue
- Which of the following is not correctly method
a) IMF Washington D C
b) WTO Geneva
c) SAARC Singapore
d) BRICS Shanghai
- The organisation which provides long term loan is
a) World Bank
b) International monetary fund
c) World trade organisation.
d) BRICS
- One of the following is NOT a feature of private finance
a) Balancing of income and expenditure
b) Secrecy
c) Saving a part of income
d) Publicity

16. Revenue expenditure is more than that of revenue receipts is called
a) Revenue deficit
b) Fiscal deficit
b) Budget deficit
d) Primary deficit
17. The major contributor of carbon monoxide is
a) Automobile
b) Industrial process
c) Stationary fuel combustion
d) None of the above
18. The country which adopts indicative planning is _____.
a) France b) Germany
c) Italy d) Russia
19. The basic philosophy behind long term planning is to bring _____ changes in the economy.
a) Financial b) Agricultural
c) Industrial d) Structural
20. The raw materials of Economics are
a) Data b) Goods
c) Statistics d) Mathematics

PART - II

Answer any 7 questions. Question no. 30 is compulsory.

7×2=14

21. Draw the diagram for circular flow of income in a two sector economy **Chap -1**
22. Define accelerator **Chap -4**
23. What is the main feature of rural unemployment. **Chap -3**
24. Who issues (i) currency notes? (ii) coins? **Chap -6**
25. Mention the function of agricultural credit department of Central Bank **Chap -6**
26. Define common market **Chap -8**
27. What is meant by ecosystem **Chap -10**
28. Define economic development **Chap -11**
29. What are the kinds of statistics? **Chap -12**
30. List out the official reserve assets of a Country. **Chap -7**

PART - III

Answer any 7 questions. Question no 40 is compulsory.

7×3=21

31. Give a short notes on expenditure method **Chap -2**
32. State the concept of super multiplier **Chap -4**

33. What do you mean by aggregate demand? mention its component. **Chap -3**
34. Explain Demand-pull and Cost-push inflation **Chap -5**
35. Distinguish cheap money policy dear money policy **Chap -6**
36. Write a brief note on flexible exchange rate **Chap -7**
37. What are their functions of statistics? **Chap -12**
38. State any three characteristics of taxation **Chap -9**
39. Write a note on (i) functional planning (ii) Structural planning **Chap -11**
40. Give a brief account on TRIMS **Chap -8**

PART - IV

Answer all the questions 7×5=35

41. a) Compare the features of capitalism and socialism (or) **Chap -1**
b) Discuss the importance of social accounting in economic analysis **Chap -2**
42. a) Draw and explain that circular flow of income in a four sector economy (or) **Chap -1**
b) Explain the effects and remedial measures to control water pollution **Chap -10**
43. a) Explain the difference between classical theory and Keynes theory. (or) **Chap -3**
b) Explain the operation of the accelerator. **Chap -4**
44. a) Explain the causes of inflation. (or) **Chap -5**
b) Elucidate the role of commercial banks in economic development of a country (any five points) **Chap -6**
45. a) Analyse briefly the comparative cost Theory (or) **Chap -7**
b) Discuss the role of WTO in India's socio-economic development **Chap -8**
46. a) State and explain the instruments of fiscal policy. (or) **Chap -9**
b) Write a note on
(i) Climate change
(ii) Acid rain
(iii) Organic farming
(iv) Global warming **Chap -10**
47. a) Bring out the arrangement against planning (or) **Chap -11**
b) Elucidate the nature and scope of statistics. **Chap -12**

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4. Sustainable Development Goals and Targets are to be achieved by:
a) 2030 b) 2020
 c) 2050 d) 2025
5. The other name for "Macro Economics" is:
 a) Market Theory b) Price Theory
 c) Micro Theory **d) Income Theory**
6. Finance Commission determines:
a) The resources transfer to the States
 b) The resources transfer to the various departments
 c) The finances of Government of India
 d) None of the above
7. Which of the following is not an example of Foreign Direct Investment?
a) the purchase of bonds or stock issued by a textile company overseas.
 b) the construction of a new auto assembly plant overseas.
 c) the creation of a wholly owned business firm overseas.
 d) the acquisition of an existing steel mill overseas.
8. Environmental goods are
 a) Market goods **b) Non - market goods**
 c) Both (a) and (b) d) None of the above
9. The core of the Classical theory of employment is _____
a) Law of Markets
 b) Law of Diminishing Return
 c) Law of Consumption
 d) Law of Demand
10. In 2016, Demonetization of currency includes denominations of
 a) Rs. 1000 and Rs. 2000
 b) Rs. 200 and Rs. 500
c) Rs. 500 and Rs. 1000
 d) All the above
11. The country following Capitalism is _____
 a) India b) Russia
 c) China **d) America**
12. Expansion of NITI Aayog:
 a) National Institute for 'Tomorrow's India'
 b) National Institute for 'Transport in India'
c) National Institution for 'Transforming India'
 d) National Institute for Trade in India
13. BENELUX is a form of :
 a) Common Market b) Free trade area
c) Customs Union d) Economic Union
14. MV Stands for:
 a) Supply of Bank money
 b) Demand for money
 c) Total Supply of money
d) Supply of Legal Tender money
15. According to Classical theory, rate of interest is a reward for _____
 a) Capital b) Investment
c) Saving d) Demand
16. The basic philosophy behind long-term planning is to bring _____ changes in the economy.
 a) Industrial b) Financial
c) Structural d) Agricultural
17. PQLI is the indicator of _____
 a) Economic progress
 b) Economic growth
 c) Economic development
d) Economic welfare
18. The Agricultural Refinance Development Corporation started functioning from:
 a) June 1, 1963 b) June 3, 1963
c) July 1, 1963 d) July 3, 1963
19. IBRD is otherwise called as:
 a) ASEAN
 b) International Monetary Fund
 c) International Finance Corporation
d) World Bank
20. The study of alternating fluctuations in business activity is referred to in Economics as:
 a) Recovery b) Boom
c) Trade cycle d) Recession

PART - II

- Answer any seven questions. Question No. 30 is Compulsory. 7 x 2 = 14**
21. Define 'Economic Model'. **Chapter-1**
22. Define GDP deflator. **Chapter-2**
23. List out any four assumptions of Say's Law. **Chapter-3**
24. Define 'Multiplier'. **Chapter-4**
25. Define Money. **Chapter-5**
26. Distinguish between CRR and SLR. **Chapter-6**
27. What do you mean by Balance of Payment? **Chapter-7**

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28. When and where was SAARC Secretariat established? **Chapter-8**
29. What are the social indicators of economic development? **Chapter-11**
30. Write down the differences between Descriptive Statistics and Inferential Statistics. **Chapter-12**

PART - III

Answer any seven questions. Question No. 40 is Compulsory.

7x3=21

31. Indicate the demerits of Socialism. **Chapter-1**
32. Explain in brief - NNP at factor cost. **Chapter-2**
33. What do you mean by aggregate demand? Mention its components. **Chapter-3**
34. Differentiate between Autonomous and Induced investment. **Chapter-4**
35. Explain Demand Pull and Cost push inflation. **Chapter-5**
36. What are the functions of NABARD? **Chapter-6**
37. Describe the subject matter of International Economics. **Chapter-7**
38. Write the agenda of BRICS Summit, 2018. **Chapter-8**
39. What are the functions of Statistics? **Chapter-12**
40. List out any three taxes, that are levied and collected by the Union but assigned to the States, according to Article 269. **Chapter-9**

PART - IV

Answer all the questions.

7 x 5 = 35

41. a) Compare the features among Capitalism, Secularism and Mixedism. **Chapter-1**
- (OR)
- b) Discuss the various methods of estimating the National Income of a Country. **Chapter-2**

42. a) Describe the types of unemployment. **(OR) Chapter-3**
- b) What are the differences between Marginal Efficiency of Capital and Marginal Efficiency of Investment? **Chapter-4**
43. a) Explain Keynes' Psychological law of Consumption function with diagram. **(OR) Chapter-4**
- b) Explain the differences between Classical theory and Keynes' theory. **Chapter-3**
44. a) Explain the functions of Money. **Chapter-5**
- (OR)
- b) Discuss the differences between Internal Trade and International Trade. **Chapter-7**
45. a) Describe the different types of Planning. **(OR) Chapter-11**
- b) What are the objectives of Monetary Policy? Explain. **Chapter-6**
46. a) What do you mean by GST? Explain its advantages. **Chapter-9**
- (OR)
- b) State the causes of Land Pollution and mention the remedial measures to control Land Pollution. **Chapter-10**
47. a) Calculate the Karl Pearson correlation co-efficient for the following data. **Chapter-12**

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

(OR)

- b) Explain the scope of Public Finance. **Chapter-9**

