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Class: XII-D

Subject: Economics

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Part - A.

### Multiple Choice Questions

- 1) Singular and Plural — (c)
- 2) Francis Galton — (a)
- 3) 1950 — (a)
- 4) People's Plan — (b)
- 5) Income Theory — (b)
- 6) July 1 1963 — (d)
- 7) GNP — (d)
- 8) Zero — (a)
- 9) 1 — (a)
- 10) Debtors — (a)
- 11) 1911 — (c)
- 12) July 1982 — (d)
- 13) More — (a)
- 14) Atomic energy — (b)
- 15) 3 — (b)
- 16) Japan — (b)
- 17) All of these — (d)

- 18) Sales tax — (a)
- 19) Non-living — (b)
- 20) Non-market goods — (b)

Answer any seven questions (Question No. 30 is compulsory)

22) NITI Aayog:

National Institution for Transforming India (NITI) Aayog was established on January 1, 2015 by union cabinet resolution. NITI Aayog is a policy think tank of Government of India. It replaced planning commission on 13<sup>th</sup> August 2014.

23) Global warming:

Global warming is defined as an increase in the average temperature of earth's surface (land as well as water) and its atmosphere. It is also known as Greenhouse effect.

24) Zero Based Budget:

Government of India presented zero Based Budget during the FY 1986-87 (ZBB first). It involves fresh evaluation of expenditure in the Government budget, assuming it as a new item. ~~The~~ The review has been made for justification (or) for the project as a whole in the light of socio-economic objectives which are already laid-down for the project and with a view of priorities of the societies.

25) Special Drawing Rights (SDR's):

IMF created special drawing rights on 1969, to solve the problem of international liquidity. SDR's are created to supplement the international reserves. The member

Countries can purchase SDR based on its quotas. SDR's are also called as "Papergold".

1 SDR = 0.888671 grams of fine gold.

27) Central banks:

Central bank, a monetary authority which manages the state's money supply, interest rate. It usually oversees the functioning of commercial banking system of that country.

28) Inflation.

"A state of abnormal decrease in the quantity of purchasing power"

- Gregory.

"Too much of money chasing, too few goods"

- Loulbourn.

30) Effective demand:

⇒ Effective demand is the starting point of Keynes's theory of employment and income.

⇒ Effective demand signifies the willingness of people to spend money on the consumption of goods and services of the industry.

⇒  $ED = \text{output} = Y = C + I$

Part - III.

Answer any seven questions (Question no. 40 is compulsory)

31) Aggregate demand:

⇒ Aggregate demand refers to the total market value of final goods and services that various sectors of the economy are willing to purchase/demand in a given period of time.

⇒ Aggregate demand means aggregate expenditure.  
ie). Planned expenditure.

⇒  $AD = C + I + G + (X - M)$ . (C = Desired/Planned consumption expenditure.

I = Desired/Planned Private Investment expenditure.

G = Desired/Planned Government expenditure.

(X - M) = Net exports. (Export - Import).

32) Determinants of money supply:

⇒ Currency Deposit Ratio:

It refers to the ratio of money held by public in cash to that held in the bank account.

⇒ Reserve Deposit Ratio: (RRR).

It consist of two things a) vault cash in bank and a) cash Reserve with RBI.

⇒ Cash Reserve Ratio:

It refers to the minimum percentage of total deposits that the banks must keep with the central bank. It is the fraction of total deposits to be kept by commercial banks with RBI.

⇒ Statutory Liquidity Ratio:

It refers to the minimum percentage of 'hot demand and time deposits to be kept by the commercial banks with themselves in specified form of assets.

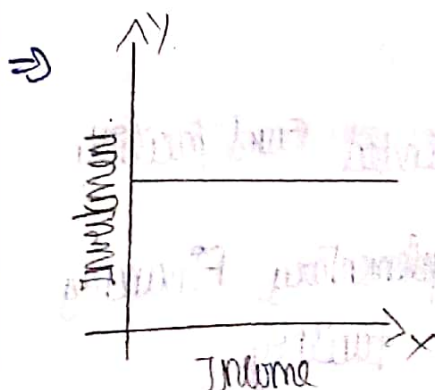
32)

Autonomous Investment

⇒ Autonomous investment refers to the investment which is independent of change in national income, rate of interest and rate of profit.

⇒ Autonomous investment is undertaken for welfare consideration / motive

⇒ It is income inelastic

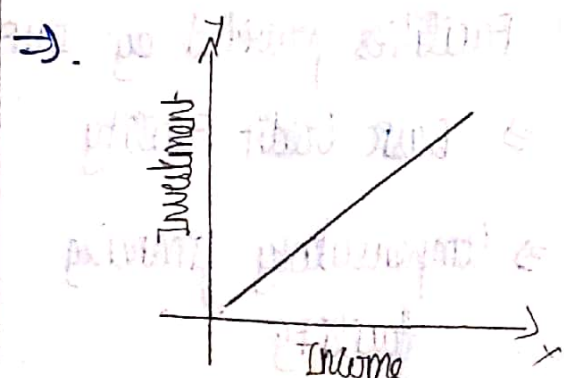


Induced Investment

⇒ Induced investment refers to the investment on fixed assets which is required when there is change in income. So, it is dependent on income.

⇒ Induced investment is profit motive.

⇒ It is income elastic.



### 34) Functions of NABARD:

- ⇒ NABARD has ~~the~~ the responsibility to inspect, Regional Rural Banks, co-operative banks other than primary co-operative societies.
- ⇒ It maintains a Research and Development fund to promote research in agriculture and redevelopment of rural economy/ areas.
- ⇒ It provides long-term loans (upto 20 years) to State Government to enable them to subscribe the share capital of co-operative credit societies.
- ⇒ NABARD provides short, medium and long term credit to RRB, LDB, co-operative banks and any other institutions approved by RBI.
- ⇒ NABARD provides long-term credit to any institutions approved by the central Government, invest in the securities of the institution or contribute to the share Capital.

### 36) Facilities provided by IMF

- ⇒ Basic credit facility
- ⇒ Extended Fund facility
- ⇒ Compensatory financing facility
- ⇒ Supplementary financing facility.

⇒ Buffer stock facility

⇒ Structural adjustment facility.

**Basic credit facility:** The IMF provides basic credit facilities to the member nations to solve the temporary problem of balance of payment deficit. The member country can borrow other currencies, SDR's in exchange for its own currency. The loan is repaid when it purchases its own currency with other currency/SDR's. A member country can borrow unconditionally up to 25% of its quota in a year. This unconditional borrowing right is called reserve tranche.

**Extended fund facility:**

The member country can borrow from the fund up to 140% of its quota over the basic credit facility. The duration of this facility is 3 years and the rate of interest is low.

**Compensatory Financing Facility:**

In 1963, the compensatory financing facility was introduced by IMF to provide financial assistance to member countries, especially primary producing countries, facing short fall in export earnings. This facility extended the coverage to the payment problem caused due to price fluctuations in cereal inputs.

35)

Point of difference	Balance of Trade	Balance of payment
Meaning	Balance of Trade refers to the difference between exports and imports, during a year.	Balance of payment refers to the accounting statement which provides systematic record of economic and financial transactions between residents of the country and rest of the world in a given period of time.
Components	Balance of Trade includes only visible items.	Balance of payment includes <del>both</del> visible, non-visible (services) and unilateral transfers.
Capital transactions	Balance of Trade doesn't record capital transactions.	Balance of payment records capital transactions.

40)

Solution:

X	$x = X - 15(\bar{x})$	$x^2$
14	-1	1
22	-7	49
9	-6	36
15	0	0
20	5	25
17	2	4
12	-3	9
11	-4	16 = 140.

$$\begin{aligned} \sigma &= \sqrt{\frac{\sum x^2}{n}} \\ &= \sqrt{\frac{140}{8}} \\ &= \sqrt{17.5} = 4.1833001327 \\ &\approx 4.1833 \end{aligned}$$



Part-IV.

Answer all the questions.

41) Types of planning:

- ⇒ Democratic vs Totalitarian ⇒ Centralized vs Decentralized
- ⇒ Planning by direction vs Inducement ⇒ Indicative vs Imperative planning.
- ⇒ Short, medium and long-term planning ⇒ Financial vs physical planning
- ⇒ Functional vs structural planning ⇒ Comprehensive vs partial planning.

Democratic vs Totalitarian:

Democratic planning refers to the planning with democracy. The people are associated at every stage of formulation and implementation of the plan. A democratic plan is characterized by widest <sup>possible</sup> consultations with various state governments and private enterprises. ~~the~~ The plan formulated by ~~central government~~ planning authority need not be accepted as such. It can be rejected or accepted or altered by central government.

Under Totalitarian planning, there is central planning authority and direction of all ~~planning~~ <sup>economic</sup> activities in accordance with single plan. In authoritarian planning there is ~~state~~ planning authority which prepares the plan, fixes the objectives, targets and priorities of the society.

⇒ ~~Small~~ short, medium and long-term planning:

The short term plans are formulated for a period of one year. So, it is called annual plans and also called controlling plans. The medium term plans are formulated for a period of 3-5 years. Under medium-term plans, resources are ~~not~~ allocated not only in financial resources, but also <sup>in</sup> physical terms.

The long term plans cover a period of 30 years which is to bring structural changes in the economy.

⇒ Financial vs physical planning: Financial planning refers to the planning, where the resources are allocated in financial terms which physical planning refers to the allocation of resources in ~~the~~ terms of Man, Machinery and Materials.

⇒ Functional vs. structural planning: Functional planning is that planning which removes economic difficulties while structural planning changes the socio-economic framework of the country. Structural planning is undertaken in Under developed countries.

⇒ Comprehensive vs ~~the~~ partial planning: General planning which concerns itself with major problems in an economy is known as comprehensive planning while partial planning concentrates only on few sectors of the economy.

42).

Features	Capitalism	Socialism	Mixedism.
Ownership of means of production	Private ownership	Public ownership.	Private and Public ownership.
Economic Motive	Profit motive	Social welfare motive	Social welfare and profit motive.
Economic freedom	Complete freedom	Lack of freedom	Limited freedom.
Major problems	Inequality	Inefficiency	Inequality and inefficiency.
Government Role	International Regulation only	Complete involvement	Limited role.
Income distribution	Unequal	Equal	Less Unequal
Nature of enterprises	Private enterprises	<del>Government</del> State enterprises	Private and Government enterprises
Solution to central problems	Free planning system	Central planning authority	Central planning authority and free planning system.

43) Types of unemployment:

- Cyclical unemployment
- Frictional unemployment
- Disguised unemployment
- Structural unemployment
- Seasonal unemployment
- Educated unemployment
- ~~Technical~~ <sup>Technical</sup> unemployment

Cyclical unemployment:

Cyclical unemployment is caused due to the downturn phase of Trade cycle. During the period of recession and depression, many peoples are unemployed and the demand for products is less. ~~Cyclical unemployment can be caused~~

Seasonal unemployment:

Seasonal unemployment is caused only during some seasons in a year. In agro based industries like sugarcane, the production takes place only during certain seasons in a year. The people may remain unemployed during off-seasons. Thus, these industries provide employment only during that season.

Frictional unemployment:

It refers to a temporary unemployment which exist during a period wherein the workers leave one job and join other job. The reasons for frictional unemployment are lack of

Market information about availability of job, lack of perfect mobility on the part of workers, introduction to machinery etc.

Technical unemployment:

Technical unemployment was lead by modern machineries, which are capital intensive, requires only less labourers. Invention and innovation leads to adoption of new techniques by which existing labours are retrained.

Educated unemployment:

Sometimes, the educated workers remain unemployed because their qualification doesn't match the job. Faulty education system, mass students turnout and preference for white-collar job are the definite reasons for educated unemployment.

47)

X	Y	$dx = X - A$ (30)	$dy = Y - A$ (25)	$dx dy$	$dx^2$	$dy^2$
23	18	-7	-7	49	49	49
27	22	-3	-3	9	9	9
28	23	-2	-2	4	4	4
29	24	-1	-1	1	1	1
30	25	0	0	0	0	0
31	26	1	1	1	1	1
33	28	3	3	9	9	9
35	29	5	4	20	25	16
36	30	6	5	30	36	25
39	32	9	7	63	81	49
		<u>11</u>	<u>7</u>	<u>186</u>	<u>215</u>	<u>163</u>

$$\Rightarrow \frac{N \epsilon dx dy - (\epsilon dx)(\epsilon dy)}{\sqrt{N \epsilon dx^2 - (\epsilon dx)^2} \times \sqrt{N \epsilon dy^2 - (\epsilon dy)^2}}$$

$$\Rightarrow \frac{10 \times 186 - (11)(7)}{\sqrt{10 \times 215 - (121)} \times \sqrt{10 \times 163 - (49)}}$$

$$\Rightarrow \frac{1860 - 77}{\sqrt{2150 - 121} \times \sqrt{1630 - 49}} \Rightarrow \frac{1783}{\sqrt{2029} \times \sqrt{1583}}$$

$$\Rightarrow \frac{1783}{\sqrt{3207849}} \Rightarrow \frac{1783}{1791.0469005584}$$

$$= 0.9955071525 \approx \boxed{0.9960}$$

46).

Objectives of IMF.

- ⇒ To promote international monetary co-operation among member nations.
- ⇒ To facilitate faster and balanced growth of international trade.
- ⇒ To ensure exchange stability by curbing competitive exchange depreciation.
- ⇒ To ensure flow of capital from developed to developing nations.
- ⇒ To solve the problem of international liquidity.

⇒ To remove the exchange control imposed by member nations.

45]. Balance of Payment (BOP):

Balance of Payment refers to the accounting statement which provides a systematic record of economic transactions between residents of the country and rest of the world in a given period of time.

Components of Balance of Payment account.

⇒ The Capital account: Capital account records the transactions between residents of the country and rest of the world, which causes a change in assets or liabilities of the residents or ~~rest of the world~~ the government.

⇒ The Current account: Current account records the transactions of export and import of goods and services, unilateral transfers from and to abroad.

⇒ The Official Reserve Asset Account:

The official transactions refers to the movement of international reserves ~~to~~ by the government/ official agencies in order to accommodate the deficit in balance of payment of a country.

44) Functions of Reserve Bank of India.

⇒ Monetary Authority ⇒ The issuer of currency

⇒ The issuer of banking license ⇒ Banker to Government.

⇒ Banker's Bank ⇒ The lender of last resort

⇒ Acts as clearing house ⇒ The custodian of Foreign Exchange

⇒ Regulator of Economy ⇒ Managing government securities.