

**12<sup>th</sup>**  
**STD**

**PUBLIC EXAM - MAY 2022**

**PART - III ECONOMICS**

TIME ALLOWED : 3.00 HOURS]

(with Answers)

[MAXIMUM MARKS : 90

**Instructions :**

- (1) Check the question paper for fairness of printing. If there is any lack of fairness, inform the Hall Supervisor immediately.
- 2) Use **Blue** or **Black** ink to write and underline and pencil to draw diagrams.

**PART - I**

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

(ii) Choose the most appropriate answer from the given **four** alternatives and write the option code and the corresponding answer.

1. Planning Commission was set up in the year:
  - (a) 1947
  - (b) 1950
  - (c) 1948
  - (d) 1951
2. Favourable trade means value of exports are \_\_\_\_\_ than that of Imports.
  - (a) more or less equal
  - (b) more
  - (c) equal
  - (d) less
3. Mild Inflation is also known as \_\_\_\_\_.
  - (a) Creeping Inflation
  - (b) Walking Inflation
  - (c) Galloping Inflation
  - (d) Running Inflation
4. The RBI Headquarters is located at :
  - (a) Mumbai
  - (b) Delhi
  - (c) Bengaluru
  - (d) Chennai
5. Indicate the contribution of J.M. Keynes to Economics:
  - (a) Capital
  - (b) Wealth of Nations
  - (c) Public Finance
  - (d) General Theory
6. The Average Propensity to consume is measured by:
  - (a) Y / C
  - (b) C / Y
  - (c) C + Y
  - (d) C × Y
7. Sources of Secondary data are \_\_\_\_\_.
  - (a) Published sources
  - (b) Unpublished sources
  - (c) Neither published nor unpublished sources
  - (d) Both (a) and (b)

8. J.B. Say is a \_\_\_\_\_.
  - (a) Modern Economist
  - (b) Neo Classical Economist
  - (c) New Economist
  - (d) Classical Economist
9. Acid rain is one of the consequences of \_\_\_\_\_.
  - (a) Land pollution
  - (b) Air pollution
  - (c) Noise pollution
  - (d) Water pollution
10. The term MEC was introduced by:
  - (a) Ricardo
  - (b) Adam Smith
  - (c) Malthus
  - (d) J.M. Keynes
11. A Commercial Bank is an Institution that provides services :
  - (a) Accepting deposits
  - (b) Providing loans
  - (c) Both (a) and (b)
  - (d) None of the above
12. GDP deflator \_\_\_\_\_.
  - (a)  $\frac{\text{Nominal NDP}}{\text{Real NDP}} \times 100$
  - (b)  $\frac{\text{Nominal GNP}}{\text{Real GNP}} \times 100$
  - (c)  $\frac{\text{Nominal NNP}}{\text{Real NNP}} \times 100$
  - (d)  $\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$
13. Per capita Income is obtained by dividing the National Income by:
  - (a) Expenditure
  - (b) Production
  - (c) GNP
  - (d) Population of a country
14. Say's law of Market assumes :
  - (a) Short-run analysis
  - (b) Full employment
  - (c) Imperfect competition
  - (d) Under employment

15. Trade between two countries is known as \_\_\_\_\_.  
 (a) Internal trade (b) Home trade  
 (c) External trade (d) None of the above
16. New Development Bank is associated with :  
 (a) SAARC (b) BRICS  
 (c) ASEAN (d) WTO
17. The branches of the subject Economics is :  
 (a) Demand and Supply  
 (b) Wealth and Welfare  
 (c) Micro and Macro  
 (d) Production and Consumption
18. Who will act as the banker to the Government of India?  
 (a) ICICI (b) SBI  
 (c) RBI (d) NABARD
19. The Modern State is :  
 (a) Welfare state (b) Laissez-faire state  
 (c) Police state (d) Aristocratic state
20. The Chairperson of NITI Aayog is \_\_\_\_\_.  
 (a) Vice-president (b) Prime Minister  
 (c) Finance Minister (d) President
33. Explain the following in short:  
 (a) Seasonal unemployment  
 (b) Frictional unemployment  
 (c) Educated unemployment
34. What are the functions of statistics?
35. What are the determinants of money supply?
36. Specify the functions of IFCL.
37. What are the functions of Modern State?
38. Write a note on :  
 (a) Climate change  
 (b) Acid rain
39. Elucidate major cause of vicious circle of poverty with diagram.
40. Mention the kinds of Multiplier. Give any two uses of multiplier.

**PART - IV**

**Note :** Answer **all** the questions.  $7 \times 5 = 35$

**PART - II**

**Note :** Answer **any 7** questions. Question No. 30 is **Compulsory.**  $7 \times 2 = 14$

21. Define Macro Economics.
22. Write the formula for calculating GNP.
23. What is the main feature of rural unemployment?
24. What do you mean by propensity to consume?
25. Define Commercial Bank.
26. What do you mean by FOREX?
27. What is public revenue?
28. Define Global Warming.
29. What is statistics?
30. What are the types of Local bodies?

**PART - III**

**Note :** Answer **any 7** questions. Question No. 40 is **Compulsory.**  $7 \times 3 = 21$

31. Describe the different types of economic systems.
32. Write a short note on per capita income.

41. (a) Explain the two sector circular flow model with diagram.

(OR)

- (b) Describe the phases of trade cycle.

42. (a) Explain the operation of the Accelerator.

(OR)

- (b) Describe different types of planning.

43. (a) Explain the role of Commercial Banks in economic development.

(OR)

- (b) Find the Standard Deviation of the following data:

14, 22, 9, 15, 20, 17, 12, 11

44. (a) Explain the relationship between Foreign Direct Investment and economic development.

(OR)

- (b) Write a note on:

(i) SAARC

(ii) BRICS

45. (a) Describe Canons of Taxation.  
(OR)  
(b) What are causes of Water Pollution?

46. (a) Explain the 3 sector circular flow model with diagram.  
(OR)  
(b) Compare the feature among Capitalism, Socialism and Mizedism.

47. (a) Describe the functions of Reserve Bank of India.  
(OR)  
(b) Explain primary and secondary functions of Money.



## ANSWER

### PART - I

1. (b) 1950
2. (b) more
3. (a) Creeping Inflation
4. (a) Mumbai
5. (d) General Theory
6. (b) C / Y
7. (d) Both (a) and (b)
8. (d) Classical Economist
9. (b) Air pollution
10. (d) J.M. Keynes
11. (c) Both (a) and (b)
12. (d)  $\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$
13. (d) Population of a country
14. (b) Full employment
15. (c) External trade
16. (b) BRICS
17. (c) Micro and Macro

18. (c) RBI
19. (a) Welfare state
20. (b) Prime Minister

### PART - II

21. (i) The word 'Macro' is derived from the Greek word 'Makros' meaning 'large' - Hence, Macro Economics is the study of the economy as a whole.  
(ii) In other words macro economics deals with aggregates such as national income, employment and output. Macro Economics is also known as "Income theory".
22. GNP at market prices = GDP at market prices + Net factor income from Abroad.  

$$\text{GNP} = \text{C} + \text{I} + \text{G} + ((\text{X}-\text{M}) + (\text{R} - \text{P}))$$

C - Consumption Expenditure  
I - Investment Expenditure  
G - Government Expenditure  
X-M - Difference between value exports and imports of goods.  
R-P - Net factor income from abroad
23. India's rural economy has both unemployment and underemployment. The major feature of rural unemployment is the existence of unemployment in the form of disguised unemployment and seasonal unemployment.
24. (i) Propensity to consume refers to income consumption relationship.  
(ii) When income increases consumption also increases.
25. Commercial bank refers to a bank, or a division of a large bank, which more specifically deals with deposit and loan services provided to corporations or large/middle-sized business - as opposed to individual members of the public/small business.
26. FOREX refers to foreign currencies. The mechanism through which payments are effected between two countries having different currency systems is called FOREX system. It covers methods of payment, rules and regulations of payment and the institutions facilitating such payments.

27. 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.
28. Global warming is the current increase in temperature of the earth's surface (both land and water) as well as its atmosphere.
29. (i) Statistics as a science of estimates and probabilities.  
(ii) Statistics may be defined as the collection, organisations, presentation, analysis and interpretation of numerical data.
30. (i) Village Panchayats.  
(ii) District Boards or Zila Parishads  
(iii) Municipalities  
(iv) Municipal Corporations.

### PART - III

31. There are three major types of economic systems. They are,
- (i) **Capitalistic Economy (Capitalism) :**  
Capitalistic economy is also termed as a free economy or market economy where the role of the government is minimum and market determines the economic activities.
- (ii) **Socialistic Economy (Socialism) :**  
Socialism refers to a system of total planning, public ownership and state control on economic activities.
- (iii) **Mixed Economy (Mixedism) :**  
In a mixed economy system both private and public sectors co-exist and work together towards economic development.
32. (i) The average income of a person of a country in a particular year is called Per Capita Income.  
(ii) Per capita income is obtained by dividing national income by population.

$$\text{Per Capita Income} = \frac{\text{National income}}{\text{Population}}$$

33. (a) **Seasonal unemployment :**
- (1) This type of unemployment occurs during certain seasons of the year.
  - (2) In agriculture and agro based industries like sugar, production activities are carried out only in some seasons.
  - (3) These industries offer employment only during the season in a year.
- (b) **Frictional unemployment (Temporary unemployment) :**
- (1) Frictional unemployment arises due to imbalance between supply of labour and demand for labour.
  - (2) The persons who lose jobs and in search of jobs are also included under frictional unemployment.

(c) **Educated unemployment :**

- (1) Sometimes educated people are under employment or unemployed when qualification does not match the job.
- (2) Faulty education system, Lack of employable skills, mass student turnout and preference for white collar jobs are highly responsible for educated unemployment in India.

34. (i) Statistics presents facts in a definite form.

(ii) It simplifies mass of figures.

(iii) It facilitates comparison.

(iv) It helps in formulating and testing.

(v) It helps in prediction.

(vi) It helps in the formulation of suitable policies.

35. (i) **Current Deposit Ratio (CDR) :**

It is the ratio of money held by the public in currency to that they hold in bank deposits.

(ii) **Reserve Deposit Ratio (RDR) :**

Reserve money consists of two things (a) vault cash in banks and (b) deposits of commercial banks with RBI.

(iii) **Cash Reserve Ratio (CRR) :**

It is the fraction of the deposits the banks must keep with RBI.

(iv) **Statutory Liquidity Ratio (SLR) :**

It is the fraction of the total demand and time deposits of the commercial banks in the form of specified liquid assets.

36. **Functions of IFCI :**

(i) Long term loans, both in rupees and foreign currencies.

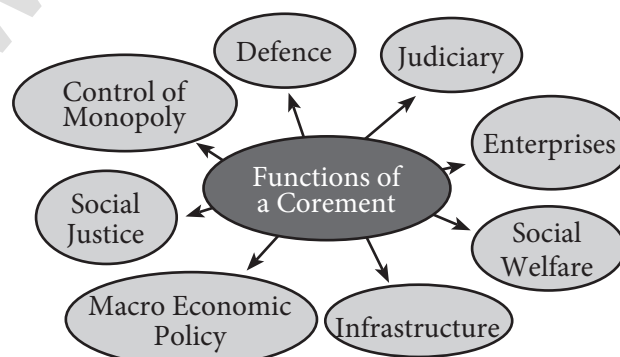
(ii) Underwriting of equity, preference and debenture issues.

(iii) Subscribing to equity, preference and debenture issues.

(iv) Guaranteeing the deferred payments in respect of machinery imported from abroad or purchased in India.

(v) Guaranteeing of loans raised in foreign currency from foreign financial institutions.

37.



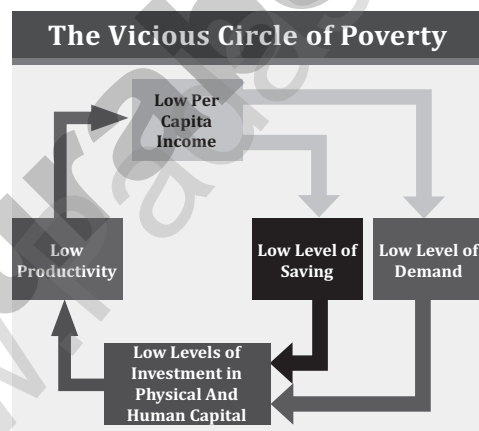
38. (a) **Climate Change :**

- (1) The climate change refers to seasonal changes over a long period with respect to the growing accumulation of greenhouse gases in the atmosphere.
- (2) Several parts of the world have already experienced the warming of coastal waters, high temperatures, a marked change in rainfall patterns, and an increased intensity and frequency of storms. Sea levels and temperatures are expected to be rising.

(b) **Acid Rain :**

- (1) Acid rain is one of the consequences of air pollution.
- (2) It occurs when emissions from factories, cars or heating boilers contact with the water in the atmosphere.
- (3) This process also occurs by nature through volcanic eruptions.
- (4) It can have harmful effects on plants, aquatic animals and infrastructure.

39. (i) There are circular relationships known as the 'Vicious Circles of Poverty' that tend to perpetuate the low level of development in Less Developed Countries (LDCs).
- (ii) Nurkse explains the idea in these words : "It implies a circular constellation of forces tending to act and react on upon one another in such a way as to keep a poor country in a state of poverty.
- (iii) For example, A poor man may not have enough to eat, being underfed etc.

**The Vicious Circle of Poverty.**40. **Kinds of Multiplier :**

- (i) Tax Multiplier
- (ii) Employment Multiplier
- (iii) Foreign Trade Multiplier
- (iv) Investment Multiplier

**Uses of Multiplier :**

- (i) Multiplier highlights the importance of investment in income and employment theory.
- (ii) The process throws light on the different stages of trade cycle.

**PART - IV****41. (a) Circular flow of Income in a Two-Sector economy :**

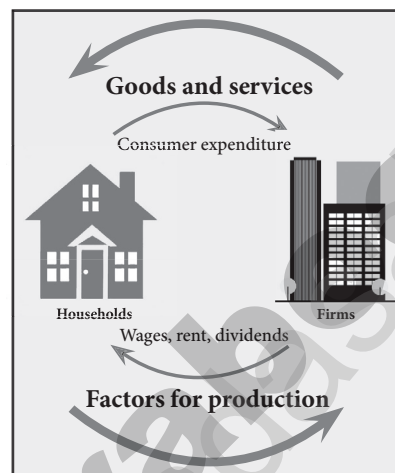
There are only two sectors namely household sector and firm sector.

**(i) Household Sector :**

The household sector is the sole buyer of goods and services, and the sole supplier of factors of production, i.e., land, labour, capital and organisation. It spends its entire income on the purchase of goods and services produced by the business sector.

**(ii) Firms:**

The firm sector generates its revenue by selling goods and services to the household sector. It hires the factors of production, i.e., land, labour, capital and organisation, owned by the household sector.



- (i) In a two-sector economy, production and sales are equal and there will be a circular flow of income and goods.
- (ii) Real flow indicates the factor services flow from household sector to the business sector and goods and services flow from business sector to the household.
- (iii) The basic identities of the two sector economy are as under  $Y = C + I$

**Where :**

Y is Income, C is Consumption, I is Investment.

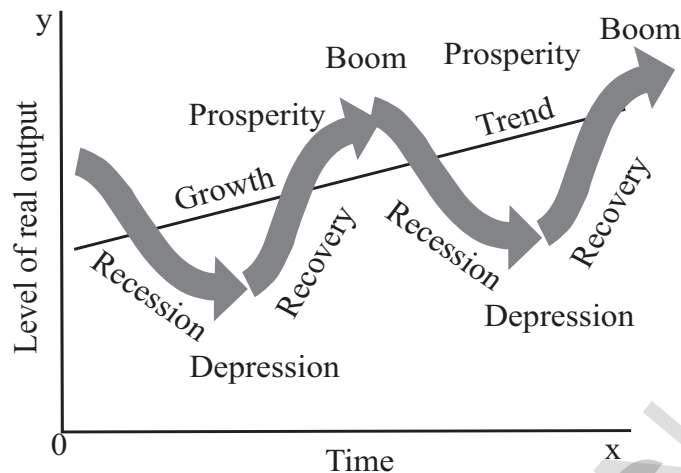
(OR)

**(b) Measuring of Trade Cycle :**

A Trade cycle refers to oscillations in aggregate economic activity particularly in employment, output, income, etc.

**Phases of Trade Cycle :**

The four different phases of trade cycle is referred to as (1) Boom (2) Recession (3) Depression and (4) Recovery.

**(1) Boom (or) Prosperity Phase :**

- (i) The full employment and the movement of the economy beyond full employment is characterized as boom period.
- (ii) During this period, there is hectic activity in economy.
- (iii) Money wages rise, profits increase and interest rates go up.

**(2) Recession :**

- (i) The turning point from boom condition is called recession.
- (ii) This happens at higher rate, than what was earlier.
- (iii) The failure of a company or bank bursts the boom and brings a phase of recession.

**(3) Depression :**

- (i) During depression the level of economic activities becomes extremely low.
- (ii) Firms incur losses and closure of business becomes a common feature and the ultimate result is unemployment.
- (iii) Interest prices, profits and wages are low.

**(4) Recovery :**

- (i) After a period of depression, recovery sets in.
- (ii) It begins with the revival of demand for capital goods.
- (iii) The demand slowly picks up and in due course the activity is directed towards the upswing with more production, profit, income, wages and employment.
- (iv) Recovery may be initiated by innovation (or) investment (or) by government expenditure.

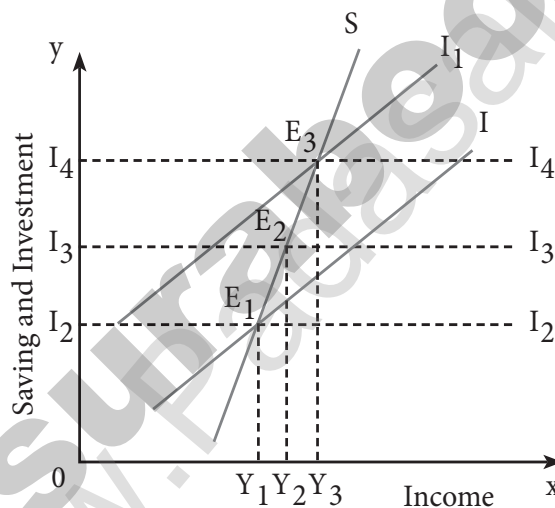


## 42.(a) Operation of the Accelerator Principle :

- (i) Let us consider a simple example. The operation of the accelerator may be illustrated as follows.
- (ii) Let us suppose that in order to produce 1000 consumer goods, 100 machines are required.
- (iii) Also suppose that working life of a machine is 10 years.
- (iv) This means that every year 10 machines have to be replaced in order to maintain the constant flow of 1000 consumer goods. This might be called replacement demand.
- (v) Suppose the demand for consumer goods rises by 10%, ie. from 1000 to 1100.
- (vi) This results in increase in demand for 10 more machines. So that total demand for machines is 20.
- (vii) It may be noted here a 10 percent increase in demand for consumer goods causes a 100 percent increase in demand for machines (from 10 to 20).
- (viii) So we can conclude even a mild change in demand for consumer goods will lead to wide change in investment.

## Diagrammatic illustration

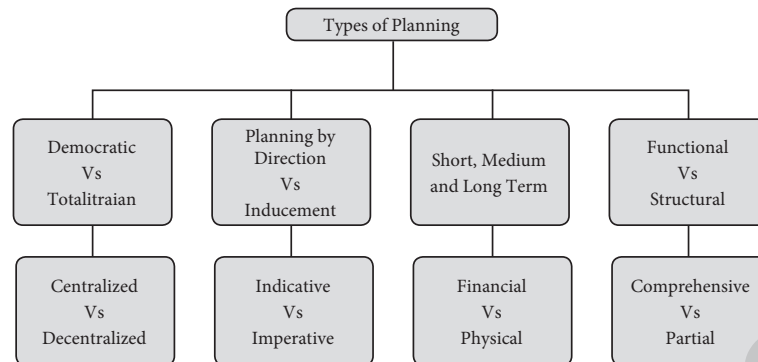
## Operation of Accelerator



- (i) SS is the saving curve.
- (ii) II is the investment curve.
- (iii) At point  $E_1$ , the economy is in equilibrium with  $OY_1$  income. Saving and investment are equal at  $OI_2$ .
- (iv) Investment is increased from  $OI_2$  to  $OI_4$ . This increases income from  $OY_1$  to  $OY_3$  the equilibrium point being  $E_3$ .
- (v) In this diagram, it is assumed that exogenous investment is only by  $I_2I_3$  and induced investment is by  $I_3I_4$ .
- (vi) Therefore, increase in income by  $Y_1Y_2$  is due to the multiplier effect and the increase in income by  $Y_2Y_3$  is due to the accelerator effects.

(OR)

(b)



1. Democratic Vs Totalitarian :		
Democratic Plan	Totalitarian Plan	
Democratic planning implies planning within democracy.	Under totalitarian planning, there is central control and direction of all economic activities in accordance with a single plan.	
People are associated at every step in the formulation and implementation of the plan.	In authoritarian planning, the planning authority is the supreme body.	
2. Centralized Vs Decentralized		
Centralized Plan	Decentralized Plan	
Under centralized planning, the entire planning process in a country is under a central planning authority.	Under decentralized planning local organizations and institutions formulate, adopt, execute and supervise the plan without interference by the central authorities.	
In other words, it is called 'planning from above'.	In other words, it is called 'planning from below'	
3. Planning by Direction Vs Inducement:		
Planning by Direction	Planning by Inducement	
There is a central authority which plans, directs and orders the execution of the plan in accordance with pre-determined targets and priorities.	The people are induced to act in a certain way through various monetary and fiscal measures.	
4. Indicative Vs Imperative Planning:		
Indicative Plan	Imperative Plan	
Indicative planning is peculiar to the mixed economies. It has been in practice in France	The state is all powerful in preparation and implementation of the plan.	
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.	Once a plan is drawn up, its implementation is a matter of enforcement. There is complete control over the entire resources by the state.	
5. Short, Medium and Long term Planning:		
Short Term Plan	Medium Term Plan	Long Term Plan
Short - term upto 1 year	Medium - term 3 - 7 years	Long - term over 10 years

Short - term planning concerns the plans in a time period of 1 year - operational planning.	Medium – term planning is considered for a time period of 5 years – tactical planning.	Long – term planning is considered for a time period over 10 years – strategic planning.
<b>6. Financial Vs Physical Planning:</b>		
<b>Financial Plan</b>	<b>Physical Plan</b>	
Financial planning refers to the technique of planning in which resources are allocated in terms of money	Physical planning pertains to the allocation of resources in terms of men, materials and machinery.	
<b>7. Functional Vs Structural Planning:</b>		
<b>Functional Plan</b>	<b>Structural Plan</b>	
Functional planning refers to that planning which seeks to remove economic difficulties	The structural planning refers to a good deal of changes in the socio-economic framework of the country.	
<b>8. Comprehensive Vs Partial Planning:</b>		
<b>Comprehensive Plan</b>	<b>Partial Plan</b>	
General planning which concerns itself with the major issues for the whole economy is known as comprehensive planning	Partial planning is to consider only the few important sectors of the economy	

**43. (a) Role of Commercial Banks in Economic Development of Country :**

**(1) Capital Formation :**

- (i) Banks play an important role in capital formation which is essential for the economic development of a country.
- (ii) It is utilized for productive purpose.

**(2) Creation of Credit :**

- (i) Banks create credit for the purpose of providing more funds for development project.
- (ii) Credit Creation leads to increased production, employment, sales and prices and thereby they bring about faster economic development.

**(3) Channelizing the Funds towards Productive Investment :**

- (i) Banks invest the savings mobilized by them for productive purposes.
- (ii) Pooled savings should be allocated to various sector of the economy with a view to increase the productivity.

**(4) Encouraging Right type of Industries :**

- (i) Money banks help in the development of the right type of Industries by extending loan to right type of persons.
- (ii) It helps not only for industrialization of the country but also the economic development of the country.

**(5) Bank monetize debt :**

- (i) Commercial banks transform the loan to be repaid after a certain period into cash, which can be immediately used for business activities.
- (ii) Manufacturers and wholesale traders cannot increase their sales without selling goods on credit basis.

**(6) Finance to Government**

Banks provide long-term credit to Government by investing their funds in Government securities and short-term finance by purchasing Treasury Bills.

**(7) Employment Generation**

After the nationalization of big banks, banking industry has grown to a great extent. Bank's branches are opened frequently, which leads to the creation of new employment opportunities.

**(8) Banks promote entrepreneurship**

In recent days, banks have assumed the role of developing entrepreneurship particularly in developing countries like India by inducing new entrepreneurs to take up the well-formulated projects and provision of counseling services like technical and managerial guidance.

(OR)

(b)

Sl. No.	X	$X - \bar{X}$	$(X - \bar{X})^2$
1	14	$(14-15) = -1$	1
2	22	$(22-15) = 7$	49
3	9	$(9-15) = -6$	36
4	15	$(15-15) = 0$	0
5	20	$(20-15) = 5$	25
6	17	$(17-15) = 2$	4
7	12	$(12-15) = -3$	9
8	11	$(11-15) = -4$	16
N = 8	$\sum X = 120$	0	$\sum(X - \bar{X})^2 = 140$

$$\bar{X} = \frac{\sum X}{n}$$

$$n = 8$$

$$\bar{X} = \frac{120}{8} = 15$$

$$\sigma = \sqrt{\frac{\sum(X - \bar{X})^2}{n}} = \sqrt{\frac{140}{8}} = \sqrt{17.5}$$

$$\therefore \sigma = 4.18$$

**Answer :** The standard deviation of the given data is  $\sigma = 4.18$

- 44.(a)(i) FDI is an important factor in the global economy.
- (ii) Foreign trade and FDI are closely related.
  - (iii) In developing countries like India FDI in the natural resource sector, including plantation increases trade volumes.
  - (iv) FDI is also influenced by the income generated from the trade and regional integration schemes.
  - (v) FDI is helpful to accelerate the economic growth by facilitating essential imports needed for carrying out development programmes like capital goods, technical know-how, raw materials and other inputs and even scarce consumer goods.
  - (vi) FDI is encouraged by the factors such as foreign exchange shortage, desire to create employment and acceleration of the pace of economic development.
  - (vii) Many developing countries, strongly prefer foreign investment to imports.
  - (viii) The real impact of FDI on different sections of an economy (say India) may differ.
  - (ix) Large demand for USD, generated by IMF and World Bank Policies help the USD to gain value continuously.

(OR)

**(b) (i) SAARC**

- (i) The South Asian Association for Regional Co-operation (SAARC) is an organisation of South Asian nations, which was established on 8<sup>th</sup> December 1985.
- (ii) The SAARC Group (SAARC) comprises of Bangladesh, Bhutan, India, The Maldives, Nepal, Pakistan and Srilanka.
- (iii) In April 2007, Afghanistan became its eighth member.
- (iv) The basic aim of the organisation is to accelerate the process of economic and social development of member states through joint action in the agreed areas of cooperation.
- (v) The SAARC Secretariat was established in Kathmandu (Nepal) on 16<sup>th</sup> January 1987.

**(ii) BRICS**

- (i) BRICS is the acronym for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa.
- (ii) Originally the first four were grouped as "BRIC" before the induction of South Africa in 2010. The term 'BRIC' was coined in 2001.
- (iii) Its headquarters is at Shanghai, China. The New Development Bank (NDB) formerly referred to as the BRICS Development Bank was established by BRICS States.
- (iv) The BRICS countries make up 21 percent of global GDP. They have increased their share of global GDP threefold in the past 15 years.
- (v) The BRICS are home to 43 percent of the world's population.
- (vi) The BRICS countries have combined foreign reserves of an estimated \$4.4 trillion

45. (a) According to Adam Smith, there are four canons or maxims of taxation. They are as follows :

1. Canon of Ability
2. Canon of Certainty
3. Canon of Convenience
4. Canon of Economy

(i) **Canon of Ability**

The Government should impose tax in such a way that the people have to pay taxes according to their ability.

(ii) **Canon of Certainty**

The Government must ensure that there is no uncertainty regarding the rate of tax or the time of payment.

(iii) **Canon of Convenience**

The method of tax collection and the timing of the tax payment should suit the convenience of the people.

(iv) **Canon of Economy**

The Government has to spend money for collecting taxes, for example, salaries are given to the persons who are responsible for collecting taxes.

(OR)

(b) **Causes of Water Pollution :**

Water pollution is caused due to several reasons. Here are the few major causes of water pollution:

1. **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.

2. **Dumping of solid wastes :** The dumping of solid wastes and litters in water bodies cause huge problems.

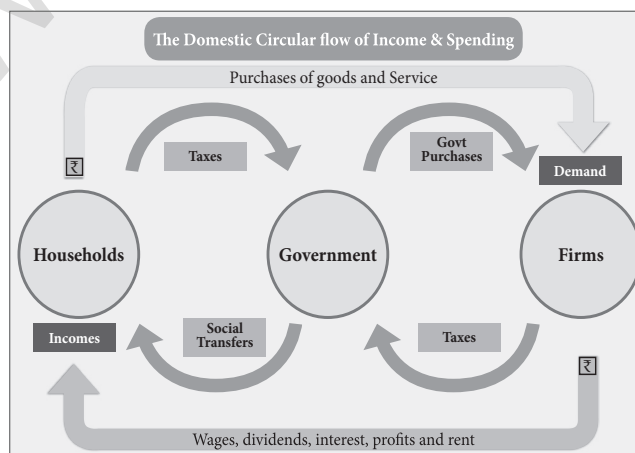
3. **Discharge of industrial wastes :**

Industrial waste contains pollutants like asbestos, lead, mercury, grease oil and petrochemicals, which are extremely harmful to both people and environment.

4. **Oil Spill :** Sea water gets polluted due to oil spilled from ships and tankers while travelling.

5. **Acid rain :** When the acidic particles caused by air pollution in the atmosphere mix with water vapor, it results in acid rain.

46. (a) **Circular flow of income in a three sector economy.**



In addition to 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:  $Y = C + I + G$

(OR)

(b)

S. No.	Features	Capitalism	Socialism	Mixedism
1.	Ownership of means of production	Private ownership	Public ownership	Private ownership and Public ownership
2.	Economic motive	Profit	Social welfare	Social welfare & profit motive
3.	Solution of central problems	Free market system	Central planning system.	Central planning system 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 enterprises
7.	Economic Freedom	Complete Freedom	Lack of Freedom	Limited freedom
8.	Major problem	Inequality	Inefficiency	Inequality and Inefficiency

47. (a) Functions of RBI :

(1) **Monetary Authority :**

- (i) It controls the supply of money.
- (ii) To stabilize exchange rate, maintain healthy balance of payment, attain financial stability, control inflation, strengthen banking system.

(2) **The issuer of currency :**

- (i) The objective is to maintain the currency and credit system of the country.
- (ii) It is the sole authority to issue currency.
- (iii) To control the circulation of fake currency.

- (3) **The issuer of banking licence :** As per Sec 22 of Banking Regulation Act, every bank has to obtain a banking license from RBI to conduct banking business in India.
- (4) **Bankers to the Government :** It acts as banker both to the Central and the State Government.
- (5) **Banker's Bank :** RBI is the bank of all banks in India.
- (6) **Lender of last resort :** The banks can borrow from the RBI by keeping eligible securities as collateral at the time of need or crisis, when there is no other source.
- (7) **Act as clearing house :** RBI manages 14 clearing houses.
- (8) Custodian of foreign exchange reserves.
- (9) Regulator of economy.
- (10) Managing government securities.
- (11) Regulator and supervisor of payment and settlement system.
- (12) Developmental Role.
- (13) Publisher of monetary data and other data.
- (14) Exchange manager and controller.
- (15) Banking Ombudsman Scheme.
- (16) Banking Codes and Standards Boards of India.

(OR)

**(b) (I) Primary Functions :****(1) Money as a medium of Exchange :**

- (i) This is considered as the basic function of money.
- (ii) Money has the quality of general acceptability and all exchanges take place in terms of money.

**(2) Money as a measure of value :**

The second important function of money is that it measures the value of goods and services.

**(II) Secondary Functions :****(1) Money as a Store of value :**

- (i) Savings done in terms of commodities were not permanent. But, with the invention of money, this difficulty has now disappeared and savings are now done in terms of money.
- (ii) It can be easily converted into other marketable assets, such as, land, machinery, plant etc.

**(2) Money as a Standard of Deferred Payments :**

- (i) Borrowing and lending were difficult in Barter system.
- (ii) In the absence of money, the borrowed amount could be returned only in terms of goods and services.
- (iii) But money acts as the standard of deferred payments.

