SAMPLE QUESTION PAPER (2019-20)

ECONOMICS (030)

Time allowed: 3 hours Maximum Marks: 80

General instructions:

i.	All the questions in both the sections are compulsory. Marks for questions are indicated against
	each question.
ii.	Question number 1 - 10 and 18 - 27 are very short-answer questions carrying 1 mark each. They
	are required to be answered in one word or one sentence each.
iii.	Question number 11 - 12 and 28 - 29 are short-answer questions caring 3 marks each. Answers to
	them should not normally exceed 60-80 words each.
iv.	Question number 13 - 15 and 30 - 32 are also short-answer questions carrying 4 marks each.
	Answers to them should not normally exceed 80-100 words each.
v.	Question number 16 - 17 and 33 - 34 are long answer questions carrying 6 marks each. Answers
	to them should not normally exceed 100-150 words each.
vi.	Answer should be brief and to the point and the above word limit be adhered to as far as possible.

SECTION - A (Macro Economics)

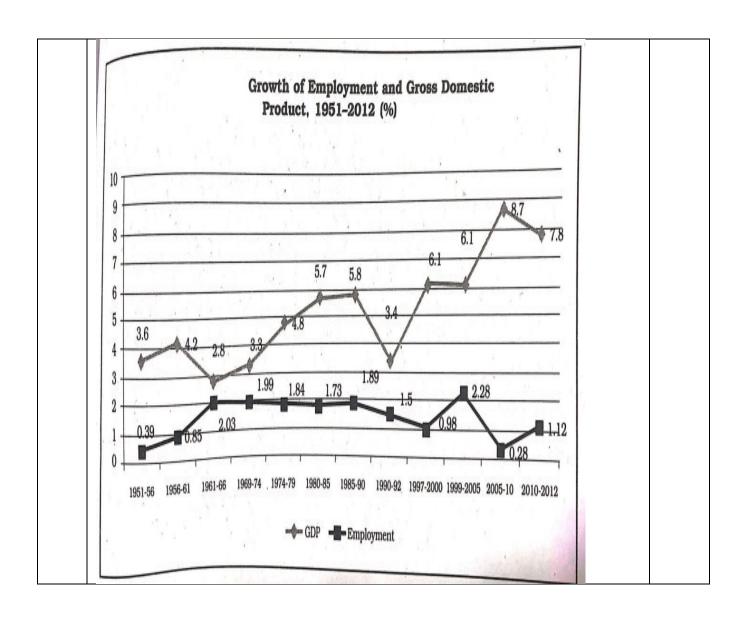
Q.No	QUESTION	Marks
1	Value of Money Multiplier(increases/decreases/remains unchanged)	
	with an increase in Cash Reserve Ratio.	1
	(Fill up the blank with correct alternative)	
2	Define an intermediate good.	1
3	Average Propensity to Consume can never be	
	(choose the correct alternative)	
	a) positive b) zero	
	c) more than one d) less than one	1
4	Name any two quantitative tools to control credit creation in an economy.	
	Or	
	What are demand deposits?	1
5	The monetary policy generally targets to ensure	
	(Choose the correct alternative)	
	a) price stability in the economy	1
	b) employment generation in the country.	
	c) stable foreign relations.	
	d) greater tax collections for the government.	
6	In an economy, break-even point and equilibrium point may lie at the same level of	
	income, if ex-ante investments are	1
	(Fill up the blank with correct answer)	
7	State whether the given statement is true or false:	1
	'Managed Floating Exchange Rate is decided by market forces but remains within a	
	specific range as decided by central bank'.	
8	The formula to calculate Primary deficit is	
	(Fill up the blank with correct answer)	1

	Column I	Column II	
	a) Export of software to France	(i) Debit side of current account	
	b) Import of Machinery from	(ii) Capital Account of Balance of	
	China	Payments	
	c) Remittances to relative	(iii) Debit side of Current Account of	
	staying abroad	Balance of Payments	1
	d) Investment by Apple	(iv) Credit side of Current Account of	
	phones firm in India	Balance of Payments	
)	Government expenditure on Mid-Day	Meal scheme running in government (state	
	run) schools is a type of	expenditure in government budget.	1
	(Fill up the blank with correct answer		
1	"India's GDP is expected to expand 7.59	% in 2019-20: World Bank"	3
		- The Economic Times.	
	_	elfare of people of India increase at the same	
	rate? Comment with reason.		
2	_	nsity to Consume (MPC), if in an economy,	
	_	es, ex-ante investments are ₹ 4000crores and	
	equilibrium level of Income of the econ-	omy is ₹ 18,000 crores.	3
	0	•	
		the savings increase by ₹ 20 crores when	
		crores. Compute the additional investments	
	needed to attain an increase in national i	income by ₹ 6,000 crores?	
			3
3	Discuss any one of the following function		4
	a) As government's bank	b) Open market operations.	
4		remained net seller in the Indian capital	
	markets over the last few weeks".	- The Economic Times.	
		the given statement on foreign exchange rate	4
	with reference to the Indian Economy.		
	Or		
		ions (MNCs) have recently shifted their	
		ed their production in India, thereby boosting	
	the Make in India plans of the Governm		,
		discuss the effects of the given statement on	4
	Foreign Exchange rates with reference t		
5	Elaborate the objective of 'reallocation'	of resources' in the government budget.	4
6	a) 'Real Gross Domestic Product is a be	tter indicator of economic growth than	<u> </u>
~	Nominal Gross Domestic Product'.	The second of the second blown man	
	Do you agree with the given statement?	Support your answer with a suitable	
	numerical example.	2 Spp 210 John Mills William Ballacio	4

		S.no	Particulars		Amount (i	n ₹crores)		
		i.	Capital value	of the asset	1,000	ii (crores)		
		ii.	Estimated life		20 years			2
		iii.	Scrap Value	of the asset	Nil			_
		111.	Scrap varue		1111			
				Or				
	a) 'Circular flow of income in a two sector economy is based on the axiom that one's							
			other's income'				9111 91100 911 0 9	
			ith the given st		oort your ansv	wer with valid	reasons.	3
		8	8	11	J			
	b) Calcu	ılate co	mpensation of e	employees from	n the following	ng data:		
		S.no	Particulars			Amount]	
						(in ₹crores)		
		i.	Profits after ta	X		20		
		ii.	Interest			45		
		iii.	Gross Domest	ic Product at I	Market Price	200		
		iv.	Goods and Se	rvices Tax		10		2
		v.	Consumption	of Fixed Capi	tal	50		3
		vi.	Rent			25		
		vii.	Corporate Tax	(5		
17			s operating at u					
			nent? Discuss o	one fiscal meas	sure and one	monetary mea	sure to tackle	6
	the situa	ition.						
				B (Indian Eco				
18			taxes which we			Services Tax ((GST).	1
19			the following s					1
			nonetization of	currency was	undertaken b	y the Govern	ment of India	
20	on Nove			0.1		YY 1	4	
20	1		rect sequence o		given in Colu	ı mn II by mat	ching them	
	with res	_	terms in Colur	nn I:	C 1	TT		
			nn – I	• т	Column – 1			
	A.	Land (eiling		ase in produc		_	
						ielding variety	/	
	D	Land r	oforms.	seeds ii. Porti		umal meaduaa		
	D.	Land r	elorins		on of agricult in the market	urai produce		1
	<u> </u>	Graan	Revolution			ım limit of lar	<u>, d</u>	1
		OICCII	IXC VOIUHOH		ng the maximiting for an indi	ım limit of lar	IU	
	D	Marke	ted Surplus			nership of land		
		1VIUI KC	ica barpias		to tillers)	cisinp of fanc		
				(Idild	. to tillers,			
21	Agricult	ture ma	rketing does no	t comprise of				
	_		_			rrect alterna	tive)	
	a))	Transportation (of the produce	to the marke	t place for sale	2.	
			-	-				

	b) Grading of the produce according t					
	c) Storage of the produce for sale in f		1			
22	d) Credit taken to meet expenditure or		1 1			
22	Undertype of unemployr	nent, marginal product gain				
	employing one additional unit of labour is zero.	1 41				
	(Fill up the blank with correct answer)					
	Or					
	an indicator which is u	ised for analyzing the emplo	yment			
	situation of a country. (Fill up the blank with corre	ect answer)				
23	In 1955, Karve committee was constituted for aim	,				
==		ank with correct answer)	1			
24	Identify the correct sequence of alternatives given					
	with respective terms in Column I	in Column 11 by matering th				
	Column – I	Column -II				
	A. Study Group formed by Planning	i. 2005				
	Commission for Poverty	1. 2003				
	B. 'Task Force on Projections of the	ii. 1962				
	Minimum Needs and Effective	11. 1902				
	Consumption Demand' C. Mahatma Gandhi National Rural	iii. 2014				
		111. 2014				
	Employment Guarantee Act	1070	1			
	D. Jan Dhan Yojana	iv. 1979	1			
	Choose the correct alternative:					
	a) ii, iii, iv, i					
	b) iii, ii, i, iv					
	c) i, ii, iii, iv					
2.5	d) ii, iv, i, iii	1	C 1			
25		electricity with the hel	p of 1			
26	(Fill up the blank with con	,				
26	Arrange the following events of China in chronolo	ogical order and choose the co				
	alternative:		1			
	i. Great Proletarian Cultural Revolution					
	ii. Great Leap Forward campaign					
	iii. Introduction of Economic Reforms					
	iv. First five year plan					
	Choose the correct alternative:					
	a) ii, iv, iii, i					
	b) iv, ii, i, iii					
	c) ii, iv, i, iii					
	d) iv, i, ii, iii					
27	Introduction of Economic Reform in Pakistan too	k place in	1			
	(Choose the correct a	•				
	a) 1978 b) 1980 c)198					

28	"Recently Indians have drifted away from the traditional knowledge and practices					3
	and caused	large scale damage	to environment".		-	
	Explain ho	ow, adopting the tra	aditional practices car	n be helpful i	n achieving the	
	objective of sustainable development?					
			Or			
	'Power sec	tor in India has majo	or issues with its install	ed capacity'. D	iscuss the given	
	statement.					
29			66 had recommended			
			ow far India has been a			3
30		C I	Economy has led to a r	-	_	
		•	ange Reserves of the	country'. Defe	nd or refute the	4
	given state					
31		following terms				_
	a) Dis	investment		port Substitution	on	4
	D 0 1		R			
		following terms	1) 0			
22		tsourcing	b) Qu			
32			on the basis of the fol	-		
	/	comment upon the pocountries.	opulation growth rates	among the thre	e	3
			nost skewed in sex ratio	5 9		1
	Country	Estimated	Annual Growth of	Sex Ratio]	1
	Country	Population	Population (in %)	SCA Ratio		
		(in million)	1 opulation (iii 70)			
	India	1311	1.2	929		
	China	1371	0.5	941		
	Pakistan	188	2.1	947		
			dicators, 2015, <u>www.w</u>			
33			is essential for Indian		velonment". Do	6
			ent? Support your answ			
34						6
	'In spite of the increase in public health expenditure Indian Health System is an ailing system in itself'. Defend the statement citing any three major problems of					
		tor in India.		, ,	<i>J</i> 1	
			Or			
	Study the fo	ollowing chart showing	g the Growth of Employ	ment and Gross	Domestic Product	
	and analyse	the trend of the two va	riables from 1990-2012.			



Marking Scheme SECTION - A (Macro Economics)

Ques.	Description	Marks
No		
1	Decreases	1
2	An intermediate good refers to that good which is purchased during the year by a firm from another for the purpose of further production/resale.	1
3	b) Zero	1
4	i) CRR, ii) SLR, iii) Bank Rate, iv) Repo rate, v) Reverse repo rate (any two) Or	1/2+ 1/2
	Demand deposits are the deposits which can be withdrawn on demand by the depositors from banks.	1
5	a) price stability in the economy.	1
6	Zero	1
7	True	1
8	Primary Deficit = Fiscal Deficit - Interest Payments	1
9	c) Remittances to relative staying abroad - (iii) Debit side of current Account of Balance of Payments	1
10	Revenue	1
11	Generally it is considered that an increase in the Gross Domestic Product (GDP)	3
	of any economy (India in this case) ensures increase in welfare of the people of	
	the country. However, this may not always be correct. Some of the prime reasons	
	for the same are:	
	a) unequal distribution and composition of GDP,	
	b) non-monetary transactions in the economy which are not accounted for in	
	GDP, and	
	c) occurrence of externalities in the economy (both positive and negative).	
12	We know that consumption function is: $C = \bar{c} + MPC.Y$	1/2
	At equilibrium level of Income in the economy $Y = C + I$	1/2
	Given, Autonomous Consumption (\bar{C}) = ₹ 500 crores and	
	Ex-ante Investments (I) = ₹ 4000 crores	
	18,000 = 500 + MPC(18,000) + 4,000	1/2
	MPC(18,000) = 18000 - 4500	1/2
	MPC = 13,500/18,000	1/2
	MPC = 0.75	1/2
	Or	
	MPS = $\left(\frac{\text{Change in Savings}}{\text{Change in Income}}\right) = \left(\frac{\Delta S}{\Delta Y}\right) = \frac{20}{100} = 0.20$	1
	Investment Multiplier (K) = $\frac{1}{MPS} = \frac{1}{0.20} = 5$	1/2
	Investment Multiplier (K) = $\frac{MPS - 0.20}{\text{Change in Income}} = (\frac{\Delta y}{\Delta I})$	1/2
		1/2
	$5 = \frac{\stackrel{?}{6,000}}{\text{Change in Investment } (\Delta I)}$	1/2
	Change in Investment $(\Delta I) = ₹ 1200 \text{ crores}$	/ 2
	Increase in investment by ₹ 1200 crores is required to attain additional income of	
	₹ 6000 crores.	

13	Central Bank as government's bank - The Central Bank acts as a banker to both central as well as state governments. The Central Bank accepts receipts and makes payments for the government and carries out exchange, remittance and other banking operations. It advances credit/loan to the government to meet its requirements in case of crisis. It also acts as an agent to buy and sell government securities & advises the government on various financial matters. Or	4
	Open Market Operations by Central Bank - Open Market Operations refers to buying and selling of government securities (bonds) by the Central Bank from/to the general public. It is an important step which may be undertaken to control money supply in the economy. The Central Bank may sell government securities to reduce the money supply in the hands of general public and vice-versa.	4
14	Selling of securities by Foreign Institutional Investors (FII's) in Indian capital market will lead to fall in the supply of foreign currency in the economy. This situation might lead to excess demand of foreign currency at the prevailing foreign exchange rate. As a result, a new equilibrium rate of foreign exchange will be determined which will be higher than the prevailing foreign exchange rate, leading to depreciation	4
	Or Investments by large multinational corporations (MNCs) in India will ensure greater inflow of foreign exchange, leading to an increase in the supply of foreign currency. This situation may result into excess supply of foreign currency in the economy at the prevailing foreign exchange rate. As a result, a new equilibrium rate of foreign exchange will be determined which will be lower than the prevailing foreign exchange rate, leading to appreciation of	4
15	Reallocation of resources - Government through its budgetary policies tries to reallocate resources to ensure fulfillment of various socio-economic objectives. The government may influence the allocation of resources through: (a) Taxation policy - Heavy taxes may be imposed on harmful products to discourage their production and subsidies may be provided on the production of socially useful products to encourage their production.	
	b) Government may directly undertake production of certain goods and services in the areas where private sector may not be willing to participate in production activities.	4
16	a) The given statement is correct. Real Gross Domestic Product (GDP) is a better indicator of economic growth than Nominal Gross Domestic Product (GDP) as it is not affected by changes in general price level.	1
	Numerical Example:	

Goods	Price of	Price of	Quantity of	Nominal	Real	
	Current Year	Base Year	Current Year	GDP	GDP	
	(P ₁) (in ₹)	(P ₀) (in ₹)	(Q1) (in units)	(P1Q1)	(P ₀ Q ₁)	
A	20	10	100	2,000	1,000	
В	10	5	200	2,000	1,000	
С	30	20	50	1,500	1,000	
				$\sum P_1Q_1$	$\sum P_0Q_1$	
				=5,500	=3,000	
GDP (∑I This is o unchange	P ₁ Q ₁) is 5,500-3, nly the monetary	000 = ₹2,500 difference as ion in the value.	tween Real GDP (the quantity sold in the grant of GDP is merel	n the market	remains	3
) D	epreciation or	ı capital ass	$et = \frac{Costof the \ capit}{Costof the \ capit}$			1
			Estimated lif	e of the capital	asset	1
	Deprecia	$tion = \frac{1000 - 1}{20}$	0			1/2
	Deprecia	tion = ₹50 c	rores Or			1/2
a) Yes, the given statement is correct. In a two sector economy, the firms produce goods and services and make factors payments to the households. The factor income earned by the households will be used to buy the goods and services which would be equal to income of firms. The aggregate consumption expenditure by the households in the economy is equal to the aggregate expenditure on goods and services produced by the firms in the economy (Income of the producers).						3
o) Comp	ensation of Emp	=	(iii) - (v) - (iv) - (25) = 200 - 50 - 10 - (25) = ₹45 crores.	•		1 ½ 1 ½
olanned corresponavailable Fo tackl	aggregate expending to the further over the anticip	e operating at additure falls of a complex falls of the aggregation the aggregation of th	under employment short of available nt level. It result e demand at full en ate demand has to	output in the sinto excess into excess nployment le	e economy, s of output vel.	2
Decre tate of ta	ixes (both direct	the government and indirect general publ	nt under its fiscal taxes). This will entic. This will help	sure greater	purchasing	2

	ii) Increase in money supply: Central bank through its expansionary monetary policy can increase the money supply in the economy. Central bank can use tools like bank rate, cash reserve ratio, repo and reverse repo rates etc. to ensure greater money in the hands of general public which would in turn increase the aggregate demand in the economy and be helpful in reducing/removing the deflationary gap.	2
	SECTION-B (Indian Economic Development)	
18	Value added tax, service tax, excise duty, sales tax. (any two correct alternatives)	$\frac{1}{2} + \frac{1}{2}$
19	True	1
20	b) iii , iv, i , ii	1
21	d) Credit taken to meet agriculture expenditure.	1
22	Disguised	
	Or	
	Work force participation rate	1
23	Development of small scale industries	1
24	d) ii , iv , i, iii	1
25	Photovoltaic cell	1
26	b) iv, ii, i, iii	1
27	c)1988	1
28	The given statement is quite appropriate. Indian traditional practices were environment friendly and worked as complementary to the system and not its controller. The traditional agriculture system, healthcare system, housing, transport etc. were intrinsically environment friendly. The traditional practices used natural products and processes which are more or less free from side effects. For example by adopting medicinal plants/products we can conserve the resources and achieve the objective of sustainable development. Or The given statement states about the insufficiency of the installed capacity of production of power in India. If the Indian economy wants to touch the GDP growth rate between 7-8% it must target to produce electricity with a growth rate of 7% which is not possible with the present production capacity in the power sector. Thus, we need to work in two directions to improve installed capacity: i. increased investments (by both public and private players) in the power generation sector.	3
29	ii. better utilization of the present infrastructure. Investment in education system in India has been a woeful failure. The fact of the matter is that, in 1952 we were spending a meager 0.6% of our GDP on education that rose to only 4% in 2014. This has fallen well short of 6% target as proposed by the Education Commission, 1964. Moreover, throughout this period the increase in education expenditure has not been uniform and there has been irregular rise and fall. This shows the apathy of the government towards investment in the education system. One can imagine, if the recommended 6% p.a. of the GDP would have been spent properly the present education system would have reached unforeseen heights.	3

30	The given statement is true to its character. The foreign investments, both Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII), have increased from about US \$100 million in 1990-91 to US \$ 74 billion recently. This has changed the status of India from a 'begging bowl' in 1990's to a 'self-dependent' economy in the present ages.				
	Due to the opening up of the Indian Economy, she has become one of the largest foreign exchange reserve holders in the world. India been able to register an increase in the foreign exchange reserves from about US \$ 6 billion in 1990-91 to about US \$ 321 billion in 2014-15.				
31	a) Disinvestment: Privatisation of the public sector enterprises (PSEs) by selling off a part/whole of the equity to the general public or any private sector player is known as disinvestment.	2			
	b) Outsourcing: Hiring of regular service from external sources, mostly from foreign countries, which was previously provided internally or from within the country is known as outsourcing.	2			
	OR				
	a) Import Substitution: The policy aimed at replacing or substituting imports with domestic production by protecting the domestic industries from foreign competition is known as Import Substitution.	2			
	b) Quota : Quantitative restrictions on imports for the protection of the domestic firms from foreign competition. Under this quantity of goods which can be imported is specified by the state.	2			
32	a) The given data shows that the annual growth rate of population is maximum in Pakistan standing at 2.1%, whereas; the same stands at a meager 0.5% in case of China (might be a direct result of the One Child Policy adopted). The annual population growth rate of India is in the danger zone of more than 1% p.a. India will be overtaking China as the most populous country in the world in near future.	3			
	b) Amongst the three countries stated above, India has most skewed data sex ratio (929 female per 1000 male). This is one of the major concerns for the demographers in India.				
33	Mahatma Gandhi had always maintained that the real growth of India lies in the growth of villages. The importance of rural development in India lies in the fact that $2/3^{rd}$ of the population still (directly or indirectly) depends on agriculture and around $1/3^{rd}$ of the rural population still lives in abject poverty. Some of the prime areas for the development of the rural India may be quoted as follows:				
	• Infrastructure development – is the key to any development process. Basic infrastructure requirement like electricity, irrigation, credit availability, transport facilities, construction of village roads and feeder	2			

roads to nearby highways, etc. are the area which still need attention of the government so as to gain commanding heights. Alleviation of poverty - poverty in rural India is an area that should be taken up as a mission for improvement in the living conditions of particularly those living at the bottom of pyramid. This problem may be tackled by emphasizing on greater access to productive employment opportunities. Development of Human Capital - Rural human capital must be developed by taking sincere steps in the direction of education and health. The health system in India has undoubtedly improved over the years but the pace 34 of improvement has been unreasonably slow and truly we carry an unhealthy health system. Following may be the most important concerns ailing Indian health system: Low Public Expenditure - In India the health expenditure as a percentage of GDP is abysmally low as compared to some of the major developing countries. It stood at around 4.7% of the total GDP in the year 2014-15. **Urban Rural Divide** – People living in rural India do not have sufficient medical infrastructure. Nearly 70% of the population lives in rural areas which have only 20% of the total hospitals of the country. Women and child health issues - More than 50 per cent of married women in the age group of 15-49 years have iron deficiency, which has contributed to maternal deaths. Infant Mortality Rate per 1,000 live births in India is 34. Malnutrition and inadequate supply of vaccines lead to the death of millions of children every year. The period between 1990 to 2012 had been a significant one. Introduction of Economic Reforms in India has changed everything in India. Variables shown in the given graph show that GDP growth rate has taken an upwards tread over the years whereas the situation of Employment growth rate has seen major fluctuations while going down in overall trend. GDP growth rate has increased from a meager 3.4% in 1991 to 7.8% in 2012. However the employment growth rate has shown declining trends from 1.5% in 1991 to 1.12% in 2012. Between the period 1999-2005 the employment generation rate was at peak since independence i.e. 2.28% p.a. with the corresponding GDP growth rate standing at a decent 6.1% p.a. The gap between the two variables is maximum between the period 2005-10 when the employment growth rate hit the lowest in history of Independent India i.e. 0.28%. In the same period the GDP growth rate had hit the highest level since independence to the tune of 8.7% p.a. Indian economy has witnessed the peculiar phenomena of 'jobless growth' over all these years. Learning from the situation government had put in serious efforts on employment front and brought it to a level of 1.12% p.a. between the period 2010-12. In all the period between 1990-2012 has been a real roller coaster ride for the India economy on the two front of GDP and Employment Growth rate.