

Reg No :

ALL KERALA COMMON MODEL EXAMINATION 2023 - 24 (SET 3)

ECONOMICS [030]

Time Allowed : 180 Minutes

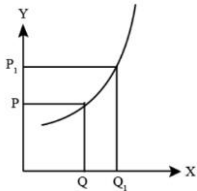
Maximum Marks : 80

General Instructions:

- a) This question paper contains two sections: Section A – Macro Economics Section B – Indian Economic Development
- b) This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
- c) This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
- d) This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
- e) This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

SECTION A – MACRO ECONOMICS		
1	Statement I: Export of financial services by India will be recorded on credit side of current account. Statement II: Foreign Direct investments in India will be recorded on credit side of capital account. a) Both the statements are false. b) Both the statements are true. c) Statement I is true, but statement II is false. d) Statement II is true, but statement I is false.	[1]
2	A bank run occurs when a large number of customers of a bank withdraw their deposits simultaneously. This can cause a bank to become insolvent if they cannot pay back all the depositors. Which of the following facts about a bank make a bank run possible? a) Banks hold only about 15 per cent of their deposits as cash. The rest of the deposits are given out as loans. b) Banks have to pay a specific amount to the person in whose name a cheque has been issued. c) Banks charge a higher interest rate on loans than what they offer on deposits. d) Banks pay an amount to account holders as interest on deposits.	[1]
3	Suppose in a hypothetical economy, the income rises from ₹ 4,000 crores to ₹ 5,000 crores. As a result, the consumption expenditure rises from ₹ 3,000 crores to ₹ 3,600 crores. Marginal propensity to consume in such a case would be _____.	[1]

	<p>a) 0.8</p> <p>b) 0.4</p> <p>c) 0.2</p> <p>d) 0.6</p>	
4	<p>Price of one currency in relation to another currency, determined by the free market forces, is known as _____.</p> <p>a) Foreign exchange rate</p> <p>b) Flexible exchange rate</p> <p>c) Equilibrium price</p> <p>d) Fixed exchange rate</p>	[1]
5	<p>$S = - a + (1 - b) Y$ is a</p> <p>a) Linear function of the level of Savings and Consumption expenditure</p> <p>b) Algebraic function of the level of Savings and capital expenditure</p> <p>c) Algebraic function of the level of Savings</p> <p>d) Algebraic function of the level of Savings and Investment expenditure</p>	[1]
6	<p>Which of the following statements is not correct regarding Excess Demand?</p> <p>a) Excess Demand is caused due to reduction in the public expenditure.</p> <p>b) Excess Demand is the result of decline in exports.</p> <p>c) Excess Demand raises the market value of output.</p> <p>d) Excess Demand means Aggregate Demand is more than Aggregate Supply.</p>	[1]
7	<p>Derive the multiplier when MPC is 0.6</p> <p>a) 3</p> <p>b) 1</p> <p>c) 2.5</p> <p>d) None of these</p>	[1]
8	<p>A family's expenditure is a</p> <p>a) Flow concept</p> <p>b) Stock concept</p> <p>c) Non economic concept</p> <p>d) Hypothetical concept</p>	[1]
9	<p>Supply of money refers to _____.</p>	[1]

	<p>a) Currency held by the public. b) Currency held by Reserve Bank of India. c) Currency held by the public and demand deposits with commercial banks. d) Currency held in the government.</p>																					
10	<p>The upward - sloping supply curve for foreign exchange reflects:</p>  <p>a) Direct relationship b) Inverse relationship c) Exponential relationship d) Indirect relationship</p>	[1]																				
11	<p>Final goods are those goods which are consumed only by the households. Defend or refute the given statement with a valid argument.</p>	[3]																				
12	<p>What is meant by visible and invisible items in the Balance of Payments Account? Give two examples of invisible items.</p> <p>OR</p> <p>Distinguish between accommodating items and autonomous items.</p>	[3]																				
13	<p>What is meant by inflationary gap? State three measures to reduce this gap.</p>	[4]																				
14	<p>If in an economy: Change in initial Investments (ΔI) = Rs 500 crores, Marginal Propensity to Save (MPS) = 0.2. Find the values of the following</p> <p>a) Investment multiplier (k), b) Change in final income (Y).</p> <p>OR</p> <p>Explain the distinction between ex - ante measures and ex - post measures</p>	[4]																				
15	<p>Explain the banker to the Government function of the Central bank.</p>	[4]																				
16	<p>Answer the following questions:</p> <p>a)</p> <p>a. Calculate Gross National Product at market price :</p> <table border="1" data-bbox="435 1570 1140 1873"> <thead> <tr> <th>Particulars</th> <th>(Rs. In crore)</th> </tr> </thead> <tbody> <tr> <td>Net current transfers to abroad</td> <td>(-) 5</td> </tr> <tr> <td>Profits</td> <td>70</td> </tr> <tr> <td>Consumption of fixed capital</td> <td>30</td> </tr> <tr> <td>Rent</td> <td>40</td> </tr> <tr> <td>Indirect tax</td> <td>20</td> </tr> <tr> <td>Interest</td> <td>100</td> </tr> <tr> <td>Royalty</td> <td>10</td> </tr> <tr> <td>Compensation of employees</td> <td>600</td> </tr> <tr> <td>Subsidy</td> <td>5</td> </tr> </tbody> </table>	Particulars	(Rs. In crore)	Net current transfers to abroad	(-) 5	Profits	70	Consumption of fixed capital	30	Rent	40	Indirect tax	20	Interest	100	Royalty	10	Compensation of employees	600	Subsidy	5	[6]
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Net factor income from abroad	(-25)
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b. Calculate National Income.

S.no.	Contents	(Rs. in arab)
(i)	Social Security Contributions by Employees	90
(ii)	Wages and Salaries	800
(iii)	Net Current Transfers to Abroad	(-) 30
(iv)	Rent and Royalty	300
(v)	Net Factor Income to Abroad	50
(vi)	Social Security Contributions by Employers	100
(vii)	Profit	500
(viii)	Interest	400
(ix)	Consumption of Fixed Capital	200
(x)	Net Indirect Tax	250

OR


a. Given the following data, find the missing value of Government Final Consumption Expenditure and Mixed - Income of Self-employed:

S.No.	Particulars	Amount (In ₹ crores)
(i)	National Income	71,000
(ii)	Gross Domestic Capital Formation	10,000
(iii)	Government Final Consumption Expenditure	?
(iv)	Mixed-Income of Self Employed	?
(v)	Net Factor Income from Abroad	1,000
(vi)	Net Indirect Taxes	2,000
(vii)	Profits	1,200
(viii)	Wages & Salaries	15,000
(ix)	Net Exports	5,000
(x)	Private Final Consumption Expenditure	40,000
(xi)	Consumption of Fixed Capital	3,000
(xii)	Operating Surplus	30,000

b. Calculate Net Domestic Product at Factor Cost by

- i. Income method and
- ii. Product method from the following data:

	<table border="1"> <thead> <tr> <th>Items</th> <th>(Rs.in Crore)</th> </tr> </thead> <tbody> <tr> <td>Net value added at market price by primary sector</td> <td>1000</td> </tr> <tr> <td>Wages and salary</td> <td>2000</td> </tr> <tr> <td>Social security contributions by employers</td> <td>100</td> </tr> <tr> <td>Net value added at market price by the secondary sector</td> <td>600</td> </tr> <tr> <td>Corporation tax</td> <td>30</td> </tr> <tr> <td>Retained earnings of private corporations</td> <td>10</td> </tr> <tr> <td>Net value added at market price by the tertiary sector</td> <td>1400</td> </tr> <tr> <td>Dividend</td> <td>60</td> </tr> <tr> <td>Rent</td> <td>300</td> </tr> <tr> <td>Interest</td> <td>300</td> </tr> <tr> <td>Net indirect tax</td> <td>200</td> </tr> <tr> <td>Social security contribution by employees</td> <td>80</td> </tr> </tbody> </table>	Items	(Rs.in Crore)	Net value added at market price by primary sector	1000	Wages and salary	2000	Social security contributions by employers	100	Net value added at market price by the secondary sector	600	Corporation tax	30	Retained earnings of private corporations	10	Net value added at market price by the tertiary sector	1400	Dividend	60	Rent	300	Interest	300	Net indirect tax	200	Social security contribution by employees	80	
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17	<p>Answer the following questions:</p> <p>a) Giving reason, state whether the following is a revenue expenditure or a capital expenditure in a government budget</p> <ol style="list-style-type: none"> Expenditure on scholarships Expenditure on building a bridge <p>b) From the following data about a government budget, find out the following:</p> <ol style="list-style-type: none"> Revenue deficit Fiscal deficit Primary deficit <table border="1"> <thead> <tr> <th>S.no.</th> <th>Contents</th> <th>(Rs. in arab)</th> </tr> </thead> <tbody> <tr> <td>(a)</td> <td>Capital Receipts Net of Borrowings</td> <td>95</td> </tr> <tr> <td>(b)</td> <td>Revenue Expenditure</td> <td>100</td> </tr> <tr> <td>(c)</td> <td>Interest Payments</td> <td>10</td> </tr> <tr> <td>(d)</td> <td>Revenue Receipts</td> <td>80</td> </tr> <tr> <td>(e)</td> <td>Capital Expenditure</td> <td>110</td> </tr> </tbody> </table>	S.no.	Contents	(Rs. in arab)	(a)	Capital Receipts Net of Borrowings	95	(b)	Revenue Expenditure	100	(c)	Interest Payments	10	(d)	Revenue Receipts	80	(e)	Capital Expenditure	110	[6]								
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SECTION B – INDIAN ECONOMIC DEVELOPMENT																												
18	<p>The sources of data on unemployment are:</p> <ol style="list-style-type: none"> World development indicators UNESCO institute of statistics Reports of Census of India Administrative records from line ministries 	[1]																										
19	When was the first five year plan started in China ?	[1]																										

	a) 1952 b)1951 c) 1953 d) 1954	
20	Import substitution refers to a policy of substitution of imports by _____ production. a) State b) Foreign c) Domestic d) District	[1]
21	Farmers cannot retain the product for a long time they have to sell it immediately. Which defect of agriculture is shown in this system?  a) Lack of information b) Distress sale c) Unregulated market d) False weight	[1]
22	Assertion (A): Tariffs are taxes imposed to restrict the imports by a country. Reason (R): The purpose is providing protection to its domestic industries from competition from foreign firms. 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.	[1]
23	Investment in human capital contributes to growth by _____. a) providing effective utilisation of the physical capital b) raises the level of both production and productivity c) promotes innovations and creates ability to apply new technologies d) all of these	[1]
24	In 1958, there were _____communes in China covering the entire farm population. a) 28,000 b) 24,000 c) 30,000 d) 26,000.	[1]
25	The concept of sustainable development was emphasized by _____. a) Brundtland Commission b) Edward Barbier c) United Nations Conference on Environment and Development (UNCED) d) Ministry of environment	[1]
26	Statement I: During the British colonial period, India's agriculture was starved of investment in terracing, flood - control, drainage and desalinisation of soil. Statement II: While a small section of farmers changed their cropping pattern from food crops to commercial crops, a large section of tenants, small farmers and sharecroppers neither had resources and technology nor had incentive to invest in agriculture. a) Statement II is true, but statement I is false. b) Statement I is true, but statement II is false. c) Both the statements are true.	[1]

	d) Both the statements are false.											
27	<p>Select the correct combination between the following columns</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: center;">Column A</th> <th style="text-align: center;">Column B</th> </tr> </thead> <tbody> <tr> <td>(a) 1955</td> <td>(i) Setting up of Planning Commission</td> </tr> <tr> <td>(b) Tariff</td> <td>(ii) Protection from trade</td> </tr> <tr> <td>(c) Green revolution</td> <td>(iii) Wheat and Rice</td> </tr> <tr> <td>(d) 1950</td> <td>(iv) Committee for small scale industries</td> </tr> </tbody> </table> <p>a) (a) - (ii), (b) - (iii), (c) - (i), (d) - (iv) b) (a) - (iv), (b) - (ii), (c) - (i), (d) - (iii) c) (a) - (iv), (b) - (ii), (c) - (iii), (d) - (i) d) (a) - (i), (b) - (ii), (c) - (iii), (d) - (iv)</p>	Column A	Column B	(a) 1955	(i) Setting up of Planning Commission	(b) Tariff	(ii) Protection from trade	(c) Green revolution	(iii) Wheat and Rice	(d) 1950	(iv) Committee for small scale industries	[1]
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28	<p>Ujjwala Yojana has been a game changer for rural India. State any three conventional fuels being targeted under the LPG cylinder distribution scheme (Ujjwala Yojana).</p> <p>OR</p> <p>A truck driver had to pay ₹ 1,000 as challan as his truck was emitting black soot. Why do you think he was penalised? Was it justified? Discuss.</p>	[3]										
29	Why is it necessary to generate more employment in formal sector rather than in the informal sector ? Why ?	[3]										
30	Does modernisation as a planning objective create contradiction in the light of employment generation? Explain.	[4]										
31	<p>What are the benefits of globalisation?</p> <p>OR</p> <p>By manipulating statistics, we can prove that economic reforms are great success and we also prove that economic reforms are a total failure. So, are they a success or a failure?</p>	[4]										
32	Education is a challenging proposition for Indian economy. Discuss.	[4]										
33	<p>Answer the following questions:</p> <p>a)</p> <ol style="list-style-type: none"> a. Globalisation of the economy has helped the farmers in marketing their produce and has helped in raising their standard of living. Do you agree? b. It has been realised that agricultural finance is not available in sufficient quantity at right time and at reasonable rate of interest. As an agriculturist, suggest any two measures to make the existingsystem of agricultural finance serve fully the needs of agriculture effectively. <p>b) OR</p> <ol style="list-style-type: none"> a. Point out any four concerns for farmers in Indian agriculture. b. What are the limitations of rural credit in India? 	[6]										
34	Read the following text carefully and answer the questionsgiven below: Strong	[6]										

fundamentals of China - India trade It is the nature of China - India bilateral trade as a confidence - building measure that must be underlined to appreciate its interface with their political relations which remains so critical for its long - term prospects. Therefore, more than being measured in terms of statistics and profits, it is the political impact of trade that remains the barometer of their economic engagement. Both sides clearly display that understanding at least in their more recent initiatives. Moreover, with the inclusion of India's trade with Hong Kong and Macao (as also India's rising trade with Taiwan, and the possibility of eventual unification of Taiwan), Greater China has already emerged as India's largest trading partner and one of its kind. Major items of export from India to China remain iron and chrome ore, plastic and linoleum, marine products, cotton yarn and fabrics, organic and inorganic chemicals, dye intermediates, bulk drugs and pharmaceuticals, construction quality wire rods, tobacco and tea, while China's exports to India include items like raw silk and silk yarn, coking coal, some types of chemicals, pulses, mercury and antimony, freshwater pearls, pig iron, newsprint and several low - technology consumer items. Gradually, many new sectors—like border trade or high - tech trade—are being also explored while information technology and infrastructure development are already emerging as major areas for cooperation. Thirdly, it is the dynamism of their economies and societies, especially their young populations and increasingly skilled manpower, that are going to be their critical asset. In absolute terms, as a proportion of their total trade or even in terms of per capita trade this may present a dismal picture, yet trends in the growth rate of China - India trade show strong potential and have important political implications. However, even in terms of its share in their total foreign trade, while India accounts for little more than 1% in China's total foreign trade, China now accounts for over 5% of India's total foreign trade which creates substantial stakes for mutual co - operation. Finally, their foreign exchange reserves provide perhaps the easiest layman's indicator of their international economic standing. China's foreign exchange reserves, which stood at a mere USD1.6 billion for 1978, had exceeded USD659 billion by March 2005. These may not be huge figures compared to those of Japan at USD843 billion yet they are when compared to India's USD142 billion. The same also remains true of their foreign direct investment (FDI) inflows where China and India are often projected as either poles apart or competing against each other. However, both have again continued to sustain growth simultaneously without any major friction. Their FDI remains perhaps the strongest mover of their foreign trade and especially in the case of China, it has come to be known as the main locomotive for their economic success.(Source:<https://journals.openedition.org/chinaperspectives/2853>) **Questions:**

- a) What reinforced China's position as India's largest trading partner? Compare the share of India and China to each other's total foreign trade.
- b) Identify the simplest indicator of the international economic position of a country. Also, name the strongest factor of the foreign trade in India and China.