

CHAPTERWISE QUESTION BANK
ECONOMICS
CLASS : XII

UNIT -1 : NATIONAL INCOME AND RELATED AGGREGATES

- Q1) Differentiate between consumption goods and capital goods.
- Q2) Differentiate between final goods and intermediate goods.
- Q3) Explain how the following goods can act as a Final good-(Consumption goods Capital goods) & Intermediate goods ?
- a) Car b) Refrigerator
- Q4) State whether the following are stock/flow variables and give reasons.
- i. Money supply ii. Saving iii. Gross Domestic Product iv. Foreign assets v. Exports
vi. Investment
- Q5) Define depreciation.
- Q6) What is meant by circular flow of income?
- Q7) What do you mean by real flow and money flow?
- Q8) Draw a picture showing circular flow of income in a two sector economy with financial system?
- Q9) Give the different components of domestic factor income.
- Q10) What do you mean by double counting? How it can be avoided?
- Q11) State whether the following are included or excluded in the estimation of (a) GDP and (b) GNP. Give reason also.
- i) Profits earned by a foreign company in India.
ii) Salary paid to Americans working in Indian.
iii) Money receive from sale of share
iv) Money received from sale of an old house
v) Profits earned by a foreign bank in India
vi) Scholarship received by a student
- Q12) What should be added in the following cases? 1
- a) $GNPMP = GDPMP + \underline{\hspace{2cm}}$
b) $NNPMP = NDPMP + \underline{\hspace{2cm}}$
c) $GNPFC = GDPFC + \underline{\hspace{2cm}}$
d) $GNPFC = GDPFC + \underline{\hspace{2cm}}$
- Q13) Differentiate between factor income and transfer income.
- Q14) Define GDP deflator and give its formula.
- Q15) The value of the nominal GDP of an economy was 2,500 crore in a particular year. The value of GNP of that country during the same year, evaluated at the prices of same base year, was 3,000 crore. Calculate the value of the GNP deflator of the year in percentage terms. Has the price level risen between the base year and the year under consideration?

UNIT - 2 : MONEY AND BANKING

- Q1) Define money and state its primary functions.

- Q2) Explain the “Medium of Exchange” function of money.
- Q3) Explain the “Standard of Deferred Payment” function of money.
- Q4) What do you mean by money supply?
Explain the different components of M1 measure of money supply.
- Q5) State whether LIC, UTI or IDBI are considered as banks or not. Give reasons.
- Q6) Explain the process of credit creation by the commercial banking system with the help of a numerical example.
- Q7) Explain “Banker to the Government” function of the Central Bank.
OR
Explain “Government’s bank” function of the Central Bank.
- Q8) Explain “Banker’s bank and supervisor” function of the Central Bank.
- Q9) Explain the “Controller of credit” function of Central Bank.
- Q10) State the relationship between money multiplier and Legal Reserve Ratio.

UNIT - 3 : THEORY OF INCOME AND EMPLOYMENT

- Q1) The government invests ₹100 crores in rural manufacturing units. The MPC in the region is 0.75. Calculate the total increase in income and consumption expenditure resulting from this investment.
- Q2) Define aggregate demand and explain its principle components.
- Q3) Define consumption function and derive savings function from it.
- Q4) Suppose the consumption function is $C = 40 + 0.8y$. Derive consumption schedule when income is equal to 0, 100 Cr, 200 Cr, 300 Cr, 400 Cr, 500 Cr and 600 Cr. What is the breakeven level of income? Also mention APC at this level of income.
- Q5) State the relationship between MPC and MPS.
- Q6) Derive consumption function from savings function diagrammatically.
- Q7) What do you mean by autonomous and induced investment?
- Q8) Explain the determination of equilibrium level of income and employment with the help of a schedule using AD and AS approach.
- Q9) Define investment multiplier and state the relationship between investment multiplier and MPC and MPS.
- Q10) Explain the working of investment multiplier with the help of a numerical example.
- Q11) Find out the size of multiplier when $MPC = 0$.
- Q12) Explain the concept of excess demand or inflationary gap with the help of a diagram. Explain any two fiscal measures and monetary measures to solve the problem of excess demand.
- Q13) Explain the concept of deficient demand or deflationary gap with the help of a diagram. Explain any two fiscal measures and monetary measures to solve the problem of deficient demand.
- Q14) Define full employment equilibrium.

Q15) How much additional income will be generated in an economy with additional investment of 100cr when MPC is equal to $\frac{1}{3}$.

UNIT - 4 : GOVERNMENT BUDGET

Q1) Define government budget.

Q2) Explain the reallocation of resources objective of government budget.

Q3) Is the following revenue receipt or a capital receipt in the context of government budget and why?

i) Tax receipts ii) Disinvestment

Q4) Is the following revenue expenditure or a capital expenditure in the context of government budget and why?

i) Expenditure on collection of taxes

ii) Expenditure on purchasing of computers

Q5) Differentiate between direct taxes and indirect taxes. Give examples also.

Q6) In a government budget revenue deficit is 50000 crores and borrowings are 75000 crores. How much is fiscal deficit?

Q7) Differentiate between revenue receipts and capital receipts. Give examples also.

Q8) Differentiate between revenue expenditure and capital expenditure. Give examples also.

Q9) What do you mean by fiscal deficit?

Q10) In a government budget primary deficit is 10000 crores and interest payment is 2000 crores. Find fiscal deficit.

UNIT- 5 :- BALANCE OF PAYMENTS

(Q1) List four items each of Current and Capital account of BOP?

or

Distinguish between current and capital account of BOP.

(Q2) Name the main components of current account of BOP account. What does a deficit in current account indicate?

(Q3) What is meant by 'official reserve transactions'? Discuss their importance in Balance of Payments.

(Q4) Distinguish between 'autonomous' and 'accommodating' Balance of Payments transactions.

(Q5) What does the Balance of Payments Account record? Distinguish between the "balance on current account" and the "balance of trade" in this account.

(Q6) How is Foreign exchange rate determined in foreign exchange market?

(Q7) Explain the meaning of Managed Floating Exchange Rate.

(Q8) List four sources each of demand and supply of Foreign exchange? Use diagram

(Q9) Explain the effect of depreciation of domestic currency on exports.

or

Foreign exchange rate in India has been on the rise recently. What impact is it likely to have on exports and how ?

or

In India, the exchange rate of Rs. in terms of US dollar has fallen considerably. What is the likely impact on Indian export and why ?

(Q10) Explain the effect of appreciation of domestic currency on imports.

CHAPTER - 1 : THE STATE OF INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

1. Which of the following statements are true regarding India's foreign trade on the eve of independence?

1. India had a large export surplus that benefited the Indian economy.
2. British policies led to India exporting raw materials and importing finished goods.
3. The composition of India's exports included mainly agricultural and primary products.
4. India had control over its trade policy during the British period.

Options:

- A. 1 and 2 only
- B. 2 and 3 only
- C. 2, 3, and 4 only
- D. 1, 2, 3, and 4

2. Identify the correct statements about India's trade partners during the colonial period:

1. Britain was India's chief trading partner.
2. India's trade was diversified across many countries.
3. India imported capital goods and exported raw materials.
4. Most of India's trade was directed to countries under British influence.

Options:

- A. 1, 3, and 4
- B. 2 and 3 only
- C. 1 and 4 only

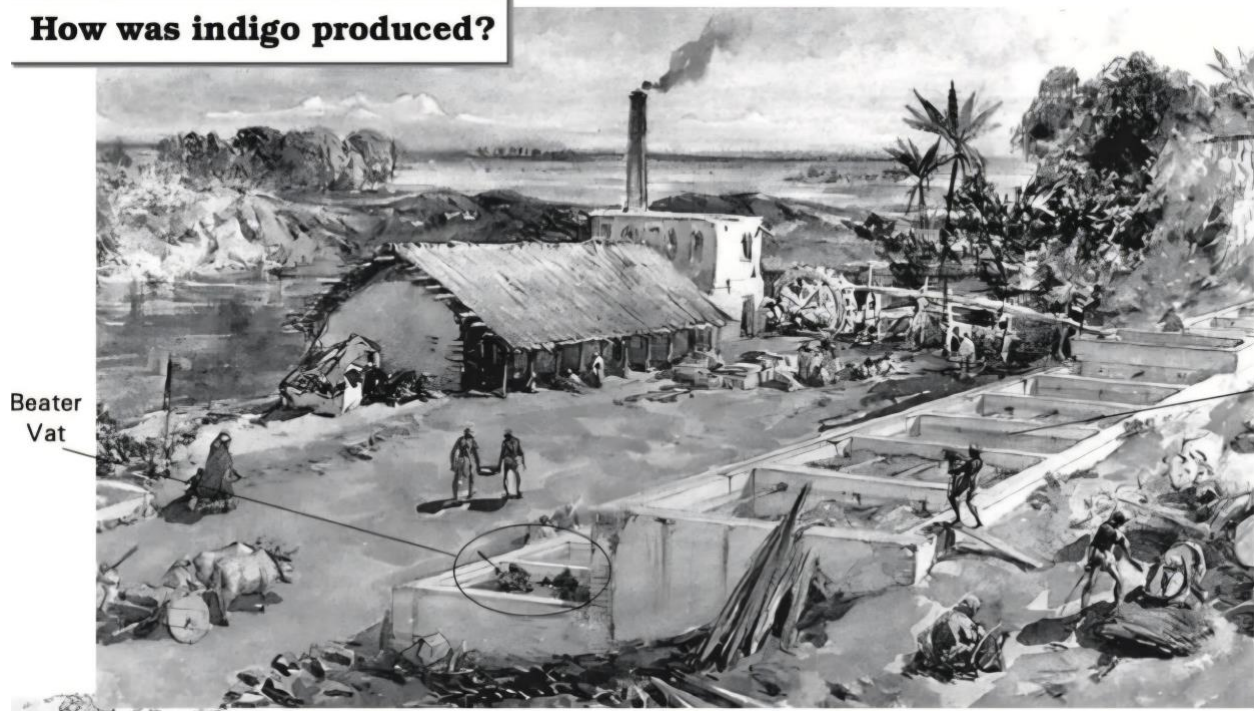
D. 1, 2, 3, and 4

3. In sector most of the work force were engaged during British rule. (Agriculture/Service/Industry)

4. "There was regional variation in the occupational structure of India during British rule." True/False?

5. Analyse the picture and answer the following questions:

How was indigo produced?



a) What does the image tell you about the scale and organization of indigo production during British rule?

b) Why was indigo such an important crop for the British?

c) Discuss whether the indigo production system shown in the image was beneficial or exploitative for Indian peasants. Justify your answer.

6. "British policy affected positively the agriculture sector" .Defend or Refute the statement with valid reason

7. Case Based Questions:

During the British colonial period, India's foreign trade was heavily controlled by the British. The East India Company first gained monopoly rights over India's trade, and later, the British government continued to direct the terms of trade to suit British economic interests. India was turned into a supplier of raw materials like cotton, indigo, and jute, and a market for British manufactured goods, particularly textiles.

High tariffs were imposed on Indian goods exported to Britain, while British goods entered India with little to no duties. India had no control over its trade policy, and the profits from India's export surplus were not invested in the Indian economy but transferred to Britain, a phenomenon known as the "economic drain."

(a) Why did the British promote export of raw materials from India and import of manufactured goods into India?

(b) What is meant by the term "economic drain," and how is it related to British monopoly over trade?

(c) How did the lack of control over trade policy affect India's economy before independence?

8. Discuss the main causes of India's agricultural stagnation during the colonial rule.

9. Discuss the positive contribution of British rule in India.

10. Give a quantitative appraisal of the demographic profile of India at the time of colonial rule.

CHAPTER -2 :INDIAN ECONOMY 1950-1990

1. Main objective of India's First Five-Year Plan initiated in 1951-1956 was.....?

- (A) Industrial development
- (B) Self-reliance in defence
- (C) Agricultural development
- (D) Import substitution

2. The Green Revolution in India was mainly associated with the increase in the production of:

- (A) Pulses
- (B) Wheat and rice
- (C) Sugarcane
- (D) Oilseeds

3. Read the following statements and choose the correct option:

Statement 1: The public sector was given a leading role in India's economic development during the early planning years.

Statement 2: The private sector was restricted due to the lack of capital and technical know-how.

Options:

- a) Only Statement 1 is correct
- b) Only Statement 2 is correct
- c) Both statements are correct
- d) Both statements are incorrect

4. Read the following statements and choose the correct option:

Statement 1: Demographic transition in India has resulted in a higher dependency ratio.

Statement 2: Youth in the working-age group is an asset to the economy.

Options:

- a) Only Statement 1 is correct
- b) Only Statement 2 is correct
- c) Both statements are correct
- d) Both statements are incorrect

5 Assertion (A): India adopted economic planning to ensure equitable distribution of wealth.

Reason (R): Economic planning helps eliminate poverty and bridge income disparities.

Options:

- 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, R is false
- d) A is false, R is true

6 After studying the economic strategies adopted by India between 1950 and 1990, a student concluded that the government played a central role in economic planning, focusing on self-reliance and heavy industry.

Which of the following developments best supports this conclusion?

- A. Rapid liberalization of foreign trade and investment policies
- B. Growth of private sector enterprises with minimal government control
- C. Implementation of Five-Year Plans emphasizing public sector and import substitution
- D. Adoption of a free market economy with limited state intervention

7 During the period 1950–1990, India adopted a mixed economy model.

What does a mixed economy imply in the Indian context?

- a) Complete control of private sector over resources
- b) Complete government ownership of all businesses
- c) Co-existence of public and private sectors with planned development
- d) Economy driven entirely by market forces

8 Read the passage and answer the questions below:

India launched the New Economic Policy (NEP) in 1991 due to a severe balance of payments crisis. The policy aimed to liberalize the economy through deregulation, privatization, and globalization (LPG). The policy helped increase foreign investment and improved export performance, but also led to rising inequality.

Q8.1. On the basis of above passage state the main reason for launching the New Economic Policy in 1991?

Q8.2. As per your ideas from the above passage state the most effective tool of NEP 1991.

Q8.3. On consequence of economic reforms mentions one positive impact of the policy.

9 Read the case and answer the questions:

India's economic development was characterized by state-led planning and an emphasis on import-substitution industrialization. Five-Year Plans, developed by the Planning Commission, guided economic development, aiming for growth, modernization, self-reliance, and equity. The period saw significant progress in agriculture, with land reforms and the Green Revolution boosting food production. Industrialization was promoted

through public sector expansion and import substitution policies. However, the economy also faced challenges, including a focus on inward-looking policies, which hindered export growth and led to dissatisfaction with the performance of public sector enterprises.

Q9.1. If you were a policy advisor in the 1980s, based on the information in the passage, what changes would you suggest to improve the economic strategy of India? Justify your answer.

Q9.2. Compare the intended goals of import-substitution industrialization with its actual outcomes, as highlighted in the passage. What inferences can you draw about the effectiveness of this strategy?

Q10. Discuss the objectives of growth with equity

CHAPTER - 3 : LPG POLICIES- AN APPRAISAL

1. Apple is planning to shift its production from China to India. What could be the reasons behind this decision of the company.

2. Anita noticed that after the 1991 reforms, many government-owned companies were sold to private firms or saw private investment. She wondered why the government made such a move.

Question:

Based on Anita's observation, explain why privatization was adopted as a part of economic reforms in 1991 and how it helped improve the performance of public sector enterprises.

3. Rohit read in the newspaper that after 1991, many foreign companies started investing in India, and Indian consumers got access to a wider variety of goods at competitive prices. He is curious to know how this change happened.

Question:

Using Rohit's observation, explain how globalization as a part of the 1991 economic reforms impacted the Indian economy and consumers.

4. In 1991, India faced a severe balance of payments crisis with foreign exchange reserves barely enough to cover two weeks of imports. This prompted the Indian government to implement major economic reforms under the guidance of Finance Minister Dr. Manmohan Singh. These reforms aimed at liberalizing the economy, reducing government control, and encouraging private and foreign investments. The reforms included de-licensing of industries, reduction of import tariffs, deregulation of interest rates, privatization of public sector enterprises, and encouragement of foreign direct investment (FDI). These steps marked a shift from a planned economy to a market-oriented one. The reform policies were based on Liberalization, Privatization, and Globalization (LPG).

As a result, India witnessed increased industrial and service sector growth, rise in exports, and a substantial increase in foreign exchange reserves. However, the reforms also led to greater income inequality and regional disparities. While urban areas and skilled labor benefited, rural regions and unskilled workers faced challenges. Thus, the 1991 reforms played a crucial role in transforming India's economy, laying the foundation for high economic growth in the subsequent decades.

(a). Explain how liberalization under the 1991 reforms affected the industrial sector in India.

(b). Give your opinion regarding positive and negative impacts of the economic reforms of 1991.

5. Enlist the advantages which makes India a favourite outsourcing destination in the world.

6. Discuss the role of WTO.

7. "The LPG reforms of 1991 significantly increased the inflow of foreign investment by liberalising regulations and allowing greater foreign direct investment (FDI) in various sectors of the Indian economy".

In the light of given statement explain that how did the LPG reforms of 1991 impact the inflow of foreign investment in India?

8. GST was implemented on 1st July 2017 as a single unified indirect tax. It replaced multiple indirect taxes like VAT, service tax, and excise duty.

GST is levied at each stage of the supply chain and allows seamless input tax credit, making it more efficient and transparent.

Mention four benefits of GST for businesses or consumers.

CHAPTER - 4 : HUMAN CAPITAL FORMATION

1. Mahesh and Dinesh both had their own farms. Mahesh invested in a few agricultural courses, learnt modern farming techniques and trained her labourers on best practices related to soil fertility, crop management, pest control etc. Whereas, Dinesh invested

heavily in, by purchasing advanced farming machinery, irrigation systems, and high quality seeds.

Do you agree that Dinesh had made investment in human capital? Give valid reason in support of your answer.

2. "Expenditure on preventive medicine, curative medicine and social medicine helps in building human capital and economic development."

Do you agree with the given statement? Give valid arguments in support of your answer.

3. This enhanced productivity of human beings or human capital contributes substantially not only towards increasing labour productivity but also stimulates innovations and creates the ability to absorb new technologies.

Education provides knowledge to understand changes in society and scientific advancements, thus, facilitate inventions and innovations. Similarly, the availability of educated labour force facilitates adaptation to new technologies.

On the basis of above passage give answers of the following questions :

(a) Which factor is responsible for enhancing the productivity of human capital?

(b) Why do you think that an educated labour force is considered as for human capital?

4. Explain the main sources of human capital.

5. How does education contribute to human capital formation?

6. Human capital formation increases the efficiency of physical capital. How?

7. Why do so many children drop out from different levels of education in India?

8. Discuss the need for promoting women's education in India.

9. "Recently the government of India has taken a few steps to reach the 6% growth goal as recommended by the Education Commission, 1964". Do you agree with the given statement? Give reasons in support of your answer

10. Explain the problems facing human capital formation in India.

CHAPTER - 5 : RURAL DEVELOPMENT

1. Fill in the blanks

(1) The share of agriculture sector in the GDP is on a _____.

(2) During the 11th five year plan the agricultural output grew at _____%.

(3) According to purpose, rural credit can be classified as _____ or _____.

(4) _____ is the apex body that coordinates the activities of all institutions involved in Rural Finance.

(5) _____ have been advancing informal credit in the rural areas for years.

(6) In _____ nationalisation of commercial banks took place.

(7) SHGs are a part of _____.

(8) _____ have been set up in Backward districts to provide credit facilities to small and marginal farmers.

(9) In India almost _____% of produce is wasted due to lack of storage.

- (10) Buffer stocks are maintained by _____.
- (11) Direct Marketing channel in Punjab and Rajasthan is called _____.
- (12) Direct marketing channel in Pune is called _____.
- (13) Direct marketing channel in Tamilnadu is called _____.
- (14) _____ are the direct selling markets for vegetables and fruits in Andhra Pradesh.
- (15) Two aspects of diversification in agriculture are _____ and _____.
- (16) _____ is a project initiated in Tamilnadu to train women in latest agriculture techniques.
- (17) _____ has set an example for other states in the efficient implementation of milk cooperatives.
- (18) The period of _____ is known as 'Golden Revolution' period.
- (19) _____ farming helps maintain ecological balance.
- (20) Operation flood is linked to the production of _____.

Q2. Objective type Questions

- (a) List any two key issues of Rural Development.
- (b) For what purpose do people of rural India Take?
- (i) Short Term credit
- (ii) Medium term credit
- (iii) Long term credit
- (c) Give two unproductive use of credit by rural population.
- (d) List 3 Non institutional sources of credit.
- (e) List 3 institutional sources of credit.
- (f) What % of India's fish production comes from inland and marine sources?
- (g) Name 2 states of India that are major producers of marine products.
- (h) List any 2 harms of using chemical based fertilizers and pesticides.
- (i) Why is diversification in agriculture necessary?
- (j) Write the full form of the following
- (i) NABARD
- (ii) TANWA
- (iii) MSP
- (iv) SHGs
- (v) FCI

Q3. Correct the given statement

- (a) In rural India more credit is obtained through institutional source.
- (b) The period of Medium term ranges from 5-20year
- (c) Loan taken to payback previous debts is productive loan.
- (d) Regional Rural banks are the largest source of institutional credit in rural areas.
- (e) RBI is the apex body to coordinate the activities of all the institutions in rural finance.
- (f) NABARD was set up in the 1992.

- (g) 'White Revolution' is associated with record production of fruits and vegetables.
 - (h) The period between 2012-17 is also called 'Golden Revolution period'.
 - (i) Organic products have long shelf life.
 - (j) 78% of Indian farmers are large farmers.
- Q4. Discuss the benefits and limitations of organic farming.

CHAPTER - 6 : EMPLOYMENT

Q1. One word/Very Short Question

- (a) What % of India's workforce is self employed and hired?
- b) Write 3 benefits of working as a regular worker.
- (c) How do we get number of unemployed persons?
- (d) Which sector is still the major source of employment in India?
- (e) List two reasons of decline in employment in formal sector.
- (f) Why is % of women working in rural areas is more than urban areas.
- (g) Name two common types of urban unemployment
- (h) Give 2 social effects of unemployment.
- (i) Name two self employment generating programmes of the government.
- (j) List 2 economic effects of unemployment.
- (k) Why does rural workforce migrate to urban areas during some part of the year?

Q2. Correct the given statements

- (a) Labour force includes all those who are working.
 - (b) 52% of Indian workforce is hired
 - (c) Number of women worker in urban area is more than in rural area.
 - (d) Service sector is the major employer in the rural areas.
 - (e) In India there is an increase in the Growth rate of GDP with corresponding increase in employment opportunities.
 - (f) Structural Unemployment occurs due to phases of recession and depression.
 - (g) Disguised unemployment is a situation when the total output falls if some of the workers are withdrawn from the job.
 - (h) Seasonal unemployment is very common in the urban areas.
 - (i) Those who work in their own establishment using their own resources are called hired workers.
 - (j) MGNREGA Act was passed in the year 2009.
- Q3. Differentiate between formal and informal sector.

CHAPTER - 7 : ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

- Q1. Define environment and give 2 elements of environment.
- Q2. Explain functions of the Environment.
- Q3. Define environmental crisis and explain causes of environmental crisis.
- Q4. Explain effects of environmental crisis.
- Q5. Write a note on global Warming.
- Q6. Write a note on Ozone layer depletion.
- Q7. Explain Reversal of supply-demand relationship of environmental resources.
- Q8. Explain state of India's environment.
- Q9. Explain the environmental challenges of India.
- Q10. Explain the concept of sustainable development.
- Q11. Explain strategies for sustainable development.
- Q12. As an aware citizen, what steps will you initiate to achieve sustainable development?
- Q13. Write a note on
 - (a) Carrying capacity of the environment.
 - (b) Absorptive capacity of the environment.
 - (c) Bio composting

CHAPTER - 8 : COMPARATIVE DEVELOPMENT EXPERIENCES OF INDIA AND ITS NEIGHBOURS

- Q1. Explain similarities between India, Pakistan and China in their developmental strategies.
- Q2. Explain the historical path of developmental policies in China.
- Q3. Explain the historical path of developmental policies in Pakistan.
- Q4. Compare Demographic indicators of India, China and Pakistan.
- Q5. Compare Gross Domestic Product (GDP) and its growth in India, China and Pakistan.
- Q6. Explain sector wise contribution to GDP and distribution of workforce in India, China and Pakistan.
- Q7. Compare human development indicators of India, China and Pakistan.
- Q8. Write a note on Liberty indicators.
- Q9. Explain structural reforms of China in 1978.
- Q10. Explain the reasons for the re-emergence of poverty in Pakistan.

