Brain International School
Vikas Puri, New Delhi

REVISION SHEET

SUBJECT: ECONOMICS **CLASS-XII** **TERM 1**

MACROECONOMICS

1 MARK QUESTIONS:

Q1. Which of the following is **not** a stock variable?
a) Wealth
b) Capital
c) National Income
d) Money Supply

Q2. Assertion (A): Intermediate goods are excluded while estimating National Income.
Reason (R): Their inclusion leads to double counting.
a) Both A and R are true and R is the correct explanation.
b) Both A and R are true but R is not the correct explanation.
c) A is true but R is false.
d) A is false but R is true.

Q3. Currency held by the public and demand deposits together constitute:
a) M4
b) M3
c) M1
d) M2

Q4. Which of the following is an injection into the circular flow of income?
a) Savings
b) Imports
c) Taxes
d) Investment

Q5. Bank rate is increased by the RBI. The most likely effect is:
a) Increase in credit creation
b) Increase in money supply
c) Decrease in borrowing from RBI
d) Increase in inflation

Q6. Net Domestic Product at Market Price is equal to:
a) GDPMP – Depreciation
b) GDPFC – Depreciation
c) GNPMP – NFIA
d) NNPMP + NFIA

Q7. Which of the following is a function of commercial banks?

a) Issue of currency
b) Custodian of foreign exchange
c) Acceptance of deposits
d) Framing monetary policy

Q8. The value of output produced by a firm is ₹12 lakh. Intermediate consumption is ₹4.5 lakh. Value added equals:

a) ₹7.5 lakh
b) ₹16.5 lakh
c) ₹8 lakh
d) ₹6.5 lakh

Q9. Which of the following is a transfer payment?

a) Salary
b) Rent
c) Pension
d) Interest on capital

Q10. The primary objective of macroeconomics is to study:

a) Individual consumer behaviour
b) Price of a commodity
c) Aggregate economic variables
d) Behaviour of a firm

Q11. If CRR is increased, banks are likely to:

a) Lend more
b) Create more credit
c) Create less credit
d) Reduce deposits

Q12. Assertion (A): Money acts as a store of value.

Reason (R): Money eliminates the problem of double coincidence of wants.

a) Both A and R are true and R is the correct explanation.
b) Both A and R are true but R is not the correct explanation.
c) A is true but R is false.
d) A is false but R is true.

Q13. National Income at Factor Cost is:

a) GDPMP + Depreciation
b) NNPFC
c) GNPMP
d) GDPFC

Q14. Which one of the following is a leakage?

a) Government expenditure
b) Investment
c) Exports
d) Savings

Q15. Money multiplier mainly depends upon:

a) Repo Rate

b) Cash Reserve Ratio
c) Reverse Repo Rate
d) SLR

Q16. Which of the following is included while estimating Domestic Income?
a) Factor income from abroad
b) Depreciation
c) Net Factor Income from Abroad
d) Factor income generated within domestic territory

Q17. A rise in people's preference for holding cash will:
a) Increase money multiplier
b) Reduce money multiplier
c) Have no effect
d) Increase CRR

Q18. Which one is a flow variable?
a) Capital
b) Wealth
c) Savings during a year
d) Cash balance

Q19. Which of the following is a liability for a commercial bank?
a) Loans advanced
b) Cash in hand
c) Deposits accepted
d) Investments

Q20. While estimating National Income, expenditure on purchase of old shares is:
a) Included under investment
b) Included under consumption
c) Included under capital formation
d) Not included

3 MARKS QUESTIONS:

Q21. Distinguish between **Stock** and **Flow** variables with one suitable example of each.

Q22. Explain any **three functions of money** with suitable examples from daily life.

Q23. Explain the role of **Savings, Investment and Government Expenditure** in the circular flow of income.

Q24. Numerical

Calculate **GDP at Market Price** from the following data:

- Private Final Consumption Expenditure = ₹900 crore
- Government Final Consumption Expenditure = ₹250 crore
- Gross Domestic Capital Formation = ₹320 crore
- Change in Stock = ₹40 crore
- Exports = ₹180 crore
- Imports = ₹210 crore

Q25. Explain **three precautions** to be taken while estimating National Income by the Value Added Method.

Q26. Explain the process of **credit creation by commercial banks** with the help of a simple numerical example.

Q27. Numerical

Calculate **Gross Value Added at Market Price**.

Particulars	₹ (crore)
Sales	750
Closing Stock	40
Opening Stock	20
Intermediate Consumption	310

Q28. Explain any **three qualitative instruments** of monetary policy used by the RBI.

Q29. Why are the following **not included** in National Income? (Any three)

(i) Lottery winnings
(ii) Sale of old furniture
(iii) Income from smuggling
(iv) Scholarship received by students

Q30. Numerical

Calculate **Net National Product at Factor Cost (National Income).**

- GDPMP = ₹6,000 crore
- Depreciation = ₹350 crore
- Net Factor Income from Abroad = ₹120 crore
- Net Indirect Taxes = ₹450 crore

4 MARKS QUESTIONS:

Q31. Calculate **Net Domestic Product at Factor Cost (NDPFC)** from the following data:

Particulars	₹ (crore)
Compensation of Employees	850
Rent	140
Interest	120
Profit	210
Mixed Income	180
Consumption of Fixed Capital	90
Net Indirect Taxes	110

Q32. State whether the following are included while estimating **National Income**. Give reasons for your answer.
i) Salary received by an Indian working in the Indian Embassy in London.
ii) Purchase of equity shares of Reliance Industries.
iii) Commission received by a property dealer.
iv) Old-age pension received by a retired government employee.

Q33.Explain the **money creation process by commercial banks** with the help of a numerical example, assuming:
Initial Deposit = ₹20,000
Cash Reserve Ratio (CRR) = 10%
Also calculate the **maximum total deposits** that can be created.

Q34. The RBI observed a persistent rise in inflation due to excess liquidity in the economy.
Identify **any four quantitative measures** that the RBI can use to control inflation. Explain how each measure helps in reducing money supply.

Q35. (National Income Numerical)
Calculate **Gross National Product at Market Price (GNPMP)**.

Particulars	**₹ (crore)**
GDPMP	8,500
Net Factor Income from Abroad	–150
Consumption of Fixed Capital	300
et Indirect Taxes	450

Q36. Differentiate between **Central Bank** and **Commercial Banks** on the basis of any **four** of the following:
Ownership
Currency Issue
Credit Creation
Banker to Government
Lender of Last Resort
Objective

Q37. A country's National Income is estimated by the **Income Method**. The following information is available:

Particulars	**₹ (crore)**
Compensation of Employees	1,250
Rent	180
Interest	140
Profit	320
Mixed Income	210
Net Factor Income from Abroad	60

Calculate:
a) Domestic Income
b) National Income

Q38.Explain the concept of **Leakages** and **Injections** in the Circular Flow of Income.
How does equilibrium get restored when planned savings exceed planned investment?

Q39. From the following data, calculate **GDP at Market Price** using the **Value Added Method**.

Particulars	₹ (crore)
Output	2,000
Intermediate Consumption	1,150
Consumption of Fixed Capital	100
Net Indirect Taxes	140

Q40. (HOTS)
During an economic slowdown, the RBI reduces the Repo Rate and the CRR simultaneously.
Explain the likely impact of these measures on:
i) Commercial Banks
ii) Credit Creation
iii) Investment
iv) National Income
Support your answer with appropriate economic reasoning.

6 MARKS QUESTIONS:

Q41. Calculate **National Income (NNP at Factor Cost)** from the following data:

Particulars	₹ (crore)
Private Final Consumption Expenditure	2,850
Government Final Consumption Expenditure	750
Gross Domestic Capital Formation	920
Change in Stock	80
Exports	420
Imports	350
Consumption of Fixed Capital	250
Net Factor Income from Abroad	150
Net Indirect Taxes	300

Q42. Calculate **National Income** using the Income Method.

Particulars	₹ (crore)
Compensation of Employees	1,950
Rent	280
Interest	220
Profit	480
Mixed Income	320
Employer's Contribution to Social Security	60
Net Factor Income from Abroad	110

Also explain why **transfer incomes** are excluded while estimating National Income.

Q43. The following information relates to an economy:

Particulars	₹ (crore)
Sales	1,900
Closing Stock	140
Opening Stock	90
Intermediate Consumption	920

Particulars	₹ (crore)
Consumption of Fixed Capital	110
Net Indirect Taxes	130
Net Factor Income from Abroad	–40

Calculate:
a) Gross Value Added at Market Price
b) GDP at Market Price
c) NDP at Market Price
d) GNP at Market Price

Q44. Read the following case carefully and answer the questions that follow:
The Reserve Bank of India observed that inflation had increased continuously over six months due to excessive demand and rapid expansion of bank credit. To maintain price stability, the RBI adopted a contractionary monetary policy.
Answer the following:
a) Name any two quantitative tools available with RBI to control inflation.
b) Explain how an increase in the Repo Rate affects credit creation.
c) Explain the impact of an increase in CRR on money supply.
d) Which objective of monetary policy is reflected in this case?

Q45. (HOTS – Circular Flow of Income)
Explain the Circular Flow of Income in a **four-sector economy** with the help of a neat labelled diagram.
Also explain:
a) Leakages
b) Injections
c) Condition for equilibrium
d) Effect of imports increasing while exports remain constant.

Q46. (Integrated National Income Numerical)
Calculate **GDPMP, NDPFC and National Income**.

Particulars	₹ (crore)
Gross Value Added at Basic Prices	4,800
Net Product Taxes	450
Consumption of Fixed Capital	300
Net Factor Income from Abroad	180

Q47. (Application-Based Banking)
Commercial banks play an important role in economic development through credit creation.
Explain:
a) The process of credit creation.
b) Any two limitations of credit creation.
c) Distinguish between **Primary Deposits** and **Derivative Deposits**.
d) Explain the relationship between CRR and Money Multiplier.

Q48. (National Income Concepts)
Differentiate between the following by giving **any six points**:
a) GDP and GNP
b) Market Price and Factor Cost
c) Gross and Net Concepts
Support each distinction with a suitable example.

Q49. (Competency-Based Numerical)
From the following information, calculate **Personal Income (PI)** and **Personal Disposable Income (PDI)**.

Particulars	**₹ (crore)**
National Income	7,500
Corporate Tax	520
Undistributed Profits	310
Net Current Transfers from Government	420
Net Current Transfers from Rest of the World	60
Personal Tax	680

Also explain why **Personal Income differs from National Income**.

Q50. (HOTS – Analytical Question)
A country records a high rate of economic growth, but unemployment and inflation continue to rise simultaneously.
Using concepts from **Macroeconomics, Money and Banking**, answer the following:
a) Why is National Income alone not a sufficient indicator of economic welfare?
b) Explain any two possible monetary policy measures that the RBI can adopt in such a situation.
c) How can excessive credit creation contribute to inflation?
d) Suggest any two fiscal measures that the government can adopt to complement monetary policy.

VERY SHORT ANSWER QUESTIONS (1 MARK):

Q51. Which of the following was **not** a feature of the Indian economy on the eve of Independence?
(a) Predominance of agriculture
(b) Well-developed industrial sector
(c) Low level of per capita income
(d) Poor occupational structure

Q52. The Green Revolution mainly benefited the states of ________ and Haryana.

Q53. Name the institution established in 1950 to formulate India's Five-Year Plans.

Q54. Assertion (A): LPG reforms were introduced in 1991.
Reason (R): India faced a severe Balance of Payments crisis.
Choose the correct option.

Q55. Match the following:

Column A	**Column B**
WTO	Global trade
Human Capital	Education and health
NABARD	Rural credit
MGNREGA	Employment guarantee

Q56. **Which of the following policy measures was *not* a part of the New Economic Policy, 1991?**
(a) Liberalisation
(b) Privatisation
(c) Globalisation
(d) Nationalisation

Q57.The process of transferring ownership of public sector enterprises to private enterprises is called ________.

Q58. Name one objective of rural development.
Assertion (A): Investment in education improves human capital.
Reason (R): Education increases the productivity and efficiency of workers.
Choose the correct option.
Which of the following correctly explains the Mahanalobis strategy adopted during the Second Five-Year Plan?
(a) Priority to consumer goods industries
(b) Priority to heavy and capital goods industries
(c) Priority to foreign trade
(d) Priority to service sector

Q59.Which Five-Year Plan gave priority to agriculture after the failure of the Second Plan?

Q60.Name the type of unemployment in which workers appear to be employed but their marginal productivity is zero.

Q61.Which of the following statements is correct regarding human capital formation?
(a) It refers only to expenditure on education.
(b) It includes expenditure on education, health and skill development.
(c) It refers only to physical capital formation.
(d) It reduces labour productivity.

Q62. Match the following:

Column A	**Column B**
Green Revolution	HYV seeds
White Revolution	Milk production
Operation Flood	Dairy development
NABARD	Agricultural and rural credit

Q63.During British rule, India mainly exported ________ and imported manufactured goods.

Q64.Which of the following is an example of institutional rural credit?
(a) Moneylender
(b) Trader
(c) NABARD
(d) Landlord

Q65.What is the full form of LPG in the context of economic reforms?

Q66. Which of the following workers is most likely to be a part of the informal sector?
(a) Permanent government school teacher
(b) Bank manager
(c) Street vendor
(d) IAS officer

Q67.Name one source of institutional credit available to farmers in India.

Q68. Assertion (A): Rural infrastructure plays a vital role in agricultural development.
Reason (R): Better roads and irrigation improve market access and productivity.
Choose the correct option.

SHORT ANSWER TYPE QUESTIONS (3 MARKS):

Q69. The British government introduced railways in India during the colonial period. Do you think the Railways benefited only the British economy? Give a balanced view with any three points.

Q70. India adopted a mixed economic system after Independence instead of a completely capitalist or socialist system. Justify this decision with three suitable arguments.

Q71. The Green Revolution increased agricultural production but also widened regional and income inequalities. Explain this statement with any three points.

Q72.Suppose the Government of India decides to privatise a large public sector enterprise. Analyse any three possible positive and negative effects of this decision on the economy.

Q73.Investment in education is often considered more beneficial than investment in physical capital in the long run. Do you agree? Give any three reasons to support your answer.

Q74. A village has fertile land but lacks irrigation facilities, roads, storage, and banking services. Suggest any three measures that can promote rural development in this village and justify your suggestions.

Q75..Read the following case and answer the questions:

Ravi works as a street vendor in a city. He has no written employment contract, receives no paid leave, and has no social security benefits. During the rainy season, his income falls drastically.

(i) Identify the sector in which Ravi is employed.
(ii) Mention any two problems faced by workers in this sector.
(iii) Suggest one measure that can improve their working conditions.

Q76. Economic reforms introduced in 1991 aimed to improve the Indian economy. Analyse any three ways in which liberalisation has contributed to economic growth in India.

Q77. .Compare the objectives of the First and Second Five-Year Plans. Why was there a shift in planning priorities? Explain with suitable reasons.

Q78. A policymaker argues that increasing employment is more important than increasing GDP. Do you agree?
Give any three arguments with reference to the employment situation in India.

SHORT ANSWER TYPE QUESTIONS (4 MARKS):

Q79.. At the time of Independence, India had a stagnant economy. Agriculture suffered from low productivity, industries were underdeveloped, and the literacy rate was very low. Most people depended on agriculture for their livelihood."

Q80. (a) State any two features of the Indian economy on the eve of Independence. (2)
(b) Why was India's occupational structure considered backward? (2)

Q82. The Government of India followed the strategy of developing heavy industries during the Second Five-Year Plan.
Do you think this strategy was appropriate for a newly independent country? Explain any four arguments in support of your answer.

Q83. India introduced the New Economic Policy in 1991.
Explain the three major components of the New Economic Policy and analyse one significant impact of each on the Indian economy.

Q84. Read the passage carefully:
"A district administration has decided to improve school infrastructure, establish a skill development centre, provide better healthcare facilities, and launch vocational training programmes for youth."
(a) Which concept of economics is highlighted in the above case? (1)
(b) Explain any three benefits of such initiatives for the economy. (3)

Q85. A village has fertile agricultural land but lacks irrigation, banking facilities, all-weather roads and storage facilities.
Suggest any four measures that the government should take to ensure comprehensive rural development.

Q86. "The informal sector contributes significantly to employment but not necessarily to workers' welfare."
Do you agree? Justify your answer with any four suitable arguments.

Q87. Read the passage carefully:

"A public sector enterprise was incurring heavy losses. The government decided to sell a majority stake to a private company. After a few years, production increased, but a section of workers lost their jobs."
(a) Identify the economic reform referred to in the passage. (1)
(b) Mention one advantage of this reform. (1)
(c) Mention two possible adverse effects of this reform. (2)

Q88. Compare the objectives of the First and Second Five-Year Plans.
How did these objectives influence India's agricultural and industrial development? Explain with four points.

Q89. Read the following case:
"Seema works as a domestic helper. She has no written contract, no medical benefits, and her wages vary from month to month. During festivals, she earns more, while at other times she struggles to find work."

(a) Identify the sector in which Seema is employed. (1)
(b) State any one characteristic of this sector. (1)
(c) Suggest any two measures to improve the condition of workers in this sector. (2)

Q90. Describe Industrial Reforms.

LONG ANSWER TYPE QUESTIONS (6 MARKS)

Q91.Economic planning, human capital formation, rural development and employment are closely related.
Explain this statement by discussing any four interrelationships among these concepts with suitable examples.

Q92. Read the following passage carefully:
"At the time of Independence, India's economy was characterised by low agricultural productivity, poor industrial development, widespread poverty and unemployment. The colonial government had primarily focused on protecting British economic interests."
Answer the following:
(a) Explain any two features of the Indian economy on the eve of Independence. (2)
(b) Discuss any two major impacts of British rule on Indian agriculture. (2)
(c) Suggest any two measures adopted after Independence to overcome these challenges. (2)

Q93. India adopted economic planning after Independence.
Discuss:
Four major objectives of the Five-Year Plans.
Evaluate any two achievements and two limitations of economic planning during the period 1951–1990.

Q94. "The economic reforms of 1991 were both necessary and controversial."
In the light of this statement:
Explain the three pillars of the New Economic Policy.
Analyse any three positive and three negative effects of these reforms on the Indian economy.

Q95. Read the following case:
A state government increased its expenditure on schools, colleges, hospitals, skill development centres and digital education. Within a few years, literacy rates improved, infant mortality declined and employment opportunities increased.
Answer the following:
(a) Identify the concept highlighted in the case. (1)
(b) Explain any three ways in which investment in human capital promotes economic development. (3)
(c) Differentiate between human capital and human development. (2)

Q96. "Rural development is not merely agricultural development."
Do you agree with the statement? Justify your answer by explaining the various dimensions of rural development and suggest suitable measures to improve the quality of life in rural areas.

Q97. Read the following passage:
"More than 90% of India's workforce is employed in the informal sector. Most of these workers have no written contracts, social security, paid leave or job security."

Answer the following:
(a) Differentiate between formal and informal sectors on any three bases. (3)
(b) Explain any three problems faced by workers in the informal sector. (3)

Q98. Compare the Indian economy before and after the 1991 economic reforms with respect to:
Role of the government
Industrial licensing
Foreign investment
Foreign trade
Public sector
Competition

Q99. Read the following passage:

"A rural district received better roads, irrigation facilities, banking services and internet connectivity. Small industries developed, educational institutions expanded and employment opportunities increased."
Answer the following:
(a) Identify any three dimensions of rural development reflected in the passage. (3)
(b) Explain how these developments contribute to employment generation and economic growth. (3)

Q100. Evaluation-Based Question (Integrated Chapters 1–6)

"The policies adopted after Independence and the reforms introduced in 1991 were both aimed at improving the Indian economy, though their approaches differed."

Evaluate this statement by comparing:

The development strategy before 1991,
The New Economic Policy of 1991, and
Their impact on economic growth, employment and social welfare.