

MANU VATIKA SEN. SEC. SCHOOL BUDHLADA

XII Economics {Arts & Commerce}

NAME _____ ROLL NO _____ STREAM _____

This paper contains 200 Multiple Choice Questions type questions of 1 mark each.

Alternatives for Assertion Reason based question:-

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion
- (c) Assertion (A) is true but Reason (R) is false.
- (d) Assertion (A) is false but Reason (R) is true.

Alternatives for Statement based question:-

- (a) Statement I is True; Statement II is False
- (b) Statement I is false; Statement II is True
- (c) Statement I is True; Statement II is True
- (d) Statement I is false; Statement II is False.

Q1. Which of the following is an example of a revenue receipt for the Government of India?

- a) Recovery of loans from public sector enterprises
- b) Sale of shares in a public sector enterprise
- c) Corporate tax collected from companies
- d) Borrowings from the Reserve Bank of India

Q2. Which of the following correctly describes capital expenditure in a government budget?

- a) Expenditure that neither creates assets nor reduces liabilities
- c) Expenditure on interest payments

Q3. In the context of the government budget, fiscal deficit is equal to:

- a) Total expenditure – Total receipts (excluding borrowings)
- b) Revenue expenditure – Revenue receipts
- c) Capital expenditure – Capital receipts
- d) Revenue receipts – Revenue expenditure

Q4. A balanced budget refers to a situation where:

- a) Revenue receipts equal revenue expenditure
- b) Capital receipts equal capital expenditure
- c) Total expenditure equals total receipts
- d) Fiscal deficit is zero but revenue deficit is positive

Q5. Which of the following is an objective of government budget related mainly to social justice?

- a) Economic growth
- b) Reallocation of resources
- c) Reducing income and wealth inequalities
- d) Management of public enterprises

Q6. Assertion (A): Expenditure on construction of a new highway by the government is a capital expenditure.

Reason (R): Capital expenditure generally leads to creation of long-term assets for the government.

Q7. Assertion (A): Revenue deficit indicates that the government's revenue receipts are insufficient to meet its revenue expenditure.

Reason (R): Revenue deficit is equal to total expenditure minus total receipts

Q8. Assertion (A): A high fiscal deficit may lead to an increase in public debt of the government.

Reason (R): Fiscal deficit reflects the amount the government needs to borrow to meet expenditure in excess of non-borrowing receipts.

Q9. Assertion (A): Government can use its budget as an instrument to reduce regional inequalities in the country.

Reason (R): The government can allocate more expenditure on infrastructure and development projects in backward regions.

Q10. Assertion (A): Taxes are an important component of government revenue in the budget.

Reason (R): Taxes are voluntary payments made by citizens to the government in return for specific benefits.

Q11. Balance of Payments (BoP) of a country is

1. A statement of only visible trade with the rest of the world.
2. A systematic record of all economic transactions between residents of a country and the rest of the world during a given period
3. Always necessarily in equilibrium.
4. Only a record of government transactions with the rest of the world.

Choose the correct alternative:

- a) 1 and 2 only b) 2 only c) 1, 2 and 3 only d) 2 and 4 only

Q12. Which of the following items is recorded in the current account of BoP?

- a) External commercial borrowing by an Indian company
- b) Purchase of machinery from abroad by a domestic firm
- c) Interest received on loans given to a foreign government
- d) Foreign direct investment by a foreign company in India

Q13. Consider the following statements about capital account of BoP:

1. It records transactions that change the country's foreign assets and liabilities.
2. Foreign direct investment (FDI) and foreign portfolio investment (FPI) are part of capital account
3. Gifts sent by an Indian resident to her relative abroad are recorded in capital account

Choose the correct alternative:

- a) 1 and 2 only b) 2 and 3 only c) 1 and 3 only d) 1, 2 and 3

Q14. Which of the following correctly describes autonomous transactions in BoP?

- a) Transactions undertaken to cover deficit or surplus in BoP
- b) Transactions that are independent of the state of BoP and motivated mainly by profit or other economic considerations
- c) Transactions relating only to official reserve movements
- d) Transactions recorded only in the current account

Q15. In BoP accounting, accommodating transactions are often called "below-the-line" items because:

- a) They relate exclusively to exports and imports of goods.
- b) They are recorded only when the current account is in surplus.
- c) They are recorded after calculating the deficit or surplus on autonomous transactions.
- d) They are part of the government budget identity.

Q16. Assertion (A): A deficit in the current account of BoP can be financed through capital inflows like foreign borrowing or use of foreign exchange reserves.

Reason (R): Capital account records transactions that lead to changes in the foreign assets and foreign liabilities of a country

Q17. Assertion (A): Export of goods by an Indian firm is recorded as a credit item in the current account of India's BoP.

Reason (R): In BoP, all transactions which bring in foreign exchange are recorded as credit entries.

Q18. Assertion (A): Loans from the International Monetary Fund (IMF) taken by the government are treated as capital account transactions in BoP.

Reason (R): Such loans create a liability of repayment in future and hence change the stock of foreign liabilities of the country.

Q19.Assertion (A): Autonomous items of BoP determine whether the BoP is in surplus or in deficit.

Reason (R): Accommodating items are recorded mainly to restore the overall balance in BoP

Q20. Assertion (A): A “balanced” BoP means that the sum of all credit items is exactly equal to the sum of all debit items.

Reason (R): By accounting identity, every international transaction is recorded twice in BoP, once as a credit and once as a debit, which ensures overall balance.

Q21. Foreign exchange rate refers to:

- a. The price of domestic goods in terms of foreign goods
- b. The price of one currency in terms of another currency
- c. The price of gold in terms of domestic currency
- d. The price of imports in terms of exports

Q22. Statement I: Payment for imports is a source of demand for foreign exchange.

Statement II: Purchase of foreign financial assets (bonds, shares) by domestic residents also creates demand for foreign exchange.

Q23. When supply of foreign exchange increases in the foreign exchange market (other things remaining the same):

- a. The equilibrium foreign exchange rate tends to rise
- b. The equilibrium foreign exchange rate tends to fall
- c. The equilibrium foreign exchange rate remains unchanged
- d. The domestic currency depreciates

Q24. In a freely floating (flexible) exchange rate system, the exchange rate is primarily determined by:

- a) Government decree
- b) Central bank’s unilateral announcement
- c) Market forces of demand and supply for foreign exchange
- d) International Monetary Fund

Q25. Assertion (A): Under a fixed exchange rate system, the government or central bank announces a specific rate at which its currency will be exchanged for foreign currency.

Reason (R): In such a system, the central bank intervenes in the foreign exchange market to maintain the announced rate.

Q26. Assertion (A): Managed floating exchange rate system is a blend of fixed and flexible exchange rate systems.

Reason (R): In a managed float, the exchange rate is fully fixed by the government without any role of demand and supply.

Q27. If the exchange rate changes from 1 USD = ₹80 to 1 USD = ₹85, other things remaining the same, it implies:

- a) Appreciation of rupee and depreciation of dollar
- b) Depreciation of rupee and appreciation of dollar
- c) Appreciation of both rupee and dollar
- d) Depreciation of both rupee and dollar

Q28. Assertion (A): Depreciation of domestic currency under a flexible exchange rate system tends to make exports cheaper and imports costlier.

Reason (R): After depreciation, more units of domestic currency are required to buy one unit of foreign currency.

Q29. Statement I: Devaluation refers to an official reduction in the value of domestic currency in terms of foreign currency under a fixed exchange rate system.

Statement II: Devaluation is carried out by the central government/monetary authority with the objective of improving export competitiveness.

Q30. Assertion (A): In a free foreign exchange market, excess demand for foreign currency at the prevailing rate leads to a rise in the exchange rate.

Reason (R): The higher demand relative to supply bids up the price of foreign currency until a new equilibrium is reached.

Q31. In a two-sector economy (households and firms), aggregate demand at any income level is equal to:

- a) $C + S$ b) $C + I$ c) $C + I + G$ d) $C + I + G + (X - M)$

Q32. Which of the following correctly defines ex-ante aggregate demand?

- a) Actual total demand in an economy at a given income
b) Planned total demand in an economy at a given income
c) Demand only for consumption goods d) Demand only for capital goods

Q33. The slope of the aggregate demand function in the simple Keynesian model is determined by:

- a) Marginal propensity to save b) Average propensity to consume
c) Marginal propensity to consume d) Average propensity to save

Q34. At the equilibrium level of income in the simple Keynesian model (two-sector, fixed prices):

- a) Planned saving is greater than planned investment b) Planned saving is less than planned investment
c) Planned saving equals planned investment d) Planned saving and investment are unrelated

Q35. If $MPC = 0.75$ in a simple closed economy, the value of the investment multiplier will be:

- a) 2 b) 2.5 c) 3 d) 4

Q36. Assertion: Aggregate demand curve in the Keynesian cross is upward-sloping with respect to income.

Reason: As income increases, induced consumption increases, leading to higher planned expenditure.

Q37. Assertion (A): At the break-even level of income, saving is zero.

Reason (R): At the break-even level, consumption equals income.

Q38. Assertion (A): An increase in autonomous investment shifts the aggregate demand curve upward parallel to itself.

Reason: Autonomous investment changes the intercept of the aggregate demand function but not its slope.

Q39. Statement 1: In a four-sector economy, aggregate demand is given by $AD = C + I + G + (X - M)$.

Statement 2: In a two-sector economy, aggregate demand is given by $AD = C + I + G$.

Q40. Statement 1: A fall in marginal propensity to consume reduces the steepness (slope) of the aggregate demand function.

Statement 2: With a lower MPC, the value of the investment multiplier decreases.

Q41. In the short run, equilibrium output is determined where:

- (a) Aggregate Demand > Aggregate Supply (b) Aggregate Demand < Aggregate Supply
(c) Aggregate Demand = Aggregate Supply (d) Aggregate Demand is zero

Q42. If in an economy, planned saving is greater than planned investment, then:

- (a) Output will increase (b) Output will decrease
(c) Output will remain constant (d) Output will become zero

Q43. In the saving–investment approach, equilibrium is achieved when:

- (a) Actual saving = Actual investment (b) Planned saving = Planned investment
(c) Actual saving = Planned investment (d) Planned saving = Actual investment

Q44. Assertion (A): In the short run, equilibrium output is determined by aggregate demand.

Reason (R): In the short run, aggregate supply is assumed to be perfectly elastic at a given price level.

Q45. Assertion (A): At equilibrium, there is no unintended change in inventories.

Reason (R): At equilibrium, planned output equals planned expenditure.

Q46. If aggregate demand is less than aggregate supply, then:

- (a) Inventories will fall (b) Inventories will rise
(c) Inventories will remain constant (d) Inventories will become zero

Q47. Assertion (A): An increase in investment leads to a more than proportionate increase in national income.

Reason (R): Investment has a multiplier effect on income.

Q48. In the short run, if aggregate demand exceeds aggregate supply, then:

- (a) Output will fall (b) Output will rise (c) Output will constant (d) Output will become zero

Q49. Assertion (A): In the short run, equilibrium output may not be at full employment.

Reason (R): Equilibrium is struck where $AD = AS$, which can occur at any level of employment.

Q50. Assertion (A): In the short run, the economy can be in equilibrium even if there is unemployment.

Reason (R): Equilibrium is defined as a situation where planned saving equals planned investment, not necessarily full employment.

Q51. In an economy, aggregate demand is greater than aggregate supply at the level of full employment. This situation is known as:

- a) Deficient demand b) Excess demand c) Involuntary unemployment d) Under-employment

Q52. Deficient demand in an economy refers to a situation when:

- a) Aggregate demand exceeds aggregate supply at full employment
b) Aggregate demand equals aggregate supply at full employment
c) Aggregate demand is less than aggregate supply at full employment
d) Aggregate demand is greater than aggregate supply at under-employment

Q53. Which of the following is not a cause of excess demand in an economy?

- a) Increase in government expenditure b) Increase in money supply
c) Decrease in export demand d) Increase in propensity to consume

Q54. To correct a situation of excess demand, the Central Bank should generally:

- a) Reduce bank rate and reduce CRR b) Increase bank rate and increase CRR
c) Purchase government securities in open market d) Reduce margin requirements on loans

Q55. In a situation of deficient demand, which of the following fiscal policy measures is appropriate?

- a) Increase in taxes and reduction in government expenditure
b) Reduction in taxes and increase in government expenditure
c) Reduction in both taxes and government expenditure
d) Increase in taxes and increase in government expenditure

Q56. Assertion (A): Excess demand leads to a rise in the general price level in the economy.

Reason: Under excess demand, aggregate demand exceeds aggregate supply at the level of full employment.

Q57. Assertion (A): Deficient demand tends to create involuntary unemployment in the economy.

Reason (R): Under deficient demand, aggregate demand falls short of aggregate supply at the full employment level of output.

Q58. Assertion: During excess demand, the Central Bank should increase the Cash Reserve Ratio (CRR).

Reason (R): An increase in CRR reduces the lending capacity of commercial banks and contracts credit in the economy.

Q59. Assertion (A): In a situation of deficient demand, the government should increase its expenditure.

Reason: Higher government spending raises aggregate demand and helps in reducing the deflationary gap.

Q60. Assertion (A): Excess demand has no effect on the level of output in the economy in the short run.

Reason (R): Under excess demand, the economy is already operating at full employment level, so output cannot increase further.

Q61. Statement I: Rural development focuses only on agricultural growth.

Statement II: It aims to improve economic conditions of village people through infrastructure and human resource development.

Statement III: Key challenges include credit access and proper marketing facilities.

- (a) All statements are correct (b) I and II are correct (c) II and III are correct (d) Only III

Q62. Consider the following statements about rural credit:

Statement I: Farmers need credit for seeds, fertilizers, and family expenses.

Statement II: Non-institutional sources charge high interest and demand collateral.

Statement III: NABARD provides refinance to rural credit institutions.

- (a) I, II and III (b) I and II only (c) II and III only (d) I and III only

Q63. Analyze these statements on agricultural marketing:

Statement I: Lack of storage leads to distress sales by farmers.

Statement II: Regulated markets and cooperatives ensure better prices.

Statement III: Government provides minimum support prices (MSP).

Which are true?

- (a) I and II (b) II and III (c) I, II and III (d) Only I

Q64. Read the statements regarding diversification:

Statement I: It shifts from single to multi-cropping systems.

Statement II: Non-farm activities include dairy and fisheries.

Statement III: India leads in milk production due to Operation Flood.

- (a) All true (b) I and III (c) II only (d) I and II

Q65. Assertion (A): Self Help Groups (SHGs) target rural poor for microcredit.

Reason (R): Rural poor lack access to formal banking systems.

Q66. Assertion (A): Organic farming avoids chemical fertilizers and pesticides.

Reason (R): It is more labor-intensive but environment-friendly.

Q67. Assertion (A): Rural banks often neglect small farmers' credit needs.

Reason (R): Small farmers have lower creditworthiness than large ones.

Q68. Assertion (A): Proper infrastructure like roads and warehouses aids rural development.

Reason (R): It prevents post-harvest losses and improves market access.

Q69. Assertion (A): Agricultural diversification reduces production risks.

Reason (R): It promotes activities like horticulture and animal husbandry.

Q70. Assertion (A): Land reforms aim to abolish exploitation in rural areas.

Reason (R): They ensure 'land to the tiller' and boost productivity.

Q71. Read the following statements about workforce in India (2011-12 data):

(a) Total workforce was 487 million, with 70% in rural areas.

(b) Female workforce participation is higher in urban areas than rural.

(c) Self-employment accounts for 50% of total workforce.

- A. (a) and (c) only true B. (a) and (b) only true C. (b) and (c) only true D. All true

Q72. Consider these statements on worker population ratio (WPR):

(a) India's WPR is about 39%, lower than developed countries.

(b) Rural WPR (40%) exceeds urban (36%) due to poverty-driven participation.

(c) Female WPR is 22% overall, higher for urban males at 55%.

- A. (a) and (b) only true B. (a), (b), and (c) true C. (b) and (c) only true D. (a) and (c) true

Q73. Identify correct statements on employment distribution by sectors:

(a) Primary sector employs 49% of workforce, mainly agriculture.

(b) Tertiary sector (27%) leads urban employment post-reforms.

(c) Secondary sector has 24%, showing slow industrial absorption.

Alternatives:

- A. (a) and (b) only B. (b) and (c) only C. All true D. (a) and (c) only

Q74. Assertion (A): Self-employment is 50% of workforce, dominant for women.

Reason (r): Low literacy, family constraints, and limited wage jobs restrict alternatives.

Q75. Assertion (A): Casualization of workforce rose over decades.

Reason ®: Shift from self/regular employment to casual due to low farm incomes and construction demand.

Q76. Assertion (A): Informalisation increased post-1991 reforms.

Reason ®: Formal sector (6% workforce) uses capital-intensive tech; informal (94%) lacks social security.

Q77. Assertion (A): Jobless growth occurred as GDP rose 3.6-8% annually.

Reason ®: Employment growth fell to 0.98% due to MNC-driven tech, not manpower expansion.

Q78. Statement I: Disguised unemployment prevails in agriculture with surplus labour.

Statement II: Marginal productivity of excess workers is zero, unlike open unemployment.**

- A. Both true; II explains I B. Both true; II does not explain I C. I true; II false D. I false; II true

Q79. Assertion (A): Rural female WPR (25%) exceeds urban (15%).

Reason (R): Urban men earn high, discouraging women; rural poverty forces low-wage farm work.**

Q80. Which explains underestimation of female workforce?

- (a) Unpaid household tasks like cooking not counted as economic activity.
- (b) Only regular salaried women (8%) recognized over self-employed (majority).
- (c) Both (a) and (b)
- (d) Neither

Q81. Read the following statement: The environment supplies resources for production, assimilates waste, sustains life, and enhances quality of life, but performs these functions only when demand stays within its carrying capacity.

Identify the correct option:

- (a) The statement is true; carrying capacity means resource extraction exceeds regeneration rate.
- (b) The statement is true; carrying capacity means extraction below regeneration and waste within absorption capacity.
- (c) The statement is false; environment has unlimited carrying capacity.
- (d) The statement is false; environment only supplies resources.

Q82. Consider the statement: Global warming results from increased greenhouse gases due to fossil fuel burning and deforestation, leading to melting polar ice and species extinction.

Which option best completes it?

- (a) Ozone depletion causes global warming through CFCs.
- (b) It causes rise in sea levels and more tropical storms.
- (c) It reduces UV radiation reaching Earth.
- (d) It is unrelated to carrying capacity violation.

Q83. The following statement describes India's environmental challenges: Land degradation occurs from deforestation, overgrazing, and improper irrigation, while air pollution stems from vehicular emissions in urban areas.

What is the most appropriate inference?

- (a) Poverty alone causes all degradation; affluence has no role.
- (b) Both poverty-induced overuse and industrial pollution contribute equally.
- (c) Only urban areas face these issues, not rural.
- (d) Chipko movement addressed only water pollution.

Q84. Statement: Sustainable development requires limiting population, using input-efficient technology, and extracting renewables at regeneration rates.

Select the correct application:

- (a) Non-renewables should deplete faster than substitutes are created.
- (b) Pollution inefficiencies must be corrected to check environmental damage.
- (c) It ignores future generations' needs.
- (d) It promotes unlimited resource use for current growth.

Q85. Assertion (A): Abiotic elements like air, water, and sunlight form part of the environment alongside biotic elements.

Reason (R): The environment's carrying capacity is exceeded when waste generation surpasses its absorptive capacity.

Q86. Assertion (A): Ozone depletion from CFCs allows more UV radiation, damaging living organisms.

Reason (R): Renewable resources like forests can be used indefinitely without depletion risk.

Q87. Assertion (A): Poverty leads to environmental degradation through fuelwood collection, while affluence causes it via high consumption.

Reason (R): Central Pollution Control Board (CPCB) was established in 1974 to set emission standards.

Q88. Assertion (A): Strategies for sustainable development include CNG use, organic farming, and waste recycling.

Reason (R): Non-renewable resources get exhausted with extraction, unlike renewables like fish stocks.

Q89. Assertion (A): Chipko movement helped control deforestation by protecting trees.

Reason (R): Land degradation factors include shifting cultivation and excessive groundwater extraction.

Q90. Assertion (A): Sustainable development concept was defined by Brundtland Commission as meeting present needs without compromising future generations.

Reason (R): India's priority issues include biodiversity loss and solid waste management.

Q91: Read the following statements:

Statement I: China introduced the Great Leap Forward (GLF) campaign in 1958 to promote rapid industrialization through backyard industries and communes.

Statement II: The GLF succeeded due to favorable weather and strong Soviet support, leading to sustained high agricultural output.

Q92:Statement I: All three countries—India, Pakistan, and China—announced their first Five-Year Plans within a few years of each other, starting in 1951 for India, 1953 for China, and 1956 for Pakistan.

Statement II: Till the 1980s, their GDP growth rates and per capita incomes remained similar.

Q93: Statement I: China's one-child norm contributed to low population growth (0.46%) and high urbanization (59%).

Statement II: This policy improved China's HDI rank to 87, ahead of India's 130 and Pakistan's 154.

Q94: Assertion (A): China's GDP growth averaged 10.3% in the 1980s, driven mainly by the secondary (industry) sector at 41% GVA share.

Reason ®: Reforms in 1978 allowed private firms and Special Economic Zones (SEZs) to attract FDI and promote manufacturing.

Q95: Assertion (A): India and Pakistan shifted workforce directly from agriculture (43% and 41% employed) to services (32% and 35%), bypassing heavy industry growth.

Reason ®: Unlike China, their industrial sectors contribute only 30% and 19% to GVA despite reforms.

Q96: Assertion (A): Pakistan's reforms in 1988 emphasized denationalization and private incentives, supported by Middle East remittances.

Reason ®: This led to higher GDP growth than India until the 2010s, but recent political instability caused a decline to 5.3%.

Q97: Which country ranks highest in Human Development Index among India (0.645), China (0.761), and Pakistan (0.557), due to better life expectancy (76.9 years) and low poverty (1.7%)?

(a) India (b) China © Pakistan (d) All equal

Q98: In sectoral GVA shares (2018-19), which reflects China's classical development path (agriculture-industry-services)?

(a) Agriculture 16%, Industry 30%, Services 54% (India)

(b) Agriculture 7%, Industry 41%, Services 52% (China)

© Agriculture 24%, Industry 19%, Services 57% (Pakistan)

(d) All similar

Q99: Dual pricing in China's reforms meant:

(a) Fixed government prices for quotas, market prices for surplus (b) Equal prices for all goods

© Export-only pricing (d) Import bans

Q100: Common success stories for India and Pakistan include:

(a) Double-digit GDP growth (b) Self-sufficiency in food grains and poverty reduction

© Highest HDI globally (d) No agricultural dependence

Q101. Prior to British rule, India was known for its:

(a) Flourishing handicraft industry (b) Lack of agricultural production

(c) Heavy industrialization (d) None of the above

- Q102.** The most predominant sector of Indian economy on the eve of independence was:
 (a) Industry - b) Agriculture - c) Trade - d) Service sector
- Q103.** The commercialisation of agriculture meant:
 a) Growing crops for self-consumption - b) Growing crops for sale in the market
 c) Using advanced machinery - d) Subsistence farming
- Q104.** The main objective of British policies in India was to:
 - a) Promote Indian industries - b) Benefit British economy
 - c) Develop infrastructure - d) Support Indian farmers
- Q105.** Dadabhai Naoroji made the first attempt to calculate:
 - a) India's export - b) India's national income - c) Import surplus - d) Per capita income
- Q106.** The country's growth of aggregate real output during the first half of twentieth century was:
 - a) 5% - b) 10% - c) less than 2% - d) 20%
- Q107.** The Indian economy was mainly _____ on the eve of independence.
 (a) Service-oriented - b) Agrarian - c) Industrial - d) Technologically advanced
- Q108.** India's foreign trade during the colonial period led to:
 - a) Huge import surplus b) Export surplus with loss of wealth
 - c) Technological advancements d) None of these
- Q109.** The official first census in India was conducted in:
 - a) 1881 b) 1921 c) 1869 d) 1901
- Q110.** The construction of railways in India was done primarily to:
 - a) Improve communication b) Expand British markets
 - c) Help Indian farmers d) Promote industrialization
- Q111.** Main effect of the zamindari system was:
 - a) Agricultural prosperity - b) Extraction of rent regardless of farmers' conditions
 - c) Promotion of handicrafts - d) Development of industry
- Q112.** During British rule, India became:
 - a) Exporter of finished goods b) Exporter of raw materials
 - c) Importer of primary products d) Exporter of advanced technology
- Q113.** On the eve of independence, India's occupational structure showed:
 - a) Greater dependence on agriculture b) Balanced sectoral workforce
 - c) Dominance of industrial workers d) Service sector was largest
- Q114.** Statement I: Public sector expanded significantly from 1950-1990.
 Statement II: Public sector undertakings only operated in the defense sector.
- Q115.** Statement I: Land reforms included the abolition of the zamindari system.
 Statement II: Land reforms completely eliminated rural poverty.
- Q116.** Statement I: Private sector played no role in Indian economy 1950-1990.
 Statement II: Mixed economy allowed both public and private sector
- Q117.** Statement I: Indian economy grew rapidly from 1950-1990.
 Statement II: Annual GDP growth rate was about 3.5%.
- Q118.** Statement I: Import substitution policy reduced dependence on foreign goods.
 Statement II: It made Indian industry more competitive globally.
- Q119.** Statement I: Public investment focused on infrastructure and heavy industries.
 Statement II: Consumer goods industries were left to the private sector.
- Q120.** Statement I: Export promotion was the main trade policy between 1950-1990.
 Statement II: Import substitution was the actual strategy used.
- Q121.** Assertion (A): In a mixed economic system, both private and public sectors play an important role.
 Reason (R): In a mixed economy, equality is promoted.
- Q122.** Assertion (A): During the first seven plans, trade was inward looking.

Reason (R): Import substitution was the core policy.

Q123. Assertion (A): Socialist economy leads to slow GDP growth.

Reason (R): Socialist economy does not focus on profit maximization.

Q124. Assertion (A): Industrialists had sufficient capital for investment in 1950.

Reason (R): State took complete control of key industries.

Q125. Assertion (A): Economic planning rules out the free play of market forces.

Reason (R): Economic planning is the same under all models.

Q126. Assertion (A): Green Revolution increased productivity.

Reason (R): Adoption of new technology was central.

Q127. Which sector benefited the most from privatisation?

- a) Agriculture b) Public utilities and services c) Heavy industry d) Education

Q128. India's economic reforms were influenced by:

- a) IMF and World Bank b) Only Indian policymakers
c) European Union policies d) ASEAN policies

Q129. The liberalisation policy helped in increasing:

- a) Domestic monopolies b) Foreign investments c) Government ownership d) Subsidies on imports

Q130. Demonetisation was implemented first time in India in:

- a) 1946 b) 2016 c) 1991 d) 2000

Q131. Assertion (A): Economic reforms have reduced poverty in India.

Reason (R): Increased economic growth led to more employment opportunities.

Q132. Assertion (A): Liberalisation led to increased competition in Indian markets.

Reason (R): Restrictions on new industries were removed.

Q133. Assertion (A): GST is levied at multiple stages in the production process.

Reason (R): GST is a destination-based tax.

Q134. Assertion (A): Privatisation has increased efficiency of public sector undertakings.

Reason (R): Private ownership leads to profit motive and better management.

Q135. Assertion (A): Economic reforms stopped all subsidies in India.

Reason (R): Reforms aimed for complete market-driven economy.

Q136. LPG reforms were introduced to:

- a) Increase government control over industries b) Encourage private sector and foreign investment
c) Nationalize foreign companies d) Ban foreign trade

Q137. Economic reforms starting in 1991 were undertaken due to:

- a) A financial crisis and balance of payments problem b) Global demand for Indian goods
c) Increase in foreign aid d) Rising agricultural productivity

Q138. One of the key features of liberalisation was:

- a) Abolition of industrial licensing except for a few industries b) Increase in license raj
c) Restriction on foreign capital d) Complete nationalisation

Q139. Globalisation led to:

- a) Isolation of Indian economy b) Increased exchange of technology and ideas
c) Closure of Indian markets d) Only domestic trade

Q140. Which is a direct result of GST?

- a) Multiple indirect taxes on goods and services b) Single unified indirect tax replacing many
c) Higher tax rates for consumers d) Increased compliance complexity

Q141. Assertion (A): Literacy alone cannot fully measure human capital.

Reason (R): Human capital also includes skills, health, and soft skills.

Q142. Government spending on health contributes to human capital formation by:

- a) Increasing the physical capital stock efficiently
- b) Ensuring a healthier workforce that can work efficiently
- c) Only reducing healthcare expenditure in the private sector
- d) Increasing unemployment among health workers

Q143. Assertion (A): Over-investment in physical capital can overshadow the importance of human capital.

Reason ®: Both physical and human capital are necessary for sustainable growth.

Q144. Which of the following is a key feature of human capital?

- a) It depreciates over time without training
- b) It is embodied in human skills and health
- c) It is only accumulated during childhood
- d) It is unrelated to economic development

Q145. Assertion (A): Education and health investments are complementary for human capital development.

Reason ®: Better health allows individuals to better utilize educational opportunities.

Q146. The main financing source for human capital development in rural areas is:

- a) Private sector only
- b) Government schemes and programs
- c) Foreign direct investment
- d) Natural resources

Q147. Assertion (A): Human capital formation increases income levels and reduces poverty.

Reason ®: Skilled workers tend to earn higher wages and contribute more to the economy.

Q148. Which is an essential component for building human capital at the national level?

- a) Focusing only on physical infrastructure
- b) Improving literacy and health services
- c) Increasing only manufacturing industries
- d) Reducing government expenditure on social

Q149. Assertion (A): Without continuous investment, human capital can depreciate over time.

Reason ®: Skills and health require constant upgrading to remain relevant.

Q150. The overall impact of human capital formation on economic development is:

- a) Negligible
- b) Significant, as it boosts productivity and growth
- c) Limited to urban areas only
- d) Mostly social rather than economic

Q151. National Income is measured in terms of

- a) Money
- b) Goods
- c) Services
- d) Both goods and services

Q152. Which method is NOT used to calculate national income?

- a) Product method
- b) Income method
- c) Expenditure method
- d) Savings method

Q153. Net National Product at market price is equal to

- a) GDP - depreciation
- b) GNP - depreciation
- c) NDP + depreciation
- d) GNP + dep

Q154. Transfer payments are excluded from national income because

- a) They represent income
- b) They represent production
- c) They are not payments for current production
- d) They are paid by government only

Q155. GDP at factor cost is

- a) GDP at market price minus indirect taxes plus subsidies
- b) GDP at market price minus subsidies plus indirect taxes
- c) GNP at market price plus subsidies
- d) NNP at factor cost minus indirect taxes

Q156. Which one is included in national income?

- a) Illegal production
- b) Household production
- c) Services rendered within a household for pay
- d) Gifts received

Q157. The largest component of national income in India is

- a) Agriculture
- b) Industry
- c) Services
- d) Manufacturing

Q158. Depreciation is also called

- a) Capital consumption
- b) Capital formation
- c) Net investment
- d) Gross investment

Q159. National Income is the total value of

- a) Final goods and services produced in a country during a year
- b) Goods produced in a country by its nationals only
- c) Goods produced domestically plus net factor income from abroad
- d) All goods and services irrespective of country of production

Q160. GNP at market price minus depreciation equals

- a) NNP at factor cost
- b) NNP at market price
- c) GDP at factor cost
- d) Net investment

Q161. Assertion (A): GDP includes value of all final goods.

Reason (R): GDP counts intermediate goods as final goods.

Q162. Assertion (A): Income and expenditure method of national income calculation always give same results.

Reason (R): Both methods measure aggregate income of the economy.

Q163. Assertion (A): Transfer payments are included in national income.

Reason (R): Transfer payments are payments for which no goods or services are exchanged.

Q164. Assertion (A): Depreciation is deducted to calculate Net National Product.

Reason (R): Depreciation indicates the amount of capital consumption during production.

Q165. Assertion (A): National Income is always equal to national product.

Reason (R): National income measures income earned from production activities.

Q166. Assertion (A): GDP includes income earned by foreign nationals within the country.

Reason (R): GDP measures production within the geographical boundaries of a country.

Q167. Assertion (A): GDP at market price is equal to GDP at factor cost plus net indirect taxes.

Reason (R): Net indirect taxes are indirect taxes minus subsidies.

Q168. Assertion (A): Final goods are not included in calculation of GDP.

Reason (R): Final goods represent goods and services ready for final use.

Q169. Assertion (A): National income includes income from illegal activities.

Reason (R): Illegal activities contribute to the economy.

Q170. Assertion (A): National income accounts for only market transactions.

Reason (R): Non-market transactions are difficult to measure.

Q171. Value added method of calculating National Income avoids

- a) Double counting
- b) Under estimation
- c) Inflation
- d) Depreciation

Q172. Which of the following is NOT a final good?

- a) A car sold to a customer
- b) Raw material bought by a factory
- c) Laptop sold to a student
- d) Bread sold to consumer

Q173. Real National Income is measured at

- a) Market price
- b) Factor cost
- c) Constant prices
- d) Current prices

Q174. Nominal National Income is measured at

- a) Constant prices
- b) Market prices of current year
- c) Factor cost excluding indirect taxes
- d) Factor cost including subsidies

Q175. Net Domestic Product (NDP) equals

- a) GDP minus depreciation
- b) GNP minus depreciation
- c) GDP plus depreciation
- d) NNP minus depreciation

Q176. Money is anything that

- a) Acts as a store of wealth
- b) Acts as a medium of exchange
- c) Is generally accepted in payment of goods and services
- d) All of the above

Q177. The primary function of money is

- a) Store of value
- b) Medium of exchange
- c) Measure of income
- d) Source of credit

Q178. The most liquid form of money is

- a) Time deposit
- b) Demand deposit
- c) Savings deposit
- d) Bonds

Q179. Credit money is that which

- a) Has intrinsic value equal to face value
- b) Has no intrinsic value but is accepted as money
- c) Is backed by gold reserves
- d) Is used for international trade only

Q180. Legal tender money means

- a) Money not accepted for debt payment
- b) Money which is backed by gold
- c) Money which cannot be refused as payment
- d) Money of foreign countries

Q181. Which of the following is a part of M1?

- a) Time deposits of commercial banks
- b) Currency with the public
- c) Savings deposits with post offices
- d) All the above

Q182. Demand deposits perform the function of

- a) Measure of value
- b) Store of value
- c) Medium of exchange
- d) None of these

Q183. Credit creation means

- a) Creating money by printing
- b) Creating money by lending more than deposits
- c) Creating capital goods
- d) Creating financial investments

Q184. Who is the Monetary Authority in India?

- a) Ministry of Finance
- b) Reserve Bank of India
- c) State Bank of India
- d) NABARD

Q185. High-powered money includes

- a) Currency held by public and banks
- b) Currency only with the public
- c) Demand deposits of public
- d) All deposits in banks

Q186. When CRR increases, credit creation

- a) Increases
- b) Decreases
- c) Remains unchanged
- d) Doubles

Q187. Which of the following tools belongs to quantitative credit control?

- a) Margin requirement
- b) Moral suasion
- c) Bank rate
- d) Credit rationing

Q188. Money supply refers to

- a) Total stock of currency issued by RBI
- b) Total stock of money held by government
- c) Total stock of money in circulation held by public
- d) None of these

Q189. Open market operations refer to

- a) Sale or purchase of government securities by RBI
- b) Sale of shares by the government
- c) Foreign exchange management
- d) Buying government bonds for investment

Q190. Which one is not a function of the central bank?

- a) Issuer of currency
- b) Banker to government
- c) Acceptance of public deposits
- d) Lender of last resort

Q191. Statement I: Money is a standard of deferred payments.

Statement II: It allows future contracts to be specified in monetary terms.

Q192. Statement I: Demand deposits are part of the money supply.

Statement II: They are payable on demand by the depositor.

Q193. Statement I: M3 is the broadest measure of money supply in India.

Statement II: It includes currency with the public and demand deposits only.

Q194. Statement I: Time deposits are used as medium of exchange.

Statement II: Time deposits are not immediately withdrawable.

Q195. Statement I: Central bank controls the supply of money.

Statement II: It determines credit policy and interest rate environment.

Q196. Statement I: Commercial banks cannot create credit.

Statement II: They lend out the entire deposits received.

Q197. Statement I: The supply of money increases when banks grant more loans.

Statement II: Loan proceeds are deposited and used as new deposits.

Q198. Statement I: Inflation often requires contractionary monetary policy.

Statement II: It involves reducing money supply through policy tools.

Q199. Statement I: Open market sale of securities reduces liquidity.

Statement II: Public's cash holdings fall, limiting money supply.

Q200. Statement I: Cash reserve ratio (CRR) is kept with commercial banks.

Statement II: It is kept with the RBI.

12TH CLASS ECONOMICS MCQ ANSWER KEY

1	C	26	C	51	B	76	A	101	A	126	A	151	A	176	D
2	B	27	B	52	C	77	A	102	B	127	B	152	D	177	B
3	A	28	A	53	C	78	A	103	B	128	A	153	B	178	B
4	C	29	C	54	B	79	A	104	B	129	B	154	C	179	B
5	C	30	A	55	B	80	C	105	B	130	A	155	A	180	C
6	A	31	B	56	A	81	B	106	C	131	A	156	C	181	B
7	C	32	B	57	A	82	B	107	B	132	A	157	C	182	C
8	A	33	C	58	A	83	B	108	B	133	A	158	A	183	B
9	A	34	C	59	A	84	B	109	C	134	A	159	C	184	B
10	C	35	D	60	A	85	B	110	B	135	C	160	B	185	A
11	V	36	A	61	C	86	C	111	B	136	B	161	C	186	B
12	C	37	A	62	A	87	B	112	B	137	A	162	A	187	C
13	A	38	A	63	C	88	B	113	A	138	A	163	D	188	C
14	B	39	C	64	A	89	B	114	A	139	B	164	A	189	A
15	C	40	C	65	A	90	B	115	A	140	B	165	A	190	C
16	A	41	C	66	A	91	C	116	B	141	A	166	A	191	C
17	A	42	B	67	C	92	C	117	B	142	B	167	A	192	C
18	A	43	B	68	A	93	C	118	A	143	A	168	D	193	A
19	A	44	A	69	A	94	A	119	C	144	B	169	C	194	B
20	A	45	A	70	A	95	A	120	B	145	A	170	A	195	C
21	B	46	B	71	A	96	B	121	B	146	B	171	A	196	D
22	C	47	A	72	B	97	B	122	A	147	A	172	B	197	C
23	B	48	B	73	C	98	B	123	A	148	B	173	C	198	C
24	C	49	A	74	A	99	A	124	D	149	A	174	B	199	C
25	A	50	A	75	A	100	B	125	C	150	B	175	A	200	B