QUESTION BANK
For DA students
(2022-23)
10+2 (ECONOMICS) Part-1 Macro Eco.

MCQ (Choose correct option)

Ch. 1 What is Macro Economics ?

1. Which branch of economics deals with the working of whole of the economy?

    (A)Micro Economics   (B) Macro Economics

    (C) Economic Science   (D) None of these

2. Who is considered to be the father of modern Macro Economics?

    (A)J.M.Keynes   (B) Ricardo

    (C) Adam Smith   (D) Malthus

3. Who has written the book ,"The General Theory of Employment,Interest and Money" ?

    (A) J.B.Say   (B) Pigou

    (C) Keynes   (D) Marshall

4. The Keynesian School of Thought advocates :

    (A)Mixed Economy   (B) Government control on Economy

    (C) Free Economy   (D) All of these

5. Which of the following is a main feature of Macro Economics ?

    (A)Study of the equilibrium of an individual   (B) Study of the partial equilibrium

    (C) Study of short period equilibrium of an individual (D)None of these

True / False

6. The word 'Macro' has been derived from the Greek word 'Macros' which means large.

                                                                 (True / False)

7. According to Keynes ,Government intervention in the economy is highly essential.

                                                                 (True / False)

8. Macro Economics has no limitation.   (True / False)

9. Micro Economics and Macro Economics have no relation.   (True / False)

10. In classical free market economy, market forces of demand and supply help to maintain full employment .   (True / False)

Ch. 2. Basic Concepts in Macro Economics

11. The goods which satisfy the human wants directly are known as;

        (A) Producer goods   (B) Capital goods

         (C) Consumer goods   (D) Intermediate goods

12. In the production of sugar ,which type of product sugarcane is:

    (A)Final good   (B) Capital good

    (C) Intermediate good   (D) None of these

13. A quantity measured over a specific period of time is known as;

    (A)Stock   (B) flow

    (C) goods   (D) none of these

14. A quantity measured at a point of time is known as;

(A)Stock   (B) flow
(C) goods   (D) none of these

15. Which of the following is not a flow variable?
    (A) Income   (B) Capital formation
    (C) Wealth   (D) Sales

True / False

16. Final user of the consumer goods are the consumer.   (True / False)
17. Intermediate goods are included in national income .   (True / False)
18. Capital goods have indefinite life time.   (True / False)
19. Interest on Capital is a flow concept.   (True / False)
20. Services are material and tangible by nature .   (True / False)

Ch. 3.Circular Flow of Income

21. The flow of goods and services is called ……………..
    (A) Monetary flow   (B) Economic flow
    (C) Real flow   (D) None of these

22.How is the flow of money referred to as ?
    (A) Real flow   (B) Monetary flow
    (C) Economic flow   (D) None of these

23. The forces which weaken the circular flow of income are known as ?
    (A) Injection   (B) Leakages
    (C) None of these   (D)Both of these

24. Which forces strengthen the circular flow of income?
    (A)Injection   (B) Leakages
    (C) None of these   (D)Both of these

25.Which of the following is a leakage or withdrawal ?
    (A) Saving   (B) Payments for imports
    (C)Taxes   (D) All of these

True / False

26. There is flow of goods and services from the household sector to the producer
sector under the real flow .   (True / False)
27. The continuous flow of income among different sectors of the economy is known as circular
flow of income .   (True / False)
28. Flow of income is money flow while flow of goods and services is real flow .(True / False)
29. Leakages or withdrawal are such flow variables which have a positive impact on circular
flow of income and output .   (True / False)
30. Injections or strengths have a positive impact on circular flow of income and income
generation in the economy .   (True / False)

Ch. 4.National Income; Aggregates Related to National Income.

31. What is true about GDP$_{MP}$?
    (A) It is a gross concept   (B) It is a domestic concept
    (C) It is calculated at market price   (D) All of these

32. Which of the following is not a transfer payment ?
    (A) Interest on national debt   (B) Pension

(C) Payment to housewife   (D) Payment to domestic servant
33. Net Indirect Tax = …….. ?
       (A) Indirect Tax + Subsidy   (B) Indirect Tax - Subsidy
       (C) Direct Tax - Indirect Tax   (D) Indirect Tax + Direct Tax
34.The difference between the concepts of market price and factor cost is that of ;
       (A) Depreciation   (B) Net Factor Income from Abroad
       (C) Net Export   (D) Net Indirect Taxes
35.Which of the following is a component of net factor income from abroad ?
       (A) Net compensation of employees
       (B) Net income from property and entrepreneurship
       (C) Net retained earnings of resident companies abroad
       (D) All of these

True / False

36. The sum of the income of all the factors of production is called National Income
                                             (True / False)
37. Indirect Taxes are included in the concept of market prices.   (True / False)
38. Net exports are a component of domestic income .   (True / False)
39. Net Domestic Product at market Price = Net National Product at Market Price - Net Factor Income from abroad .   (True / False)
40. If net factor income from abroad is negative , than national income is less than domestic income.   (True / False)

Ch. 5.Methods of Calculating National Income

41. Out of the following which one is not a method of calculation of national income?
       (A) Expenditure Method   (B) Export-Import Method
       (C) Product Method   (D) Income method
42.Product Method is the other name of …………………………..
       (A) Value added method   (B) Income method
       (C) Expenditure Method   (D) None of these
43.Under which method does the problem of double counting arise ?
      (A)Expenditure Method   (B) Product Method
       (C) Income method   (D) None of these
44. Which of the following components is included in operating surplus ?
       (A) Rent   (B) Interest
       (C) Profit   (D) All of these
45. Which of the following is not a transfer payment ?
       (A) Pension to widow   (B) Pension to old persons
       (C) Payment of scholarship   (D) Payment made to domestic servant

True / False

46. Payment in kind are not included in compensation of employees .   (True / False)
47.The income from property and entrepreneurship is called mixed income . (True / False)
48. Taxes like custom duty and property tax are included in national income . (True / False)
49.Value of output = Sales + Change in Stock .   (True / False)
50.Rent of self-occupied -houses is not included in national income .   (True / False)

Ch. 6.Money; Meaning Supply and Functions

51. The system in which goods are exchanged for goods is called ……………
       (A) Exchange system   (B) Goods for goods system
       (C) Barter system   (D) Transfer system .

52.The simultaneous fulfillment of mutual wants is called ………….
       (A) Barter System   (B) Medium of exchange
       (C) Double Coincidence of wants   (D) None of these

53. A good money should have which of the following qualities ?
       (A) General acceptability   (B) Stability in value
       (C) Divisibility   (D) All of these

54. Name of thing that is commonly accepted as a medium of exchange .
       (A) Money   (B) Petrol
       (C) Metal   (D) All of these

55.By whom is one rupee note issued in India ?
       (A) Reserve Bank of India   (B) Government of India
       (C) Both (A) and (B)   (D) None of these

True / False

56.Face value of (Money value) and intrinsic value (value as commodity) of full bodied money are equal .   (True / False)

57. Limited legal tender money has to be accepted compulsorily up to a limited extent .
          (True / False)

58.There is no difference between money and cheque .   (True / False)

59. In India coins are limited legal tender money .   (True / False)

60.Primary functions of money are to act as medium of exchange and measurement of value .
          (True / False)

Ch. 7.Banking

61.Which of the following is a primary function of the commercial Banks ?
     (A) To act as an agent of the customer   (B) To provide locker facility
     (C) To issue letters of credit   (D) To accept deposits

62.When was RBI established ?
       (A)1915   (B) 1925
       (C) 1935   (D) 1945

63.Which Bank has the right to issue currency ?
       (A) Central Bank   (B) Commercial Bank
       (C) Co-operative Bank   (D) None of these

64.In a country , which bank is the bank of the government ?
     (A) Commercial Banks   (B) Private Banks
     (C) Central Bank   (D) Foreign Banks

65 . The minimum percentage of a bank's total deposits which is required to be kept with the bank is called ……………
       (A) Bank Ratio   (B) Cash Reserve Ratio
       (C) Cash Ratio   (D) All of these

True / False

66. Commercial Banks can also issue currency notes .   (True / False)
67. Overdraft facility is given by the Commercial Banks to current account holders .
                                                                                          (True / False)
68.Central bank is bankers' bank in the country .   (True / False)
69. The most important function of the central bank is to earn profit.   (True / False)
70. Term deposit can be withdrawn by cheque .   (True / False)

Ch. 8.Aggregate Demand, Aggregate Supply Related Components

71.Which of the following is not a component of aggregate demand ?
    (A)Consumption   (B) Investment
    (C) Stock   (D) Government expenditure

72.Aggregate demand is measured in term of ………………
    (A) Consumption Expenditure   (B) Demand
    (C) Supply   (D) All of these

73.Which of the following are the components of aggregate demand ?
    (A)Consumption   (B) Investment
    (C) Both (A) and (B)   (D) Saving

74. Average Propensity to Consume (APC) =
    (A) $\frac{\Delta C}{\Delta Y}$ (B) $\frac{S}{Y}$
    (C) $\frac{Y}{C}$ (D) $\frac{C}{Y}$

75 MPC =
    (A)$\frac{\Delta C}{\Delta Y}$ (B) $\frac{S}{Y}$
    (C) $\frac{Y}{C}$ (D) $\frac{C}{Y}$

True / False

76. In any open economy : AD= C+I+G+(X-M).   (True / False)
77. MPC-MPS =1   (True / False)
78. If MPC is 90% , it means MPS is 10% .   (True / False)
79. If APC is 30% , then APS will be 50% .   (True / False)
80. Autonomous investment depends upon the rate of interest .   (True / False)

Ch. 9.Short Run Equilibrium Output

81. When AD= AS :
    (A) S < I   (B)S=I
    (C) S> I   (D) None of these

82. In case of equilibrium of an economy :
    (A) Aggregate demand = Aggregate supply   (B) Saving = Investment
    (C) Both (A) and (B)   (D) None of these

83.Which of the following is an approach to determine equilibrium of output in the economy?
    (A) AD=AS approach   (B) S=I approach
    (C) Both (A) and (B)   (D) None of these

84. If a person is ready to work ,but he does not get work then this situation is called .
      (A) Frictional unemployment   (B) Structural unemployment
      (C) Involuntary unemployment   (D) None of these

85.Keynesian Macro Economics deals with equilibrium output determination in …….
      (A) Short Run   (B) Long Run
      (C) Both (A) and (B)   (D) None of these

True / False

86. Economic growth can be achieved in the economy by increasing the investment.
                                                      (True / False)

87. When ;AD=AS ,saving and investment are also equal .   (True / False)

88. In case of involuntary unemployment , the person is unemployed as per his will .
                                                      (True / False)

89. In the situation of full employment in the economy , no one is unemployed in the economy .
                                                      (True / False)

90. Unemployment can exist even when aggregate demand and aggregate supply are equal .
                                                       (True / False)

Ch. 10.Investment Multiplier

91. K= …………
      (A)$\frac{\Delta I}{\Delta Y}$ (B) $\frac{\Delta Y}{\Delta I}$

      (C) $\frac{I}{Y}$ (D) $\frac{Y}{I}$

92. Find the correct answer from the following :
      (A)K= $\frac{\Delta Y}{\Delta I}$ (B) K= $\frac{1}{1-MPC}$

      (C) K= $\frac{1}{MPS}$ (D) All of these

93.Which type of relation is there between MPC and K ?
      (A) Direct   (B) Inverse
      (C) No relation   (D) None of these

94.If MPC= 0.9 , K will be :
      (A) 8   (B) 9
      (C) 10   (D) 11

95. If MPC = 0 , K =   ?
      (A) 0   (B)   1

      (C) 2   (D) ∞

True / False

96. If K= 1 , MPC = 1   (True / False)
97. If MPC= 0.75 the value of the multiplier will be 6 .   (True / False)
98. The higher the MPC , the higher is the K .   (True / False)
99. Multiplier operates efficiently in all the underdeveloped countries .   (True / False)
100.When investment falls , multiplier does not work .   (True / False)

Ch. 11.Problems of Deficient Demand And Excess Demand

101. When there is deficient demand in the economy ; income , output and employment in the economy are :

   (A) Low   (B) High

   (C) Zero   (D) Infinity

102.What is the consequence of deficient demand ?

        (A) Deflationary gap   (B) Inflationary gap

        (C) Monetary gap   (D) Saving gap

103.When aggregate demand is in excess of aggregate supply , the situation is called.

        (A) Deficient Demand   (B) Depression

        (C) Excess Demand   (D) All of these

104. Which of the following is not a cause of deficient demand ?

        (A) Low private consumption expenditure

        (B) Low government consumption expenditure

        (C) Low imports   (D) Low exports

105.Which of the following is correct about excess demand ?

        (A) AD $>$ AS   (B) AD < AS

        (C) AD=AS   (D) AD=AS=0

True / False

106. The problem of excess demand arises when aggregate demand is more than aggregate supply .   (True / False)

107.The problem of excess demand results in inflation and over-full employment equilibrium in the economy .   (True / False)

108. Excess demand derives the economy into a wage-price spiral .   (True / False)

109. Deficient demand results in a deflationary gap.   (True / False)

110. Deficient demand and excess demand give birth to trade cycles in the economy.

                                                  (True / False)

Ch. 12.Measures To Correct Deficient Demand And Excess Demand

111.Which policy is related to income and expenditure of government ?

        (A) Fiscal Policy   (B) Economic Policy

        (C) Monetary Policy   (D) None of these

112. Which of the following is a quantitative instrument of monetary policy ?

        (A) Bank Rate   (B) Repo Rate

        (C) Both (A) and (B)   (D) Tax rate

113. If there is deficient demand in the economy ,which of the following measures should not be adopted ?

        (A) Decrease in Taxes   (B) Decrease in deficit financing

        (C) decrease in public debt   (D) All of these

114. To controle deficient demand ,the government should present ……….

        (A) Balanced budget   (B) Deficit budget

        (C) Surplus budget   (D) No budget

115. Which of the following is not a measure to correct the problem of deficient demand and excess demand ?

        (A) Government Expenditure   (B) Government Revenue

        (C) Foreign policy   (D) Deficit financing

True / False

116. Bank rate is the rate of interest which is charged by commercial banks on loans advanced to the government .   (True / False)

117. The problem of deficient demand and excess demand can be solved with the help of monetary policy and fiscal policy .   (True / False)

118. Change in margin requirements is not a qualitative method of monetary policy.
                                                        (True / False)

119. To solve the problem of deficient demand , the government should not adopt the policy of deficit financing .   (True / False)

120.By controlling deficit financing , the problem of excess demand can be solved .
                                                        (True / False)

Ch. 13.Government Budget and The Economy

121. A tax is:.......................
       (A) A voluntary payment   (B) A compulsory payment
       (C) A legal payment   (D) All of these

122.A tax which can be shifted on others is called …………….. .
       (A) Direct Tax   (B) Indirect Tax
       (C) Wealth Tax   (D) None of these

123. A tax which is really paid by the person on whom it is legally imposed is called:
       (A) Indirect Tax   (B) Direct Tax
       (C) Ad valorem Tax   (D)   Specific Tax

124. Which one of the following is a direct tax ?
       (A)Sales Tax   (B) VAT
       (C) Income Tax   (D) None of these

125.Which one of the following is a indirect tax ?
       (A)Wealth Tax   (B) Excise Tax
       (C) Income Tax   (D) None of these

True / False

126.Revenue receipts create liability for the government.   (True / False)

127.Payment of tax is legally compulsory .   (True / False)

128.Gift tax and income tax are examples of indirect tax .   (True / False)

129.One of the main objectives of budget is to maintain economic stability in the economy.
                                                        (True / False)

130.Under the deficit budget , budget expanditure is less than budget revenue .(True / False)

Ch. 14.Balance of Payments

131.If total payments are more than total receipts what type of BOP is it ?
       (A) Favourable   (B)Unfavourable
       (C) Balanced   (D) All of these

132.If the value of visible exports exceeds the value of visible imports , the balance of trade of a country will be ………..
       (A) Unfavourable   (B) In equilibrium
       (C) Favourable   (D) None of these

133.The difference in the value of imports and exports of material goods is called …..

(A) Balance of Payments   (B) Balance of Trade

(C) Balance of Commerce   (D) None of these

134. If the value of visible imports exceeds the value of visible exports , the balance of trade of a country will be ……….

(A) Unfavourable   (B) Inequilibrium

(C) Favourable   (D) None of these

135.Which of the following causes deficit in BOP ?

(A) More imports   (B) Less exports

(C) Inflation in the country   (D) All of these

True / False

136.Balance of trade includes the services like banking and insurance .   (True / False)

137.Balance of trade is favourable when exports are more than imports   (True / False)

138.There is deficit in balance of trade when exports are more than imports .   (True / False)

139.There is no difference between balance of trade and balance of payments.   (True / False)

140.A disequilibrium in BOP always means that there is deficit in BOP.   (True / False)

Ch. 15.Foreign Exchange Rate

141.In international money market, exchange rate refers to ………. Of one currency in terms of another currency.

(A) Price   (B) ratio of exchange

(C) Both (A) and (B)   (D) barter exchange

142.Under fixed exchange rate system, fixed exchange rate was determined with reference to the value of …………….

(A) Silver   (B) Gold

(C) Both Silver and Gold   (D) None of these

143.What is relationship between foreign exchange rate and supply of foreign exchange

(A) Inverse Relationship   (B) Direct Relationship

(C) No Relationship   (D) None of these

144. The exchange rate at which demand for and supply of foreign exchange are equal is called :

(A) Fixed Exchange Rate   (B) Equality Exchange Rate

(C) Equilibrium Exchange Rate   (D) None of these

145.Which of the following is a merit of flexible exchange rate ?

(A) Stability in exchange rate (B) No possibility of speculation (C) No need for controls (D) Faith of people in exchange rate

True / False

146. In most of the countries , in modern times , fixed exchange rate is prevalent.(True / False)

147. There is inverse relationship between foreign exchange rate and supply of foreign exchange .   (True / **False**)

148. Foreign exchange market transfers the purchasing power from one country to another country .   (**True** / False)

149. Fopreign exchange rate is the price of foreign currency in terms of domestic currency .   (**True** / False)

150.to make investment in other countries,demand for foreign exchange is made.**True** / False)

Answer Key (Macro Economics)

1	B	26	False	51	C	76	True	101	A	126	False
2	A	27	True	52	C	77	False	102	A	127	True
3	C	28	True	53	D	78	True	103	C	128	False
4	B	29	False	54	A	79	False	104	C	129	True
5	D	30	True	55	B	80	False	105	A	130	False
6	True	31	D	56	True	81	C	106	True	131	B
7	True	32	D	57	True	82	C	107	True	132	C
8	False	33	B	58	False	83	C	108	True	133	B
9	False	34	D	59	True	84	C	109	True	134	A
10	True	35	D	60	True	85	A	110	True	135	D
11	C	36	True	61	D	86	True	111	A	136	False
12	C	37	True	62	C	87	True	112	C	137	True
13	B	38	True	63	A	88	False	113	B	138	False
14	A	39	True	64	C	89	False	114	B	139	False
15	C	40	True	65	B	90	True	115	C	140	False
16	True	41	B	66	False	91	B	116	False	141	A
17	False	42	A	67	True	92	D	117	True	142	B
18	False	43	B	68	True	93	A	118	False	143	B
19	True	44	D	69	False	94	C	119	False	144	C
20	False	45	D	70	False	95	B	120	True	145	C
21	C	46	False	71	A	96	False	121	C	146	False
22	B	47	False	72	A	97	False	122	B	147	False
23	B	48	False	73	C	98	True	123	B	148	True
24	A	49	True	74	D	99	False	124	C	149	True
25	D	50	False	75	A	100	False	125	B	150	True

Part-2 . Indian Economic Development

Ch 1. Indian Economic Development on the Eve of Independence

Choose the Right Answer

1. Which of the following were present in the Indian economy when India attained independence ?

    (A) Underdeveloped Economy   (B) Stagnant Economy

    (C)   Semi-feudal Economy   (D) All of these

2.   How much was the per capita income of India when India became independence ?
    (A) Rs 220   (B) Rs 230   (C) Rs 240   (D) Rs 250

3.   What percentage of population was employed in agriculture at the time of independence ?
    (A) 70%   (B) 75%   (C) 80%   (D) None of these

4. At the time of independence , India's balance of trade was ………………
    (A) Unfavourable (B) Favourable (C)   Balanced (D) None of these

5. On the eve of independence , which sector of Indian economy was the single largest contributor to GDP and the biggest employer of workforce ?
    (A) Primary Sector (B) Secondary Sector © Tertiary sector (D) None of these

True or False Statements

6. At the time of independence ,Indian agriculture was highly backward (True/False)

7.In 1947-48 , 18% population was literate and 82% population was illiterate.(True/False)

8.Onthe eve of independence ,Indian industries ,including the basic and key industries ,were highly developed.   (True/False)

9. British rule in India led to commercialization of agriculture.   (True/False)

10. At the time of independence ,Indian economy was a semi-feudal economy. (True/False)

Ch.2 Five Year Plans and NITI AAYOG

11. When the National Planning Committee organised by the Congress under the chairmanship of Pandit J.L.Nehru ?
    (A)1928 (B) 1933 (C) 1938 (D) 1943

12. Who had formulated people's plan ?
    (A) Pandit J.L.Nehru (B) M. N. Roy (C) M. Visvesvarayya (D) None of these

13. When was planning commission set-up in India ?
    (A) 1949 (B) 1950 (C) 1951 (D) 1952

14. What was the duration of first five year plan ?
    (A) 1951-56 (B) 1956-61 (C) 1961-66 (D) 1966-69

15. Which five year plan was the last five year plan in India ?
    (A) 11th (B) 12th (C) 13th (D) 14th

16. The period of 12th five year plan was ?
    (A) 2010-15   (B)   2012-17 (C) 2014-19   (D) 2015-202

17. Three annual plans were launched in India after which five year plan?
(A)1st five year plan (B) 2nd five year plan (C) 3rd five year plan (D) None of these

18. Which institution has replaced the erstwhile Planning Commission of India ?
(A)NITI AAYOG (B) National Development Commission (C) National Development Institution
(D) Finance Commission
19. When NITI AAYOG came into existence ?
(A)January 01, 2014 (B) January 01, 2015(C) January 01, 2016(D) January 01, 2017
20. Who is the chairperson of NITI AAYOG ?
    (A) Finance Minister of the country (B) President of the country (C) Prime Minister of the
       country (D) None of these

Ch.3 Indian Agriculture : Main Features, Problems And Policies
21. Which of the following is a cause of backwardness of Indian agriculture ?
    (A) Lack of irrigation facilities (B) Lack of credit facilities (C) Small size of holdings (D)All of
       these
22. The focus of 'Minimum Support Price' policy in India is ?
    (A) Appropriate price to the farmers (B) Stability of the income of the farmers (C) Both
       (A)and (B) (D) None of these
23. Due to land reforms , productivity of Indian agriculture has :
    (A) Decreased (B) Increased (C) Remained constant (D)None of these
24. Which of the following is a failure of green revolution ?
    (A) Regional disparities (B) Economic inequalities (C) Both (A) and (B) (D) None of these
25. In which sector of Indian economy , is disguised unemployment the most prevalent ?
    (A) Industry (B) Agriculture (C) Services (D) None of these
True or False Statements
26. The contribution of agriculture sector in GDP of India is 40% . (True/False)
27. Small and marginal holdings are almost 85% of total land holding in India . (True/False)
28. Problems concerning   marketing have had highly adverse effects on the Indian agriculture.
                                                                (True/False)
29. Ceiling of land holding was done to check fragmentation of land holding .(True/False)
30.Green revolution has generated marketable surplus in India through increase in production
and productivity . (True/False)
Ch.4 Strategy of Industrial Growth in India
31. What is t he contribution of industrial sector in GDP of the country ?
    (A) 25% (B) 26% (C) 27% (D) 28%
32. How many industries were kept exclusively reserved for public sector under the industrial
policy 1956 ?
    (A) 15 (B) 16 (C) 17 (D) 18
33. Which of the following is the main feature of new industrial policy?
    (A) Liberalization (B) Globalization (C) Privatization (D) All of these
34. At present , for which of the following industries , it is not compulsory to obtain license ?
    (A) Alcoholic products (B) Tobacco products (C) Textile products (D) Explosives
35. How many industries are still covered under compulsory licensing system ?
    (A) 3   (B) 4   (C) 5   (D) 6

True or False Statements

36. New industrial policy was launched in 1991.   (True/False)
37. The development of industries can help to reduce the pressure of population on agriculture
                                                                                   (True/False)
38. The contribution of the industrial sector in the GDP of the country is almost 36%.
                                                                                    (True/False)
39. The present industrial policy promotes the public sector and controls the private sector.
                                                                                    (True/False)
40. The growth rate of the industrial sector in India is around 26%.   (True/False)

Ch.5 Foreign Trade of India

41. Which of the following was not an export of India before independence ?
    (A) Cotton textile (B) Tea (C) Manufactured products (D) spices
42. What was the value of India's foreign trade in 1947-48 ?
    (A) Rs 879 crore (B) Rs 789 crore(C) Rs 987 crore (D) Rs 792 crore
43. Choose the main export of India out of the following:
    (A) Gems and Jewellery (B) Manufactured products (C) Both (A) and (B)   (D) None of
        these
44. Which of the following is the main trading partners of India at present ?
    (A) USA (B) China (C) Saudi Arabia (D)All of these.
45. What is the share of India in the World trade ?
    (A) Approximately 1% (B) Approximately 2% (C)Approximately 3% (D) None of thses

True or False Statements

46. At the time of independence , India's foreign trade was only with England (True/False)
47. At present ,the balance of foreign trade of India is unfavourable . (True/False)
48. In recent times , main exports of India are manufactured products ,engineering
products,gems and jewellery ,readymade garments etc. (True/False)
49. The main import item of India at present is petroleum products.(True/False)
50. Till 1991 , India had been following import substitution strategy in its foreign trade.
                                                                                    (True/False)

Ch.6 Economic Reforms Since 1991 or New economic Policy

51. When were economic reforms launched in India ?
    (A) 24 June ,1991 (B) 24 July , 1991 (C) 25 June ,1991(D)25 July , 1991
52. Which of the following is not an element of economic reforms ?
    (A) Privatization (B) Nationalization (C) Globalization (D) Liberalization
53. With which process has the Indian economy been integrated with the world economy ?
    (A) Privatization (B) Nationalization (C) Globalization (D) Liberalization
54. Which of the following is not a part of liberalization of taxation policy in India ?
    (A) Reduction in the rate of taxes (B) Reduction in the rate of interest (C) Both (A) and (B)
        (D) None of these
55. Financial sector reforms aim to improve the efficiency of which of the following ?
    (A) Banking System (B) Money Market (C) Capital Market (D) All of these

True or False Statements

56. Unemployment has increased in the country due to economic reforms . (True/False)
57. Disinvestment policy is also a part of the economic reforms .(True/False)
58. In 1990-91 ,both the current account deficit and fiscal deficit were very high .(True/False)

59.Mobility of labour is still highly restricted at international level despite globalization.

(True/False)

60. Economic reforms of 1991 aimed at higher economic growth through structural transformation of Indian economy . (True/False)

Ch.7 Problem of Poverty in India

61. Which of the following is a cause of poverty in India ?
   (A) Low rate of economic growth (B) Inflation (C) Population explosion (D) All of these
62. When was MGNREGS started ?
   (A) 2004 (B) 2005 (C) 2006   (D) None of these
63. When was Swaran Jayanti Shahri Rozgar Yozana launched ?
   (A) 1996   (B) 1997   (C) 1998 (D) 1999
64.The cut-off level which helps to classify people poor and non-poor is ;
   (A) Poverty line (B) Poverty limit (C) Poverty level (D) None of these
65.Which among the following are included in rural poor ?
   (A) Landless and marginal farmers (B) Agricultural labourers (C) Rural artisans (D) all of these

True or False Statements

66. There are two concepts of poverty ; Absolute Poverty and Relative poverty . (True/False)
67. Poverty breeds poverty   (True/False)
68. Under MGNREGS , guaranteed employment is offered for a minimum of 100 days .

(True/False)

69. Rural areas in India have more poverty than urban areas .   (True/False)
70. Indian experience has shown more than poverty can exist even when GDP is rising .

(True/False)

Ch. 8 Rural Development

71. Short period credit is availed by the farmers for :
   (A) Purchase of new land (B)Purchase of machinery (C) Purchase of agro-inputs (D)None of these
72. Which of the following is an institutional sources of credit ?
   (A) Commercial Banks (B) Regional Rural Banks (C) Co-operative Banks (D) All of these
73.Which of the following is a non-institutional source of credit ?
   (A) Commercial Banks (B) RRBs (C) Relatives and friends (D) None of these
74.Which of the following is vital to the rural development ?
   (A) Rural Credit (B) Agricultural marketing (C) Both (A) and (B)   (D) None of these
75. Which of the following is not related to agricultural marketing ?
   (A) Grading of produce (B) Storing of produce (C) Selling of produce (D) Use of organic inputs

True or False Statements

76. Rural development is a process of all-round welfare of rural masses . (True/False)
77. Moneylenders are non-institutional source of rural credit .(True/False)
78. KCC scheme was launched in 1998 . (True/False)
79. In India ,all the agricultural markets are the regulated markets .(True/False)
80. Organic farming depends upon the chemical inputs .(True/False)

Ch.9 Human Capital Formation

81. Extent of workforce, skill and expertise of workforce in a country is known as :
    (A) Human resources (B) Human capital (C) Human asset (D) None of these
82. Which of the following is a determinant of human capital formation ?
    (A) Spread of education (B) Better health facilities (C) Migration (D) All of these
83. The ability to read and write in any Indian language is known as:
    (A) Literacy (B) Education (C) Knowledge (D) None of these .
84. Which of the following designs curriculum framework upto senior secondary level education in India ?
    (A) AICTE   (B) NCERT   (C) UGC   (D) MCI
85. The quality of human capital depends upon which of the following factor ?
    (A) Health system (B) Education System (C) Both of these (D) None of these

True or False Statements

86. Human capital formation enhances the productivity of human capital .(True/False)
87. Human capital plays no role in economic growth and economic development of a country
                                                            (True/False)
88. NCERT regulates technical education in the country . (True/False)
89. Migration is also a source of human capital formation . (True/False)
90. In India , almost 10% of GDP is spent on education. (True/False)

Ch.10 Employment and Unemployment in India

91. Which of the following types of unemployment is found in India ?
    (A) Seasonal Unemployment (B) Disguised unemployment (C) Educated   unemployment
        (D) All of these
92. Which of the following is an effect of unemployment in India ?
    (A) Poverty (B) Exploitation of labour (C) Low rate of economic growth (D) All the above
93. as compared to male unemployment , female unemployment is higher in India .It indicates what?
    (A) Economic backwardness (B) social backwardness (C) Both (A) and (B)   (D) All these
94. Total amount of labour that the labourers are ready to offer at a specific wage rate is known as :
    (A) Workforce (B) Labour force (C) Labour Supply (D) None of these
95. Total number of persons who are either working or willing to work is known as:
    (A) Workforce (B) Labourforce (C) Labour Supply (D) None of these

True or False Statements

96. A worker employed in a business owned by someone else is called hired worker.
                                                            (True/False)
97. Workforce refers to total number of persons who are actually working. (True/False)
98. The percentage of female workforce is higher in rural areas .(True/False)
99. Indian education system is not job oriented .   (True/False)

100. According to usual status unemployment , a person who works less than 183 days in a year is unemployed by usual status . (True/False)

Ch. 11 Infrastructure

101.Which of the following is a non-conventional source of energy in India ?
   (A) Petroleum (B) Electricity (C) Firewood (D) Coal

102.Which of the following is an important non-conventional source of energy in India ?
   (A) Solar energy (B) Biomass energy (C) Both (A) and (B)   (D) None of these

103.Which of the following is an important conventional source of energy in India ?
   (A) Petroleum (B) Coal (C) Natural Gas (D) All of these

104. Which of the following is a challenge before power sector in India ?
   (A) Inadequate generation of electricity (B) High T & D losses (C) Low PLF (D) All of these

105.Which of the following measures will you suggest to solve the problem of power sector in India ?
   (A) Increase in production (B) Improvement in PLF (C) More investment (D) All of these

True or False Statements

106.Social infrastructure lays the foundation of human development in a country like India .
                                                                                    (True/False)

107. Roads , bridges ,power plants etc. are components of economic infrastructure.
                                                                                    (True/False)

108.Educational and health facilities are components of economic infrastructure . (True/False)

109.Transmission and distribution losses of electricity in India are very high in comparison to world standards .   (True/False)

110. Infrastructure also widens the size of market in India .   (True/False)

Ch. 12 Health

111.Health is a component of which of the following ?
   (A) Economic infrastructure (B) Social infrastructure (C) Both (A) and (B) (D)None of these

112.Which of the following is not a component of AYUSH ?
   (A) Allopathy (B) Yoga (C) Unani   (D) Siddha

113.CHCs , PHCs and sub-centres in India are a part of Which of the following ?
   (A) Primary health system (B) Secondary health system (C) Tertiary healthcare system
      (D) None of these

114. Which of the following is a achievement of health sector in India indicating development of health services ?
   (A) Decline in death rate (B) Decline in IMR (C) Decline in MMR (D) All of these

115. Which of the following is an indicator of improving health standards of people in India ?
   (A) Improvement in life expectancy (B) Reduction in death rate (C) Reduction in child
      mortality rate (D)All the above

True or False Statements

116. Health sector is a part of economic infrastructure of India . (True/False)

117. Better health standards help to improve the efficiency of human capital .(True/False)

118. Indian system of medicine is known as AYUSH . (True/False)

119. Private health care is highly expensive in India . (True/False)

120. CHCs are a component of the primary health care system in India . (True/False)

Ch.13 Environment And Sustainable Development

121.When was Environment Protection Act passed in India ?

(A)1985 (B) 1986 (C) 1987 (D) 1988

122.Those resources which can not be replenished are ;

   (A) Non-renewable resources (B) Renewable resources (C) Traditional resources (D) Natural resources

123.Which of the following is a cause of environmental degradation ?

   (A) Pollution explosion (B) Rapid industrialization (C) Lack of awareness among people (D) All of these

124.When was CPCB set-up in India ?

   (A) 1974 (B) 1975 (C) 1976 (D)1994

125.Which of the following is a strategy for achieving sustainable development ?

   (A) Efficient use of resources (B) Public awareness (C) Organic farming (D) All of these

True or False Statements

126.Environment includes biotic and abiotic elements .   (True/False)

127. Industrialisation has proved to be a bane for environment .   (True/False)

128. In order to check environmental pollution in India , spread of awareness among people is highly essential .   (True/False)

129. Human beings are biotic component of environment.   (True/False)

130. Ozone depletion is beneficial for the environment .   (True/False)

Part-3   Statistics in Economics
Ch. 1 Correlation

131.(The value of Karl Pearson's) Coefficient of correlation lies between:

   (A) 0 and 1 (B) -1 and 0 (C) -1 and +1 (D) It can take any value

132. Which is not a type of correlation ?

   (A) +ve & -ve (B) linear & non linear (C) Sample & multiple (D) Cause & effect

133.Between price and demand ,there is ;

   (A) Positive Correlation (B) Negative Correlation (C) No Correlation (D) None of these

134.What is the value of perfect correlation ?

   (A) -3 and 3 (B) 0 (C) 0 or 1 (D) -1 or 1

135.In how many variables the correlation may exist ?

   (A) 2   (B) 3   (C) 4   (D) all

True or False Statements

136.In case of positive correlation , the variables change in the same direction. (True/False)

137. There is negative correlation between price and supply .(True/False)

138. Correlation explains cause and effect relationship between variables. (True/False)

139. The value of Karl Pearson's Coefficient of correlation lies between 0 and 1. (True/False)

140. If quantitative data are given ,Spearman's method is best to calculate correlation.

                                                                      (True/False)

Ch. 2 Index Number

141.First book on Index Number was written by;
    (A) Horace Secrist (B) Irving Fisher (C) Croxton and Cowden (D) Bishop Fleelwell
142.Which formula is the best formula for constructing Index Number ?
    (A) Fisher's Method (B) Laspeyre's Method (C) Paasche's Method (D) None of these
143.Which of the following is a method of construction of Index Number ?
(A)Laspeyre's Method(B) Paasche's Method (C) Fisher's Method (D) All of these
144.Which of the following is used to calculate the rate of inflation in a country ?
    (A) Correlation (B) Index Number (C) Both of these (D) None of these
145.Which of the following can be used to measure the changes in the cost of living of people ?
    (A) CPI (B) WPI   (C) IIP   (D) None of these

True or False Statements

146.Indux numbers are always constructed with reference to a base period. (True/False)
147.Fisher's method of constructing index number is the best method .(True/False)
148.Index numbers are a useful tool for calculating inflation . (True/False)
149.There is direct relation between inflation and value of money . (True/False)
150.A fall in rate of inflation always implies that prices have fallen. (True/False)

Answer Key (Indian Economy ,statistics in Economics)

1	D	26	False	51	B	76	True	101	C	126	True
2	B	27	True	52	B	77	True	102	C	127	True
3	A	28	True	53	C	78	True	103	D	128	True
4	B	29	False	54	B	79	False	104	D	129	True
5	A	30	True	55	D	80	False	105	D	130	False
6	True	31	B	56	True	81	B	106	True	131	C
7	True	32	C	57	True	82	D	107	True	132	D
8	False	33	D	58	True	83	A	108	False	133	B
9	True	34	C	59	True	84	B	109	True	134	D
10	True	35	C	60	True	85	C	110	True	135	D
11	C	36	True	61	D	86	True	111	B	136	True
12	B	37	True	62	C	87	False	112	A	137	False
13	B	38	False	63	B	88	False	113	A	138	False
14	A	39	False	64	A	89	True	114	D	139	False
15	B	40	False	65	D	90	False	115	D	140	True
16	B	41	C	66	True	91	D	116	False	141	D
17	C	42	D	67	True	92	D	117	True	142	A
18	A	43	C	68	True	93	C	118	True	143	D
19	B	44	D	69	True	94	C	119	True	144	B
20	C	45	B	70	True	95	B	120	True	145	A
21	D	46	False	71	C	96	True	121	B	146	True
22	C	47	True	72	D	97	True	122	A	147	True
23	B	48	True	73	C	98	True	123	D	148	True
24	C	49	True	74	C	99	True	124	A	149	False

25	B	50	True	75	D	100	False	125	D	150	False

Question Bank (For DA students)

10+2 (2022-23)

Subject: Economics

Part-A Macro Economics   **3 Marks**

1. Define Macroeconomics .

   Ans:Macroeconomics is the study of the economics study of the economy as a whole. In it various aggregates averages economic problems related to the economy as a whole are studied . According to Edward Shapiro, "Macroeconomics deals with the functioning of the economy as a whole."

2. Explain the scope of Macro Economics .

   Ans: In Macro Economics , economic laws and theories related to various macroeconomic variables are studied. For example :

   1 Theory of National Income .2. Theory of Employment. 3. Theory of Consumption Function , 4. Theory of Investment etc.

3. Define circular flow of money and income.

   Ans: Circular Flow of Income: It refers to an ever-continuous process under which various sectors in the economy exchange goods and services on one hand and money on the other.

4. Define real flow.

   Ans:The flow of goods and services among various sectors of the economy is known as real flow.

5. Define Money flow.

   Ans: the flow of money e among the various sectors of the economy of the exchange of goods and services is known as Monetary follow.

6. What is stock?

Ans: Any variable which is measured with reference to a particular 'point of time' is known as stock. For example: on March 31st 2022 the balance in a savings bank account was rupees 3 Lakh. It is a stock concept.

7. What is flow?

Ans: Any variable which is measured with reference to a 'period of time' is known as flow. For example: income, expenditure, interest etc. All are measured with reference to a period of time. All these are flow concepts to with reference to a period of time. All these are flow concept.

8. Define the concept of leakages in the circular flow of income.

Ans:Those activities or forces which contract or weaken Circular Flow of Income are known as Leakages or weaknesses for withdrawal of Circular Flow of Income. For example: saving, payments for imports and Taxes etc.

9. Define the concept of injections in the circular flow of income.

Ans:Those activities or forces which extend or strengthen circular flow of income are known as injections. For example : investment ,receipts from exports , subsidy and transfer payments etc.

10. When will domestic factor income be greater than national income?

Ans:We know: National Income =Domestic Factor Income + Net Factor Income from Abroad.

So, when net factor income from abroad is negative, domestic factor income will be greater than national income.

11. What is meant by the income method?

Ans: Under income method , net domestic income or Net domestic product at factor cost is calculated by adding all the three components of factor income within the domestic territory of the country. By adding net factor income from abroad in national income can be calculated.

12. What is meant by the expenditure method?

Ans: Under expenditure method, measurement of National Income is done by calculating final expenditure incurred on various goods and services at market prices within the domestic territory of the country during a specific period of time. Gross Domestic Product at market price is obtained by adding various heads of

final expenditure. After that national income is calculated by adding or subtracting suitable items in it.

13. Calculate value Added from given data;

(Items)   (Rs in Crore)

(i) Value of Output   25,000

(ii) Intermediate consumption   3000

(iii) Consumption of Fixed Capital 600

Ans: We know :

 Value added= value of output- intermediate consumption.

  Value added= 25000- 3000 = 22000 Crore

14. Define barter system of exchange ?

Ans: It refers to that system of exchange under which goods are exchanged with goods.

15. What is a Commodity-Commodity economy?

Ans: The Economy in which barter system of exchange prevails is known as commodity commodity exchange economy. Double coincidence of human wants is the base of the working of an economy. But the existence of such an economy in present times is difficult because exchange is not possible without the use of money in the modern times.

16. What is monetary system of exchange?

Ans: It refers to that system of exchange under which exchange of goods and services takes place with the help of money. Under it, money is medium of exchange

17. what is meant by high powered money ?

Ans: The currency (notes and coins) available with the public and the cash available with the banks of the country is known as high powered money.It determines the flow of money in the economy and is the basis of credit creation.

18. Define Central Bank.

Ans: The apex Bank of the banking system of a country is known as Central Bank of that country. According to De Cock ,"A Central Bank is a bank which constitutes the apex of the monetary and banking structure of it is country."

19. Define commercial bank

Ans. Commercial bank is that financial institution whose primary function functions to accept the deposits from it is customers and to advance loans to it customers. In modern times commercial banks perform many other functions also.

20. What is meant by monetary policy?

Ans: Central Bank of every country regulate the flow of credit in the economy to achieve specific economic objectives. The policy of credit regulation by Central Bank is known as monetary policy of Central Bank.

21. What is meant by bank rate ?

Ans: Bank rate refers to that minimum rate of interest at which Central Bank of a country advances loans to commercial banks. If bank rate is high credit availability in the economy is reduced.

22. What is full employment?

Ans: Full employment: Such a situation in which all the able I persons get work according to their qualification and at the wage rate prevailing in the market is known as Full Employment in such a situation aggregate demand for and aggregate supply of the labourers are equal.

23. What do you understand by short run in macroeconomics ?

Ans: In Keynesian economics, short Run refers to that time period in which technology remains constant. It means that short period is that time period in which technology has no effect on the determination of output in the country.

24. Define involuntary unemployment .

Ans: Involuntary unemployment: Such a situation in which an able person is ready to work at the wage rate prevailing in the market but he does not get a work is known as in voluntary unemployment. In case of involuntary unemployment, people are unemployed against their wishes.

25. What is meant by Average Propensity to Consume (APC)?

Ans:Average Propensity to Consume(APC) : APC is the ratio of total consumption to total income. It explains what proportion of specific level of income will be spent on consumption.

APC = $\dfrac{C}{Y}$

26. If Average Propensity to Consume is 0.75 ,how much will be Average Propensity to Save?

Ans: Average propensity to consume APC= 0.75

we know : APC + APS=1

Average Propensity to save (APS) =1- APC

= 1-0.75

= 0.25

27. Calculate Aggregate Demand from the following table;

Y	C	I	AD
0	100	25	
200	150	25	
400	200	25	
500	250	25	
600	300	25	

Ans:

Y	C	I	AD

0	100	25	125
200	150	25	150
400	200	25	225
500	250	25	275
600	300	25	325

28. What is a investment multiplier ?

Ans: Investment Multiplier: as many times income changes as a result of change in investment, that is known as investment multiplier.

29. If MPC is 0.60 find the value of the multiplier.

Ans: Given MPC = 0.60

we know : $K = \dfrac{1}{1-MPC} = \dfrac{1}{1-0.60} = \dfrac{1}{0.40} = \dfrac{100}{40}$ = 2.5 Ans

30. If marginal propensity to consume is 0.5 what will be the multiplier?

Ans: Given MPC = 0.5

we know : $K = \dfrac{1}{1-MPC} = \dfrac{1}{1-0.5} = \dfrac{1}{0.5} = \dfrac{10}{5}$ = 2 Ans

31. Find a multiplier when MPS=0.8.

Ans: MPS = 0.8

we know : $K = \dfrac{1}{MPS} = \dfrac{1}{0.8} = \dfrac{10}{8}$ = 1.25 Ans

32. What is deficient demand?

Ans: If aggregate demand in the economy is less than the output which can be produced at full employment level. It is referred to the problem of deficient demand in the economy.

33. What is excess demand?

    Ans: If aggregate demand in the economy is more than the output which can be produced at full   employment level. It is referred to be the problem of excess demand

34. Distinguish between Direct and indirect taxes.

    Ans: Direct Tax: If a tax is paid by the tax payer directly to government such a tax is known as direct tax. Money burden and real burden of such a   tax is on the same point.

    Indirect Tax: If tax a is paid by the tax payer indirectly to government, such a tax is known as   indirect tax. Money burden and real burden of such a tax is on different points.

35. What are the two main facilities provided by modern banking?

    Ans: 1. Modern banks providing net banking facilities to its customers.

    2. Banks are providing locker facilities to its customers.

36. Briefly explain two primary functions of commercial banks.

    Ans: 1. To accept deposits: Commercial banks accept the the savings of their customers in the form of deposits.

    2. To advance loans : Second primary function of commercial banks is to advance loans. Commercial banks advance loan to their customers.

37. What is progressive tax?

    Ans: Progressive tax: If the rate of a tax increases with an increase in tax base, such a tax is known as progressive tax. Under progressive tax, the higher the tax base, the higher is the rate of tax.

38. What is regressive tax?

    Ans: Regressive tax: If the rate of a tax decreases with an increase in tax base, such a tax is known as a regressive tax. Under regressive tax , the higher the tax base, the lower is the rate of tax.

39. What is meant by primary deficit?

Ans: If interest payments are subtracted from the fiscal deficit, the residual deficit is known as primary deficit .It is an indicator of the need of government to borrow except for   interest payments.

Primary Deficit= Fiscal Deficit- Interest Payment

40. Define exchange rate.

Ans: Foreign Exchange Rate is the rate of exchange at which one unit of the currency of a country can be exchanged with given number of units of the currency of some other country. It is the price of the currency of a country in terms of the currency of some other country.

41. What is meant by a fixed rate of exchange?

Ans: Fixed exchange rate: The exchange rate which is determined by the government of the country and is generally fixed is known as Fixed Exchange Rate. Fixed Exchange Rate used to prevail under Fixed Exchange Rate System.

42. Why is foreign exchange demanded?

Ans: demand for foreign exchange: it is made for following purposes:

 1. To make direct purchase or Import of goods and services from other countries.

 2. To pay gifts or grants to the rest of the world sector.

 3. To purchase financial assets or to make investment in other countries.

 4. To do speculation on the basis of the fluctuations in the value of foreign exchange.

 5. To pay back International Dept .

43. Define foreign exchange market.

Ans: The market in which transactions of foreign exchange take place is known as foreign exchange market .As goods and services are traded in product market exchange rate is traded in foreign exchange market.

44. Define a flexible exchange rate .

Ans: Flexible exchange rate is that rate of exchange which is determined on the basis of equilibrium between demand for and supply of foreign exchange.That is why it is also known as equilibrium rate of exchange .It prevails under flexible exchange rate system

45. Give the meaning of favourable balance of payment.

Ans: When the total receipts accrued to one country are more than the total payments made by that country ,that situation is known as favourable balance of payment.

46. Give the meaning of unfavourable balance of payment.

Ans: When the total receipts accrued to one country are less than the total payments made by that country, that situation is known as unfavourable balance of payment.

47. What are the components of a current account?

Ans: Following items are included in current account:

1. Visible items i.e export and import of goods
2. Invisible items i.e. export and import of services.
3. Unilateral transfers from one country to the other country.

48. Find out the value of imports when the value of balance of trade is (-)Rs 1200 crore and the value of export is Rs 500 crore.

Ans: Balance of Trade = Rs -1200 crore, value of export is Rs 500 crore.

we know : Balance of Trade= Value of Exports- Value of Imports

- 1200=500- Value of Imports

Value of Imports= 500+1200 = Rs 1700 crore.

49. The balance of trade shows a deficit of Rs 800 Crore.The value of export is Rs 900 crore .Find the value of imports.

Ans: Balance of Trade = Rs -800 crore, value of export is Rs 900 crore.

we know : Balance of Trade= Value of Exports- Value of Imports

- 800=900- Value of Imports

Value of Imports= 900+800 = Rs 1700 crore.

50. The balance of trade shows a deficit of Rs 1600 Crore.The value of export is Rs 1800 crore .Find the value of imports.

Ans: Balance of Trade = Rs -1600 Crore, value of export is Rs 1800 crore.

We know : Balance of Trade= Value of Exports- Value of Imports

- 1600= 1800- Value of Imports

Value of Imports= 1800+1600 = Rs 3400 crore.

Part-B
Indian Economic Development

51. In 1947 , Indian economy was a rural economy.Comment.

Ans: on the eve of independence India was a rural economy. More than 86 % of the population of the country was resident of rural areas. Urban population was only 14% . Village lacked even basic facilities.

52. In 1947 , Indian economy was a stagnant economy.How?

Ans: At the time of independence Indian economy was stagnant economy. Rate of economic growth and development was very low and for many years it was negative.

53. Give two important features of Indian economy on the eve of independence .

Ans: 1.   Underdeveloped Economy: At the time of independence, Indian economy was underdeveloped economy or backward economy.

2. Stagnant Economy: At the time of independence the growth rate of the Indian economy was very low or even negative at times.

54. Give any two important achievements of economic planning in India .

Ans: 1. Increasing the life expectancy for average life: it has increased from 33 years in 1951 to around 69 years at present.

2. Literacy rate: It was increased considerably. as per Census 2011, the literacy rate in the country is 74.0 4%. Male literacy rate is 82.14% whereas female literacy rate is 65.46%.

55. Discuss any two failures of economic planning in India .

Ans: 1. Unemployment: Despite five year plan, the problem of unemployment is still persisting in India. Rather, it has become a more serious.

2. Poverty: Five year plan have failed miserably in eradicating poverty from India. Aa large part of Indian population continue to suffer from the curse of poverty even today.

56. When did NITI AAYOG come into existence ?

Ans: NITI AAYOG came into existence by a central government resolution Delta January 1st, 2015 . It has been set-up as 'Premier policy think tank' the Government of India. The NITI AAYOG will act as a catalyst to the developmental process in the country.

57. Write objectives of NITI AAYOG in brief .

Ans: Objectives of Niti Aayog;

1. To evolve national developmental priorities and strategies with active involvement of States.

2. To promote Cooperative federalism recognising that strong States make a strong nation.

3. To follow a 'bottom up' approach towards planning.

4. To pay special attention to those section of society who are not be in benefited from economic progress.

58. Write any two problems or causes of backwardness of Indian agriculture .

Ans: 1. Obsolete techniques of production: Agricultural activities are carried out in India using obsolete techniques. Therefore, both production and productivity of Indian agriculture are low.

2. Lack of modern inputs: In India there is severe lack of good quality modern inputs such as , chemical fertilizers, modern machinery etc.

59. What do you know about Green Revolution in India?

Ans:Green Revolution refers to tremendous agricultural growth achieved in India after the mid 60s. In the year 1967- 68 itself ,there was almost 25% growth in foodgrain production in India. This made India self-sufficient in agricultural production. This growth of agriculture continued till the mid 80s.

60. Give any two suggestions for the development of Indian agriculture.

Ans: 1. Development of assured irrigation: irrigation facilities should be developed in the country. This will reduce the dependence of Indian agriculture on the monsoon rains.

2. Use of good quality modern inputs: For the growth of Indian agriculture, modern inputs of good quality should be used. Farmers should be educated to make judicious use of modern inputs.

61. What is the role of industries in economic development of India ?

Ans:Role in economic development: Industrial sector is playing a crucial role in the economic development of the country. By promoting the growth of Agricultural sector, service sector, backward regions and by making significant contribution in national income, employment generation, economic stability and export etc. Industries are promoting the economic development of the country.

62. Write any two merits or beneficial effects of industrial policy ,1991 .

Ans: 1. Increase in Industrial Growth Rate: As a consequence of this policy, industrial growth rate in the country has increased. The average growth rate of industrial sector after this policy has been around 7%.

2. Increase in growth rate of the economy: After the Industrial Policy 1991, India has achieved average growth rate of around 6%.

63. What do you know about industrial licensing policy of India ?

Ans:Industrial licensing policy of India: Industrial Policy 1948 laid the foundation of a mixed economy in the country. Under it, government had the authority to control the process of of industrialisation. To do so, Indian government adopted the policy of licensing system of the industries.

64. Give any two imports of India .

Ans: 1. Crude Rubber: In 1960-61, imports of crude rubber worth Rs. 11 crore were made. But in 2014-15, imports of crude rubber were worth Rs. 11691 crore.

2. Fibres: India's importance of fibres were worth Rs. 101 crore in 1960 61.Iin 2014-15, fibres worth Rs. 7852 crore were imported.

65. State any two exports of India .

Ans:Spices: India export spices to many European countries, Saudi Arabia, USA etc. in 2014-15 spices worth Rs 14848 crore were exported.

Rice : In 2014-15 rice worth Rs 48028 crore were exported to Gulf countries.

66. What do you mean by "New Economic Policy" adopted by India in 1991?

Ans: All the economic policies measures adopted in India in 1991 and afterwards to bring structural adjustment in the economy are called economic reforms, 1991 or new economic policy, 1991.

67. Write any two measures adopted for liberalization in 1991 by India .

Ans: 1. Abolition of compulsory licensing: compulsory licence is required only for five industries.

2. Exemption from MRTP act and It is abolition: In 1991 and afterwards, many exemptions and concessions have been granted to companies failing under MRTP act 1969. In 2002 MRTP Act was replaced with competition Act 2002.

68. Write any two measures adopted for privatization in 1991 by India .

Ans: 1. Contraction of public sector: Under the process of privatisation, the number of industries exclusively a reserved for public sector was reduced to 8 from 17 in 1991. Subsequently this number was further reduced to 2.

2. Disinvestment : Government has sold it is equity shares in selected PSEs . These shares have been offered to Mutual Funds, Financial Institutions, general public and workers of PSEs. .

69. Write any two measures adopted for globalization in 1991 by India .

Ans: 1. Adoption of export promotion policy: Export promotion Policy was adopted in place of import substitution policy in 1991. To do so, tariffs or international trade were lowered.

2. Liberal movement of foreign capital: Liberal movement of foreign capital has been allowed in the country and out of the country. 100% FDI is allowed in many sectors.

70. Write any two causes of poverty in India .

Ans: 1. Unemployment, underemployment, disguised unemployment and unemployability: Due to lack of employment opportunities in the country, there is widespread unemployment in India. The direct fall out of all this is poverty.

2. Lack of social security: There is absence of an efficient and effective social security system in the country. Consequently, poverty continue to persist.

71. Give any two suggestions for removal of poverty in India .

Ans: 1. Faster and inclusive economic growth: Around effort should be made for achieving higher economic growth and the growth process should be made more in inclusive.

2. Development of agriculture and rural areas: Specific efforts should be made for the rapid growth of the agriculture and rural areas. This will also help in tackling the problem of poverty.

72. What are main sources of rural credit in India ?

Ans: The credit advanced to rural areas is known as rural credit. Sources of rural credit in India can be divided into two broad categories; A. Non-institutional sources B. Institutional sources.

73. Which are the non-institutional sources of credit in India ?

Ans: Those sources of rural credit which do not follow formal rules and legal provisions concerning credit, are referred to as non institutional sources of credit. For example; Moneylenders Traders and Commission Agents at relatives and friendship and landlords.

74. Which are the institutional sources of credit in India ?

Ans: Those Institutions which provide rural credit by following formal rules and legal provisions, institutional sources of rural credit. For example; Commercial banks cooperative bank and regional rural banks.

75. What do you know about NABARD?

Ans: NABARD Was established in July 12 1982 to provide refinance facility for rural credit in India . it provides refinance facilities to State Co-operative Agriculture and Rural Development Banks, state co-operative banks, RRBs commercial banks and other RBI approved institutions.

76. State any two problems concerning rural credit in India.

Ans: 1. Insufficiency: Despite growth and expansion of rural credit system availability of rural credit is highly insufficient as compared to the requirements.

2. Less credit to poor people: The large part of rural credit accrues to the rich and influential people and large farmers. Poor people, find it very hard to obtain the funds for their needs.

77. Give any two suggestions to solve the problems of rural credit in India .

Ans: 1. Sufficient availability of credit: Sufficient amount of credit should be made available to rural people as per their needs.

2. Special intention to poor people: Special attention should be given to fulfill the credit needs of poor people. Special provision should be made for them.

78. What is human capital ?

Ans: Organisation for economic cooperation and development (OECD) has defined human capital as "the knowledge,skills, competencies and other attributes embodied in individuals or groups of individuals acquired during the life and used to produce goods, services or ideas in market circumstances.

79. What is human capital formation ?

Ans: Human capital formation refers to the process through which people are transformed into productive resource. It is under the process of human capital formation that skill, Educational attainment, Health standards ,expertise etc. of the people are improved.

80. How is education a source of human capital formation?

Ans: Education is the most important source of determinant of a human capital formation. Education enhances the knowledge, intelligence, expertise and efficiency of the person . Thus it raises the productivity of people.

81. Write any two problems in the way of human capital formation in India.

Ans:1. Huge population: India has a huge population. It is very difficult to provide high quality education , health facilities and other such facilities to such a huge population.

2. Lack of resources: India is a developing country. There is no denying to the fact that there is lack of resources required for human capital formation in the country.

82. State any two problems of educational system in India .

Ans:1.Failure to achieve universalisation : Indian constitution had set the goal of universalisation of elementary education by 1960. But despite all the efforts, India has failed to achieve this goal .

2. High drop-out rate : Drop-out rates in various level of education in India are very high.

83. Give any two suggestions to improve the educational system in India.

Ans:1. Universalisation of elementary education: All possible efforts should be made to achieve universalization of elementary education.

2. To lower drop-out rate: Steps must be initiated to lower the drop-out rate as much as possible. Once enrolled ,students must complete their education.

84. What do you know about the problem of unemployment in India ?

Ans: As a nation, India is facing several serious problems. One such problem is the problem of wide-spread unemployment in various forms. Despite all efforts made under five year plans, this problem is still persisting in India. Rather it has grown more serious with the passage of time.

85. Write any two causes of unemployment in India .

Ans:1. Population explosion: In India, there has been a population explosion in the post independence period. But there has not been   matching increase in employment opportunities.

2. Low rate of economic growth: The rate of economic growth in India has been low. Consequently, the economy has failed to generate sufficient employment opportunities.

86. Give any two suggestions to solve the problem of unemployment in India.

Ans: 1. control over population: Efforts must be made to check the rapid population growth. This will reduce the supply of labour and the problem of unemployment will get solved.

2. Rapid rate of economic growth: Efforts must be made to achieve a rapid rate of economic growth. With this sufficient employment opportunities will be generated in the economy.

87. What is infrastructure ?

Ans: All those fundamental facilities, services and system which lay the foundation of the working of an economy are known as infrastructure. Infrastructure in any country consists of roads ,Railways ,bridges, electricity supply ,telecommunication system ,education system ,health system etc.

88. Describe any two conventional sources of energy in India.

Ans: 1.   Coal : Coal is the most important conventional source of energy in India. The total production of coal in India was 328 tones in 1950-51 which increased to 6754 lakh tonnes in 2018-19.

2. Petroleum : Petroleum is also very important conventional source of energy in India . But there is acute shortage of Petroleum reserves in India.

89. Describe any two non-conventional sources of energy in India.

Ans:1. Solar energy: The energy derived from the heat and light of the sun is known as a solar energy.

2. Wind energy: The energy derived from the wind power is known as wind energy.

90. Write any two challenges before power sector in India .

Ans: 1.   Inadequate generation of electricity: As on 31.12. 2019, electricity generation capacity of India was 369.93 GW. It is less than demand of electricity in India.

2. Under utilisation of installed capacity: In India, PLF from January 2006 to October 2018 has been 70.95% on average basis. This means that power plants have produced just 70% electricity out of their installed capacity.

91. Comment on primary healthcare system in India .

Ans:Primary Health care system: Primary Health care system includes health centres and small hospitals in rural areas and semi-urban small towns. These include Primary Health Centre (PHCs) Community Health Centre(CHCs) and sub-centers (SCs) . These provide basic health facilities to the people. People

having serious ailments are referred to the secondary or tertiary Health Care institutions.

92. Comment on private healthcare system in India .

Ans: Private Health Care system includes all the dispensaries ,Clinics, Nursing Homes, hospitals, Super Speciality hospitals, Laboratories etc owned and run by private sector in India .It constitutes near 80% of the total health care system of India. Almost 80% population of the country avail of OPD services of Private Health Care system in India.

93. State any two problems of health sector of India.

Ans: 1. Low public expenditure on health: In India public expenditure on health sector is miserably low .In 2018-19 it was just 1.28 % of GDP.

2. Prevalence of deadly diseases: Deadly diseases like Malaria, dengue Tuberculosis etc. is still continue to prevail in the country. India's efforts to tackle diseases like AIDS , cancer etc. are still far from being satisfactory.

94. What is environment ?

Ans: According to Environment (protection) Act 1986 ,"Environment includes water air and land the interrelationship which exist between water, air, land and human beings and other creatures, plants, micro-organism property"

95. What do you mean by pollution?

Ans: Pollution may be defined as an undesirable change in physical chemical and biological characteristics of environment having adverse effect on the quality of human life and other living organism the substances that cause pollution are referred to as pollutants.

96. What is water pollution?

Ans: Water pollution may be defined as the addition of undesirable substances in it so that it has harmful effects on human life and other organisms in water. water pollution has created a serious crisis concerning the availability of clean drinking water.

97. Give any two suggestions to check deforestation .

Ans: 1. more trees should be planted. afforestation should be promoted.

2. While striving for industrialisation , urbanization and rapid economic development; felling of trees should be strictly regulated. More trees should be planted than those are cut.

98. Write any two causes of degradation of environment.

Ans:1. Pollution: due to various reasons pollution has increased to the level never experienced before. the direct result of pollution is environmental degradation.

2. Lack of awareness: People are not aware of the issues concerning environment. their lifestyle and behaviour are not environmental friendly. This also results in Environmental Degradation.

99. What is meant by the concept of sustainable development?

Ans: Sustainable development refers to that process of economic development in the present without harming the availability and capacity of the future generations to achieve economic development. Under it, the use of resources is made in such a way that possibility of development in future is not compromised.

100.   What is meant by global warming?

Ans: Global warming refers to gradual but consistent increase in the average temperature of earth's lower atmosphere. It has taken place due to increase in the emission of greenhouse gases such as carbon dioxide, Methane etc.It has the serious implications for the mankind.

Part-C
Statistics in Economics

101.   What is the meaning of correlation?

Ans:Correlation is a statistical technique which helps to study the nature, extent and significance of relationship between two or more variables.

102.   What is meant by positive correlation ?

Ans: When the variables move in the same direction. ,Correlation is positive. In such a situation, increase in one variable is accompanied by an increase in other variable/ variables and decrease in one variable is accompanied by decrease in another variable/variables. For example; as price increases, supply also increases .On the country when price falls ,supply also falls.

103.   What is meant by negative correlation ?

Ans: When the variables move in the opposite direction, Correlation is negative. In such a situation, increase in one variable is accompanied by a decrease in other variable/variables and decrease in one variable is accompanied by increased and other variable/variables. For example; as price increases, demand falls. On the contrary when price falls demand rises.

104. What is simple correlation ?
Ans: When the relationship between only two variables is studied, it is called simple correlation. For example if we analyse the relationship between output and Labour only, this will be simple correlation as it involves only two variables.

105. Write any two merits of scatter diagram method.
Ans; 1. The simplest method; This method is simplest method of studying and explaining correlation.
2. Cost effective; This method saves a lot of time and effort. Just a cursory glance over the data is enough to ascertain the nature of correlation.

106. Define Index Number.

Ans: Index numbers refers to that statistical technique which helps to measure the relative change in the magnitude of a variable or a group of related variables.

107. Briefly discuss any two uses of Index Number.

Ans: 1. Helpful to measure changes in price level; Index Number measures relative change in price over time. These provide vital knowledge about inflation or deflation.

2. Knowledge about value of money; by ascertaining changes in the price level, changes in the value of money can be ascertained. as we know;

value of money $= \dfrac{1}{Price\ Level}$

108. Write any two features of index number.
Ans; 1. special type of average; in statistic various type of averages like mean median or Mod etc are studied. index numbers are also average, a special type of average.
2. Index Number measure relative change in the magnitude of a variable with respect to time, place or some other specific feature.

109. Write the limitations of Index Number.

Ans: 1. Laborious task; The construction of index number is Laborious task. It involves a lot of effort, time and money to collect relevant information and then construct index number.

2. Index numbers are constructed on the basis of Limited information. these do not include all the items and their prices. hands index number have a limited scope.

110. What is the wholesale price index number ?

Ans: Wholesale price index (WPI) number refers to that type of index number which helps to measure the relative change in the price of various commodities prevailing in wholesale market in the current period as compared to some base period. It is commonly known as WPI and it is constructed on the basis of wholesale price.

Question Bank   (For DA students)

Subject: Economics

Class : 10+2,   5 Marks

1. Briefly explain the Two-Sector Model of Circular Flow of Income .

Ans: In such a model household sector supplies sector services to producer sector and in return household sector gets income from producer sector. On the other hand producer sector supplies final goods and services to household sector and in return producer sector gets price of its products .

The figure shows that there is a real flow of factor services from household sector to produce instructor and Monetary flow of factor income from producer sector to household sector. On the other hand there is a real flow of final goods and services from producer sector to household sector and in return there is monetary flow. Hence there are two real flows and two monetary flows in a simple two sector model.

The two-sector model

Circular flow of income 2 sector model
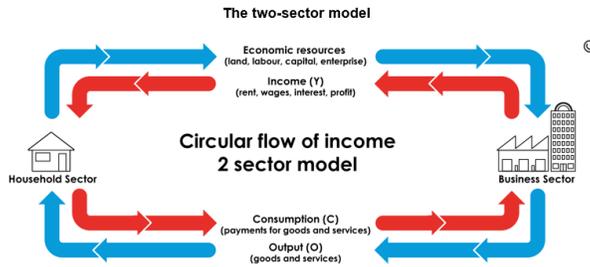
2. Distinguish between Stock and Flow.

Ans: **Stock** : Any variable which is measured with reference to a particular 'point of time' is known as stock .For example ; on March 31, 2020; the balance in the savings bank account was rupees 3 lakh . This is a stock concept.

Flow; Any variable which is measured with reference to a ' period of time' is known as flow . For example; Income expenditures, interest etc. all are measured with reference to a period of time. All these are flow concepts.

3. Calculate; Net indirect tax from the following;

Items	Rs in Crore
(i) Indirect tax	475
(ii) Subsidies	300
(iii) Depreciation	125

Ans: we know : Net Indirect Tax= Indirect Taxes- Subsidies

Net Indirect Tax= 475-300 = Rs 175 Crore.

4. Calculate National Income from the following data;

Items	Rs in Crore
(i) Gross National product at market price	31000
(ii) Net Factor Income from abroad	3225
(iii) Depreciation	1820

Ans: National income = GNP $_{MP}$ - Depreciation- Net Indirect Tax

National income = 31000 - 1820

National income = ₹ 29180 Crore

5. Find compensation of employees from the following data

Items	Rupees (in crore)
wages and salaries	43500
contribution of employers in social security	12400
contribution of employees in social security	15800
commission and gratuity	4500

Ans: We know; compensation of employees = wages and salaries contribution of employers in social security+ commission and gratuity.

compensation of employees= 43500+12400+4500 = ₹ 60400 Crore

6. Estimate operating surplus from the data given below;

Items	rupees in crores
Rent	1510
Royalty	340
Interest	1280
Profit	1350

Ans: We know; Operating Surplus= Rent + Royalty+Iinterest+ Profit

operating surplus= 1510+340+1280+1350 = ₹ 4480 Crore

7. find out from the following; 1 . national income 2. domestic income

Items	Rupees (in crore)
Net factor income from abroad	1310
Profit	1400
Mixed income	1564
Interest	1140
Salary	1014

Rent   1144

Ans; 1. National Income= Net factor income from abroad+ Profit+ Mixed Income+ Interest+ Salary+ Rent

 National Income = 1310+1400+1564+1140+1014+1144 = ₹ 7572 Crore

2. Domestic income ; national income- net factor income from abroad

        7572 -1310 = ₹ 6262 Crore

8. Explain the concept of Aggregate Demand with the help of a diagram .

Ans: The total demand for goods and services in an economy during a specific period of time is known as aggregate demand. in macroeconomics the study of aggregate demand is made from two aspects;

1. **Aggregate Demand and General Price Level:** Generally there is a inverse relationship between aggregate demand and general price level. When general price level is high aggregate demand is low. When general prices   is low, aggregate demand is high. The negative slope of aggregate demand curve AD in figure first also shows that there is a inverse relationship between aggregate demand and general price level.

Price level (p)

p*

AD

Q* Aggregate demand level (q*, for p*)
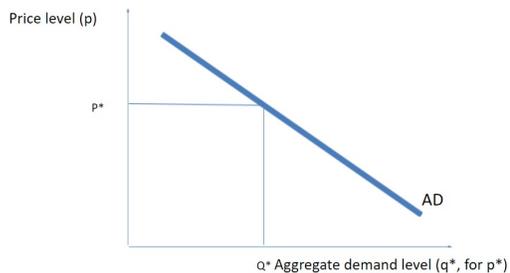
2.   Aggregate Demand and Employment Level; There is a direct relation between aggregate demand and employment level. If level of employment is high, income is also high and it leads to a higher level of aggregate demand. On the contrary, if level of employment is low, income and aggregate demand are also low. The positive slope of aggregate demand curve AD in figure below also shows that there is a positive relationship between aggregate demand and Employment level.

Aggregate Demand (AD)
S
AD (or C + I)
M
R
K
45°
O
N   Y   T
X
Income / Output / Employment
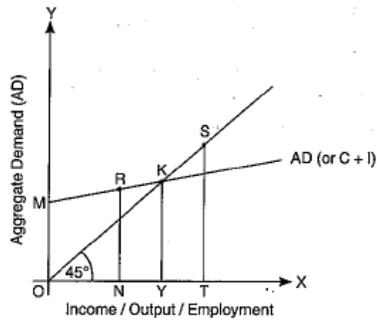
9. Explain the concept of aggregate supply curve with the help of a diagram..

Ans: Aggregate supply AS refers to the total quantity of goods and services which the producers plan to produce in the economy during a specific period of time . So, it is ex-ante or expected flow of goods and services in the economy during an accounting period. It must be noted here that consumption and saving are main components of aggregate supply.

it means: aggregate supply= consumption + saving

AS= C+ S

the concept of AS can also be explained with the help of AS schedule;

Income (In ₹ ,in Crore)	Aggregate Supply (AS)(In ₹ ,in Crore)
0	0
100	100
200	200
300	**300**
400	400
500	500

As Schedule given in table shows aggregate supply at various level of income in the economy.AS can also be explained with the help of figure below.AS curve depicts AS at various level of income in the economy. in fact AS curve is the diagrammatic presentation ofAS schedule.
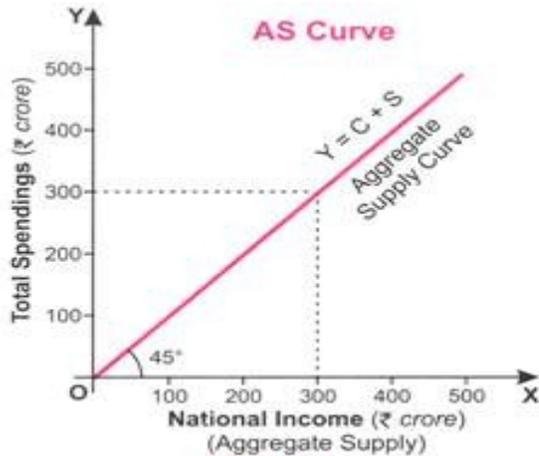
Fig. 8.2

10. Define investment. Distinguish between induced investment and autonomous investment.

Ans: Investment it refers to the expenditure made on capital goods i.e. the goods which help in the production process. Investment leads to an increase in the stock of machinery, plants , residential building , infrastructure, finished goods, raw material etc in the economy.

Difference between Autonomous Investment and Induced Investment : Investment which is independent of the level of income or profit is known as autonomous investment. It does not depend on income or profit. On the contrary, that investment which is induced by the level of income or profit, is known as induced investment. It depends on income or profit.

11. Explain diagrammatically, the determination of short -run equilibrium output?

Ans: The determination of equilibrium of output explain with the help of figure;

In figures, income /output has been measured on X axis, while aggregate demand and aggregate supply has been measured on Y axis. AS is aggregate supply curve while AD is aggregate demand curve. Both these curves intersect each other at point E . Hence , point E is the equilibrium point on the basis of equality between aggregate demand and aggregate supply. In the situation of equilibrium OQ output will be produced in the economy. In this situation aggregate demand and aggregate supply will be OA or ₹ 200 crore. e e e
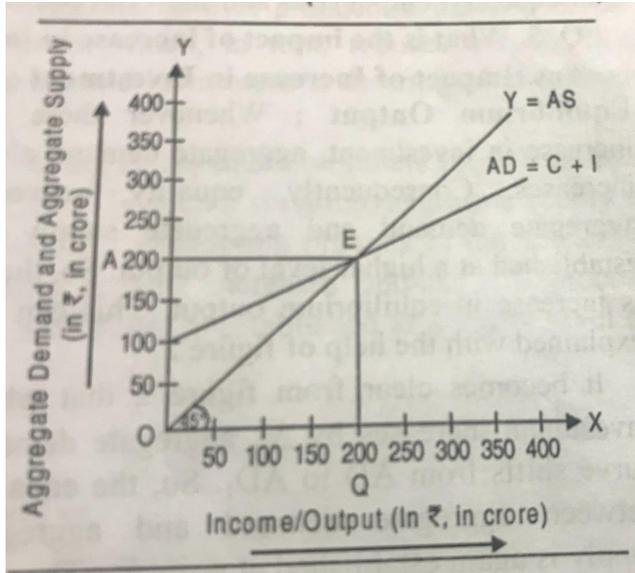
12. In an economy marginal propensity to consume is 0.6 .If investment expenditure is increased by ₹ 500 crore, then calculate the increase in income.

Ans: MPC= 0.6   ΔI = ₹ 500 crore

$K= \frac{1}{1-MPC}$, $K= \frac{1}{1-0.6}$, $K= \frac{1}{0.40}$, $K= \frac{100}{40}$,   K= 2.5

Increase in Income = ΔI . K =   500x 2.5 = ₹ 1250 crore

13. In an economy marginal propensity to consume is 0.8 .If investment expenditure is increased by Rs 4000 crore, then calculate the total increase in income and consumption expenditure.

Ans: MPC= 0.8   ΔI = ₹ 4000 crore

$K= \frac{1}{1-MPC}$, $K= \frac{1}{1-0.8}$, $K= \frac{1}{0.20}$, $K= \frac{100}{20}$,   K= 5

Increase in Income = ΔI . K =   4000 x 5 = ₹ 20000 crore

14. Write down effects of excess demand .

Ans: 1.**Inflationary gap:** The problem of excess demand in the economy gives birth to the problem of inflationary gap. When there is inflationary gap in the economy; output and income remain constant, but prices rise rapidly. Main reason for this is that it is not possible to increase production beyond full employment level.

2. **Static output but increase in cost and price;** When excess demand and inflationary gap exist in the economy, there is no increase in total production, but the cost

of production increases . As a consequence price increase still more rapidly than before.

3. **Loss of profit :** Excess Demand also cause loss of profit to the producers. This happens because producers are not able to fully satisfy aggregate demand in the economy. As a result there is a loss of profit to them.

15. Write four measures to correct deficient demand?

Ans: The problem of deficient demand can be solved by increasing aggregate demand in the economy the following steps can be taken to solve this problem;

1. **Increase in government spending;** Due to increase in government spending there is a manifold increase in consumption and investment in the economy which means that there is many hold increase in aggregate demand.
2. **Decrease and Taxes:** Government reduces rates of taxes in the economy and as a consequence, there is increase in consumption and investment in the economy. Thus aggregate demand increase due to decrease in taxes.
3. **Decrease in Government Dept:** If government reduces its Dept taken from the public from within the economy, there is an increase in purchasing power of the people in the economy. This also leads to increase in aggregate demand.
4. **Increase in deficit financing:** Government increases the quantum of deficit financing in the economy. Hence aggregate demand increase in the economy.

All these measures lead to an increase in aggregate demand which helps in the solution of the problem of deficient demand.

16. What do you mean by Money? Write any four functions of money ?

Ans: Anything that help in exchange can be referred to as money it means that medium of exchange in the economy is known as money . functions of money are given below;

1. **Medium of exchange :** The most important function of money is to act as medium of exchange. That is why money is referred to as medium of payments.
2. **Measure of value:** Second most important function of money is to help to measure the value of different goods and services. While performing this function money acts as a unit of account in economy.
3. **Store of value:** Money is also useful as store of value. Human being can store their wealth with the help of money.
4. **Transfer of value** :Money pays an important role in the transfer of value also. evolution of money has made transfer of value very easy and convenient.

17. What is meant by Central Bank ? What are four primary functions of Central Bank?

Ans: The Apex Bank of the banking system of a country is known as Central Bank Of the country.

function of Central Bank:

1. **To Issue Notes:** The most important function of any central bank is to issue currency notes. In fact a central bank has a monopoly over the note issue in the economy. That is why it is also known as a 'bank of issue' or 'Bank of note issue'.
2. **Banker, Agent and Advisor to the Government:** Central Bank is the banker agent and the adventure of the Government of the country. As a Banker agent and advisor of government, Central Bank plays an important role in the economy.
3. **Banker's Bank:** Central bank of any country is the bank of the commercial banks of the country. Commercial banks keep their deposits with Central Bank and they borrow from Central Bank as when it is needed .

18. What is meant by Commercial Bank ? What are primary functions of Commercial Bank?

Ans: Commercial bank is the financial institution whose primary functions are to accept the deposits from its customers and to advance loans to its customers.Iin modern times, commercial banks perform many other functions also.

Pprimary Functions of commercial banks;

1. **To accept deposits:** Commercial banks accept the savings of their customers in the form of deposits. People deposit their money with commercial banks on the basis of their convenience and economic condition.
2. **To advance loans**: Second primary function of commercial banks is to advance loans. In order to make optimum use of amount deposited with commercial bank, these banks maintain a minimum reserve as per minimum reserve ratio and the rest of the amount is lend to those customers who need credit.
3. **Credit Creation:** In modern times credit creation is also considered to be a primary function of Commercial Banks. On the basis of this process commercial banks create credit in the economy multiple times of primary deposits.

19. Briefly explain different types of Budget deficits ?

Ans: In context of the budget of Government of India following are main types of budget deficits;

1. Revenue Deficit 2. Fiscal Deficit 3. Primary Deficit

1. Revenue Deficit: Revenue Deficit refers to the Excess of revenue expenditure over revenue worships. It shows by how much revenue expenditure is more than revenue receipts of government.

Hence: Revenue Deficit= Revenue Expenditure- Revenue Receipts

$$RD = RE - RR$$

2. Fiscal Deficit: Fiscal Deficit refers to the Excess of revenue expenditure and capital expenditure of government over it is revenue receipts and capital receipts other than borrowings. It means that fiscal deficit is the excess of budget expenditure of government over budget of government other than borrowings.

Hence: Fiscal Deficit= Budget Expenditure- Budget Receipts except borrowings

FD = BE -BR except borrowings

3. Primary Deficit: If interest payments of government are subtracted from the fiscal deficit of government, the residual deficit is known as primary deficit.

Hence : Primary Deficit= Fiscal Deficit- Interest Payment

PD= FD - IP

20. Define tax .Give two examples each of direct and indirect taxes.What is difference between direct tax and indirect tax ?

Ans:The payment made by a person , firm or any institutional unit under a legal compulsion to the government and for which the payment maker does not get any good or service directly from government, is known as Tax. To pay tax in time is responsibility of taxpayer Failing which the taxpayer is liable to be punished in accordance with the law.

1. **Direct Tax:** If the tax is paid by the taxpayer directly to government, such a tax is known as direct tax. Money burden and real burden of such a tax is on the same point and there is no possibility of shifting of such taxes. Income Tax Corporation tax etc. are examples of direct tax.
2. **Indirect Tax:** If tax is paid by the taxpayer indirectly to government, such a tax is known as indirect tax. money burden and real burden of such a tax is on different points and such a tax is shifted. Excise duty ,Sales tax, custom duty etc. are examples of an indirect tax.

21. Calculate primary deficit from the following data,

Items	(₹ Crore)
(i) Fiscal deficit	9,000
(ii) payment of interest by government	400

Ans: We know: Primary Deficit= Fiscal Deficit - Interest paid by government

Primary Deficit= 9000-400 = ₹ 8600 crore

22. Discuss any four Merits of Flexible Exchange Rate .

Ans: Merits of flexible exchange rate:

1. **Simple Mechanism:** Mechanism of flexible exchange rate is very simple. it is determined on the basis of automatic adjustment between the forces of demand and supply.
2. **No need of use Reserves of Foreign Currency:** Due to the existence of automatic adjustment mechanism in flexible exchange rate, required to changes in exchange rate take place automatically without any sort of intervention. Hence , Central Bank of the country do not have any need to maintain huge reserves of foreign currency.
3. **Helpful in optimum Allocation of Resources:** Flexible exchange rate promote free trade at the international level which plays an important role in optimum allocation of resources at the international level. This promote economic efficiency at the international level.
4. **Increase in International liquidity:** Under flexible exchange rate system, equilibrium exchange rate is automatically determined through the interplay of the forces of demand for and supply of foreign exchange. Therefore, the problem of lack of international liquidity does not arise.

23. What are the important components of Balance of Payments?

Ans: Various components of Balance of payments are divided into two main parts;

1. **Current Account:** That account is balance of payment which includes unilateral transfers along with export and import of goods and services, is known as current account.

    Components for items included in Current Account: Following items are included in current account (i) visible items i.e. export and import of goods (ii) invisible items i.e. export and import of services (iii) Unilateral Transfers.

2. **Capital Account:** That account in Balance of payments which includes such transactions with the help of which residents of one country exchange their capital assets and liabilities with the residents of the other countries, is known as capital account.

    Components or items included in Capital Account: (i) private transactions (ii) official transactions (iii) direct investment(iv) portfolio investment

24. Differentiate between Balance of Trade and Balance of Payments.

Ans: 1. The concept of balance of payment is wider than the concept of balance of trade. in fact balance of trade is a part of balance of payment.

2. From the viewpoint of economic analysis, the concept of balance of payment is more important than the concept of balance of trade. The concept of balance of trade provides

limited knowledge about international transactions of the country where as the concept of balance of payment provides complete knowledge in this regard.

3. Balance of trade includes export and import of physical goods or visible items only whereas balance of payment includes both visible items as well as invisible items.

4. Balance of trade does not include capital transfers whereas balance of payment includes capital transfers.

5. Balance of trade and Balance of payments both can be balanced, favorable or unfavorable from the practical view point. But from the accounting view point, balance of payment is always balanced whereas it is not so in case of balance of trade.

25. Calculate value of imports from the data given below:

(i) Balance of Trade= ₹(-) 600 crore

(ii) Value of Exports= ₹ 500 Crore

Ans: Given: Balance of Trade= ₹(-) 600 crore

     Value of Exports= ₹ 500 Crore

 Balance of Trade= Value of Exports - Value of Imports

     -600 = 500- value of imports

      Value of Imports= 500+600

      Value of Imports= ₹ 1100 Crore

Part-B

Indian Economic Development

26. Write features of Indian agriculture on the eve of independence .

Ans: Features of Indian agriculture on the eve of Independence:

 (i) Low Agricultural Production: , Production of food grains was 527 lakh tonnes. production of wheat was 64 lakh tonnes .

(ii) Backwardness: Indian agriculture was highly backward. This was so due to many reasons such as absence of good quality seeds, lack of modern technology, unavailability of modern inputs etc.

(iii) Commercialisation of Agriculture: Indian agriculture was commercialized under the British rule. At that time, Indian farmer began to produce for the market rather than for self-sustenance.

(iv) Land Tenure System: The British developed three land tenure systems during the rule;

 (a) zamindari system (b)   Mahalwari system (c) Ryotwari system

27. Write features of Indian   as an underdeveloped economy on the eve of independence .

Ans: 1. **Low per capita income:** Like any other underdeveloped country, per capita income was very low in India on the eve of Independence. Per capita income of India in 1947 48 was Rs 230 only.

2. Agricultural Economy: At the time of independence, Indian economy was mainly an agricultural economy.   More than 70% of the population was dependent on agriculture. More than 50% of gross domestic product was generated in agricultural sector.

 3. Industrial Backwardness: At the time of independence, India was suffering from industrial backwardness. Only some textile ,sugar and jute industries were there in the country.

28. Highlight failures of economic planning in India.

Ans: **1. Low living standard:** To improve the living standard of people, has been one of the main objectives of five year plans. But even today a large number of people are unable to fulfill their basic needs.

2. Inflation: during the planning period, prices have rice in rapidly and consequently the value of rupee has fallen considerably. This high rate of inflation has highly adverse effects on the common people.

3. Limited Development of Agriculture: Satisfactory development of agriculture had also not taken place under five year plans. The productivity of the agricultural sector in India is comparatively very low.

4.   Economic Inequality: Five year   plan have failed to redress the problem of inequality in the country. Rather the gap between the rich and the poor has widened during the plan period.

29. Write remedies to solve the problems of Indian agriculture.

Ans: Remedies to the problems of Indian agriculture:

1. **Initiative for second Green Revolution:** For agricultural growth in the country, there is a need for second Green Revolution. Under it chemical inputs and modern scientific methods of agriculture should be used in the hitherto agriculturally backward areas.
2. **Development of Assured Irrigation:** Irrigation facilities should be developed in the country. This will reduce the dependence of Indian agriculture on the monsoon rains.
3. **Use of good quality modern inputs:** For the growth of Indian agriculture, modern inputs of good quality should be used. Farmers should be educated to make judicious use of these inputs.
4. **Adoption of scientific techniques:** Formal should be trained and motivated to adopt modern scientific name of cultivation. They should follow scientific approach towards agriculture.

30. Write main features of Industrial Policy ,1991.

Ans: **1. Protection of interests of labourers**: National Renewable Fund was set up to protect the interests of the labourers .

2. Reservation for Ssmall Scale Industries: The policy of reservation of specific areas for small scale industries was continued. However, the number of industries reserves was reduced.

3. Liberal Provision Concerning growth and expansion of Companies: Industrial policy 1991 enacted liberal provisions concerning growth and expansion of large companies covered under MRTP act 1969. later in 2002 MRTP Act was replaced by competition Act 2002.

4. Services of Technical Experts: Under industrial policy 1991, hiring of services of Technical experts from abroad has been made much easier.

31. List important features of foreign trade of India.

Ans: 1. **Increasing as percentage of gross national product;** India's foreign trade, including both exports and imports , was just around 12.15 % of GNP in 1950-51. In 2015-16 , it has increased to 40.74 % of GNP.

2. **Low share of World Trade:** India's share in World Trade is very low. in In 2015-16, the share of India's total Export trade of the world was 1.7% and the share of the country in the total import trade of the world was 2.5 %.

3. **Increase in volume of foreign trade:** From 1214 crore in 1950-51, the volume of trade in 2014-15 increased to Rs 4633435 crores.

4. **Change in composition of Exports:** Manufactured products, gems, and Jewellery, engineering products, readymade garments etc. are the chief exports of India in present times.

32. What is meant by liberalization, privatization and globalization which were adopted in India in 1991 ?

Ans: **Liberalisation:** Liberalization refers to the process of removal or relaxation of restrictions imposed by the government on various aspects of economic activity in an economy. Under it, the strict rules and regulations in post on economic activity are either abolished or modified and simplified so that a hassle-free business environment is created.

Privatisation: Privatization refers to the process of permitting private sector to undertake ownership, management and control the public sector enterprises (PSEs). Under it, the existing public sector enterprises are sold to private sector, either wholly or partially.

Globalisation: Globalisation refers to the process of of integrating the economy of a nation with the world economy. As a consequence of globalisation; trade barriers among the nations have been reduced and free flow of foreign investment and finance capital have been announced.

33. Explain main causes of poverty in India .

Ans:

34. Suggest measures for eradicating poverty from India.

Ans: Suggestions for removal of poverty in India:

1. **Faster and inclusive economic growth:** Allround effort should be made for the rapid economic growth of the economy. The growth process should be made more inclusive.
2. **Development of Agriculture and rural areas:** A specific efforts should be made for the rapid growth of the agriculture and rural areas. This will help in tackling the problem of poverty.
3. **Rapid industrial development:** Steps should be taken for the rapid industrialisation in the country. Rapid industrialisation will help to tackle poverty in the country.
4. **Control over population;** Dedicated efforts should be made to control population. this may be done through effective implementation of a well-planed policy.

35. Write a note on organic farming.

Ans: Organic farming is a technique of farming under which organic inputs are used instead of chemical inputs. Under it farming is done by using natural inputs such as manure and compost. That is why it is also known as natural farming. It lays emphasis on giving up the use of a chemical inputs for healthy and environment friendly agricultural practices. It plays a very important role in maintaining soil health and safeguarding ecological balance. Due to the adverse effects on human health of the crops produced through inorganic agricultural, organic farming is becoming increasingly popular all over the world. In fact organic farming is the foundation of sustainable agricultural practices.

36. What is the role of human capital in economic development of a country like India ?

    Ans: Role of human capital in economic development:

    1. **Human capital- an important component of capital:** Human capital is an important component of capital. without human capital, growth and development of a nation are not possible.
    2. **Efficient use of physical capital:** Efficient use of physical capital also depends upon human capital. In fact, the human capital i.e. the people who make use of physical resources or physical.
    3. **Higher productivity and production:** The process of human capital formation enhances workforce participation rate.   Thus,   it improves the product productivity of human capital. This, in turn improves the productivity of physical capital also.
    4. **Capital and innovations:**   Innovations done on the basis of research and development play a very vital role in the process of economic development and growth. innovations are also carried out by the people of a country i.e. the human capital. The larger the pool of expert human capital in the, the greater is the scope of the invention, innovations and sent difficult search

37. Give suggestions for improvement in educational system in India .

    Ans: Suggestions for improvement in educational system in India:

    1. **Increase in public expenditure:** Public expenditure on education should be increased to at least 6% of the GDP. Sufficient funds must be allocated to education sector.
    2. **Universalisation of elementary education:** All possible efforts should be made to achieve universalization of elementary education. RTE act, 2009 should be effectively implemented.
    3. **To lower drop-out rate:** Steps must be initiated to lower the drop-out rate as much as possible. Once enrolled, students must complete their education.
    4. **Improvement in quality of education:** Specific efforts need to be made for bringing improvement in the quality of education at all the level in India.

38. Highlight causes of unemployment in India.

Ans: Principal causes of unemployment in India:

1. **Ppopulation Explosion:** In India, there has been population explosion in the post independence period. But, there has not been matching increase in employment opportunities.
2. **Low rate of economic Growth:** The rate of economic growth in India has been very low. consequently, the economy has failed to generate sufficient employment opportunities.
3. **Slow Agricultural Growth:** Indian economy is primarily an Agricultural economy. but, agricultural sector has failed to generate requisite employment opportunities. Hance, there is employment in India.
4. **Slow Industrial Growth;** In the Steel sector has failed to generate requisite number of employment opportunities in the organised sector. As a result, there is unemployment in the country.

39. Give suggestions to solve the problem of unemployment in India.

Ans: Suggestions to solve the problem of unemployment in India:

1. **Rapid rate of Economic growth;** Efforts must be made to achieve a rapid rate of economic growth. With this, sufficient employment opportunities will be generated in the economy
2. **Control over Population:** .Efforts must be made to check the Rapid population growth. this will reduce the supply of labour and the problem of unemployment will get solved.
3. **Rapid Agricultural and Industrial Growth:** If agricultural and industrial sectors grow rapidly, e this will also help in solving the problem of unemployment.
4. **High rate of capital formation:** Saving, investment and capital formation should be promoted. this will help in generating employment opportunities and removing unemployment.

40. What is importance of infrastructure in the economic development of a country like India?

Ans:Infrastructure and economic development

1. **Basis of functioning of the economy:** The functioning of an economy is not possible without infrastructural facilities. In infrastructural facilities create a conducive environment for the efficient functioning of the economy.
2. **Economic growth and economic development:** Infrastructural not only helps in the functioning of the economy, it promo economic growth and economic development. Economic infrastructure promotes economic growth while social infrastructure promotes economic development.
3. **Improvement in quality of life:** Developed economic infrastructure provides better facilities such as road telecommunication banking tourism etc. to the people. Development of social infrastructure helps the people and getting better

education and health facilities. Thus developed and infrastructure results in improvement in quality of life of people.

4. **Increase in investment:** Huge investment has to be made for the development of infrastructure. This, in tern, has several benefits for the economic development of the country. It's not only results in developed infrastructure; but generates employment opportunities, raise income of the people, increase aggregate demand, widens the size of market and create favourable conditions for growth. This promotes economic growth and economic development in the country

41. Describe problems of power sector in India.

Ans: Problems of power sector in India :

1. **Inadequate generation of electricity:** As on 31 December 2019, electricity generation capacity of India was 369.93 GW . it is less than demand of electricity in India.
2. **Underutilisation of installed capacity:** In India PLF from January 2006 to December 2018 has been 70.195 % on average basis. this means that power plant have produced just 70% electricity but off dear installed capacity.
3. **High Transmission and distribution losses:** The loss of electricity in the process of supply of electricity is measured in terms of T&D losses. in India T&D losses are very for the most of the states of the country, these are more than 20%. this is more than the double of the average for the world.
4. **Huge losses of State Electricity boards:** Production and distribution of electricity has been in Monopoly of the government for long. even after the the involvement of private sector in the sector after the economic reforms of 1991, government exercises effect control through the State Electricity Board. but these boards have been facing huge losses.

42. Describe problems health sector in India.

Ans: Problems health sector in India ;

1. **Low public expenditure on health:** In India public expenditure on the health sector is miserably low. in 2018-19 it was just 1.28 % of GDP.
2. **Prevalence of deadly diseases:** Deadly diseases like Malaria Cholera dengu tuberculosis etc still continue to prevail and the country. India's efforts to tackle diseases like AIDS , cancer etc. are still far from being satisfactory.
3. **Rural urban divide**: There is a acute shortage of Health Care facilities and infrastructure in the rural areas. The most of the health facilities are in the urban areas. as a result, rural people continue to suffer from many health problems.
4. **Shortage of staff and infrastructure:** India is a large country with huge population. as compared to the needs of the nation, there is acute shortage of staff and infrastructure to provide medical care facilities to the masses.

43. Give suggestions to solve problems of health sector in India.

Ans: Suggestions to tackle the problems of health sector in India:

1. **Increase in public expenditure:** Public expenditure on health sector should be enhanced. availability of more funds will surely help to solve many problems of health sector.
2. **Control over diseases:** Specific efforts must be made to control various diseases, particularly diseases. more medical researcher should be promoted to do so.
3. **Better health facilities in rural areas**: Rural urban divide in the quality healthcare in India should be bridged. Better health Heritage should be made available in rural areas.
4. **More staff and better infrastructure:** More staff like doctors nurses etc. should be recruited. Modern equipment should be employed to provide state-of-the-art health facilities to the people.

44. Describe main causes of environmental degradation.

Ans: causes of environmental degradation:

1. **Population explosion**: It is the main cause of environmental degradation. this has put tremendous strain on the nature and natural resources leading to environmental degradation.
2. **Pollution** : Due to Various regions, pollution has increased to the level never experienced before. The direct result of pollution is environmental degradation.
3. **Lack of awareness**:   People are not aware of the issues concerning environment. their lifestyles and behaviour are not environment friendly. This also yours an environmental degradation.
4. **Need for economic development:** Every country, including India, AIMS at high rate of economic growth and economic development. But, it in this process environmental issues are overlooked.

45. What is sustainable development ?

Ans: In the words of Robert Slow, " The concept of sustainability e makes sure that the next generation is as well off as the current generation and ensure that this continue for all the times".

Principle characteristics of sustainable development:

1. **A distinct process of economic development** : Under it, it along with the process of economic development, the sustainability of this process is also given due importance.
2. **A long term process:** Sustainable development is a process relevant to the long period. It Lays emphasis on the sustainability of the process of the economic development in the long run.

3. **Optimum use of resources:** Sustainable development promotes is optimum use of resources, not only in the present, but in future also.
4. **Control over pollution:** Sustainable development helps to control pollution. It promotes and supports high rate of economic development without compromising on the protection of environment.

Part-C

Statistics in Economics

46. Write points of importance of Correlation.

Ans: Importance of correlation;

1. **Basis of regression analysis**; Serves as the basis of regression analysis. With the help of it, regression analysis can be done easily.
2. **Helpful in policy formulation:** Correlation helps in policy making. for example; the study of correlation between investment and other variables helps in making an appropriate investment policy.
3. **Knowledge about relationships between variables**; Correlation provides knowledge about relationship between variables. it helps to draw emportant conclusion about variables.
4. **Helpful in research:** Correlation is the statistical technique which is widely used in research by scholars in various fields.

47. Discuss merits of Karl Pearson's Coefficient of Correlation.

Ans: Merits of Karl Pearson's coefficient of correlation;

1. **Based on all the values:** Karl Pearson's coefficient of correlation is based on all the values of the variables. No value is ignored while calculating it.
2. **Useful in further statistical analysis:** Karl pearson's coefficient of correlation is highly useful in a further statistical analyses. for; It is the basis of regression analysis.
3. **Capable of algebraic treatment;** Karl pearson's coefficient of correlation based on mathematical techniques. Therefore, it is capable of further algebric treatment.
4. **Helpfull to calculate correlation in the grouped data**; If both the variables have their respective frequencies, only Karl Pearson's method can be used to calculate correlation.

48. What are Index Numbers ? Briefly discuss uses of Index Numbers.

Ans: Index numbers: index numbers refer to that statistical technique which helps to measure the relative change in the magnitude of a variable or group of related variables.

Uses of index numbers;

1. **Helpful to measure changes in price level;** Index Numbers helps to measure changes in the prices over time. These provide vital knowledge about inflation or deflation.
2. **Knowledge about value of money**; By ascertaining changes in the price level, changes in the value of money can be ascertained. It can be done as under;

    Value of Money= $\frac{1}{Price\ Level}$

3. **Knowledge about changes in living standard;** Index Numbers help to measure changes in purchasing power of money. It provides knowledge about the living standard of people.
4. **Helpful and policy formulation;** Index Numbers provide knowledge concerning prices and many other variables to. Hence, index numbers help in policy formulation.

49. Why are Index Numbers called economic barometers of an economy?

Ans: Index numbers help to measure the relative changes in the magnitude of prices over time. This provides important knowledge about inflation or deflation in the economy. as price is the most important economic variable and it affects economic activities, It is very important to evaluate the changes in price level. This can be done with the help of index numbers alone. Similarly, Index Numbers also help to evaluate the changes in quality , cost of living etc. Many important conclusions can be drawn on the basis of this knowledge derived with the help of index number. Thus, index numbers help in economic analysis and economic policy formulation. That is why index numbers are known as economic Barometers of a country.

50. What are the problems faced in the construction of Index Numbers? Explain.

Ans: Problems in the construction of Index Numbers;

1. **Purpose of index numbers;** There is no all-purpose Index Number in statistics. Hence, any index number must be constructed by keeping in mind the purpose for which it is being constructed.
2. **Selection of base period;** Efficacy of of index numbers depends upon the choice of a suitable base period. Base period should be chosen with extra care.
3. **Selection of items;** Only those goods and services must be included in the construction of index numbers which represent the most of the commodities.
4. **Selection of prices;** and represented prices should be made.
5. **Selection of weights;** Weights should be assigned very carefully by keeping in mind the importance of various items and the purpose of index numbers.