



Board Paper of Class 12- Economics 2021

Total Time: 90

Total Marks: 60.0

Solution 1

By distributing the LPG connections to poor people at free of cost, the government attempts to lessen the gap between the rich and the poor people.

Hence, the correct answer is option (c).

Solution 2

Export and import of goods are known as visible items or merchandise. Balance of Trade for a country refers to the record of visible trade transactions of the country with the rest of the world. In other words, it shows the balance of exports and imports of all the physical goods of a country.

Hence, the correct answer is option (c).

Solution 3

A main function of a commercial bank is to accept the deposits made by the general public. The deposits taken by the commercial banks are liabilities of banks.

The commercial banks create money by advancing loans from its deposits.

Total money created by commercial banks = $\frac{1}{LRR} \times \text{Initial Reserve}$
where LRR is the legal reserve ratio.

Hence, the correct answer is option (c).

Solution 4

Balance of Payment refers to the record of statements of economic transactions of a country with the rest of the world. In other words, it records the inflow of

foreign exchange into the country and the outflow of foreign exchange from the country.

Hence, the correct answer is option (a).

Solution 5

Government of India took the initiative of demonetisation in India with the objectives of:

(i) to curb counterfeiting activities

(ii) to curb corruption

(iii) to curb the use of high denomination notes for terrorist activities.

Demonetisation prompted an intense deficiency of money in the economy which thus prompted an expanded acknowledgement of electronic payments.

Hence, the correct answer is option (a).

Solution 6

Money supply refers to the total stock of money (in the form of currency notes and coins) held by the people of an economy at a particular point of time.

Hence, the correct answer is option (d).

Solution 7

Foreign exchange is the name given to any foreign currency. Thus, US Dollars, British Pounds etc are foreign exchange for India.

Hence, the correct answer is option (d).

Solution 8

A Government Budget is a financial statement showing item-wise expected government receipts and government payments for the next financial year. It is presented by the Finance Minister and consists of financial programmes and policies of the government for the forthcoming year.

Hence, the correct answer is option (a).

Solution 9

Current Account is said to be in deficit when the export of goods and services and unilateral transfers falls short of the import of goods and services and unilateral transfers.

Rest of the given statements are incorrect.

Hence, the correct answer is option (c).

Solution 10

The central bank performs the following vital functions:

- (i) Issue of currency authority
- (ii) Banker to the Government
- (iii) Banker's bank and supervisor
- (iv) Controller of credit
- (v) Lender of last resort

Hence, the correct answer is option (b).

Solution 11

Mixed economic system identifies the role of both the private sector as well as the government. While on one hand, private players aim at maximisation of individual profits, on the other hand, the government aims at maximising the welfare of the society. Thus, while the participation of market forces ensures accelerated growth, on the other hand, interference of the government ensures social welfare and equality.

Hence, the correct answer is option (d).

Solution 12

The colonial government introduced the Zamindari system in India. Under this system, the main interest of the zamindar was only to collect profits accruing out of the agricultural sector in the form of lagaan. The dates for depositing specified sums of lagaan to the British government were fixed, failing which the zamindars were to lose their rights.

Hence, the correct answer is option (a).

Solution 13

The policy of import substitution was an integral part of the industrial policy of India. This policy aimed at discouraging imports, and therefore creating a protective environment for the domestic producers. Protection was achieved by imposing various barriers in the form of tariffs and quotas on the imports of goods. The rationale for providing the protection was that the domestic industries were still at an infant stage. Thus, they required protection so that they can grow and develop and become competent enough before they face foreign competition.

Hence, the correct answer is option (b).

Solution 14

The official data on poverty is made available to the public by the NITI Aayog. The number of poor people in India has declined after achieving independence.

Hence, the correct answer is option (c).

Solution 15

Prior to 1991, a lot of restrictions were imposed on the private sector. However, owing to this, inefficiencies crept into the system and economic growth was badly hampered. GDP growth rate hit an all time low. With the aim of reviving the economy, New Economic Policy was introduced in 1991. Under the Liberalisation policy of the reforms, more freedom was given to the private sector from direct or physical controls (such as, industrial licensing, price control, import license, etc) imposed by the government.

Hence, the correct answer is option (c).

Solution 16

All the indirect taxes like excise taxes, custom duties and service taxes have been subsumed in a "comprehensive indirect tax" with the introduction of the Goods and services Tax (GST).

All other given statements are correct.

Hence, the correct answer is option (c).

Solution 17

All transactions related to borrowings from abroad are recorded on the positive side of the capital account. They cause inflow of foreign currency but they are a liability on the country which is borrowing. Those transactions between the residents of a country and the rest of the world which cause a change in the assets or liabilities of the residents of the country or its government are recorded under capital account.

Hence, the correct answer is option (b).

Solution 18

Micro- credit system has helped more in the empowerment of women in the rural areas.

All the other given statements are correct.

Hence, the correct answer is option (c).

Solution 19

Recovery of loans is a non debt creating capital receipt and it causes a reduction in the assets of the government. Both the given statements are true.

Hence, the correct answer is option (c).

Solution 20

Urban poor are identified as people who lack income generating assets, lack job

security and lack employment opportunities.
Hence, the correct answer is option (d).

Solution 21

The ministry of finance issues one rupee note and coins only. Rest of the coins and notes are issued by the Reserve Bank of India.
Hence, the correct answer is option (c).

Solution 22

On the eve of Independence, India's demographic condition was characterised by low level of literacy, high mortality rates and low life expectancy.
Hence, the correct answer is option (d).

Solution 23

The statement which is not an argument in favour of continuation of agricultural subsidies is that these subsidies mainly benefit the fertilizer industry and big farmers.
Hence, the correct answer is option (d).

Solution 24

The correct statement out of the given options is that under colonial rule, India generated an export surplus.
Hence, the correct answer is option (c).

Solution 25

Only (iii) statement is correct with respect to portfolio investment. That is, a foreign investor buying shares in the Indian market is an example of portfolio investment.

Hence, the correct answer is option (c).

Solution 26

Both statements are true. This is because the reserve deposit ratio (or CRR) acts as a deterrence to the amount of credit created by the commercial banks. Also, RBI keeps a certain percentage of deposits as reserves to avoid lending too much to the public.

Hence, the correct answer is option (c).

Solution 27

The statement which is not valid with respect to Industrial Policy resolution is 'Goods produced by small scale industries were dereserved'.

Hence, the correct answer is option (d).

Solution 28

Both the assertion and reasoning are correct and the reasoning is the correct explanation for assertion. This is because rural banking helped farmers avail benefits of credit facilities for meeting needs and this further helped India, especially after Green Revolution, to increase farm and non-farm output and income and employment.

Hence, the correct answer is option (a).

Solution 29

The incorrect statement is that human capital is separable from its owner. This is because human capital refers to the skills and knowledge of the person which is inseparable from its owner.

Hence, the correct answer is option (c).

Solution 30

Both the assertion and reasoning are correct and the reasoning is the correct explanation for assertion. This is because rural poor often travel to urban areas to search for employment and income opportunities. As a result of this, urban poverty is considered as a spillover of rural poverty.

Hence, the correct answer is option (a).

Solution 31

The false statement with respect to Pradhan Mantri Jan Dhan Yojna is that each account holder is entitled to 5 lakh accidental insurance and 30,000 life insurance cover. The correct statement is that under the scheme, each account holder is entitled to 1 lakh accidental insurance cover and 30,000 life insurance cover.

Hence, the correct answer is option (c).

Solution 32

The statement which is not false is that the expenditure per student at tertiary level is higher than that of elementary level of education.

Hence, the correct answer is option (d).

Solution 33

Structural composition refers to the number of people engaged in different sectors.

Hence, the correct answer is option (b).

Solution 34

Statement 1 is false but statement 2 is true. This is because modernisation not only means the use of new technology only but also, change in social outlook.

Hence, the correct answer is option (b).

Solution 35

The statement which is incorrect is that diversification activities are not beneficial. In fact, they are beneficial activities as they allow gainful employment to people.

Hence, the correct answer is option (d).

Solution 36

The deposit multiplier is 4 as with a primary deposit of 250, the total money created is 1000. Also, the reserve ratio is 25%.

Hence, the correct answer is option (a).

Solution 37

The incorrect statement is that export of machinery is recorded in capital account as it is recorded in the current account.

Hence, the correct answer is option (b).

Solution 38

Both assertion and reasoning are true but the reasoning is not the correct explanation for the assertion.

Hence, the correct answer is option (b).

Solution 39

The process given the question is called agricultural marketing.

Hence, the correct answer is option (d).

Solution 40

The incorrect reason is that the majority of rural people have access to the basic necessities of life. In fact, in rural areas, majority of people do not have access to basic necessities of life.

Hence, the correct answer is option (d).

Solution 41

The assertion is false as money supply also includes the deposit component along with the currency component. However, the reason is true.

Hence, the correct answer is option (d).

Solution 42

The programmes that improve the food and nutritional status of poor are mid-

day meal scheme, public distribution system and integrated child development scheme.

Hence, the correct answer is option (b).

Solution 43

Number of times the commercial banks are able to create total deposits with help of reserve ratios and initial deposits is called money multiplier.

Hence, the correct answer is option (b).

Solution 44

BOT is the difference between exports and imports of a nation i.e. Exports – Imports. If BOT shows a deficit of 300 and exports are 400 then, the value of imports will be exports + BOT deficit. So, imports are equal to $400 + 300 = 700$.

Hence, the correct answer is option (d).

Solution 45

Both the given statements are true as poverty and unemployment are directly related and unemployment results in poverty of masses.

Hence, the correct answer is option (a).

Solution 46

Both assertion and reason are correct and reason is the correct explanation for assertion.

Hence, the correct answer is option (a).

Solution 47

The incorrect statement is that the industrial and service sector in the pre-independence period grew at a faster rate than the agricultural sector.

Hence, the correct answer is option (b).

Solution 48

National Council of Educational Research and Training (NCERT) is the apex institution to provide quality school education.

Hence, the correct answer is option (d).

Solution 49

Fiscal Deficit = Total Expenditure - Total Receipts (except loans and borrowings)
So, Fiscal Deficit = $30.42 - 22.46 = 7.96$

Hence, the correct answer is option (b).

Solution 50

Primary Deficit = Fiscal Deficit - Interest Payments

$0.88 = 7.96 - \text{Interest Payments}$

So, Interest Payments = $7.96 - 0.88 = 7.08$

Hence, the correct answer is option (b).

Solution 51

Revenue deficit in the government budget is revenue expenditure - revenue receipts.

Hence, the correct answer is option (d).

Solution 52

Dividend is a non-tax receipt.

Hence, the correct answer is option (c).

Solution 53

Expenditure on old-age pension is an example of revenue expenditure.

Hence, the correct answer is option (b).

Solution 54

Borrowings from the World Bank is an example of debt creating capital receipt.

Hence, the correct answer is option (c).

Solution 55

Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

Hence, the correct answer is option (a).

Solution 56

The statement which is not a feature of MSME is that it leads to the concentration of wealth in a few hands.

Hence, the correct answer is option (c).

Solution 57

The statement that MSMEs are the nominal source of employment in India is incorrect as it is the second largest employer in India providing jobs to over 120 million people.

Hence, the correct answer is option (d).

Solution 58

The statement which is incorrect is that MSMEs accounts for more than 50% of exports. This is because it accounts for only 45% of the exports.

Hence, the correct answer is option (b).

Solution 59

Vocal for local initiative has reduced the dependence on other nations for importing the goods. It has boosted the entrepreneurship skills of the youth of our country.

Hence, the correct answer is option (a).

Solution 60

Structural reforms are the long term measures which focus on improving the economy's efficiency and increasing international competitiveness by removing the rigidities in various segments of the Indian economy.

Hence, the correct answer is option (c).

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