



# **ECONOMICS**

# BOOKS - SANDEEP GARG ECONOMICS (HINGLISH)

# **REVISION SECTION SCANNER**

**Recision Section Scanner** 

1. Define macroeconomics

2. Give two examples of macroeconomic studies

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3. Calculate private income from the following

#### data



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4. Explain the producation method of estimating

national income



5. giving reasons expain how the following are treated while eastimating national income (i) payment of fees to a lawyer engaged by firm (ii) Rent free house to an employee by an employer (iii) purchase by foregion tiurists .

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6. Expain the Circular flow of income

Distinguish between intermediate products and

product Give examples



7. How will you treat the following while estimating domestic factor income of india ?
(i) Remittances from non- resdent indians to their familes in india
(ii) Rent paid by the embassy of japan in india toa a resident inidian .

(iii) profits earned by branches of foreign bank in

inida



**8.** Explain how distribution of gross domestic product is its limitation as a measure of economic welfare.

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9. What is nominal gross domestic product ?

**10.** Define flow variable/flows.



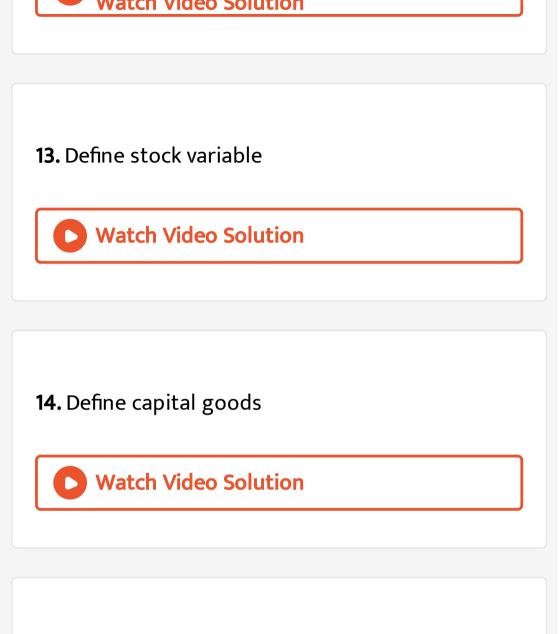
**11.** Explain how distribution of gross domestic product is a limation in taking gross somestic product as an index of welfare .

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**12.** giving reasons classify the following into intermediate products and final producats :(set-1)

(i) Furnture purchased by a school

(ii) Chalks, dusters etc. Purchesed by a school Giving reasons calsfly following into intermediate products and final product :(set1) (i) Fuirture purchased by a school (ii) Cjhalks dusters , etc, purchased by a school givung reasons classify following in an office (ii) mobile sets purchased by a mobile deaaler Giving identity whether the following are final expenditures or intermediate expenditure :(set3) (i) expendiuture on meintence of an office buling (ii) Expendilture on improvement improvment of a machine in a factory



15. Giving reason expain how should the following be treated in estimating natinoal income :(set1)(i) Expenditure on fertillzers by fermer.

(ii) Purchase on fertillzers of tractor by a fermer Givng reasion expin how should the following be trated in eastmating national income :(set2) (ii) payment of BOnus by a firm (ii) Giving reasons expain how should the following be treasted in estmating national income :(set3)

(i) Interest paid by banks on deposits by indviuals

(ii) national debt intest



16. give one example of "externaility " which reduces welfare of the people
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**17.** Giving reasons categories the following into stock and flow :(i) capital ,(ii) saving (iii) Gross domestic product ,9iv) Wealth

Or

Expain the circular flow if income

**18.** Define externaltities Give an example of nagative example of nagative externally . What is its impact on welfare ?

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19. Giving reason explain how should the following be treated in estimating gross domestic product at market price ?
(i) Fees to a mechanic paid by a firm,

(ii) interest paid by an indivdual on a car loan taken form a bank

(iii) Expenditure on purchasing a car for use by a

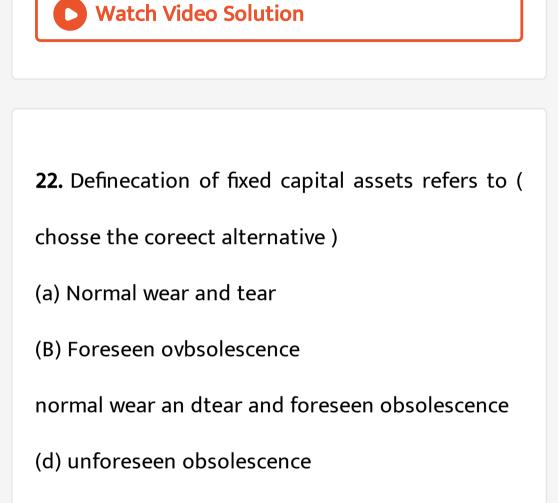
### firm



20. Giving reason explain hoe should the folloeing be treated in estmation of national income :
(i) Expenditure by a firm on payment of fees to a charted accountant
(ii) payment of corporrate tax by form (iii) purcjhare of refrigerator by a film for own use .



# 21. Define stocks.





**23.** Government incures expenditure to poplaarise yoga among the masses .Anlydse its impact on gross domestic product and welfare of the people



# 24. Distinguish between final goods and

intermediate goods Give na example of each.



**25.** explain non monetary exchanges as a limtation of using gross domestic product as an induex of welfare of a country ,

OR

How wil you you treat the following whilw estimating domestic product of a countires ? Give reasons for your answer:

(A) profits earned by branches of country's bank in

other countries

(b) Gifts given by an employer to his employees on

indendance day.

(c) Purchase of goods by foreign torists.

26. what are capital goods ? How are they

different from consumption goods ?

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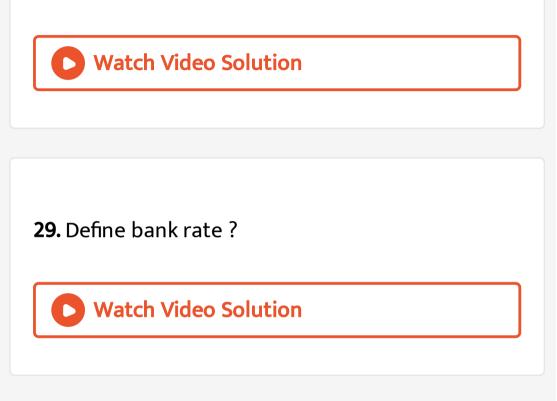
**27.** Give the meening of money ,explain the store of value function of money \*\*\*

Or

what is barter ? Of money explain standard of

deerred payment Fuction of mopney \*\*\*

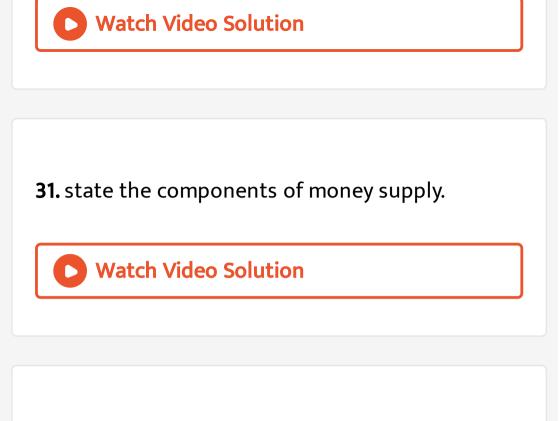
## 28. what is a central bank?



30. state the four funcation of momney explain

any one of them (set-1,3)\*\*\*

explain any two fucation of money (set2)\*\*\*



**32.** Explain the lander of last resort fustion of the central bank

OR

how do changes in bank rate affect money creation by commercial Banks ? Explain

**33.** How do changes in bank rate affects money creation by commercial Banks ? Explain .



**34.** Define cash reserve reserve reataio

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**35.** Define money supply.

**36.** explain the process of credit creation by the commercial banks wirth the help of a numerical example .



## 37. What are demand deposits ?



38. Explain the singniifcance of the store of value

funcation of money \*\*\*



39. Explain the components of legal Reserve ratio

OR

explain banker's bank fucation of central bank



40. What are demand deposits?



**41.** Explain the problem of double coincidence of wants feced unfer berter syatem how has money solved it \*\*\*

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**42.** expain Banker to the Goveremnrt funcation of the central bank (set-1,3) How do comercial banks created depsits ? Explain (se-2)

# 43. What are demand deposits?



44. explain the singnificance of store of value '

Value function o fmoney \*\*\*

Or

explain the singificance of of medium of exchange

fucation of money \*\*\*



**45.** explain the bank of issue funcation of the central bank

OR

explain the bank of issue funcation of central bank



**46.** Government of inida has recently launched Jan - dhan yojna aimed at every household in the country to have at least one bank account Explain how deposits mode under the plan arae going to affect national income of the contry .



47. Explain how open of operations are helpful in controlling creadit creation (set-1)
Explain how bank rate is helpful in controlling credit creation ?(set2 )
Explain how margin requirments are helpful in controlling credit creation ?(set-3)



**48.** the ratio of total deposits that a commerical bank has to keep with Reserve Bank of india Is called :

(a) Staytutory liquidity ratio

(b) Deposit ratio

(c) Cash reserve ratio

(D) Legal reserve ratio

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49. Explain th estore of value funcation of maoney

\*\*\*

OR

State the Meaning and components of money Supply.

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50. Explain banker to the government function of

the central bank .

Explain the role of reverse repo rate in controlling

monry supply

**51.** state the two componets of  $M_1$  measure of

money Supply.



52. what is monetary policy ? State ant there

intruments of ,monetary policy .

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**53.** An increase of Rs. 200 crores in investment leads to rise in national income by Rs. 1,000 crores

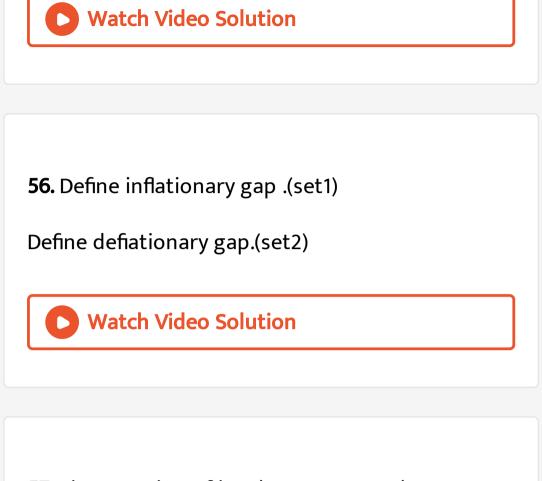
. Find out marginal propensity to consume .



**54.** Give meaning of : (i) involuntary unemplment , (ii) full employment and , (iii) under employment equilibrium .



**55.** Explain the problem of excess demand in an economy with the help of a diagram explain the role of bank rate in correcting it .



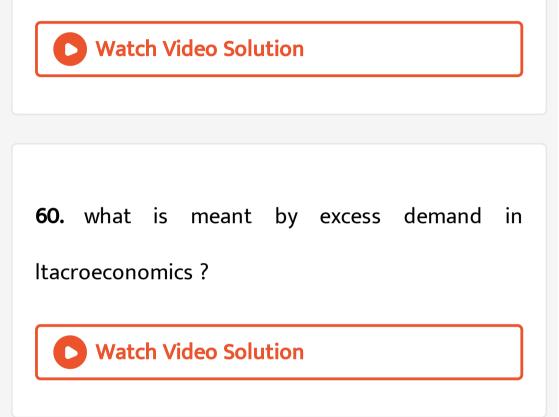
**57.** give meaning of involuntary unemployment .

58. As a result of increase in investment national Rs.125 crores ,national income by Rs. 500 crores calculate margginal propensity to consume .(set 1) As a result of increase in investment national income rises by Rs. 600 crores if maginal propensity to consume is 0.75, calculate the increase in investment (set2) If magginal propensity to conume is 0.9 what is value of multiplier? how much investment is needed to increase national income by 5,000

crores?(set 3)

59. Explain determination of equilibrium level of

income saving - investment approch ,Use diagram.



**61.** what can be the minimum value of investment multiplier ?(set 1)

If investment multiplier is 1 what will be the value of marginal propensity to consume ?(set 2) Give the meaning of autonomous consumption . (set 3)

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62. Define involuntary unemployment .

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63. Given consumption function C=100+0.75 Y and

investment expanditure Rs. 1,000, calculate :

(i) Equilivrium level of national income (ii) Consumption expenditure at equilibrium level of national income what changes will takes place to bring economy equilibrium if (i) planned savings are greater than plnned investment and (ii) planned savings are less than planned investment.

64. Give the meaning of ex- ante saving ,(set 1)

Give the meaning of ex- ante investment ,(set 2)

Give the meaning of aggregate demand (set 3)



65. Give the meaning of deflationary gap .

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**66.** In an economy 75 percent of the increase in income is spent on consumption investment is

increased by Rs. 1,000 crore ,calculate

(a total increase in income

(b) total increase in consumption expendilture .

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**67.** Given that national income is Rs. 80 crore and consumption expendilure Rs. 64 crore , find out average propensity to save when income rises to Rs. 100 crore and resimption expenditure to Rs. 78 crore what will be the average propensity to consume and the marginal propensity to consume ?(set 1)

if National income is Rs. 50 crore an d saving Rs. 5 crore, find out average propensity to consume ,when income rises to Rs. 60 crore and saving to Rs. 9 crore what will be the average propensity to consume and the marginal propensity to save ? (set 2)

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**68.** explain the relationship between investment

multipler and marginal propensity to consume .



69. Discuss the role of the following in correcting

'excess demand ' in an economy :

(i) bank rate

(ii) open market operations .



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**70.** Outtine the steps taken in deriving saving curve from fron the sonsumption curve Use diagram.



**71.** find national income and consumption expenditure from the following Automous consumption = Rs.100Marginal propensity to consume = 0.80inveestment = Rs.50

C

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**72.** Explain the concept of excess demand ' in macroecomics Also explain the role of openn market operation ' in correcting it .

OR

Explain the concept of ,'deficient demand ' and Also explin the role of bank rate in correcting it



**73.** C=100+0.4 Y is the consumption Function of an economy where C is consumption expenditure and Y is National income, Inestment expenditure is 1.100 ₹ calculate (i)Equilibrium level of National income (ii) Consumption expenditure at equilibrium level of national income (set 1) c=50+0.5 Y is the consumption function where C is consumption and Y is National income and invesrment expenditure is 2.000₹ in an economy .calculate

(i) equilibrium level Of (national ) income

(ii) Consumpton exendditture at equilibrium level

of (National ) income (set 2)

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74. what is involuntary unemployment ?(set1)

give meaning of full employment,(set 2)

Define marginal supply ?(set 3)



75. define marginal propensity to consume .



76.	Calcula	ate	investment	expe	nditu	re fro	om	the
foll	owing	date	e (set 1)					
Na	tional	inco	ome				=	1,000
Ma	arginal	$\operatorname{pro}$	pensity to s	save			=	0.25
Αu	itonom	ous	consumptio	$n \exp$	enditu	ure	=	200
Cal	culate	au	tonomous	consu	mptio	on fr	om	th
foll	owing	date	e .(set 2)					
Na	tional	inco	ome		=	1200	)	
Ma	arginal	prop	pensity to sa	ve	=	0.20		
inv	vestmei	nt e	exenditure		=	100		
								_

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77. Explain national income equilibrium through aggregate demand and aggregate supply Use diagram .Also explain the changes that takeplace in an economy when the economy is not in equilibrium .

OR

Outline the steps required to be taken in deriving saving curve from the given consumption curve ,Use diagram.

78. what is aggergate supply ' in macroeconomices



?

**79.** the value of multipler is :(choose the correct alternative ) (a)  $\frac{1}{MPC}$  (b)  $\frac{1}{MPS}$  (c ) $\frac{1}{1-MPS}$  (d)

MPC - 1

**80.** An economy is in equilibrium , find ' autonomous consumption ' from following : National income = 1,000Marginal propensity to consume = 0.8investment expenditure = 100

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81. Explain the concept of deflationary Gap and the

role of open market operations in reducing this

gap.



**82.** Distinguish between marginal propensity to consume and average propensity to consume .Give a numerical example .

OR

Explain the role of texation in reducing excess demand.

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**83.** Suppose marginal propensity to save is 0.2 . How much increase in inestment is required to increase to increase national income by Rs. 2,000

crore?



**84.** Given consumption curve , derive saving curve and state the steps taken in the process of derivation use diagram.

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85. give the meaning of involuntary unemplyment .

**86.** An economy is in equilibrium from the following date about an econmy ,calcualate autonomous consumption ,(set 1)

(i) income =5,000

(ii) marginal propensity to save =0.2

(iii) investment expenditure =800

An economy is in equilibrium from th following date about an economy , calculate investment expenditure :(set 2)

(i) income =10,000

(ii) marginal propensity to consume =0.9

(iii) Autonomous consumption =100

**87.** Assiming that increase in investment is Rs. 1,000 crore and marginal propensity to consume is 0.9 explain the working of multiplier .(set 1) Assuming that increase in investment is Rs. 800 crore and marginal peopensity to sonsume is 0.8 explain the working of multiplier ,(set 2)

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88. define aggregate supply .

89. Define full employment . How is it related to

marginal propensity to consume ?

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**90.** Define full employment in an economy . Discuss the situation when aggregate demand is more than aggregate supply at full employment income level.



**91.** what is ex-ante consumption ? Distinguish between autonomous consumption and induced

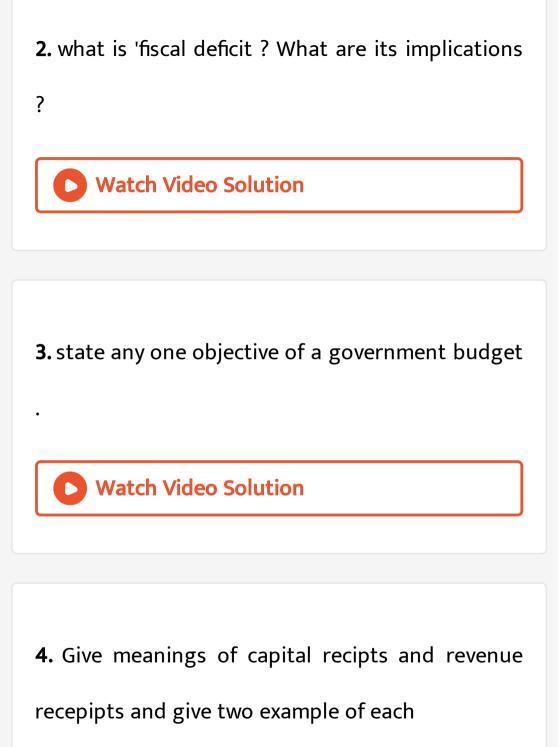
consumption .

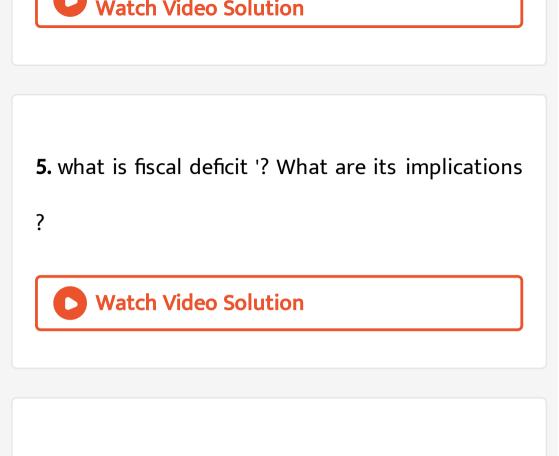
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Government Budget And Economy

1. Distinguish between 'revenue receipt and capital

recept and two examples of each .





6. why is repayment of loan capital expenditure

gt(set 1)

why are borrwings a capital recept /(set 2)

define a Government Budget ,(set 3)

7. How can a government budget help in reducing

inequalites of income ?explain

|--|

8. Distinguish between :

(I) Direct tax and indirect tax (ii) Revenue deficit

and fiscal deficit



9. How is primary deficit calculated ?



**10.** How can Government budget be helpful in altering distribution of income in an economy ? Explain .

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**11.** Distinguish between :(set 1,3)

(a) capital receipts and revenue receipt

(b) Direct tax and indirect tax .

Giving reasons classify the following into dirext

and indirect tax :( set 2)

(i) Weath tax

(ii) value added tax

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12. Explain the allocation of resources ' objective

of Government budget

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13. Define a tax



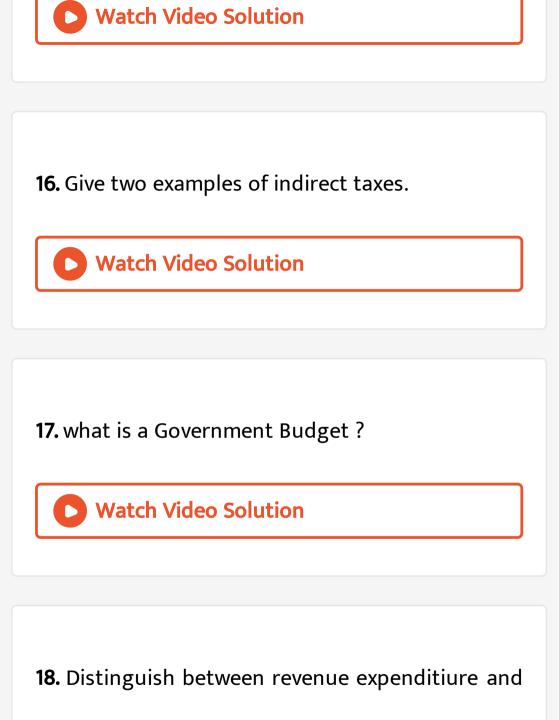
14. Distinguish between Revenue Expenditure and Capital Expenditure in a Government budget ,Give examples .

OR

Explain the role of Government budget in allocaton of resources .

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**15.** Explain 'revenue deficit in a Government budget ? What does it indicate ?



capital expenditure in Government budget Give an

example of each .

OR

Distinguish between revenue deficit deficit and

fiscal deficit .

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**19.** eXplain any one objective of Government Budget .



**20.** Difine government budget.



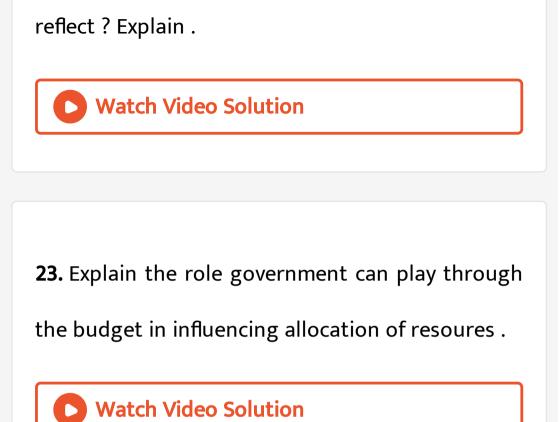
**21.** is the following revenue expenditure or capital expenditure in the context of Government budget ? Give reason .

(I) Expenditure on collection of taxes

(ii) Expenditure on purchasing computers.

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**22.** Government raises its expenditure on producing goods , which economic value does it



**24.** what is revenue expenditure ?(set 1)

what are revenue receopts in a government budget ? (set 2)

what is revenue deficit in government budget ?

(set 3)



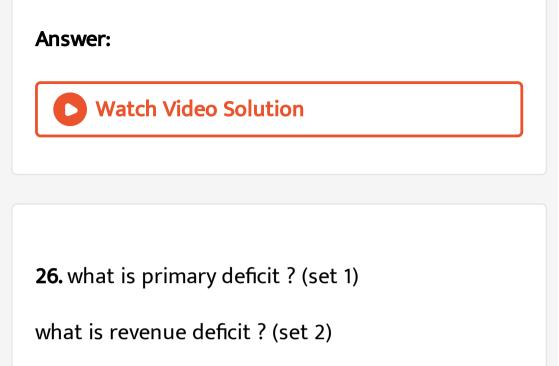
**25.** Fiscal deficit equals :(choose the correct alternative)

A. Interest payments

**B.** Borrowings

C. Interest payments less borrowing

D. Borrwings less interest payments



what is fiscal deficit ? (set 3)

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27. Explain the basis of classifying taxes into direct

and indirect tax .Give examples.

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28. Explain how government budget can be used

to influence distribution of income?

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29. what is government budget ? Explain its major

components.

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**Balance Of Payments** 

1. What does balance of payments account of a

country record ?

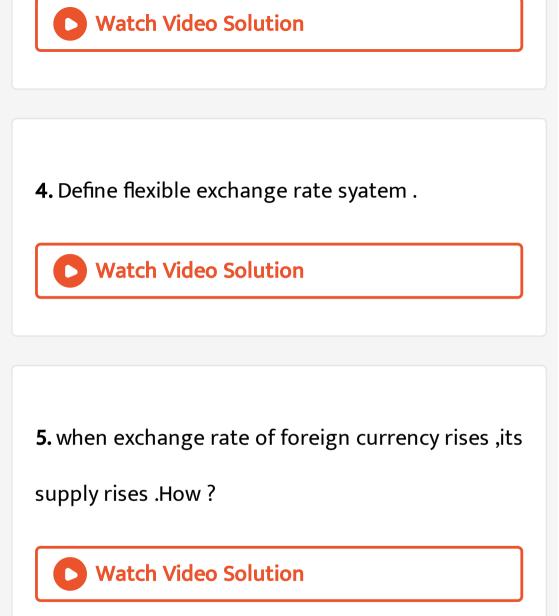


2. Name the items included in balance of trade

account .

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**3.** Give three sources each of demand and suppy of foreigm exchange .



6. state componts of the currect account of the

balance of payments account



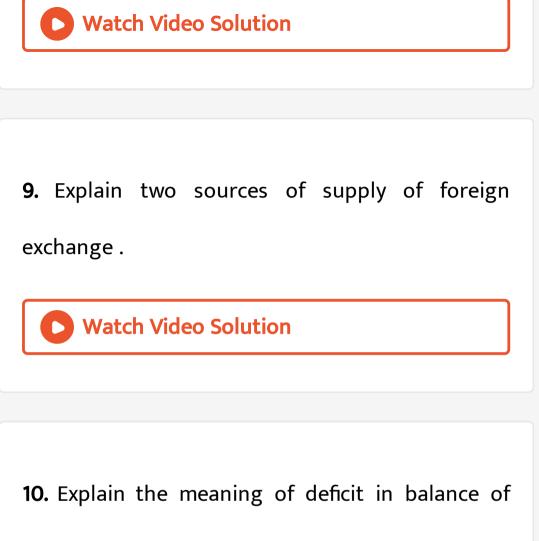
7. list the items of the currect account of balance

of payments account .Also define balance of trade

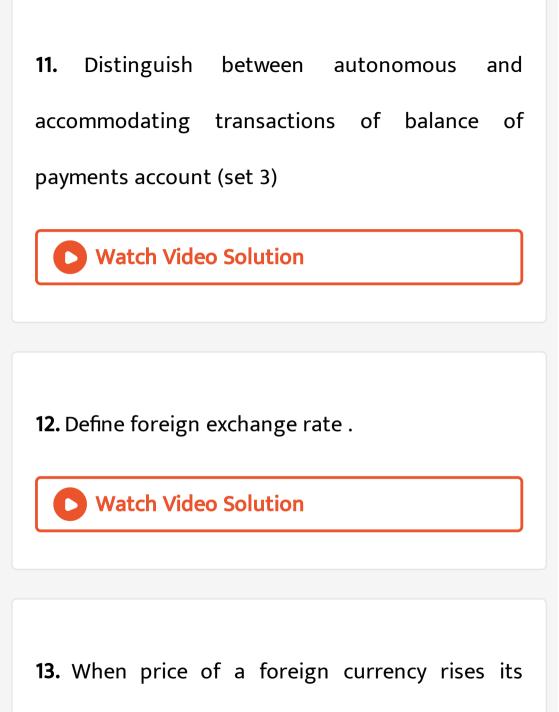
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8. explain two sources each of demand and supply

of foreign exchange.



payments .



demand falls Explain why



## 14. Give meaning of manged floating exchange

rate .



15. How can increase in foregin direct investment

affect the price of foreign Exchange ?



16. Explain the effiect of appreciation of domestic

currency on imports .



**17.** Other things remaining unchanged , when in a country the price of foreign currency rises , national income is :(choose the correct alternative )

A. likely to rise

B. likely to fall

C. likely to rise and fall both

D. Not affected

## **Answer:**

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**18.** name the broad categories of transactions recorded in the capital account of the balance of payments accounts

OR

name the broad categories of transactons

recorded in the current account of the balance of

payments accounts



**19.** where will sale of machinery to abroad be recorded in the balance of payments Accounts ? Give reasons .

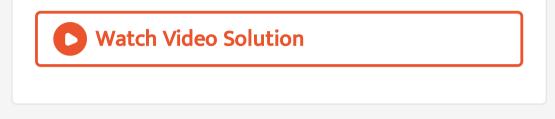
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**20.** (a) in which sub - account and on which side of balance of payments account , will foreign

investments in india be recorded ? Give reasons .

(b) what will be the effect of foreign invertments

in india on exchange rate ? Explain .



**21.** Give the meaning of balance of payments



22. why does the demand for foreign currency fall

and supply rises when its price rises? Explain .

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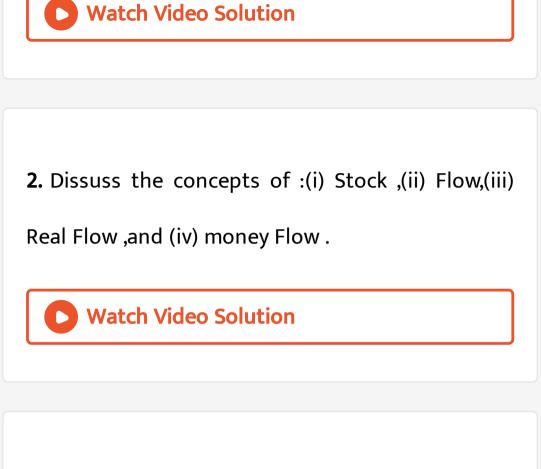
23. Discuss briefly the meanings of

- (i) Fixed exchage Rate
- (ii) flexible Exchages Rate
- (iii) Managed Floating Exchange Rate

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**Important Questons** 

**1.** Explain the Circular flow of income in a two - sector economy.



3. Distinguish between ,(i) stock and flow ,(ii) Real

flow and money flow.



4. What is meant by net factor income from abroad ? Briefly discuss its various compounds.

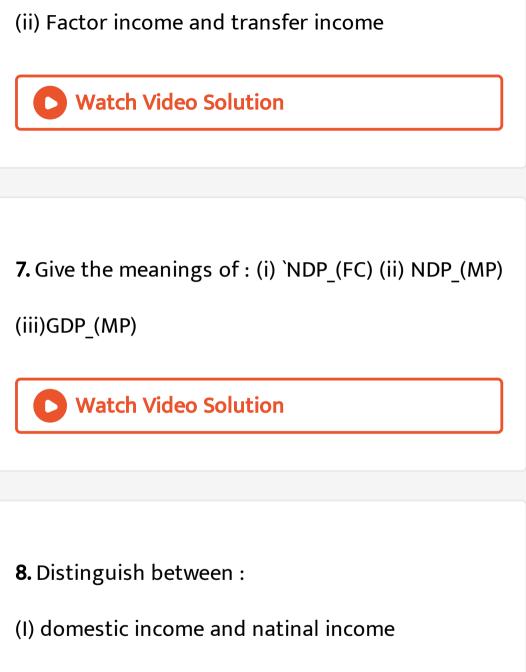
5. Explain the meaning of consumpton goods and

capital goods .

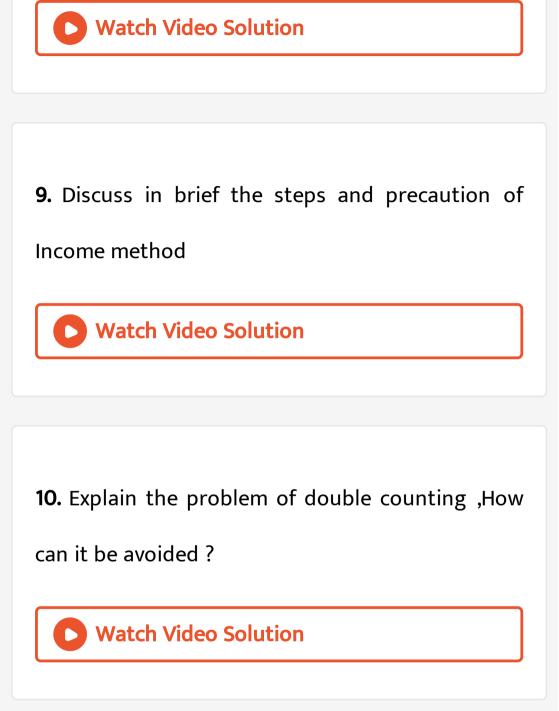
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6. Distinguish between :

(i) intermediate goods and final goods



- (ii)  $GDP_{MP}$  and  $GNP_{FC}$
- (iii) National income and  $GDP_{MP}$



11. what is a berter system ? Discuss its drawbacks.



12. Difine money what is meant by money supply ? Discuss in brief :(i) currency held by the public (ii) net demand deposits held held by commercial Bankd .



13. what is meant by a commercial bank? What are

the two essenital conditions for an insititution to

becaome a bank gt



**14.** Explain the concept of money creastion or creadit creastion done by commerical banks with the help of an example

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15. What is meant by a central bank ? Why is it

know as an apex body?

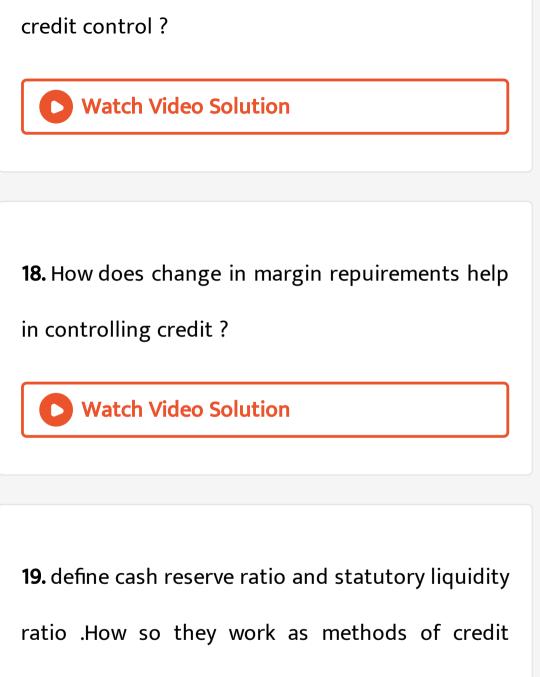


16. what are open market operations ? What is

their effect on the availabillity of credit ?

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**17.** what is Repo rate ,Reverse Repo ratae and bank rate policy gt how do they work as methods of



control ?]

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20. what is meant by aggregate demand ? Explain

the various components os aggregate demand .

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**21.** what is meant by propensity to consume ? Discuss the two types of propensities to consume



22. Give the meaning of propensity to save ,Discuss the two typess of propensities to save Watch Video Solution

**23.** Distinguish between average propensity to save and marginal propensity to save the value of which of these two can be negative and when ?



**24.** distinguish between average propensity to save and marginal propensity to consume the value of which of these two can be greater than on e and when ?

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**25.** Give the meanng of :(i) involuntary nunmployment ,(ii) full employment.

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**26.** explain the determination of equilibrium level of income by :(i) Aggregate demand and aggregate supply approch :(ii) saving and investment approach.

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**27.** can an economy be in a state of under

employment equilibrium ? Explain win th e help of

a diagram



28. what is meant by multiplier? What can be its

minmum value and why?



29. explain the concepts of excess demand and

inflationary gap with the help of a diagram.

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**30.** Explain the role of following in correcting ' Excess demand 'and / or deficient demand in an economy (i) change in Government spending (ii)

change in taxes.



**31.** How does chages in money supply help in controlling the situation of excess demand in an economy?

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**32.** explain the role of bank rate and open market

does market opertion s in controlling the

situation of excess demand / deficient demand .



**33.** what are margin requirements ? How does a change in margin requirments control the

situation of excess demand and defiient demand ?

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34. what is meant by non - tax revenue ? Explain

the defferent sources of non-tax revenue.

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35. Define tax revenue , what are two kinds of tax

revenues ? Give two examples of each .



- **36.** Distinguish between :
- (i) Direct tax and indirect Tax
- (ii) Revenue Receipts and capital receipts
- (iii) Revenue Expenditure and capital Expenditure



**37.** what is the basis of calssifying government expenditure into revenue expenditure and capital excenditure ?



**38.** what is meant by revenue deficit?

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**39.** Discuss the concept of fiscal deficit .

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40. What do you mean by prmary deficit?



**41.** Give the meaning Of :(i) Foreign Exchange ,(ii) foreign Exchange Rate ,(iii) Foreign Exchange market .



**42.** discuss the concept of :(i) Fixed exchange rate system ,(ii) Flexible exchange rate system ,(iii) Managed floating rate system .



**43.** distinguish between ,(i) Devaluation and depreciation of domestic ,(ii) Revaluation and appreciataion of Domestic Currency .



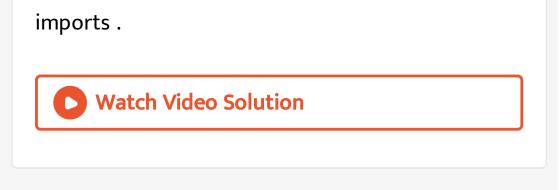
44. Discusss the major reasons for demad
(outflow ) and supply (inflow ) of foreign exchange.
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45. why does a rise in foreign exchange rate cause

a rise in its supply ?

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**46.** Explain the effects of Appeciation and Depreciation of Domestic currency on exports and



**47.** what is capital account ? What iterms are included in the capital account of balance of payment ?

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**48.** what is meant by deficit in balance of payments?

Value Based Evaluation Multi Disciplinary Questions

 milk purchased by a person is always a final good " defened or refute .

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**2.** A soft Drinks company purchases 20 Truks for the tranks for the transportation of soft drinks from the factory to the wholesale agents . Whether the truks purchased will be treasted as

final good or intermediate goods?



**3.** in the Government of a a country 's budget for the year 2013-14 ,the finance minister proposed to raise the tax on crore per annum is the objective only to earn revenue for the Government ? What possoble welfare objective can you think of from these proposals ? explain .



4. both APC and APS fall with increase in national

income, do you agree with given statement?



**5.** the market prices of US Dollar has increased considerably leasding to rise in prises of the imports of the imports of essential goods , whats can central Bank do to to ease the situation ?



**6.** An increase in the stock of goods held by a consumer will contribute to capital formataion .Do you agree with the given statement ?

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**7.** Give one example of externality " which redduces welfare of the people .



**8.** Commercial banks do not contribute to the amount of money supply in the economy as they do not have the power to issue currency defend or refute.



9. An employess approches his emplyer for a loan

of Rs. 3,00,000 for the higher education fo his son

. The employer agrees to provide interest free loan

. What will be the treatment of interest in calculation of national income ?





**10.** Name any one step the Government can take through its budget to reduce the gap between the rich and the poor .

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**11.** Due to increase in the family members ,harish wants to add one more floor to his old house .How will treast the value of new floor while estimating national income .





**12.** Name any one step that the government can take through its budget to check inflation that is causing hardships to the people .



13. Bread purchased is always a consumer goods

,Defend or refute .



**14.** what one step can be taken through market to to reduce the consumodity of product harmful for health ?



**15.** An addtion in the value can also take place even when the comodity does not go though any transformation Comment .



**16.** Although india's GDP is increasing , but the welfare of the people is not increasing with that pace do you think that concept of greeen GNP should be followed ?

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**17.** if these is excess demand in the economy , it will generter employment opportuites in the economy .Comment.

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18. sevices of housewives and leisure time activities contribute to welfare of people .HoweverThey are not included in the estimation of national income . Why ?



19. Average propensity to save is always greater

than Zero . Defend or refute .



**20.** Old age pension by the government increases the welfare of people. However, it is not included in the estimation of national income. Why ?



## 21. All the financial institutions can also be termed

as banking institutions. Comments.



**22.** The concept of "Outsourcing work " is a good source of supply of foreign currency and employment generation ? Do you agree this in context of india ?

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23. At the time of inflation, Government should

opt for surplus budget. Do you agree with the

given statement?

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24. An American company has ordered readymade garments from an Indian company. What will be the impact on their total import expenditure of the American company as increase in the foreing exchange rate ?

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**25.** Government takes measures to restrict autonomous imports of gold. Explain the economic values desired to be achieved from this



**26.** In case of foreign exchange, devaluation and depreciation of currency are one and the same thing. Do you agree with the give statement ?

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**27.** When aggregate supply falls short of aggregate demand , then planned inventory falls below the desired level. Comment



**28.** A soap manufacturing company wishes to pay compesation to its employees to its employees in the form of soaps. Howerver , employees want compensation in the form of money. Why compensation is more convenient in term of money than in soaps ?



29. Fiscal deficit can occur even if there is no

Revenue Deficit ? Defend or Refute.



**30.** The central bank takes steps to control rise in the price of forgeign exchange in economic volues it involves as far as far the common man is concered. E

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31. What will happen in an economy when planned

investment is less than planned saving ?

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**32.** A decrease in the spending by the government reduces the income and purchasing power of the people. Do you agree with the given statements ?

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**33.** The aggregate demand in an economy is equal to aggreate supply. Can it be said that economy said that economy has achieved full employment equilibrium ?



**34.** The amount of loans offered by the commercial banks are equal to the deposits received by them. Do you agree with the given statement ?



**35.** In India, there are extreme inequalities of of income and wealth and a majority of population live below the poverty line. How can budgetary policy help in solving this problem ?



**36.** Government has started spending more on providing free services like education and health to the poor. Explain the economic value it reflects



37. The consumption expenditure in the economy

is not zero, even at zero level of income. Why?



**38.** Tax paid by a person to the government does not provide any direct benefit to the tax payer, Defnd of Refute.



**39.** Tax rate on higher income group have been increased. Which economic value does it reflected

? Explain

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**40.** Excess of foreign exchange receipts over foreign exchange payment on account of autonomous transaction leads to deficit in the balance of payments. Comments.

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41. Direct taxes have limited reach as compared to

the indirect taxes. Comment



42. Why does the central bank intevenn in case of

Manged Floatting Exchange Rate systems gt



**43.** Under Balance of Payments (BOP), accommodating items of trade are undertaken to maintain the balance in the BOP account. Comment.



**44.** Government raises its expenditure on producing public goods. Which economical value does it reflect ? Explain

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**45.** Domestic income of a country includes contribution of only resident producers within the domestic territory of the country. Do you agree with the given statements ?

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**1.** Give one example of negative extarnalities.

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**2.** Credit creation by commercial banks is determined by: (Choose the correct alternantive)

(a) Cash Reserve Ratio (CRR)

(b) Statutory Liquidity Ratio (SLR)

(c) Initial Deposits

(d) All of the above





**3.** State the two components of  $M_1$  measure of

Money Supply.



4. Define aggregate supply.



5. What are capital goods? How are they different

from consumption goods ?

or

Distinguish between stock and flow variables with

suitable examples.



6. Define Investment multiplier. How is it related to

marginal propensity to consume?

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7. What is monetary policy? State any three

instruments of monetary policy.



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8. Define full employment in an economy. Discuss the situation when aggregate demand is more than aggregate supply at full employment income level.

or

What are two alternative ways of determining equilibrium level of income? How are these related?

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9. What is ex-ante consumption? Distinguish between autonomous consumption and induced consumption.

**10.** What is government budget? Explain its major components.

OR

Explain: (a) Allocation of Resources, and (b) Economic Stability as objectives of Government Budget

- 11. Discuss briefly the meanings of
- (i) Fixed Exchange Rate
- (ii) Flexible Exchange Rate
- (iii) Managed Floating Exchange Rate

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12. Calculate: (a) Operating Surplus, and (b)

Domestic income :



**Cbse Examination Paper 2018 All India** 

**1.** With a rise in real national income, welfare of the people: (Choose the correct alternative)

A. Rises

B. Falls

C. Remains unchanged

D. None of the above

## Answer: A



2. If legai reserve ratio is 20%, what will be the

value of money multiplier?



3. Which of the following is not the function of the

Central Bank? (Choose the correct alternative)

A. Banking facilities to government

B. Banking facilities to public

C. Lending to government

D. Lending to commercial banks

Answer: B

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4. Which among the following are capital goods and which are consumer goods and why?
(a) A car used as a taxi
(b) Refrigerator in a hotel

(c) Air-conditioner in a house

OR

Define intermediate consumption and explain it

with an example. How is it different from finel

consumption?



**5.** If a consumption function of a hypothetical economy is given as:

C=100+0.6Y,then

(i) What will be the values of marginal propensity

to consume and marginal propensity to save for

the economy?

(ii) Write the corresponding saving function.

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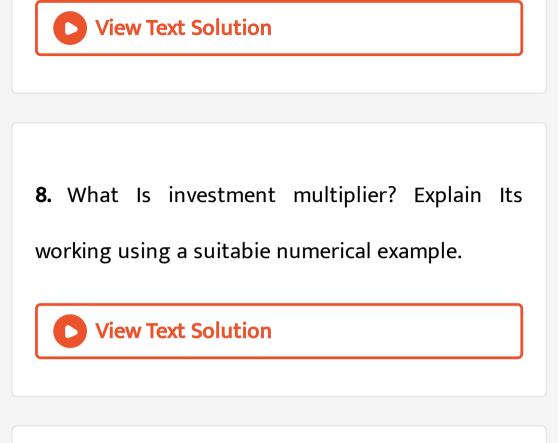
**6.** Discuss the meaning of any two methods of controlling credit which may be adopted by the 4 central bank.

OR

Explain the "bank of issue' function of the central bank.

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7. Explain the national income determination in an economy using saving and investment approach.Use diagram.



- **9.** Explain the distinction between the following:
- (a) Revenue Expenditure and Capital Expenditure
- in a government budget
- (b) Primary Deficit and Fiscal Deficit



- **10.** Discuss briefly the meanings of:
- (i) Fixed Exchange Rate
- (ii) Flexible Exchange Rate
- (iii) Managed Floating Exchange Rate

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11. Calculate : (a) Operating surplus, and (b)

Domestic income



## Cbse Examination Paper 2018 19 Class Xii

1. Calculate the value of money multipler if the

legal reserve requirements are 20%

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2. What is money supply?

Or

What is meant by Repo Rate ?

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3. .....(Choose the correct alternative) is a revenue receipt of the government. (a) Funds rasised by the government by issuing National Saving Certificates Sale of 40% share of a public sector understaking to a private enterpreise (c) Profit of LIC, a public enterprise (d) Amount borrwed from Japan for construction

of Bullet Train.



**4.** Identify which of the following statement is true ?

(a) Fiscal deficit is difference between planned revenue expenditure and planned revenue receipts

(b) Fiscal deficits is difference between total planned expenditure and total planned receipts and total planned receipts.

(c) Primary deficits is the differnce between total planned recept and interest payments.

(d) Fiscal deficits is the sum of primary deficits and

interest payment .



**5.** Estimate the value of Aggretate Demand in a economy if :

(a) Autonomous Investment (I) = 100 crores

(b) Marginal Propenstiy to save = 0.2

(c) Level of Income (Y) = 4,000 crores

(d) Autonomous Consumption Expenditure(c) = 50

crores.

OR

In an economy C = 200 + 0.5 Y is the compsumption function where C is the consumption expenditure and Y is the national income . Investment expenditure is ₹ 400 crores .

Is the economy in equilibrium at an income level ₹

1,500 crores ? Jusifty your answer.



**6.** Explain how the level of effective demand is attained In an economy if Aggregate Demand is more than the Aggregate Supply.



7. What is meant by problem of double counting?

How this problem can be avoided?

OR

Discuss briefly, the circular flow of income in a two sector economy with the help oi a suitable diagram.

(ii) To consider only the value added of the output produced.

## OR

Circular Flow of income in a two Sector economy : Household are owners of factors of production. They provide factor service to the frms (producing units ). Fims provide factors payments in exchange

of their factor service. So, factor payments flow from the firms (producing units ) to households: Households pruchase good and service from the (producing units) for which they make payment to them. So consumption expenditure (producing units) for which they make payment to them. So, consumption expenditure (speding on goods and services) flows from housedolds to the firm



8. Elaborate 'economic growth' as objective of government budget.
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9. How the following tools can be used for credit

control by the central bank in an economy:

(a) Open Market Operations

(b) Margin Requirenments

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10. (a) State any two precautions that must be taken into consideration while estimating national income by value added method. In an economy following transcations took place. Calculate value of output value added by Firm B: (i) Firm A sold to firm B goods of 80 crore, to firm C 50 crore to household 30 crore and goods of value 10 crore remains unsold (iii) Firm B sold firm C goods of 70 crore, to firm D 40crore, goods of value 30 crore were exported and goods of value 5 crore was gold to government

Differentiate betweeen National Current Places and National Income at Constant Prices. Which of the two presents a better view of the economic growth of economy and why?

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**11.** How an initial increase in investment affects the level of final income of the economy? Show its

working with a suitable numerical example.



**12.** According to recent to recent media reports: USA has accused China of currency devaluation to promote in exports'. In the light of the given media report comment., how exports can be promoted through the Currency devaluation? (b) What is meant by Curreny Account Deficit(CAD) and Current Account Surplus (CAS)? State theri significance

