ISC SEMESTER 2 EXAMINATION
SPECIMEN QUESTION PAPER
ECONOMICS

Maximum Marks: 40
Time allowed: One and a half hour
Candidates are allowed an additional 10 minutes for only reading the paper.
They must NOT start writing during this time.

Answer all questions in Section A, Section B and Section C.
The intended marks for questions or parts of questions are given in brackets. [ ]

SECTION A – 8 MARKS

Question 1

(i) Firm A sells flour to firm B for ₹ 100/- Firm B sells biscuits to the wholesaler C for ₹ 160/- and Firm C sells biscuits to consumers for ₹ 200/. Hence, the gross value added is:

(a) ₹ 460/-
(b) ₹ 305/-
(c) ₹ 244/-
(d) ₹ 200/-

(ii) Medium of exchange and measure of value are:

(a) Primary functions of money
(b) Secondary functions of money
(c) Tertiary functions of money
(d) Contingent functions of money
(iii) Aggregate supply is equal to: [1]
   (a) C + I
   (b) C + S
   (c) I + C
   (d) S1 + S2

(iv) Transfer earning in National income refers to: [1]
   (a) transfer of income from one person to another.
   (b) income received by selling goods.
   (c) unilateral payment received not related to any production.
   (d) earning received by offering services.

(v) A consumer spending on purchase of goods regardless of the income in possession, is an example of ______ consumption. [1]

(vi) ____________ is the creation of new currency to fill the gap between Government revenue and Government expenditure of the country. [1]

(vii) GNP(fc) = GNP(mp) - ______________ [1]

(viii) Give one difference between a Direct tax and an Indirect tax. [1]

SECTION B – 12 MARKS

Answer the following questions briefly.

Question 2 [2]
Differentiate between CRR and SLR.

Question 3 [2]
Briefly explain two reasons for the adverse Balance of Payments in any economy.

Question 4 [2]
Draw a well labelled diagram of two sector model of circular flow of income including the financial sector.
Question 5

Complete the following schedule –

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<th>APC</th>
<th>MPC</th>
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<td>90</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>120</td>
<td>108</td>
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Question 6

(i) Differentiate between Cash Credit and Outright Loans.

OR

(ii) How is Devaluation of currency different from Depreciation of currency? Give any two differences.

Question 7

What is meant by the following functions of the Central bank:

(i) Clearing house

(ii) Lender of the last resort

SECTION C – 20 MARKS

Question 8

(i) What is meant by Equilibrium income? How is it determined by using Saving and Investment approach?

OR

(ii) Discuss the mechanism of investment multiplier with the help of a numerical.

Question 9

How is the rate of exchange determined in a flexible exchange rate system?

Question 10

Explain the steps involved in calculating the National income by Income method.
**Question 11**

Explain the following methods of redemption of Public Debt:

(i) *Debt conversion*

(ii) *Sinking fund*

**Question 12**

Read the given extract carefully and answer the following questions.

Mr. X wanted to buy an expensive motorcycle for his son but he did not have sufficient money to buy it. He approached a public sector commercial bank for the loan. The bank asked Mr. X to deposit 20% cash of the loan amount and rest 80% of the loan amount was given by the bank.

(i) Briefly explain a *Commercial Bank.*

(ii) What is the regulation of consumer credit in selective credit control?

(iii) Name the bank which controls all the commercial banks and financial institutions in the country.