



D A V KAPILDEV PUBLIC SCHOOL, KADRU , RANCHI
CHAPTERWISE
Sample paper (2024-25)

CLASS – XII
SUB: ECONOMICS

F.M. - 80
TIME: 3 HRS

INSTRUCTIONS:

1. All questions in both sections are compulsory. (N.A)
2. Marks for questions are indicated against each question.
3. Question no. 1-20 are very short answer question carrying 1 mark each. They are required to be answered in one sentence.
4. Question no. 21-24 are short answer question carrying 3 marks each. Answer to them should not normally exceed 60 words.
5. Question no. 25-30 are also short answer questions carrying 4 marks each. Answer to them should not normally exceed 80 words.
6. Question no. 31-34 are long answer questions carrying 6 marks each. Answer to them should not normally exceed 100 words each.

TOPIC - MACROECONOMICS
CHAPTER: 5. FOREIGN EXCHANGE RATE AND BOP

1. Demand for foreign currency depends upon :
(a) repayment of international loans. (b) investment in rate system
(c) direct foreign investment in the domestic economy (d) both (a) and (b)
 2. Direct foreign investment is a source of
(a) Demand for foreign exchange (b) supply of foreign exchange
(b) both (a) and (b) (d) none of these
 3. Dirty floating is related on
(a) Fixed system of exchange rate (b) Flexible Exchange Rate System
(c) Both (a) and (b) (d) none of these
 4. Flexible exchange rate system is also known as
(a) Managed floating system (b) Pegged exchange rate system
(c) Floating exchange rate system (d) None of these.
 5. Under managed floating exchange rate system :
(a) The Central Bank in the foreign exchange rate within certain limits
(b) There is no official intervention in the foreign exchange market .
(c) The Central Bank maintain the reserves of foreign exchange to influence the exchange rate.
(d) Both (a) and (b)
 6. Which of the following is a terms is used when exchange rate are flexible?
(a) Devaluation (b) Revaluation (c) Both (a) and (b) (d) Neither (a) nor (b)
 7. Increase in demand for imported of goods raises the demand for foreign exchange.(True /False)
 8. Sale of machines in abroad will be recorded on
(a) Debit side of capital account (b) Debit side in the current account
(c) Credit side of current account (d) Credit side in Capital account
 9. Which international agency manages foreign exchange rate system in the world?
(a) World Bank (b) RBI (c) IMF (d) All of these
- In the following questions Q.N 10 and 11, Two statements are given. Read the statements carefully and choose the correct alternatives:**
- Alternative:**
- (a) Both the statements are true.
 - (b) Both the statements are false.
 - (c) Statement 1 is true and Statement 2 is false

(d) Statement 2 is true and Statement 1 is false.

10. **Statement1:** Autonomous items are the cause of BoP imbalance.

Statement 2 : Accommodating items do not involve the movement of goods across the Borders.

11. **Statement1:** Under appreciation of domestic currency ,less rupees are needed to buy one U.S

Statement2: Appreciation of domestic currency is a situation of fall in exchange rate.

12. **A Company located in India receives a loan from a company located abroad. How is this transaction recorded in India 's balance of payment account (Choose the correct alternatives)**

(a) Credit side of current account (b) Debit side of current account
(c) Credit side of Capital account (d) Debit side of capital account

13. **Rate of exchange as determined by Government Is called**

(a) fixed exchange rate (b) Floating Exchange rate
(c) Flexible exchange rate (d) both(a) & (b)

14. **Balance of payments is a set of accounts showing**

(a) all monetary transaction of a country with ROW
(b) all economic transactions between residents of domestic country and resident of foreign countries
(c) all autonomous transaction of a country with rest of the world.
(d) both (a) and (c)

15. **Under gold standard exchange rates was**

(a) Fixed (b)Flexible (c) Adjustable (d) None of these

Read the following statements Q.N 19 &20 carefully - Assertion (A) and Reason(R). Choose the correct alternatives from those given below:

Alternatives:

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

16. **Assertion (A) :** Export and import of goods is visible trade .

Reason (R) : Goods are tangible and therefore , can be seen while crossing the borders.

17. **Assertion (A) :**Gold standard system of exchange rate is an old variant of fixed exchange rate system.

Reason(R) : Mint value of a currency implied paper value of that currency .

18. **Foreign exchange is stock of :**

(a) foreign currency (b) securities issued by foreign corporate
(c) bonds issued by foreign corporation (d)all of these

19. **If foreign exchange rate changes from ₹ 80 to ₹ 70 for one dollar, it implies:**

(a) depreciation of dollar in India (b) appreciation of dollar in future
(c)both (a) & (b) (d) neither (a) nor (b)

20. **Spot market handles----- transaction. (current/future)**

21 . Explain the components of current accounts of balance.

OR

Name two items each relating to current BoP and capital account BoP.

22. What does Balance of payment shows? Name the two parts of the of the Balance of Payments?

23. What is meant by visible and invisible items in the Balance of payments account? Give two examples of invisible items.

24. Explain the effect of fall in the price of foreign currency on exports.

25. Give the meaning of foreign exchange rate. How is it determined under flexible exchange rate regime ?

26. Recently the Government of India has increased import duty on gold. Explain its impact on Foreign Exchange Rate.

OR

Classify the following as revenue receipts or capital receipts. Give reasons:

- (a) Loans from the IMF
- (b) Grants received from World Bank
- (c) Profit tax
- (d) Sale of share hold by government
- (e) Borrowing from public
- (f) Bus fees

27. "Trade Deficit must exist, if a country is facing situation of Current Account Deficit. Defend or refute the above-mentioned statement with valid arguments

OR

Describe the merits and demerits of fixed exchange rate.

- 28. How are NRI deposits significant for us?
- 29. Distinguish between fixed exchange rate and flexible exchange rate system.
- 30. Accommodating transactions are undertaken to maintain stability in the Balance of Payment Account". Justify the given statement with valid explanation.
- 31. 'Devaluation and Depreciation of currency are one and same things'. Do you agree? How do they affect the export and import of a country?

OR

In recent time the Indian Rupee(₹) depreciate to all time low against the US dollar (\$)

Discuss its impact on India's imports and exports.

- 32. Briefly describe the items of current account BoP?
- 33. Explain the distinction between autonomous items and accommodating transaction in Balance of payments. Also explain the concept balance of payments deficit in this context.
- 34. How is the Exchange Rate determined under flexible exchange rate regime? Use diagram.

OR

Is improvement in Exchange Rate of the country's currency always beneficial