



INDIAN SCHOOL AL WADI AL KABIR

Class: XII	Department: Commerce
Worksheet no: 1	Topic: Human Capital Formation

1. Which of the following is not a merit of human capital formation?
 - a. Improves technical knowledge
 - b. Enlarges the size of business
 - c. Increases cost of production
 - d. Changes social outlooks
2. Which of the following institutes comes under the health sector?
 - a. NCERT
 - b. UGC
 - c. AICTE
 - d. ICMR
3. Which of the following is a major source of human capital formation in India?
 - a. Expenditure on on-the-job training
 - b. Expenditure on education
 - c. Both a and b are correct
 - d. Both a and b are incorrect
3. _____ refers to the ability of human to contribute to the process of value-addition in the economy.
 - a) Human capital
 - b) Human Resource
 - c) Human capital formation
 - d) None of these
4. Which of the following is not an indicator of education level?
 - a. Years of schooling
 - b. Life expectancy
 - c. Teacher-pupil ratio
 - d. Enrollment rate
5. Which of the following is not the role of on-the-job training?
 - a. Eradicates inequality
 - b. Encourages innovation
 - c. Promotes modern methods
 - d. Enhances productivity

6. Which 5-year plan recognised the importance of Human Capital?
 - a. 8th Plan
 - b. 5th Plan
 - c. 4th Plan
 - d. 7th Plan

7. Who prepares the Human Development index?
 - a. WB
 - b. UNDP
 - c. IMF
 - d. RBI

8. Before introducing new technology, a firm provides the basic skills to the workers regarding its usage. This is which source of human capital formation?
 - (a) Study programme for adults
 - (b) On the job training
 - (c) Expenditure on Information
 - (d) Investment in education

9. Which level of education takes the major share of educational expenditure in India?
 - a. Elementary
 - b. Secondary
 - c. Tertiary
 - d. Higher

10. Which cost is involved in Migration?
 - a) Transportation cost
 - b) Higher Living cost in different place
 - c) Both a and b
 - d) None of these

Assertion-Reasoning Questions:

Alternatives:

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

1. **Assertion (A):** The Apex body in the field of Medical research is AICTE.

Reason (R): The Apex body in the field of Medical research is ICMR.

A: d

2. **Assertion (A):** Education contributes to economic growth.

Reason (R): Education confers higher earning capacity on people.

A: a

3. **Assertion (A):** Human Capital Formation is required for the effective use of physical capital.

Reason (R): The formation of human capital raises the life expectancy of the people.

A: b

4. **Assertion (A):** Spread of education is necessary to control the population growth rate.

Reason (R): Human Capital Formation decrease quality of life.

A: c

Case Based questions:

Traditional economic theory viewed capital in physical terms only. Economists during the late 1950s based on the aggregate production function found that the standard measures of simple labour and physical capital were incapable of explaining adequately the rapid post-war growth. Speculations on what was missing were diverse. Some argued that the principal explanation lays in the lack of appropriate adjustments for improvement in the quality of physical capital and the embodiment of technical progress in that capital. Others suggested that the most important omission pertains to the organizational advance or a vaguely specified human capital. The residual of unexplained growth was at first ascribed to technology by Solow, but later, the residual was defined to include improvements in the quality of capital can the investment in human beings. Human capital is formed with improvement in skills education. Improved health and education is merit as well as a public good and is associated with a large number of externalities which are often indirect, indivisible and non-quantifiable.

1. Which of the following gives the definition of public goods?

- a) Excludable and non-rivalrous in nature
- b) Non-excludable and non-rivalrous in nature
- c) Non-excludable and rivalrous in nature
- d) Excludable and rivalrous in nature

Ans – b)

2. Consider the situation of 2 countries – A and B. Country A has invested more towards the technological progress whereas Country B has invested more towards expanding its military network and arms. To Solow, which country would go faster?

- a) Country A
- b) Country B
- c) Both grows at the same pace
- d) Can't comment

Ans – a)

3. Standard economic theories failed to explain the post war rapid growth due to

- a) Measuring growth in terms of physical inputs only
- b) Ignoring other important factors such as improved skills and education
- c) Both a) and b)
- d) None of the above

Ans – c)

4. An externality is the good or bad impact which enters the utility or production function of another individual or firm with no choice of their own. The given statement is

- a) True
- b) False
- c) Partially True
- d) Partially False

Ans – a)

5. In the context of the above paragraph, the 'residual' factor includes.

- a) Improvement in the quality of human capital
- b) Investment in human beings
- c) Improvement in technology
- d) All of the above

Ans – d)

1. What is Brain-Drain?

It refers to the migration of the skilled manpower to the developed countries of the world.

2. What is on the job training?

It is the form of training taking place in a normal working situation.

3. Start-ups and skill India programmes are complementary to each other. True/ False? Justify.

True because one programme promotes the other.

- Start Ups (New Business ventures) helps utilize the idle entrepreneurial abilities of the people. It thus promotes skill formation.
- Skill formation through education and training helps establishing the start-ups.

4. Skill formation facilitates conversion of economic growth into economic development.

True, because skill formation improves rate of participation or employment in the process of growth. Higher the rate of participation, faster is the conversion of growth into development.

5. Human capital formation increases the efficiency of physical capital. How?

This happens in 2 ways:

- Human capital formation leads to higher level of skills and expertise. Accordingly, labour force is better equipped to handle plant and machinery (physical capital). This raises the efficiency of physical capital by way of higher output per unit of input (physical capital).
- Human capital formation leads to innovations, implying new and more effective ways of doing things than before. Accordingly, efficiency/productivity increases.

6. Why do we observe regional differences in educational attainment in India?

Regional differences in educational attainment in India is due to:

1. inequality of income
2. expenditure by the government in education facilities

7. What are the different forms of health expenditure?

- a. Preventive medicine – medical practices which are designed to avoid or avert diseases
- b. Curative medicine – health care practices that are used to treat patients with the intent of curing them, not just reducing their pain
- c. Social medicine – medical practices concerned with the role of social factors in the occurrence, prevention and treatment of disease
- d. Provision of clean drinking water
- e. Good sanitation

8. Briefly describe the two reports that point out the fact that further human capital formation in India will move its economy to a higher growth trajectory.

Two independent reports on the Indian economy have identified that India would grow faster due to its strength in human capital formation.

- (i) According to a report – ‘Global Growth Centres’- published by Deutsche Bank, India will emerge as one among four major growth centres in the world by the year 2020. The report supports the view that increase in human capital is crucial to achieving increases in GDP and hence, it states that between 2005 and 2020 we expect a 40 per cent rise in the average years of education in India.

- (ii) World Bank’s report, ‘India and the Knowledge Economy Leveraging Strengths and

Opportunities', states that India should make a transition to the knowledge economy. According to the report, Indian economy has all the key ingredients required for making this transition such as, a critical mass of skilled workers, a well-functioning democracy and a diversified science and technology infrastructure. Moreover, it is expected that the per capita income of India will increase from approximately US \$ 1000 in 2002 to US \$ 3000 in 2020 if it uses its knowledge as much as Ireland does.