

CBSE 12 Economics (58/3/1) Question Paper with Solutions

Time Allowed :3 hours

Maximum Marks :100

Total questions :34

General Instructions

Read the following instructions very carefully and strictly follow them:

(i) This question paper contains 34 questions. All questions are compulsory.

(ii) This question paper contains two sections :

Section A : Macro Economics

Section B : Indian Economic Development

(iii) This question paper contains 20 Multiple Choice type questions. Each question carries 1 mark.

(iv) This question paper contains 4 Short Answer Type-I questions. Each question carries 3 marks. Answer these questions in 60 to 80 words.

(v) This question paper contains 6 Short Answer Type-II questions. Each question carries 4 marks. Answer these questions in 80 to 100 words.

(vi) This question paper contains 4 Long Answer type questions. Each question carries 6 marks. Answer these questions in 100 to 150 words.

(vii) Attempt all parts of a question together.

(viii) In addition to this, note that a separate question has been provided for Visually Impaired candidates in lieu of questions having visual inputs, map etc. Such questions are to be attempted by Visually Impaired candidates only.

(ix) There is no overall choice in the question paper. However, an internal choice has been provided in few questions. Only one of the choices in such questions has to be attempted.

SECTION A

(Macro Economics)

1. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below:

Assertion (A): Voluntarily unemployed people are those able-bodied people who are not willing to work at the prevailing wage rate.

Reason (R): There exists zero involuntary unemployment at full employment level of equilibrium.

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

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Correct Answer: (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

Solution:

Voluntary unemployment occurs when individuals choose not to work at the prevailing wage rate, even though they are capable of working. This could be due to personal preferences, job dissatisfaction, or expectations of higher wages.

Full employment equilibrium refers to a state where all willing and able workers are employed, and only voluntary unemployment exists. Involuntary unemployment is absent at this stage, meaning anyone who wants a job at the prevailing wage rate can find one.

Conclusion: While both statements are true, the Reason (R) does not directly explain Assertion (A), hence option (B) is correct.

Quick Tip

Voluntary unemployment is different from involuntary unemployment as it results from personal choice rather than lack of job opportunities.

2. Identify which of the following statements is incorrect with reference to an economy.

(A) Excess of Gross National Product (GNP) over Gross Domestic Product (GDP) is possible.

(B) Excess of Gross Domestic Product (GDP) over Gross National Product (GNP) is possible.

(C) Equality between Gross National Product (GNP) and Gross Domestic Product (GDP) is possible.

(D) Sum of Gross National Product (GNP) and Gross Domestic Product (GDP) is always equal to zero (0).

Correct Answer: (D) Sum of Gross National Product (GNP) and Gross Domestic Product (GDP) is always equal to zero (0).

Solution:

Gross National Product (GNP) and Gross Domestic Product (GDP) are related, but their sum cannot be zero.

Key Difference:

$$\text{GNP} = \text{GDP} + \text{Net Factor Income from Abroad (NFIA)}$$

- If NFIA is positive, GNP will be greater than GDP. - If NFIA is negative, GNP will be less than GDP. - If NFIA is zero, GNP will be equal to GDP.

Thus, option (D) is incorrect, as the sum of GDP and GNP is not necessarily zero but depends on NFIA.

Quick Tip

GDP measures income generated within a country, while GNP includes net income from abroad.

3. Inflationary gap in an economy may exist when — at full employment level.

(A) Actual Aggregate Demand > Potential Aggregate Demand

(B) Actual Aggregate Demand < Potential Aggregate Demand

(C) Actual Aggregate Demand < Potential Aggregate Demand

(D) Actual Aggregate Demand = Potential Aggregate Demand

Correct Answer: (A) Actual Aggregate Demand > Potential Aggregate Demand

Solution:

An inflationary gap arises when Aggregate Demand (AD) exceeds Aggregate Supply (AS) at full employment level. This results in demand-pull inflation, where excess demand drives prices upward.

Key Characteristics of Inflationary Gap:

1. Occurs when actual AD surpasses the productive capacity of an economy.
2. Leads to rising prices and inflation due to excess demand.
3. Creates pressure on wages and resources, pushing costs higher.

Conclusion: An inflationary gap is a sign of an overheating economy, requiring contractionary fiscal and monetary policies to control inflation. Thus, option (A) is correct.

Quick Tip

An inflationary gap occurs when Aggregate Demand exceeds Aggregate Supply, leading to inflationary pressures in the economy.

4. According to the Reserve Bank of India's (RBI's) Statistical Supplement released on 19th May, 2023:

“India's foreign exchange reserves grew for the third straight week and reached near an approximate level of \$600 billion.”

The above situation will — the — side of Balance of Payments account of India.

(Choose the correct alternative to fill in the blanks)

- (A) Increase, Credit
- (B) Decrease, Credit
- (C) Decrease, Debit
- (D) Increase, Debit

Correct Answer: (D) Increase, Debit

Solution:

Foreign exchange reserves increase when the Reserve Bank of India (RBI) purchases foreign currency, leading to an outflow of domestic currency. This transaction is recorded as a debit

entry in the Balance of Payments (BoP) under the financial account.

Conclusion: Since an increase in forex reserves is a debit transaction in the BoP, option (D) is correct.

Quick Tip

An increase in foreign exchange reserves is recorded on the debit side of the Balance of Payments as it represents an outflow of domestic currency.

5. Read the following statements carefully:

Statement 1: Reserve ratio and Credit creation process are inversely related.

Statement 2: Central Bank of an economy performs the vital function of controlling the credit creation process.

(Choose the correct alternative)

- (A) Statement 1 is true and Statement 2 is false.
- (B) Statement 1 is false and Statement 2 is true.
- (C) Both Statements 1 and 2 are true.
- (D) Both Statements 1 and 2 are false.

Correct Answer: (C) Both Statements 1 and 2 are true.

Solution:

1. Reserve Ratio and Credit Creation:

- A higher reserve ratio means banks have less money to lend, reducing credit creation.
- A lower reserve ratio allows banks to lend more, increasing credit creation. - Thus, they are inversely related.

2. Central Bank's Role in Credit Control:

- The Central Bank (RBI) controls credit creation by adjusting monetary policy tools like CRR (Cash Reserve Ratio), SLR (Statutory Liquidity Ratio), and repo rate.

Conclusion: Since both statements are true, option (C) is correct.

Quick Tip

A higher reserve ratio decreases credit creation, while a lower reserve ratio boosts lending.

6. In order to discourage any fall in Aggregate Demand, the Government of India may — the —.

(Choose the correct alternative to fill in the blanks)

- (A) Decrease, repo rate
- (B) Increase, reverse repo rate
- (C) Decrease, government expenditure
- (D) Decrease, tax rate

Correct Answer: (D) Decrease, tax rate

Solution:

To prevent a fall in Aggregate Demand, the government can implement expansionary fiscal policies, such as:

1. Decreasing tax rates:

- Lower taxes increase disposable income, encouraging higher consumption and investment, thereby increasing Aggregate Demand.

2. Increasing government spending:

- More public expenditure stimulates demand, creating jobs and boosting the economy.

Conclusion: Since reducing tax rates increases Aggregate Demand, option (D) is correct.

Quick Tip

Lower taxes increase disposable income, boosting Aggregate Demand and stimulating economic growth.

7. Choose the correct alternative to complete the given schedule:

Round	Deposits	Loans (90%)	Reserve Ratio (10%)
I	2000	1800	200
II	...(i)...	...(ii)...	180
...
...
Total	...(iii)...	...(iv)...	2000

Alternatives:

- (A) 2000, 1620, 20000, 18000
- (B) 1800, 180, 2000, 18000
- (C) 1620, 180, 2000, 18000
- (D) 1800, 1620, 20000, 18000

Correct Answer: (D) 1800, 1620, 20000, 18000

Solution:

This question relates to the credit creation process where:

1. Deposits in Round II = 1800 (from Loans of Round I)
2. Loans in Round II = 90% of Deposits in Round II = 1620
3. Total Deposits = Initial Deposit × Money Multiplier

- Money Multiplier = $\frac{1}{\text{Reserve Ratio}} = \frac{1}{0.10} = 10$

- Total Deposits = $2000 \times 10 = 20000$

- Total Loans = Total Deposits - Reserves = $20000 - 2000 = 18000$

Conclusion: Thus, the correct values are (i) 1800, (ii) 1620, (iii) 20000, (iv) 18000, making option (D) correct.

Quick Tip

The total money supply depends on the money multiplier effect, which expands deposits through the credit creation process.

8. Identify the correct pair of statements given in Column I with the related terms in Column II:

Column I	Column II
1. Remittances from abroad to the nation	(i) Accommodating Trans- action
2. Government's policy of decreasing the value of the nation's currency against foreign currencies	(ii) Devaluation
3. Difference between visible exports and visible imports of a nation	(iii) Balance of Payments
4. Government as sole authority of determining foreign exchange rates	(iv) Flexible Exchange Rate System

Correct Answer: (B) 2 → (ii)

Solution:

- Statement 2 correctly matches with "Devaluation" because devaluation refers to the government's deliberate reduction of the currency's value against foreign currencies under a fixed exchange rate system.
- The other options do not correctly match, making option (B) correct.

Quick Tip

Devaluation is a government policy to lower a currency's value to boost exports and reduce trade deficits.

9. Read the following statements carefully:

Statement 1: Constant rate of change of consumption (ΔC) with respect to change in income (ΔY), is the reason for the straight-line consumption curve.

Statement 2: Marginal rate of change between consumption and income is defined as Average Propensity to Consume (APC).

(Choose the correct alternative)

- (A) Statement 1 is true and Statement 2 is false.
- (B) Statement 1 is false and Statement 2 is true.
- (C) Both Statements 1 and 2 are true.
- (D) Both Statements 1 and 2 are false.

Correct Answer: (A) Statement 1 is true and Statement 2 is false.

Solution:

1. Statement 1 is true

- The straight-line consumption curve exists because the Marginal Propensity to Consume (MPC) remains constant, meaning $\Delta C/\Delta Y$ is unchanged.

2. Statement 2 is false

- The marginal rate of change between consumption and income is known as Marginal Propensity to Consume (MPC), not Average Propensity to Consume (APC).

- APC is calculated as C/Y , which measures the proportion of total income spent on consumption.

Conclusion: Since Statement 1 is correct but Statement 2 is incorrect, option (A) is correct.

Quick Tip

MPC measures the change in consumption due to a change in income, whereas APC measures total consumption as a percentage of total income.

10. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below:

Assertion (A): In case of an unfavourable Balance of Trade, the Current Account of the nation may be in surplus.

Reason (R): Net invisible receipts of a nation can exceed the Net visible receipts.

(Choose the correct alternative)

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

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

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

Solution:

1. Assertion (A) is true:

- A nation's Balance of Trade (BoT) may be negative if visible imports exceed visible exports.

- However, the Current Account can still be in surplus if net invisible receipts (services, remittances, and transfers) exceed net visible receipts.

2. Reason (R) is also true and explains Assertion (A):

- Invisible receipts include earnings from tourism, IT services, remittances, and financial transfers, which may offset the deficit in visible trade.

- If these invisible receipts are high enough, the Current Account may remain in surplus despite a trade deficit.

Conclusion: Since both the assertion and reason are correct, and the reason explains the assertion, option (A) is correct.

Quick Tip

A country can have a trade deficit but still maintain a Current Account surplus if it earns significantly from services and remittances.

11. (a) On the basis of the given data, estimate the value of National Income:

S.No.	Items	Amount (in Rs. crore)
(i)	Government Final Consumption Expenditure	110
(ii)	Private Final Consumption Expenditure	200
(iii)	Gross Domestic Fixed Capital Formation	30
(iv)	Net Exports	(-) 40
(v)	Increase in Stock	20
(vi)	Consumption of Fixed Capital	15
(vii)	Indirect Taxes	60
(viii)	Subsidies	15
(ix)	Net Factor Income from Abroad	(-) 40

Solution:

National Income (NNPFC) is calculated using the following formula:

$$NNPFC = GDPMP - Depreciation - NetIndirectTaxes + NetFactorIncomefromAbroad$$

Step 1: Calculate GDPMP

$$\begin{aligned}GDPMP &= \text{Pvt Final Consumption Exp} + \text{Govt Final Consump Exp} + \text{GDFCF} + \text{Addin Stock} + \text{Export} \\ &= 200 + 110 + 30 + 20 + (-40) = 320\end{aligned}$$

Step 2: Convert GDPMP to NNPFC

$$\begin{aligned}NNPFC &= GDPMP - \text{Depreciation} - (\text{Indirect Taxes} - \text{Subsidies}) + \text{Net Factor Income from Abroad} \\ &= 320 - 15 - (60 - 15) + (-40)\end{aligned}$$

$$= 320 - 15 - 45 - 40 = 220$$

Final Answer:

$$\text{NNPFC} = \text{Rs.220 crore}$$

Quick Tip

NNPFC is derived by adjusting GDPMP for depreciation, indirect taxes, subsidies, and net factor income from abroad.

OR

11. (b) State any three precautions to be taken while estimating National Income by Expenditure Method.

Solution:

While estimating National Income through the Expenditure Method, the following precautions must be taken:

1. Avoid Double Counting:

- Only final expenditure should be included, excluding intermediate goods and resale transactions.

2. Exclude Transfer Payments:

- Payments such as pensions, scholarships, and social security benefits should not be counted, as they are not part of actual production.

3. Include Imputed Values:

- The value of self-consumed goods, owner-occupied houses, and free public services should be estimated and included.

Conclusion: Proper precautions ensure accurate measurement of national income and prevent overestimation or underestimation.

Quick Tip

Only final goods, actual expenditures, and imputed values should be included while estimating national income.

12. Discuss any two factors which directly affect the demand for foreign exchange of a nation.

Solution:

The demand for foreign exchange in a nation is influenced by several economic factors. Two key factors are:

1. Imports of Goods and Services:

- When residents import foreign goods, they need to exchange domestic currency for foreign currency, increasing demand for foreign exchange.

2. Tourism and Foreign Travel:

- When individuals or businesses travel abroad, they require foreign currency for expenses, accommodation, and business activities, increasing demand for foreign exchange.

Conclusion: The demand for foreign exchange rises when international transactions require payments in foreign currency.

Quick Tip

Higher imports and increased foreign travel raise the demand for foreign exchange.

13. Elaborate the two components of Aggregate Supply in a two-sector economy.

Solution:

In a two-sector economy (comprising only households and firms), Aggregate Supply (AS) represents the total output produced in an economy. The two main components of Aggregate Supply (AS) are:

1. Consumption (C):

- Households spend a part of their income on consumption of goods and services.
- This is known as induced consumption, as it varies with the level of income.
- It is represented as:

$$C = C_0 + MPC \times Y$$

where C_0 is autonomous consumption, and MPC is the Marginal Propensity to Consume.

2. Saving (S):

- The part of income that is not consumed is saved for future needs.
- Saving is an essential component of aggregate supply as it provides funds for investment in the economy.
- It is represented as:

$$S = Y - C$$

Conclusion: In a two-sector economy, aggregate supply (AS) is equal to national income (Y) and consists of Consumption (C) and Savings (S):

$$AS = C + S$$

Quick Tip

In a two-sector economy, Aggregate Supply (AS) is the sum of Consumption (C) and Savings (S).

14. (a) Open market operations by the Reserve Bank of India (RBI) help in regulating money supply in the economy.

Justify the given statement with valid arguments.

Solution:

Open Market Operations (OMO) refer to the buying and selling of government securities (bonds, treasury bills, etc.) in the open market by the Reserve Bank of India (RBI) to regulate money supply and liquidity in the economy.

How Open Market Operations Help Regulate Money Supply:

1. When RBI Buys Government Securities (Expansionary Policy):

- RBI purchases securities from banks and the public.
- This injects money into the banking system, increasing liquidity and encouraging lending and investment.
- This is used to stimulate economic growth during a recession.

2. When RBI Sells Government Securities (Contractionary Policy):

- RBI sells government securities to banks and the public.
- This absorbs excess liquidity, reducing money supply and curbing inflationary pressures.

- This is used to control inflation in an overheated economy.

Conclusion: Open Market Operations (OMO) are an essential tool for controlling liquidity and stabilizing economic conditions in an economy.

Quick Tip

RBI buys securities to increase money supply and sells securities to reduce liquidity, helping in monetary regulation.

OR

14. (b) Explain the "Banker's Bank and Advisor" function of the Central Bank of a nation.

Solution:

The Central Bank, such as the Reserve Bank of India (RBI), plays a crucial role in managing the financial system and regulating monetary policies. Two of its key functions are:

1. Banker's Bank:

- The Central Bank regulates and supervises commercial banks.
- It provides liquidity support by acting as a lender of last resort.
- It ensures banks maintain the required Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).

2. Advisor to the Government:

- The Central Bank advises the government on monetary policies, economic growth strategies, and financial stability.
- It helps in managing public debt, foreign exchange reserves, and fiscal policies.
- It assists in formulating inflation control measures and interest rate policies.

Conclusion: The Central Bank ensures financial stability, supports the banking system, and provides critical policy advice to the government.

Quick Tip

The Central Bank regulates commercial banks and advises the government on economic policies.

15. (a) For a hypothetical economy, the government incurs an additional investment expenditure of Rs.5,000 crore. Assuming that the Marginal Propensity to Save (MPS) becomes half from its present level of 20 percent, estimate the change in income due to this fall in MPS.

Solution:

The change in income is determined using the investment multiplier formula:

$$\text{Multiplier}(K) = \frac{1}{\text{MPS}}$$

Step 1: Initial Multiplier Calculation Given: Initial MPS = 20% = 0.20

$$K_1 = \frac{1}{0.20} = 5$$

Step 2: New Multiplier Calculation (MPS Reduced by Half) New MPS = 10% = 0.10

$$K_2 = \frac{1}{0.10} = 10$$

Step 3: Change in Income Calculation Change in income (ΔY) due to additional investment:

$$\Delta Y_1 = K_1 \times \Delta I = 5 \times 5000 = 25000$$

$$\Delta Y_2 = K_2 \times \Delta I = 10 \times 5000 = 50000$$

Final Answer: The increase in income due to the reduction in MPS is:

$$\Delta Y = 50000 - 25000 = \text{Rs.}25,000 \text{ crore}$$

Quick Tip

A lower MPS leads to a higher investment multiplier, resulting in a greater increase in national income.

15. (b) State the meaning of autonomous investment.

Solution:

Autonomous investment refers to investment that is independent of changes in income levels. It is primarily influenced by government policies, technological advancements, infrastructure development, and strategic economic decisions.

Examples:

- Investment in public infrastructure (roads, railways, power plants).
- Research and development investments.
- Defense and space-related investments.

Conclusion: Autonomous investment remains constant regardless of economic fluctuations and plays a key role in long-term economic stability.

Quick Tip

Autonomous investment is independent of income changes and is often driven by government policies and infrastructure needs.

16. (a) (i) Explain the concept of circular flow of income in a two-sector economy.

Solution:

The circular flow of income in a two-sector economy refers to the continuous movement of goods, services, and money between households and firms.

Key Components:

1. Households: Own the factors of production (land, labor, capital, and entrepreneurship) and provide them to firms.
2. Firms: Use these factors to produce goods and services, generating income in the form of wages, rent, interest, and profit.

Flow of Income:

- Households receive factor payments from firms and use their income to purchase goods and services.
- Firms receive revenue from sales, which they use to pay for factor inputs.

Conclusion: In a two-sector economy, the income generated by production is fully

circulated between households and firms, ensuring a balanced economic system.

Quick Tip

In a two-sector model, households provide factors of production, and firms produce goods, creating a continuous income flow.

16. (a) (ii) “Gross Domestic Product (GDP) and sum of Gross Value Added (GVA) in an economy are always equal.”

Justify the given statement with valid arguments.

Solution:

Gross Domestic Product (GDP) measures the total monetary value of all final goods and services produced within a country during a given period.

Gross Value Added (GVA) refers to the value of output minus the value of intermediate consumption across all economic sectors.

Justification:

$$GDP = \sum GVA + \text{Net Indirect Taxes}$$

- If Net Indirect Taxes (Taxes - Subsidies) = 0, then GDP and sum of GVA are equal.
- GDP represents the total economy, while GVA measures the contribution of different sectors.

Conclusion: GDP and sum of GVA are equal only if Net Indirect Taxes are zero; otherwise, they differ by the tax component.

Quick Tip

GVA measures sectoral output, while GDP includes taxes and subsidies to reflect the economy's total market value.

OR

16.(b) (i) “Gross Domestic Product (GDP) Deflator is represented by the ratio of Real GDP and Nominal GDP.”

Do you agree with the given statement? Justify your answer with valid arguments and a

hypothetical numerical example.

Solution:

Yes, GDP deflator is used to measure the effect of price changes on GDP by comparing Real GDP and Nominal GDP.

Formula:

$$\text{GDP Deflator} = \left(\frac{\text{Nominal GDP}}{\text{Real GDP}} \right) \times 100$$

Example:

Year	Price (Rs.)	Output (Units)	Real GDP	Nominal GDP	GDP Deflator
2010	10	100	1,000	1,000	$\frac{1,000}{1,000} \times 100 = 100$
2015	15	100	1,000	1,500	$\frac{1,500}{1,000} \times 100 = 150$

Interpretation:

- In 2010, the GDP deflator is 100, meaning the base year price level.
- In 2015, the GDP deflator rises to 150, indicating a 50 percent increase in price level, despite no change in output.

Conclusion: The GDP deflator is a useful measure of inflation, showing how much of the GDP growth is due to price changes rather than real output growth.

Quick Tip

GDP Deflator helps distinguish between real economic growth and inflation by measuring changes in price levels.

16. (b) (ii) State the meaning of ‘Income from Property and Entrepreneurship’.

Solution:

- Income from Property: Earnings from ownership of assets such as rent from land, interest on capital, and royalties.
- Income from Entrepreneurship: Profits earned by business owners after paying all costs, including wages, rent, and interest.

Quick Tip

Income from property includes rent and interest, while income from entrepreneurship refers to business profits.

17. (a) On the basis of the given information, calculate the values of the following:

S.No.	Items	Amount (in Rs. crore)
(i)	Capital Expenditure	30
(ii)	Revenue Receipts	20
(iii)	Revenue Deficit	20
(iv)	Interest Payments	10
(v)	Non-Debt Creating Capital Receipts	50% of Revenue Receipts

Solution:

Step 1: Calculate Primary Deficit

$$\text{Primary Deficit} = \text{Fiscal Deficit} - \text{Interest Payments}$$

Step 2: Calculate Fiscal Deficit

$$\text{Fiscal Deficit} = \text{Total Expenditure} - (\text{Revenue Receipts} + \text{Non-Debt Capital Receipts})$$

Given Data: - Revenue Deficit = Rs. 20 crore - Interest Payments = Rs. 10 crore - Revenue Receipts = Rs. 20 crore - Non-Debt Capital Receipts = 50% of Rs. 20 crore = Rs. 10 crore - Capital Expenditure = Rs. 30 crore

Step 3: Compute Values - Fiscal Deficit = (Revenue Deficit + Capital Expenditure) - (Revenue Receipts + Non-Debt Capital Receipts)

$$= 20 + 30 - 10 = \text{Rs.}40 \text{ crore}$$

- Primary Deficit = Fiscal Deficit - Interest Payments

$$= 40 - 10 = \text{Rs.}30 \text{ crore}$$

Final Answers: - Fiscal Deficit: Rs. 40 crore - Primary Deficit: Rs. 30 crore

Quick Tip

Primary Deficit represents the Fiscal Deficit minus interest payments, indicating the borrowing need excluding past debt obligations.

17. (b) State any two examples of private goods.

Solution:

Private goods are rivalrous and excludable, meaning their consumption by one person reduces availability for others, and only paying consumers can access them.

Examples:

1. Automobiles: Cars, bikes, and other vehicles are privately owned and used by individuals.
2. Clothing: Apparel like shirts, shoes, and accessories are purchased for personal use and cannot be used simultaneously by others.

Quick Tip

Private goods are owned and consumed by individuals, unlike public goods, which are non-excludable and non-rivalrous.

17. (c) Distinguish between ‘Public Provision’ and ‘Public Production’.

Solution:

Public Provision: - Goods and services provided by the government but produced either by private firms or public enterprises. - Example: Government-funded education, health services, and subsidies.

Public Production: - Goods and services both provided and produced by the government using public resources. - Example: Public sector undertakings (PSUs) like Indian Railways and BSNL.

Key Differences:

Basis	Public Provision	Public Production
Production Entity	Private/Public firms	Government itself
Funding	Government-funded	Government-funded and produced
Examples	Free education, subsidies	Indian Railways, BSNL

Conclusion: Public Provision involves government funding for essential services, whereas Public Production involves direct government management and production.

Quick Tip

Public Provision involves government-funded services, while Public Production means direct government manufacturing.

SECTION B

(Indian Economic Development)

18. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below:

Assertion (A): The agricultural sector under British rule was primarily the base of the sectoral growth of India.

Reason (R): British rulers wanted to take maximum advantage of the Indian agricultural output for the growth of industries in England.

(Choose the correct alternative)

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
- (C) Assertion (A) is true, but Reason (R) is false.
- (D) Assertion (A) is false, but Reason (R) is true.

Correct Answer: (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

Solution:

1. Assertion (A) is true:

- During British rule, the agricultural sector dominated the Indian economy, providing employment to a majority of the population.

2. Reason (R) is also true:

- The British exploited Indian agriculture to procure raw materials (like cotton, jute, and indigo) for their industries in England.

3. Why Reason (R) is not the correct explanation for Assertion (A):

- While British policies did exploit Indian agriculture for their industries, this did not contribute to sectoral growth in India.
- Instead, it led to stagnation and commercialization of agriculture, harming Indian farmers.

Conclusion: Both Assertion (A) and Reason (R) are true, but Reason (R) does not fully explain Assertion (A), making option (B) correct.

Quick Tip

British rule led to the commercialization of Indian agriculture, benefiting England rather than promoting India's sectoral growth.

19. Identify which of the following alternatives are not true with reference to the Chinese economy.

Statement No.	Statement
(i)	In 1958, communes were established.
(ii)	In the foreign sector, Special Economic Zones (SEZs) were set up.
(iii)	Better health facilities reduced the mortality rate in China.

(Choose the incorrect alternatives)

- (A) (i) and (ii)
- (B) (ii) and (iii)
- (C) (i), (ii) and (iii)
- (D) (i) and (iii)

Correct Answer: One mark to be awarded to all candidates attempting the question.

Solution:

- Statement (i) is true: The Chinese government established communes in 1958 as part of the Great Leap Forward to promote collective farming.
- Statement (ii) is true: China introduced Special Economic Zones (SEZs) in 1980 to attract foreign investments.
- Statement (iii) is true: The introduction of better healthcare policies led to lower mortality rates in China.

Conclusion: Since all statements are true, awarding one mark to all candidates is justified.

Quick Tip

China's economic reforms included collectivization (1958) and SEZs (1980), contributing to rapid economic growth.

20. Which of the following is/are not an objective of regulated agricultural markets?

Statement No.	Objective
(i)	To discourage improvement of marketing infrastructure for farmers.
(ii)	To make marketing systems efficient for farmers to get the best price for their products.
(iii)	To discourage farmers from improving the quantity and quality of their produce.

(Choose the incorrect objectives)

- (A) (i) and (iii)
- (B) (ii) and (iii)
- (C) (i) only
- (D) (ii) only

Correct Answer: (A) (i) and (iii)

Solution:

The main objectives of a regulated agricultural market include:

1. Ensuring fair prices for farmers.
2. Preventing exploitation by middlemen.
3. Promoting infrastructure development like storage and transportation.

Incorrect objectives:

- (i) is incorrect: Agricultural marketing aims to improve infrastructure, not discourage it.
- (iii) is incorrect: The focus is on encouraging farmers to enhance production quality, not discouraging it.

Conclusion: Since statements (i) and (iii) are incorrect, option (A) is the right answer.

Quick Tip

Regulated markets aim to improve infrastructure and support farmers, not discourage production improvements.

21. Read the following statements carefully:

Statement 1: Land ceiling was one of the Government policies to promote equity in the agriculture sector.

Statement 2: Land reforms resulted in the abolition of the Zamindari system in the post-independence period.

(Choose the correct alternative)

- (A) Statement 1 is true and Statement 2 is false.
- (B) Statement 1 is false and Statement 2 is true.
- (C) Both Statements 1 and 2 are true.
- (D) Both Statements 1 and 2 are false.

Correct Answer: (C) Both Statements 1 and 2 are true.

Solution:

- Statement 1 is true: Land ceiling was introduced to limit the maximum land holdings by individuals to reduce inequality in land distribution.
- Statement 2 is true: Post-independence, Zamindari abolition was a major land reform policy that ended the feudal land ownership system.

Conclusion: Both statements are correct, making option (C) the correct answer.

Quick Tip

Land ceiling and Zamindari abolition were crucial land reforms to ensure equity in India's agriculture sector.

22. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative given below:

Assertion (A): Goods and Services Tax (GST) was implemented by the Government of India on 8th November, 2016.

Reason (R): GST was introduced to implement a unified indirect tax system in India. (Choose the correct alternative)

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A).
- (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion (A).
- (C) Assertion (A) is true, but Reason (R) is false.
- (D) Assertion (A) is false, but Reason (R) is true.

Correct Answer: (D) Assertion (A) is false, but Reason (R) is true.

Solution:

- Assertion (A) is false: GST was implemented on 1st July 2017, not 8th November 2016.
- Reason (R) is true: GST was introduced to replace multiple indirect taxes and create a unified tax system in India.

Conclusion: Since the date mentioned in Assertion (A) is incorrect but Reason (R) is valid, option (D) is the correct answer.

Quick Tip

GST was implemented on 1st July 2017 to unify India's indirect tax system.

23. Identify which of the following is not a member nation of G20.

- (A) Argentina

- (B) Australia
- (C) Brazil
- (D) Bangladesh

Correct Answer: (D) Bangladesh

Solution:

- The G20 (Group of Twenty) is an international forum of 19 countries and the European Union that discusses global economic policies.
- Argentina, Australia, and Brazil are members of the G20.
- Bangladesh is not a G20 member.

Conclusion: Since Bangladesh is not part of the G20, option (D) is correct.

Quick Tip

The G20 consists of 19 countries plus the EU, but Bangladesh is not a member.

24. Production of varied forms of crops against one specialized crop is called diversification of _____.

(Choose the correct alternative)

- (A) Sectoral occupation
- (B) Employment structure
- (C) Crops
- (D) Industrial production

Correct Answer: (C) Crops

Solution:

- Crop diversification refers to growing different types of crops instead of focusing on a single specialized crop.
- This reduces the risk of crop failure and increases soil fertility.

Conclusion: Since the question refers to agriculture, the correct answer is option (C) crops.

Quick Tip

Crop diversification helps farmers manage risks and improve sustainability.

25. Identify which of the following is not a Human Development Indicator (HDI).

- (A) Life Expectancy at Birth
- (B) Adult Literacy Rate
- (C) Maternal Mortality Rate
- (D) Unemployment

Correct Answer: (D) Unemployment

Solution:

- The Human Development Index (HDI) is a measure of life expectancy, education, and standard of living.
- Life Expectancy at Birth, Adult Literacy Rate, and Maternal Mortality Rate are indicators of health and education, which are part of HDI.
- Unemployment is not directly included in HDI, though it affects economic conditions.

Conclusion: Since unemployment is not a direct HDI measure, option (D) is correct.

Quick Tip

HDI includes life expectancy, education, and income, but not unemployment.

26. Read the following statements carefully:

Statement 1: Human development is based on the idea that education and health are integral to human well-being.

Statement 2: Human capital treats humans as a means to an end.

(Choose the correct alternative)

- (A) Statement 1 is true and Statement 2 is false.
- (B) Statement 1 is false and Statement 2 is true.
- (C) Both Statements 1 and 2 are true.
- (D) Both Statements 1 and 2 are false.

Correct Answer: (C) Both Statements 1 and 2 are true.

Solution:

- Statement 1 is true:
- Human development focuses on improving education and healthcare as they are fundamental to well-being and enhance quality of life.
- Statement 2 is true:
- Human capital views education and health as investments that increase productivity and economic output, treating individuals as resources for economic gains.

Conclusion: Both statements are correct, making option (C) the right choice.

Quick Tip

Human development prioritizes well-being, while human capital focuses on economic contributions of individuals.

27. On the basis of the data given below, identify the incorrect statement with reference to the annual growth of GDP (%):

Country	1980 - 90	2015 - 2017
India	5.7%	7.3%
China	10.3%	6.8%
Pakistan	6.3%	5.3%

(Choose the incorrect statement)

- (A) Pakistan and China experienced a fall in growth rate during 2015-17.
- (B) China achieved double-digit growth rate in 1980-1990.
- (C) GDP of India accelerated moderately in 2015-2017 period.
- (D) Pakistan was ahead of India during 1980-2017 in terms of GDP.

Correct Answer: (D) Pakistan was ahead of India during 1980-2017 in terms of GDP.

Solution:

- Statement (A) is correct:
- Both Pakistan (6.3% to 5.3%) and China (10.3% to 6.8%) experienced a decline in GDP growth rates from 1980-90 to 2015-17.
- Statement (B) is correct:

- China achieved double-digit GDP growth (10.3%) in 1980-90, making this statement accurate.
- Statement (C) is correct:
- India's GDP increased from 5.7% to 7.3%, indicating moderate acceleration in 2015-17.
- Statement (D) is incorrect:
- Pakistan's growth rate (6.3%) was higher than India's (5.7%) in 1980-90, but in 2015-17, India's GDP (7.3%) surpassed Pakistan's (5.3%), making this statement false.

Conclusion: Since Pakistan was not ahead of India for the entire period from 1980 to 2017, the correct answer is option (D).

Quick Tip

While Pakistan had a higher GDP growth rate than India in the 1980s, India surpassed Pakistan after economic reforms.

28. (a) "Trade and Investment Policy of India had undergone comprehensive changes in the post reforms period of 1991."

Do you agree with the given statement? Justify your answer with any two valid arguments.

Solution:

Yes, the Indian policy underwent significant changes after the 1991 economic reforms, which aimed at liberalization, privatization, and globalization (LPG reforms).

Two Key Arguments:

1. Liberalization of the Economy:

- The government removed industrial licensing, reduced import restrictions, and encouraged private sector participation.
- This promoted foreign investment, increased competition, and accelerated economic growth.

2. Privatization of Public Sector Enterprises (PSEs):

- The government disinvested in many PSUs and encouraged private sector efficiency.
- This reduced the burden on the government and improved productivity and competitiveness in industries.

Conclusion: The 1991 economic reforms marked a shift from a controlled economy to a market-driven economy, fostering growth, investment, and global integration.

Quick Tip

The 1991 reforms introduced LPG policies, opening India's economy to competition and private sector growth.

OR

28. (b) Discuss any two salient features of the Indian industrial sector during the period of 1950-1990.

Solution:

Between 1950 and 1990, India followed a planned industrial policy with a mixed economy model, giving importance to both public and private sectors.

Two Key Features:

1. Dominance of the Public Sector:

- The government played a leading role in industrial development, especially in heavy industries, infrastructure, and basic goods.
- Public sector enterprises (PSUs) like BHEL, SAIL, and ONGC were established to promote self-reliance.

2. Industrial Licensing Policy (License Raj):

- Industrial growth was regulated by the Industrial Policy Resolution (IPR) of 1956, which required businesses to obtain licenses before starting production.
- This controlled private sector expansion, limiting competition but ensuring government oversight in key industries.

Conclusion: The industrial sector (1950-1990) was heavily state-controlled, focusing on self-sufficiency, but was later reformed under the 1991 liberalization policies.

Quick Tip

Before 1991, India's industrial sector was government-dominated, focusing on self-reliance and planned growth.

29. In India, National Education Policy 2020 has stressed a lot on in-service training of teachers.

(i) Identify the source of Human Capital Formation (HCF) indicated in the aforesaid statement.

Correct Answer: The source of Human Capital Formation (HCF) indicated in the statement is expenditure on education and skill development.

(ii) Elaborate the likely impacts of this source on the economic development of India.

Solution:

1. Enhancement in Quality of Education:

- Training programs for teachers improve the quality of teaching, which enhances student learning outcomes and skill development.

2. Economic Growth and Productivity:

- Well-trained teachers produce a skilled workforce, leading to higher labor productivity and economic development.

Conclusion: Investment in teacher training is a crucial aspect of Human Capital Formation, which leads to long-term economic growth and skill enhancement.

Quick Tip

Expenditure on education improves human capital, leading to better economic outcomes and a skilled workforce.

30. From the given data, compare and analyze the sectoral contribution towards Gross Value Added (GVA).

Sector	Contribution to GVA (%)			Distribution of Workforce (%)		
	India	China	Pakistan	India	China	Pakistan
Agriculture	16	7	24	43	26	41
Industry	30	41	19	25	28	24
Services	54	52	57	32	46	35
Total	100	100	100	100	100	100

Solution:

1. Agriculture Sector:

- India and Pakistan have a high workforce dependency on agriculture (43% and 41% respectively) but contribute only 16% and 24% to GVA.
- China has low employment in agriculture (26%) but an even lower GVA contribution (7%), showing greater productivity in industry and services.

2. Industry Sector:

- China's industrial sector contributes 41% to GVA with 28% workforce participation, showing high industrial productivity.
- India's industrial sector contributes 30% GVA with 25% workforce, while Pakistan lags behind (19% GVA with 24% workforce).

3. Services Sector:

- The service sector is the highest contributor to GVA in all three nations:
 - India: 54%, China: 52%, and Pakistan: 57%.
 - China employs 46% in services, showing a strong transition from agriculture to services.
 - India's workforce in services (32%) is lower than its GVA share (54%), indicating potential for growth.

Conclusion:

- China leads in industrial productivity, while India and Pakistan still rely on agriculture for employment but have a low GVA contribution.
- India's service sector dominates its economy, but there is a need for more industrial growth to enhance employment.

Quick Tip

A high workforce share in agriculture with low GVA indicates low productivity. Industrial and service sectors drive economic growth.

31. (a) State and elaborate whether the following statements are true or false, with valid arguments:

(i) **Organic Farming has essentially become the need of the hour.**

Correct Answer: True

Solution:

- Organic farming is crucial due to increasing concerns over soil degradation, pesticide contamination, and environmental sustainability.
- It ensures healthy food production by avoiding harmful chemicals, promoting biodiversity, and reducing carbon footprint.
- Many countries, including India, promote organic farming to ensure sustainable agriculture and food security.

Conclusion: Given its environmental benefits and health advantages, organic farming is indeed the need of the hour.

(ii) **In the recent past, the Government of India has taken crucial steps, like Jan-Dhan Yojana, for efficient allocation of financial resources.**

Correct Answer: True

Solution:

- Jan-Dhan Yojana (PMJDY) was launched to increase financial inclusion by providing banking services to the unbanked population.
- It has helped mobilize savings, provide credit, and enhance financial literacy, leading to better allocation of financial resources.
- The scheme also facilitated Direct Benefit Transfers (DBT) and reduced leakages in government subsidies.

Conclusion: Jan-Dhan Yojana has played a significant role in ensuring efficient allocation of financial resources in India.

Quick Tip

Organic farming ensures sustainability, while Jan-Dhan Yojana improves financial inclusion and resource allocation.

OR

31. (b) (i) Define worker-population ratio and describe its usefulness.

Definition: The worker-population ratio (WPR) is the percentage of the working population in relation to the total population of a country.

$$\text{WPR} = \frac{\text{Total Workers}}{\text{Total Population}} \times 100$$

Usefulness:

- It helps in analyzing the employment scenario in a country.
- A high WPR indicates better labor force participation, while a low WPR may suggest unemployment or economic dependence.
- Policymakers use it to design employment generation programs and measure economic development.

(ii) Define Disguised Unemployment.**Definition:**

Disguised unemployment refers to a situation where more people are engaged in work than required, leading to zero marginal productivity.

Example:

- In agriculture, if a farm requires four workers but employs six, the extra two workers are disguisedly unemployed, meaning their removal wouldn't affect total output.

Implications:

- Reduces per capita productivity and economic efficiency.
- Hinders economic growth as excess labor is not utilized effectively.
- Common in developing economies, especially in rural and agricultural sectors.

Quick Tip

A high worker-population ratio indicates better labor participation, while disguised unemployment leads to low productivity.

32. Study the given image carefully:

Identify the situation depicted in the image and suggest the impact of the indicated situation on the Indian economy.



Solution:

Identification of the Situation:

- The image likely depicts situation of employment in the formal sector.

Possible Economic Impacts:

1. In the formal sector, workers can form trade unions and are entitled to fair wages and other social security measures. Whereas, workers in the informal sector do not get regular income.
2. Also, they do not have any protection or regulation from the government. Many a time, workers may be dismissed without any compensation.
3. Hence, formal sector employees are generally in a better position as compared to informal sector employees. Therefore, it is essential to generate employment in the formal sector rather than the informal sector.

Conclusion: The depicted situation in the image plays a critical role in shaping India's economic stability. Government interventions such as policy reforms, financial support, and sustainable development measures are necessary to mitigate the negative effects.

Quick Tip

Economic issues like inflation, unemployment, and environmental challenges impact growth. Policies must address these for long-term stability.

33. (a) (i) The real motive behind infrastructural development in India was to strengthen the British interests.

Do you agree with the given statement? Justify your answer with valid arguments.

Solution:

Yes, the primary objective of infrastructural development during British rule was to serve

colonial interests rather than promote Indian economic growth.

Justifications:

1. Railway Development for British Trade:

- Railways were developed to facilitate the transportation of raw materials (like cotton and jute) from Indian hinterlands to British industries.
- Finished goods from Britain were transported back for sale in Indian markets, further exploiting the Indian economy.

2. Infrastructural Focus on British Gains:

- Roads, ports, and telegraphs were developed to ease British administrative control and military movement, not to boost Indian industries.

3. Neglect of Indigenous Industrial Growth:

- Despite infrastructural improvements, no substantial efforts were made to develop indigenous industries in India.
- Indian businesses remained stagnant and dependent on British imports.

Conclusion: Thus, while infrastructure development benefited India in the long run, its primary objective under British rule was to enhance colonial exploitation rather than national development.

Quick Tip

British-era infrastructure helped trade and administration but neglected Indian industrial and economic growth.

(ii) **Navratna policy has facilitated the maintenance, promotion, and disinvestment of Public Sector Undertakings (PSUs).**

Justify the given statement with a valid explanation.

Solution:

The Navratna Policy was introduced by the Government of India to provide greater financial and operational autonomy to leading PSUs.

Justifications:

1. Increased Operational Freedom:

- The Navratna status allows PSUs greater decision-making power, helping them compete with private enterprises both domestically and globally.

2. Facilitating Disinvestment and Efficiency:

- The policy has encouraged disinvestment, allowing partial privatization, thereby reducing the financial burden on the government.

- It has helped PSUs become self-reliant and more competitive in the global market.

Conclusion: The Navratna policy has played a crucial role in strengthening India's public sector enterprises, allowing them greater autonomy while encouraging efficiency and privatization.

Quick Tip

Navratna PSUs have greater autonomy and flexibility, helping them compete globally and operate efficiently.

OR

33. (b) (i) Every coin has two sides – debate over farm subsidies is one such classic example.

Justify the given statement with two arguments each in favor of and against the continuation of farm subsidies.

Solution:

Farm subsidies have been a controversial policy measure, with both positive and negative impacts.

Arguments in favor of farm subsidies:

1. Support for Small and Marginal Farmers:

- Subsidies help small and marginal farmers afford essential inputs like fertilizers, seeds, and irrigation, ensuring food security.

2. Stabilization of Agricultural Prices:

- Government subsidies prevent price fluctuations and ensure fair returns for farmers, protecting them from market volatility.

Arguments against farm subsidies:

1. Burden on Government Finances:

- Farm subsidies consume a large portion of the national budget, reducing funds available for infrastructure and social welfare programs.

2. Misuse and Overuse of Resources:

- Subsidies sometimes lead to overuse of fertilizers and water resources, causing environmental degradation and soil depletion.

Conclusion: While farm subsidies support farmers, they also strain government resources and encourage inefficient agricultural practices. Hence, policy reforms are needed to ensure targeted and sustainable subsidy allocation.

Quick Tip

Farm subsidies protect farmers but must be balanced to avoid financial and environmental drawbacks.

(ii) State the importance of growth with equity in Indian economic planning.

Solution:

Growth with equity is an important objective of India's economic planning, ensuring economic expansion while reducing inequality.

Key Importance:

1. Balanced Economic Development:

- Ensures that the benefits of economic growth reach all sections of society, including rural and marginalized communities.

2. Reduction of Poverty and Unemployment:

- Focuses on inclusive growth, generating employment opportunities and improving living standards.

3. Social and Political Stability:

- Reducing economic disparities prevents social unrest, ensuring national stability and sustainable development.

Conclusion: Achieving growth with equity is essential to foster inclusive economic development, ensuring prosperity for all citizens rather than just a privileged few.

Quick Tip

Economic growth should ensure equal opportunities and benefits for all, reducing social and economic disparities.

34. Read the following text carefully :

In the contemporary world with a lot of sustainable development concerns, green growth, and net zero emissions are two important concepts which are generally discussed together. These two concepts are essential for the future of the Earth, as by working together on them we can create a more sustainable future for ourselves and for the generations to come.

Green growth refers to, “the economic growth that is achieved in a way that minimizes environmental impact”, whereas, “net zero emission is the state of achieving balance between anthropogenic emission of greenhouse gases and removal of such emissions from the atmosphere.”

There exists a robust connection between the two concepts:

- (1) Green growth can help to reduce greenhouse gas emissions, which is essential for achieving net zero emissions.
- (2) Green growth can help to create jobs and boost economic growth, which can help to make it more affordable for countries to invest in net zero emissions technology.

A nation can do a lot to promote these two factors together, like:

- (a) Investing in renewable energy sources which do not produce greenhouse gases.
- (b) Adopting energy efficient measures, such as insulation and other such appliances which can help to reduce energy consumption.
- (c) Altering transportation habits, like adopting walking, biking and using public transportation as they are lower-carbon ways to travel.

On the basis of the given text and common understanding, answer the following questions:

- (i) State the meaning of green growth and net zero emissions.

Solution:

- Green Growth: Refers to economic development that ensures environmental sustainability,

promoting clean energy, resource efficiency, and reducing pollution.

- Net Zero Emissions: A state where the amount of greenhouse gases emitted is equal to the amount removed, achieved through carbon reduction and offsetting measures.

Quick Tip

Green growth focuses on sustainable development, while net zero emissions aim to balance carbon output with removal efforts.

(ii) Discuss briefly the interconnection between green growth and net zero emissions.

Solution:

- Green growth focuses on reducing dependence on fossil fuels and adopting renewable energy sources.
- It promotes energy efficiency and sustainable industrial practices, helping achieve net zero emissions.
- Policies supporting green technology, carbon pricing, and afforestation contribute to both economic growth and climate action.

Quick Tip

Green growth is a strategy that leads to net zero emissions by promoting clean energy and sustainable development.

(iii) Illustrate any one factor to promote net zero emission.

Solution: - Renewable Energy Transition:

- Shifting from coal and oil to solar, wind, and hydropower reduces carbon emissions.
- Encouraging investment in green energy projects accelerates sustainability efforts.

Quick Tip

Switching to renewable energy sources is a key driver in achieving net zero emissions.