

CBSE Class XII Economics Set I Question Paper with Solutions

Time Allowed :3 Hours	Maximum Marks :80	Total Questions :34
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General Instructions

Read the following instructions carefully and follow them:

1. This question paper contains **34** questions. **All** questions are **compulsory**.
2. This question paper contains **two** sections:

Section A – Macro Economics

Section B – Indian Economic Development

3. This question paper contains **20** Multiple Choice type questions. Each question carries **1 mark**.
4. This question paper contains **4** Short Answer Type-I questions. Each question carries **3 marks**. Answer these questions in 60 to 80 words.
5. This question paper contains **6** Short Answer Type-II questions. Each question carries **4 marks**. Answer these questions in 80 to 100 words.
6. This question paper contains **4** Long Answer type questions. Each question carries **6 marks**. Answer these questions in 100 to 150 words.
7. Attempt **all** parts of a question together.
8. 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.
9. There is no overall choice in the question paper. However, an internal choice has been provided in a few questions. Only one of the choices in such questions has to be attempted.

SECTION A

Macro Economics

1. Read the following statements carefully:

Statement 1: A consumption function describes the relationship between consumption and savings.

Statement 2: Consumption function consists of two components—autonomous consumption and induced consumption.

In the light of the given statements, choose the correct alternative from the following:

- (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: (B) Statement 1 is false and Statement 2 is true.

Solution:

1. **Statement 1:** This is false because the consumption function describes the relationship between consumption and income, not savings.
2. **Statement 2:** This is true because the consumption function consists of two components:
 - (a) **Autonomous Consumption:** The minimum level of consumption that occurs even when income is zero.
 - (b) **Induced Consumption:** The component of consumption that varies with changes in income.

 Quick Tip

The consumption function shows the relationship between income and consumption, not savings.

2. Identify which of the following is not one of the merits of a fixed exchange rate system:

- (A) Ensures stability in exchange rate.
- (B) Possibility of under or overvaluation of foreign currency.
- (C) Prevents speculations in the foreign exchange market.
- (D) Coordination of macroeconomic policies becomes convenient.

Correct Answer: (B) Possibility of under or overvaluation of foreign currency.

Solution:

1. A fixed exchange rate system ensures **stability in exchange rates** (Option A) and prevents **speculations in the foreign exchange market** (Option C), making trade and investment more predictable.
2. It also makes **coordination of macroeconomic policies** easier (Option D).
3. However, **possibility of under or overvaluation of foreign currency** (Option B) is a disadvantage of the fixed exchange rate system, as the rate may not reflect the true value of the currency in the global market.

 Quick Tip

Fixed exchange rates provide stability but can lead to currency misvaluation due to lack of market adjustment.

3. Identify which of the following will appear on the debit side in the Capital Account of India's Balance of Payments:

- (A) An Indian sending remittances from England
- (B) Investing in assets abroad by Indians
- (C) An American company purchasing shares of an Indian company
- (D) Export of spices from India

Correct Answer: (B) Investing in assets abroad by Indians.

Solution:

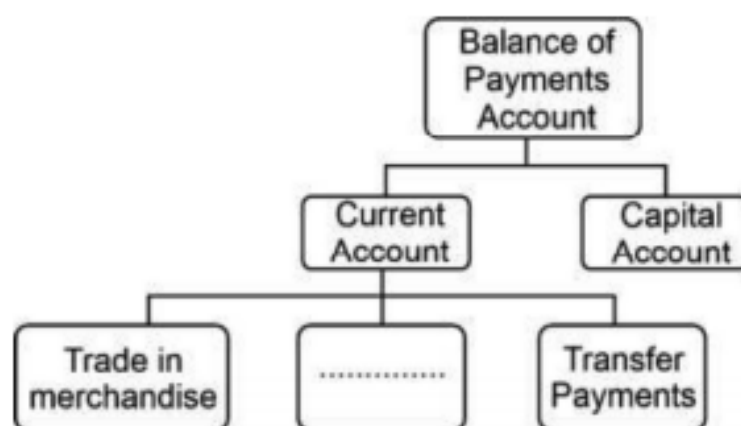
1. A debit entry in the Capital Account of the Balance of Payments (BoP) represents an outflow of funds.
2. **Option (B):** When Indians invest in assets abroad, there is an outflow of capital from India, which is recorded as a debit entry.
3. **Options (A), (C), and (D):** These relate to current account transactions or represent capital inflows, which are credit entries.

💡 Quick Tip

Capital account debit entries indicate outflows of funds, such as investments abroad or repayment of loans.

4. Study the following figure carefully and choose the correct alternative to fill in the blank:

Balance of Payments Account



Alternatives:

- (A) Investments
- (B) Trade of Services

(C) External Borrowings

(D) External Assistance

Correct Answer: (B) Trade of Services.

Solution:

1. The Balance of Payments (BoP) Current Account records trade in goods (merchandise), trade in services, and transfer payments.
2. **Option (B):** Trade of services is the correct term to complete the given flowchart.
3. **Options (A), (C), and (D):** Investments, external borrowings, and external assistance belong to the Capital Account, not the Current Account.

 Quick Tip

Remember, the Current Account of BoP includes trade in goods, trade in services, and unilateral transfers.

5. Read the following statements carefully:

Statement 1: Economic territory and political frontier of a nation are one and the same thing.

Statement 2: American Embassy in India is a part of the economic territory of India.

In the light of the given statements, choose the correct alternative from the following:

- (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: (D) Both statements 1 and 2 are false.

Solution:

1. **Statement 1:** This is false because the economic territory of a country includes not only its political frontier but also excludes foreign diplomatic zones within its borders.
2. **Statement 2:** This is false because the American Embassy in India is considered part of the economic territory of the United States, not India.

 Quick Tip

Economic territory includes domestic borders and diplomatic zones abroad, while foreign embassies within a nation belong to the parent country.

6. Read the following statements carefully:

Statement 1: Money is a commodity which is generally accepted as a medium of exchange.

Statement 2: Money solved the problem of double coincidence of wants.

In the light of the given statements, choose the correct alternative from the following:

- (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:** Money is universally accepted as a medium of exchange, which makes it a key feature in economic transactions.
- Statement 2:** Money overcomes the limitation of barter systems, including the problem of double coincidence of wants, by allowing indirect exchanges.

 Quick Tip

Money eliminates the need for double coincidence of wants by acting as a universal medium of exchange in economic systems.

7. Suppose in an imaginary economy, autonomous consumption = 500 crore and marginal propensity to consume = 0.8. The saving function for the economy would be -----.

(Choose the correct alternative to fill in the blank):

- (A) $500 + 0.8Y$
- (B) $-500 + 0.8Y$
- (C) $500 + 0.2Y$
- (D) $-500 + 0.2Y$

Correct Answer: (D) $-500 + 0.2Y$

Solution:

- The consumption function is given as:

$$C = 500 + 0.8Y$$

- The saving function (S) is derived as:

$$S = Y - C$$

Substituting C into the equation:

$$S = Y - (500 + 0.8Y) = -500 + 0.2Y$$

 Quick Tip

To calculate the saving function, subtract the consumption function (C) from total income (Y).

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

Assertion (A): The maximum value of Marginal Propensity to Save (MPS) can be unity.

Reason (R): At the break-even level of income, savings are zero.

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:

1. **Assertion (A):** This is true because the maximum value of MPS can be unity when all additional income is saved and none is consumed.
2. **Reason (R):** This is true because, at the break-even level of income, all income is consumed, leaving savings at zero.
3. **Conclusion:** Although both statements are correct, the reason does not explain the assertion.

 Quick Tip

Remember, MPS can reach unity when all income is saved, but at break-even income, savings are zero due to full consumption.

9. Identify the *incorrect* statement with reference to Cash Reserve Ratio (CRR):

- (A) It is a certain percentage of demand and time deposit liabilities that every bank must keep as cash reserves with the Central Bank.
- (B) It is fixed by the Central Bank.
- (C) It is not binding on the commercial banks.
- (D) It is a tool used by the Central Bank to control the credit creation in the economy.

Correct Answer: (C) It is not binding on the commercial banks.

Solution:

1. Cash Reserve Ratio (CRR) is the percentage of a commercial bank's demand and time liabilities that must be kept as reserves with the Central Bank. This ensures liquidity and control over money supply.

2. **Option (C):** This is incorrect because CRR is mandatory and binding on all commercial banks as per the regulations of the Central Bank.
3. **Options (A), (B), and (D):** These are correct as they accurately describe CRR and its role in monetary policy and credit control.

 Quick Tip

CRR is a mandatory tool used by the Central Bank to regulate liquidity and credit in the economy. It is binding on all commercial banks.

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

Assertion (A): The equilibrium level of income is determined when ex-ante spending and ex-ante output are equal.

Reason (R): The equilibrium level of income may or may not be the same as the full employment level of output.

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:

1. **Assertion (A):** This is true because the equilibrium level of income is achieved when planned (ex-ante) spending equals planned (ex-ante) output, ensuring no unintended inventory changes.
2. **Reason (R):** This is also true because the equilibrium level of income is not necessarily the same as the full employment output. It can occur below or above the full employment level depending on the level of aggregate demand.
3. **Conclusion:** Although both statements are correct, the reason does not fully explain the assertion in terms of equilibrium determination.

 Quick Tip

Equilibrium income is determined by the equality of ex-ante spending and output, which may not coincide with full employment due to demand fluctuations.

11(a). “Accommodating transactions are undertaken to maintain stability in the Balance of Payments Account.”

Justify the given statement with valid explanation.

Solution:

1. Accommodating transactions in the Balance of Payments (BoP) refer to the transactions that are carried out to bridge the gap between the deficit in the current account and the surplus in the capital account or vice versa.
2. These transactions are not market-driven but are undertaken by the government or central bank to ensure BoP stability.
3. Example: Borrowing from international institutions like the IMF to address a BoP deficit.

💡 Quick Tip

Accommodating transactions ensure equilibrium in the BoP by addressing imbalances in the current and capital accounts.

OR**11(b). “Depreciation of currency may promote exports of a nation.”****Defend or refute the given statement with valid arguments.****Solution:**

1. Depreciation of a currency reduces the price of exports in foreign currency terms, making them more competitive in the global market.
2. This increases the demand for exports, boosting a nation's trade balance.
3. However, it may also increase the cost of imports, leading to inflationary pressures within the domestic economy.
4. Example: If the Indian rupee depreciates against the US dollar, Indian goods become cheaper for US buyers, increasing export demand.

💡 Quick Tip

Currency depreciation can benefit exports but may lead to higher import costs and inflation.

12. On the basis of the data given below, estimate the value of Gross National Product at Factor Cost (GNP_{FC}):

S.No.	Items	Amount (in crore)
(i)	Wages and Salaries	2,000
(ii)	Rent and Interest	700
(iii)	Corporate Tax	500
(iv)	Undistributed Profit	300
(v)	Consumption of Fixed Capital	200
(vi)	Dividend	150
(vii)	Net Factor Income from Abroad	-50

Solution:

1. The formula for GNP_{FC} is:

$$GNP_{FC} = Wages \& Salaries + Rent \& Interest + Corporate Tax + Undistributed Profit + Dividend + N$$

2. Substituting the values:

$$GNP_{FC} = 2000 + 700 + 500 + 300 + 150 - 50 = 3,800 \text{ crore.}$$

 Quick Tip

For GNP_{FC} , include all factor incomes (domestic and net abroad) and avoid adding non-factor items like depreciation.

13. For a hypothetical economy, assume the government increased an infrastructural investment by 10,000 crore. 80% of additional income is consumed in the economy. Estimate the increase in income and the corresponding increase in consumption expenditure in the economy.

Solution:

1. The formula for the multiplier is:

$$\text{Multiplier} = \frac{1}{1 - MPC}$$

Given $MPC = 0.8$:

$$\text{Multiplier} = \frac{1}{1 - 0.8} = 5$$

2. Total increase in income:

$$\Delta Y = \text{Multiplier} \times \text{Investment} = 5 \times 10,000 = 50,000 \text{ crore.}$$

3. Increase in consumption expenditure:

$$\Delta C = MPC \times \Delta Y = 0.8 \times 50,000 = 40,000 \text{ crore.}$$

 Quick Tip

To calculate income changes, use the multiplier formula. Consumption changes are derived using $MPC \times \Delta Y$.

14(a). “If actual demand for final goods falls short of the actual output of final goods corresponding to full employment level, it may lead to an unintended accumulation of inventories.”

Do you agree with the given statement? Give valid reasons in support of your answer.

Solution:

1. When actual demand is less than output at the full employment level, unsold goods accumulate as inventories for firms.
2. This unintended inventory accumulation signals to producers that supply exceeds demand, leading to reduced production in subsequent periods.

3. This reduction in production decreases income and employment, moving the economy below its full employment level.

💡 Quick Tip

Inventory buildup occurs when actual demand falls short of production, leading to reduced production and economic contraction.

OR

14(b). Complete the following table. Construct the consumption function at 200 crore level of income.

Income (Y) (in ₹ crore)	Savings (S) (in ₹ crore)	Average Propensity to Consume (APC)	Marginal Propensity
0	-50	—	—
100	0	1	0.5
200	50	$\frac{3}{4}$	0.5
300	100	$\frac{2}{3}$	0.5

Solution:

1. **Consumption Function:** $C = Y - S$

- At $Y = 0$: $C = -50$ (Autonomous Consumption).
- Marginal Propensity to Consume (MPC) = $1 - MPS = 1 - 0.5 = 0.5$.

2. **Values:**

- At $Y = 100$: $S = 0$, so $C = 100 - 0 = 100$. $APC = \frac{C}{Y} = 1$.
- At $Y = 200$: $S = 50$, so $C = 200 - 50 = 150$. $APC = \frac{C}{Y} = \frac{150}{200} = 0.75$.
- At $Y = 300$: $S = 100$, so $C = 300 - 100 = 200$. $APC = \frac{C}{Y} = \frac{200}{300} = 0.67$.

💡 Quick Tip

Use $C = Y - S$ to calculate consumption and derive APC and MPS using their respective formulas: $APC = \frac{C}{Y}$, $MPS = \frac{\Delta S}{\Delta Y}$.

15. Reserve Bank of India undertakes the important function of managing the government's banking transactions.

Discuss the above-stated function performed by the Reserve Bank of India.

Solution:

1. **Government's Banker:**

- RBI manages accounts of the central and state governments.
- It facilitates the receipt and payment of government funds.

2. **Public Debt Management:**

- RBI manages the borrowing program of the government through the issuance of government bonds and treasury bills.

3. Monetary Policy Implementation:

- The RBI ensures liquidity and credit control to support government policies.

💡 Quick Tip

The Reserve Bank acts as the government's banker by handling funds, managing debt, and implementing monetary policies.

16(a)(i). Distinguish between direct tax and indirect tax with the help of suitable examples.

Solution:

Direct Tax	Indirect Tax
Imposed directly on income or wealth of individuals and entities.	Imposed on goods and services; paid indirectly by consumers.
Example: Income Tax, Wealth Tax.	Example: GST, Excise Duty.
Collected directly by the government from taxpayers.	Collected by intermediaries (like sellers) and paid to the government.

💡 Quick Tip

Direct taxes are income-based, while indirect taxes are consumption-based. Examples: Income Tax (direct) and GST (indirect).

16(a)(ii). Explain the 'redistribution of income' objective of the Government Budget.

Solution:

1. The government budget aims to reduce income inequalities by redistributing wealth from the rich to the poor.
2. This is achieved through progressive taxation policies, where higher income groups are taxed more and lower-income groups receive subsidies and welfare programs.
3. Public expenditure on education, healthcare, and social welfare helps to provide equal opportunities and improve living standards for the underprivileged.

💡 Quick Tip

The government budget helps in reducing income inequality by taxing the rich and providing subsidies and welfare schemes for the poor.

OR

16(b)(i). Calculate Revenue Deficit and Fiscal Deficit based on the given data.

S.No.	Items	Amount (in Crore)
(i)	Tax Receipts	1,200
(ii)	Revenue Expenditure	3,700
(iii)	Non-Tax Receipts	2,000
(iv)	Recovery of Loans	145
(v)	Capital Expenditure	500
(vi)	Disinvestment	120
(vii)	Interest Payments	1,070

Solution:

1. Revenue Deficit:

$$\begin{aligned} & \text{Revenue Expenditure} - (\text{Tax Receipts} + \text{Non-Tax Receipts}) \\ &= 3,700 - (1,200 + 2,000) = 500 \text{ crore} \end{aligned}$$

2. Fiscal Deficit:

$$\begin{aligned} & (\text{Revenue Expenditure} + \text{Capital Expenditure}) - (\text{Tax Receipts} + \text{Non-Tax Receipts} + \text{Recovery of Loans}) \\ &= (3,700 + 500) - (1,200 + 2,000 + 145 + 120) = 735 \text{ crore} \end{aligned}$$

💡 Quick Tip

Revenue Deficit indicates a shortfall in revenue receipts compared to revenue expenditure, while Fiscal Deficit shows the overall borrowing needs of the government.

16(b)(ii). Differentiate between public provision and public production.

Solution:

Public Provision	Public Production
Government funds services, but production may be done by private entities.	Government directly produces goods and services.
Example: Subsidized education in private schools.	Example: Government hospitals providing healthcare.
Focuses on funding and ensuring availability.	Focuses on direct involvement in production activities.

💡 Quick Tip

Public provision involves funding, while public production involves direct government management of services.

17. Read the following text carefully:

Decisions taken by factors of production in the production process often may affect the stakeholders indirectly. Such impacts at times are huge but are not accounted for, while estimating national income. Economists call them as externalities and they can be positive or negative.

In this regard, many economists suggest carbon pricing as an important tool to ensure ecological balance.

Carbon pricing tries to control greenhouse gas emissions by either placing a fee on emitting or offering subsidies on lesser emission. Through instruments like carbon tax, green cess, eco tax, etc. economists suggest moving towards greener technology eliminating such negative externalities.

(i) Define externalities.

Solution:

1. Externalities refer to the unintended side effects of economic activities on third parties that are not directly involved in the production or consumption of goods or services.
2. These can be positive (benefits) or negative (costs) and are not accounted for in market transactions.
3. Example:
 - Positive: Planting trees improves air quality.
 - Negative: Factory pollution harms nearby residents.

💡 Quick Tip

Externalities are non-market impacts of economic activities on society, often requiring government intervention.

17(ii). Differentiate between positive and negative externalities.

Solution:

Positive Externalities	Negative Externalities
Benefits third parties without direct involvement.	Imposes costs on third parties without compensation.
Leads to under-consumption in a free market.	Leads to over-production or over-consumption in a free market.
Example: Education, Vaccination.	Example: Pollution, Traffic Congestion.

💡 Quick Tip

Positive externalities create benefits for society, while negative externalities impose costs; governments use subsidies and taxes to address them.

17(iii). Elaborate how and why carbon pricing should be promoted.

Solution:

1. **Encouraging Emission Reduction:** Carbon pricing discourages excessive emissions by making polluters pay for their carbon output.
2. **Economic Efficiency:** It provides economic incentives for firms to adopt cleaner technologies and energy-efficient processes.

3. **Revenue Generation:** Governments can use the revenue generated from carbon pricing to fund climate mitigation efforts and sustainable development.
4. **Global Climate Goals:** Carbon pricing aligns with international climate agreements and helps achieve emission reduction targets.

 Quick Tip

Carbon pricing encourages companies to reduce emissions by assigning a monetary cost to pollution, promoting environmental sustainability.

SECTION B

Indian Economic Development

18. During the British rule, India's foreign trade had various features except _____.
(Choose the correct alternative to fill in the blank):

- (A) Restrictive policies of commodity production, trade, and tariff
- (B) British monopoly over India's exports and imports
- (C) Free trade from India to the rest of the world
- (D) Large export surplus

Correct Answer: (C) Free trade from India to the rest of the world.

Solution:

1. During British rule, India's foreign trade was characterized by restrictive policies, with the British monopolizing exports and imports.
2. There was no free trade as British policies aimed at serving their own industrial interests.
3. India's export surplus was achieved at the cost of domestic welfare, as the proceeds were often used to meet British administrative and war expenses.

 Quick Tip

Under British rule, India's trade was restrictive, controlled by the British, and not free for global markets.

19. China was able to control its rapid population growth rate owing to _____.
(Choose the correct alternative to fill in the blank):

- (A) Economic reforms
- (B) One-Child Policy
- (C) Great Proletarian Cultural Revolution
- (D) Special Economic Zones

Correct Answer: (B) One-Child Policy

Solution:

1. The One-Child Policy was introduced in China in 1979 to address its rapid population growth.
2. It restricted most families to having only one child, reducing population growth significantly over decades.
3. Though effective in controlling population, it resulted in challenges like an aging population and gender imbalance.

 Quick Tip

China's One-Child Policy was a population control measure introduced in 1979, effective but with long-term demographic consequences.

20. Modernization is an important economic planning objective that focuses on -----.

(Choose the correct alternative to fill in the blank):

- (i) Adoption of innovative technology
- (ii) Equal distribution of income and wealth
- (iii) Bringing positive changes in the social outlook

Alternatives:

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

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

Solution:

1. Modernization involves:
 - **Adoption of innovative technology:** Enhances productivity and global competitiveness.
 - **Positive social outlook:** Encourages progressive attitudes and cultural development.
2. Modernization ensures economic and social progress by focusing on technological and social development.

 Quick Tip

Modernization encompasses technological advancement and social change for holistic development.

21. The present-day rapid industrial growth in China can be traced back to the economic reforms introduced in 1978, where -----.

(Choose the correct alternative to fill in the blank):

- (i) Initially reforms were initiated in agriculture, foreign trade, and investment sectors
- (ii) The policy of dual pricing was adopted
- (iii) The Government revoked the policy of Special Economic Zones

Alternatives:

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

Correct Answer: (C) (i) and (ii)

Solution:

1. In 1978, China introduced significant economic reforms:
 - Reforms began in agriculture, foreign trade, and investment, paving the way for rapid industrialization.
 - Dual pricing policy allowed state-set and market-driven prices to coexist, encouraging private sector participation.
2. The policy of Special Economic Zones (SEZs) was not revoked but introduced later to promote exports and attract foreign investments.

💡 Quick Tip

China's 1978 reforms focused on agriculture, foreign trade, and dual pricing, laying the foundation for industrial growth.

22. ----- farming is a system that is helpful in restoring, maintaining, and enhancing the ecological balance.

(Choose the correct alternative to fill in the blank):

- (A) Conventional
- (B) Organic
- (C) Chemical
- (D) Multi-layered

Correct Answer: (B) Organic

Solution:

1. Organic farming is an agricultural practice that avoids the use of synthetic fertilizers and pesticides.
2. It focuses on using natural inputs, crop rotation, and biological pest control to restore soil fertility and maintain ecological balance.
3. It reduces pollution and promotes biodiversity, making it sustainable for the environment.

 Quick Tip

Organic farming enhances soil fertility, reduces pollution, and supports sustainable agriculture.

23. Read the following statements carefully:

Statement 1: India, Pakistan, and China have similar physical endowments, but totally different political systems.

Statement 2: Both India and Pakistan laid great emphasis on creating a large private sector.

In the light of the given statements, choose the correct alternative from the following:

- (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 correct because India, Pakistan, and China share similar geographical features, such as river systems and fertile plains, but their political systems differ significantly.
2. Statement 2 is incorrect because India focused on creating a mixed economy with significant public sector involvement, while Pakistan also emphasized state-led initiatives initially, rather than focusing on a large private sector.

 Quick Tip

Analyze economic and political policies of countries carefully to identify differences in their development strategies.

24. Identify the sources of Human Capital Formation and choose the correct alternative to fill in the blanks:



Alternatives:

- (A) Expenditure on Health and Expenditure on Schools
- (B) Expenditure on Technology and Expenditure on Knowledge
- (C) Expenditure on Migration and Expenditure on Knowledge
- (D) Expenditure on Health and Expenditure on Migration

Correct Answer: (D) Expenditure on Health and Expenditure on Migration

Solution:

1. Human Capital Formation refers to the development of skills, knowledge, and health in individuals to improve productivity.
2. Key sources include:
 - **Expenditure on Health:** Ensures a healthy workforce capable of contributing effectively to the economy.
 - **Expenditure on Migration:** Helps in reallocating skilled labor to areas with better opportunities, optimizing productivity.

💡 Quick Tip

Human Capital Formation includes investments in health, education, training, and migration to enhance productivity and economic growth.

25. From the type of workers given in Column I, identify the correct nature of work in Column II:

Column I	Column II
1. Cement shop owner	(i) Regular salaried
2. Construction worker	(ii) Casual wage workers
3. Civil engineer	(iii) Self-employed

Alternatives:

- (A) 1-(i); 2-(ii); 3-(iii)

- (B) 1-(ii); 2-(i); 3-(iii)
(C) 1-(iii); 2-(ii); 3-(i)
(D) 1-(ii); 2-(iii); 3-(i)

Correct Answer: (C) 1-(iii); 2-(ii); 3-(i)

Solution:

1. **Cement shop owner:** Falls under self-employed as the individual owns and manages the business independently.
2. **Construction worker:** Classified as a casual wage worker as they work temporarily for wages on various projects.
3. **Civil engineer:** Regular salaried professional employed in companies or institutions.

💡 Quick Tip

Employment classifications include self-employed (own business), casual wage workers (temporary work), and regular salaried (permanent job roles).

26. After the implementation of economic reforms, Pakistan experienced slowdown of growth due to various reasons including -----.

(Choose the correct alternative to fill in the blank):

- (i) Over-dependence on remittances from abroad
(ii) Political instability
(iii) Volatile performance of the agriculture sector

Alternatives:

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

Correct Answer: (C) (i), (ii), and (iii)

Solution:

1. **Volatile agriculture sector:** Pakistan's agriculture faced significant fluctuations, affecting economic growth.
2. **Over-dependence on remittances:** Heavy reliance on income from abroad limited domestic economic development.
3. **Political instability:** Created an uncertain business environment, discouraging investments and growth.

💡 Quick Tip

Economic reforms may fail to boost growth in the presence of unstable agriculture, over-reliance on remittances, and political instability.

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

Assertion (A): In the recent past, Indian economy has been facing the problem of jobless growth.

Reason (R): Jobless growth refers to a situation where an economy is able to produce more goods and services without generating additional employment.

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:

1. **Assertion (A):** Jobless growth has been a concern in India, where GDP grows without a corresponding increase in employment.
2. **Reason (R):** Jobless growth occurs when advancements in technology and productivity allow more output without employing additional labor.
3. **Conclusion:** Both Assertion (A) and Reason (R) are true, but the Reason does not directly explain the Assertion.

💡 Quick Tip

Jobless growth highlights the need for labor-intensive sectors to generate employment alongside GDP growth.

28(a). “Self-Help Groups provide stimulus to socio-economic development in rural areas.”

Justify the given statement with a valid explanation.

Solution:

1. **Empowerment:** Self-Help Groups (SHGs) empower rural women and marginalized sections by providing access to credit and promoting entrepreneurial activities.
2. **Employment Generation:** SHGs enable small-scale businesses and agricultural activities, reducing unemployment in rural areas.

3. **Social Development:** They foster community development, skill-building, and financial literacy, improving overall socio-economic conditions.

💡 Quick Tip

Self-Help Groups empower rural communities through credit access, entrepreneurship, and skill development.

OR

28(b). “The Government of India has taken various measures to align the agricultural marketing system with the growing production activities in rural areas.”

Do you agree with the given statement? Give any two valid reasons in support of your answer.

Solution:

1. **Improved Infrastructure:** Establishment of warehouses, cold storage, and better transportation facilities reduces post-harvest losses and improves market access.
2. **E-NAM Platform:** Introduction of the National Agriculture Market (e-NAM) facilitates digital trading and competitive pricing, empowering farmers with better market linkage.

💡 Quick Tip

Government initiatives like e-NAM and infrastructure development have strengthened rural agricultural marketing systems.

29. Interpret the given picture and explain any one strategy to control it from becoming an ecological disaster.



Figure 1: Industrial Pollution and Ecological Disaster

Solution:

1. The picture depicts industrial pollution, including air and water contamination, contributing to environmental degradation.
2. **Strategy to Control:**

- Implement strict pollution control regulations for industries.
- Promote the use of clean and renewable energy sources to reduce carbon emissions.
- Establish waste management systems for industrial discharge.

 Quick Tip

Controlling industrial pollution requires clean energy, stricter regulations, and sustainable waste management.

Note: The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 29.

State any two strategies to achieve the objective of sustainable development.

Solution:

1. **Promote Renewable Energy:** Shift to solar, wind, and other renewable sources to reduce dependency on fossil fuels.
2. **Conservation Practices:** Adopt soil and water conservation methods to ensure the sustainable use of natural resources.

 Quick Tip

Sustainable development involves renewable energy adoption and conservation of natural resources for long-term environmental health.

30(a). Discuss any two factors that lead to stagnating Indian agriculture sector during British rule.

Solution:

1. **Land Revenue Systems:** The introduction of exploitative land revenue systems such as the Zamindari system led to excessive taxation and neglect of agricultural development.
2. **Commercialization of Agriculture:** Focus on cash crops for British industries reduced food grain production, leading to frequent famines and stagnation in agricultural productivity.

 Quick Tip

Stagnation in Indian agriculture under British rule was caused by exploitative land policies and commercialization of crops.

OR

30(b). Discuss any two liberalization measures pertaining to the tax reforms, introduced by the government, during the economic reform process of 1991.

Solution:

1. **Reduction in Tax Rates:** The government reduced corporate and personal income tax rates to encourage compliance and boost investment.
2. **Simplification of Tax Procedures:** Introduction of reforms like VAT and later GST streamlined indirect taxes, reducing cascading effects and promoting transparency.

💡 Quick Tip

The 1991 reforms simplified tax structures and reduced rates to enhance compliance and boost economic growth.

31. “There exists a positive correlation between human capital formation and economic growth of a nation.” Justify the given statement with valid explanation.

Solution:

1. **Higher Productivity:** Investment in education, health, and skill development enhances the productivity of the workforce, contributing to economic growth.
2. **Innovation and Technological Advancement:** Human capital formation fosters innovation and efficient use of resources, leading to industrial and economic development.
3. **Case Example:** Countries like South Korea and Japan invested heavily in human capital post-World War II, achieving remarkable economic progress.

💡 Quick Tip

Human capital formation drives productivity, innovation, and economic development by enhancing the workforce's skills and health.

32. On the basis of the data given below, discuss the shift in output and employment sector-wise, in India and China:

Sector Distribution of Workforce (%)	Contribution to GVA (%)				
	India	China	Pakistan	India	China
Pakistan					
Agriculture 41	16	7	24	43	26
Industry 22	30	41	19	25	28
Services 35	54	52	57	32	46

Solution:

1. **India:** Agriculture contributes 16% to GVA but employs 43% of the workforce, indicating disguised unemployment. The services sector dominates GVA (54%) with only 32% of the workforce.
2. **China:** A higher share of GVA comes from the industrial sector (41%), with a balanced workforce distribution in services and industry sectors.
3. **Key Observation:** India lags in industrialization compared to China, with a higher dependency on agriculture despite lower GVA contribution.

💡 Quick Tip

India's workforce is concentrated in agriculture despite low productivity, while China shows better industrial contribution to GVA.

33(a)(i). “Amita is a regular worker in a private firm that employs twelve hired workers.” Is she working in the formal/informal sector? Give valid reasons in support of your answer.

Solution:

1. Amita is working in the **formal sector** because:
 - The firm employs more than 10 workers, qualifying as a formal establishment.
 - Formal sector workers receive social security benefits and work under legal provisions.

💡 Quick Tip

Firms with more than 10 employees are classified under the formal sector, providing workers with regulated benefits.

(ii). State any two sources of data on unemployment in India.

Solution:

1. **Periodic Labour Force Survey (PLFS):** Provides comprehensive data on employment and unemployment trends.
2. **Census of India:** Collects detailed demographic data, including economic activity and unemployment statistics.

💡 Quick Tip

PLFS and Census of India are primary data sources for analyzing unemployment in India.

(iii). Elaborate the need to promote women's education in India.

Solution:

1. **Economic Growth:** Educating women enhances workforce participation and productivity.
2. **Social Development:** Women's education improves healthcare, child welfare, and community progress.

💡 Quick Tip

Women's education boosts economic growth, healthcare, and social equality, fostering holistic development.

OR

33(b)(i). “The participation rate of people in economic activities in rural areas is more than that in urban areas.” Justify the given statement.

Solution:

1. Rural areas have higher participation in primary activities like agriculture due to lack of alternative employment opportunities.
2. Urban areas rely more on mechanization, requiring fewer workers for economic activities.

 Quick Tip

Rural areas have higher participation in primary activities, while urban areas focus on mechanized secondary and tertiary activities.

(ii). Define disguised unemployment. State its implications on output and employment in a country.

Solution:

1. **Definition:** Disguised unemployment refers to a situation where more people are employed than necessary, resulting in zero marginal productivity.
2. **Implications:**
 - Reduced efficiency in labor utilization.
 - Lowers potential GDP by keeping excess workers in low-productive sectors like agriculture.

 Quick Tip

Disguised unemployment indicates inefficient labor utilization, reducing overall productivity and GDP.

34. Read the following text carefully:

India's industrial policy since independence has been shaped broadly in terms of the Industrial Policy Resolution of 1948. It emphasized on the sole responsibility of the government in the matter of promoting, assisting, and regulating the development of industries in the national interest. It envisaged an active and dominant role of public sector.

The next Industrial Policy Resolution was placed before the Parliament by the Prime Minister on 30th April, 1956. It suggested that, “There is a need for adoption of the socialist pattern of economy as the national objective, along with the need for planned and rapid development. It required that all industries of basic and strategic importance, or in public utility services, should be in the public sector.

Other industries which are essential and require investment on a massive scale (which only the State could provide) have also to be in the public sector. Thus, the State has to assume direct responsibility for the future development of industries.”

This Resolution classifies industries into three categories:

- The first category given in Schedule A, consists of industries the future development of which will be the exclusive responsibility of the State.
- In the second category given in Schedule B, are industries which will be progressively State-owned. However, in them, private enterprise will also be expected to participate.
- The third category comprises all the remaining industries, the further development of which will be left to the initiative and enterprise of the private sector.

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

(i) The Government of India, in the initial years of economic development, emphasized on a greater role of the public sector in the industrial development.” Justify the statement, giving reasons in support of your answer.

Solution:

1. In the initial years post-independence, India’s focus was on building a socialist pattern of economy to address socio-economic inequalities and achieve self-reliance.
2. The Industrial Policy Resolutions of 1948 and 1956 emphasized the role of the public sector in controlling basic and strategic industries, ensuring equitable distribution of resources and wealth.
3. This approach aimed at reducing the dominance of private monopolies and promoting rapid industrialization under state supervision.

💡 Quick Tip

India’s early industrial policies emphasized the public sector to promote equity, self-reliance, and controlled industrial growth.

(ii) Outline and discuss the classification of industries into various categories as per Industrial Policy Resolution, 1956.

Solution:

1. Schedule A:

- Includes industries of strategic and national importance, such as defense, atomic energy, and railways.
- These industries were to be exclusively owned and operated by the State.

2. Schedule B:

- Includes industries that were to be progressively state-owned, with private sector participation allowed under government regulations.
- Example: Chemical industries, machine tools.

3. Schedule C:

- Includes all other industries not covered under Schedules A and B.
- Their development was left to private enterprises, though the government provided guidance and support.

 Quick Tip

The Industrial Policy Resolution, 1956, classified industries into three categories based on state control, progressive ownership, and private sector involvement.
