

CBSE Class 12 2025 Economics Question Paper (58/1/2) With Solutions

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

General Instructions :

Read the following instructions very carefully and strictly 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 few questions. Only one of the choices in such questions has to be attempted.

SECTION A
(Macro Economics)

1. From the set of terms given in Column-I and Column-II, choose the correct pair:

Column-I

- (a) Non-tax Revenue
- (b) Indirect Tax
- (c) Capital Expenditure
- (d) Private goods

Column-II

- (i) Goods and Services Tax
- (ii) Free-rider
- (iii) Borrowings
- (iv) Rivalrous in nature

- (A) (a) – (i)
- (B) (b) – (ii)
- (C) (c) – (iii)
- (D) (d) – (iv)

Correct Answer: (D) (d) – (iv)

Solution:

Let's examine each pair from Column-I and Column-II:

- **(a) Non-tax Revenue – (i) Goods and Services Tax:** Non-tax revenue refers to revenue generated by the government from sources other than taxes, such as fees, fines, or earnings from state-owned enterprises. Goods and Services Tax (GST) is an indirect tax, and therefore this pairing is incorrect.
- **(b) Indirect Tax – (ii) Free-rider:** Indirect taxes are taxes levied on goods and services, not on individuals. The free-rider concept refers to individuals or entities that benefit from a good or service without paying for it, typically associated with public goods, not taxes. Hence, this pair is also incorrect.
- **(c) Capital Expenditure – (iii) Borrowings:** Capital expenditure refers to long-term investments made by the government or businesses, such as infrastructure. Borrowings are a way of financing expenditures, but not necessarily related directly to capital expenditure. This pairing is not the best fit.
- **(d) Private goods – (iv) Rivalrous in nature:** Private goods are characterized by being **rivalrous** and **excludable**, meaning that their consumption by one person reduces availability for others. This is the correct definition of private goods, making this the correct pair.

Thus, the correct pair is (d) – (iv).

Final Answer: (D) (d) – (iv)

 Quick Tip

Private goods are **rivalrous and excludable**, unlike public goods which are non-rivalrous and non-excludable.

2. If a country exports goods worth of 600 crores and imports goods worth of 450 crores, the value of Balance of Trade of the country would be _____ of _____ crores. (Choose the correct option)

- (A) deficit, 150
- (B) surplus, 150
- (C) deficit, 1,050
- (D) surplus, 1,050

Correct Answer: (B) surplus, 150

Solution:

The Balance of Trade is calculated using the formula:

$$\text{Balance of Trade} = \text{Exports} - \text{Imports}$$

Substituting the values from the problem:

$$\text{Balance of Trade} = 600 \text{ crores} - 450 \text{ crores} = 150 \text{ crores}$$

Since exports exceed imports, this results in a ****trade surplus**** of 150 crores.

Final Answer: (B) surplus, 150

💡 Quick Tip

Balance of Trade = Exports – Imports. If exports $\geq$ imports, it's a **surplus**; else, it's a **deficit**.

3. In the context of the Commercial Banks, which of the following statements are correct? (Choose the correct option)

- (I) Deposits received are liabilities for Commercial Banks.
 - (II) They are creators of credit in the economy.
 - (III) They accept deposits from the general public.
 - (IV) They accept deposits on behalf of the Reserve Bank of India.
- (A) (I), (II) and (III)
 - (B) (II) and (III)
 - (C) (I) and (II)
 - (D) (I) and (IV)

Correct Answer: (A) (I), (II) and (III)

Solution:

Let's break down the four statements about commercial banks:

- **(I) Deposits received are liabilities for Commercial Banks:**

When individuals or businesses deposit money in commercial banks, the bank owes this money to the depositors. Since the bank is obligated to return the deposited amount to the account holders on demand or as per the terms, these deposits are considered liabilities for the commercial bank. Hence, this statement is correct.

- **(II) They are creators of credit in the economy:**

Commercial banks are indeed creators of credit. By accepting deposits and lending out a portion of these deposits, they create additional money in the economy. This process is often referred to as the credit creation process. When banks lend money, they increase the money supply, which is critical for economic growth. Hence, this statement is also correct.

- **(III) They accept deposits from the general public:**

One of the primary functions of commercial banks is to accept deposits from individuals, businesses, and institutions. These deposits could be in the form of savings accounts, current accounts, or fixed deposits. This function makes it easy for individuals to store their money securely. Hence, this statement is correct as well.

- **(IV) They accept deposits on behalf of the Reserve Bank of India:**

Commercial banks do not accept deposits on behalf of the Reserve Bank of India (RBI). The RBI is the central bank of the country, and while commercial banks operate under the regulatory framework set by the RBI, they do not act as agents for RBI in accepting deposits from the public. Therefore, this statement is incorrect.

Based on the above explanations, the correct set of statements is (I), (II), and (III).

Final Answer: (A) (I), (II) and (III)

 Quick Tip

Commercial Banks play a key role in **credit creation** by accepting deposits and lending them to individuals and businesses.

4. Suppose, the value of Average Propensity to Consume (APC) is 0.8 and National Income is 4,000 crores, the value of saving would be _____ crores. (Choose the correct option to fill up the blank)

- (A) 100
- (B) 200
- (C) 500
- (D) 800

Correct Answer: (C) 500

Solution:

Let us first recall the formula for the Average Propensity to Consume (APC) and its relationship with saving:

$$APC = \frac{C}{Y}$$

Where: C = Consumption

Y = National Income

We are given that the APC is 0.8 and the National Income is 4,000 crores. From this information, we can calculate the consumption level C :

$$C = APC \times Y = 0.8 \times 4,000 = 3,200 \text{ crores}$$

Now, savings (S) is the difference between National Income (Y) and Consumption (C):

$$S = Y - C = 4,000 - 3,200 = 800 \text{ crores}$$

Therefore, the correct value of savings is 800 crores, which corresponds to option (D).

Final Answer: (D) 800

 Quick Tip

The relationship between saving and consumption can be expressed as: **Savings = National Income – Consumption.**

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

Assertion (A): Public goods are those goods that are collectively consumed by the public.

Reason (R): Public goods are excludable and rivalrous in nature.

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

Solution:

Assertion (A) is correct because public goods are **non-excludable and non-rivalrous** and are consumed collectively by the public.

Reason (R) is false because it incorrectly describes public goods as **excludable and rivalrous**, which are actually features of private goods.

 Quick Tip

Public goods are **non-excludable and non-rivalrous**, while private goods are the opposite.

6. Suppose, the saving curve of an economy makes an intercept at a negative value of 50 crores. In the economy, 20% of an increase in income is saved.

In the light of above context, identify the value of investment multiplier (K).

(Choose the correct option)

(A) 2

(B) 5

(C) 10

(D) ∞ (infinite)

Correct Answer: (B) 5

Solution:

Marginal Propensity to Save (MPS) = 0.2

Multiplier (K) = $\frac{1}{MPS} = \frac{1}{0.2} = 5$

 Quick Tip

Investment Multiplier $K = \frac{1}{MPS}$, where MPS is the marginal propensity to save.

7. “Irfaan (a student) borrows 80,000 to finance his college fee. He plans to begin repaying the loan six months after his graduation, making payments over a span of ten years.”

Based on the above text, identify the indicated function of money. (Choose the correct option)

- (A) Medium of Exchange
- (B) Unit of Account
- (C) Standard of Deferred Payments
- (D) Store of Value

Correct Answer: (C) Standard of Deferred Payments

Solution:

Money acts as a standard of deferred payment when payments are scheduled to be made in the future. In this case, Irfaan’s loan repayment over ten years exemplifies this function of money.

 Quick Tip

When payments are scheduled in the future, money functions as a **standard of deferred payment**.

8. Read the following statements carefully:

Statement-1: Managed floating exchange rate system is an amalgamation of fixed and flexible exchange rate system.

Statement-2: Managed floating exchange rate system is also known as ‘hybrid system’.

In the light of the given statements, choose the correct option 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:

A managed floating exchange rate is indeed a combination of fixed and flexible exchange rates, and is also known as a hybrid system, where the central bank intervenes when necessary.

 Quick Tip

A **managed float** or **hybrid system** combines features of both fixed and flexible exchange rate systems.

9. From the items given in Column-I and Column-II, choose the correct pair:

Column-I

Column-II

- | | |
|----------------------------------|--|
| (a) Income from Property | (i) Old age pension |
| (b) Income from Entrepreneurship | (ii) Profit |
| (c) Mixed Income | (iii) Rent free accommodation from an employer |
| (d) Compensation of Employees | (iv) Interest from capital |
- (A) (a) – (i)
(B) (b) – (ii)
(C) (c) – (iii)
(D) (d) – (iv)

Correct Answer: (C) (c) – (iii)

Solution:

Mixed income includes elements like rent-free accommodation provided by an employer. It combines returns to labor, capital, and entrepreneurship typically in the case of self-employed individuals.

 Quick Tip

Mixed Income arises when all factors of production are used by self-employed individuals, and often includes items like rent-free benefits.

10. In the context of Current Account transactions of Balance of Payment, identify the incorrect statement from the following: (Choose the correct option)

- (A) Export of goods and services are recorded as credit items.
(B) Import of goods and services are recorded as debit items.
(C) All transfer payments are recorded as debit items.
(D) All transfer receipts are recorded as debit items.

Correct Answer: (D) All transfer receipts are recorded as debit items.

Solution:

In the Current Account of the Balance of Payment (BOP), exports are recorded as **credit items** because they bring foreign exchange into the country. Imports are recorded as **debit items** as they involve foreign exchange outflow. Transfer payments like remittances or

donations sent abroad are also **debit items**. However, **transfer receipts** (such as remittances from abroad) bring in foreign exchange and are recorded as **credit items**. Therefore, option (D) is the incorrect statement.

 Quick Tip

Receipts (exports, inward remittances) are **credit** items, while **payments** (imports, outward transfers) are **debit** items in BOP accounting.

11. "The Government had launched Incredible India Campaign to promote tourism in various parts of the country."

Elaborate the impact of Incredible India Campaign on foreign exchange reserves and Balance of Payment of India.

Solution:

The **Incredible India Campaign** encourages foreign tourists to visit India, thereby increasing **foreign exchange earnings**. This improves the **current account of the Balance of Payment (BOP)** by increasing the inflow of foreign currency through tourism services (an invisible item in BOP). It positively affects foreign exchange reserves, strengthening the rupee and enhancing India's international financial position.

 Quick Tip

More tourism = more foreign exchange inflow via services export, improving BOP.

12. Student to attempt either option (a) or (b):

(a) "Saksham owns a manufacturing facility where microchips are utilized in the production of electronic devices, including computers and smartphones."

From the above text, identify whether the given statement refers to an intermediate goods or final goods. Give valid reason in support of your answer.

OR

(b) Calculate the value of Net Value Added at Factor Cost (NVA_{FC}):

S. No.	Particulars	Amount (In crore)
(i)	Operating Surplus	3,740
(ii)	Increase in unsold stock	600
(iii)	Sales	10,625
(iv)	Purchase of raw materials	2,625
(v)	Consumption of fixed capital	500
(vi)	Subsidies	400
(vii)	Indirect taxes	1,200

Solution:

(a) The statement refers to **intermediate goods** because the microchips mentioned are used in further production (computers and smartphones) and are not meant for final consumption. Intermediate goods are those goods which are used as inputs in the production of other goods and services.

(b) To calculate NVA_{FC} , we use the formula:

$$NVA_{FC} = \text{Sales} + \text{Change in stock} - \text{Raw materials} - \text{Depreciation} + \text{Subsidies} - \text{Indirect taxes}$$

Substituting the values:

$$= 10,625 + 600 - 2,625 - 500 + 400 - 1,200 = 7,300 \text{ crore}$$

Answer: 7,300 crore

💡 Quick Tip

Intermediate goods are used in further production, while **final goods** are consumed directly.

$$NVA_{FC} = \text{Sales} + \text{Change in stock} - \text{Intermediate consumption} - \text{Depreciation} + \text{Subsidies} - \text{Indirect taxes}$$

13. “A significant proportion of subsidies on fertilizer was a key component of the fiscal statement of the Central Government for year 2023–24.”

Identify the nature of government expenditure and its objective.

Solution:

The given statement refers to **subsidies on fertilizers**, which are financial support extended by the government to reduce the price of fertilizers for farmers. These subsidies help in promoting agricultural productivity and supporting the farming community.

Such an expenditure falls under the category of **Revenue Expenditure** in government accounts. This is because it does not create any physical or financial asset for the government and is recurring in nature. Fertilizer subsidies are not associated with the creation of capital assets, but are instead aimed at immediate welfare and economic support.

The primary objective of this government expenditure is **social welfare and equitable growth**. By providing fertilizer subsidies, the government aims to:

- Support farmers, especially marginal and small ones, by lowering input costs.
- Ensure food security by promoting agricultural output.
- Maintain affordable food prices in the economy.
- Promote balanced use of fertilizers for sustainable farming practices.

Additionally, such expenditures reflect the government’s commitment to inclusive growth and ensuring that the benefits of economic development reach vulnerable sections of society. It is a **non-developmental but welfare-oriented expenditure**, ensuring that agriculture remains viable and productive in a developing country like India.

 Quick Tip

Subsidies like those on fertilizers are **revenue expenditures** that aim at **supporting farmers and ensuring food security** through lower input costs.

14. (a) In an economy; $C = 200 + 0.75Y$ (where C is consumption expenditure and Y is National Income). Investment expenditure is 4,000 crore. Calculate the following:

(i) Equilibrium level of income.

(ii) Total consumption expenditure at equilibrium income level.

Solution:

Given: Consumption function: $C = 200 + 0.75Y$ Investment (I) = 4,000 crore

Step 1: Find Equilibrium Income At equilibrium,

$$Y = C + I = (200 + 0.75Y) + 4000$$

$$Y = 200 + 0.75Y + 4000 = 4200 + 0.75Y$$

$$Y - 0.75Y = 4200 \Rightarrow 0.25Y = 4200$$

$$\Rightarrow Y = \frac{4200}{0.25} = 16,800 \text{ crore}$$

Step 2: Total Consumption at Equilibrium Income

$$C = 200 + 0.75 \times 16800 = 200 + 12600 = 12,800 \text{ crore}$$

Therefore, equilibrium income = 16,800 crore and total consumption = 12,800 crore.

 Quick Tip

Use the condition $Y = C + I$ to find equilibrium income in two-sector models. Plug the equilibrium income back into the consumption function to find total consumption.

OR

(b) Explain the adjustment mechanism in case ex-ante savings are greater than ex-ante investments.

Solution:

When ex-ante savings exceed ex-ante investments, there is an unintended accumulation of inventories in the economy. This indicates that aggregate demand is lower than aggregate supply.

Firms respond by reducing output and employment, leading to a fall in income. As income falls, both consumption and saving also fall. This process continues until savings equal investment again, and equilibrium is restored in the economy.

Thus, the economy automatically adjusts through changes in income until ex-ante savings equal ex-ante investments.

 Quick Tip

Remember, in Keynesian economics, income acts as the adjusting variable to bring savings and investment into equilibrium.

15. Suppose in an economy, primary deposits are 500, if the Reserve Ratio is 25%. Estimate the total deposits created and the total lending by the banking system.

Solution:

Formula:

$$\text{Credit Multiplier (CM)} = \frac{1}{\text{CRR}} = \frac{1}{0.25} = 4$$

Total Deposits Created:

$$= \text{Primary Deposits} \times \text{CM} = 500 \times 4 = 2,000$$

Total Lending:

$$= \text{Total Deposits Created} - \text{Primary Deposits} = 2,000 - 500 = 1,500$$

Therefore, total deposits = 2,000 crore and total lending = 1,500 crore.

 Quick Tip

Use Credit Multiplier = $1 / \text{CRR}$ for estimating total credit creation in the economy.

16. Read the following text carefully: Union Food and Consumer Affairs Minister said that the Central Government has taken many proactive steps in the past few years to control retail prices of food items. He said that the government aims to keep inflation under control without compromising the country's economic growth. Retail inflation inched up to a three-month high of 5.55% in November 2023 driven by higher food prices. Inflation has been declining since August 2023, when it touched 6.83%. 140 new price monitoring centres had been set up by the Central Government to keep a close watch on wholesale and retail prices of essential commodities. The Government has banned the export of many food items like wheat, broken rice, non-basmati white rice, onions etc. It has also reduced import duties on edible oils and pulses to boost domestic supply and control price rise. On the basis of the given text and common understanding, answer the following questions:

16.(a) Mention the number of new price monitoring centres set up by government.

Solution:

The government has set up **140 new price monitoring centres** to keep a close watch on wholesale and retail prices of essential commodities.

 Quick Tip

Key factual data such as figures or statistics mentioned in the passage should be used directly in the answer.

16.(b) State any two proactive measures taken by government to boost domestic supply and reduction in prices.

Solution:

Two proactive measures taken by the government to boost domestic supply and reduce prices are: 1. **Banning the export** of food items like wheat, broken rice, non-basmati white rice, and onions. 2. **Reducing import duties** on edible oils and pulses to increase their availability in the domestic market.

 Quick Tip

Policy measures like export bans and duty reductions are supply-side interventions used to stabilize prices.

16.(c) Explain any one monetary measure used to control inflation.

Solution:

One monetary measure used to control inflation is **increasing the repo rate**. When the Reserve Bank of India (RBI) raises the repo rate, it becomes costlier for commercial banks to borrow money. This leads to reduced money supply in the economy, thereby decreasing demand and helping control inflation.

 Quick Tip

Monetary policy tools like repo rate and CRR are used by RBI to regulate inflation and liquidity.

17.(a)(i) Explain any two precautions to be adopted while estimating National Income by Expenditure method.

Solution:

Two precautions while using the expenditure method are:

1. **Avoiding transfer payments:** Expenditures like scholarships, pensions, or donations should not be included as they are not payments for goods and services.

2. **Excluding expenditure on second-hand goods:** These do not represent current production and hence must be excluded to avoid double counting.

💡 Quick Tip

Always include only final expenditures on currently produced goods and services in the expenditure method.

17.(a)(ii) “Higher Gross Domestic Product (GDP) always means higher per capita availability of goods in the economy.” Defend or refute the given statement as the index of welfare of the people of that country.

Solution:

The statement is only partially true. While higher GDP may indicate a higher availability of goods and services, it does not always reflect increased welfare due to the following reasons:

- **Income inequality:** GDP may rise, but the benefits might be concentrated in a few hands.
- **Non-monetary aspects:** Welfare also includes health, education, and environmental quality, which GDP does not account for.
- **Population growth:** If population increases faster than GDP, per capita availability may fall.

Therefore, GDP alone cannot be a complete indicator of welfare.

💡 Quick Tip

Welfare depends on both quantitative and qualitative aspects of economic growth.

OR

17.(b)(i) Distinguish between Stock and Flow variables, using suitable examples.

Solution:

Stock Variable: It is measured at a particular point of time. **Example:** Capital, wealth, and population.

Flow Variable: It is measured over a period of time. **Example:** Income, savings, and investment.

Thus, stock is static and flow is dynamic in nature.

💡 Quick Tip

Stock is “as on” a date, while flow is “during” a time period.

17.(b)(ii) Explain the components of 'Profit' as per Income Method of estimating National Income (NNP_{FC}).

Solution:

The components of 'Profit' under the Income Method include:

1. **Corporate Tax:** Tax paid by companies on their profits.
2. **Dividends:** Part of profits distributed to shareholders.
3. **Undistributed Profits:** Retained earnings kept by firms for future use.

Together, these form the total profit component of factor income.

 Quick Tip

In the income method, only factor incomes like wages, rent, interest, and profit are included.

SECTION B
Indian Economic Development

18. India is NOT a member of which of the following regional/global economic grouping? (Choose the correct option)

- (A) BRICS
- (B) SAARC
- (C) G-20
- (D) G-7

Correct Answer: (D) G-7

Solution:

India is a member of BRICS (Brazil, Russia, India, China, South Africa), SAARC (South Asian Association for Regional Cooperation), and G-20 (Group of 20 major economies). However, it is **not a member of G-7**, which comprises Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

 Quick Tip

India is not part of G-7, a group of seven advanced economies.

19. Read the following statements carefully: Assertion (A) and Reason (R).

Choose the correct option from those given below:

Assertion (A): Human capital formation increases the rate of participation of population to economic activities and leads to economic growth.

Reason (R): Rate of participation of people refers to the percentage of people engaged in production process of a country.

(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:

Human capital formation equips individuals with education and skills that enhance their productivity and participation in economic activities. This leads to faster economic growth. The Reason correctly explains that the participation rate measures how much of the population is involved in productive work, making it a valid and correct explanation for the assertion.

 Quick Tip

Human capital boosts productivity and participation in the economy, which promotes economic growth.

20. From the following terms given in Column-I, match the correct pair of meaning given in Column-II:

Column-I

Column-II

- | | |
|---------------------------------|--|
| (a) Human Development Indicator | (i) Rule of Law |
| (b) Demographic Indicator | (ii) Constitutional Protection |
| (c) Special Economic Zone | (iii) Generation of additional economic activities |
| (d) Commune System | (iv) Collective industrialisation |
- (A) (a) – (i)
 (B) (b) – (ii)
 (C) (c) – (iii)
 (D) (d) – (iv)

Correct Answer: (C) (c) – (iii)

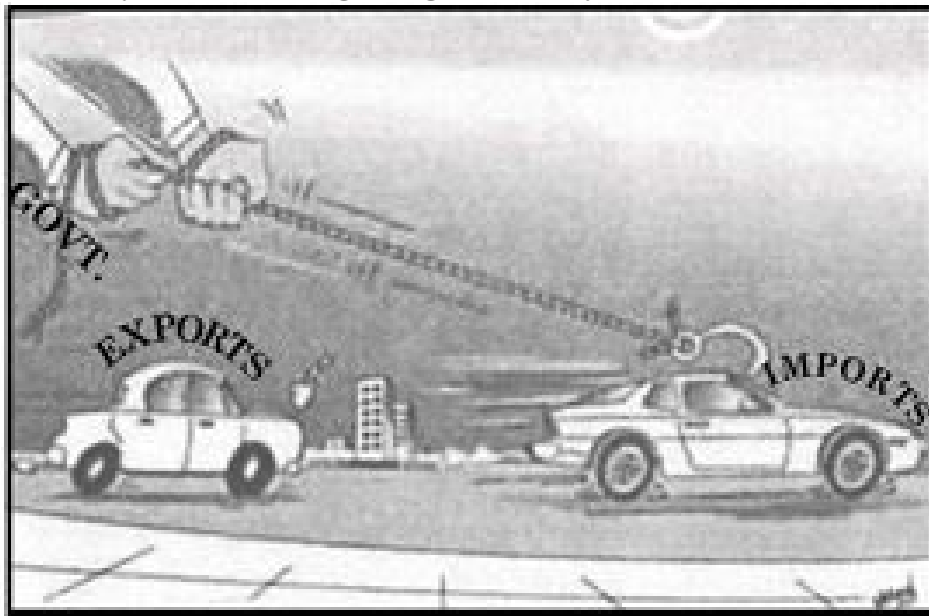
Solution:

Special Economic Zones (SEZs) are designated areas that offer infrastructure, tax benefits, and relaxed regulations to promote economic activity. Their primary aim is to generate additional economic activities like exports, employment, and investment inflows. Hence, (c) – (iii) is the correct match.

 Quick Tip

SEZs aim to **generate additional economic activities** through incentives and infrastructure support.

21. Study the following image carefully:



Identify the trade practice that has successfully replaced foreign goods with domestic production.

- (A) Export Promotion
- (B) Export Substitution
- (C) Import Proliferation
- (D) Import Substitution

Note: The following question is for the visually impaired candidates only, in lieu of Q. No. 21.

_____ refers to a trade policy aimed at reducing reliance on imported goods by encouraging domestic production.

- (A) Export Promotion
- (B) Export Substitution
- (C) Import Substitution
- (D) Import Proliferation

Correct Answer: (D) Import Substitution

Solution:

Import substitution is a trade policy which encourages the replacement of foreign imports with domestic production. This was a key feature of India's earlier trade strategy post-independence, aiming to promote self-reliance by reducing dependency on imported goods.

💡 Quick Tip

Import Substitution helps a country become self-sufficient by producing domestically what was earlier imported.

22. Read the following statements carefully: Assertion (A) and Reason (R).

Choose the correct option from those given below:

Assertion (A): Prior to economic reforms, public investment in social infrastructure by China resulted in better Human Development Indicators (HDI).

Reason (R): China is ahead of India and Pakistan on many Human Development Indicators (HDI).

(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:

Before liberalization, China invested significantly in social sectors like education and health, which contributed to better HDI outcomes. The reason also holds true as China consistently outperforms India and Pakistan in HDI rankings. Moreover, the reason is a direct outcome of the public investments made, making it a valid explanation.

 **Quick Tip**

China's early public investment in health and education boosted its HDI rankings over time.

23. "It is short-term unemployment occurring, as people transit between jobs."

On the basis of given definition, identify the type of unemployment indicated.

(Choose the correct option)

(A) Disguised Unemployment

(B) Seasonal Unemployment

(C) Open Unemployment

(D) Frictional Unemployment

Correct Answer: (D) Frictional Unemployment

Solution:

Frictional unemployment refers to short-term unemployment that arises when individuals are temporarily out of work while transitioning from one job to another or entering the workforce for the first time. It is a natural part of the labor market and does not indicate a lack of job opportunities but a process of adjustment.

 **Quick Tip**

Frictional Unemployment is temporary and occurs during job changes or new job searches.

24. From the terms given below in Column-I and Column-II, choose the correct pair of statements:

Column-I

(i) Subsidies

(ii) Land ceiling

(iii) Small Scale Industries

(iv) Modernisation as a goal of five year plan

(A) (i) – (a)

(B) (ii) – (b)

(C) (iii) – (c)

(D) (iv) – (d)

Column-II

(a) Maximum quantity of goods that can be imported

(b) Element of IPR 1956

(c) Land to the tiller

(d) Change in social outlook

Correct Answer: (D) (iv) – (d)

Solution:

Modernisation as a goal of five year plans aimed at changing the social outlook of people by encouraging rational thinking, scientific temper, and adoption of technology. Therefore, the correct match is (iv) – (d). The other pairs are mismatched.

 Quick Tip

Modernisation in planning refers to a shift in **social values and adoption of science-based thinking**.

25. Read the following statements carefully:

Statement-1: Hired workers may be regular salaried workers or casual workers.

Statement-2: Regular salaried employment is a major source of employment in rural areas in India.

Choose the correct option 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:

Statement 1 is correct because hired workers can be classified into regular salaried (those with job security and fixed income) and casual workers (daily or temporary basis). However, Statement 2 is incorrect because in rural areas, the majority of employment is in the form of self-employment or casual work, not regular salaried jobs.

💡 Quick Tip

Rural employment is mostly **casual or self-employed**, not regular salaried.

26. _____ sector was the primary focus of the Great Leap Forward in China. (Fill up the blank with correct option)

- (A) Tax
- (B) Industrial
- (C) Financial
- (D) Educational

Correct Answer: (B) Industrial

Solution:

The Great Leap Forward, launched in 1958, was a campaign initiated by the Chinese government to rapidly transform the country from an agrarian economy into a socialist society through rapid industrialization and collectivization. The primary focus was on boosting industrial production, particularly steel output, often through the establishment of backyard furnaces in rural areas.

💡 Quick Tip

The **Great Leap Forward** mainly targeted the **industrial sector**, especially steel production.

27. Study the following picture:



Identify and select the recent phenomenon in which demand for resources surpasses their supply.

- (A) Economic growth
- (B) Environmental crisis
- (C) Technological advancement
- (D) Cultural evolution

Solution:

The correct answer is: **(B) Environmental crisis**

The image shows heavy pollution and industrial waste, indicating an environmental crisis due to overuse and mismanagement of natural resources.

💡 Quick Tip

An environmental crisis occurs when the exploitation of natural resources exceeds their regenerative capacity.

27. (Alternate for Visually Impaired Candidates) Identify which of the following is NOT one of the strategies for Sustainable Development.

- (A) Use of non-conventional sources of energy
- (B) Use of fossil fuel for transportation
- (C) Use of traditional knowledge
- (D) Use of organic compost manure

Solution:

The correct answer is: **(B) Use of fossil fuel for transportation**

Fossil fuels contribute to pollution and are not sustainable. The other options are environmentally friendly and promote sustainable development.

 Quick Tip

Strategies for sustainable development focus on renewable energy, eco-friendly practices, and resource conservation.

28. (a) "Cooperatives have received a setback during the recent past." Justify the given statement with valid explanation.

Solution: Cooperatives in India, especially in the agricultural and credit sectors, have experienced setbacks in recent years due to multiple factors:

- **Lack of Professional Management:** Most cooperatives are managed by individuals who may not possess adequate professional or technical knowledge, resulting in poor functioning and inefficiency.
- **Political Interference:** Excessive political influence in cooperative operations has led to mismanagement and misuse of funds.
- **Inadequate Financial Support:** With limited capital and insufficient government support, many cooperatives struggle to sustain operations or upgrade their infrastructure.
- **Poor Governance:** Weak regulatory mechanisms and lack of transparency have reduced public trust in cooperatives.
- **Urban Preference and Privatization:** The shift in focus towards privatization and urban-centric development has led to the neglect of rural cooperative structures.

These challenges have hindered their effectiveness, reducing their role in uplifting rural communities.

 Quick Tip

Revival of cooperatives needs policy reform, financial aid, and strict governance to make them efficient contributors to rural development.

OR

(b) Explain the reasons behind less number of regular salaried employees in rural areas as compared to urban areas.

Solution: The number of regular salaried employees in rural areas is significantly lower than in urban areas due to the following reasons:

- **Lack of Industrialization:** Rural areas have minimal industrial presence, limiting the availability of formal jobs with regular salaries.
- **Agricultural Dominance:** Employment is primarily seasonal and informal in agriculture, with very few structured, salaried roles.
- **Poor Infrastructure:** Inadequate transport, communication, and electricity facilities deter private and public sector job creation in rural regions.
- **Limited Educational Institutions:** Low access to quality education and skill development restricts the employability of rural youth for formal sector jobs.
- **Migration to Urban Areas:** Educated individuals often migrate to urban areas in search of better employment opportunities, further reducing the rural regular workforce.

These structural issues contribute to the rural employment being mostly casual or self-employed rather than salaried.

💡 Quick Tip

Encouraging rural industrialization and education can increase formal employment in rural India.

29. Trace the relationship between Human capital and Economic growth.

Solution: Human capital refers to the stock of skills, knowledge, experience, and abilities possessed by individuals, which contributes to economic productivity. Its relationship with economic growth is vital and can be traced through the following points:

- **Increased Productivity:** Investment in education and health enhances individual productivity, leading to higher output and efficiency in the economy.
- **Technological Advancement:** Educated and skilled individuals contribute to innovation and the adoption of new technologies, fostering growth.
- **Higher Incomes:** Better human capital leads to better job opportunities and income, which increases consumption and investment in the economy.
- **Reduction in Inequality and Poverty:** Improved human capital ensures equitable development by enabling marginalized sections to participate in economic activities.
- **Global Competitiveness:** Countries with a well-developed human capital base can compete effectively in the global economy, attracting foreign investments and trade opportunities.

Thus, human capital acts as a catalyst in accelerating and sustaining economic growth.

💡 Quick Tip

Investment in human capital ensures long-term economic development through better productivity and innovation.

30. Describe the path of developmental initiatives taken by Pakistan for its economic development.

Solution: Pakistan has followed various developmental strategies since its independence to promote economic growth and improve living standards. The path of development includes:

- **Mixed Economy Model:** Pakistan adopted a mixed economy with both private and public sector participation.
- **Planning through Five-Year Plans:** Like India, Pakistan implemented several Five-Year Plans to guide economic policies and priorities.
- **Green Revolution:** It focused on agricultural development through high-yielding varieties of seeds, fertilizers, and irrigation.
- **Industrialization Drive:** Pakistan promoted industries by offering subsidies, protecting domestic firms, and establishing industrial zones.
- **Structural Reforms:** During the 1980s and 1990s, Pakistan introduced structural adjustment programmes under the IMF and World Bank to liberalize trade and privatize state-owned enterprises.
- **Social Sector Initiatives:** Efforts were made to invest in health and education, although progress was relatively slower compared to economic reforms.
- **Vision 2025:** A recent comprehensive plan aiming to transform Pakistan into an upper-middle-income country by focusing on infrastructure, energy, and human capital.

Despite these initiatives, Pakistan has faced challenges such as political instability, low human development indicators, and fiscal deficits.

 Quick Tip

Pakistan's development path combined planning, industrial growth, and liberalization, but progress was hindered by socio-political factors.

31. (a) "In the mountainous regions, mini-hydel plants prove to be cost effective as well as eco-friendly."

Justify above statement with valid arguments.

Solution:

Mini-hydel plants are especially suitable for mountainous regions because:

- They utilize the natural flow and gradient of mountain rivers and streams, reducing the need for large dams or reservoirs.
- These plants require comparatively lower investment, making them cost-effective for remote and hilly areas.
- They generate clean and renewable energy, minimizing carbon emissions and pollution.

- They help in decentralized power supply, enhancing electricity access in rural and remote regions.
- Environmental degradation and displacement of people are minimal compared to large hydel projects.

💡 Quick Tip

Mini-hydel plants = ideal for hills: **low-cost**, **eco-friendly**, and use **natural gradients**.

(b) Define Absorptive capacity.

Solution:

Absorptive capacity refers to the economy's ability to effectively utilize foreign aid, investment, or any external assistance in a productive and efficient manner. It includes the ability to plan, implement, and manage development projects using the available resources without causing inefficiencies or wastage.

💡 Quick Tip

Absorptive capacity = **efficient use** of aid/resources to achieve intended development outcomes.

32. (a) Describe briefly a rationale behind choosing 'Self-reliance' as a planning objective for the Indian economy.

OR

(b) Explain how, Goods and Services Tax (GST) has simplified the multiplicity of taxes on goods and services.

Solution:

(a) Rationale for Choosing 'Self-Reliance' as a Planning Objective:

Self-reliance was chosen as a key objective in India's economic planning post-independence due to the following reasons:

- **Reduction of Dependence on Foreign Aid:** India aimed to reduce its dependence on foreign countries, especially in the context of food grains, technology, and defence equipment, to preserve its economic and political sovereignty.
- **Promotion of Indigenous Industries:** Encouraging domestic industries was essential to build internal production capacity, generate employment, and foster innovation.
- **Balance of Payments Stability:** Excessive imports, particularly of capital goods and petroleum products, led to balance of payment crises. Self-reliance aimed to strengthen domestic capabilities to reduce import bills.

- **National Security and Strategic Autonomy:** A self-reliant economy could withstand global shocks and maintain strategic autonomy without external pressures.
- **Long-Term Sustainable Development:** Building self-sufficient systems ensured sustainable development without external economic vulnerabilities.

Thus, self-reliance became a foundation of India's development strategy to ensure economic independence, security, and sustainable growth.

(b) GST and Simplification of Tax System:

Goods and Services Tax (GST), introduced in 2017, is a comprehensive indirect tax that replaced a host of central and state taxes, thereby simplifying the tax structure. The ways in which GST has addressed multiplicity of taxes include:

- **Unified Tax System:** GST has replaced various indirect taxes like VAT, excise duty, service tax, CST, and octroi, creating a single tax system across the country.
- **One Nation, One Tax:** GST created a common national market by eliminating the cascading effect of taxes and different tax rates across states.
- **Transparency and Simplicity:** GST is administered through a transparent digital platform with clear compliance procedures, reducing ambiguity and corruption.
- **Input Tax Credit (ITC):** Seamless flow of ITC across goods and services ensures tax is only paid on value addition, removing tax-on-tax.
- **Improved Ease of Doing Business:** Simplified tax structure and online filing encourage entrepreneurship and foreign investment.

Overall, GST has led to simplification, standardization, and better compliance in the indirect taxation system of India.

💡 Quick Tip

Self-reliance aims at economic independence; **GST** unifies and simplifies India's complex indirect tax system.

33. Read the following text carefully :

Agro-startups and rural enterprises are becoming increasingly vital for rural development in India. They address the critical challenges faced by rural sector in India. These ventures bring in technological innovations such as precision farming, IT-based monitoring system and data-driven decision making tools that enhance productivity and resource efficiency. By streamlining supply chains and creating direct market linkages, they ensure better pricing for farmers and reduce dependency on traditional intermediaries. Such enterprises contribute actively to employment generation in the rural areas. The government has demonstrated a continuous policy and financial support for agri-startups and entrepreneurs through various programs like RKVY-RAFTAAR, the Agri- infrastructure fund and Agri-SURE. On the basis of given text and common understanding, answer the following questions:

(a) Explain, how agro-startups address the critical challenges faced by the agricultural sector.

Solution: Agro-startups play a vital role in addressing the core issues of the agricultural sector by adopting modern, innovative strategies:

- **Technological Innovation:** They introduce tools like precision farming, IT-based monitoring, and data-driven decision-making systems which improve crop yields and resource efficiency.
- **Supply Chain Efficiency:** These startups streamline the agri-supply chain, enabling better access to markets and reducing post-harvest losses.
- **Market Linkages:** By providing direct market access, agro-startups reduce the dependence on traditional intermediaries and ensure fair prices to farmers.
- **Rural Employment:** They contribute to employment generation in rural areas, helping reduce migration to urban areas.

💡 Quick Tip

Agro-startups combine technology and innovation to transform traditional farming into efficient and profitable ventures.

(b) Comment on the role of government in supporting agro-startups and entrepreneurs in India.

Solution: The Indian government plays a key role in fostering agro-startups and rural entrepreneurship by providing targeted support through various schemes:

- **Policy Support:** The government has consistently focused on promoting rural enterprises through favourable policy frameworks.
- **Financial Assistance:** Programs like RKVY-RAFTAAR, Agri-Infrastructure Fund, and Agri-SURE provide crucial financial aid and startup incubation.
- **Capacity Building:** These initiatives help build infrastructure, enable training, and improve access to credit and markets.
- **Encouraging Innovation:** Through government support, agro-startups are encouraged to adopt sustainable practices and modern tools to enhance rural productivity.

💡 Quick Tip

Supportive government schemes are critical in enabling agro-startups to scale and bring lasting change to rural India.

34.(a) Giving valid reasons, state whether the following statements are true or false.

1. There was growth in agricultural sector due to expansion of aggregate area under cultivation, during the colonial era.
2. The objective of World Trade Organisation (WTO) is to establish a rule based regime, in the world trade.
3. Economic growth with regional disparity was the main goal of planning in India.

Solution:

1. **False.**

Reason: Although some expansion of area under cultivation occurred during the colonial period, there was no significant or systematic growth in the agricultural sector. The British policies were exploitative, focusing on cash crops for export rather than food security or productivity improvement.

2. **True.**

Reason: The World Trade Organisation (WTO) was established with the objective of promoting free and fair trade by setting up a rules-based multilateral trading system. It provides a common institutional framework for the conduct of international trade relations.

3. **False.**

Reason: The main goal of Indian planning was not economic growth with regional disparity but to promote inclusive and equitable development by reducing disparities across regions through balanced resource allocation and regional planning.

💡 Quick Tip

Support each True/False statement with historical context or institutional objectives for full clarity.

OR

34.(b) (i) Distinguish between:

1. **Tariff and Non-tariff Barriers**

- **Tariff Barriers:** These are taxes or duties imposed on imports to raise their prices and protect domestic industries.
- **Non-tariff Barriers:** These include quotas, licensing requirements, standards, and technical regulations which restrict imports without using monetary levies.

2. **Bilateral and Multilateral Trade**

- **Bilateral Trade:** Trade between two countries based on mutual agreements and interests.
- **Multilateral Trade:** Trade involving more than two countries governed by international organizations like the WTO.

(ii) "Small-Scale Industries require a shield against large scale industries."

Solution:

The Indian government has taken various protective measures to safeguard and promote the interests of small-scale industries (SSIs), including:

- **Product Reservation Policy:** Certain products were reserved exclusively for production by SSIs to avoid competition from large firms.
- **Concessional Finance:** Priority sector lending norms ensured easier access to credit for SSIs from banks and financial institutions.
- **Skill Development:** Technical training and entrepreneurship programs were launched to improve capacity and innovation.
- **Technology Upgradation:** Schemes were introduced to subsidize machinery and improve quality.
- **Market Support:** SSIs were given marketing assistance through trade fairs, exhibitions, and government procurement policies.

These initiatives aimed to protect the SSIs from being outcompeted and to encourage their role in employment generation and equitable growth.

 Quick Tip

Use bullet points and government schemes to reinforce policy-based answers in distinction questions.