CBSE Class XII Economics Set II Question Paper with Solutions

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

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 – Assertion (A) and Reason (R). Choose the correct option given below:

Assertion (A): Full employment situation refers to the absence of involuntary unemployment.
Reason (R): Under full employment situation, all the willing and able-bodied people get employment at the prevailing wage rate.

Options:

(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: Full employment refers to a situation where there is no involuntary unemployment, meaning all individuals willing to work at prevailing wage rates are employed. The reason provided correctly explains the assertion as it aligns with the economic definition of full employment. Therefore, both the assertion and reason are correct, and the reason appropriately supports the assertion.

> Quick Tip
>
> In assertion and reason questions, carefully analyze whether the reason directly supports the assertion or simply states a related fact.

2. "As per the National Stock Exchange (NSE) data, dated 9th June, 2023, there was a net selling off worth 309 crore by Foreign Institutional Investors (FIIs) over the period of one month i.e., 9th May, 2023 – 9th June, 2023."
The above-mentioned transactions will be recorded on ____ side of ____ account of Balance of Payments of India.
Options:

(A) Debit, Current

(B) Credit, Capital

(C) Credit, Current

(D) Debit, Capital

Correct Answer: (D) Debit, Capital
Solution: The Balance of Payments (BoP) records all financial transactions between residents of a country and the rest of the world. Net selling by FIIs reflects an outflow of foreign capital due to the sale of securities, and this is recorded as a debit entry in the capital account of the BoP.

> Quick Tip
>
> In BoP, capital account entries reflect financial flows like foreign investments, loans, or asset sales, with outflows recorded as debits.

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3. Identify the *incorrect* feature(s) of money supply (M_1) from the following:

(i) It is measured at a point of time.
(ii) It does not include stock of money held by the government.
(iii) It is always the currency in the hands of the Central Bank of a nation.
Options:

(A) (i) and (ii)

(B) (ii) and (iii)

(C) (ii) only

(D) (iii) only

Correct Answer: (D) (iii) only
Solution: Money supply (M_1) includes currency in circulation and demand deposits with the public. It is measured at a point in time, and it excludes money held by the government. The statement that M_1 is always the currency in the hands of the Central Bank is incorrect because M_1 only accounts for money held by the public.

Quick Tip

Money supply (M_1) excludes reserves held by the Central Bank and focuses on the money accessible to the general public.

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4. Total consumption expenditure by households under Keynesian Economics is a combination of ____ and ____.
Options:

(A) Autonomous Consumption, Autonomous Investments

(B) Autonomous Investments, Induced Consumption

(C) Induced Investments, Autonomous Investments

(D) Autonomous Consumption, Induced Consumption

Correct Answer: (D) Autonomous Consumption, Induced Consumption
Solution: Under Keynesian economics, total consumption expenditure is the sum of autonomous consumption (which does not depend on income) and induced consumption (which depends on income level). Together, they form the total expenditure in an economy.

Quick Tip

Understand the distinction between autonomous and induced components in Keynesian economics to analyze expenditure functions.

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5. Find the missing figures and choose the correct option:

Round	Deposits	Loans (80%)	Reserve Ratio (20%)
I	5000	4000	___
II	4000	___	800
⋮	⋮	⋮	⋮
Total	___	___	___

Options:

(A) 1000, 800, 20000, 25000

(B) 800, 800, 25000, 20000

(C) 1000, 800, 25000, 20000

(D) 1000, 800, 20000, 25000

Correct Answer: (C) 1000, 800, 25000, 20000
Solution: - In Round I, total deposits are 5000. The reserve ratio is 20%, so reserves are:

$$\text{Reserves} = 5000 \times 0.2 = 1000$$

Loans are the remaining amount: 4000.
- In Round II, deposits from loans are 4000. The reserve ratio is 20%, so reserves are:

$$\text{Reserves} = 4000 \times 0.2 = 800$$

Loans are 4000 - 800 = 3200.
- The process continues similarly, leading to a total deposit of 25000, total loans of 20000, and total reserves of 5000.

Quick Tip

In money multiplier calculations, use the reserve ratio to determine how deposits and loans are distributed across successive rounds.

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6. Surplus in Balance of Payments (BOP) refers to the excess of _____.
Options:

(A) Autonomous payments over Autonomous receipts

(B) Current Account payments over Autonomous receipts

(C) Capital Account receipts over Capital Account payments

(D) Autonomous receipts over Autonomous payments

Correct Answer: (D) Autonomous receipts over Autonomous payments
Solution: A surplus in the Balance of Payments occurs when autonomous receipts (inflows from exports, foreign investments, etc.) exceed autonomous payments (outflows for imports, investments abroad, etc.). This surplus indicates a favorable balance of payments, as it reflects higher inflows compared to outflows.

Quick Tip

In surplus-related questions, focus on whether inflows (receipts) exceed outflows (payments).

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7. Suppose for a hypothetical economy:
$C = 100 + 0.75Y$ (where C = Consumption and Y = Income)
$I_0 = 400$ (I_0 = Autonomous Investment)
Value of Investment Multiplier (K) would be _____.

Options:

(A) 5

(B) 4

(C) 6

(D) 3

Correct Answer: (B) 4
Solution: The investment multiplier (K) is calculated as:

$$K = \frac{1}{1 - MPC}$$

where MPC (Marginal Propensity to Consume) is 0.75. Substituting:

$$K = \frac{1}{1 - 0.75} = \frac{1}{0.25} = 4$$

Quick Tip

Use the formula $K = \frac{1}{1-MPC}$ and substitute the value of MPC given in the question.

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8. Suppose, the Balance of Trade of an imaginary economy shows a favorable balance of 500 crore. The values of merchandise exports are 1200 crore and transfer payments are 400 crore. The value of merchandise imports would be _____.

Options:

(A) 1700

(B) 1500

(C) 700

(D) 900

Correct Answer: (C) 700
Solution: Balance of Trade (BOT) is calculated as:

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

Substituting the given values:

$$1200 - \text{Imports} = 500$$

$$\text{Imports} = 1200 - 500 = 700$$

> Quick Tip
>
> For Balance of Trade, always subtract imports from exports to calculate the trade balance or vice versa.

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9. Read the following statements carefully:
Statement 1: If in an economy the level of income increases (Y), it will always proportionately increase the level of consumption (C).
Statement 2: Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) are always equal to each other.

Options:

(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: - **Statement 1:** False. While an increase in income (Y) leads to an increase in consumption (C), the increase is not necessarily proportionate, as it depends on the Marginal Propensity to Consume (MPC), which is always less than 1. - **Statement 2:** False. $MPC + MPS = 1$, but MPC and MPS are not always equal. For example, if $MPC = 0.7$, then $MPS = 0.3$.

> Quick Tip
>
> Carefully analyze statements related to MPC, MPS, and the proportionality of income and consumption changes.

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10. Identify the correct equation from the following:

Options:

(A) $GDP_{MP} = NNP_{FC} + \text{Depreciation}$

(B) $NDP_{FC} = NNP_{FC} + \text{Net Indirect Taxes}$

(C) $GNP_{MP} = GDP_{MP} +$ Net Factor Income from Abroad

(D) $NNP_{FC} = NDP_{MP} +$ Depreciation

Correct Answer: (C) $GNP_{MP} = GDP_{MP} +$ Net Factor Income from Abroad
Solution: Gross National Product at Market Price (GNP_{MP}) is calculated by adding Net Factor Income from Abroad (NFIA) to Gross Domestic Product at Market Price (GDP_{MP}). This equation represents the total income earned by nationals of a country, including income from abroad.

> Quick Tip
>
> Remember that GNP_{MP} accounts for income from abroad, while GDP_{MP} is confined to domestic boundaries.

11(a). On the basis of the data given below for an imaginary economy, estimate the value of Net Domestic Product at Factor Cost (NDP_{FC}):

S. No.	Items	Amount (in crore)
(i)	Gross Domestic Fixed Capital Formation	300
(ii)	Exports	70
(iii)	Government Final Consumption Expenditure	400
(iv)	Consumption of Fixed Capital	50
(v)	Household Final Consumption Expenditure	590
(vi)	Inventory Investment (Net)	(–60)
(vii)	Imports	80
(viii)	Net Indirect Taxes	50
(ix)	Net Factor Income from Abroad	40

Solution: The formula to calculate NDP_{FC} is:

$$NDP_{FC} = \text{GDP}_{MP} - \text{Depreciation} - \text{Net Indirect Taxes}$$

Where:

$\text{GDP}_{MP} = \text{Consumption Expenditure (Household + Government)} + \text{Gross Investment (Fixed + Inventory}$

Step 1: Calculate GDP_{MP}:

$$GDP_{MP} = (590 + 400) + (300 - 60) + (70 - 80) = 1220$$

Step 2: Subtract Depreciation and Net Indirect Taxes:

$$NDP_{FC} = GDP_{MP} - \text{Depreciation} - \text{Net Indirect Taxes}$$

$$NDP_{FC} = 1220 - 50 - 50 = 1130\,\text{crore}$$

> Quick Tip
>
> Always calculate GDP_{MP} first and adjust for depreciation and net indirect taxes to find NDP_{FC}.

OR

(i) Elaborate the concept of Externalities with the help of a suitable example.

Solution: Externalities refer to the unintended side effects (positive or negative) of an economic activity on third parties who are not directly involved in the activity.

Positive Externality: A company planting trees in the neighborhood improves air quality for residents.

Negative Externality: A factory emitting pollutants harms the health of nearby residents.

> Quick Tip
>
> Differentiate between positive and negative externalities using real-life examples.

(ii) Define Operating Surplus.

Solution: Operating Surplus is the income generated by firms from the production process after paying wages and salaries to employees and meeting intermediate costs. It includes profits, rent, interest, and dividends. In National Income Accounting, it is a key component of Net Domestic Product at Factor Cost (NDP_{FC}).

> Quick Tip
>
> Think of operating surplus as the "leftover income" after covering the primary costs of production.

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12. Distinguish between fixed exchange rate system and flexible exchange rate system.

Solution:

Fixed Exchange Rate System	**Flexible Exchange Rate System**
The government fixes the currency value.	Market forces of demand and supply determine th
Ensures stability in international trade.	Allows currency to adjust automatically to econon
Requires constant intervention by the central bank.	Minimal intervention by the central bank.

> Quick Tip
>
> In fixed systems, stability is prioritized; in flexible systems, economic adjustments are key.

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13. Read the following text carefully from 'The Economic Times' dated 8th June, 2023:

"The Reserve Bank of India's (RBI's) rate setting panel unanimously decided to keep the benchmark lending rate unchanged at 6.5%. The committee voted to

remain focused on the withdrawal of accommodating monetary policy."
On the basis of the given text and common understanding, answer the following questions:

1. **Identify and discuss the economic issue indicated in the above text.**

   - **Solution:** The economic issue highlighted in the text is the central bank's monetary policy stance. - The RBI's decision to maintain the lending rate at 6.5% indicates a cautious approach to managing inflation. - The focus on withdrawing an accommodative monetary policy shows an effort to balance economic growth and price stability.

   > Quick Tip
   >
   > In monetary policy questions, identify the stance (accommodative, neutral, or tight) and its impact on inflation and growth.

2. **Discuss the likely consequence on money supply if the rate-setting panel would have decreased the said rate.**

   - **Solution:** If the benchmark lending rate had been decreased: - Borrowing costs would decrease, encouraging investment and consumption. - This would lead to increased credit creation by banks, resulting in a higher money supply. - While boosting economic activity, it may also create inflationary pressures in the economy.

   > Quick Tip
   >
   > Analyze how changes in policy rates affect credit creation and money supply in monetary policy discussions.

14(a). Complete the following table. Construct/Express the Consumption function at 200 crore level of income.

Income (Y)	Savings (S)	Average Propensity to Consume (APC)	Marginal Propensity
0	–30	1	0.2
100	20	0.85	0.2
200	70	0.85	0.2
300	120	0.8	0.2

Solution:
The consumption function is derived using the formula:

$$C = Y - S$$

At $Y = 200$:

$$C = 200 - 70 = 130$$

The APC is calculated as:

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

At $Y = 200$:

$$APC = \frac{130}{200} = 0.85$$

The MPS is constant and calculated as:

$$MPS = 1 - MPC$$

Quick Tip
Use savings and income data to compute consumption, APC, and MPS accurately.

OR
"In an economy, ex-ante Aggregate Supply is less than ex-ante Aggregate Demand."
Explain its impact on the level of output, income, and employment.
Solution:
When ex-ante Aggregate Supply (AS) is less than ex-ante Aggregate Demand (AD), it creates an inflationary gap in the economy, resulting in:
- **Increase in Output:** Firms increase production to meet the higher demand for goods and services.
- **Increase in Income:** Higher production leads to increased payments to factors of production, resulting in higher income levels.
- **Increase in Employment:** Firms hire more workers to increase production, thereby creating additional employment opportunities.

Quick Tip
Focus on the inflationary gap and its effects on economic variables in similar questions.

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15. Justify the following statements with valid arguments:

1. **Money serves as the 'medium of exchange' for transactional purposes in an economy.**

   - **Solution:** Money acts as a universally accepted medium for exchanging goods and services. - It eliminates the need for the double coincidence of wants, which is a major limitation of the barter system. - This enhances trade efficiency and simplifies transactions.

Quick Tip
Highlight the role of money in overcoming barter system limitations in such questions.

2. **The Central Bank acts as Banker's Bank in an economy.**

   - **Solution:** The Central Bank provides banking services to commercial banks and regulates their operations. - It holds reserves of commercial banks. - It provides funds to banks during liquidity crises, ensuring financial stability. - It supervises and regulates banking operations to maintain trust in the financial system.

Quick Tip

Discuss the supervisory and financial roles of the Central Bank in regulating the banking system.

16(a)(i). Study the following chart carefully and analyse the changing trends in the government expenditure on:
(I) Agriculture and Allied Activities
(II) Transport

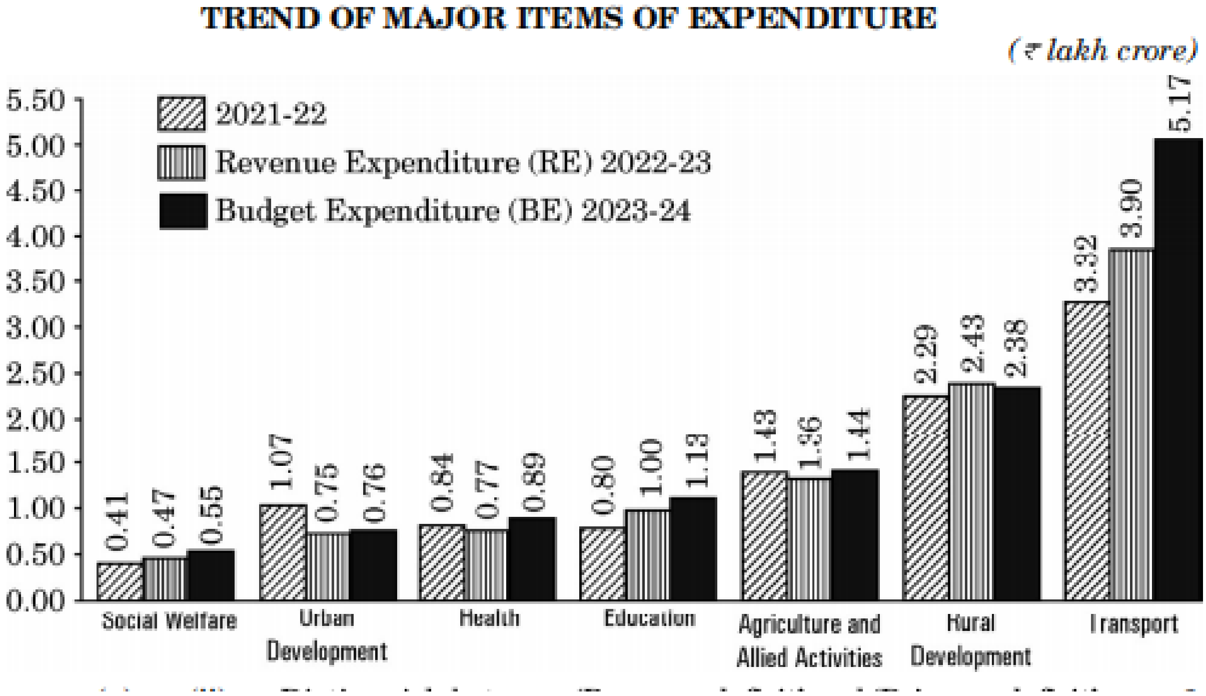

Figure 1: Trend of Major Items of Expenditure (lakh crore)

Solution:
- **Agriculture and Allied Activities:** Government expenditure on agriculture and allied activities has shown a steady increase over the three years. - It rose from 1.44 lakh crore in 2021-22 to 1.46 lakh crore in 2022-23. - It further increased to 1.64 lakh crore in 2023-24. This indicates a focus on rural and agricultural development.
- **Transport:** Expenditure on transport has also seen a significant rise. - It increased from 3.90 lakh crore in 2021-22 to 4.33 lakh crore in 2022-23. - It further grew to 5.17 lakh crore in 2023-24. This highlights the government's prioritization of infrastructure development.

Quick Tip

When analyzing trends in charts, compare values across years and link them to policy implications.

16(a)(ii). Distinguish between 'Revenue deficit' and 'Primary deficit'.
Solution:

Revenue Deficit	Primary Deficit
Refers to the excess of revenue expenditure over revenue receipts.	Refers to the fiscal deficit excluding interest payments.
Indicates the inability of the government to meet its regular expenses from its regular income.	Indicates the borrowing requirement of the government to meet current expenses, excluding interest payments.

Quick Tip

Focus on the components of fiscal deficit when distinguishing revenue and primary deficits.

OR

Classify the following as Revenue receipts or Capital receipts. Give valid arguments in support of your answer:

(i) Interest received on loan.

(ii) Disinvestment receipts from the sale of a government company.

(iii) Financial assistance by the Government of USA for promoting girl education in India.

Solution:

- **Interest received on loan: Revenue Receipt.** Revenue receipts are non-redeemable and arise during the normal course of government operations. Interest earned on loans is a recurring income.
- **Disinvestment receipts from the sale of a government company: Capital Receipt.** Disinvestment proceeds are non-recurring and lead to a reduction in the government's asset base.
- **Financial assistance by the Government of USA: Revenue Receipt.** Grants and aid are non-redeemable and classified as revenue receipts as they do not create liabilities or reduce assets.

Quick Tip

Capital receipts generally involve changes in assets or liabilities, while revenue receipts do not.

Note: The following question is for the Visually Impaired Candidates only in lieu of Q. No. 16(a)(i).

Explain the stabilisation function of the Government Budget.

Solution:

The stabilisation function aims to maintain economic stability by managing fluctuations in the economy.

- **During inflation:** The government reduces spending or increases taxes to control demand.
- **During recession:** The government increases spending or reduces taxes to boost demand and output.

Quick Tip

Relate stabilisation policies to inflationary and deflationary gaps in the economy.

17(a). Discuss briefly the concept of circular flow of income in a two-sector model.
Solution:
- **Households:** Provide factors of production (land, labor, capital) to firms and receive factor payments (rent, wages, interest, profit).
- **Firms:** Produce goods and services and sell them to households in exchange for consumption expenditure.
- **Circular Flow:** The income and expenditure cycle continues, creating a closed economy.

Quick Tip

Use diagrams to visually represent the flow of goods, services, and money in a circular flow model.

OR
"Real Gross Domestic Product (GDP) is a better indicator of economic growth of a nation as compared to the Nominal Gross Domestic Product (GDP)."
Do you agree with the given statement? Justify your answer with a valid hypothetical numerical example.
Solution:
Yes, Real GDP is a better indicator as it accounts for inflation.
- **Nominal GDP:** Measures output at current prices.
- **Real GDP:** Adjusts for inflation, reflecting the true value of goods and services.
- **Example:** - Year 1: Nominal GDP = 1000 crore, Price Index = 100. - Year 2: Nominal GDP = 1200 crore, Price Index = 120. - Real GDP (Year 2) = $\frac{1200}{120} \times 100 = 1000\,\text{crore}$.
Despite an increase in nominal GDP, real GDP remains constant, indicating no actual growth in production.

Quick Tip

Always compare Real GDP to Nominal GDP to adjust for the effects of inflation.

SECTION B

Indian Economic Development

18. Read the following statements carefully:
Statement 1: Under the colonial rule, basic infrastructure (like railways, post and telegraph, etc.) was developed.

Statement 2: The real motive behind the infrastructural development in India was to strengthen the British interests.

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

Options:

(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:
- The British colonial administration developed infrastructure like railways, ports, and communication systems primarily to serve their economic and administrative interests. - While this infrastructure inadvertently benefited India in the long term, its original intent was to strengthen colonial control and facilitate resource exploitation.

> Quick Tip
>
> Analyze the intent behind infrastructure development during colonial rule to address similar questions.

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19. Identify which of the following options indicate the *incorrect* components combination of Agriculture Marketing System:

Options:

(A) Assembling, Storage, Processing, Packaging

(B) Production, Assembling, Processing, Grading

(C) Assembling, Processing, Packaging, Transportation

(D) Processing, Packaging, Grading, Distribution

Correct Answer: (B) Production, Assembling, Processing, Grading

Solution:
- The Agricultural Marketing System includes components such as: - Assembling - Grading - Processing - Packaging - Storage - Transportation - However, "Production" is not a part of the marketing process. It refers to the cultivation of crops, which is separate from marketing activities.

> Quick Tip
>
> Understand the difference between agricultural production and the marketing process to answer such questions accurately.

20. Read the following statements – Assertion (A) and Reason (R). Choose the correct option given below:

Assertion (A): World Trade Organization (WTO) is expected to establish the rule-based trading regime, to avoid unilaterally placed arbitrary restrictions by member nations.
Reason (R): It is imperative to enlarge world production and ensure optimum utilization of world resources along with environmental protection.

Options:

(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:
- The primary goal of the WTO is to create a rule-based global trading system. - This ensures that member nations do not impose arbitrary or unilateral trade restrictions. - The provided reason aligns with the assertion because the WTO seeks to optimize global production, ensure efficient resource utilization, and integrate environmental protection within trade agreements.

Quick Tip

For assertion and reason questions, ensure the reason directly supports the assertion's main idea.

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21. Read the following statements – Assertion (A) and Reason (R). Choose the correct option given below:

Assertion (A): China has used the market mechanism to create additional social and economic opportunities for its citizens.
Reason (R): Social infrastructure creation by the government has brought positive results in human development indicators in China.

Options:

(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:
- Both statements are correct: - The market mechanism mentioned in Assertion (A) focuses on economic reforms and liberalization in China. - Social infrastructure creation, mentioned in Reason (R), contributed to improvements in human development indicators. - However, the reason does not directly explain the market mechanism in Assertion (A), as they refer to different strategies.

> Quick Tip
>
> Check whether the reason directly supports the assertion's context or refers to a separate aspect of the same topic.

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22. Identify from the following options the *incorrect* objectives of regulated agriculture market:

(i) To make the marketing system efficient and effective for farmers to get the best price for their products.
(ii) To discourage improvement of marketing infrastructure for farmers.
(iii) To prevent exploitation of farmers.
(iv) To discourage farmers from improving quality and quantity of their produce.

Options:

(A) (i) and (ii)

(B) (ii) and (iii)

(C) (iii) and (iv)

(D) (ii) and (iv)

Correct Answer: (D) (ii) and (iv)

Solution:
- The objectives of a regulated agriculture market include: - Improving marketing infrastructure. - Preventing the exploitation of farmers. - Ensuring farmers get the best price for their produce. - Statements (ii) and (iv) are incorrect because: - Discouraging infrastructure improvement and quality enhancement contradicts the goals of regulated markets.

> Quick Tip
>
> Understand that regulated agriculture markets aim to benefit farmers by improving infrastructure and preventing exploitation.

23. Economic reforms were introduced in India and Pakistan in the years ______ and ______, respectively.
(Choose the correct option to fill in the blanks)

Options:

(A) 1988, 1978

(B) 1991, 1978

(C) 1991, 1988

(D) 1981, 1991

Correct Answer: (C) 1991, 1988

Solution:
- India introduced economic reforms in **1991** due to a balance of payments crisis, emphasizing liberalization, privatization, and globalization. - Pakistan introduced economic reforms in **1988**, focusing on structural adjustments and liberalization to boost its economy.

Quick Tip

Remember the specific years of economic reforms for comparative analysis in South Asia.

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24. Read the following statements carefully:

Statement 1: As per the National Sample Survey Organization (NSSO), unemployment is a situation in which all those who, owing to lack of work, are not working, but are seeking work from prospective employers. They express their willingness/availability to work under the prevailing conditions of work and remuneration.
Statement 2: Disguised Unemployment is generally a massive problem in a highly populated country like India.

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

Options:

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

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

(C) Both Statements 1 and 2 are true.

(D) Both Statements 1 and 2 are false.

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

Solution:
- Statement 1 is correct as it defines unemployment as per the NSSO, highlighting the lack of work despite willingness and availability to work. - Statement 2 is also true because disguised unemployment is prevalent in India, especially in the agricultural and informal sectors, where more people are employed than required.

> **Quick Tip**
>
> For unemployment-related questions, focus on definitions and key types like disguised, seasonal, and structural unemployment.

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25. Identify which of the following is *not* a member nation of G20:

Options:

(A) Brazil

(B) Australia

(C) Bangladesh

(D) Argentina

Correct Answer: (C) Bangladesh

Solution:
- The G20 comprises 19 countries and the European Union, focusing on global economic issues. - Bangladesh is not a member of the G20, whereas Brazil, Australia, and Argentina are members.

> **Quick Tip**
>
> Memorize the G20 member nations for global economic policy-related questions.

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26. Read the following statements – Assertion (A) and Reason (R). Choose the correct option given below:

Assertion (A): The excessive regulation of permit license raj prevented certain private firms from becoming fairly competitive.
Reason (R): Private sector wasted huge amounts in obtaining licenses rather than on improving the product quality and international competitiveness.

Options:

(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:
- The permit license raj hindered competition by making it difficult for private firms to operate efficiently. - Firms focused more on obtaining licenses than improving their products, which negatively impacted competitiveness. - Hence, both Assertion (A) and Reason (R) are correct, and the reason explains the assertion effectively.

> Quick Tip
>
> Understand the historical impact of the permit license raj on the private sector in India.

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27. In the decade of the 1970s, Pakistan nationalized its _____ industries. (Choose the correct option to fill in the blank)

Options:

(A) Medical infrastructure

(B) Consumer goods

(C) Capital goods

(D) Foreign trade

Correct Answer: (C) Capital goods

Solution:
- During the 1970s, Pakistan adopted nationalization policies under the leadership of Zulfikar Ali Bhutto. - The focus was on bringing key industries under state control, especially in the **capital goods sector** such as steel, energy, and heavy machinery. - The purpose was to reduce economic inequality and foster industrial growth through state intervention.

> Quick Tip
>
> Nationalization policies often target heavy industries like capital goods, energy, and infrastructure to promote state-led development.

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

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

Solution:
- The source of Human Capital Formation indicated in the statement is **education and skill development**. - In-service teacher training focuses on improving the knowledge, skills, and competencies of educators, which are primary components of Human Capital Formation.

Quick Tip
Education and skill development enhance the quality of human resources, forming a key part of Human Capital Formation.

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

Solution:
The emphasis on teacher training under NEP 2020 can lead to the following impacts on India's economic development:

1. **Improved Quality of Education:** - Skilled and trained teachers contribute to better learning outcomes. - This ensures a well-educated and employable workforce, improving human capital quality.
2. **Higher Productivity:** - Enhanced skills result in increased efficiency and productivity across various sectors. - This drives overall economic growth and competitiveness.
3. **Innovation and Research:** - Skill development fosters creativity and innovation. - This leads to advancements in technology and industry, contributing to long-term economic progress.

Quick Tip
Investing in teacher training enhances education quality, which directly boosts economic growth and innovation in the long term.

29(a). Elaborate the reasons owing to which the private sector was regulated under the Industrial Policy Resolution, 1956.

Solution:
The private sector was regulated under the Industrial Policy Resolution, 1956, for the following reasons:

1. **Socialistic Pattern of Society:** The government aimed to establish a socialistic society by ensuring equitable distribution of resources through state control over industries.
2. **Strategic Sectors:** Key industries like defense, railways, and heavy machinery were reserved for the public sector to ensure national security and self-reliance.
3. **Control of Monopolies:** To prevent the concentration of wealth and power in a few hands, the government restricted private sector activities.

Quick Tip

Link the 1956 Industrial Policy to the goals of equitable growth, social justice, and national security for comprehensive answers.

29(b). "During the colonial period the agricultural sector showed massive stagnation."
Do you agree with the given statement? Justify your answer with valid arguments.

Solution:
Yes, the agricultural sector during the colonial period experienced massive stagnation due to:

1. **Land Revenue Systems:** Exploitative systems like Zamindari left farmers with little incentive to improve productivity.
2. **Focus on Cash Crops:** Farmers were forced to grow cash crops like indigo and cotton for export, neglecting food crops, leading to frequent famines.
3. **Lack of Infrastructure:** Minimal investment in irrigation, storage, and transportation facilities hindered agricultural growth.
4. **Frequent Famines:** Exploitative policies and neglect of food crop production caused widespread famines, further reflecting stagnation in agriculture.

Quick Tip

Relate stagnation in colonial agriculture to exploitative policies, lack of infrastructure, and focus on cash crops for strong arguments.

30(a). "United Nations Department of Economic and Social Affairs indicated that India has overtaken China as the world's most populous country in the month of April 2023."
Explain the consequences of the one-child policy adopted by China in the 1970s.

Solution:
The one-child policy adopted by China led to the following long-term consequences:

1. **Aging Population:** A sharp decline in birth rates caused an increase in the proportion of elderly people, leading to a shrinking workforce and higher dependency ratios.
2. **Gender Imbalance:** Cultural preferences for male children resulted in gender-selective abortions, creating a significant gender gap in the population.
3. **Economic Implications:** A declining workforce slowed economic growth, with fewer young workers available for industries and innovation.
4. **Social Challenges:** Increased pressure on the younger generation to support elderly family members.

Quick Tip

Relate demographic challenges like aging and gender imbalance to the long-term impacts of population policies.

30(b). Discuss the impacts of Special Economic Zones (SEZs) on the economic growth of China.

Solution:
Special Economic Zones (SEZs) contributed significantly to China's economic growth through:

1. **Increased Foreign Direct Investment (FDI):** SEZs attracted substantial FDI due to tax incentives and relaxed regulations, fostering industrial growth.
2. **Export Growth:** SEZs facilitated large-scale production and export, making China a global manufacturing hub.
3. **Employment Opportunities:** The establishment of SEZs created millions of jobs, reducing unemployment in urban and rural areas.
4. **Technological Advancement:** Access to global markets through SEZs encouraged technology transfers and innovation.

Quick Tip

Highlight the role of SEZs in boosting FDI, exports, and employment for answers on economic growth strategies.

31(a)(i). In the recent past, the Government of India has taken crucial steps, like Jan-Dhan Yojana, for efficient allocation of financial resources.
State and elaborate whether the statement is true or false, with valid arguments.

Solution:
The statement is true as schemes like Pradhan Mantri Jan-Dhan Yojana (PMJDY) aim to provide universal access to banking services, ensuring efficient allocation of financial resources:

1. **Financial Inclusion:** PMJDY provides banking access to the unbanked population, enabling direct benefit transfers and reducing leakages.
2. **Economic Efficiency:** The efficient distribution of subsidies and welfare payments reduces dependency on intermediaries.
3. **Empowerment of Poor:** Access to credit and savings accounts enhances financial independence for marginalized communities.

Quick Tip

Link financial inclusion schemes like PMJDY to resource efficiency and economic empowerment.

31(a)(ii). Worker–population ratio is an indicator, used for analyzing the employment situation in a nation.
State and elaborate whether the statement is true or false, with valid arguments.

Solution:
The statement is true, as the worker-population ratio (WPR) measures the proportion of employed people in the total population:

1. **Indicator of Employment Levels:** A high WPR indicates a higher level of employment in the economy, while a low WPR points to underemployment or unemployment.
2. **Policy Implications:** WPR helps policymakers design targeted employment generation programs based on demographic and sectoral data.
3. **Gender and Regional Analysis:** It provides insights into disparities in employment across genders and regions.

> Quick Tip
>
> Use WPR to analyze employment trends and identify gaps in workforce participation.

31(b)(i). Elaborate the need to promote women's education in India.

Solution:
The importance of women's education includes:

1. **Economic Empowerment:** Educated women are more likely to participate in the workforce, contributing to economic growth and poverty reduction.
2. **Improved Health Outcomes:** Educated women are better informed about healthcare and hygiene, ensuring better health for their families.
3. **Social Equality:** Education empowers women to fight against social evils like gender discrimination, child marriage, and domestic violence.
4. **Intergenerational Benefits:** Educated mothers are more likely to ensure education for their children, breaking the cycle of illiteracy.

> Quick Tip
>
> Highlight the economic, social, and health-related benefits of promoting women's education.

31(b)(ii). Mention any two examples of diversification activities in the non-agro processing industries.

Solution:
Examples of diversification activities in non-agro processing industries:

1. **Textile Industry:** Diversifying into technical textiles and sustainable fabrics.
2. **Electronics Industry:** Expansion into renewable energy products like solar panels and batteries.

> Quick Tip
>
> Think of industries diversifying into technology or sustainability-focused products for non-agro examples.

32(a). State any two advantages of the micro-credit system of financing in rural areas of India.

Solution:

1. **Empowerment of Rural Poor:** Micro-credit provides access to credit for rural households, enabling them to start small businesses and improve livelihoods.
2. **Reduction in Dependency on Moneylenders:** It reduces the dependency of rural households on informal and exploitative credit sources like moneylenders.

> Quick Tip
>
> Focus on micro-credit benefits like financial inclusion and reduced exploitation in rural areas.

32(b). "In the current situation, Information Technology plays a vital role in achieving food security in a nation like India."
Justify the given statement. (3 marks)

Solution:

1. **Improved Agricultural Practices:** IT enables precision farming through weather forecasting, crop monitoring, and soil analysis, leading to better yields.
2. **Efficient Supply Chains:** IT solutions optimize logistics and storage, reducing food wastage and ensuring timely delivery of food grains.
3. **Access to Markets and Information:** Farmers gain access to real-time market prices and agricultural advisories, helping them make informed decisions.

> Quick Tip
>
> Link IT applications like precision farming, supply chain management, and market access to food security.

33(a)(i).
"Under the liberalisation measures taken by the Government of India, financial sector reforms were extremely crucial."
Reject or support the given statement with valid arguments.
Solution:
The statement is supported as financial sector reforms were pivotal for India's economic growth:

1. **Increased Efficiency:** Reforms encouraged competition among banks and financial institutions, improving efficiency and customer services.

2. **Attraction of FDI:** Liberalization in financial services attracted foreign direct investment (FDI), boosting capital inflows.

3. **Economic Stability:** Strengthened regulatory mechanisms under the Reserve Bank of India ensured financial stability and prevented crises.

> Quick Tip
>
> Support financial sector reforms with evidence of improved banking efficiency and FDI inflows.

33(a)(ii).
Clarify how the Green Revolution enabled the government to procure sufficient food grains to build stocks to be used during the times of food shortages.
Solution:
The Green Revolution significantly enhanced agricultural productivity, enabling surplus food grain production:

1. **Higher Yields:** Introduction of high-yield variety (HYV) seeds and better irrigation practices significantly increased wheat and rice production.

2. **Government Procurement:** The surplus production allowed the government to procure food grains under the Minimum Support Price (MSP) policy, ensuring stockpiling.

3. **Food Security Buffer:** These stocks helped the government meet public distribution system requirements and manage food shortages during crises.

> Quick Tip
>
> Highlight the role of surplus production and MSP policies in building food reserves during the Green Revolution.

33(b)(i).
"Every coin has two sides — debate over farm subsidies is one such classic example of the same."
Justify the given statement with two arguments each in favour of and against the continuation of the farm subsidies.
Solution:
Arguments in favour:

1. **Support to Farmers:** Subsidies provide financial relief to farmers, especially small and marginal ones, ensuring their survival.
2. **Food Security:** By subsidizing inputs like fertilizers and seeds, the government ensures higher crop production, contributing to national food security.

Arguments against:

1. **Overuse of Resources:** Excessive subsidies lead to overuse of water and fertilizers, degrading soil and depleting groundwater.
2. **Inefficiency:** Subsidies often benefit large farmers disproportionately, diverting funds from critical rural development needs.

> Quick Tip
>
> Balance your arguments by addressing both the benefits and drawbacks of farm subsidies.

33(b)(ii).
State the importance of "Growth with equity" as the objective of Indian economic planning.
Solution:

1. **Inclusive Growth:** It ensures that the benefits of economic growth reach marginalized and underprivileged sections of society.
2. **Reduction in Income Inequality:** Equitable distribution of resources and opportunities helps bridge the income gap between the rich and poor.
3. **Social Justice:** Growth with equity addresses regional imbalances and ensures sustainable development for all.

> Quick Tip
>
> Focus on inclusive development and reduction of disparities to explain the significance of "Growth with equity."

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34. Read the following text carefully:
In order to address two major environmental concerns in India, viz. water and air pollution, the government set up the Central Pollution Control Board (CPCB) in 1974. This was followed by states establishing their own state-level boards to address all the environmental concerns. They investigate, collect and disseminate information relating to water, air, and land pollution, lay down standards for sewage/trade effluent and emissions. These boards provide technical assistance to governments in promoting cleanliness of streams and wells by prevention, control, and abatement of water pollution, and improve the quality of air and to prevent, control, or abate air pollution in the country.

34(a). State any two concerns owing to which the Central Pollution Control Board (CPCB) was established.

Solution:
The Central Pollution Control Board (CPCB) was established to address the following concerns:

1. **Water Pollution:** The increasing pollution in streams and wells required regulatory measures to maintain cleanliness and prevent contamination.
2. **Air Pollution:** Rising levels of air pollution necessitated the establishment of standards and actions to improve air quality.

> Quick Tip
>
> Focus on the need for addressing water and air pollution when explaining the purpose of CPCB.

34(b). Explain any two functions performed by the Central Pollution Control Board (CPCB).
Solution:
The Central Pollution Control Board (CPCB) performs the following functions:

1. **Monitoring Water Quality:** CPCB monitors water quality in rivers, wells, lakes, and other water bodies to ensure pollution control.
2. **Setting Standards:** CPCB establishes standards for emissions and effluents to regulate industrial and urban pollution levels.

> Quick Tip
>
> Highlight CPCB's regulatory and monitoring roles for water and air quality.

34(c). Elaborate any two strategies to ensure sustainable development as adopted by India.
Solution:
India has adopted several strategies to promote sustainable development, including:

1. **Promotion of Renewable Energy:** Initiatives like the National Solar Mission focus on increasing the share of renewable energy in the power sector, reducing reliance on fossil fuels.
2. **Afforestation and Biodiversity Conservation:** Programs like the Green India Mission aim to increase forest cover, enhance carbon sinks, and conserve biodiversity for ecological balance.

> Quick Tip
>
> Relate renewable energy promotion and afforestation efforts to sustainable development objectives.
