CBSE Class XII Economics Set III 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. 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: The features of M_1 (narrow money supply) include:

1. It is measured at a point of time, so (i) is correct.
2. M_1 includes currency held by the public, demand deposits, and other deposits with the central bank. It does not exclude stock of money held by the government, making (ii) correct.
3. M_1 also includes currency in circulation and not just currency held by the Central Bank, so (iii) is incorrect.

Quick Tip

For money supply questions, focus on components like currency, demand deposits, and public holdings.

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2. Total consumption expenditure by households under Keynesian Economics is a combination of _____ and _____.
(Choose the correct alternative to fill in the blanks)

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: According to Keynesian Economics:

1. **Autonomous Consumption:** This is the consumption expenditure that does not depend on income levels and occurs even when income is zero (e.g., basic needs).
2. **Induced Consumption:** This is the consumption expenditure that changes with variations in income, showing a direct relationship between income and consumption.

Together, these components form the total consumption expenditure in an economy.

Quick Tip

Remember that total consumption in Keynesian theory includes autonomous (income-independent) and induced (income-dependent) components.

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3. Find the missing figures and choose the correct alternative:

Round	Deposits	Loans (80%)	Reserve Ratio (20%)
I	5000	4000	...(i)...
II	4000	...(ii)...	800
...	...	...	...
Total	...(iii)...	...(iv)...	5000

options:

(A) 1000, 800, 20000, 25000

(B) 5000, 3200, 25000, 20000

(C) 1000, 3200, 25000, 20000

(D) 1000, 800, 20000, 25000

Correct Answer: (C) 1000, 3200, 25000, 20000
Solution:

1. Reserve ratio (i) in Round I = 20% of 5000 = 1000.
2. Loans (ii) in Round II = 80% of 4000 = 3200.
3. Total deposits (iii) = Initial deposit + subsequent deposits = 25000.
4. Total loans (iv) = 80% of total deposits = 20000.

> Quick Tip
>
> For deposit and loan-related problems, remember the relationship: Total Loans = 80% of Total Deposits, and Reserve Ratio = 20% of Deposits.

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4. Surplus in Balance of Payments (BOP) refers to the excess of _____.
(Choose the correct alternative to fill in the blank)

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 (BOP) occurs when the inflow of autonomous receipts (e.g., exports, foreign investments) exceeds the outflow of autonomous payments (e.g., imports, foreign aid). It indicates a positive balance in the country's international transactions.

> Quick Tip
>
> Remember: A surplus in the balance of payments (BOP) occurs when total receipts exceed total payments, whereas a deficit occurs when total payments exceed total receipts.

5. 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 ____.
(Choose the correct alternative to fill in the blank)

options:

(A) 5

(B) 4

(C) 6

(D) 3

Correct Answer: (B) 4
Solution: The formula for the investment multiplier (K) is:

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

Here, $MPC = 0.75$:

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

Hence, the value of the investment multiplier is 4.

Quick Tip

Use $K = \frac{1}{1-MPC}$ to calculate the investment multiplier. Higher MPC leads to a higher multiplier.

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6. Suppose, the Balance of Trade of an imaginary economy shows a favourable 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 ____.
(Choose the correct alternative to fill in the blank)

options:

(A) 1700

(B) 750

(C) 700

(D) 900

Correct Answer: (C) 700
Solution: The formula for Balance of Trade is:

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

Given:

$$\text{BOT} = 500\,\text{crore}, \text{ Exports} = 1200\,\text{crore}$$

$$\text{Imports} = \text{Exports} - \text{BOT} = 1200 - 500 = 700\,\text{crore}.$$

Quick Tip

In a favourable Balance of Trade, Exports exceed Imports. Use the BOT formula: Exports − Imports = BOT.

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7. Read the following statements carefully:

1. Statement 1: If in an economy the level of income increases (ΔY), it will always proportionately increase the level of consumption (ΔC).
2. 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:

1. Statement 1 is incorrect because while consumption increases with income, it does not necessarily increase proportionately due to other factors like savings and spending habits.
2. Statement 2 is incorrect because $MPC + MPS = 1$, meaning they sum to one but are not always equal. For example, if $MPC = 0.8$, $MPS = 0.2$.

Quick Tip

For MPC and MPS, always remember: $MPC + MPS = 1$, but they are not necessarily equal.

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8. Identify the correct equation from the following:

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

(B) $NDP_{FC} = NNP_{FC} +$ 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 (GNP) at Market Price (GNP_{MP}) includes the value of goods and services produced within the country (GDP) plus the Net Factor Income from Abroad (NFIA). Hence:

$$GNP_{MP} = GDP_{MP} + NFIA$$

> Quick Tip
>
> Distinguish between GDP and GNP: GDP focuses on domestic production; GNP includes income from abroad.

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9. Read the following statements – Assertion (A) and Reason (R). Choose the correct alternative 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:

1. Assertion (A) is true because full employment implies no involuntary unemployment; however, frictional unemployment may still exist.
2. Reason (R) is true and explains Assertion (A) because full employment includes the provision of jobs for all willing and capable individuals at the prevailing wage rate.

> Quick Tip
>
> Understand full employment as the absence of involuntary unemployment, where frictional or voluntary unemployment may still exist.

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10. "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.
(Choose the correct alternative to fill in the blanks)

options:

(A) Debit, Current

(B) Credit, Capital

(C) Credit, Current

(D) Debit, Capital

Correct Answer: (D) Debit, Capital

Solution: Foreign Institutional Investors (FIIs) selling off their holdings results in capital outflows. In the Balance of Payments (BoP), such outflows are recorded on the debit side of the capital account.

> **Quick Tip**
>
> Capital account transactions involve cross-border investments and loans. Debit entries indicate outflows, while credit entries reflect inflows.

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

Solutions:

Fixed Exchange Rate System	**Flexible Exchange Rate System**
The exchange rate is determined and maintained by the government or central bank.	The exchange rate is determined by the forces of demand and supply in the foreign exchange market.
It ensures stability in foreign trade and investments.	It fluctuates, causing uncertainty in trade and investments.
Central banks intervene to maintain the pegged rate.	There is minimal or no intervention by central banks.

> **Quick Tip**
>
> Fixed exchange rates provide stability but require central bank intervention. Flexible rates allow market forces to determine the exchange value.

12(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 (in crore)**
(i)	Gross Domestic Fixed Capital Formation = 400
(ii)	Exports = 80
(iii)	Government Final Consumption Expenditure = 500
(iv)	Consumption of Fixed Capital = 70
(v)	Household Final Consumption Expenditure = 640
(vi)	Inventory Investment (Net) = (-80)
(vii)	Imports = 90
(viii)	Net Indirect Taxes = 60
(ix)	Net Factor Income from Abroad = 50

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

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

Where:

GDP_{MP} = Household Consumption Expenditure+Government Consumption Expenditure+Gross Investm

Step 1: Calculate GDP_{MP}:

$$GDP_{MP} = 640 + 500 + (400 - 80) + (80 - 90) = 1450$$

Step 2: Subtract Depreciation and Net Indirect Taxes:

$$NDP_{FC} = 1450 - 70 - 60 = 1320$$

Quick Tip

First calculate GDP_{MP}, then adjust for depreciation and indirect taxes to find NDP_{FC}.

12(b). (i) Elaborate the concept of Externalities with the help of a suitable example.
Solution: Externalities are unintended side effects of an economic activity that affect third parties not directly involved in the activity.

1. **Positive Externality:** Planting trees in urban areas improves air quality for residents.
2. **Negative Externality:** A factory polluting a nearby river harms the health of people and aquatic life.

Quick Tip

Externalities can be positive (beneficial) or negative (harmful). Always support your explanation with examples.

(ii) Define Operating Surplus.
Solution: Operating surplus refers to the income generated by firms from the production process after meeting intermediate costs and paying wages and salaries.

Quick Tip

Operating surplus includes profits, rent, and interest earned by firms.

13(a). "In an economy, ex-ante Aggregate Supply is more than ex-ante Aggregate Demand."
Explain its impact on the level of output, income, and employment.
Solution:

1. **Reduction in Output:** Excess supply causes inventory buildup, forcing firms to reduce production.

2. **Decline in Income:** Lower production reduces income for workers and firms.
3. **Unemployment:** Firms may cut jobs due to reduced production needs, leading to higher unemployment.

> Quick Tip
>
> Excess AS over AD leads to reduced production, income, and employment, causing economic contraction.

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

Income (Y) (in crore)	Savings (in crore)	Average Propensity to Consume (APC)	Marg
0	(-)30	-	
100	20	1	
200	50	0.85	
300	80	0.8	

Solution:

1. APC is calculated as:

$$APC = \frac{\text{Consumption (C)}}{\text{Income (Y)}} = \frac{Y - \text{Savings (S)}}{Y}$$

2. MPS is calculated as:

$$MPS = \frac{\Delta S}{\Delta Y}$$

- For $Y = 100$: $APC = \frac{100-20}{100} = 1$, $MPS = \frac{20-(-30)}{100} = 0.3$. - For $Y = 200$: $APC = \frac{200-50}{200} = 0.85$, $MPS = \frac{50-20}{100} = 0.3$. - For $Y = 300$: $APC = \frac{300-80}{300} = 0.8$, $MPS = \frac{80-50}{100} = 0.3$.

> Quick Tip
>
> APC and MPS help analyze consumption and savings behavior as income changes. Use the formulas systematically for calculations.

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14 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 given text and common understanding, answer the following questions:

(a) Identify and discuss the economic issue indicated in the above text.

Solution:

1. **Monetary Policy Decision:** The RBI decided not to change the lending rate, indicating a cautious approach to prevent inflationary pressures while ensuring economic growth.
2. **Withdrawal of Accommodative Policy:** This signals a shift toward controlling liquidity in the economy.

> Quick Tip
>
> RBI's monetary policy decisions balance inflation control and economic growth.

(b) Discuss the likely consequence on money supply if the rate-setting panel had decreased the said rate.
Solution:

1. **Cheaper Loans:** Lower interest rates encourage borrowing by businesses and households.
2. **Increased Liquidity:** More borrowing increases liquidity, boosting consumption and investment.

> Quick Tip
>
> Lower interest rates increase money supply and stimulate economic activity but can lead to inflationary pressures.

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15. Justify the following statements with valid arguments:

1. **Money serves as a 'store of value' in an economy.**
2. **The Central Bank acts as 'Government's Bank' in an economy.**

(a) Money serves as a 'store of value' in an economy.
Solution:

1. Money is non-perishable and can be saved for future needs, unlike barter systems where goods may degrade.
2. It facilitates long-term financial planning and investment by acting as a reliable medium for storing value.

> Quick Tip
>
> The 'store of value' function is critical for savings and investments in an economy.

(b) The Central Bank acts as 'Government's Bank' in an economy.
Solution:

1. **Custodian of Funds:** It holds the government's deposits and facilitates transactions.
2. **Debt Management:** It manages the issuance of public debt and treasury bills.
3. **Policy Advisor:** The central bank advises the government on monetary and fiscal policies.

Quick Tip

The central bank's role as the 'Government's Bank' ensures financial stability and economic policy implementation.

16(a). Discuss briefly the concept of circular flow of income in a two-sector model.
Solution:

1. Households provide factors of production (labor, capital) to firms and receive factor payments (wages, rent).
2. Firms produce goods and services, which households purchase using their income, creating a flow of money and goods.

Quick Tip

The circular flow demonstrates the interdependence of households and firms, ensuring economic stability.

(b) "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:

1. Nominal GDP is calculated using current market prices, whereas Real GDP adjusts for changes in price levels (inflation/deflation).
2. Example: If Nominal GDP increases from 500 crore to 600 crore, but inflation is 10%, Real GDP will show an actual growth of only 40 crore (100 crore increase - 60 crore inflation).

Quick Tip

Real GDP reflects true economic growth by eliminating the impact of price changes.

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

1. **Interest received on loan.**
2. **Disinvestment receipts from the sale of a government company.**

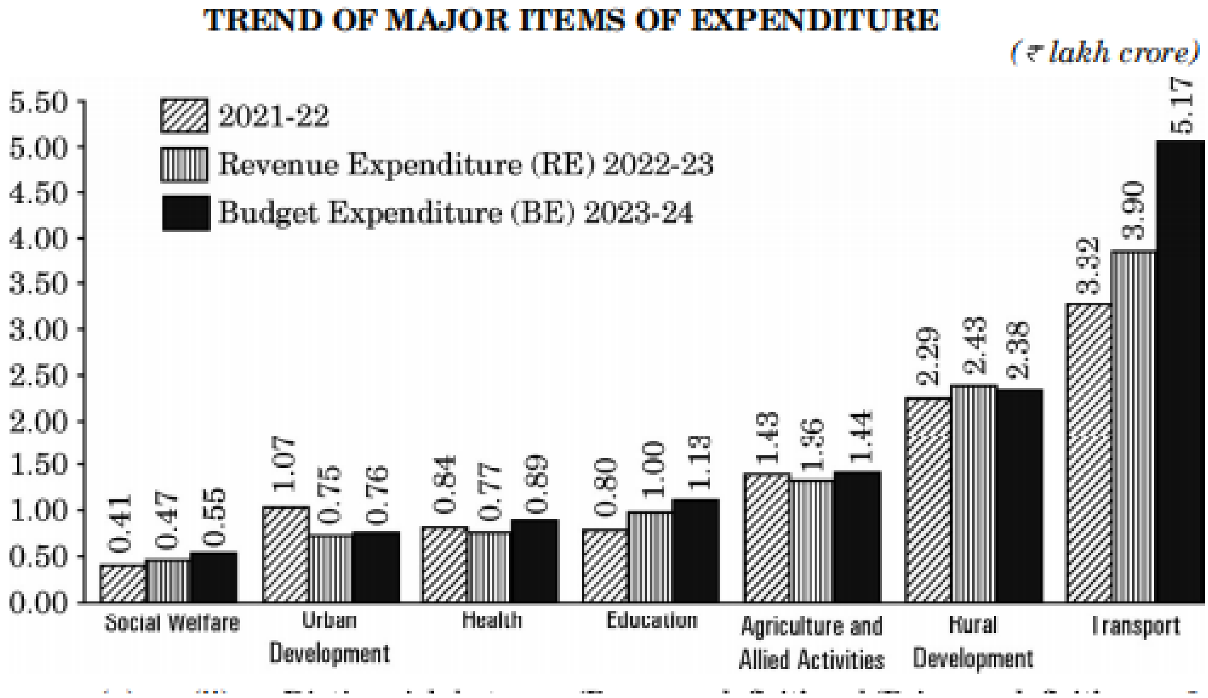
(a) Interest received on loan.
Solution: Interest received is a recurring income for the government and does not impact its liabilities or assets, qualifying it as a revenue receipt.
(b) Disinvestment receipts from the sale of a government company.

Solution: Disinvestment involves the sale of government assets, leading to a reduction in government ownership. It is a non-recurring transaction impacting the capital base, classifying it as a capital receipt.

> **Quick Tip**
>
> Revenue receipts do not affect assets or liabilities, whereas Capital receipts involve changes in the government's financial structure.

17(b)(i). Study the following chart carefully and analyze the changing trends in the government expenditure on:

1. Urban Development
2. Rural Development



Solution:

1. **Urban Development:**
   (a) The expenditure on Urban Development increased from 0.47 lakh crore in 2021-22 to 0.76 lakh crore in 2023-24 (Budget Estimate).
   (b) This reflects the government's focus on urban infrastructure, smart cities, and housing schemes.

2. **Rural Development:**
   (a) The expenditure on Rural Development rose from 2.29 lakh crore in 2021-22 to 2.48 lakh crore in 2023-24 (Budget Estimate).
   (b) This indicates a consistent emphasis on rural employment, agricultural support, and poverty alleviation.

Quick Tip

Analyzing trends involves comparing year-on-year changes in expenditure, identifying growth patterns, and relating them to government priorities.

(ii) Distinguish between 'Fiscal Deficit' and 'Primary Deficit'.
Solution:

Fiscal Deficit	Primary Deficit
It is the total borrowing requirement of the government, including interest payments.	It is the Fiscal Deficit excluding interest payments on past borrowings.
Calculated as: Total Expenditure – Total Receipts (excluding borrowings).	Calculated as: Fiscal Deficit – Interest Payments.
Reflects the overall financial health of the government.	Indicates the extent to which the current government borrowing is used for interest obligations.

Quick Tip

Fiscal Deficit represents total borrowing needs, while Primary Deficit focuses on current borrowing requirements net of interest payments.

SECTION B
Indian Economic Development

18. 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: In the 1970s, Pakistan undertook the nationalization of its key capital goods industries, including steel, chemicals, and heavy engineering. This move was aimed at consolidating industrial control under the government to boost development but led to inefficiencies and reduced private sector participation.

Quick Tip

Capital goods industries produce machinery and equipment essential for economic growth and industrialization.

19. 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 alternative from the following:

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

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

(C) Both Statements 1 and 2 are true.

(D) Both Statements 1 and 2 are false.

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

1. **Statement 1:** Under colonial rule, infrastructure like railways, ports, and postal systems was developed. This is historically accurate.

2. **Statement 2:** The primary goal of this development was to serve British economic and administrative interests, such as transporting raw materials and military goods efficiently, rather than benefitting the Indian population.

Quick Tip

Always analyze the purpose behind any historical development to determine its intent and beneficiaries.

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

(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:

1. **Agriculture Marketing System:** It involves activities like assembling, storage, processing, packaging, grading, transportation, and distribution.

2. **Incorrect Combination:** Production is not a part of the marketing process; it relates to farming activities. Hence, option (B) is incorrect.

Quick Tip

Agricultural marketing begins post-harvest and does not include the production process.

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

1. **Assertion (A):** The WTO promotes free and fair trade globally, ensuring that trade rules are transparent and consistent to prevent arbitrary trade barriers.

2. **Reason (R):** Enlarging world production and optimal resource utilization are aligned with the WTO's goals, including fostering sustainable development.

3. **Linkage:** Both statements are true, and Reason (R) explains the broader objectives of Assertion (A).

Quick Tip

Understand the goals and principles of global organizations like the WTO to analyze such questions effectively.

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22. 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:

1. **Assertion (A):** China has leveraged market reforms to promote economic growth and create social opportunities, such as higher employment and better income distribution.

2. **Reason (R):** The Chinese government also focused on social infrastructure, such as education and healthcare, leading to improvements in human development indicators.

3. **Explanation:** Reason (R) correctly highlights government efforts, but it does not fully explain the market mechanism's role in social and economic opportunities.

Quick Tip

While analyzing Assertion-Reason questions, check if the Reason directly supports and explains the Assertion.

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23. 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 of 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.

(A) (i) and (ii)

(B) (ii) and (iii)

(C) (iii) and (iv)

(D) (ii) and (iv)

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

1. **Correct Objectives:**
   - Ensuring an efficient marketing system and preventing exploitation of farmers are legitimate objectives of regulated agriculture markets.

2. **Incorrect Objectives:**

- Discouraging improvement in marketing infrastructure (ii) and discouraging farmers from improving the quality and quantity of their produce (iv) are contrary to the purpose of regulated agriculture markets.

> Quick Tip
>
> Regulated agriculture markets aim to support farmers by improving efficiency, infrastructure, and fair pricing.

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24. Economic reforms were introduced in India and Pakistan in the years ____ and ____, respectively.
(Choose the correct alternative to fill in the blanks)
options:

(A) 1988, 1978

(B) 1991, 1978

(C) 1991, 1988

(D) 1981, 1991

Correct Answer: (C) 1991, 1988
Solution:

1. **India:** Economic reforms in India were introduced in 1991 as part of the Liberalization, Privatization, and Globalization (LPG) policy to address the balance of payments crisis.
2. **Pakistan:** Pakistan began its economic reforms in 1988 under the Structural Adjustment Program (SAP) recommended by the International Monetary Fund (IMF).

> Quick Tip
>
> Remember key years of economic reforms in different nations, especially major policy shifts like LPG in India.

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25. 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 alternative from the following:

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

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

(C) Both Statements 1 and 2 are true.

(D) Both Statements 1 and 2 are false.

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

1. **Statement 1:** The NSSO defines unemployment as the situation where people are not working but are actively seeking work and are available to work. This is accurate.
2. **Statement 2:** Disguised unemployment, common in rural India, refers to more people working on a task than required, leading to underutilization of labor.
3. **Conclusion:** Both statements accurately describe unemployment in the Indian context.

> Quick Tip
>
> Understand the definitions and types of unemployment, especially in the Indian context, to answer similar questions effectively.

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26. 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:

1. The G20 is a group of the world's largest economies, comprising 19 countries and the European Union.
2. Members include Brazil, Australia, and Argentina, but Bangladesh is not a member as it is not among the top 20 global economies by GDP.

> Quick Tip
>
> Familiarize yourself with the G20 member nations and their role in global economic cooperation.

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27. Read the following statements – Assertion (A) and Reason (R). Choose the correct alternative 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:

1. **Assertion (A):** Permit license raj hindered private sector growth, limiting competitiveness.
2. **Reason (R):** Resources were diverted towards obtaining licenses rather than innovation and quality improvement.
3. **Conclusion:** Both are correct, and Reason (R) explains Assertion (A).

Quick Tip
Understand the drawbacks of regulatory systems like the permit license raj to answer similar questions.

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28. "In India, National Education Policy 2020 has stressed a lot on in-service training of the teachers."
(i) Identify the source of Human Capital Formation (HCF) indicated in the aforesaid statement.
Solution:

- The source of Human Capital Formation (HCF) is skill development through training.
- By providing in-service training, teachers enhance their knowledge and teaching capabilities.

Quick Tip
In-service training equips teachers with updated teaching methods, enhancing overall education quality.

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

1. Enhanced quality of education leads to better human capital development.
2. Improved productivity and innovation in the workforce.
3. Reduction in inequalities through access to quality education.

Quick Tip

Quality education leads to a more skilled workforce, driving economic growth and social development.

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

1. Heavy taxation and exploitation by the British reduced farmers' incomes and investments in agriculture.
2. Land revenue systems like Zamindari discouraged agricultural productivity.
3. Lack of irrigation facilities and modernization led to stagnant productivity.
4. Famines and food shortages worsened the situation, affecting agricultural growth.

Quick Tip

Connect historical policies like Zamindari and heavy taxation with agricultural stagnation.

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

1. Avoid concentration of economic power in private hands.
2. Promote equitable distribution of resources.
3. Ensure state control in key industries to accelerate development.
4. Protect small-scale industries from unfair competition.

Quick Tip

Link the 1956 policy objectives to planned and balanced economic growth.

30(a). State any two advantages of micro-credit system in rural areas of India.
Solution:

1. Provides access to credit for small-scale businesses and self-employment.
2. Empowers women by promoting entrepreneurship.

Quick Tip

Micro-credit improves financial inclusion and rural livelihoods.

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

1. IT helps monitor crop health and predict yields using data analytics.
2. Online platforms enable farmers to access market prices and sell directly.
3. Efficient distribution systems reduce wastage and ensure equitable food distribution.
4. Technology-based crop insurance programs protect farmers from risks.

> Quick Tip
>
> Use examples of IT applications like e-NAM and weather forecasting to support your argument.

31(a). Explain the consequences of one-child policy adopted by China in the 1970s.
Solution:

1. **Positive Consequences:**
   - Population growth was controlled, reducing strain on resources.
   - Families could allocate more resources like education and healthcare to a single child.
2. **Negative Consequences:**
   - **Aging Population:** The population aged rapidly, leading to labor shortages.
   - **Gender Imbalance:** A preference for male children resulted in a skewed gender ratio.
   - **Social Issues:** Increased pressure on single children, leading to psychological problems.

> Quick Tip
>
> Policies addressing population control should balance resource needs with demographic sustainability.

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

1. Attracted massive foreign direct investment (FDI) due to favorable policies.
2. Boosted industrialization, creating jobs and reducing unemployment.
3. Encouraged exports, contributing to China's trade surplus and economic development.
4. Facilitated technology transfer and skill development, increasing productivity.

Quick Tip

SEZs are effective tools for economic reforms, fostering industrial and export growth.

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

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

ii. Worker–population ratio is an indicator used for analyzing the employment situation in a nation.

Solution:

i. **True:** Initiatives like Jan-Dhan Yojana ensure financial inclusion by enabling access to banking services for unbanked sections of society, improving financial resource allocation.

ii. **True:** Worker–population ratio indicates the proportion of the working-age population engaged in productive employment, crucial for assessing labor market conditions.

Quick Tip

For statement-based questions, always support your answer with relevant policies or data.

OR

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

1. **Economic Development:** Educated women contribute to the workforce, boosting economic growth.
2. **Social Equity:** Promotes gender equality and reduces discrimination.
3. **Improved Health and Hygiene:** Educated mothers ensure better healthcare and nutrition for their families.
4. **Self-Reliance:** Education empowers women to make informed decisions in personal and professional life.

Quick Tip

Focus on social, economic, and health benefits while addressing women's education.

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

1. Textile manufacturing

2. Food processing industries

> 💡 Quick Tip
>
> Diversification supports rural livelihoods and reduces overdependence on agriculture.

33(a)(i). "Under the liberalisation measures taken by the Government of India, Trade and Investment Policy reforms were extremely crucial."
Reject or support the given statement with valid arguments.
Solution:

1. **Increased Foreign Direct Investment (FDI):** Reforms encouraged foreign investments in various sectors, boosting industrial growth.
2. **Global Market Access:** Liberalisation facilitated Indian industries to access global markets, increasing exports.
3. **Technology Transfer:** Allowed import of advanced technologies, improving productivity and efficiency.

> 💡 Quick Tip
>
> For policy-based questions, connect reforms to outcomes like FDI, technology transfer, and market access.

(ii) "Despite the implementation of Green Revolution, 65 per cent of India's population continued to be engaged in the agriculture sector till the 1990s."
Justify the given statement with valid explanation.
Solution:

1. **Regional Disparities:** Benefits of the Green Revolution were concentrated in specific regions like Punjab and Haryana, leaving others unaffected.
2. **Small Landholdings:** Majority of farmers had small landholdings, limiting the impact of modern farming techniques.
3. **Lack of Diversification:** Absence of non-agricultural job opportunities kept the majority dependent on agriculture.

> 💡 Quick Tip
>
> Highlight disparities and structural issues to explain the continued reliance on agriculture.

OR

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:

1. **Arguments in Favour:**
   - Ensures income stability for farmers during poor crop seasons.
   - Encourages food production, ensuring food security for the country.
2. **Arguments Against:**
   - Leads to fiscal burden and inefficient resource allocation.
   - Discourages farmers from adopting sustainable farming practices.

Quick Tip
Balance economic and social perspectives for subsidy-related questions.

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

1. Promotes balanced regional development by reducing rural-urban gaps.
2. Provides equal opportunities for all, ensuring social justice.
3. Enhances economic stability by fostering sustainable and inclusive growth.

Quick Tip
Connect growth with equity to social justice and sustainable development.

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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.
These boards also carry out and sponsor investigation and research relating to problems of water and air pollution and for their prevention, control or abatement. They organize, through mass media, a comprehensive mass awareness programme for the same. The CPCBs prepare manuals, codes and guidelines relating to treatment and disposal of sewage and trade effluents. They assess the air quality through regulation of industries. In fact, state boards, through their district level officials, periodically inspect every industry under their jurisdiction to assess the adequacy of treatment measures provided to treat the effluent and gaseous emissions. It also provides background air quality data needed for industrial siting and town planning.

The pollution control boards collect, collate and disseminate technical and statistical data relating to water pollution. They monitor the quality of water in 125 rivers (including the tributaries), wells, lakes, creeks, ponds, tanks, drains and canals.

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

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

Solution:

1. Addressing water pollution caused by untreated sewage and industrial effluents.
2. Controlling air pollution caused by industrial emissions and vehicular exhaust.

> Quick Tip
>
> Link the establishment of CPCB to addressing critical environmental challenges like water and air pollution.

(b) Explain any two functions performed by the Central Pollution Control Board (CPCB).

Solution:

1. Setting standards for sewage discharge, trade effluents, and industrial emissions.
2. Monitoring the quality of water in rivers, wells, lakes, and other water bodies.

> Quick Tip
>
> For function-based questions, focus on CPCB's role in standard setting and pollution monitoring.

(c) Elaborate any two strategies to ensure sustainable development as adopted by India.

Solution:

1. **Afforestation Programmes:** Increasing forest cover to absorb carbon dioxide and maintain ecological balance.
2. **Renewable Energy Promotion:** Encouraging the use of solar, wind, and hydropower to reduce reliance on fossil fuels.

> Quick Tip
>
> Emphasize sustainability initiatives like renewable energy and conservation efforts in similar questions.
