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

(A) It is a certain percentage of demand and time deposit liabilities that every bank must keep as cash reserves with the Central Bank.

(B) It is fixed by the Central Bank.

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

(D) It is a tool used by the Central Bank to control the credit creation in the economy.

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

1. Cash Reserve Ratio (CRR) is the percentage of a commercial bank's demand and time liabilities that must be kept as reserves with the Central Bank. This ensures liquidity and control over the money supply.
2. **Option (C):** This is incorrect because CRR is mandatory and binding on all commercial banks as per the regulations of the Central Bank.
3. **Options (A), (B), and (D):** These are correct as they accurately describe CRR and its role in monetary policy and credit control.

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

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

(A) An Indian sending remittances from England.

(B) Investing in assets abroad by Indians.

(C) An American company purchasing shares of an Indian company.

(D) Export of spices from India.

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

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

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

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3. Read the following statements carefully:
Statement 1: Economic territory and political frontier of a nation are one and the same thing.
Statement 2: American Embassy in India is a part of the economic territory of India.
In the light of the given statements, choose the correct alternative from the following:

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

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

(C) Both statements 1 and 2 are true.

(D) Both statements 1 and 2 are false.

Correct Answer: (D) Both statements 1 and 2 are false.
Solution:

1. **Statement 1:** This is false because a nation's economic territory extends beyond its political frontier to include embassies, consulates, and businesses operating abroad under its control.

2. **Statement 2:** This is false because the American Embassy in India is considered part of the economic territory of the United States, not India. Similarly, Indian embassies in other countries are part of India's economic territory.

> Quick Tip
>
> Economic territory includes a nation's embassies abroad and foreign embassies within a country belong to their home nation.

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

(A) Ensures stability in exchange rate.

(B) Possibility of under or overvaluation of foreign currency.

(C) Prevents speculations in foreign exchange market.

(D) Coordination of macroeconomic policies becomes convenient.

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

1. A fixed exchange rate system ensures **stability in exchange rates** (Option A) and prevents **speculations in the foreign exchange market** (Option C), making trade and investment more predictable.

2. It also makes **coordination of macroeconomic policies** easier (Option D).

3. However, **possibility of under or overvaluation of foreign currency** (Option B) is a disadvantage of the fixed exchange rate system, as the rate may not reflect the true value of the currency in the global market.

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

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5. Read the following statements carefully:
Statement 1: A consumption function describes the relationship between consumption and savings.
Statement 2: Consumption function consists of two components—autonomous consumption and induced consumption.
In the light of the given statements, choose the correct alternative from the following:

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

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

(C) Both Statements 1 and 2 are true.

(D) Both Statements 1 and 2 are false.

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

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

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

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6. Suppose in an imaginary economy, autonomous consumption = 500 crore and marginal propensity to consume = 0.8. The saving function for the economy would be _____.
(Choose the correct alternative to fill in the blank):

(A) $500 + 0.8Y$

(B) $-500 + 0.8Y$

(C) $500 + 0.2Y$

(D) $-500 + 0.2Y$

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

1. The consumption function is given as:

$$C = 500 + 0.8Y$$

2. The saving function (S) is derived as:

$$S = Y - C$$

Substituting C into the equation:

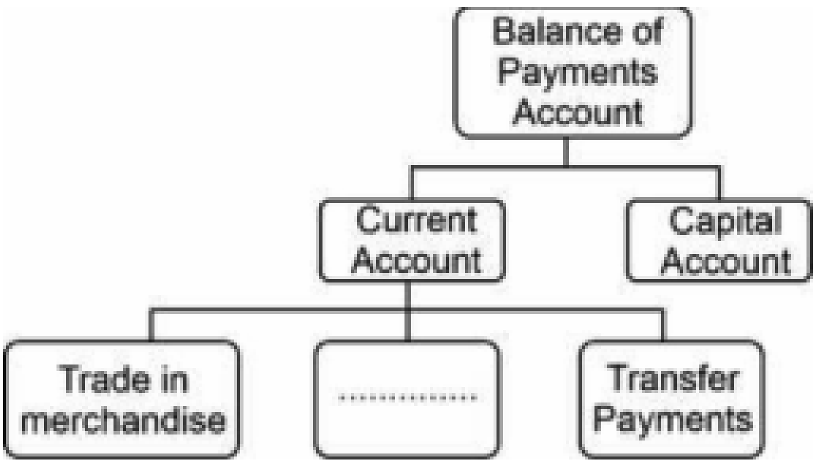
$$S = Y - (500 + 0.8Y) = -500 + 0.2Y$$

💡 Quick Tip

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

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

Balance of Payments Account



Options:

(A) Investments

(B) Trade of Services

(C) External Borrowings

(D) External Assistance

Correct Answer: (B) Trade of Services.

Statement 2: This is true because the consumption function consists of two components:

1. **Autonomous Consumption:** The minimum level of consumption that occurs even when income is zero.

2. **Induced Consumption:** The component of consumption that varies with changes in income.

Quick Tip

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

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8. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below:
Assertion (A): The equilibrium level of income is determined, when ex-ante spending and ex-ante output are equal.
Reason (R): The equilibrium level of income may or may not be the same as the full employment level of output.
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):** This is true because the equilibrium level of income is achieved when planned (ex-ante) spending equals planned (ex-ante) output, ensuring no unintended inventory changes.
2. **Reason (R):** This is also true because the equilibrium level of income is not necessarily the same as the full employment output. It can occur below or above the full employment level depending on aggregate demand.
3. **Conclusion:** Though both statements are true, Reason (R) does not fully explain Assertion (A), as equilibrium income is based on aggregate demand and not necessarily full employment.

Quick Tip

Equilibrium income is set where ex-ante spending equals ex-ante output, but this does not always mean full employment due to demand variations.

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9. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below:
Assertion (A): The maximum value of Marginal Propensity to Save (MPS) can be unity.
Reason (R): At the break-even level of income, savings are zero.
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):** This is true because theoretically, MPS could reach unity if all additional income is saved, but practically, this is rare.
2. **Reason (R):** This is also true since, at the break-even level of income, consumption equals income, leaving savings at zero.
3. **Conclusion:** While both statements are true, Reason (R) does not correctly explain Assertion (A) since break-even income concerns savings at zero, not the maximum possible value of MPS.

Quick Tip

MPS theoretically ranges from 0 to 1, but break-even income relates to the point where savings are zero, not necessarily the highest MPS value.

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10. Read the following statements carefully:
Statement 1: Money is a commodity which is generally accepted as a medium of exchange.
Statement 2: Money solved the problem of double coincidence of wants.
In the light of the given statements, choose the correct alternative from the following:

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

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

(C) Both statements 1 and 2 are true.

(D) Both statements 1 and 2 are false.

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

1. **Statement 1:** Money is universally accepted as a medium of exchange, which makes it a key feature in economic transactions.
2. **Statement 2:** Money overcomes the limitation of barter systems, including the problem of double coincidence of wants, by allowing indirect exchanges.

Quick Tip

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

11(a). "Accommodating transactions are undertaken to maintain stability in the Balance of Payments Account."
Justify the given statement with valid explanation.
Solution:

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

Quick Tip

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

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

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

Quick Tip

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

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

S.No.	Items	Amount (in crore)
(i)	Wages and Salaries	2,000
(ii)	Rent and Interest	800
(iii)	Corporate Tax	500
(iv)	Undistributed Profit	300
(v)	Dividend	200
(vi)	Depreciation	150
(vii)	Net Factor Income from Abroad	-50

Correct Answer: $GNP_{FC} = 3,950\,\text{crore}$
Solution:

1. The formula for GNP_{FC} is:

$$GNP_{FC} = Wages\,\&\,Salaries + Rent\,\&\,Interest + CorporateTax + UndistributedProfit + Dividend +$$

2. Substituting the values:

$$GNP_{FC} = 2000 + 800 + 500 + 300 + 200 - 50 = 3,950\,\text{crore}.$$

3. Note: Depreciation is not included in GNP_{FC} as it accounts for net factor incomes.

Quick Tip

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

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13. Reserve Bank of India undertakes the important function of managing the government's banking transactions.
Discuss the above-stated function performed by the Reserve Bank of India.
Solution:

1. **Government's Banker:**
   - RBI manages accounts of the central and state governments.
   - It facilitates the receipt and payment of government funds.
2. **Public Debt Management:**
   - RBI manages the borrowing program of the government through the issuance of government bonds and treasury bills.
3. **Monetary Policy Implementation:**
   - The RBI ensures liquidity and credit control to support government policies.

Quick Tip

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

14. For a hypothetical economy, assume the government increased an infrastructural investment by 20,000 crore. 80% of additional income is consumed in the economy. Estimate the increase in income and the corresponding increase in consumption expenditure in the economy.
Correct Answer:
Increase in Income: 1,00,000 crore
Increase in Consumption Expenditure: 80,000 crore
Solution:

1. The formula for the multiplier is:
$$\text{Multiplier} = \frac{1}{1 - MPC}$$
Given $MPC = 0.8$:
$$\text{Multiplier} = \frac{1}{1 - 0.8} = 5$$

2. Total increase in income:
$$\Delta Y = \text{Multiplier} \times \text{Investment} = 5 \times 20,000 = 1,00,000\,\text{crore.}$$

3. Increase in consumption expenditure:
$$\Delta C = MPC \times \Delta Y = 0.8 \times 1,00,000 = 80,000\,\text{crore.}$$

Quick Tip

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

15(a). "If actual demand for final goods falls short of the actual output of final goods corresponding to full employment level, it may lead to an unintended accumulation of inventories."
Do you agree with the given statement? Give valid reasons in support of your answer.
Correct Answer: Yes, I agree with the statement.
Solution:

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

Quick Tip

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

OR

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

Income (Y) (in crore)	Savings (S) (in crore)	Average Propensity to Consume (APC)	Marginal Propensity
0	-50	–	–
100	0	1	0.5
200	50	3/4	0.5
300	100	2/3	0.5

Solution:

1. **Consumption Function:** $C = Y - S$
   - At $Y = 0$: $C = -50$ (Autonomous Consumption).
   - Marginal Propensity to Consume $(MPC) = 1 - MPS = 1 - 0.5 = 0.5$.
2. **Values:**
   - At $Y = 100$: $S = 0$, so $C = 100 - 0 = 100$. $APC = \frac{C}{Y} = 1$.
   - At $Y = 200$: $S = 50$, so $C = 200 - 50 = 150$. $APC = \frac{C}{Y} = \frac{150}{200} = 0.75$.
   - At $Y = 300$: $S = 100$, so $C = 300 - 100 = 200$. $APC = \frac{C}{Y} = \frac{200}{300} = 0.67$.

Quick Tip

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

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

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

Quick Tip

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

16(a)(ii). Explain the 'reallocation of resources' objective of Government Budget.
Solution:

1. The government reallocates resources to promote social welfare and correct market failures.
2. By imposing taxes and providing subsidies, the government discourages the production of harmful goods (e.g., tobacco) and encourages essential goods (e.g., healthcare, education).
3. Public investments in infrastructure, renewable energy, and welfare schemes help in equitable resource distribution and economic development.

> Quick Tip
>
> Reallocation of resources in the budget aims at promoting welfare through taxation, subsidies, and public investment.

OR
16(b)(i). Suppose the following data is presented for an imaginary economy:

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

Calculate Revenue Deficit and Fiscal Deficit.
Solution:

1. **Revenue Deficit:**

$$\text{Revenue Deficit} = \text{Revenue Expenditure} - \text{Revenue Receipts}$$

$$\text{Revenue Receipts} = \text{Tax Receipts} + \text{Non-Tax Receipts} = 1,200 + 2,000 = 3,200$$

$$\text{Revenue Deficit} = 3,700 - 3,200 = 500\,\text{crore.}$$

2. **Fiscal Deficit:**

$$\text{Fiscal Deficit} = \text{Total Expenditure} - \text{Total Receipts (excluding borrowings)}$$

Total Expenditure = Revenue Expenditure + Capital Expenditure = $3,700 + 500 = 4,200$
Total Receipts (excluding borrowings) = Revenue Receipts + Recovery of Loans + Disinvestment = $3,200 + 145 + 120 = 3,465$

$$\text{Fiscal Deficit} = 4,200 - 3,465 = 735\,\text{crore.}$$

> Quick Tip
>
> Revenue Deficit is the shortfall of revenue receipts compared to revenue expenditure, while Fiscal Deficit includes both revenue and capital shortfalls.

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

Public Provision	Public Production
It refers to the supply of goods and services by the government, funded through taxes or other sources.	It refers to the production of goods and services by government-owned entities.
Example: Free education in government schools.	Example: Production of electricity by state-owned companies.
May involve private sector participation for delivery.	Entirely managed and controlled by the public sector.

Quick Tip

Public provision focuses on supplying services funded by the government, while public production involves government-owned entities producing goods.

17. Read the following text carefully:
Decisions taken by factors of production in the production process often may affect the stakeholders indirectly. Such impacts at times are huge but are not accounted for, while estimating national income. Economists call them as externalities and they can be positive or negative.
In this regard, many economists suggest carbon pricing as an important tool to ensure ecological balance.
Carbon pricing tries to control greenhouse gas emissions by either placing a fee on emitting or offering subsidies on lesser emission. Through instruments like carbon tax, green cess, eco tax, etc. economists suggest moving towards greener technology eliminating such negative externalities.
On the basis of the given text and common understanding, answer the following questions:
(i) Define externalities.
Solution: Externalities refer to the unintended side effects of economic activities on third parties who are not directly involved in the production or consumption of goods or services. These effects can be:

- **Positive Externalities:** Beneficial effects on third parties.
- **Negative Externalities:** Harmful effects imposed on others.

Example:

- **Positive:** Planting trees improves air quality.
- **Negative:** Factory pollution harms nearby residents.

Quick Tip

Externalities are non-market impacts that may require government intervention to ensure societal welfare.

(ii) Differentiate between positive and negative externalities.
Solution:

Positive Externalities	**Negative Externalities**
Provide benefits to third parties.	Impose costs on third parties.
Lead to underproduction in a free market.	Lead to overproduction in a free market.
Require government incentives to be encouraged.	Require regulation to control their impact.
Example: Free vaccination reduces disease spread.	**Example:** Air pollution from industries.

Quick Tip

Governments use subsidies to promote positive externalities and taxes to limit negative externalities.

(iii) Elaborate how and why carbon pricing should be promoted.
Solution: Carbon pricing is a market-based approach to controlling greenhouse gas emissions by placing a financial cost on carbon emissions. It can be implemented through:

- **Carbon Tax:** Charging a fixed price per ton of CO emissions.
- **Cap-and-Trade System:** Setting emission limits and allowing trade of emission permits.

Why Carbon Pricing Should be Promoted:

- Encourages industries to adopt cleaner technology.
- Internalizes the negative externality of carbon emissions.
- Raises government revenue to fund environmental initiatives.

Impact: Carbon pricing helps address climate change, ensuring sustainable economic growth.

Quick Tip

Carbon pricing incentivizes industries to adopt cleaner production techniques by making pollution financially costly.

SECTION B

Indian Economic Development

18. _______ farming is a system that is helpful in restoring, maintaining and enhancing the ecological balance.
(Choose the correct alternative to fill in the blank):

(A) Conventional

(B) Organic

(C) Chemical

(D) Multi-layered

Correct Answer: (B) Organic
Solution:

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

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

19. The present day rapid industrial growth in China can be traced back to the economic reforms introduced in 1978, where ______.
(Choose the correct alternative to fill in the blank):

(i) Initially reforms were initiated in agriculture, foreign trade, and investment sectors.

(ii) The policy of dual pricing was adopted.

(iii) The Government revoked the policy of Special Economic Zones.

Options:

(A) Only (i)

(B) Only (ii)

(C) (i) and (ii)

(D) (i), (ii), and (iii)

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

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

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

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

(A) Restrictive policies of commodity production, trade, and tariff

(B) British monopoly over India's exports and imports

(C) Free trade from India to the rest of the world

(D) Large export surplus

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

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

Quick Tip

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

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21. Modernization is an important economic planning objective that focuses on ______.
(Choose the correct alternative to fill in the blank):

(i) Adoption of innovative technology

(ii) Equal distribution of income and wealth

(iii) Bringing positive changes in the social outlook

Options:

(A) Only (i)

(B) (i) and (ii)

(C) (i) and (iii)

(D) (i), (ii), and (iii)

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

1. **Modernization** refers to the transformation of an economy through technological advancement and social progress. It includes:
   - **Adoption of innovative technology:** Enhances productivity, efficiency, and global competitiveness.

- **Bringing positive changes in the social outlook:** Encourages progressive attitudes, gender equality, and scientific temper.

2. However, **equal distribution of income and wealth** is primarily a focus of **equity**, not modernization. Thus, option (ii) is not included in the correct answer.

> Quick Tip
>
> Modernization focuses on technological advancement and social transformation, while equitable income distribution is a separate economic objective.

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

(A) Economic reforms

(B) One-Child Policy

(C) Great Proletarian Cultural Revolution

(D) Special Economic Zones

Correct Answer: (B) One-Child Policy
Solution:

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

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

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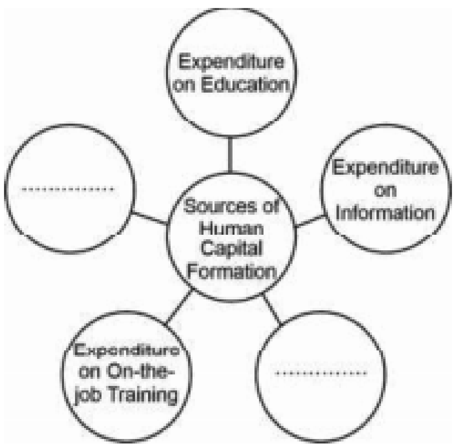
23. Identify the sources of Human Capital Formation and choose the correct alternative to fill in the blanks:



Options:

(A) Expenditure on Health and Expenditure on Schools

(B) Expenditure on Technology and Expenditure on Knowledge

(C) Expenditure on Migration and Expenditure on Knowledge

(D) Expenditure on Health and Expenditure on Migration

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

1. Human Capital Formation refers to the development of skills, knowledge, and health in individuals to improve productivity.

2. Key sources include:

   - **Expenditure on Health:** Ensures a healthy workforce capable of contributing effectively to the economy.

   - **Expenditure on Migration:** Helps in reallocating skilled labor to areas with better opportunities, optimizing productivity.

Quick Tip

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

**24. After the implementation of economic reforms, Pakistan experienced slowdown of growth due to various reasons including ______.
(Choose the correct alternative to fill in the blank):**

(i) Volatile performance of the agriculture sector

(ii) Over-dependence on remittances from abroad

(iii) Political instability

Options:

(A) (i) and (ii)

(B) (ii) and (iii)

(C) (i), (ii), and (iii)

(D) (i) and (iii)

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

1. **Volatile agriculture sector:** Pakistan's agriculture sector experienced significant fluctuations, leading to an unstable economy and reduced investor confidence.

2. **Over-dependence on remittances:** The country's economic stability heavily relied on remittances from abroad rather than domestic productivity and industrialization.

3. **Political instability:** Frequent changes in government and lack of long-term economic policies created an uncertain business environment, discouraging foreign and domestic investments.

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

25. Read the following statements carefully:
Statement 1: India, Pakistan and China have similar physical endowments, but totally different political systems.
Statement 2: Both India and Pakistan laid great emphasis on creating a large private sector.
In the light of the given statements, choose the correct alternative from the following:

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

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

(C) Both Statements 1 and 2 are true.

(D) Both Statements 1 and 2 are false.

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

1. **Statement 1:** This is correct because India, Pakistan, and China share similar geographical features, such as river systems and fertile plains, but their political systems differ significantly.

2. **Statement 2:** This is incorrect because India focused on creating a mixed economy with significant public sector involvement, while Pakistan also emphasized state-led initiatives initially, rather than focusing on a large private sector.

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

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26. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below:
Assertion (A): In the recent past, Indian economy has been facing the problem of jobless growth.
Reason (R): Jobless growth refers to a situation where an economy is able to produce more goods and services without generating additional employment.
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):** India has been experiencing jobless growth, where economic expansion does not lead to proportional employment generation.
2. **Reason (R):** While jobless growth refers to rising GDP without employment growth, it is not the sole reason for India's employment challenges.
3. **Conclusion:** Both Assertion (A) and Reason (R) are true, but the Reason does not fully explain the Assertion. Other factors like skill mismatch, automation, and structural changes also contribute to jobless growth.

Quick Tip

Jobless growth is a major economic concern; addressing it requires policies that promote labor-intensive industries and skill development.

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

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

Options:

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

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

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

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

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

1. **Cement shop owner:** Falls under self-employed as the individual owns and manages the business independently.
2. **Construction worker:** Classified as a casual wage worker as they work temporarily for wages on various projects.

3. **Civil engineer:** Regular salaried professional employed in companies or institutions.

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

28(a). "Recently, the Government of India launched Jan-Dhan Yojana."
In the light of the given statement, discuss briefly the objectives of this scheme.
Solution:

1. **Financial Inclusion:** The primary aim of the Jan-Dhan Yojana is to provide access to financial services like savings accounts, insurance, and credit to the economically weaker sections of society.
2. **Affordable Banking Services:** It focuses on extending banking facilities to unbanked areas through no-minimum-balance accounts.
3. **Social Security:** The scheme includes benefits like accident insurance and life insurance for account holders, promoting economic security.
4. **Direct Benefit Transfers (DBT):** Facilitates direct transfer of subsidies and welfare payments, ensuring transparency and reducing leakages.

> 💡 Quick Tip
>
> Jan-Dhan Yojana promotes financial inclusion by providing access to banking, insurance, and direct benefit transfers for the unbanked population.

OR

28(b). "The Government of India has taken various measures to align the agricultural marketing system with the growing production activities in the rural areas." Do you agree with the given statement? Give any two valid reasons in support of your answer.
Solution:

1. **Improved Infrastructure:** The government has established warehouses, cold storage facilities, and better transportation networks to reduce post-harvest losses and improve market access for farmers.
2. **E-NAM Platform:** The National Agriculture Market (e-NAM) facilitates digital trading and competitive pricing, empowering farmers by connecting them with buyers directly.
3. **Conclusion:** These measures ensure fair pricing, reduce intermediaries, and promote rural economic growth.

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

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

Figure 1: Industrial Pollution and Ecological Disaster

Solution:

1. The picture depicts industrial pollution, including air and water contamination, contributing to environmental degradation.
2. **Strategy to Control:**
   - Implement strict pollution control regulations for industries.
   - Promote the use of clean and renewable energy sources to reduce carbon emissions.
   - Establish waste management systems for industrial discharge.
3. These strategies ensure sustainable industrial development while preserving the ecological balance.

Quick Tip

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

Note: The following question is for the *Visually Impaired Candidates* only, in lieu of Q. No. 29.
State any two strategies to achieve the objective of sustainable development.
Solution:

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

Quick Tip

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

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

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

Solution:

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

Quick Tip

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

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

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

Quick Tip

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

OR

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

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

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

---

32. Discuss any two benefits accruing from human capital formation.
Solution:

1. **Enhanced Productivity:** Investments in education, health, and skill development lead to a more productive workforce.
2. **Technological Advancement:** Human capital formation encourages innovation and efficient utilization of resources, driving economic growth.

> Quick Tip
>
> Human capital formation enhances productivity and fosters innovation, driving long-term economic development.

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

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

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

33(a)(ii). State any two sources of data on unemployment in India.
Solution:

1. **Periodic Labour Force Survey (PLFS):** Provides comprehensive data on employment and unemployment trends.

2. **Census of India:** Collects detailed demographic data, including economic activity and unemployment statistics.

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

33(a)(iii). Elaborate the need to promote women's education in India.
Solution:

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

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

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

1. In rural areas, the majority of the population is engaged in primary activities like agriculture and allied services, which require a higher labor force.
2. Urban areas are more industrialized and mechanized, requiring fewer workers for similar levels of production.
3. Rural employment is often family-based and informal, where more individuals, including children and elderly, participate in economic activities.

> Quick Tip
>
> Rural areas have higher workforce participation due to dependency on agriculture, while urban areas rely on mechanized and formal employment.

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

1. **Definition:** Disguised unemployment refers to a situation where more people are employed than required, resulting in zero or negligible marginal productivity.
2. **Implications:**
    - **Inefficient Labor Use:** Resources are underutilized, and overall economic productivity remains low.

- **Lower GDP:** Excess labor in low-productive sectors like agriculture fails to contribute to GDP growth effectively.
- **Hidden Unemployment:** The extra workforce could be redeployed to other sectors without affecting current output levels.

> Quick Tip
>
> Disguised unemployment reflects inefficiency in labor utilization, reducing overall productivity and economic growth.

34. Read the following text carefully:
India's industrial policy since independence has been shaped broadly in terms of the Industrial Policy Resolution of 1948. It emphasized on the sole responsibility of the government in the matter of promoting, assisting and regulating the development of industries in the national interest. It envisaged an active and dominant role of public sector.
The next Industrial Policy Resolution was placed before the Parliament by the Prime Minister on 30 April, 1956. It suggested that, "There is a need for adoption of the socialist pattern of economy as the national objective, along with the need for planned and rapid development. It required that all industries of basic and strategic importance, or in public utility services, should be in the public sector.
Other industries which are essential and require investment on a massive scale (which only the State could provide) have also to be in the public sector. Thus, the State has to assume direct responsibility for the future development of industries."
This Resolution classifies industries into three categories:

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

On the basis of the given text and common understanding, answer the following questions:
(i) The Government of India, in the initial years of economic development, emphasized on a greater role of the public sector in the industrial development."
Justify the statement, giving reasons in support of your answer.
Solution:

1. In the initial years post-independence, India adopted a **socialist pattern of economy** to address socio-economic inequalities and promote rapid industrialization.
2. The Industrial Policy Resolutions of 1948 and 1956 emphasized the dominant role of the public sector to:

   - Ensure equitable distribution of resources and wealth.
   - Regulate the economy to prevent private monopolies.

- Build basic and strategic industries like defense, railways, and atomic energy, which required large-scale investment.

3. The public sector was seen as a means to achieve self-reliance and lay the foundation for future industrial growth.

Quick Tip

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

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

1. **Schedule A:**
   - Includes industries of strategic and national importance, such as defense, atomic energy, and railways.
   - These industries were to be exclusively owned and operated by the State.
2. **Schedule B:**
   - Includes industries that were to be progressively state-owned, with private sector participation allowed under government regulations.
   - Example: Chemical industries, machine tools, and fertilizers.
3. **Schedule C:**
   - Includes all other industries not covered under Schedules A and B.
   - Their development was left to private enterprises, though the government provided guidance and support.

Quick Tip

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