



केन्द्रीय विद्यालय संगठन क्षेत्रीय कार्यालय रायपुर

Kendriya Vidyalaya Sangathan
Regional Office, Raipur

अध्ययन सामग्री / **STUDY MATERIAL/MLL(Volume- 01)**

शैक्षिक सत्र / **session – 2025-26**

कक्षा / **Class- XII**

विषय / **Subject – अर्थशास्त्र / Economics**

विषय कोड / **Subject code-030**

STUDENT SUPPORT MATERIAL (MLL)
IMPORTANT QUESTIONS WITH ANSWERS
SESSION 2025-26

CLASS 12
ECONOMICS

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ECONOMICS (Subject Code 030) CLASS - XII (2025-26)

Theory: 80 Marks 3 Hours

Project: 20 Marks

Units		Marks
Part A	Introductory Macroeconomics	
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	Theory Paper (40+40 = 80 Marks)	40
Part C	Project Work	20

Part A: Introductory Macroeconomics

Unit 1: National Income and Related Aggregates

What is Macroeconomics?

Basic concepts in macroeconomics: consumption goods, capital goods, final goods, intermediate goods; stocks and flows; gross investment and depreciation.

Circular flow of income (two sector model); Methods of calculating National Income - Value Added or Product method, Expenditure method, Income method.

Aggregates related to National Income:

Gross National Product (GNP), Net National Product (NNP), Gross Domestic Product (GDP) and Net Domestic Product (NDP) - at market price, at factor cost; Real and Nominal GDP
GDP Deflator, GDP and Welfare

Unit 2: Money and Banking

Money – meaning and functions, supply of money - Currency held by the public and net demand deposits held by commercial banks.

Money creation by the commercial banking system.

Central bank and its functions (example of the Reserve Bank of India): Bank of issue, Govt. Bank, Banker's Bank, Control of Credit through Bank Rate, Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Repo Rate and Reverse Repo Rate, Open Market Operations, Margin requirement.

Unit 3: Determination of Income and Employment

Aggregate demand and its components.

Propensity to consume and propensity to save (average and marginal). Short-run equilibrium output; investment multiplier and its mechanism. Meaning of full employment and involuntary unemployment.

Problems of excess demand and deficient demand; measures to correct them - changes in government spending, taxes and money supply.

Unit 4: Government Budget and the Economy

Government budget - meaning, objectives and components.

Classification of receipts - revenue receipts and capital receipts; Classification of expenditure – revenue expenditure and capital expenditure. Balanced, Surplus and Deficit Budget – measures of government deficit.

Unit 5: Balance of Payments

Balance of payments account - meaning and components; Balance of payments – Surplus and Deficit

Foreign exchange rate - meaning of fixed and flexible rates and managed floating. Determination of exchange rate in a free market, Merits and demerits of flexible and fixed exchange rate.

Managed Floating exchange rate system

Part B: Indian Economic Development

Unit 6: Development Experience (1947-90) and Economic Reforms since 1991:

A brief introduction of the state of Indian economy on the eve of independence. Indian economic system and common goals of Five Year Plans.

Main features, problems and policies of agriculture (institutional aspects and new agricultural strategy), industry (IPR 1956; SSI – role & importance) and foreign trade.

Economic Reforms since 1991:

Features and appraisals of liberalisation, globalisation and privatisation (LPG policy); Concepts of demonetization and GST

Unit 7: Current challenges facing Indian Economy

Human Capital Formation: How people become resource; Role of human capital in economic development; Growth of Education Sector in India

Rural development: Key issues - credit and marketing - role of cooperatives; agricultural diversification; alternative farming - organic farming

Employment: Growth and changes in work force participation rate in formal and informal sectors; problems and policies

Sustainable Economic Development: Meaning, Effects of Economic Development on Resources and Environment, including global warming

Unit 8: Development Experience of India:

A comparison with neighbours India and Pakistan

India and China

Issues: economic growth, population, sectoral development and other Human Development Indicators

Part C: Project in Economics

Prescribed Books:

1. Statistics for Economics, NCERT
2. Indian Economic Development, NCERT
3. Introductory Microeconomics, NCERT
4. Macroeconomics, NCERT
5. Supplementary Reading Material in Economics, CBSE

Note: The above publications are also available in Hindi Medium.

Suggested Question Paper Design Economics (Subject Code 030) Class XII (2025-26)

March 2026 Examination

Marks: 80 Duration: 3 hrs.

SN	Typology of Questions	Marks	Percentage
1	Remembering and Understanding: Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers. Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas	32	40%
2	Applying: Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way.	24	30%

3	Analysing, Evaluating and Creating: Examine and break information into parts by identifying motives or causes. Make inferences and find evidence to support generalizations. Present and defend opinions by making judgments about information, validity of ideas, or quality of work based on a set of criteria. Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions.	24	30%
	Total	80	100%

Guidelines for Project Work in Economics (Class XI and XII)

The objectives of the project work are to enable learners to:

- probe deeper into theoretical concepts learnt in classes XI and XII
- analyse and evaluate real world economic scenarios using theoretical constructs and arguments
- demonstrate the learning of economic theory
- follow up aspects of economics in which learners have interest
- develop the communication skills to argue logically The expectations of the project work are that:
 - learners will complete only ONE project in each academic session
 - project should be of 3,500-4,000 words (excluding diagrams & graphs), preferably hand-written
 - it will be an independent, self-directed piece of study

Role of the teacher:

The teacher plays a critical role in developing thinking skills of the learners. A teacher should:

- help each learner select the topic based on recently published extracts from the news media, government policies, RBI bulletin, NITI Aayog reports, IMF/World Bank reports etc., after detailed discussions and deliberations of the topic
- play the role of a facilitator and supervisor to monitor the project work of the learner through periodic discussions
- guide the research work in terms of sources for the relevant data
- educate learner about plagiarism and the importance of quoting the source of the information to ensure authenticity of research work
- prepare the learner for the presentation of the project work
- arrange a presentation of the project file

Scope of the project:

Learners may work upon the following lines as a suggested flow chart:

Choose a title/topic Collection of the research material/data

Organization of material/data Present material/data

Analysing the material/data for conclusion Draw the relevant conclusion

Presentation of the Project Work.

Expected Checklist:

- Introduction of topic/title
- Identifying the causes, consequences and/or remedies
- Various stakeholders and effect on each of them
- Advantages and disadvantages of situations or issues identified
- Short-term and long-term implications of economic strategies suggested in the course of research
- Validity, reliability, appropriateness and relevance of data used for research work and for presentation in the project file
- Presentation and writing that is succinct and coherent in project file
- *Citation of the materials referred to, in the file in footnotes, resources section, bibliography etc.*

Mode of presentation/submission of the Project:

At the end of the stipulated term, each learner will present the research work in the Project File to the External and Internal examiner. The questions should be asked from the Research Work/ Project File of the learner. The Internal Examiner should ensure that the study submitted by the learner is his/her own original work. In case of any doubt, authenticity should be checked and verified.

Marking Scheme:

Marks are suggested to be given as –

S. No.	Heading	Marks Allotted
1.	Relevance of the topic	3
2.	Knowledge Content/Research Work	6
3.	Presentation Technique	3
4.	Viva-voce	8
	Total	20 Marks

Class XII	
• Micro and Small Scale Industries	• Food Supply Channel in India
• Contemporary Employment situation in India	• Disinvestment policy of the government
• Goods and Services Tax Act and its Impact on GDP	• Health Expenditure (of any state)
• Human Development Index	• Inclusive Growth Strategy
• Self-help group	• Trends in Credit availability in India
• Monetary Policy Committee and its functions	• Role of RBI in Control of Credit
• Government Budget & its Components	• Trends in budgetary condition of India
• Exchange Rate determination – Methods and Techniques	• Currency War – reasons and repercussions
• Livestock – Backbone of Rural India	• Alternate fuel – types and importance
• Sarva Shiksha Abhiyan – Cost Ratio Benefits	• Golden Quadrilateral- Cost ratio benefit
• Minimum Support Prices	• Relation between Stock Price Index and Economic Health of a Nation
• Waste Management in India – Need of the hour	• Minimum Wage Rate – Approach and Application
• Digital India- Step towards the future	• Rain Water Harvesting – A solution to water crisis
• Vertical Farming – An alternate way	• Silk Route- Revival of the past
• Make in India – The way ahead	• Bumper Production- Boon or Bane for the farmer
• Rise of Concrete Jungle- Trend Analysis	• Organic Farming – Back to the Nature
• <i>Aatmanirbhar</i> Bharat	• e-Rupee (e- ₹)
• Sri Lanka's Economic Crisis	• Sustainable Development Goals (SDG's)
• Environmental Crisis	• Comparative Study of Economies (Maximum three economies)
• New Education Policy (NEP) 2020: A Promise for a New Education System	• G-20: Inclusive and Action Oriented
• Amrit Kaal: Empowered and Inclusive Economy	• Cashless Economy
• Any other newspaper article and its evaluation on basis of economic principles	• Any other topic

Unit 1: National Income Related Aggregates

Multiple Choice Type Questions:

Answer the following questions:-

1. GNP at market price is measured as:

- a) GDP at market price – Depreciation
- b) GDP at market price + Net Factor Income From Abroad
- c) GDP at market price + Subsidies
- d) NDP at Factor Cost + Net Factor Income From Abroad

Ans: b) GDP at market price + Net Factor Income from Abroad

2. Identify the flow variable from the following:

- a) Distance between Delhi and Mumbai
- b) Annual Expenditure of a school
- c) Bank Balance of Mr. X as on March 31, 2025
- d) Investments of Mr. Y as on Dec.31, 2025

Ans: b) Annual Expenditure of a school

3. National income is the sum of factor income accruing to:

- a) Nationals
- b) Economic territory
- b) Residents
- c) Both residents and non-residents

Ans: c) Residents

4. A car purchased by a household is a _____.

- a) Single use capital good
- b) Single use producer good
- b) Durable consumer good
- c) Semi-durable consumer good

Ans: c) Durable Consumer good

5. Flow of goods and services and factors of production across different sectors in a barter economy is known as:

- a) Circular Flow
- b) Real Flow
- c) Capital Flow
- s d) Monetary Flow

Ans: b) Real Flow

6. If NNP_{MP} = Rs. 8420 crore, net indirect taxes = Rs.160 crore, national income is:

- a) 8460 crore
- b) 8340 crore
- c) 8260 crore
- d) 8360 crore

Ans: c) 8260 crore

$NNP_{FC} = NNP_{MP} - NIT = 8460 - 160 = 8260$ crore

7. From the items in column I and column II, choose the correct pair.

Column I	Column II
(a) Income from Property	(i) Old Age Pension
(b) Income from Entrepreneurship	(ii) Profit
(c) Mixed Income	(iii) Rent free accommodation From an employer
(d) Compensation of Employees	(iv) Interest from capital

Options:

(A) (a) – (i)

(B) (b) - (ii)

(C) (c) – (iii)

(D) (d) - (iv)

Answer: (B) (b)-(ii)

8. Using the given information, complete the following table.

	(2014-15)	(2016-17)
Nominal GDP	6.5	9
Real GDP	... (i)...	7.2
GDP Deflator	100	... (ii)...

Options

(A) 125, 100

(B) 125, 110

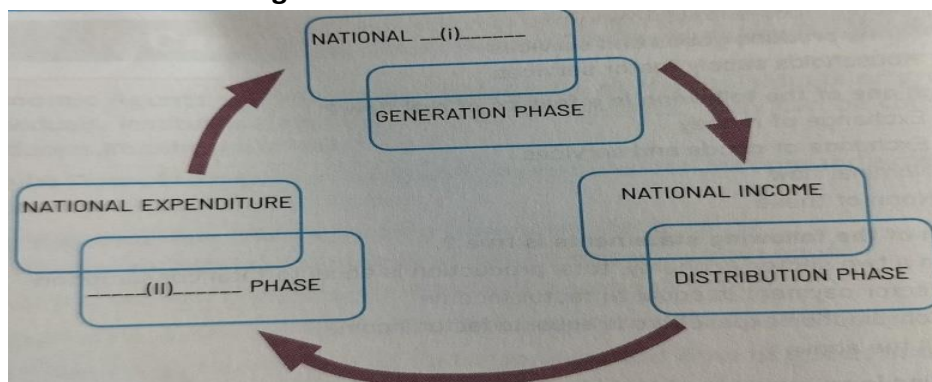
(C) 6.5, 125

(D) 100, 6.5

Answer: (C) 6.5,125

GDP Deflator = $\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$

9. Read the following figure carefully and choose the correct pair from the alternatives given below.



(a) Output, Production

(b) Value Added, Production

(c) Output, Disposition

(d) Capital flow

Ans: (c) Output, Disposition

STATEMENT BASED QUESTIONS

In the following Questions, read the following statements and choose alternative among those given below:-

Alternative:-

- (a) Both the Statements are true.
- (b) Both the Statements are false.
- (c) Statement 1 is true and Statement 2 is false.
- (d) Statement 2 is true and Statement 1 is false.

10. Statement 1:- Normal residents include both, individuals and institutions.

Statement 2:- International organization are treated as normal residents of the international area.

Ans:- (a) Both the Statements are true.

11. Statement 1:- Gross Domestic Product at Market Price is a territorial concept.

Statement 2:- Gross Domestic Product at Market Price excludes net indirect taxes.

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

12. Statement 1:- Money Flow involves flow of money between firms and households.

Statement 2:- Money Flow is also known as Physical Flow.

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

Assertion Reason Type Questions

In the following Questions, read the following statements: Assertion (A) and Reason (R). Choose the correct alternative among those given below:

Alternatives:

- (a) Both Assertion (A) and Reason (R) are True and (R) is correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are True and (R) is not the explanation of Assertion (A).
- (c) Assertion (A) is True but Reason (R) is False.
- (d) Assertion (A) is False but Reason (R) is True.

13. Assertion (A):- Depreciation is also termed as Consumption of fixed capital.

Reason (R):- Depreciation refers to that value of fixed capital which is used up in the process of production.

Ans:- (a) Both Assertion (A) and Reason (R) are True and Reason (R) is correct explanation of Assertion (A).

14. Assertion (A):- Exports are included in the output of an economy.

Reason (R):- Exported goods are produced within the domestic territory of the country.

Ans:- (a) Both Assertion (A) and Reason (R) are True and Reason (R) is correct explanation of Assertion (A).

15. Assertion (A):- Domestic Income is equal to National Income in case of Closed Economy.

Reason (R):- Closed Economy has no economic relation with rest of the world.

Ans:- (a) Both Assertion (A) and Reason (R) are True and Reason (R) is correct explanation of Assertion (A).

Case Based Question

16. Read the following text carefully and answer the following questions on the basis of given text and common understanding.

Of the final goods, we can distinguish between consumption goods and capital goods. Goods like food and clothing, and services like recreation that are consumed when purchased by their ultimate consumers are called consumption goods or consumer goods. Then there are other goods that are of durable character which are used in the production process. These are tools, implements and machines. While they make production of other commodities feasible, but they themselves don't get transformed in the production process. These are also final goods yet but they are not final goods to be ultimately consumed. They are the crucial backbone of any production process, in aiding and enabling the production to take place. They goods form a part of capital, one of the crucial factors of production.

(a) How are consumption goods differ from capital goods?

(b) Explain the role of capital goods in production process.

(a)	
Consumption Goods	Capital Goods
These are used by the consumers.	These are used by producers.
These are directly used for satisfaction of human wants.	These are used in production process.
E.g. Icecream, Milk	E.g Fixed Assets like Plant and Machinery
Expenditure on these is consumption expenditure.	Expenditure on these is investment expenditure,

(b)

- Capital goods are fixed assets used in production process.
- These are used to produce other goods and services.
- High cost
- Repeatedly used over years
- Requires repair and replacement

Picture Based Questions

17. From the given two pictures, answer the following questions:

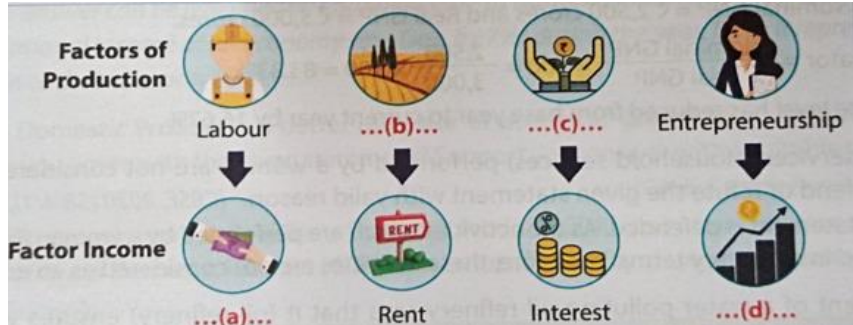


- (i) Identify the types of externalities from the given pictures.
(ii) Which one of the above externalities is included in GDP and why ?

Ans: (i) Picture A : positive Externality, Picture B: negative Externality

(ii) Both are not included in the GDP because these are not a part of market transactions.

18. From the following picture, answer the questions:



- (i) Identify the missing factor income/factor of production.
(ii) _____, arises from productive services of self-employed persons, whose income includes different factor incomes.
(iii) Give two examples of self employed persons who earn the income in (ii) above

Ans. (i) a) Wages and Salaries ,(b) land (c)capital (d) Profit

(ii) Mixed Income of Self employed

(iii) (a) Doctor running clinic at his/her own property

(b) CA running CA practice at his /her own office

Data Based Question

19. Complete the table:

Producer	Value of output	Intermediate Consumption	Value Added
Farmer	2000	--	2000
Baker	__ (i) __	2000	2000
Retail seller	4400	__ (iii) __	400
Total	__ (ii) __	6000	__ (iv) __

Answer: Value Added = Value of Output – Intermediate consumption

Producer	Value of output	Intermediate Consumption	Value Added
Farmer	2000	--	2000
Baker	4000	2000	2000
Retail seller	4400	4000	400
Total	10400	6000	4400

Short Answer type Questions

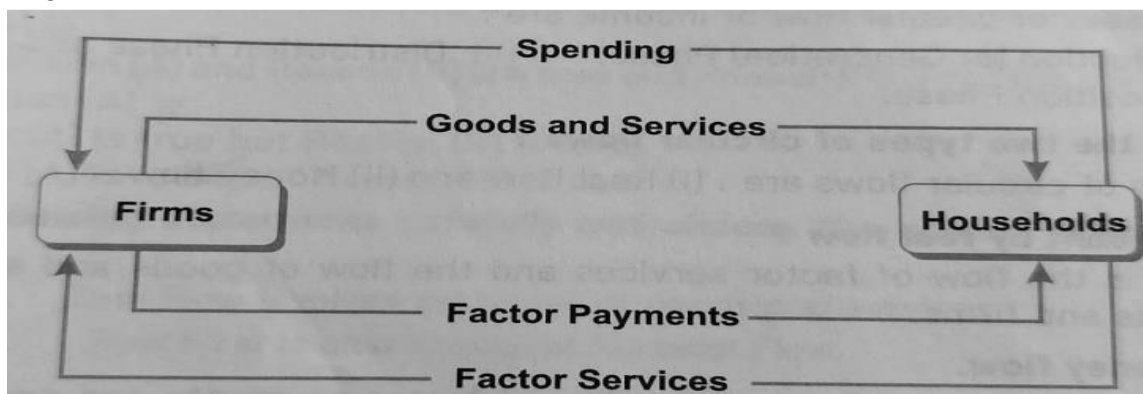
20. Differentiate between Factor Income and Transfer Income using suitable examples.

Ans:-

Factor Income	Transfer Income
Income received for giving factor services,	Income received without giving factor services.
Two sided income	One sided income
E.g.: Rent, Wages and salaries, interest, profit	Gifts, scholarship, unemployment allowance, Old age Pension
Included in National Income	Not included in National Income

21. Circular Flow of Income is based on the assumption that 'One's expenditure is other's income'. Justify the statement.

Ans:



22. State and explain any two precautions that must be taken while estimating National Income by expenditure method.

Ans: 1. Exp. on intermediate Goods:

- Not Included
- Already included in Final Expenditure

2. Exp on Purchase of Second Hand Goods

- Not Included
- Brokerage on these good is included

3. Purchase of Financial Assets

- Not Included
- Brokerage on these assets is included

4. Transfer Payments

- Not Included
- Donation, Charity, Scholarship, Old Age Pension

23. Explain the problem of double counting while estimating National Income. How this problem can be avoided?

Ans:

- Counting of an output more than once
- When value of intermediate goods is included in the value of final goods, it creates problem of double counting.

Producer	Value of output - Intermediate Consumptions = Value Added
Wheat	$500 - 0 = 500$
Flour	$700 - 500 = 200$
Biscuit	$1000 - 700 = 300$
Total	$2200 - 1200 = 1000$

How To Avoid Double Counting:

1. Final Output Method:

- Only take the value of final good.
- E.g. Value of Biscuit = 1000

2. Value Added Method:

- Add the value added at every stage.
- E.g. $500 + 200 + 300 = 1000$

Long Answer Type Questions

24. (a) State the steps pertaining to the estimation of National Income by Value Added method.

Ans:

- Identification and classification of product units – primary, secondary, and tertiary sector
- $GDP_{MP} = GVA_{MP} \text{ (Primary)} + GVA_{MP} \text{ (Secondary)} + GVA_{MP} \text{ (Tertiary)}$
- $NNP_{FC} = GDP_{MP} - \text{dep.} + NFIA - NIT$

(b) From the following data, calculate National Income using income method.

S.No	Items	Amount (in Crore)
(i)	Net Exports	(-)60
(ii)	Net Indirect Taxes	150
(iii)	Operating Surplus	740
(iv)	Compensation of Employees	1400
(v)	Net Factor Income from abroad	40
(vi)	Mixed Income of Self Employed	1000
(vii)	Net Domestic Fixed Capital Formation	500
(viii)	Depreciation	100

Ans:

- Income Method : $NNP_{FC} = NDP_{FC} + NFIA$
 $= COE + OS + MI + NFIA$
 $= 1400 + 740 + 1000 + 40$
 $= 3180$

25. (a) Distinguish between Stock and Flow Variables using suitable example.

Ans:

Stock Variables	Flow Variables
Quantity measured at a point of time.	Quantity measured in a period of time,
No time concept	Time concept (per day, per month, per year)
E.g. Money supply, Wealth, Capital	E.g. Income, Expenditure, Capital Formation

(b) 'National Income is always greater than Domestic Income'.

Do you agree with the given statement? Support your answer with the valid reason.

Ans: No,

- Different between National Income and Domestic Income is NFIA.
- NFIA may be zero, positive or negative.
- If $NFIA = 0$, then National income = Domestic Income.
- If NFIA is positive, then National Income > Domestic Income
- If NFIA is negative, then National Income < Domestic Income

Worksheet -1

1. 'Domestic Income is always less than National Income.' Do you agree with the given statement? Justify the given statement with the help of a suitable example.
2. On the basis of data given flow, for an imaginary economy, estimate the value of Net Domestic Product at Factor Cost (NDP_{FC})

S. No	Items	Amount (in Rs Crore)
(i)	Gross Domestic Fixed Capital Formation	200
(ii)	Exports	50
(iii)	Government Final Consumption Expenditure	320
(iv)	Consumption of Fixed Capital	35
(v)	Household Final Consumption Expenditure	470
(vi)	Inventory Investment (Net)	-40
(vii)	Imports	60
(viii)	Net Indirect Taxes	50
(ix)	Net Factor Income from Abroad	20

3. Gauhar has recently completed her Fashion Designing studies, and started boutique to produce dresses for sale. She purchased various materials including a sewing machine, fabric, buttons, and thread. These items are essential for producing the dressed. Classify the material purchased by Gauhar as final or intermediate goods, giving valid reasons in support of the classification.
4. To arrive at the value of Gross Value added at Factor Cost _____ must be _____ to / from gross value added at market price.

Options:

- (A) Depreciation, added (B) Depreciation, subtracted
 (C) Net Indirect Taxes, added (D) Net Indirect Taxes, subtracted.

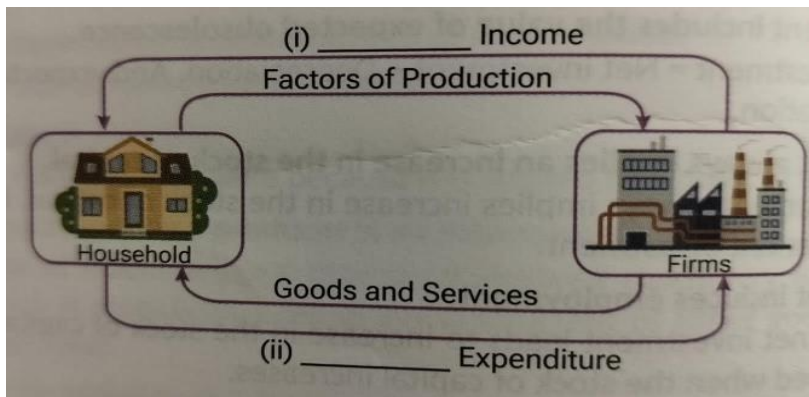
5. Complete the table:

Producer	Value of output	Intermediate Consumptions	Value Added
Farmer	2000	--	2000
Baker	__(ii)__	2000	2000
Retail seller	4400	__(iii)__	400
Total	__(ii)__	6000	__(iv)__

Options:

- (a) 4000, 10400, 40000, 4000 (b) 4000, 10400, 4000, 4400
 (c) 2000, 6000, 6000, 4400 (d) 4000, 10400, 6000, 4000

6. Define income from property and entrepreneurship.
7. Choose the correct alternative to fill in the blanks (i) and (ii) in the figure.



Options:

- | | |
|--------------------------|---------------------------|
| (a) National, Production | (b) Factor, Production |
| (c) Factor, Consumption | (d) National, Consumption |
8. Will the following be included in the National Income of India? Give reasons for your answers.
 - (i) Financial assistance to flood victims.
 - (ii) Profits earned by the branches of foreign bank in India.
 - (iii) Salaries of Indians working in the American Embassy in India.
 9. Giving valid reasons, classify the following into stock and flow variables.
 - (i) Production of Wheat during the year 2020-21.
 - (ii) National Income of Indian economy during the financial year 2020-21.
 10. Read the statement carefully and choose the correct alternative among those given below.

Statement 1: Transfer incomes are included in the estimation of National Income.

Statement 2: Transfer incomes are earned as rewards for rendering factor services.

(a) Both the statements are true.	(b) Both the statements are false.
(c) Statement 1 is true and Statement 2 is false.	(d) Statement 2 is true and Statement 1 is false.
 11. The difference between National Income at Market price and National Income at Factor Cost is _____.

(a) Net Indirect Taxes	(b) Net Factor Income from Abroad
(c) Consumption of Fixed Capital	(d) Market Price
 12. State the steps to be taken while estimating National Income by Expenditure Method.
 13. In an economy, if the Real Gross Domestic Product (GDP) is Rs 300 crore and Price Index (with base = 100) is 110, calculate the Nominal Gross Domestic Product.
 14. With suitable examples, distinguish between final goods and intermediate goods.
 15. Operating surplus does not include _____.

(a) Interest	(b) Rent
(c) Profit	(d) Compensation of Employees
 16. 'Domestic services (Household Services) performed by a woman are not considered as an economic activity.' Defend or refute the given statement with valid reason.

17. 'Natural calamities in the hill state of India have led to massive destruction of capital assets'. Identify the type of loss (Depreciation or Capital Loss) indicated in the aforesaid statement. Give valid reason in support of your answer.

18. Calculate the value of Mixed Income of Self Employed from the following data.

S.No	Items	Amount (in Crores)
(i)	Compensation of Employees	17300
(ii)	Interest	1200
(iii)	Consumption of Fixed Capital	1100
(iv)	Subsidies	750
(v)	Gross Domestic Product at Market Price	27500
(vi)	Indirect Taxes	2100
(vii)	Profit	1800
(viii)	Rent	2000

19. 'Final goods include only those goods which are consumed by the households'.

Defend or refute the given statement with valid reason.

20. Calculate Sales from the following:

S. No	Items	Amount (in Crores)
(i)	Net Value Added At Factor Cost	560
(ii)	Depreciation	60
(iii)	Change In Stock	(-)30
(iv)	Intermediate Cost	1000
(v)	Export	200
(vi)	Indirect Taxes	60

Worksheet – 2

1. 'Problem of double counting leads to overestimation of output in an economy'. Justify the given statement with the help of a suitable example.
2. From the following data, show that Net Value added at Factor Cost is equal to the sum of Factor Income.

S. No	Items	Amount (in Rs Crore)
(i)	Consumption of Fixed Capital	90
(ii)	Import of Raw Material	120
(iii)	Change in Stocks	240
(iv)	Goods and Services Tax	60
(v)	Domestic Sales	2160
(vi)	Distributed Profits	180
(vii)	Retained Earnings	120
(viii)	Purchase of Raw Materials	840
(ix)	Export	240
(x)	Rent and Royalty	90
(xi)	Compensation of Employees	720
(xii)	Interest	540

3. Define operating surplus.
4. Identify the correct equation from the following:
 - (a) $GDP_{MP} = NNP_{FC} + \text{depreciation}$
 - (b) $NDP_{FC} = NNP_{FC} + \text{Net Indirect Taxes}$
 - (c) $GNP_{MP} = GDP_{MP} + \text{Net factor income from abroad}$
 - (d) $NNP_{FC} = NDP_{MP} + \text{Depreciation}$
5. Explain the concept of circular flow of income in a two sector economy.
6. Which of the following is not a factor payment?
 - (a) Free uniform to defense personnel
 - (b) Salaries to the members of Parliament
 - (c) Rent paid to the owner of a building
 - (d) Scholarships given to students
7. Read the statement carefully and choose the correct alternative among those given below.

Statement 1 : GDP is the sum total of gross market value of all final goods and services added by all the sectors in the economy during a fiscal year.

Statement 2: $GVA_{MP} = \text{the excess of value of output over intermediate consumption}$

Alternatives:

 - (a) Both the statements are true.
 - (b) Both the statements are false.
 - (c) Statement 1 is true and Statement 2 is false.
 - (d) Statement 2 is true and Statement 1 is false.

8. From the items in column I and column II, choose the correct pair.

Column I	Column II
(a) Intermediate Goods	(i) Shirts purchased by firm X from firm Y for final consumption.
(b) Final Goods	(ii) Have crossed the boundary line of production
(c) Higher production of Capital goods	(iii) Higher level of welfare of the people
(d) Gross Investment	(iv) Net addition to existing stock of capital

Options:

(A) (a) – (i)

(B) (b) - (ii)

(C) (c) – (iii)

(D) (d) - (iv)

9. State the steps pertaining to the estimation of National Income under the Income method.
10. 'Many goods and services which may contribute to welfare but are not included in estimating Gross Domestic Product.' Do you agree with the given statement? Give valid reason in support of your answer.
11. Analyze the image given above and state whether it is a stock variable or a flow variable.



12. State the precautions to be taken while estimating National Income by Value Added method.
13. 'Gross Domestic Capital Formation is always greater than Gross Fixed Capital Formation.'
Defend or refute the given statement with valid reason.
14. If the real GDP is 16000 crore and GDP at current prices is 20000 crore, calculate the value of price index.
15. Giving reasons, explain how the following should be treated in estimation of National Income.
- Purchases By Foreign Tourists.
 - Rent Free House to an Employee by an Employer
 - Purchase of a Truck to carry goods by a production unit

16. Calculate Net National Product at Market Price.

S. No	Items	Amount (in Crores)
(i)	Gross Domestic Fixed Capital Formation	400
(ii)	Private Final Consumption Expenditure	8000
(iii)	Government Final Consumption Expenditure	3000
(iv)	Change in Stock	50
(v)	Consumption of Fixed Capital	40
(vi)	Net Indirect Taxes	100
(vii)	Net Exports	(-)60
(viii)	Net Factor Income to Abroad	(-)80
(ix)	Net Current Transfer from Abroad	100
(x)	Dividend	100

17. Giving reasons, classifying the following into intermediate products and final products.

- a) Furniture purchased by a school
- b) Chalks, Dusters etc purchased by a school.

18. Will the following be included in the domestic product of India? Give reasons for your answers.

- (i) Profits earned by foreign companies in India.
- (ii) Salaries of Indians working in the Russian embassy in India.
- (iii) Profits earned by a branch of state bank in India in Japan.

19. Depreciation of Fixed Capital Assets refers to

- a) Normal Wear and Tear
- b) Foreseen Obsolescence
- c) Normal Wear and Tear and Foreseen Obsolescence
- d) Unforeseen Obsolescence

20. Distinguish between value addition and final value of output.

Unit 2: Money and Banking

MCQ QUESTIONS:

Answer the following questions:

Q1. The Reserve Bank of India (RBI) _____ government securities in a bid to _____ the stock of money in the economy.

- (a) sells, decrease
- (b) purchases, decrease
- (c) sells, increase
- (d) purchases, not change

Ans: (a) sells, decrease

Q2. _____ is responsible for issuing Rs. 1 currency note in India.

- (a) Reserve Bank of India
- (b) Ministry of Commerce
- (c) Ministry of Finance
- (d) NITI Aayog

Ans: Ministry of Finance

Q3. If the central bank wants to reduce money supply in the economy, it may _____.

- (i) increase Bank Rate
- (ii) reduce Cash Reserve Ratio
- (iii) sell securities in the open market
- (iv) buy securities in the open market

Alternatives:

- (a) (i) and (iii)
- (b) (ii), (iii) and (iv)
- (c) (i), (iii) and (iv)
- (d) (i), (ii), (iii) and (iv)

Ans: (a) (i) and (iii)

Q4. The rate at which commercial banks borrow from the Reserve Bank of India to meet their long-term requirements is known as _____.

- (a) Margin requirement
- (b) Bank rate
- (c) Repo rate
- (d) Reverse repo rate

Ans: (b) Bank Rate

Q5. In order to decrease the money supply in the economy, the Central Bank may _____.

- (a) buy securities in the open market
- (b) sell securities in the open market
- (c) reduce cash reserve ratio
- (d) reduce repo rate

Ans. (b) sell securities in open market

STATEMENT BASED QUESTIONS

Q6. Statement 1: Primary deposits are the cash deposits by the general public with commercial banks.

Statement 2: Secondary deposits are those deposits which arise on account of credit provided by the commercial banks to the people.

In 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.

Ans: (c) Both Statements are true

Q7. Identify the correct statement(s) regarding credit creation:

Statement 1: Banks can lend more than their cash reserves.

Statement 2: The process of credit creation increases the money supply in the economy.

(a) Both 1 and 2 are correct

(b) Only 1 is correct

(c) Only 2 is correct

(d) Neither 1 nor 2 is correct

Ans: (a) Both 1 and 2 are correct.

Q8. Which of the following statements is incorrect?

(a) The Central bank controls the supply of money in the economy.

(b) Demand deposits are a part of the money supply.

(c) The Central bank lends money to the public.

(d) Commercial banks create credit through demand deposits,

Ans: (c) The Central bank lends money to the public

ASSERTION- REASON TYPE QUESTIONS:

Q9. Assertion (A): The monetary policy is a policy formulated by the central bank.

Reason (R): The policy involves measures taken to regulate the supply of money.

Alternatives:

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

(b) Both Assertion (A) and Reason (R) are true and 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.

Ans: (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

Q10. Assertion (A) : Repo rate is fixed by the Reserve bank of India , while Reverse repo rate is fixed by the commercial bank themselves.

Reason (R): Both repo rate and reverse repo rate is fixed by the Reserve bank of India ,as it is an apex bank.

(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 and Reason(R) is the not 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.

Ans: (d). Assertion (A) is false but Reason (R) is true.

CASE STUDY BASED QUESTIONS:

Q11. Read the following text carefully:

“After setting up a working group to study the possibility of a Central Bank Digital Currency (CBDC) in India in 2020, the RBI revealed a concept note on digital rupee (e-Rupee) on 7th October, 2022”.

“The e-Rupee will provide an additional option to the currency available forms of money. It is substantially not different from bank notes, but being digital it is likely to be easier, faster and cheaper.”

RBI said that it broadly defines CBDC as the legal tender issued by a central bank in a digital form. It is akin to paper currency in a different form.

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

(a) Identify and discuss the function of the central bank indicated in the above text.

Ans: Currency Issuing Authority- Central Banks have the sole authority to print all currency notes except 1 rupee note and coins.

(b) State any two advantages of digital rupee.

Ans: 1. They are easy to use and are cheaper.

2. It helps in faster transactions

Q12. Read the following text carefully:

As societies developed from hunters and gatherers, the material needs of human beings increased – to build a house, wear clothes, make weapons and implements etc. Since these needs could not be produced individually, people had to purchase them from others. These purchases, for example, were paid initially by barter – a leather skin cloak for a spear. As barter had its limits –how many cloaks for a spear – barter got standardized in terms of metals or cowrie shells. Now people knew the value of both the cloak and the spear in terms of bronze or cowrie shells. This was still barter, as both bronze and shells had intrinsic value (shells were desired for their beauty). This system evolved over time into metal currencies. Gold and silver coinage were the offshoot of this system where they had features of barter (both gold and silver had intrinsic value) as well as money (they were standardized representations of value).

In respect of money two facts emerge historically:

- Money has taken the form of either commodities (which have intrinsic value) or in terms of debt instruments.

• Money is usually issued by a sovereign (or a Central Bank as its representative). In modern economies, currency is a form of money that is issued exclusively by some competent authority (Central Bank). It is a liability of the issuing Central Bank and an asset of the holding public. Currency is usually issued in paper (or polymer) form, but the form of currency is not its defining characteristic. In the recent past, the Reserve Bank of India, issued Central Bank Digital Currency (CBDC). A CBDC is the currency issued by a central bank in a digital form. It serves all the purposes of a paper currency in a different form. The introduction of CBDC has the potential to provide significant benefits, such as reduced dependency on cash, lower transaction costs, reduced settlement risk. Introduction of CBDC would possibly lead to a more robust, efficient, trusted, regulated payments option. There are associated risks such as cyber-attacks and technology preparedness, but they need to be carefully evaluated against the potential benefits.

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

(I) "Over the centuries, money has evolved in various forms."

In the light of the given statement, state and discuss briefly any two forms of money.

Ans: (I) The evolution of money has taken place over the centuries in different forms such as:

- Metal currencies: Gold or silver coins (which have intrinsic value) were used for economic transactions as these were used as standardized representation of value.
- Paper currency: Currency is issued in paper (or polymer) form by the Central Bank. It is a liability of the issuing Central Bank and an asset of the holding public.

(II) "Various economists have formed a strong opinion that, in the modern times digital currency (like CBDC) is quite essential. However, it comes with its own benefits and potential risks."

Do you agree with the given statement, giving valid arguments in support of your answer.

Ans. (II) Yes. The introduction of CBDC provides significant benefits such as reduced dependency on cash, lower transaction costs, and reduced settlement risk. It leads to a more robust, efficient, trusted, and regulated payment option. However, there are associated risks such as cyber-attacks and technology preparedness, but they need to be carefully evaluated against the potential benefits.

PICTURE BASED QUESTION:

Q13. Identify and explain any one function of Central Bank as indicated in the image given below:

Ans: Banker to Government- The Central Bank acts as a banker, agent, and financial advisor to Governments.

As a banker it- Maintains Government Accounts: The Central Bank maintains the current accounts of the government. All receipts (like tax collections) and payments (like salaries, pensions) of the government are managed through this account.

Manages Cash Balances: It helps the government in managing its day-to-day cash requirements.

Lends Money to the Government: During emergencies or shortages, the Central Bank can give short-term loans to the government.

As an agent it-

Manages Public Debt: The Central Bank helps the government in borrowing money from the public through issuance of government securities or bonds.

As a financial advisor it-

Advises the Government: It provides financial advice on matters related to economic policy, budget, inflation control, and more.

TABLE BASED QUESTION:

Q14. Find the missing figures and choose the correct alternative:

	Round Deposits	Loans (80%)	Reserve Ratio (20%)
I	1,000	800	200
II	800	...(i)...	160
III	—	—	---
IV	---	---	---
Total	...(ii)...	...(iii)...	...(iv)...

Ans: (i) 640 (ii) 5000 (iii) 4000 (iv) 1000

SHORT ANSWER TYPE QUESTIONS (3 /4 Marks):

Q15. Central Bank acts as the banker to the government.” Elaborate the given statement

Ans: The Central Bank acts as a banker, agent, and financial advisor to Governments.

As a banker it-

Maintains Government Accounts: The Central Bank maintains the current accounts of the government. All receipts (like tax collections) and payments (like salaries, pensions) of the government are managed through this account.

Manages Cash Balances: It helps the government in managing its day-to-day cash requirements.

Lends Money to the Government: During emergencies or shortages, the Central Bank can give short-term loans to the government.

As an agent it-

Manages Public Debt: The Central Bank helps the government in borrowing money from the public through issuance of government securities or bonds.

As a financial advisor it-

Advises the Government: It provides financial advice on matters related to economic policy, budget, inflation control, and more.

Q16. Explain the lender of the last resort function of the Central Bank.

Ans: When a Commercial Bank fails to accommodate its financial requirements then it can approach the Central Bank and the Central Bank acts as the lender of last resort. The Central Bank issues loans to a Commercial Bank against specified and approved securities of the bank. In this way, the Central Bank ensures the smooth functioning of Commercial Banks and appropriate flow of credit in the economy.

Q17. Explain any two functions of money?

Ans: There are four functions of money-

i. Medium of exchange-

- Money is used to buy and sell goods and services.
- It has made buying and selling independent from each other.
- It has removed the difficulty of lack of coincidence of wants.

ii. Measure of Value (Unit of Account) – Money acts as a common measure to value goods and services. In India, Rupee is the common denomination.

Q18. Define Cash Reserve Ratio and Statutory Liquidity Ratio.

Ans: CRR (Cash Reserve Ratio): The percentage of a bank's total deposits that must be kept in reserve, in the form of cash, with the RBI.

- SLR (Statutory Liquidity Ratio): The percentage of a bank's total deposits that must be maintained in the form of liquid assets like cash, gold, or approved government securities.

Q19. If LRR is 20% and initial deposit is Rs 10,000 in a commercial bank, find total money creation amount.

- (a) Rs 5,000
- (b) Rs 5,00,000
- (c) Rs 50,000
- (d) Rs 2,000

Ans: Money Multiplier = $1 / \text{LRR} = 1 / 0.20 = 5$

Total Money Creation = $10,000 \times 5 = ₹50,000$

Ans: (c) ₹50,000

Q20. Explain how repo rate can be helpful in controlling credit creation?

Ans: Repo Rate is the rate at which Central Banks lend money to commercial banks for their short term needs.

An increase in repo rate makes borrowing costlier for banks, reducing loans to the public, thus reducing credit creation. A decrease makes borrowing cheaper, increasing credit creation.

Q21. Explain how open market operations are helpful in controlling credit creation

Ans: Open market operations refers to buying and selling of government securities.

When RBI sells securities, it reduces liquidity in the economy, thereby reducing credit creation. When RBI buys securities, it increases liquidity and promotes credit creation.

Q22. What is Margin Requirement? How is it used by the RBI to control credit in an economy?

Ans: Margin requirement is the difference between the market value of a security and the amount lent by the bank. RBI raises margins to reduce loans and lowers them to increase credit.

Q23. Elaborate any two qualitative instruments of Credit Control, exercised by the Reserve Bank of India.

Ans: Moral Suasion: RBI persuades banks to follow its directives regarding credit control.

Selective Credit Control- RBI directs banks to lend money to certain selected sectors only to reduce the money supply in the economy.

LONG ANSWER TYPE QUESTIONS (6 Marks):

Q24. Reserve Ratio and Credit Creation are inversely related.' Do you agree with the given statement? Justify your answer with a suitable numerical example.

Ans: The reserve deposit ratio is the minimum reserves that a commercial bank must maintain as per the instructions of the Central Bank.

Money multiplier = $1/\text{Reserve Ratio}$

Credit Creation = Initial deposits x Money multiplier = Initial Deposits/ Reserve Ratio

Thus, credit creation is inversely related to the reserve deposit ratio.

For Example: Suppose the initial deposit is ₹ 1,000 crores.

Reserve Ratio Initial Deposits Credit Creation = Initial deposits/reserve ratio

20% ₹ 1,000 crores. $1000/20\% = 1000 \times 100/20 = 5,000$ crores

50% ₹ 1,000 crores. $1000/50\% = 1000 \times 100/50 = 2,000$ crores

From the above calculation, we can conclude that the higher the reserve Ratio, the lesser credit will be created by Commercial Banks in the economy.

Thus, on the basis of the above illustration, we can say that there exists an inverse relation between reserve and credit creation.

Q25. Using a suitable numerical example, explain the credit creation process of the banking system, in a hypothetical economy.

Ans: Let's assume the following:

Initial deposit = ₹1,000

Cash reserve ratio (CRR) = 20%

(Bank must keep 20% of deposits as reserve and can lend the rest)

Step 1: Initial Deposit

A customer deposits ₹1,000 in Bank A.

Bank A keeps 20% as reserve = ₹200.

Bank A can lend out the remaining ₹800.

Step 2: First Loan and Re-deposit

A borrower takes a loan of ₹800 from Bank A.

The borrower uses this money to buy goods/services, and the seller of the goods deposits the ₹800 in Bank B.

Bank B keeps 20% reserve = ₹160.

Bank B can lend out the remaining ₹640.

Step 3: Second Loan and Re-deposit

Borrower takes ₹640 from Bank B.

This is spent and re-deposited into Bank C.

Bank C keeps 20% reserve = ₹128.

Bank C lends the rest = ₹512.

This process continues...

Each time, 20% is kept as reserve and the remaining 80% is loaned out and redeposited. This creates a money multiplier effect.

Total Credit Created

We can calculate the total credit using the money multiplier formula:

Money Multiplier = $1/LRR$

Original deposit: ₹1,000

Total loans created: ₹4,000

Total money in the system: ₹5,0

Round Deposits Loans (80%) Reserve Ratio (20%)

I 10,000 8000 2000

II 8000 6400 1600

III — — —

Total 50,000 40,000 10,000

Worksheet -01

Answer the following questions:

Q1. Statement 1: In the C-C economy goods were sold for money.

Statement 2: Barter system of exchange is a system in which goods are exchanged for goods.

- A. Both the statements are true
- B. Both the statements are false
- C. Statement 1 is true and statement 2 is false
- D. Statement 2 is true and statement 1 is false

Q2.

Column 1	Column 2
a. Full Bodied money	i. Money value > Commodity value of money
b. Term deposits	ii. Checkable deposits
c. Gross demand deposits	iii. Does not include inter banking claims
d. High-powered money	iv. Base money in the economy

Alternatives:

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

Q3. Open market operations is

- a) Buying and selling of currency by the central bank
- b) Buying and selling of securities by the central banks
- c) Buying and selling of securities by the commercial banks
- d) Buying and selling of foreign exchange by the central bank

Q4. Money that is issued by the authority of the government is called:

- (A) Full bodied money (B) Credit money
(C) Fiat money (D) Fiduciary money

Q5. Who supplies money in India?

- (A) The RBI (B) The commercial banks
(C) The government (D) All of these

Q6. Who formulates the monetary policy in the economy?

- (A) Commercial banks (B) International Monetary Fund
(C) Central bank (D) Central Government

Q7. The rate at which commercial banks borrow from the RBI to meet their long-term requirements is known as

- (A) Marginal requirement (B) Bank rate
(C) Repo rate (D) Reverse repo rate

Q8. What is a barter system? What are its drawbacks?

Q9. What is meant by money supply? State M1 measure of money supply.

Q10. Explain functions of money.

Q11. Central bank acts as the banker to the government. Elaborate the given statement.

Q12. Explain with an example the effect of rise in reserve ratio on credit creation by commercial banks.

Q13. Explain the following terms:

(I) repo rate

(II) statutory liquidity ratio

If increased, how will each affect the money supply?

Q14. (a) Who are the producers of money?

Q15. Differentiate between full bodied money and credit money.

Q16. Explain qualitative instruments of credit control.

Q17. Read the following text and answer the questions:

“ After setting up a working group to study the possibility of a Central Bank Digital Currency (CBDC) in India in 2020, the RBI revealed a concept note on digital rupee on 7 October 2022”.

“ The e-rupee will provide an additional option to the currently available forms of money. It is substantially not different from bank notes, but being digital, it is likely to be easier, faster and cheaper.”

RBI said that it broadly defines CBDC as the legal tender issued by a central bank in a digital form. It is akin to paper currency in a different form.

a. Identify and discuss the function of a central bank indicated in the above text.

b. State any two advantages of digital rupee.

Q18. How does money overcome the shortcomings of a barter system?

Q19. Calculate initial deposits if the total deposits created by the banks are ₹16,000 crore and LRR is 10%.

Q20. Commercial banks create money in the economy. Comment.

Unit – 03 Determination of Income and Employment

Multiple Choice Questions:

Answer the following questions:

Q1. Suppose in an economy, investment increases by ₹100 crores and MPC is 0.75. What will be the total increase in income?

- A ₹400 crores
- B. ₹300 crores
- C. ₹500 crores
- D. ₹375 crores

Ans: A. ₹400 crores

Explanation: $K = 1 / (1 - 0.75) = 4$

→ $\Delta Y = 4 \times ₹100 = ₹400$ crore

Q2. In the Keynesian model, equilibrium level of income is determined when:

- A. Aggregate Supply = Consumption
- B. Aggregate Demand = Aggregate Supply
- C. Savings = Consumption
- D. Consumption = Investment

Ans: B. Aggregate Demand = Aggregate Supply

Q3. Identify the correct cause-effect chain in the multiplier process.

- A. Increase in income → Increase in investment → Increase in consumption
- B. Increase in MPC → Increase in saving → Decrease in income
- C. Initial investment → Multiple rounds of consumption → Greater increase in income
- D. Income increase → MPC falls → Investment decreases

Answer: C. Initial investment → Multiple rounds of consumption → Greater increase in income

Q4. Which of the following best reflects the meaning of involuntary unemployment?

- A. People do not want to work
- B. People are overqualified for their jobs
- C. People are unable to find work despite willingness to work
- D. People are self-employed but earn less

Ans: C. People are unable to find work despite willingness to work

Q5. Given: $Y = ₹5000$ crore, $C = ₹4000$ crore, $S = ₹1000$ crore. What is the average propensity to save (APS)?

- A. 0.2
- B. 0.25
- C. 0.75
- D. 0.5

Ans: B. 0.25

$APS = S/Y = 1000 / 5000 = 0.25$

Q6. The value of _____ can be greater than one.

(Choose the correct alternative to fill up the blank)

- a. Marginal Propensity to Consume
- b. Average Propensity to Consume
- c. Marginal Propensity to Save
- d. Average Propensity to Save

Ans: (b) (Hint: when APS is negative)

Q7. The break even point on a consumption function is the level of income where:

- a. $C > Y$
- b. $C = Y$
- c. $C = 0$
- d. $C < Y$

Ans. B

Very Short Answers Type Questions:

Q8. Define aggregate demand in the context of macroeconomics.

Ans: Aggregate Demand refers to the total demand for final goods and services in an economy at a given level of income during a period of time.

Q9. What is the equilibrium level of income?

Ans. The equilibrium level of income is the level at which aggregate demand = aggregate supply (or saving = investment).

Q10. If $MPC = 0.8$ and investment increases by ₹200 crores, calculate the increase in income.

Ans: Multiplier = $1 / (1 - MPC) = 1 / (1 - 0.8) = 5$

$$\Delta Y = \text{Multiplier} \times \Delta I = 5 \times ₹200 \text{ crore} = ₹1000 \text{ crore}$$

Q11. How does an increase in bank rate help in correcting excess demand?

Ans: Increase in bank rate raises the cost of borrowing, reducing credit creation, and thereby reducing AD

Statement Based Questions.

Q12. Read the following statements carefully:

Statement 1: consumption function refers to the functional relationship between consumption and income.

Statement 2: consumption is zero when the level of income is zero.

In 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.

Ans. (a)

Q13. Statement 1: Aggregate demand is the sum total of consumption and investment expenditures.

Statement 2: Total consumption consists of an autonomous component and an induced component.

Choose the correct option based on the above statements.

- 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

Ans. c.

Q14. Read the following statements carefully:

Statement 1: The consumption curve is an upward-sloping straight-line curve due to the direct relationship between income and consumption and the assumption of constant Marginal Propensity to Consume.

Statement 2: Aggregate Demand curve and Consumption curve are parallel to each other.

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

Ans: c

Assertion and Reason Based Questions:

Alternatives

- (A) Both A and R are true, and R is the correct explanation of A
- (B) Both A and R are true, but R is not the correct explanation
- (C) A is true, but R is false
- (D) A is false, but R is true

Q15. Assertion (A): Equilibrium in an economy occurs when $AD = AS$.

Reason (R): At this point, there is no tendency for income to change.

Ans: A

Q16. Assertion (A): An increase in investment leads to a fall in national income.

Reason (R): Multiplier has a positive effect on income.

Answer: D

Q17. Assertion (A): Ex-post Investments represent planned Investments; whereas ex-ante Investments represent the actual level of investments.

Reason (R): At the equilibrium level, Ex-ante Savings and Ex-ante Investments are always equal.

Ans: (d)

Cased Based Questions

Q18. Case Study: Read the given situation and answer the following:

The government announces an increase in public investment in infrastructure. As a result, the aggregate demand increases and the equilibrium level of income rises.

- a) What type of demand situation is being addressed?
- b) What fiscal policy tools are used here?
- c) How will these measures impact the level of aggregate demand?

Ans:

- a) Excess demand is being addressed.
- b) Fiscal policy tools: Reducing public expenditure and increasing taxes.

- c) These measures reduce disposable income and government spending, lowering AD.

Q19. Read the case carefully and answer the questions:

In an economy, there is widespread unemployment. People's incomes are low, and demand for goods is falling. The government wants to stimulate the economy.

- What economic problem is the country facing?
- Suggest two measures that can be taken to increase aggregate demand.
- How will these measures help in improving employment?
- What is the role of multiplier in this process?

Ans: a) Unemployment

b) Two measures:

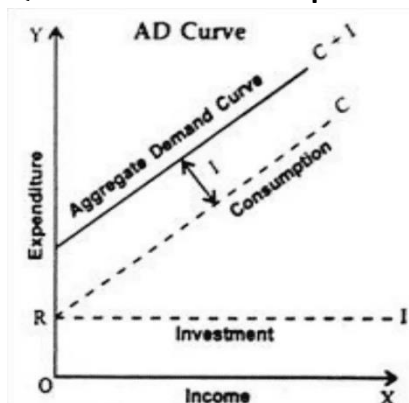
(1) Increase govt. spending (2) Reduce taxes

c) These increase AD → producers sell more → produce more → hire more workers → income rises

d) Multiplier role: Small spending leads to large income rise due to repeated rounds of spending

Picture Based Question:

Q20. The total consumption and investment curves are given below:



Identify which of the following represents “Autonomous Consumption”.

- OR
- RC
- RY
- RI

Ans: Option (a)

Table based question:

Q21. Carefully observe the given table and answer the following questions.

Level of Income (Rs. In crore)	Consumption (Rs. In crore)
100	80
200	150
300	240

Questions:

1. What is the level of savings at all three levels of income?

Ans. $100-80=20$, $200-150= 50$ and $300-240= 60$

2. What will be the value of MPC when income increase form Rs.100 to Rs. 200?

Ans. Change in income (ΔC): $200-100=100$,

Change in consumption(ΔY): $150-80=70$

$$MPC = \frac{\Delta C}{\Delta Y} = \frac{70}{100} = 0.70$$

Short Answer Type Questions

20. In an economy, the aggregate demand is ₹4000 crore and the aggregate supply at full employment is ₹5000 crore. (Analytical Reasoning)

a) What kind of gap is present in the economy?

b) Suggest two ways to remove this gap.

c) How will achieving equilibrium affect the level of employment?

Ans: a) Deflationary Gap = $AD < AS$

b) Measures to remove gap:

i. Increase investment

ii. Cut taxes to raise consumption

c) When $AD = AS \rightarrow$ production increases \rightarrow employment rises \rightarrow equilibrium at full employment is achieved

Q22. In an economy, the initial income was ₹1000 crore which increased by ₹ 2500 crore. Given $MPS = 0.3$, $\bar{C} = ₹500$, calculate the investment expenditure at the increased level of income.

Ans. $Y = 3500$; $MPS = 0.3$

$$\therefore MPC = 1 - MPS$$

$$\Rightarrow MPC = 1 - 0.3 = 0.7$$

$$\bar{C} = 500$$

We know,

$$Y = \bar{C} + bY + I$$

$$\Rightarrow 3500 = 500 + 0.7 \times 3500 + I$$

$$\Rightarrow I = 3500 - 500 - 2450$$

$$\Rightarrow I = \text{Rs. } 550$$

Q23. State whether the following statements are true or false. Give valid reasons for your ans:

(i) Unplanned inventories accumulate when planned investment is less than planned saving.

(ii) Deflationary gap exists when aggregate demand is greater than aggregate supply at full employment level.

(iii) Average propensity to save can never be negative.

Ans: i) True, as planned savings are more causing the Marginal Propensity to Consume to reduce thus Aggregate Demand will fall and producers will have an accumulation of inventory.

ii) False, Inflationary Gap exists when actual Aggregate Demand is more than Aggregate Supply corresponding to the full employment level of output in the economy.

- iii) False, at income levels that are lower than the break-even point, the Average propensity to save can be negative as there will be dissaving in the economy

Long Answer-type Questions

Q24. An economy is operating at the under-employment level of income'. What is meant by the given statement? Discuss one fiscal measure and one monetary measure to tackle the situation.

Ans: An economy is said to be operating at under employment equilibrium level, if the planned aggregate expenditure falls short of available output in the economy, corresponding to the full employment level. It results in excess of output available over the anticipated aggregate demand at full employment level.

To tackle such a situation the aggregate demand has to be increased up to the level that the stocks can be cleared.

The following measures may be taken for the same:

Decrease in taxes: The government under its fiscal policy may decrease the rate of taxes (both direct and indirect taxes). This will ensure greater purchasing power in the hands of the general public. This will help to increase aggregate demand and remove the deflationary gap.

Repo Rate: it is the rate at which the central bank offers short term loan to the commercial bank. The RBI has to reduce the repo rate, so that the commercial banks will reduce their lending rate as a follow up action. This raises the supply of credit in the economy. As a result the AD is increased.

Q25. 'Monetary measures offer a valid solution to the problem of Inflationary gap in an economy'. State and discuss any two monetary measures to justify the given statement.

Ans. Two measures which may be used to solve the problem of inflation are:

- a) An increase in Cash Reserve Ratio (CRR) may reduce the credit creation capacity of the commercial banks in the economy. This may lead to a fall in the borrowings from banks causing a fall in Aggregate Demand in the economy and helps to correct the inflationary gap in the economy.
- b) Sale of Government Securities in the open market by the Central Bank will adversely affect the ability of the Commercial Banks to create credit in the economy. As a result, Aggregate Demand in the economy may fall and correct the inflationary gap in the economy.

Q26. "With an objective to reduce inflation, Reserve Bank of India may promote the commercial banks to park their surplus funds with it."

Discuss the rationale behind the step taken by the Reserve Bank of India.

Ans. The reverse repo rate is the rate at which commercial banks may park their surplus funds with the Central Bank.

In order to decrease inflation in an economy, the Reserve Bank of India (RBI) may increase the reverse repo rate. With the increase in reverse repo rate, it becomes lucrative for commercial banks to park surplus funds with the central bank. Consequently, this may lead to a reduction in their lending capacity. Thereby, a fall in Aggregate Demand curbs the level of inflation.

Worksheet 1

Topic: Understanding Excess Demand and Deficient Demand

A. Multiple Choice Questions (1 mark each) – (Q1 to Q10)

Choose the correct option:

1. Excess demand causes:
 - a) Unemployment
 - b) Inflation
 - c) Deflation
 - d) Low income
2. Deficient demand occurs when:
 - a) $AD = AS$
 - b) $AD < AS$
 - c) $AD > AS$
 - d) None of the above
3. One of the effects of excess demand is:
 - A) Fall in prices
 - B) Fall in output
 - C) Rise in general price level
 - D) Rise in unemployment
4. What does full employment mean?
 - a) No one wants to work
 - b) Everyone is rich
 - c) All willing and able people are employed
 - d) Government jobs are full
5. What happens when AD is less than AS?
 - a) Excess demand
 - b) Inflation
 - c) Deficient demand
 - d) Hyperinflation
6. To correct excess demand, the government should:
 - a) Increase spending
 - b) Increase taxes
 - c) Reduce interest rates
 - d) Give more subsidies
7. Increasing CRR helps in:
 - a) Increasing money supply
 - b) Reducing bank lending
 - c) Increasing employment
 - d) Increasing inflation
8. Underemployment equilibrium means:
 - a) All resources used
 - b) No one is working

- c) Resources are underused
 - d) Prices are rising
9. When the central bank sells government securities, it:
- a) Adds money to market
 - b) Reduces money in market
 - c) Encourages spending
 - d) None of these
10. A fiscal measure to correct deficient demand is:
- a) Raise taxes
 - b) Reduce subsidies
 - c) Increase government spending
 - d) Raise CRR

B. Short Answer Questions (3 marks each) – (Q11 to Q16)

Answer the following in around 60 words each:

11. Define excess demand.

Ans. -----

12. What are the causes of deficient demand?

Ans. -----

13. Explain the role of taxation in controlling excess demand.

Ans. -----

14. How can reducing interest rates help correct deficient demand?

Ans. -----

15. What is meant by underemployment equilibrium?

Ans. _____

16. State two monetary measures to control excess demand.

Ans. _____

C. Long Answer Questions (6 marks each) – (Q17 to Q20)

Answer in about 100–120 words:

17. Explain three effects of excess demand.

[illegible]

18. How can fiscal and monetary policies together correct deficient demand?

[illegible]

[illegible][illegible]

Worksheet 2

Topic: Measures to correct Excess and Deficient Demand Total Questions:

A. Multiple Choice Questions (1 mark each) – (Q1 to Q10)

Choose the correct option:

1. Which is a monetary tool used by RBI?
 - a) Taxation
 - b) Subsidy
 - c) Bank rate
 - d) Public spending
2. Which is not a consequence of deficient demand?
 - a) Unemployment
 - b) Inflation
 - c) Low investment
 - d) Idle resources
3. To reduce inflation, the RBI should:
 - a) Buy securities
 - b) Reduce CRR
 - c) Increase interest rates
 - d) Decrease taxes
4. Which is a fiscal policy tool?
 - a) CRR
 - b) Bank rate
 - c) Public expenditure
 - d) Repo rate
5. If prices are rising too fast, the government should:
 - a) Spend more
 - b) Reduce taxes
 - c) Cut spending
 - d) Hire more workers
6. What does deficient demand lead to?
 - a) Price rise
 - b) High income
 - c) Unemployment
 - d) Inflation
7. Selling securities helps in:
 - a) Injecting money
 - b) Controlling inflation
 - c) Increasing loans
 - d) Reducing unemployment
8. When government increases expenditure, it:
 - a) Controls excess demand
 - b) Encourages saving
 - c) Boosts demand
 - d) Reduces employment
9. bank If rate is increased:
 - a) Loans become cheaper

- b) Money supply increases
 - c) Borrowing becomes costlier
 - d) Deficient demand increases
10. Which is a suitable policy during excess demand?
- a) Increase loans
 - b) Lower taxes
 - c) Raise CRR
 - d) More subsidies

B. Short Answer Questions (3 marks each) – (Q11 to Q16)

Answer the following in about 60 words each:

11. What is the impact of excess demand on general price level?

Ans. -----

12. How does reducing bank rate affect demand?

Ans. -----

13. Explain the meaning of open market operations.

Ans. -----

14. What is the difference between CRR and SLR?

Ans. -----

15. Give any two fiscal measures to control deficient demand.

Ans. -----

C. Long Answer Questions (6 marks each) – (Q17 to Q20)

Answer in about 100–120 words:

16. What are the effects of deficient demand on employment?

Ans. -----

17. Explain how increasing government spending helps correct deficient demand.

Ans. -----

18. Discuss three monetary tools to reduce excess demand.

Ans. -----

19. How does taxation policy help in correcting excess demand and deficient demand?

Ans. -----

20. Explain the difference between excess demand and deficient demand with examples.

Ans. -----

UNIT-4: GOVERNMENT BUDGET AND THE ECONOMY

Multiple Choice Questions:

Answer the following questions:

Q.1 From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I

Column II

- | | |
|------------------------------------|------------------------|
| A. Repayment of loans and advances | 1. Revenue Expenditure |
| B. Special assessment | 2. Capital Expenditure |
| C. Borrowings | 3. Revenue Receipts |
| D. Expenditure on mid-day meal | 4. Capital Receipts |

Options:

- a. A-3, B-2, C-1, D-4
- b. A-1, B-2, C-3, D-4
- c. A-1, B-3, C-2, D-4
- d. A-2, B-3, C-4, D-1

Ans: Option D

Q.2 "Free distribution of LPG connection to poor people is a sign of social justice."

Identify the 'Objective of Government Budget' from the above mentioned statement.

- a. Promote economic growth
- b. Management of public enterprises
- c. Create equitable distribution of Income
- d. Create fluctuation in revenue of the government

Ans: Option C

Q.3 Grants given to state governments are part of:

- | | |
|------------------------|------------------------|
| a) Revenue Expenditure | b) Capital Expenditure |
| c) Revenue Receipt | d) Capital Receipt |

→ Correct: a)

Q.4 What are the two main parts of a government budget?

- | | |
|--------------------------------------|------------------------|
| a) Income and Wealth | b) Revenue and Capital |
| c) Revenue Budget and Capital Budget | d) Tax and Non-Tax |

→ Correct: c)

STATEMENT BASED:

Q 5. Read the following statements carefully:

Statement I: The government budget is the statement showing actual receipts and expenditures of the government in the coming financial year.

Statement II: The government budget is presented by the Finance Minister of India.

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

- a) Statement I is true and Statement II is false
- b) Statement II is true and Statement I is false
- c) Both statements are true
- d) Both statements are false

Statement:1 The budget shows estimated (not actual) receipts and expenditures for the upcoming financial year. Actual data is shown in the budget for the previous year, but the focus of the budget is on estimates for the coming year.

Statement:2 This is correct. The Finance Minister presents the Union Budget in the Parliament.

b) Statement II is true and Statement I is false

Q.6 Taxation is an effective tool to reduce the inequalities of income.

Ans: True

(Progressive taxation helps reduce income inequality by collecting more from the rich and supporting welfare schemes for the poor.)

Q.7 Goods and services tax cannot be avoided.

Ans: False

(GST is an indirect tax and can be avoided by not consuming taxed goods/services. Only direct taxes like income tax are unavoidable once income is earned.)

ASSERTION REASON :

Q.8 . Assertion (A): If the receipts and payments on the current account are equal to each other, it depicts a situation of current account surplus.

Reason (R): A surplus current account means that the nation is a lender to other countries and a deficit current account means that the nation is a borrower from other countries.

Answer : **Assertion false reason true**

If receipts and payments on current account are **equal**, it means the **current account is balanced**, not in surplus. A surplus means **receipts are more than payments**.

This is a correct statement. A surplus shows the country is saving more and may be lending or investing abroad, while a deficit shows borrowing from foreign sources.

CASE BASED :

Q9. Read the extract given below and answer the questions on the basis of the same:

The government of a country, through its budgetary policy, directs the allocation of resources in a manner such that there is a balance between the goals of profit maximisation and social welfare, e.g., there should be production of necessity goods as well as comfort and luxury goods. The goods which cannot be provided through market mechanism and hence must be provided by the government are called public goods, e.g., roads, parks, street lights, etc.

(i) Explain, why public goods must be provided by the government?

(ii) State any two objectives of government.

Ans :

(i) Public goods must be provided by the government because they are **non-excludable** (no one can be prevented from using them) and **non-rivalrous** (one person's use does not reduce availability for others). Due to these characteristics, **private producers do not find them profitable**, so the government steps in to ensure their availability for the welfare of all, e.g., roads, street lights, and parks.

(ii) **any two objectives of government are:**

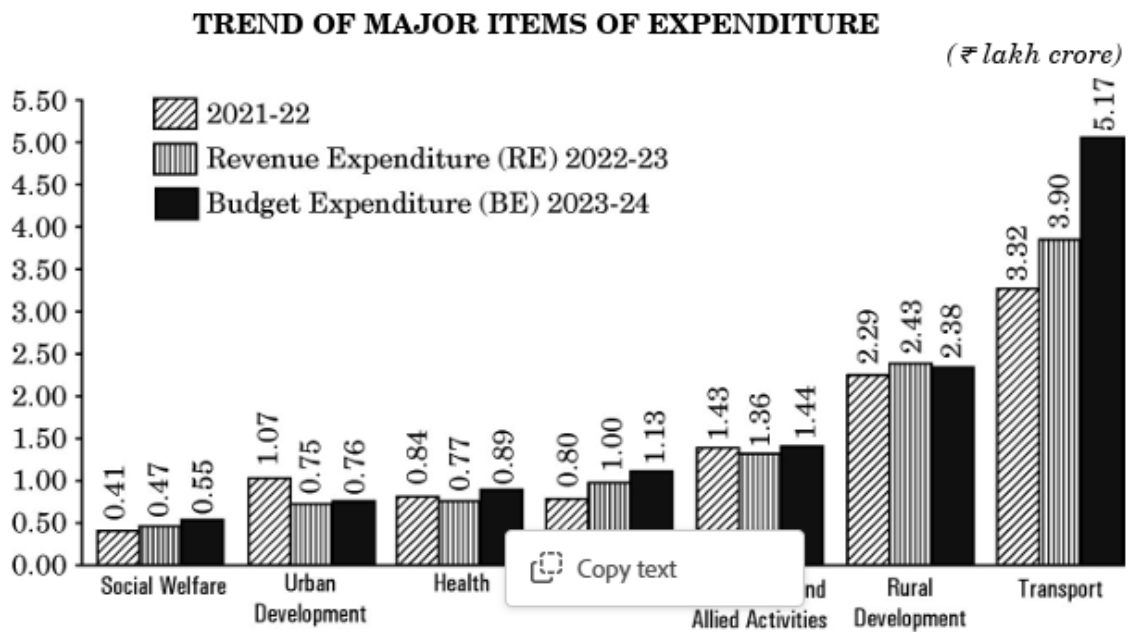
a) **Economic growth and development** – To increase national income and improve living standards.

b) **Equitable distribution of income and wealth** – To reduce income inequalities and promote social justice.

Picture based Question

Q 10 Study the following chart carefully and analyse the changing trends in the government expenditure on:

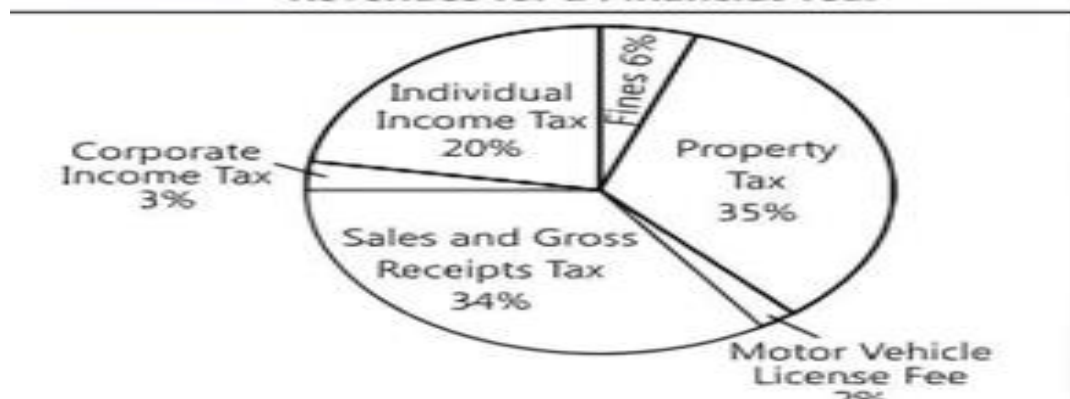
(I) Agriculture and Allied Activities (II) Transport



Q 11 Answer the following questions based on common knowledge and picture:

3. Study the given picture carefully:

Sources of State and Local Government Tax Revenues for a Financial Year



(i) Categorise the given items in the picture into tax/non-tax receipts.

(ii) "Government has started spending more on providing free services like education and health to the poor."

In the light of above statements, explain how the government can use the budgetary policy in reducing 'inequalities of income'. (CBSE 2023)

(i) (a) Tax Receipts:

- Individual Income Tax (20%)
- Corporate Income Tax (3%)
- Sales and gross receipt tax
- Property tax

(b) Non-tax Receipts:

- Fines (6%)
- Motor Vehicle License Fee (2%)

(ii) Increasing government expenditure by providing free services to the poor like education and health facilities, etc. This will raise the disposable income of the poor. Thus, the gap between rich and poor can be reduced

SHORT ANSWERS :

Q.12 Distinguish between primary deficit and fiscal deficit.

Ans. Difference between primary deficit and fiscal deficit are:

S. No.	Basis of Difference	Primary Deficit	Fiscal Deficit
(i)	Meaning	It shows the difference between fiscal deficit and interest payments.	It shows the excess of total expenditure over total receipts excluding borrowings.
(ii)	Indicator	It indicates the total borrowing requirements of the government excluding interest.	It indicates the total borrowing requirements of the government including interest.
(iii)	Formula	Primary deficit = Fiscal deficit – Interest payments	Fiscal deficit = Total expenditures – Total receipts excluding borrowings

Q13. Distinguish between revenue expenditure and capital expenditure.

Ans. Difference between revenue expenditure and capital expenditure:

S. No.	Basis of Difference	Revenue Expenditure	Capital Expenditure
(i)	Meaning	These are those expenditures which neither reduce any liability nor create any asset of the government.	These are those expenditures which either reduce a liability or create an asset of the government.
(ii)	Nature	They are regular and recurring in nature.	They are irregular and non-recurring in nature.
(iii)	Purpose	Incurred for normal running of government departments and provision of various services.	Incurred mainly for acquisition of assets and granting of loans and advances.
(iv)	Examples	Salary of govt. employees, pension, interest, etc.	Repayment of loans/borrowings, expenditure on acquisition of capital assets, etc.

Q.14 Distinguish between Revenue deficit and fiscal deficit.

S. No.	Basis of Difference	Revenue Deficit	Fiscal Deficit
(i)	Meaning	It refers to the excess of revenue expenditures over revenue receipts of the government.	It is the excess of total expenditures over total receipts other than borrowings.
(ii)	Borrowings	It tells about the need for borrowings by the government to manage its budgetary expenditure (regular and recurring).	It tells about the borrowings requirements of the government including interest payments.
(iii)	Formula	Revenue deficit = Revenue expenditures – Revenue receipts	Fiscal deficit = Total expenditure – Total receipts – Borrowings and other liabilities of the government

Q.15 Explain 'economic growth' as an objective of government budget.

Ans. Economic growth is the main objective of government budget. According to this objective, government, through its budgetary policy, gives importance to both the sectors namely public sector as well as private sector. Government makes policies and provisions in such a manner that encourages private sector to make investments in the economy. For this purpose, government provides tax rebates and gives subsidies to the private sector. Also, government spends money for the development of education, health, housing, infrastructure, etc., in the economy. Because of this, the level of productivity and production increases in the economy. This helps the government to achieve higher economic growth through public as well as private sectors.

Q16. What does fiscal deficit signify? Can there be fiscal deficit without revenue deficit?

Ans. Fiscal Deficit: It refers to a situation in which the budgetary expenditures are more than the budgetary receipts (excluding borrowings and other liabilities of the government) during a fiscal year.

Formula:

Fiscal Deficit = Total expenditures – Total receipts excluding borrowings

There can be a fiscal deficit in a government budget without a revenue deficit. It is possible in the following situations:

- (i) When revenue budget is balanced and capital budget shows a deficit.
- (ii) When there is a surplus in the revenue budget but the deficit in capital budget is greater than this surplus.

Q17. “Fiscal deficit is necessarily inflationary in nature.” Do you agree? Support your answer with valid reasons.

Ans. No, fiscal deficit is not always inflationary. If government borrows money for infrastructural development, then it will not create inflation. However, if government borrows money and/or raises money through deficit financing (printing of new currency), then it will be inflationary.

LONG ANSWERS:

Q18. Define revenue receipts in a government budget. Explain how government budget can be used to bring in price stability in the economy.

Ans. Revenue receipts are those receipts of the government which do not create a liability or do not lead to a reduction in assets. These are non-redeemable, i.e., they cannot be claimed back. Revenue receipts are divided into tax revenue and non-tax revenue:

(i) Tax Revenue

Collected by the Central and State governments

Includes direct taxes (like income tax) and indirect taxes (like GST)

(ii) Non-Tax Revenue

Includes receipts from profits, dividends, fees, fines, penalties, escheats, gifts, etc.

Government budget is a statement of estimated receipts and expenditures for a financial year. One of its key objectives is price stability.

Government maintains price stability by making provisions to control inflation and deflation, such as adjusting taxes, subsidies, and public expenditure in line with economic conditions. Price stability helps avoid harmful effects of inflation and deflation like recession, depression, or excessive growth.

Q 19. From the following data about a government budget, find out

(i) Revenue deficit (ii) Fiscal deficit and (iii) Primary deficit:

S. No.	Particulars	(₹ In arab)
(i)	Capital Receipts net of Borrowings	95
(ii)	Revenue Expenditures	100
(iii)	Interest Payments	10
(iv)	Revenue Receipts	80
(v)	Capital Expenditures	110

Calculations Shown:

(i) Revenue Deficit = Revenue Expenditures - Revenue Receipts = $(100 - 80) = ₹ 20$ arab

(ii) Fiscal Deficit = Total Expenditures > Total Receipts excluding Borrowings = $(100 + 110) - (80 + 95) = ₹ 35$ arab

(iii) Primary Deficit = Fiscal Deficit - Interest Payments = 35 - 10 = ₹ 25 arab

Q.20 Tax rates on higher income groups have been increased. Which economic value does it reflect?

Ans: It reflects the economic value of equity or redistribution of income. By taxing the rich more, the government collects more revenue from them and uses it to provide welfare services to the poor, thus reducing income inequality and promoting social justice.

Q.21 Identify the following as revenue expenditure and capital expenditure. Give reasons.

- Repayment of loans
- Expenditure on collection of taxes
- Subsidies
- Expenditure on building a bridge

Ans:

a) **Repayment of loans** – *Capital Expenditure*

Reason: It reduces the government's liabilities but does not lead to creation of any asset.

b) **Expenditure on collection of taxes** – *Revenue Expenditure*

Reason: It is a regular administrative expense for running the government and does not create any asset.

c) **Subsidies** – *Revenue Expenditure*

Reason: Subsidies are financial support to people or sectors and are part of routine expenses without creating any asset.

d) **Expenditure on building a bridge** – *Capital Expenditure*

Reason: It leads to creation of a long-term physical asset and adds to the productive capacity of the economy.

Q.22 Reduction in income inequalities raises welfare of the people. How can government help through government budget

The government can reduce income inequality by using the budget in two ways:

Progressive taxation – Charging higher taxes from the rich.

Pro-poor spending – Using that revenue to provide free education, healthcare, subsidies, employment programs, and welfare schemes for poor and vulnerable sections.

This ensures fair distribution of wealth and improves overall social welfare.

Q 23 What are capital receipts? State the sources of capital receipts.

Ans. Capital Receipts: It refers to those receipts which either create a liability or reduce an asset of the government.

Sources of Capital Receipts: These are as follows:

- (i) Borrowings
- (ii) Recovery of loans
- (iii) Disinvestment
- (iv) Small savings such as National Saving Certificates, Kisan Vikas Patra, etc.

Q 24 Classify the following as Revenue receipts or Capital receipts. Give valid arguments in support of your answer:

- (i) Interest received on loan. 2
- (ii) Disinvestment receipts from the sale of a government company. 2
- (iii) Financial assistance by the Government of USA for promoting girl education in India. 2

(i) Interest received on loan – Revenue Receipt

Reason: It is a regular income for the government received on loans given, and it neither reduces assets nor increases liabilities.

(ii) Disinvestment receipts from the sale of a government company – Capital Receipt
Reason: It is income received from selling ownership (shares) in public sector undertakings. It reduces government assets.

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

Reason: It is a grant or donation, which is a non-recurring income and does not create liability or reduce assets.

Q 25 "Taxation is an effective tool to reduce the inequalities of income." Justify the given statement with valid reasons

Ans. A budget can be used as an instrument to reduce the inequalities in the distribution of income and wealth in the following ways

- (i) Tax rates should be made progressive, i.e. rate of tax should increase with increase in income.
- (ii) Increasing government expenditure by providing free services to the poor like education, medical facilities, etc. This will raise the disposable income of the poor.
- (iii) The amount collected through tax is given to the poor in the form of subsidies. Thus, the gap between rich and poor can be reduced.
- (iv) Strict measures should be adopted to check tax evasion by the rich people.

Q 26 "The Union Budget 2023-24 had proposed an allocation of 22,138 crore to the Micro, Small and Medium Enterprise (MSME) Ministry." Identify and explain the objective that the government is trying to achieve with the proposed expenditure.

The proposed allocation of 22,138 crore to the MSME Ministry aims to

- Promote Economic Growth
Support MSMEs as they contribute significantly to GDP and employment generation.
- Job Creation
Boost small businesses to provide more employment opportunities.
- Encourage Innovation and Competitiveness
Facilitate technology up gradation and innovation in MSMEs.
- Reduce Regional Disparities
Support MSMEs in rural and semi-urban areas to ensure balanced development.

Q27. "Through its budgetary policy, the government allocates resources as per the requirements of the country." Do you agree with the given statement? Support your answer with the valid reasons.

Answer : Yes, I agree with the statement that through its budgetary policy, the government allocates resources as per the requirements of the country. The government may influence the allocation of resources through heavy taxes may be imposed on harmful products to discourage their production and subsidies may be provided on the production of socially useful products to encourage their production.

Government may directly undertake production of certain goods and services in the areas where the private sector may not be willing to participate in production activities.

Q 28 Describe how the government's role in providing public goods impacts community welfare.

The government plays a crucial role in providing public goods, which significantly enhances community welfare in the following ways

- Ensuring Availability for All

Public goods like roads, national defence and pollution control benefit everyone equally. Since they are non-rivalrous, one person's use does not reduce availability for others.

- **Addressing Market Failure**

Due to the free-rider problem, private firms may not supply these goods, as people can benefit without paying. The government ensures their provision, preventing market failure and maintaining essential services.

- **Enhancing Quality of Life**

Public goods improve safety, infrastructure, and environmental conditions, fostering economic growth and overall well-being. This leads to a more stable and prosperous society.

By providing public goods, the government ensures fairness, accessibility and long-term community welfare.

SHORT TRICK FOR LEARNING NATURE OF REVENUE AND CAPITAL RECIEPTS AND EXPENDITURES

RR	NCL	NRA
CR	ECL	ORA
RE	NCA	NRL
CE	ECA	ORL

Worksheet: 01(Govt. Budget)

Q1. The non-tax revenue in the following is:

- Export duty
- Import duty
- Dividends
- Excise duty

Q2. Which of the following is a source of capital receipt?

- Foreign donations
- Disinvestments
- Dividends
- Indirect taxes

Q3. is a tax whose impact and incidence fall on the same person.

(Choose the correct alternative to fill up the blank)

- Indirect tax
- Service tax
- Direct tax
- Sale Tax

Q4. The loans taken by government represent a situation of

(Choose the correct alternative to fill up the blank)

- fiscal deficit
- revenue deficit
- primary deficit
- borrowing

Q6. Read the extract given below and answer the questions on the basis of the same:

The government of a country, through its budgetary policy, directs the allocation of resources in a manner such that there is a balance between the goals of profit maximisation and social welfare, e.g., there should be production of necessity goods as well as comfort and luxury goods. The goods which cannot be provided through market mechanism and hence must be provided by the government are called public goods, e.g., roads, parks, street lights, etc.

(i) Explain, why public goods must be provided by the government?

(ii) State any two objectives of government.

Q7. Is borrowing by the government a revenue receipt?

Q8. Give two examples of capital receipts.

Q9. Define Primary Deficit.

Q10. What is debt trap? Suggest measures to control such situation.

LONG ANSWERS:

Q11. Discuss the objectives of government budget.

Q12. A government budget shows a primary deficit of ₹5,000 crore. The revenue expenditure on interest payment is ₹200 crore..How much is the fiscal deficit?

Q13. Distinguish between revenue expenditure and capital expenditure?

Q14. Distinguish between direct tax and Indirect tax?

Q15. What are non tax revenue? State some examples of non tax revenue?

Q16. What is government budget? Explain its major components?

Q17. What are the sources of capital receipts?

Q18. What are escheats?

Q19. Define revenue receipts in government budget. Explain how government budget can be used to bring price stability in the economy?

Q20. Classify the following taxes into direct and indirect tax. Give reasons for your answer:

(i) Corporation tax

(ii) Entertainment tax

(iii) Excise tax

(iv) Income tax

Worksheet: 02(Govt. Budget)

Q1. Which of the following is a capital receipt for the government?

- a) Income tax
- b) Grants from foreign countries
- c) Borrowings
- d) Sale of public goods

Q2. Identify the non-tax revenue from the following:

- a) Income tax
- b) Fees and fines
- c) Excise duty
- d) Corporation tax

Q3. is a tax whose burden can be shifted to another person.

- a) Direct tax
- b) Income tax
- c) Indirect tax
- d) Wealth tax

Q4. Revenue deficit refers to:

- a) Revenue receipts > Revenue expenditure
- b) Revenue expenditure > Revenue receipts
- c) Capital receipts > Capital expenditure
- d) Borrowings > Expenditure

Q5. The budgetary objective of 'redistribution of income and wealth' is achieved through:

- a) Investment
- b) Taxation and subsidies
- c) Exports and imports
- d) Loan waiver

Q6. Read the passage and answer:

The budget of the government not only shows expected income and expenditure, but also reflects its plans for public welfare. It is through the budget that the government decides how to allocate resources and achieve its objectives such as economic growth, employment generation and reduction of inequality.

(i) What are two developmental objectives of government budget?

(ii) How does the budget help in reducing inequality?

Q7. Give two examples of non-tax revenue.

Q8. Name any two sources of revenue receipts.

Q9. Should the government rely only on tax revenue for development activities? Why or why not?

Q10. What is meant by disinvestment? How does it help the government?

Q11. Give two points of distinction between capital and revenue receipts.

Q12. A government budget shows fiscal deficit of ₹10,000 crore and interest payments of ₹2,000 crore. Calculate primary deficit.

Q13. Explain the concept of fiscal deficit in brief.

Q14. Differentiate between -Revenue deficit and fiscal deficit

Q15. What is the difference between revenue and capital expenditure?

Q16. List any three features of a good tax system.

Q17. What is the role of government budget in resource allocation?

Q18. Define the impact of high fiscal deficit in an economy .

Q19. Why is it important for a government to prepare a budget every year?

Q20. Classify the following into capital and revenue expenditure:

(i) Salary paid to government employees

(ii) Loan given to a foreign country

(iii) Purchase of defence equipment

(iv) Scholarship to students

UNIT-5: BALANCE OF PAYMENT AND FOREIGN EXCHANGE

Multiple Choice Questions:

Answer the following questions:

Q: 1 Suppose, the price of one UK Pound (£) has increased from ₹70 to ₹80, owing to market forces.

This means that value of Indian Currency (₹) has _____. (Choose the correct alternative)

- (a) appreciated (b) depreciated (c) revalued (d) devalued

Ans. (b) depreciated

Q:2 Identify, which of the following is not a source of demand for foreign exchange for Indian economy? (Choose the correct alternative.)

- (A) Import of goods and services
(B) Remittances by foreigners living in India to their families abroad
(C) Indian tourists visiting foreign countries
(D) Loans from Rest of the World (ROW)

Ans. (D) Loans from Rest of the World (ROW)

Q:3 Identify which of the following is not one of the merits of fixed exchange rate system.

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

Ans. (B) Possibility of under or over valuation of foreign currency

Q: 4 Suppose that, the Balance of Trade of a nation exhibits a deficit of ₹ 50,000 crore. The import of visible items are five times of the exports of visible items. The value of exports of visible items would be ₹ _____ crore.

(Choose the correct alternative to fill up the blank)

- (a) 20,000 (b) 10,000 (c) 12,500 (d) 20,300

Ans. (c) 12,500

Q: 5 Surplus in Balance of Payments (BOP) refers to the excess of _____. (Choose the correct alternative to fill in the blank)

- (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

Ans. (D) Autonomous receipts over Autonomous payments

Q: 6 An Indian company receives a loan from a company located abroad. This transaction would be recorded on the _____ side of _____ account in India's Balance of Payment. (Choose the correct alternative to fill up the blanks)

- (a) Credit, Current (b) Debit, Current (c) Credit, Capital (d) Debit, Capital

Ans. (c) Credit, Capital

Q:7 Under the _____ Exchange Rate System, the Central Bank can control the rise / fall of foreign exchange rate in a range bound manners. (Fill up the blank with correct alternative.)

- (A) fixed (B) flexible (C) managed floating (D) gold standard

Ans. (C) managed floating

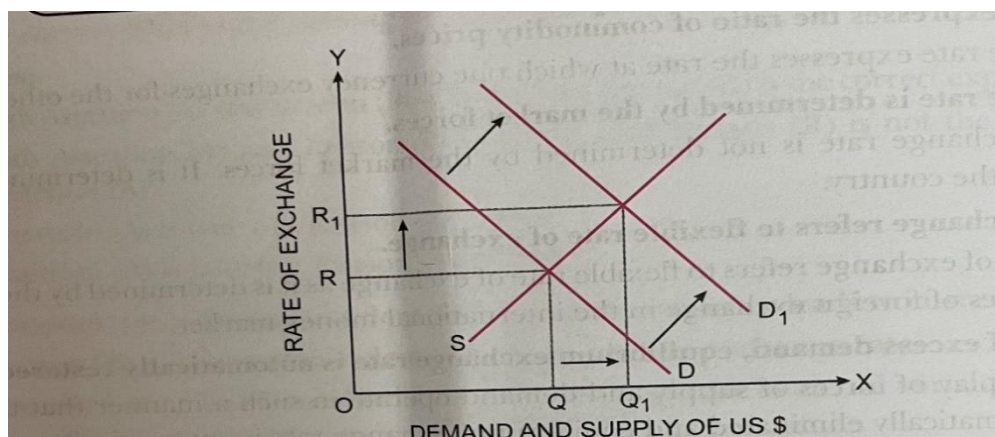
Q:8 The measurement of Balance of Payments deficit is based on _____ transactions.

(Fill up the blank with correct alternative.)

(A) Autonomous (B) Accommodating (C) Current account (D) Capital account

Ans. (A) Autonomous

Q.9



On the basis of the above diagram answer the following question:

What will be the impact of the above shift in demand curve from D to D_1 on the exchange rate

- (a) Exchange rate increases (b) Exchange rate decreases
(c) Exchange rate remains constant (d) None of these

Ans. (a) Exchange rate increases.

Q:10. **OLD EXCHANGE RATE**

1 US \$ = 100

NEW EXCHANGE RATE

1 US \$ = 105

On the basis of the above chart answer the following question:

The appreciating currency in the above case is

- (a) dollar (b) rupee
(c) both (a) and (b) (d) none of these

Ans. (a) dollar.

Q: 11 Identify the correct pair of statements given in Column I with the related terms in Column II:

Column I	Column II
1. Remittances from abroad to the nation	(i) Accommodating Transaction
2. Government's policy of decreasing the value of the nation's currency against foreign currencies	(ii) Devaluation
3. Difference between visible exports and visible imports of a nation	(iii) Balance of Payments
4. Government as sole authority of determining foreign exchange rates	(iv) Flexible Exchange Rate System

Alternatives:

- (A) 1 → (i) (B) 2 → (ii) (C) 3 → (iii) (D) 4 → (iv)

Ans. (B) 2 → (ii)

STATEMENT BASED:

In the following questions, two statements are given. Read the statements carefully and choose the correct alternative among those given below:

Alternatives:

- (a) Both the statements are true
- (b) Both the statements are false
- (c) Statement 1 is true and Statement 2 is false
- (d) Statement 2 is true and Statement 1 is false

Q:12. Statement 1 : Autonomous items are the cause of BoP imbalance

Statement 2 : Accommodating items do not involve the movement of goods across the borders.

Ans :AQ:13. Statement 1 :BoP performance of a country impacts its monetary and fiscal policies.

Statement 2 :BoP data does not offer any information on net factor income from abroad.

Ans: C

ASSERTION REASON :

In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R).

Choose the correct alternative among those given below:

Alternatives:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true and 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

Q:14. Assertion (A) : In a state of BoP equilibrium, there is increase in official reserves with the central bank of the country.

Reason (R): Foreign private loans are included in the capital account of balance of payments.

Ans:D

Q:15. Assertion (A) : Export and import of goods is treated as visible trade.

Reason (R) : Goods are tangible and therefore, can be seen while crossing the borders.

Ans: A

CASE STUDY:

Q.16 Read the following news report and answer the following questions on the basis of the same.

India's trade with China last year fell to the lowest since 2017, with the trade imbalance declining to a five-year low on the back of a slump in India's imports from China.

Two-way trade in 2020 reached \$87.6 billion, down by 5.6%, according to new figures from China's General Administration of Customs (GAC). India's imports from China accounted for \$66.7 billion, declining by 10.8% year-on-year and the lowest figure since 2016.

India's exports to China, however, rose to the highest figure on record, for the first time crossing the \$20 billion-mark and growing 16% last year to \$20.86 billion. The trade deficit, a source of friction between India and China, declined to a five year-low of \$45.8 billion, the lowest since 2015.

(a) What does "trade deficit" mean?

(i) The value of exports of goods and services is less than the value of imports of goods and services.

- (ii) The value of imports of merchandise is less than the value of exports of merchandise.
- (iii) Negative balance on account of trade in goods, services and transfers.
- (iv) Foreign exchange payments on account of visible items are in excess over the receipts of visible items.
- (b) "The trade deficit, between India and China, declined to a five year-low of \$45.8 billion." The
(increase/decrease) in imports from China has caused this.
- (c) India's exports to China were:
- (i) \$45.8 billion (iii) \$66.7 billion
(ii) \$20.86 billion (iv) \$87.6 billion

(d) Slump in imports from China will _____ (increase/ decrease) foreign exchange reserves.

Ans. (a) (iv) Foreign exchange payments on account of visible items are in excess over the receipts of visible items.

(b) increase

(c) (ii) \$20.86 billion

(d) increase

SHORT ANSWERS:

Q:17 Write difference between BOT and BOP.

Answer:

BASIS FOR COMPARISON	BALANCE OF TRADE	BALANCE OF PAYMENT
Meaning	Balance of Trade is a statement that captures the country's export and import of goods with the remaining world.	Balance of Payment is a statement that keeps track of all economic transactions done by the country with the remaining world.
Records	Transactions related to goods only.	Transactions related to both goods and services are recorded.
Capital Transfers	Are not included in the Balance of Trade.	Are included in Balance of Payment.
Which is better?	It gives a partial view of the country's economic status	It gives a clear view of the economic position of the country.
Component	It is a component of Current Account of Balance of Payment.	Current Account and Capital Account.

Q: 18 Distinguish between fixed exchange rate system and flexible exchange rate system.

Ans. Under the Fixed Exchange Rate System, the foreign exchange rate is fixed by the government. This exchange rate system helps in maintaining stability in the value of the domestic currency vis-à-vis foreign currencies.

Whereas;

Under the Flexible Exchange Rate System, the foreign exchange rate is determined by the interaction of market forces of demand and supply. Flexible exchange rate keeps

fluctuating according to the demand and supply.

Q :19 Differentiate between Surplus in Balance of Trade and Current Account Surplus.

Ans. Surplus in the Balance of trade arises when the value of exports of visible is more than the value of imports of visibles. Whereas, The current account surplus arises when receipts from exports of visibles, invisibles and unilateral transfers are more than payments for imports of visible, invisibles and unilateral transfers.

Q: 20 Discuss any two factors which directly affect the demand for foreign exchange of a nation.

Ans. Two factors which directly affect the demand of foreign exchange of a nation are:

- Imports: When a country imports goods and services, it needs to pay for these imports in the foreign currency. Therefore, higher imports result in higher demand for foreign exchange.
- Investments abroad: When domestic investors make investments abroad, the payment is to be made in the foreign currency. This increases the demand for foreign exchange.

LONG ANSWERS:

Q:21 Giving valid reasons, state whether the following statements are true or false:

(i) Dividend received from investment abroad is recorded on the credit side of the capital account.

(ii) Depreciation of the Indian Currency will lead to promotion of Indian exports.

Ans.

(i) False. Dividend received from investment abroad is recorded on the credit side of current account, as neither assets nor liabilities of the country get affected.

(ii) True. Depreciation of the Indian currency will lead to promotion of Indian exports. As Indian exports become relatively cheaper for the rest of the world, thereby increasing the international competitiveness of Indian exports.

Q: 22 “There exists a positive relation between foreign exchange rate and supply of foreign exchange.” Do you agree with the given statement? Justify your answer with valid arguments.

Ans. Yes. When foreign exchange rate rises, the goods in domestic market become relatively cheaper for the buyers of the rest of the world. Thereby increasing the international competitiveness of Indian exports. This raises demand for exports, which in turn may lead to increase in supply of foreign exchange and vice-versa.

Q:23 "The central bank needs to intervene under the managed floating system." Do you agree with the given statement? Support your answer with valid reasons.

Ans. Yes. Under the managed floating system, the central bank allows the exchange rate to be determined by market forces of demand and supply. It may buy and sell foreign exchange to moderate exchange rate fluctuations. This intervention is undertaken to keep the exchange rate within the desired range.

Q:24 “Depreciation of currency may promote exports of a nation.” Defend or refute the given statement with valid arguments.

Ans. The given statement is defended. When the domestic currency of an economy depreciates, domestic goods become relatively cheaper in the international markets. Thereby, increasing the demand of domestic goods globally. Hence, depreciation of currency may promote exports of a nation.

Q :25 Discuss briefly the determination of exchange rate under the flexible exchange rate system.

Ans. Equilibrium rate of exchange is established at a point where the quantity demanded and quantity supplied of foreign exchange are equal. In the foreign exchange market, if disequilibrium occurs, it may lead to a situation of excess demand or excess supply.

The market mechanism will drive the exchange rate back to the equilibrium level.

This implies that the free market forces of demand and supply will operate in such a manner that the equilibrium rate of exchange is automatically restored.

Q :26 Distinguish between Autonomous transactions and Accommodating transactions.

Ans. Autonomous transactions are those international economic transactions which are independent of the state of Balance of Payments (BOP). These transactions generally take place with 'economic motive'. Such transactions are called 'above the line' transactions in the Balance of Payments account. Whereas; Accommodating transactions are those international economic transactions which are undertaken (by competent authorities) to cover the surplus or deficit in Balance of Payments. These transactions are independent of any economic motive. Such transactions are called 'below the line' transactions in the Balance of Payments account.

CHAPTER :BOP WORKSHEET-1

Choose appropriate word/term and fill in the blank:

- Q1. Balance of payments of a country is a systematic record of all _____ transactions between the residents of a country and the residents of another country.(financial/economic)
- Q2. _____ is concerned with visible items alone. (Balance of trade/Balance of payments)
- Q3. _____ transactions lead to future claims.(Current account/Capital account)
- Q4. Autonomous items in balance of payments are usually called _____.
(above the line items/below the line items)

Choose the correct option:

- Q5. Balance of payments is a set of accounts showing:
- (a) all monetary transactions of a country with rest of the world
 - (b) all economic transactions between residents of domestic country and residents of foreign countries
 - (c) all autonomous transactions of a country with rest of the world
 - (d) both (a) and (b)
- Q6. A strategy of growth that favors domestic production of goods which are imported from rest of the world is called:
- (a) import substitution
 - (b) export promotion
 - (c) balanced growth
 - (d) balance of trade
- Q 7. The international monetary transactions occur due to _____.
(a) export and import of goods
(b) domestic sale and purchase of real assets
(c) international sale and purchase of real assets
(d) both (a) and (c)
- Q8. Country A has higher rate of inflation than country B. Which of the following is most expected
- (a) A surplus trade balance in country B
 - (b) A deficit trade balance for country A
 - (c) A rise in exports from country A to country B
 - (d) A rise in imports from country B to country A

State whether the following statements are True or False:

- Q9. Export and import of services is called invisible trade. (True/False)
- Q10. Export and import of capital goods is included in the capital account. (True/False)
- Q11. In the BoP accounts, current transfers are treated as an element of visible. (True/False)
- Q12. Insurance and banking are the examples of non-factor services. (True/False)

Statement Questions:

In the following questions, two statements are given. Read the statements carefully and choose the correct alternative among those given below:

Alternatives:

- (a) Both the statements are true

- (b) Both the statements are false
- (c) Statement 1 is true and Statement 2 is false
- (d) Statement 2 is true and Statement 1 is false

Q13. Statement 1 : Autonomous items are the cause of BoP imbalance.

Statement 2 : Accommodating items do not involve the movement of goods across the borders.

Q14. Statement 1 : BoP performance of a country impacts its monetary and fiscal policies.

Statement 2 : BoP data does not offer any information on net factor income from abroad.

Q15. Statement 1 : NRI deposit is a current account transaction.

Statement 2 : Current account transactions do not give rise to future claims.

Q16. Statement 1 : Export and import of capital goods is included in the current account of BoP.

Statement 2 : Capital account transactions reveal borrowings from rest of the world.

Assertion- Reason Questions:

In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R).

Choose the correct alternative among those given below:

Alternatives:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true and 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

Q17. Assertion (A) : In a state of BoP equilibrium, there is increase in official reserves with the central bank of the country.

Reason (R): Foreign private loans are included in the capital account of balance of payments.

Q18. Assertion (A) : Export and import of goods is treated as visible trade.

Reason (R) : Goods are tangible and therefore, can be seen while crossing the borders.

Q19. Assertion (A) : Balance of payments records transactions related to goods as well services.

Reason (R) : Current account balance includes the balance of trade as well as balance on invisibles.

Q20. Assertion (A) : Goods bought by the foreign tourists in the domestic markets are not treated as 'export'.

Reason (R): Only such goods are treated as 'export' which are tangible and can be seen crossing the borders as merchandise.

Answer:

1. Economic	2. Balance of Trade	3. Capital Account	4. Above The Line Item
5. D	6. A	7. D	8. D
9. TRUE	10. FALSE	11. FALSE	12. TRUE
13. A	14. C	15. D	16. A
17. D	18. A	19. B	20. A

UNIT-5 :FOREIGN EXCHANGEWORKSHEET-2

Choose appropriate word/term and fill in the blank:

Q1. _____ is the price of the currency of one country in terms of the currency of another country.(Exchange rate/Managed floating)

Q2. The exchange rate at which demand for and supply of foreign currency are equal, is called _____.(disequilibrium rate/par rate)

Q3. _____ exchange rate is fixed by the government. (Fixed/Flexible)

Q4. According to Mint Par Parity Theory, exchange rate is determined by_____ standard.
(gold/paper currency)

Choose the correct option:

Q5. Demand curve for foreign exchange is_____.

- (a) negatively related to the rate of exchange
- (b) positively related to the rate of exchange
- (c) proportionately related to the rate of exchange
- (d) not related to the rate of exchange

Q6. When domestic currency loses its value in relation to a foreign currency in the international

money market, it is a situation of:

- (a) currency appreciation
- (c) currency devaluation
- (b) currency depreciation
- (d) none of these

Q7. When US dollar exchanges for ₹ 50, instead of ₹ 55 earlier, the domestic currency shows:

- (a) currency appreciation
- (b) currency depreciation
- (c) currency devaluation
- (d) none of these

Q8. Which of the following is the source of demand for foreign exchange?

- (a) Imports
- (b) Foreign investment
- (c) Income receipts
- (d) both (a) and (b)

State whether the following statements are True or False:

Q9. Exchange rate is the rate at which domestic currency can be exchanged for a foreign currency. (True/False)

Q10. Gold standard system of exchange rate is an old variant of flexible exchange rate system.

(True/False)

Q11. In case of depreciation of currency, the government plays no role

whatsoever. (True/False)

Q12. Demand for foreign exchange implies borrowing from rest of the world. (True/False)

Statement Questions:

In the following questions, two statements are given. Read the statements carefully and choose the correct alternative among those given below:

Alternatives:

- (a) Both the statements are true
- (b) Both the statements are false
- (c) Statement 1 is true and Statement 2 is false
- (d) Statement 2 is true and Statement 1 is false

Q13. Statement 1: If US \$ exchanges for ₹70, instead of ₹60 earlier, the domestic currency (Indian rupee) shows depreciation.

Statement 2: Depreciation of domestic currency encourages imports.

Q14. Statement 1: Under appreciation of domestic currency, less rupees are needed to buy one US dollar.

Statement 2: Appreciation of domestic currency is a situation of fall in exchange rate.

Q15. Statement 1: Under revaluation, value of the domestic currency (Indian rupee) is deliberately raised by the government.

Statement 2: Devaluation of currency is the same as depreciation of currency.

Q16. Statement 1: Exchange rate is said to be fixed when it is set and maintained by market forces of demand and supply.

Statement 2: Changes in the flexible rate of exchange are planned and introduced by the government.

Assertion- Reason Questions:

In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R).

Choose the correct alternative among those given below:

Alternatives:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true and 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

Q17. Assertion (A): Increase in demand for foreign currency leads to currency depreciation.

Reason (R): Increase in demand causes a rise in exchange rate.

Q18. Assertion (A): Gold standard system of exchange rate is an old variant of fixed exchange rate system.

Reason (R): Mint value of a currency implied paper value of that currency.

Q19. Assertion (A): Flexible rate of exchange is also called managed rate of exchange.

Reason (R): It is determined by demand and supply forces in the foreign exchange market.

Q20. Assertion (A): Export is an important source of supply of foreign exchange from rest of the world.

Reason (R): In case of currency appreciation, less rupees are to be paid to buy one US dollar.

ANSWER;

1. Exchange Rate

4. Gold

7. A

10.FALSE

13.C

16.B

19.D

2.Par Rate

5.A

8.D

11.TRUE

14.A

17.A

20.B

3.Fixed

6.B

9.TRUE

12.FALSE

15.C

18.C

UNIT6- DEVELOPMENT EXPERIENCE OF INDIA (1947-90)& ECONOMIC REFORMS SINCE 1991

Multiple Choice Questions:

Answer the following questions:

Q1. What was the policy of British rulers in India for industrialisation?

- a)The British rulers wanted to make India an importer of both primary and finished goods
- b)The British rulers wanted to make India an exporter of both primary and finished goods
- c)The British rulers wanted to make India an importer of primary goods from Britain and an exporter of finished goods to Britain
- d)The British rulers wanted to make India an exporter of primary goods to Britain and an importer of finished goods from Britain

Answer: d

Q2.Which of the following statements is true about the occupational structure of the Indian economy during British rule?

- a)The occupational structure of the Indian economy during the British rule was stagnant
- b)The occupational structure of the Indian economy during the British rule was underdeveloped
- c)The occupational structure of the Indian economy during the British rule was both stagnant and underdeveloped
- d)The occupational structure of the Indian economy during British rule was developed

Answer: c

Q3.Which of the following statements reflects the condition of the agricultural sector in India during British rule?

- a)The agricultural sector experienced huge stagnation and deterioration because of the drain of India's wealth
- b)The agricultural sector experienced huge stagnation and deterioration because of the land tenure system
- c)The agricultural sector experienced huge stagnation and deterioration because of the decline of handicrafts
- d)None of the above

Answer: b

Q4.Which of the following industries were operating in the Indian economy on the eve of its independence?

- a)Sugar, paper and cement industries
- b)Iron and steel industries
- c)Jute textile and cotton industries
- d)All of the above

Answer: d

Q5.Which of the following services was totally inadequate during British rule in India?

- a)Law and order, railways and ports
- b)Postal services
- c)Railways and ports
- d)None of the above

Answer: b

STATEMENT BASED QUESTIONS:

Read the following statements carefully :

In 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.

Q1. Statement 1: The most important characteristic of India's foreign trade throughout the colonial period was the generation of a large export surplus.

Statement 2: This Export surplus resulted in flow of gold or silver into India

Ans: A)

Q2. 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.

Ans: C)

Q3. Statement 1: The British policies were accountable for commercialisation of Indian agriculture.

Statement 2: In the larger interest of Indians, the British rulers focused on the infrastructural growth of India.

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

ASSERTION- REASON BASED QUESTIONS

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

Alternatives :

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true and Reason (R) is false.
- (d) Assertion (A) is false and Reason (R) is true.

Q1. Assertion (A): The year 1921 is called as the Year of Great Divide.

Reason (R): After the year 1921, India experienced a sharp rise in its population growth rate.

Ans. (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

Case based question

Read the given Article carefully and answer the following answers carefully

The British East India Company whose political power gradually expanded in India from 1757 onwards, used huge revenue generated by the provinces under its rule for purchasing Indian raw materials, spices and goods. Thus, the continuous inflow of bullion that used to come into India on account of foreign trade stopped altogether. The Colonial government used land revenue for waging wars in India and Europe leaving little for development of India. In short span of 80 years (1780-1860 AD) under colonial rule, India

changed from being an exporter of processed goods for which it received payment in bullion, to being an exporter of raw materials and a buyer of manufactured goods. More specifically, in the 1750s, mostly fine cotton and silk was exported from India to markets in Europe, Asia, and Africa; by 1850s raw materials, which chiefly consisted of raw cotton, opium, and indigo, accounted for most of India's exports. The ruthless exploitation under British colonial rule completely devastated India's economy. India's population was subject to frequent famines, had one of the world's lowest life expectancies, suffered from pervasive malnutrition and was largely illiterate. As per British economist, Angus Maddison India's share of the world income went from 27% in 1700 AD (compared to Europe's share of 23%) to 3% in 1950.

Q.1 Name the fine cotton imported from India which gained worldwide fame due to its fine quality.

Ans-Malwa or Malwa shahi

Q.2 What was the two-fold motive behind the systematic deindustrialisation effected by the British in pre-independent India?

Ans. The two-fold motive behind systematic deindustrialisation was-

- (a) to an exporter of raw materials
- (b) a buyer of manufactured goods.

Q.3 What was literacy rate and life expectancy during the British period in India?

Ans-16% and 32 years

Q.4 What led to drain of Indian wealth?

Ans. The Colonial government used land revenue for waging wars in India and Europe leaving little for development of India. This led to drain of Indian wealth. The drain of wealth theory has been described as the constant flow of national wealth from India to England for which India did not get adequate economic, commercial or material return.

Picture based questions

Q.1- read the picture carefully and answer the questions given below



Q.1 What are the two water bodies connected by Suez Canal?

Ans-Red Sea and Mediterranean Sea

Q.2 When did Suez Canal start working?

Ans-1869

Q.3 What was strategic importance of opening of Suez Canal?

Ans. Strategically and economically, it is one of the most important waterways in the world. Its opening in 1869 reduced the cost of transportation

Q.4 How did opening of Suez canal benefit British in India?

Ans- The opening of the Suez Canal made access easy and cheap to the Indian market further intensified British control over India's foreign trade.

SHORT ANSWERS- QUESTION

Q1: Name some notable economists who estimated India's per capita income during the colonial period.

Answer. Dadabhai Naoroji, V.K.R.V. Rao, William Digby, Findlay Shirras and R.C. Desai.

Q.2 Giving valid reasons, state whether the following statements are true or false.

(i) India followed unbalanced growth during the colonial rule.

Ans. True. India's economy under the colonial rule remained fundamentally agrarian, there was hardly any capital goods industry. Furthermore, the growth rate of the newly devised industrial sector and its contribution to the Gross Domestic Product (GDP) remained very small.

(ii) India has become a favourable destination of outsourcing, in post 1991 period.

Ans: True. Availability of skilled manpower at a relatively affordable cost has made India a leading outsourcing hub for Multinational Corporations (MNCs) to outsource their services to India.

Q3.How did the export surplus lead to an economic drain of wealth during colonial rule?

Ans: Export surplus was an instrument to perpetuate the 'drain of wealth' from India to Britain. The surplus amount that was earned by India through exports was siphoned off to the colonial British under various expenses such as 'home charges' or the military payments or remittances of British residents and officials in India to Britain.

LONG ANSWERS- QUESTION:

Q1."British colonial rule in India executed a systematic economic exploitation that involved the extraction of India's resources and wealth to benefit Britain."Justify the given statement with valid explanation.

Ans. During the colonial period, India's resources and wealth were exploited and diverted to Britain by transforming the country into exporter of raw materials and importer of finished industrial products from Britain. Though India was able to generate export surplus but it did not result in any flow of gold or silver into India. Rather, this was used to make payments for the expenses incurred by an office set up by the colonial government in Britain, expenses on war, fought by the British government, and the import of invisible items, all of which led to the drain of Indian wealth to Britain.

Q2 ."Many economists believe that India paid a very heavy price for the British industrialisation, by becoming their feeder economy."Justify the given statement with any one valid argument.

Ans. During British rule, India was transformed into a mere exporter of raw materials for British industries, leading to a large export surplus. However, this came at a significant cost to India's economy, with essential commodities like food grains, clothes etc. becoming scarce in the domestic market. Policies like the commercialization of agriculture ensured maximum benefit for Britain. While India's exports grew, the benefits rarely reached the Indian population.

(Any other valid argument to be awarded marks)

Q3. Critically appraise, infrastructural development in India during the British rule.

Ans. Under colonial rule, basic infrastructure facilities were developed in India. It enabled people to travel long distances thereby breaking geographical and cultural barriers. Moreover, it fostered commercialisation of Indian agriculture which adversely affected the self-sufficiency of the village economies in India. Furthermore, the colonial dispensation also took measures for developing the inland trade and sea lanes. Nevertheless, these measures were far from satisfactory.

(Any other valid explanation to be awarded marks)

Q4. When was the Suez Canal opened? State its effects on the Indian economy.

Ans: Suez Canal was opened in 1869. Suez Canal is an artificial waterway running from North to South across the Isthmus of Suez in North-Eastern Egypt. It is one of the most important waterways in the world. Its opening reduced the cost of transportation and made access to the Indian market easier and economical. A significant reduction in transport cost prompted monopoly control of India's foreign trade by the British Government.

Q5. Which year is regarded as the defining year to mark the demographic transition from its first to the second decisive stage?

Ans: The year 1921 is regarded as the defining year or the 'Year of Great Divide', because prior to 1921, population growth in India was stagnant. India was in the first phase of demographic transition till 1921, that was characterised by high birth rate and high death rate. After 1921, India's population growth never declined and showed a consistent upward trend.

INDIAN ECONOMY 1950-90

Multiple Choice Questions:

Answer the following questions:

Q1. "The Indian Government adopted a policy of fixing maximum land holding limit (ownership) for an individual."

It is commonly known as _____. (Choose the correct option to fill in the blank)

- (A) Green Revolution (B) Land Ceiling
(C) Marketable Surplus (D) Golden Revolution

Ans. (B) Land Ceiling

Q2. _____ committee was set up for the development and promotion of small scale industries in India.

- a) Karve b) Tapas Majumdar c) Mahalanobis d) TRYSEM

Ans. a

Q3. First Industrial Policy Resolution of Independent India was announced in the year (Fill in the blank)

- a) 1947 b) 1948 c) 1951 d) 1956

Ans. d

Q4. The first seven five-year plans gave importance to _____ which means avoiding _____ of those goods which could be produced in India itself.

- A. self-reliance, exports B. equity, imports
C. self-reliance, imports D. modernisation, growth

Ans. C

Q5. _____ refers to a situation when the farmers are compelled to sell the produce just after harvest even in low prices.

- a) Surplus sale b) Distress sale c) Commercial farming d) None of these

Ans. b)

Q6. Identify the correct combination of the 'Goals of Indian Five- Year Plans':

- a) Growth, Equality, Modernisation, Self-Reliance
b) Development, Equality, Modernisation, Sustainability
c) Good Health, Education, Modernisation, Sustainability
d) Growth, Equity, Modernisation, Self-Reliance

Ans. d)

Q7. Read the following figure carefully and choose the correct alternative from the

	COLUMN I		COLUMN II
i	Land Ceiling	A	Increase in production of food grain using HYV Seeds
ii	Marketed Surplus	B	Portion of agricultural produce sold in the market
iii	Land Reforms	C	Fixing the maximum limit of land holding for an individual
iv	Green Revolution	D	Change in the ownership of land (land of tillers)

Alternatives:

- I-A b) II-B c) III-C d) IV-D

Ans. b)

Q8. In the post-independence era, the policy makers of India pushed for 'self-reliance' for the first _____ Five Year Plans. (Choose the correct option to fill in the blank)

- (A) 8
(B) 7
(C) 6
(D) 5

Ans. (B) 7

STATEMENT BASED QUESTIONS

Q1. Statement 1: The Food Corporation of India maintains buffer stocks of wheat and rice as a measure to improve market mechanism.

Statement 2: Minimum Support Price (MSP) is imposed by the government to safeguard the interest of farmers.

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

- (A) Statement 1 is true and Statement 2 is false.
(B) Statement 1 is false and Statement 2 is true.
(C) Both Statements 1 and 2 are true.
(D) Both Statements 1 and 2 are false.

Ans. (C) Both Statements 1 and 2 are true.

ASSERTION- REASON BASED QUESTIONS

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

from the options given below:

Assertion (A): Excessive regulation of permit license raj prevented certain private firms from becoming more efficient.

Reason (R): Private sector wasted a significant time in obtaining licenses rather than enhancing 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.

Ans. (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

CASE BASED QUESTIONS :

Read the following passage and answer the questions

1. For overall economic development of the country government needs to focus on the development of agriculture sector as 49% of the population is engaged in primary sector. Green revolution was one such initiative taken by the government which has increased the production of food grains like wheat and rice. Green revolution was possible due to the use of HYV seeds, irrigation facilities and fertilizers. This made India not only self-reliant but also helped it to become an exporter of food grains. But effects of Green Revolution were more prominent in few states like Punjab, Haryana and Tamil Nadu. It widened the gap between rich and poor in the ruler India.

Q.1 Identify the element which is not related with green revolution.

a) Improved seeds b) Fertilizers

c) New strategy for agriculture

d) Increase in population

Ans. increase in population

Q.2 .Use of (HYV/HVY/Organic) seeds were promoted in green revolution.

Ans. HYV seeds

Q.3.Green revolution was comparatively more successful in which states?

Ans. Punjab, Haryana and Tamil Nadu

Q.4 Indian economy is marching towards progress but there is a need of improvement in (primary/secondary/tertiary) sector.

Ans. Primary sector

Read the following case study and answer the given questions

The performance of Indian economy during the period of first seven five year plans (1950- 1990) was satisfactory if not very impressive. On the eve of independence, India was an industrially backward country, but during this period of first seven plans our industries

became far more diversified, with the stress being laid on the public investments in the industrial sector. The policy of import substitution led to protection of the domestic industries against the foreign producers but we failed to promote a strong export surplus. Although public sector expanded to a large extent but it could not bring desired level of improvement in the secondary sector. Excessive government regulations prevented the natural trajectory of growth of entrepreneurship as there was no competition, no innovation and no modernisation on the front of the industrial sector. Many Public Sector Undertakings (PSUs) incurred huge losses due to operational inefficiencies, red-tapism, poor technology and other similar reasons. These PSU's even continued to function because it was difficult to close a government undertaking even if it is a drain on country's limited resources. On the agricultural front, due to the measures taken under the Green Revolution, India more or less became selfsufficient in the production of food grains. So the need for reforms of economic policy was widely felt in the context of changing global economic scenario to achieve desired growth in the country.

Q.1 Which of the following was not a reason for the public sector to play a major role in the initial phase of Indian economic planning?

- (a) lack of sufficient capital for investment with Private entrepreneurs
- (b) Government aimed for social welfare
- (c) The market was big enough to encourage private industrialists for investment
- (d) The government wanted to protect the domestic producers from foreign competition

Ans. C

Q.2 Inward looking trade policy aimed at :

- (a) Substituting imports with domestic production
- (b) Substituting exports of consumer goods with capital goods
- (c) Follow an open economy model
- (d) Restrictions on movement of currency flows

Ans. a

Q.3. Mechanisation of the Indian agriculture was one of the cause of Green Revolution in India.

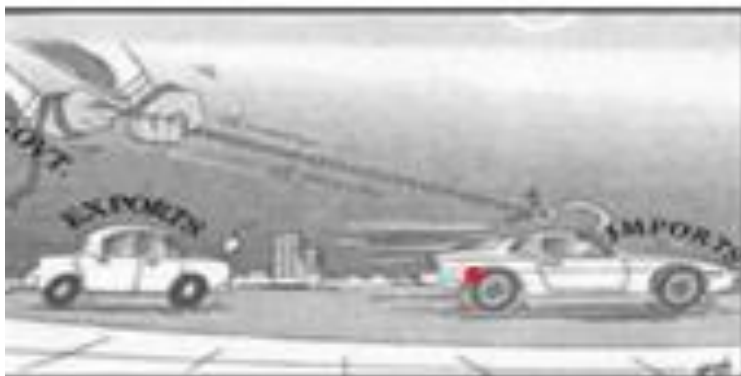
The given statement is

- (a) True
- (b) False
- (c) Partially true
- (d) Partially false

Ans. a

PICTURE BASED QUESTIONS

1. Study the following image carefully:



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

Options:

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

Ans. D

Look at the image given below and choose the correct alternative:



Alternatives:

- a) Attainment of marketable surplus
b) Buffer stock of food grains
c) The Picture shows the impact of Green Revolution.
d) All of the above

Ans. D)

SHORT ANSWERS- QUESTION:

Q.1 "In order to protect domestic industries, India followed the regime of restrictions on imports." Briefly outline and discuss such steps taken by the government to promote import substitution policy

Ans:

In order to protect domestic industries, India followed the import substitution policy. This policy aimed at substituting imports with domestic production.

The domestic industries were protected from foreign competition by using the following tools:

Tariffs: Tariffs are a tax on imported goods that make imported goods dearer and discourage their usage.

Quotas: Quotas specify the quantity of goods that can be imported

Q.2 "In India, after 1947 land reforms were introduced on a large scale." In the light of the given statement, discuss any one such land reform.

Ans:

- i. Land reforms were inevitable in the post-independence era.
- ii. The policy makers of independent India introduced land reforms such as land ceiling, abolition of intermediaries etc.
- iii. Land ceiling means fixing up the maximum size of landholding which could be owned by an individual. This step was essential to promote equity in the agricultural sector so as to reduce the concentration of land ownership in a few hands.

Q.3 Green revolution transformed India from a subsistent food grain economy to a food surplus economy.” Justify the statement, giving reasons in support of your answer.

Ans:

- i. Before the advent of Green Revolution, a large proportion of agricultural produce was consumed by the farmers themselves instead of being sold in the market.
- ii. Green Revolution led to an increase in the growth of agricultural output.
- iii. After the Green Revolution, a greater proportion of the agro-produce (wheat and rice) was sold by the farmers in the market. That led to the attainment of marketed surplus and converted India into a food surplus economy from the food scarce one.

Q4. Explain modernisation as a goal of five- year plans.

Ans:

Modernisation refers to adoption of new technology and change in social outlook. Indian planners have always recognised the role of science and technology in the country's development. Application of science and sophisticated technology in production increase the output level and accelerate the pace of economic growth overtime.

In this modernization process, farmers are increasing their output on the using new seeds varieties, fertilizers ,pesticides etc .

Industries also are increasing their output by using a new type of machine.

Q5. What were the objectives of land reforms in India?

Ans: the following were the objectives of land reforms:

- a. To achieve egalitarian social structure by restructuring agrarian relations.
- b. To eliminate the exploitation in land relations.
- c. To provide the ownership of land to the tiller.
- d. To improve the socio- economic conditions of the rural poor by widening their land base.
- e. To increase agricultural productivity and production.
- f. To facilitate land based development of the rural poor.
- g. To promote the agriculture sector.

Q6. State and explain any two steps undertaken by the Government of India for the protection and promotion of Small-scale Industries between 1950 – 1990.

Ans: The steps initiated by Government of India for the protection and promotion of Small-scale Industries between 1950 – 1990 are:

- Reservation of products: The production of several products was reserved for SSIs, depending upon their ability to manufacture these goods.
- Financial Incentives: They were given concession such as lower excise duty and bank loans at lower interest rates.

Q.7 Explain how, the Goods and Services Tax (GST) has simplified the multiplicity of taxes on goods and services.

Ans: Goods and Service Tax (GST) is the single comprehensive indirect tax. Under GST, tax is imposed on the basis of value addition at each stage of the movement of goods and services. It has replaced large number of indirect taxes levied on production/sale of goods or provision of service.

Thus, GST ensures uniformity, reduces tax burden, prevents cascading effects, and enhances ease of doing business across the country. (To be marked as a whole)

Q8. “During the planning period, public sector was given a dominant role in Indian Economy.”

Justify the rationale behind this step taken by the Government of India.

Ans: At the time of independence, the Indian industrialists lacked the financial and technical resources needed for the nation to be modernized and self-sufficient. Also, the market was not big enough to encourage industrialists to undertake major projects even if they had the capital to do so. Moreover, the decision to develop the Indian economy on socialist lines made it essential for the public sector to take the leading role.

(To be marked as a whole)

Q9. The economic policies implemented in India between 1950–1990's sought to promote regional equality.

Ans: True. To promote regional equality, the process of obtaining an industrial license in an economically backward area, was made easier. Moreover, to ensure the efficiency and effectiveness of industrial operations, such units were given certain concessions such as tax benefits and electricity at a lower tariff.

Q10. Why was it necessary for a developing country like India to follow self-reliance as a planning objective?

Ans: Self-reliance as an objective of economic planning is necessary for a developing country in order to reduce its dependence on foreign countries especially for food.

Promoting self-reliance increases employment generation in an economy. Also, it is understandable that people who were recently freed from foreign dominion should give importance to self-reliance.

LONG ANSWERS- QUESTION:

Q1. Explain the Industrial Policy Resolution of 1956. How did it shape the industrial structure of India? What were its advantages and limitations?

Ans: Background: Importance of industrialization for economic growth.

Industrial Policy Resolution of 1956:

Division of industries into three categories: exclusive government control, government-private partnership, and private sector industries.

Emphasis on the public sector and state control.

Impact on Industrial Structure:

Growth of heavy and basic industries.

Expansion of public sector enterprises.

Reduced role of the private sector in critical areas.

Advantages:

i) Laid the foundation for industrial development.

ii) Promoted self-reliance in key sectors.

Limitations:

i) Inefficiency in public sector units (PSUs).

ii) Stifling of private sector growth.

iii) Creation of a "License Raj," leading to over-regulation.

Q2. What is green revolution? Why was it implemented and how did it benefit the farmers? explain in brief.

Ans: Green revolution refers to the large increase in production of food grains due to use of high yielding variety (HYV) seeds.

It was implemented because:

- i. The agricultural sector accounted for the largest share of workforce with approximately 70-75 percent.
- ii. The productivity in the agricultural sector was very low due to use of outdated technology and absence of required infrastructure and India was forced to import food from the United States of America.

Benefits of green revolution:

The spread of green revolution benefited the farmers-

- i) Attending marketable surplus: green revolution result date in marketable surplus market surplus refers to that part of agriculture produce which is sold in the market by the farmers after meeting there own consumption requirement.
- ii. Buffer stock of food grains: The green revolution enable to procure sufficient amount of food grains to build a stock which could be used in times of food shortage.
- iii. Benefit to low- income groups: As large proportion of food grains was sold by the farmers in the market, their prices decline relative to other items of conjunction. The low- income groups who spend a large percentage of their income on food, benefited from this decline in relative prices.

ECONOMIC REFORMS SINCE 1991

MCQS

Q.1 It refers to contracting out some of its activities to a third party which were earlier performed by the organization

- (a) Outsourcing (b) Globalization (c) Privatization (d) Liberalization

Ans. a

Q.2 . _____ was the Indian Finance Minister in 1991, acknowledged for these capabilities to steer away the economic crisis looming large on the erstwhile Indian Economy.

- (a) Dr. Subramanian Swamy (b) Dr Manmohan Singh
(c) Pranab Mukherjee (d) Dr. Urjit Patel

Ans. b

Q.3 All Indirect Taxes have been subsumed under

- (a) Income Tax (b) Corporate Tax (c) Good and Service Tax (d) Value added Tax

Ans. c

Q.4 Demonetization does not target

- (a) Tax administration
(b) Cash less economy
(c) Credit creation
(d) Encouragement to black money

Ans. d

STATEMENT BASED QUESTIONS

Read the following statement and choose one of the correct alternatives given below:

- (a) Both the statement is true.
 - (b) Both the statement is false.
 - (c) Statement (1) is true but Statement (2) is false
 - (d) Statement (1) is false but Statement (2) is true
- Q 1. Statement 1: Goods and Services Tax is a direct tax.

Statement 2: GST is levied on goods and services

Ans: d

Q2.Statement 1: India is often called as the ‘outsourcing hub ‘of the world
Statement 2: Availability of skilled manpower is one of the prime factors responsible for the status gained by India at the international platform.

Ans: a

Q3. Statement 1: under the financial sector reforms, the role of RBI was reduced from regulator to facilitator of financial sector

Statement 2: The financial sector reforms led to the establishment of Indian as well as foreign private sector banks.

Ans: a

SHORT ANSWERS- QUESTION:

Q1: Name any one land reform measure introduced after independence.

Ans: Abolition of the zamindari system.

Q2. State how multilateral trade is different from bilateral trade.

Ans. Multilateral trade is the trade by a country with more than two nations to exchange goods and services. Whereas, bilateral trade refers to the exchange of goods or services between two countries.

Q.3 Appraise the Navratna policy adopted by the Government of India in the reforms of 1991.

Ans: In order to improve efficiency, infuse professionalism and enable them to compete more effectively in the liberalised global environment, the government identified a few Public Sector Enterprises and declared them as ‘Navratnas’. They were given greater managerial and operational autonomy, in taking various decisions to run the company efficiently and thus increase their profits. The granting of Navratna status resulted in better performance of these companies.

Q.4 Distinguish between:

(1) Tariff and non-tariff barriers

Ans: Tariff barriers refer to the restrictions on imports by a government in the form of taxes. Whereas, non-tariff barriers are the restrictions on imports by a government in the form other than taxes mainly including restrictions on the quantity and quality of goods imported.

(2) Bilateral and multilateral trade

Ans: Bilateral trade refers to the exchange of goods or services between two countries.

Whereas, multilateral trade is the trade by a country with more than two nations to exchange goods and services.

Q.5 “agriculture sector was neglected during economic reforms of 1991” defend or refute, give valid reasons.

Ans: Reforms have not been able to benefit agriculture. The growth rate in the agriculture sector has been decelerating in the reform period because:

- Public investment in agriculture sector especially in infrastructure, which includes irrigation, power, roads, market linkages and research and extension has fallen in the reform period.
- The removal of fertiliser subsidy has led to increase in the cost of production, which has severely affected small and marginal farmers.

- The export-oriented policy strategies in agriculture have resulted in a shift from production of food grains for the domestic market towards production of cash crops for exports there by putting immense pressure on prices of food grains.

Q.6. discuss major industrial sector reforms under new economic policy

Ans:

- Reduction in Industrial Licensing: Industrial licensing was abolished for almost all products except alcohol, cigarettes, hazardous chemicals, industrial explosives, electronics, aerospace, drugs and pharmaceuticals.
- De-reservation of public sector: The only industries which are now reserved for the public sector are a part of defence equipment, atomic energy generation and railway transport.
- De-reservation of small-scale industries: Many goods produced by small-scale industries have now been de-reserved.

Q.7 why is India considered as the best outsourcing destination?

Ans:

- Availability of skilled manpower in India and —
- The low wage rates.
- Best IT infrastructure.

LONG ANSWERS- QUESTION:

Q1. Discuss briefly, causes and consequences of the tax reforms initiated during economic reforms in India.

Ans. The causes of the tax reforms initiated during economic reforms in India were to curb tax evasion, encourage savings and voluntary disclosure of income. Additionally, indirect tax reforms were necessitated to facilitate the establishment of a common national market for commodities. The tax rate rationalisation during the reform period, aimed at yielding larger tax revenue but did not result in an increase in the tax revenue. Moreover, tax incentives provided to foreign investors further reduced the scope for raising tax revenues which adversely impacted developmental and welfare expenditures.

Q2. 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.

Ans. The introduction of farm subsidies had been an opinionated step taken by the Government of India.

Arguments in favour of continuing farm subsidies:

- Eliminating subsidies may increase inequalities of income between rich and poor farmers.
- Most farmers (small and marginal) may not be able to afford expensive agricultural inputs without subsidies.

Arguments against farm subsidies:

- It is often argued that farm subsidies have helped the fertilizer industry much more than helping the needy farmers.
- Economists argue that subsidies are a huge burden on government's finances.

Q3. "Post-1991 economic reforms, globalisation played a major role in poor performance of the industrial sector."

Present your arguments to justify the given statement.

Ans: With the onset of globalisation post-1991 economic reforms, developing countries are compelled to open up their economies to the greater flow of goods and capital from developed countries. Cheaper imports have, thus, replaced the demand for domestic goods. Domestic manufacturers are facing competition from foreign producers leading to a slowdown of industrial growth. Hence, Globalisation adversely affected the performance of the industrial sector. (To be marked as a whole)

Q4. discuss the functions of WTO.

Ans: Aim (Functions) of WTO:

- 1) To establish a rule-based trading regime in which nations cannot place arbitrary restrictions on trade.
- 2) To enlarge production and trade of services.
- 3) To ensure optimum utilisation of world resources.
- 4) To protect the environment.
- 5) To facilitate international trade (bilateral and multilateral) through removal of tariff as well as non- tariff barriers and providing greater market access to all member countries.

Worksheet: Indian Economy on the Eve of Independence

Multiple Choice Questions (5 marks)

Choose the correct answer:

1. What was the main occupation of Indians before independence?
a) Industry b) Agriculture c) Services d) Trade
2. Which sector was most neglected under British rule?
a) Industry b) Services c) Agriculture d) Banking
3. The modern industries that developed during British rule were mainly:
a) Indian-owned b) Foreign-owned c) Government-owned d) Cooperative
4. The zamindari system led to:
a) Better agriculture b) Farmer ownership c) Exploitation of farmers d) No taxes
5. The major export item of India during colonial rule was:
a) Machinery b) Petroleum c) Finished goods d) Raw materials

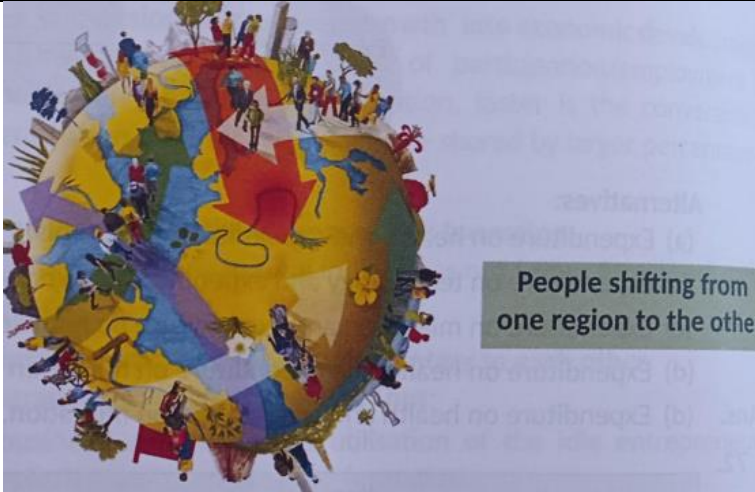
Short Answer Questions (20 marks)

Answer the following in 1–2 sentences.

1. What was the condition of Indian agriculture at the time of independence?
2. Name two major reasons for the low level of industrial development before independence.
3. What is the meaning of the drain of wealth?
4. Mention any one positive impact of British rule.
5. What was the literacy rate in India at the time of independence?
6. What do you mean by deindustrialisation?
7. How did the British policy affect Indian handicraft industries?
8. Why was agriculture backward during British rule?
9. Name any two industries that existed before independence.
10. What was the state of Indian transport and communication in 1947?
11. Define commercialisation of agriculture.
12. How did partition affect the Indian economy?
13. What were the main features of Indian economy on the eve of independence?
14. What percentage of population was dependent on agriculture in 1947?
15. Why was India called a stagnant economy under British rule?
16. Name any one social indicator which shows India's poor performance at independence.
17. What was the condition of India's foreign trade during British rule?
18. What kind of infrastructure did the British develop and why?
19. State the role of the railways in British India.
20. What was the infant mortality rate in India at the time of independence?

UNIT:7 CURRENT CHALLENGES FACING INDIAN ECONOMY

Sr. No.	Question-Answer
HUMAN CAPITAL FORMATION	
1.	<p>Which of the following source of human capital formation exhibits high cost of living and transportation?</p> <ul style="list-style-type: none"> a. Expenditure on health b. Expenditure on education c. Expenditure on migration d. Expenditure on information <p>Ans. C</p>
2.	<p>Statement 1: On-the-job trainings help to bridge a gap between theoretical concepts and practical experience.</p> <p>Statement 2: On-the-job training update the employees, with the latest changes in their work field</p> <p>In the light of the given statements, choose the correct alternative:</p> <ul style="list-style-type: none"> 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 <p>Ans. C</p>
3.	<p>Benefits of physical capital accrue only to private entities, whereas human capital provides private as well as _____ benefits.</p> <ul style="list-style-type: none"> (a) Profitable (b) Social (c) fiscal (d) monetary <p>Ans. B</p>
4.	<p>Economists say that the main key player of economic development is _____</p> <ul style="list-style-type: none"> a. Human capital b. Physical capital c. Real Capital d. None of these <p>Ans. A</p>
5.	<p>In _____ Five Year plan, India emphasised on human Capital formation</p> <ul style="list-style-type: none"> a. 2nd b. 3rd c. 5th d. 7th <p>Ans. D</p>
6.	<p>Assertion: Human capital is not traded in market; however, its services are traded in market.</p> <p>Reason: Human capital is intangible in nature.</p> <ul style="list-style-type: none"> a. Both assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of (A) b. Both assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of (A) c. Assertion (A) is true but Reason (R) is false d. Assertion (A) is false but Reason (R) is true.

	Ans. A
7.	<p>What are the problems facing human capital formation in india?</p> <p>Ans.</p> <ol style="list-style-type: none"> 1.High growth rate of population 2.Lack of manpower planning 3. Brain–Drain 4.Low level of academic standards 5. Insufficient on-job training in primary sector 6.Poverty
8.	 <p>People shifting from one region to the other</p> <p>Interpret the given picture as indicating the source of human capital formation as depicted above.</p> <p>Ans. The given picture indicates migration as a source of human capital formation. Migration contributes to human capital formation as it facilitates:</p> <ol style="list-style-type: none"> (i) utilization of (otherwise) inactive skills of the people. (ii) It facilitates fuller/better utilization of the skills. <p>Though migration involves cost of transportation and cost of living, yet people migrate in search of better job opportunities. Because gains of migration (in terms of higher salaries) are greater than the cost of migration.</p>
9.	<p>What do you mean by human capital formation? What are the sources of human capital formation?</p> <p>Ans) Meaning of Human Capital formation: Human capital formation means the development of abilities and skills among the population of the country.</p> <p>Sources of Human Capital Formation:</p> <ol style="list-style-type: none"> 1) Expenditure on education: It is one of the most important sources of human capital Formation. Proper utility of man power depends on the system of education, training and experience of the people. Spending on education by individuals is similar to spending on capital goods by companies with the objective of increasing future profits once a period of time. This increase the income of the people and their standard of living. Investment in education is not only highly productive but also it is yields increasing return and accelerates economic growth of all the resources. 2) Expenditure on Health: Health is an important input for a development of a nation. Expenditure on health is needed in the following areas. <ol style="list-style-type: none"> (a) Preventive medicine known as vaccination

	<p>(b) Curative medicines, i.e., medical intervention during the time of illness</p> <p>(c) Social medicine i.e. spread of health literacy.</p> <p>(d) Provision of clean drinking water and good sanitation is very important for improvement of health. Health expenditure directly increases the physical capacity of human being and it raises the supply of healthy labour force.</p> <p>3) . On the job training: productivity of physical capital is substantially increased with the improvement in human capital. Due to this reason many firms provide on the job training to their workers. Such training has the advantage that it can be provided fast and without much cost. It increases the skill and efficiency of the workers and leads to an increase in production by productivity. Expenditure regarding on-the-job training is the source of human capital formation because it increases labour productivity than its cost.</p> <p>4) Expenditure on migration: - people migrate to one place to another that gives them higher salaries. Unemployment people from rural migrate to urban areas. Technical qualified people migrate to other countries for higher salaries. Though it results in cost of migration and higher cost of living due to migration in migrated place. It enhances earning that their cost of migration. Hence it is a source of human capital formation.</p> <p>5) Expenditure on Information: - Expenditure is incurred to acquire information relating to labour market and other market. It involves amount spent on seeking information about educational institutions, education standard their educational needs and cost of education. This information is necessary to make decisions regarding investment in human capital as well as for efficient utilization of the acquired human capital stock.</p>
10.	<p>Define the following:</p> <ol style="list-style-type: none"> Human Capital Physical Capital Human development <p>Ans. a. Human capital is the stock of knowledge and skills that make the workers productive.</p> <p>b. Physical capital refers to the manufactured assets used in the process of production such as machinery, equipment, buildings, vehicles, etc.</p> <p>c. Human development refers to the process of improving people's lives by expanding their choices, capabilities, and opportunities. It encompasses aspects like education, health, income, and empowerment, focusing on enhancing overall well-being and quality of life.</p>
11.	<p>Trace the relationship between Human Capital Formation and Economic Growth.</p> <p>Ans. There is a cause-and-effect relationship between human capital and economic growth. Human capital stimulates the process of economic growth by enhancing or improving the productivity in the country and in turn economic growth facilitates human capital formation. Growth implies increase in per capita income and standards of living; higher income facilitates greater investment in education and health facilities hence more human capital formation.</p>
12.	<p>Distinguish between 'Human Capital' and 'Human Development'.</p>

	<table><tr><td></td><td>Human Capital</td><td>Human Development</td></tr><tr><td>1.</td><td>It considers education & health as a means to increase labour productivity</td><td>It is based on the Idea that education & health are integral to human well being</td></tr><tr><td>2.</td><td>investment in education and health is considered to be unproductive, if it does not increase output of goods & services</td><td>investments in education and health is taken to be productive, even if it does not lead to higher output.</td></tr><tr><td>3.</td><td>In the human capital, human beings as a means to an end.</td><td>In human development, Human beings is an end itself</td></tr></table>		Human Capital	Human Development	1.	It considers education & health as a means to increase labour productivity	It is based on the Idea that education & health are integral to human well being	2.	investment in education and health is considered to be unproductive, if it does not increase output of goods & services	investments in education and health is taken to be productive, even if it does not lead to higher output.	3.	In the human capital, human beings as a means to an end.	In human development, Human beings is an end itself
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13.	<p>State whether the following statement is true/false, with valid arguments: India has a poor stock of technical manpower.</p> <p>Ans. The given statement is not true. India has a rich stock of scientific and technical manpower in the world. Also, India has taken a number of steps to improve qualitatively and ensure that they are optimally utilized.</p>												
14.	<p>"Human Capital Formation gives birth to innovation, invention and technological improvements." Do you agree with the given statement? Support your answer with valid arguments.</p> <p>Ans. The given statement is true. Human capital formation (investment in education/health) not only increases the productivity of the available human resources but also stimulates innovations and creates ability to adopt and adapt to the new technologies. In fact, human capital formation is emerging to be of central significance in the process of growth and development. It is seen as a primary determinant of not only human efficiency, but also of capital efficiency.</p>												
15.	<p>What are the main problems of human capital formation in India?</p> <p>Ans. Following are the main problems being faced in the human capital formation in India:</p> <p>(i) Rising Population: Rapidly rising population adversely affects the quality of human capital. This is because it reduces per head availability of the existing facilities relating to housing, sanitation, drainage, water-system, hospitals, education, power supply, etc.</p> <p>(ii) Brain Drain: Migration of persons (born, educated and trained in India) to developed countries is a serious threat to the process of human capital formation in the country. This is described as the problem of brain drain. This slows down the process of human capital formation in the domestic economy.</p> <p>(iii) Deficient Manpower Planning: India is facing an explosive problem relating to graduate unemployment. It is a sad reflection on the wastage of human power and human skill.</p> <p>(iv) Insufficient On-the-job Training in Primary Sector: Primary sector (agriculture in particular) is the backbone of Indian economy. Unfortunately, it has not received due attention in the area of professional skills.</p> <p>(v) Low Academic Standards: As a result of opening up of many universities (in enthusiasm to spread higher education), we have a large army of half-baked graduates and post-graduates whose deficient skills only lowers the level of efficiency (productivity)</p>												

	RURAL DEVELOPMENT
16.	Organic farming is beneficial because: a) It generates income through international exports b) It is produced in an environmentally sustainable way c) It provides healthy food d) all of these Ans. d
17.	The Apex body which coordinates the functioning of different Financial Institutions working for the expansion of rural credit (A) NABARD (B) self-help groups (C) regional rural bank. (D) Commercial bank Ans. A
18.	-----comes under horticulture. (A) fish farming (B) poultry farming (C) flower cultivation (D) animal husbandry Ans. C
19.	Emerging Challenges of rural development includes: (A) Diversification of production activities (B) Organic farming (C) Both a and b (D)None of these Ans. C
20.	Case study Diversification includes two aspects- one relates to change in cropping pattern and the other relates to shift of workforce from agriculture to other allied activities like livestock, poultry, fisheries, etc. and non -agriculture sector. The need for diversification arises from the fact that there is greater risk in depending exclusively on farming for livelihood. Diversification towards new areas is necessary not only to reduce the risk from agriculture sector but also to provide sustainable livelihood options to rural people. Much of agricultural employment activities are concentrated in the kharif season. But during the Rabi season, in areas where there are inadequate irrigation facilities, it becomes difficult to find gainful employment. Therefore, expansion into other sectors is essential to provide supplementary gainful employment and in realising higher levels of income for rural people to overcome poverty and other tribulations. 1. _____ relates to shift of workforce from agriculture to two other allied activities. (a) micro cropping (b) diversification (c) both A and B (d) none of these Ans. b

	<p>2. Livestock comes under the category of activities. (a) diversification (b) service (c) agriculture (d) commercial Ans. a</p> <p>3. Diversification provides options to rural people. (Livelihood / irrigation) Ans. Livelihood</p>
21.	<p>What do you mean by agriculture diversification? Ans. Agricultural diversification refers to the process by which farmers shift from the cultivation of one or a few crops (usually traditional food grains like rice or wheat) to a wider variety of crops and activities. a. diversification of crop production b. diversification of production activity</p>
22.	<p>What are the problems of agricultural marketing in India? Ans. 1 Predominance of private traders 2. Lack of transport facilities 3. Lack of regulated markets 4.Lack of infrastructural facilities 5.Lack of organization</p>
23.	<p>State any two challenges facing rural development in India. Ans. The principal three challenges facing rural development in India are: 1. Challenge of rural marketing: Agricultural marketing is a process that involves the:-(i) assembling, (ii) storage, (iii) processing, (iv)transportation, (v)packaging, (vi)grading and (vii) distribution of different agricultural commodities across the country. 2. Challenge of rural credit- As the time gestation between crop sowing and realization of income after production is quite long, farmers borrow from various sources to meet their initial investment on seeds, fertilisers, implements and other family expenses of marriage, death, religious ceremonies etc.</p>
24.	<p>Distinguish between Green Revolution and Golden Revolution. Ans. Green Revolution: Green Revolution refers to the large increase in production of food grains resulting from the use of high yielding variety (HYV) seeds especially for wheat and rice. The spread of green revolution technology enabled India to achieve self-sufficiency in food grains; Golden Revolution: Golden Revolution refers to the large increase in production of horticultural crops such as fruits, vegetables, tuber crops, flowers, medicinal and aromatic plants, spices and plantation crops. Investment in horticulture sector it has been term as a “GOLDEN REVOLUTION”</p>
25.	<p>Discuss the importance of organic farming. Ans. In organic farming we use only organic inputs for cultivation: like dung of animals as fertilizers and natural chemicals as pesticides. Importance of organic farming: 1. It is environmentally friendly. 2. It increases the employment level in the economy. 3. It is good for soil health. 4. It produces tasty and healthier food. 5. It is labour intensive</p>
26.	<p>What is the role of NABARD in rural development? Answer: The National Bank for Agriculture and Rural Development (NABARD) plays a key role in supporting rural development in India. It provides refinance to banks for</p>

	<p>giving loans to farmers and rural entrepreneurs. NABARD helps in the planning and execution of rural projects related to irrigation, storage, dairy, and cottage industries. It also promotes Self-Help Groups and financial literacy. NABARD works with the government and NGOs to implement development programs. Its support in credit and infrastructure creation helps enhance rural livelihoods and strengthen the rural economy.</p>
27.	<p>What are the measures initiated by government to improve agricultural marketing system?</p> <p>Ans. Prior to independence, farmers, while selling their produce to traders, suffered from faulty weighing and manipulation of accounts. Farmers who did not have the required information on prices prevailing in markets were often forced to sell at low prices. They also did not have proper storage facilities to keep back their produce for selling later at a better price. Measures that were initiated to improve the marketing aspect.</p> <ol style="list-style-type: none"> 1. Regulated markets- The first step was regulation of markets to create orderly and transparent marketing conditions. By and large, this policy benefited farmers as well as consumers. 2. Provision of physical infrastructure facilities- like roads, railways, 148 warehouses, godowns, cold storages and processing units. The current infrastructure facilities are quite inadequate to meet the growing demand and need to be improved. 3. Cooperative marketing- Cooperative marketing, in realising fair prices for farmers' products, is the third aspect of government initiative. The success of milk cooperatives in transforming the social and economic landscape of Gujarat and some other parts of the country is testimony to the role of cooperatives. 4. policy instruments- like (i) assurance of Minimum support prices (MSP) for agricultural products (ii) Maintenance of buffer stocks of wheat and rice by Food Corporation of India and (iii) Distribution of food grains and sugar through PDS. These instruments are aimed at protecting the income of the farmers and providing foodgrains at a subsidised rate to the Poor
28.	<p>Explain the term <i>Rural Credit</i>. What are the sources of rural credit?</p> <p>Ans:</p> <p>Rural Credit means the provision of loans, especially for production in agriculture and non-agricultural sectors.</p> <p>Credit facilities in rural areas have contributed to a large increase in agricultural productivity and employment opportunities in non-agricultural sectors. These loans are provided in rural areas to the farmers in order to purchase machineries, agricultural implements, etc.</p> <p>Sources of Rural Credit:</p> <p>Rural credit availability can be broadly classified into two categories:</p> <ol style="list-style-type: none"> 1. Non-Institutional Sources: These are the traditional sources of agricultural credit in India. They include: <ul style="list-style-type: none"> ○ Money lenders ○ Relatives ○ Traders

	<ul style="list-style-type: none"> ○ Commission agents ○ Landlords <p>2. Institutional Sources: These are organized and formal sources of rural credit. They include:</p> <ul style="list-style-type: none"> ○ Cooperative Credit Societies ○ Land Development Banks ○ Commercial Banks ○ Regional Rural Banks (RRBs) ○ Government ○ National Bank for Agriculture and Rural Development (NABARD) ○ Self-Help Groups (SHGs)
29.	<p>Write a detailed note on Non-Farm activities in rural areas of India. Ans. Non-Farm Activities Animal husbandry-Animal husbandry is that branch of agriculture which is concerned with the breeding, rearing and caring for farm animals. Dairying: Dairying is the business of production, storing and distributing milk and its products. → The performance of Indian Dairy Sector over the last three decades has been quite impressive. → Successful implementation of Operation Flood, India ranks first in the world in milk production. Fisheries (Pisciculture) → The water bodies are considered as mother or provider as they provide life giving source to the fishing community. → Fish production from inland sources contributes about 49% to the total fish production and the balance 51% comes from the Marine sector. → The total fish production accounts for 1.4 % of its total GDP. Horticulture- Horticulture refers to the science or art of cultivating fruits, vegetables, tuber crops, flowers, medicinal and aromatic plants, species and plantation crops.</p>
30.	<p>Discuss the pros and cons of organic farming in details. Ans. Organic Farming It refers to the farming without the use of chemical fertilizers and pesticides which restores, maintains and increases ecological balance. Organic agriculture offers a means to substitute costlier agriculture inputs with locally produced organic inputs that are cheaper and thereby generate good returns on investment organic agriculture generates income through exports as the demand for organically grown crops is on a rise. Advantages/benefits of Organic Farming 1. Environment friendly as it is free from the use of Chemicals 2. Sustains Soil Fertility because Organic farming discards the use of chemical fertilizers. 3. Healthier and Tastier Food 4. Inexpensive Technology. 5. Generates Income from Exports because of huge international demand for organic crops. Limitations of Organic farming 1. In the initial years, Organic Farming offers lesser yield than the conventional farming. 2. Due to the low yield per hectare therefore it is costly. 3. The crops have shorter life span. 4. Only seasonal crops can be grown.</p>


	EMPLOYMENT
31.	What is a characteristic of a gig economy? (a) Long-term job security (b) Traditional 9 to 5 work schedule (c) Fixed monthly salary (d) Short- term, freelance or on-demand work Ans. d
32.	Which one of the following unemployment is a common form of unemployment in rural areas of India? (a) Open (b) Seasonal (c) Disguised (d) Educational Ans. b
33.	Those who work in their own establishment using their own resources are called as A. Hired workers B. Casual workers C. Regular workers D. Self employed Ans. d
34.	In which type of un employment the marginal productivity of additional worker is zero? A. Disguised unemployment B. Involuntary unemployment C. Seasonal unemployment D. Structural unemployment Ans. a
35.	Which of the following is the main source of employment for majority of workers in India? A. Primary sector B. Secondary sector C. Tertiary sector D. All of the above Ans. a
36.	Read the following text carefully: Economists argue that, over the years, the quality of employment has been deteriorating. Even after working for more than 10-20 years, why do some workers not get maternity benefit, provident fund, gratuity and pension? Why does a person working in the private sector get a lower salary as compared to another person doing the same work but in the public sector? Those who are working in the formal sector enjoy social security benefits. They earn more than those in the informal sector. Developmental planning envisaged that as the economy grows, more and more workers would become formal sector workers and the proportion of workers engaged in the informal sector would dwindle. On the basis of the given text and common understanding, answer the following questions:


	<p>(i) What do you understand by the term informalization (ii) Informal sector workers have less bargaining power comment Ans: (i) the process of increasing the proportion of the workforce in the informal sector: (ii) Yes, informal sector workers have less bargaining power due to a number of factors, including: Lack of formal contracts: Informal workers don't have formal employment contracts or social protection, which can make them more vulnerable to exploitation and abuse. Limited access to resources: Informal workers may not have access to state support, revolving funds, or appropriate health services. Difficulty organizing: Informal workers are often based in different places, making it difficult for them to get organized.</p>
37.	<p>Distinguish between self-employed workers and hired workers. Ans. Self-employed workers are individuals who earn their income by working for themselves instead of working for an employer. They run their own businesses, professions, or trades either independently or with a few employees. Hired workers are those who work for others and receive wages or salaries in return for their labour. They do not own the means of production.</p>
38.	<p>Who is a casual wage labourer? Ans. A casual wage labourer is a hired worker who is employed on a day-to-day basis and does not have any job security or regular work. They are paid daily or as per the work done.</p>
39.	<p>What are the different types of unemployment in India? Ans.</p> <ul style="list-style-type: none"> • Disguised: too many people on small farms. • Seasonal: farm jobs only part of year. • Structural: people's skills don't match jobs. • Educated unemployment: qualified youth unable to find suitable jobs. • Frictional: time gap between leaving and finding a job.
40.	<p>What are the causes of unemployment in India? Ans. 1. High population growth 2. Slow economic growth 3. Joint family system 4. Agriculture is a seasonal occupation 5. Faulty education system 6. Decay of cottage and small industries 7. Limited mobility of labour.</p>
41.	<p>What are the causes of lower women participation in work? Ans. 1. woman education in India is still lagging behind implies low employment opportunities for women</p>

	<p>2. In urban areas, most families do not like women to do work</p> <p>3. Woman, by and large, undertake productive work only under compulsion</p> <p>4. Many activities performed by women of India are not recognized as economic activities</p>
42.	<p>Why are we relying more on technology and less on employment?</p> <p>Ans. 1. Our growth process is being increasingly hijacked by MNCs</p> <p>2. MNCs achieving high growth through efficient use of technology rather than through greater use of manpower</p> <p>3. Result growth is moving faster than the opportunities of employment.</p>
43.	<p>Define the following terms.</p> <p>a. CASUALISATION OF WORKFORCE-</p> <p>Ans. “It refers to a situation when the percentage of casually-hired workers in the total workforce tends to rise over time” The distribution of workforce in different status indicates that over the last four decades (1972-2012), people have moved from self-employment and regular salaried employment to casual wage work.</p> <p>b. INFOALISATION OF WORKFORCE-</p> <p>Ans. “Situation where percentage of workforce in the formal sector tends to decline and that in the informal sector tends to rise”.</p>
44.	<p>Define the following terms.</p> <p>a. LABOUR SUPPLY- It refers to the amount of labour that are willing to offer corresponding to a particular wage rate.</p> <p>b. WORKFORCE- refers to the number of persons actually working thus workforce does not account for those who are willing to work.</p> <p>c. LABOUR FORCE- refers to the number of persons actually working and willing to the work. The difference between labour force and work force is the total number of unemployed persons</p> <p>d. JOBLESS GROWTH: - If economic growth is driven by better technology but it fails to improve the rate of participation in economy, such a growth is called “jobless Growth”</p>
45.	<p>Give some suggestions to solve the problem of unemployment.</p> <p>Ans. 1. Increase in production</p> <p>2. High rate of capital formation</p> <p>3. Increase in productivity</p> <p>4. Educational reforms</p> <p>5. Help to self-employed persons</p> <p>6. Technique of production</p> <p>7. Importance to employment programmes</p>
46.	<p>What are some government policy and programmes for employment generation?</p> <p>Ans. Self-employment programmes-</p> <p>(i) Rural Employment Generation Programme (REGP),</p> <p>(ii) Prime Minister’s Rozgar Yojana (PMRY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY)</p> <p>(iii) Swarnajayanti Gram Swarozgar Yojana (SGSY)</p> <p>(iv) National Rural Livelihoods Mission (NRLM).</p> <p>Wage employment programmes-</p> <p>(i) Mahatma Gandhi National Rural Employment Guarantee Act 2005. (MGNREGA):-The Parliament passed a new Act to provide guaranteed wage employment to every rural household whose adult volunteer is to do unskilled</p>

	<p>manual work for a minimum of 100 days in a year.</p> <p>(ii) Pradhan Mantri Gram Sadak Yojana,</p> <p>(iii) Pradhan Mantri Gramodaya Yojana,</p> <p>(iv) Valmiki Ambedkar Awas Yojana</p> <p>(v) Development of small and cottage industries</p> <p>(vi) Minimum needs programme</p> <p>(vii) Twenty-point programme</p> <p>(viii) Micro Units Development Refinance Agency Bank (MUDRA BANK)</p> <p>Government has set up MUDRA Bank in April 2015. Its objective is to meet credit needs of micro enterprise and self-employed persons. Under MUDRA yojna, a micro enterprise is entitled for a loan up to Rs. 10 lakh per unit.</p>
	ENVIRONMENT AND SUSTAINABLE DEVELOPMENT
47.	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:</p> <p>Assertion (A): Sustainable development is a consistent development for longer period of time.</p> <p>Reason (R): Sustainable development not only fulfil needs of present generation but also consider the needs of future generation.</p> <p>a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).</p> <p>c. Assertion (A) is true, but Reason (R) is false.</p> <p>d. Assertion (A) is false, but Reason (R) is true</p> <p>Ans. A</p>
48.	<p>The ability of the environment to absorb degradation is known as: -</p> <p>a. Carrying capacity</p> <p>b. Absorptive capacity</p> <p>c. Abstraction capacity</p> <p>d. Captivation capacity</p> <p>Ans. b</p>
49.	<p>Identify which of the following is an incorrect function of environment?</p> <p>a. Supplies resources</p> <p>b. Assimilates waste</p> <p>c. Land degradation</p> <p>d. Provides aesthetic services</p> <p>Ans. c</p>
50.	<p>In order to address two major environmental concerns in India, the government set up the Central Pollution Control Board (CPCB) in 1974. Choose the correct options given below: -</p> <p>A. Air Pollution and Noise Pollution</p> <p>B. Water Pollution and Air Pollution</p> <p>C. Land degradation and Air pollution</p>

	D. Biodiversity loss and Land degradation Ans. B
51.	Ozone depletion refers to the phenomenon of reductions in the amount of ozone in which layer of atmosphere: - A. Stratosphere B. Troposphere C. Mesosphere D. Thermosphere Ans. A
52.	Read the following statements carefully: Statement 1: In 2015, the UN formulated 17 Sustainable Development Goals (SDGs). Statement 2: These Sustainable Development Goals to be achieved by 2030. In light of the given statements, choose the correct option from the following: A. Statement 1 is true and Statement 2 is false. B. Statement 1 is false and Statement 2 is true. C. Both Statements 1 and 2 are true. D. Both Statements 1 and 2 are false. Ans. C
53.	Define Environment. Ans. The total planetary inheritance and the totality of all resources. It includes biotic and abiotic factors.
54.	Explain global warming in brief. Ans. Gradual increase in the average temperature of the earth's lower atmosphere
55.	Define sustainable development. Ans. That allow all future generation to have a potential average quality of life that is at least as high as that which is enjoyed by the current generation.
56.	Explain the strategies to maintain sustainable development in India. Ans. (i). Use of non-conventional sources of energy. (ii). Bio composting. (iii) Gobar Gas in rural areas (iv) CNG in urban areas (v) Wind power and solar power (vi) Mini-Hydel plants
57.	What are the cause of environmental degradation? Ans-. 1.Population explosion 2.Poverty 3. Increasing urbanization 4.Rapid industrialization 5.Increasing use of insecticides, pesticides and chemical fertilizers 6.Disregard to the civic norms 7.Multiplicity of transport vehicles 8. Improper crop rotation 9.Poverty of the agriculture-dependent people
58.	How to save environment? Ans :- 1.Social awareness 2.Population control 3. Afforestation campaign 4.Enforcement of environment conservation Act 5.Water management

	6.Management of solid waste 7.Control over industrial and agricultural pollution 8.Improvement in housing
59.	What are some Government measures taken for environment protection? Ans- 1. The environment protection Act.1986 2.The Forests (protection) Act 1980 3. Pollution control boards 4. Clean development mechanism 5.National Green Tribunal Act, 2010
60.	What are the factors responsible for land degradation? Explain any six factors? Ans: (i) Loss of vegetation occurring due to deforestation (ii) Unsustainable fuel wood and fodder extraction (iii) Shifting cultivation (iv) Encroachment into forest lands (v) Forest fires and overgrazing (vi) Non-adoption of adequate soil conservation measures (vii) Improper crop-rotation (viii) Indiscriminate use of agro-chemicals
61.	 <p>Interpret the given picture and explain one strategy to control it from becoming an ecological disaster.</p> <p>Ans. The given picture illustrates the problem of air pollution caused due to swift industrial development. The release of contaminants like noxious gases, particulate matter, and other substances in the atmosphere leads to health issues and environmental degradation. In order to control air pollution, it becomes imperative to switch to sources of energy. The use of non-conventional sources of energy such as solar, wind power maintains ecological balance.</p>
62.	What measures should be taken by the government to control industrial pollution in India? Ans. (i) Formulation of environment regulations. (ii) Introduction of alternate fuels like CNG, LPG etc. (iii) Taxing polluting vehicles and incentives to hybrid /electric vehicle. (iv) Notification of construction and demolition waste management rules.

63.	 <p>Interpret the given picture with reference to current environmental challenges.</p> <p>Ans. The given image depicts the environmental challenge of 'Global Warming'. Global warming is a gradual increase in the average temperature of the earth's lower atmosphere. It is caused by increases in carbon dioxide and other greenhouse gases. Burning of fossil fuels and deforestation are the major causes of global warming. Global warming is responsible for melting of polar ice, leading to rise in sea level and coastal flooding, etc.</p>
64.	<p>What is ozone depletion and what are its effects?</p> <p>Ans. Ozone depletion refers to the phenomenon of reductions in the amount of ozone in the stratosphere. The problem of ozone depletion is caused by high levels of chlorine and bromine compounds in the stratosphere. The origins of these compounds are chlorofluorocarbons (CFC), used as cooling substances in air conditioners and refrigerators. As a result of depletion of the ozone layer, more ultraviolet (UV) radiation comes to Earth and causes damage to living organisms. UV radiation seems responsible for skin cancer in human beings.</p>
65.	<p>Name two movements initiated in India to protect forests or avoid deforestation.</p> <p>Ans.i) Chipko movement ii) Appiko movement</p>
66.	<p>State any four pressing environmental concerns of India.</p> <p>Ans. The four main pressing environmental concerns of India are as under:</p> <p>(i) Land Degradation: Land degradation means loss of fertility for loss of productivity of land which occurs due to the following factors:</p> <p>(a) Soil erosion caused by strong winds or floods.</p> <p>(b) Alkalinity and salinity of soil caused by water logging.</p> <p>(c) Excessive water logged on the top soil. It tends to suck up the nutrients of the soil and reduces its fertility.</p> <p>(ii) Biodiversity Loss: When trees are felled to meet the growing demand for wood and other forest products by the industries, the living species in that forest lose their natural habitats, and some are not even able to survive the change. When animals or plants die as a result of deforestation, the biodiversity of that area decreases leading to environmental degradation.</p> <p>(iii) Air Pollution: Air carries oxygen which is an essential element of life.</p>

	<p>Pollution of air implies pollution of an essential element of life. Accordingly, quality of life is impaired. Following factors contribute to air pollution:</p> <p>(a) Smoke emitted by the industries, particularly those using coal as an energy.</p> <p>(b) Poisonous gases emitted in the process of chemical treatment of the materials.</p> <p>(c) Emission of gases by the motor vehicles which has risen to a threatening level owing to exponential rise in the number of vehicles.</p> <p>(iv) Solid Waste Management: Planned management of solid waste is very essential. It should be treated chemically. Rural garbage should be converted into compost.</p>
67.	<p>Read the following text carefully:</p> <p>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 control and abatement of water pollution, and improve the quality of air and to prevent, control or abate air pollution in the country.</p> <p>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 PCBs prepare manuals, codes and guidelines relating to treatment and disposal of sewage and trade effluents.</p> <p>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.</p> <p>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.</p> <p>On the basis of the given text and common understanding, answer the following questions:</p> <p>a. State any two concerns owing to which the Central Pollution Control Board (CPCB) was established.</p> <p>Ans. Two major concerns owing to which the Central Pollution Control Board (CPCB) was established were:</p> <p>(i) Water pollution, and</p> <p>(ii) Air pollution.</p> <p>b. Explain any two functions performed by the Central Pollution Control Board (CPCB).</p> <p>Ans. Two functions performed by the Central Pollution Control Board (CPCB) are:</p> <p>(i) It investigates, collects and disseminates information relating to water, air and land pollution.</p> <p>(ii) It lays down standards for sewage/trade effluent and emissions.</p> <p>c. Elaborate any two strategies to ensure sustainable development as adopted by India.</p> <p>Ans. In order to ensure sustainable development, following two strategies are adopted by India:</p>

	<p>(i) Use of Wind Energy: In areas where speed of wind is usually high, windmills are used to generate electricity without any adverse impact on the environment.</p> <p>(ii) Use of Solar Energy: With the help of photovoltaic cells/solar panels, solar energy can be converted into electricity. This technology is extremely useful for remote areas and is free from pollution.</p>
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Worksheet -1

Chapter: Human Capital Formation in India

Multiple Choice Questions (1 mark each)

Q1. Which of the following is not a source of human capital formation?

- a) Education b) Health c) Migration d) Consumption

Q2. Which sector contributes to human capital formation?

- a) Banking b) Agriculture c) Education d) Mining

Q3. What is investment in human capital?

- a) Buying machinery
b) Spending on health and education
c) Saving money
d) Buying property

Q4. What is the main objective of human capital formation?

- a) Increase population
b) Increase knowledge and skills
c) Increase exports
d) Increase imports

Q5. Which of the following improves labour productivity?

- a) Poor health
b) Low wages
c) Education and training
d) Unemployment

Short and Long Answer Questions:

6. Define human capital formation.
7. State two differences between human capital and physical capital.
8. How does health contribute to human capital formation?
9. Mention two advantages of investing in education.
10. How is on-the-job training a source of human capital formation?
11. Explain the relationship between human capital and economic growth.
12. Mention two government initiatives for human capital development.
13. State two challenges of human capital formation in India.
14. Explain the role of education in human capital formation.
15. Write a short note on expenditure on migration.
16. What are the objectives of human capital formation?
17. Explain two long-term benefits of human capital investment.
18. Differentiate between skilled and unskilled labour.
19. Explain how human capital contributes to GDP.
20. Discuss the role of higher education in economic development.
21. Why is expenditure on health considered as an investment?
22. What are the sources of human capital formation?
23. What is the role of information in human capital formation?
24. How can India improve the quality of human capital?
25. Explain how education helps in poverty reduction.

Worksheet -2

Chapter: Rural Development

Multiple Choice Questions (1 mark each)

- Q1. Which of the following is not a focus area of rural development?
a) Rural health b) Rural roads
c) Space research d) Rural credit
- Q2. Which is an institutional source of rural credit?
a) Moneylender b) Trader
c) Commercial bank d) Shopkeeper
- Q3. Self Help Groups are mostly associated with:
a) Urban youth b) Small farmers
c) Rural women d) Rich traders
- Q4. Which program provides rural employment?
a) RTE b) MGNREGA
c) PMAY d) Ujjwala Yojana
- Q5. What is the major source of livelihood in rural India?
a) Agriculture b) Mining
c) Construction d) Tourism

Short and Long Answer Questions:

- Q6. Define rural development.
- Q7. State two components of rural development.
- Q8. What is the role of agriculture in rural development?
- Q9. Mention two sources of rural credit.
- Q10. What is the importance of rural roads?
- Q11. Explain how SHGs help in rural development.
- Q12. Name two government programs for rural development.
- Q13. State two challenges faced in rural development.
- Q14. What is the role of cooperative societies in rural areas?
- Q15. Differentiate between formal and informal sources of rural credit.
- Q16. How does non-farm employment help rural development?
- Q17. Explain the need for diversification in agriculture.
- Q18. Write a short note on agricultural marketing.
- Q19. What are the objectives of MGNREGA?
- Q20. State the importance of education and health in rural areas.
- Q21. What steps can be taken to reduce rural poverty?
- Q22. How do SHGs promote self-employment?
- Q23. Discuss the role of NABARD in rural development.
- Q24. What is the significance of microcredit?
- Q25. Why is land reform important for rural development?

Worksheet -03

Chapter: Employment – Growth, Informalisation and Other Issues

Multiple Choice Questions (1 mark each)

Q1. Who is considered a worker?

- a) Only salaried persons
- b) Only businesspersons
- c) Anyone doing economic activity
- d) Only farmers

Q2. What does workforce mean?

- a) Unemployed people
- b) Employed people
- c) Only government workers
- d) Only private workers

Q3. Which type of worker lacks job security?

- a) Government employee
- b) Casual worker
- c) Self-employed
- d) Regular salaried

Q4. What does labour force include?

- a) Only employed
- b) Only unemployed
- c) Employed + willing to work
- d) Retired persons

Q5. Which sector employs the most people in India?

- a) Primary
- b) Secondary
- c) Tertiary
- d) IT

Short and Long Answer Questions:

Q6. Define a worker with one example.

Q7. Who are self-employed workers?

Q8. What is the difference between labour force and workforce?

Q9. Mention two features of casual workers.

Q10. Define regular salaried workers.

Q11. What is disguised unemployment? Explain with example.

Q12. Differentiate between formal and informal employment.

Q13. Mention two problems of informal sector workers.

Q14. What is the role of employment in economic development?

Q15. State two government programs for employment generation.

Q16. Why is self-employment common in rural areas?

Q17. Define workforce participation rate.

Q18. Explain seasonal unemployment with an example.

Q19. What are the benefits of formal employment?

Q20. Why is education important for employment?

Q21. How can the government reduce unemployment?

Q22. State the features of casual employment.

Q23. Mention the causes of educated unemployment

Q24. What steps are needed to improve women's employment?

Q25. Why is employment considered a means of livelihood

WORK SHEET-04

Chapter: Environment and Sustainable Development

Multiple Choice Questions (1 mark each)

Q1. Which of the following is a renewable resource?

- a) Coal b) Petroleum
- c) Solar energy d) Natural gas

Q2. Sustainable development means:

- a) Industrial development only
- b) Environment protection only
- c) Meeting present needs without harming future
- d) Increasing pollution

Q3. Which gas is responsible for global warming?

- a) Oxygen b) Hydrogen
- c) Carbon dioxide d) Nitrogen

Q4. What is carrying capacity?

- a) Land available
- b) Maximum population an area can support
- c) Water availability
- d) Forest cover

Q5. Which activity leads to deforestation?

- a) Tree plantation b) Social forestry
- c) Mining d) Organic farming

Short and Long Answer Questions:

Q6. Define sustainable development.

Q7. State two features of sustainable development.

Q8. What are the causes of environmental degradation?

Q9. Mention two effects of air pollution.

Q10. Explain the term 'renewable resources'.

Q11. Why is afforestation important?

Q12. What is the role of environment in economic development?

Q13. State two ways to manage solid waste.

Q14. How does industrialization affect the environment?

Q15. What are non-renewable resources? Give two examples.

Q16. What is the meaning of carrying capacity?

Q17. What are the objectives of sustainable development?

Q18. Mention two environmental problems in India.

Q19. How can pollution be controlled?

Q20. What are the functions of the environment?

Q21. State the role of education in sustainable development.

Q22. How does deforestation impact environment?

Q23. Why should we conserve resources?

Q24. Mention two laws for environmental protection in India.

Q25. What are the global efforts for environmental conservation?

Unit-08(Development Experience of India-A Comparison with Neighbours)

BASIS	INDIA	PAKISTAN	CHINA
Started towards their developmental path	1947	1947	1949
Initiation of development strategies	<ul style="list-style-type: none"> • Mixed Economy • First Five-Year Plan in 1951 • Till the 1980s, all the three countries had similar growth rates and per capita incomes 	<ul style="list-style-type: none"> • Mixed Economy • First Five-Year Plan in 1956, which is called Medium Term plan. • Till the 1980s, all the three countries had similar growth rates and per capita incomes. 	<ul style="list-style-type: none"> • Command economy • China announced its First Five Year plan in 1953 • Till the 1980s, all the three countries had similar growth rates and per capita incomes.
Economics Reforms	1991	1988	1978
Developmental Strategies	<ol style="list-style-type: none"> 1 Industrial policy 1948 & 1956 2 Green revolution (1966) 3 Operation fluid or white revolution 1970 4 Poverty eradication programme 5 Rural Development strategy 6 Employment Generation 7 Economic reform- 1991 8 Special Economic Zone policy-2005 	<ol style="list-style-type: none"> 1 Import Substitution. 1950s 2 Import industrialisation 1960s 3 Green revolution 1960s 4 In 1970s, Capital goods industries were nationalised. 5 In 1988, structural reforms were implemented 	<ol style="list-style-type: none"> 1 Green Leap Forward (GLF) (1958) 2 Great Proletarian Cultural Revolution (1966-76) 3 Economic Reforms (1978) 4 Special economic zone 1979
Demographic indicator	<ol style="list-style-type: none"> 1 Huge populous country 2 National Population Policy formulated in the 	<ol style="list-style-type: none"> 1 Low populous country (about one tenth of India or China) 2 Population growth is 	<ol style="list-style-type: none"> 1 Huge populous country 2 One child norm which was

	year 2000. 3 The sex ratio is low and biased against females. 4 The Fertility rate is close to average. 5 Urbanisation is low (28% only) 6 Under nourished children are 37.9%	highest in Pakistan followed by India and China. 3 The sex ratio is low and biased against females. 4 The Fertility rate is very high. 5 Urbanisation is high. 6 Under nourished children are 37.6%	introduced in China in the late 1970s is the major reason for low population growth. 3 The sex ratio is low and biased against females 4 The Fertility rate is low 5 Urbanisation is high 6 Under nourished children are 8.1%
Overall Performance	1 India performed moderately 2 A majority of its people still depend on agriculture. 3 Infrastructure is lacking in many parts of the country. 4 It is yet to raise the level of living of more than 22% of its population that lives below the poverty line.	1 Pakistan has performed poorly. 2 Political instability. 3 Volatile performance of agriculture sector 4 Over dependence on remittances 5 Growing dependence on foreign loans on the one hand and increasing difficulty in paying back the loans on the other.	A. China has performed comparatively Success in raising the level of growth along with alleviation of poverty. B. It used the market mechanism to create additional social and economic opportunities without political commitment.

Multiple choice Questions

Answer the following questions:

- The five-year plan in Pakistan is now known as _____ (Fill in the blank with correct alternative)
 - Planning development
 - People's plan
 - Medium term development plan
 - None of the above

Answer: C

- Under _____ people collectively cultivated lands. (Fill in the blank with correct alternative)

- a) GLF b) Five-year plan c) Commune system d) None of the above

Answer: C

Q3. In China, the contribution of the secondary sector is Highest". What made this happen?

- a) Great leap forward b) Reform of 1978
c) Both (a) and (b) d) None of the above

Answer: C

Q4. Human development index is the measure of

- a) Birth Rate b) Quality of life
c) Death Rate d) Quality of environment

Answer: B

Q5. In which of the following countries does the service sector contribute the most in GDP?

- (a) India (b) Pakistan
(c) China (d) Both (A) and (B)

Answer: D

Q6. With which of the following concepts is the commune system associated?

- (a) Industrialisation (b) Human rights
(c) Equal distribution of land (d) Special Economic Zones

Answer: C

Q7. _____ is high in both Pakistan and China.

Answer: Urbanisation

Q8. Pakistan introduced a variety of regulated policy framework for import substitution industrialization. (True/ False)

Answer: True

Q9. The fertility rate is low in Pakistan while it is very high in China. (True/False)

Answer: False

Q10. _____ introduced the Great Proletarian Cultural Revolution in 1965 in China.

Answer: Mao

Q11. Arrange the following events of China in Chronological order and choose the correct Alternatives:

- (i) Special Economic Zones
(ii) Great Proletarian Cultural Revolution
(iii) Commune System
(iv) Establishment of People 's Republic of China

Choose the Correct Alternatives:

- (a) (ii),(iv),(iii),(i) (b) (iv),(iii),(ii),(i)
(c) (ii),(iv),(i),(iii) (d) (iv),(i),(ii),(iii)

Answer: B

Q12. Identify the issue depicted in the given image.

- (a) Demographic dividend
(b) Exponential population growth
(c) Aging of population
(d) None of these

Answer: c



Statement based questions:

- a. Both the statements are true.
- b. Both the statements are false
- c. Statement 1 is true and statement 2 is false
- d. Statement 2 is true and statement 1 is false

Q13. Statement 1: Pakistan followed the economic system of mixed economy.

Statement 2: Pakistan launched its first five-year plan in 1958.

Answer: C

Q14. Statement 1: First year plan of China commenced in the year 1956

Statement 2: Both India and China adopted socialist Economy model following USSR

Answer: D

Q15. Statement 1: Amongst India, China and Pakistan, China is the largest nation and has the highest population density.

Statement 2: One-child policy introduced in the late 1970s in China led to considerable decline in population growth rate.

Answer: D

Q16. Statement 1: All the three countries don't follow the similar planned pattern for development.

Statement 2: The structures established to implement developmental policies are quite different.

Answer: D

Case Based Questions:

Q17. All the three countries (India, China and Pakistan) have more than six decades of development experience behind them. India, Pakistan and China have many similarities in their developmental strategies. All the three nations started their developmental path at the same time. India and Pakistan got independence in 1947 and People's Republic of China was established in 1949. All the three countries had started planning their development strategies in similar ways. India announced its first Five Year Plan in 1951, Pakistan announced in 1956 and China in 1953. Since 2013, Pakistan is working on the basis of 11th Five Year Development Plan (2013-18), while China is working on 13th Five Year Plan (2016-20). Until March 2017, India has been following Five Year Plan-based development model. Currently Pakistan is following its 12th Five Year Plan from 2018 to 2023, while China signalled a major strategic shift in the approach to economic and social development in its 14th Five Year Plan (2021- 25). In India, Five-Year Plans have been laid to rest by the government. India and Pakistan adopted similar strategies, such as creating a large public sector and raising public expenditure on social development. Till 1980s, all the three countries had similar growth rates and per capita incomes. All the three countries have performed differently.

- 1) Which country is the first to launch five-year plans?
- 2) When was the last five year initiated in India?
- 3) Even though the three countries equally travelled more than seven decades of development path, why did the results of the path vary?

Answer: 1) India

2) The last five-year plan India initiated in the year 2012 till 2017.

3) Till the late 1970s, all the three countries were

- maintaining the same level of low development.

- Over the last three decades, the three countries have taken different levels of development
- India has performed moderately over the years. Majority of its people still depend on agriculture.
- Infrastructure is lacking and more than one fourth of its population lives below poverty line.
 - Pakistan performed low because of political instability, over dependence on remittances and foreign aid along with volatile performance of agriculture.
- China has used the market system to succeed in raising the rate of growth in economy with stress. Thus, the results of the development path vary for the three countries.

Tabled based questions:

Q18. On the basis of the following data answer the following questions.

Country	Urbanization	Infant mortality rate (per 1000 live births)
India	33	38
Pakistan	39	66

(a) Comment on the infant mortality rate between India and Pakistan.

(b) “Pakistan is more urbanized than India.” Do you agree?

Answer: (a) Infant mortality rate is very high in Pakistan (66) as compared to India (38) This is because of large sized families and leading to more undernourished children and poor health of the mothers.

(b) Indeed, Pakistan is more urbanized as 39% of the people living in urban areas in India.

Very Short Answers

Q19. Explain the meaning of Great Leap Forward (GLF) campaign with reference to China.

Answer: Great Leap Forward (GLF) campaign was the policy aiming at the industrialisation on a massive scale in China.

Q20. State the common feature in the development strategy of India, China and Pakistan during 1950-1990?

Answer: Five Year Plans, i.e. economic planning.

Q21. Name the programme that was introduced in China to control the growth of population.

Answer: One Child Policy

Q22. Special economic zones were set up in China to attract ____ investors.
(domestic/foreign)

Answer: Foreign

Short answers:

Q23. Explain the concept of ‘dual pricing’ adopted by China.

Answer: The system of dual pricing was introduced. Farmers and industrial units were required to make sale and purchase on the basis of price structure as fixed by the government. Market prices (prices determined by the supply and demand forces) were allowed to operate for all other transactions in the economy.

Q24. What similar developmental strategies have India and Pakistan followed for their respective developmental path?

Answer:

- (i) Pakistan like India followed mixed economy model, with the co-existence of public and private sector.
- (ii) Pakistan's and India's shift has been directly from agriculture to service sector.
- (iii) Pakistan's and India's manufacturing sector show a decline in the growth rate.

Q25. "In the late 1970s, China introduced the One-Child norm policy that led to arrest in the population coupled with skewed sex ratio." Justify the given statement with valid arguments in support of your answer.

Answer: One of the stringent measures to control population in China is one-child norm.

- The one-child norm introduced in China in the late 1970s as the major reason for low population growth. This measure led to a decline in the sex ratio, the proportion of females per 1000 males.
- The implications of this policy are after a few decades, in China, there will be more elderly people in proportion to young people. This led China to allow couples to have two children.

Q26. Give reason for the slow growth and re-emergence of poverty in Pakistan.

Answer: The reasons for the slow growth and re-emergence of poverty in Pakistan's economy are--

- i) agriculture growth and food supply situation were based on good harvest and not on a good institutionalized process of technical change.
- ii) foreign exchange is an essential component for any country and it is always preferred to build foreign exchange reserves through exports of manufactured goods. However, in Pakistan most of the foreign exchange earnings came from remittances from Pakistani workers in the middle-East and the exports of highly volatile agricultural products.
- iii) there were growing dependents on foreign loans on the one hand and increasing difficulty in paying back the loans on the other.

Long questions:

Q27. Evaluate the various factors that led to the rapid growth in China.

Answer: Great Leap Forward 1958, Commune system, Great Proletarian Cultural Revolution, Economic Reform, Dual Pricing and SEZ etc with brief explanation of each.

Q28. Mention the salient demographic indicators of China, Pakistan and India.

Answer: The salient demographic indicators of China, Pakistan and India are discussed below

- The population of Pakistan is very small and accounts for roughly about one-tenth of China or India. China is the largest nation and geographically occupies the largest area among the three nations therefore, its density is the lowest.
- One child norm was introduced in China in late 1970s to check population growth. This measure led to a decline in the sex ratio.
Sex ratio is biased against females in all three countries. In recent times, all three countries are trying to adopt various measures to improve the situation. Due to one child norm, after few decades there will be more elderly people in proportion to young people.
- The fertility rate is low in China and very high in Pakistan.
- Urbanisation is high in both Pakistan and China with India having only 32% of its people living in urban areas.

- Q29.** (a) Compare and contrast the development of India, China and Pakistan with respect to some salient human development indicators.
(b) What does the liberty indicator measure?

Answer: (a)

- China is moving ahead of India and Pakistan in respect of human development indicators such as: GDP per capita, or proportion of population below poverty line or health indicators such as mortality rates, access to sanitation, literacy, life expectancy or malnourishment.
- Pakistan is ahead of India in reducing proportion of people below the poverty line and also, its performance in sanitation.
- But neither of these two countries have been able to save women from maternal mortality. In China, for one lakh births, only 27 women die whereas in India and Pakistan, about 178 and 174 women die respectively.
- Surprisingly all the three countries report providing improved drinking water sources for most of its population.
- For the proportion of people below the international poverty rate of \$ 3.20 a day, India has the largest share of poor among the three countries.

(b) Liberty indicator measures the extent of Constitutional protection given to rights of citizens' or 'the extent of constitutional protection of the Independence of the Judiciary and the Rule of Law'.

Previous year CBSE Questions papers

ECONOMICS (030)- CLASS 12

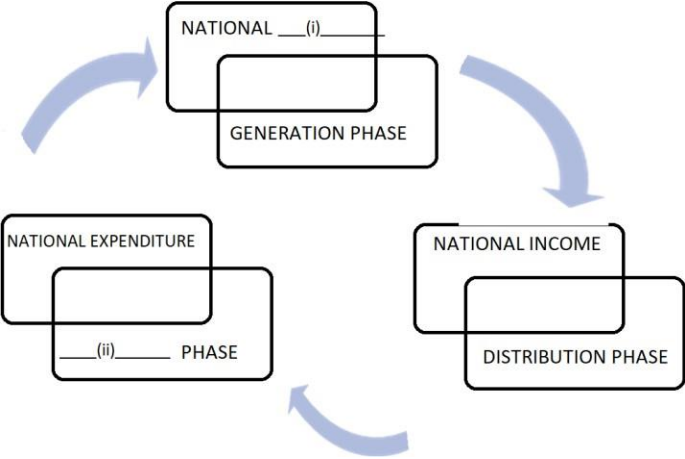
TIME:3HOURS

M.M.–80

GENERALINSTRUCTIONS:

1. This question paper consists of two sections:
Section A – Macro Economics
Section B – Indian Economic Development
2. This paper contains 20 Multiple Choice Question type questions of 1 mark each.
3. This paper contains 4 Short Answer Question type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Question type questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Question type questions of 6 marks each to be answered in 100 to 150 words.

Q.NO.	SECTION A –MACRO ECONOMICS	MARKS
1	<p>Read the following statements carefully:</p> <p>Statement 1: The consumption curve is an upward sloping straight line curve due to the direct relationship between income and consumption and the assumption of constant Marginal Propensity to Consume.</p> <p>Statement 2: Aggregate Demand curve and Consumption curve are parallel to each other. In the light of the given statements, choose the correct alternative from the following:</p> <ol style="list-style-type: none"> Statement 1 is true and statement 2 is false Statement 1 is false and statement 2 is true Both statements 1 and 2 are true Both statements 1 and 2 are false 	1
2	<p>'Owing to the Russia-Ukraine crisis, the world is experiencing rising crude prices due to supply-side issues.'</p> <p>Identify the most likely impact on the Balance of Payment situation of the Indian economy from the following:</p> <ol style="list-style-type: none"> Production of cars in India will rise. Production and sale of cycles in India will rise. Inflow of USD Dollars in India will rise. Outflow of USD Dollars from India will rise. 	1

5	<p>Read the following statements carefully: Statement 1-Net investment is a stock concept. Statement 2-Capital is a flow concept. In the light of the given statements, choose the correct alternative from the following:</p> <p>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</p> <p style="text-align: center;">OR</p> <p>Read the following figure carefully and choose the correct pair from the alternatives given below:</p>  <p>Alternatives:</p> <p>a) Output, Production b) Value added, Production c) Output, Disposition d) Wealth, Development</p>	1
6	<p>If in an economy, the value of investment multiplier is 4 and Autonomous Consumption is ₹30 Crore, the relevant consumption function would be:</p>	
	<p>a) $C = 30 + 0.75Y$ c) $C = 30 - 0.75Y$ OR If increase in National Income is equal to increase in consumption, identify the value of Marginal Propensity to Save :</p> <p>a) Equal to unity c) Less than one</p>	<p>b) $C = (-)30 + 0.25Y$ d) $C = 30 - 0.25Y$ b) Greater than one d) Equal to zero</p> <p>1</p>

7	<p>Money supply in India may increase if, _____ (Choose the correct alternative)</p> <ol style="list-style-type: none">1. Reserve Bank of India (RBI) injects more money in circulation2. the commercial banks expand their credit operation3. tax rates are reduced by the Central Government4. Reserve Bank of India increases the Bank Rate <p>Alternatives:</p> <ol style="list-style-type: none">a) 1, 2 and 3 are correctb) 2, 3 and 4 are correctc) 1, 3 and 4 are correctd) 1, 2 and 4 are correct	1																					
8	<p>Suppose, following data is presented, for an imaginary economy: (all figures in ₹'000 Crore)</p> <table><tr><td>Year</td><td>Visible Exports</td><td>Imports</td></tr><tr><td>2010</td><td>240</td><td>280</td></tr><tr><td>2020</td><td>580</td><td>460</td></tr></table> <p>Identify, which of the statement about the period 2010 to 2020 is correct?</p> <ol style="list-style-type: none">a) Improvement in balance of tradeb) Increase in trade deficitc) Improvement in balance in invisible itemsd) Deterioration of balance of trade <p style="text-align: center;">OR</p> <p>The following information is given for an imaginary country:</p> <table><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table>	Year	Visible Exports	Imports	2010	240	280	2020	580	460													1
Year	Visible Exports	Imports																					
2010	240	280																					
2020	580	460																					

<p>Balance on current account will be _____ of ₹ _____ thousand Crore.</p> <ol style="list-style-type: none"> a) deficit, 10 b) surplus, 5 c) deficit, 5 d) surplus, 10 	1
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9	<p>Read the following statement- Assertion(A) and Reason(R). Choose one of the correct alternatives given below: Assertion(A): Ex-post Investments represent planned Investments; whereas ex-ante Investments represent actual level of investments. Reason(R): At equilibrium level, Ex-ante Savings and Ex-ante Investments are always equal. Alternatives:</p> <p>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 and 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.</p>	1
10	<p>Read the following statement- Assertion(A) and Reason(R). Choose one of the correct alternatives given below: Assertion (A): Saving curve makes a negative intercept on the vertical axis at zero level of income. Reason(R): Saving function refers to the functional relationship between saving and income. Alternatives:</p> <p>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 and 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.</p>	1
11	Suppose in a hypothetical economy there are only two Firms A and B, Firm A sold goods for ₹ 2,000 to Firm B and purchased goods for ₹ 1,000. Firm B exported goods for ₹ 2,500 and had domestic sales of ₹ 1,500. Calculate Net Domestic Product at market price, if consumption of fixed capital is ₹ 200.	3
12	<p>Explain, how exchange rate is determined under a free market exchange rate system.</p> <p style="text-align: center;">OR</p> <p>Distinguish between autonomous and accommodating transactions in Balance of Payments Accounts.</p>	3 3
13	If an economy plans to increase its income by ₹ 2,000 crore and the Marginal Propensity to Consume is 75%. Estimate the increase in investment required to achieve the targeted increase in income.	4

14	<p>As per the following news published in The Economic Times on 26th December, 2021:</p> <p>‘Reserve Bank of India has sold government securities worth ₹8,710 crore in the secondary market, over the last four weeks, to drain out excessive liquidity’.</p> <p>Identify the likely cause and the consequences behind, this type of action plan of the Reserve Bank.</p>	4
15	<p>Read the following text carefully, discuss briefly the relevant function of the Central Bank, indicated :</p> <p>Recently, Reserve Bank of India (RBI) conducted a statutory inspection for supervisory evaluation against a Commercial Bank. The commercial bank was imposed with stringent penalties, owing to deficiencies in regulatory compliances.</p> <p>As per the Central Bank, the inspection revealed non-compliances vis-à-vis different directions issued by RBI, on the following fronts:</p> <div><div><div>i. ATM Card frauds</div><div>ii. Ensuring integrity and quality of data</div><div>iii. Loans to small borrowers</div></div><div>(adapted/moderated-livemint.com)</div></div> <p>OR</p> <p>‘Reserve Ratio and Credit Creation are inversely related.’ Do you agree with the given statement? Justify your answer with a suitable numerical example.</p>	4 <

SECTION B – INDIAN ECONOMIC DEVELOPMENT

[illegible]

	<p>Alternatives:</p> <ul style="list-style-type: none"> a) i – A b) ii – B c) iii – C d) iv -D 	1
23	<p>Read the following statements carefully.</p> <p>Statement 1: On-the-job training helps to bridge a gap between theoretical concepts and practical experiences.</p> <p>Statement 2: On-the-job training updates the employees, with the latest changes in their work field.</p> <p>In the light of the given statements, choose the correct alternative:</p> <ul style="list-style-type: none"> 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 	1
24	<p>Read the following statements carefully.</p> <p>Statement 1: Both India and Pakistan initiated their economic reforms without any external pressures.</p> <p>Statement 2: Pakistan has successfully implemented the SEZ policy and reaped its benefits using the Export Promotion policy.</p> <p>In the light of the given statements, choose the correct alternative:</p> <ul style="list-style-type: none"> 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 	1
25	<p>_____ is not a cause for environmental degradation.</p> <ul style="list-style-type: none"> a) Waste management b) Deforestation c) Global warming d) Guarding green cover <p style="text-align: center;">OR</p> <p>_____ is not the strategy for Sustainable Development.</p> <p>(Choose the correct alternative)</p> <ul style="list-style-type: none"> a) Use of bio-gas b) Use of solar power c) Use of thermal power d) Use of hydel power 	<p>1</p> <p>1</p>

26	<p>Read the following statement- Assertion(A) and Reason(R). Choose one of the correct alternatives given below:</p> <p>Assertion (A): Unemployment and poverty are inseparable twins.</p> <p>Reason(R): Unemployment is the root cause of all socio-economic evils. Alternatives:</p>	
	<p>a) Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).</p> <p>b) Both Assertion(A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion (A).</p> <p>c) Assertion(A) is true but Reason (R) is false.</p> <p>d) Assertion(A) is false but Reason (R) is true.</p>	1
27	<p>Read the following statement- Assertion(A) and Reason(R). Choose one of the correct alternatives given below:</p> <p>Assertion (A): In the late 1970s, China's population growth rate had sharply declined.</p> <p>Reason(R): China has witnessed an increase in the proportion of elderly people owing to stringent family planning programmes.</p> <p>Alternatives:</p> <p>a) Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).</p> <p>b) Both Assertion(A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion (A).</p> <p>c) Assertion(A) is true but Reason (R) is false.</p> <p>d) Assertion(A) is false but Reason (R) is true.</p>	1
28	<p>Interpret the given picture on account of current environmental challenges.</p>  <p>Source: https://www.theenvironmentalblog.org/current-environmental-issues</p>	3

29	Defendor refutethe followingstatement with valid explanation: 'DisguisedunemploymentisacommonformofunemploymentinruralIndia' <div>Or</div> Critically evaluate the role of rural banking system in the process of rural development in India.						3 3	
30	CompareandanalysethefollowinginformationrelatedtoImportsandExportsofthethre e neighbouring nations:							
	Country	ExportsfromIndia(in₹Crore)			Importsto India(in₹Crore)			
		2004-05	2018-19	Annualrateof growth (%)	2004-05	2018-19	Annualrat eof growth (%)	
	Pakistan	2,341	14,426	3.7	427	3,476	5.1	4
	China	25,232	1,17,289	2.6	31,892	4,92,079	10.3	
31	a) Name anyone Maharatanacompany. b) 'Landceilingpromotesequity.'Support the given statementwithvalid explanation. <div>OR</div> Discuss briefly, how institutional reforms (land reforms) have played a significant role in transforming Indian agriculture.						1 3 4	
32	Statewhetherthefollowingstatementsaretrue/false, withvalid arguments: a) HumanCapitalandHumanDevelopmentareone andthesame thing b) Indiahasapoorstockof technicalmanpower.						2 2	
33	a) Defineagricultural marketing. b) Discussbrieflytheimportanceofmicro-credit programmesin ruraldevelopment. c) Enlistanytwoproblemsfaced byfarmers inthe initialyearsoforganic farming. <div>OR</div> a) "India has failed to implement the recommendations of Education Commission of 1964 -66." Give valid arguments in support of the given statement. b) 'Casual wage work is the major source of employment in rural India '. Defend orrefute the given statement with valid reason.						2 2 2 3 3	

34	<p>Read the following text carefully and answer the given questions on the basis of the same and common understanding:</p> <p>The Green Revolution in India began in the mid-1960s marking a transition from traditional agriculture in India to high-yielding varieties of seeds and the associated modern agricultural techniques. The need for introduction of Green Revolution in India arose due to a shortage of food-grains in the post-independent period.</p> <p>The government in the post-independent India wanted to ensure self-dependence in terms of food-grain production. Such efforts coincided with the development of high-yielding varieties of seeds of wheat developed by Dr. Norman Borlaug and his associates in Mexico. These seeds also necessitated changes in farming techniques such as the addition of fertilizers, pesticides and better irrigation facilities. High yielding varieties of seeds were first introduced in India in the states of Punjab, Haryana and parts of western Uttar Pradesh.</p>	
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	<p>In the early period of the green revolution in India, the focus was to acclimatise the new system with the more resource-intensive agricultural methods. The argument for introducing the new crop varieties was to increase agricultural production in terms of higher crop yields. These seeds introduced during the early period of the green revolution in Punjab were not high-yielding by themselves. These high yields were possible due to the seeds being highly responsive to certain inputs such as irrigation water and fertilizers.</p> <p>The green revolution in India, thus, necessitated a resource-intensive process whereby, those who could make significant capital investments could benefit, whereas, those others became more marginalized in regions affected by practices of the green revolution in India.</p> <p>On one hand, the results derived from the green revolution helped farmers to increase their yield and income and on the other hand, it helped the government to procure and preserve more food grains through agencies like Food Corporation of India. These food grain reserves were helpful in creation of buffer stocks in India, which helped in the situations of adversities.</p>	3
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a) Why was Green revolution implemented and how did it benefit the farmers?

b) Justify the following statement with valid explanation:

‘Green revolution enabled the government to procure sufficient food grains to build its stocks that could be used during time of shortage’.

Previous year CBSE Questions papers

ECONOMICS(030)CLASS XII (2024-25)

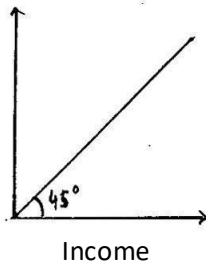
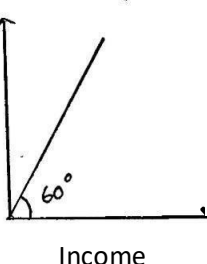
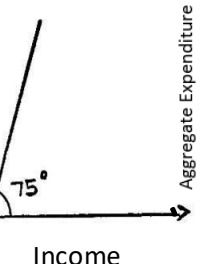
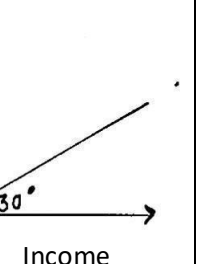
QUESTIONPAPER

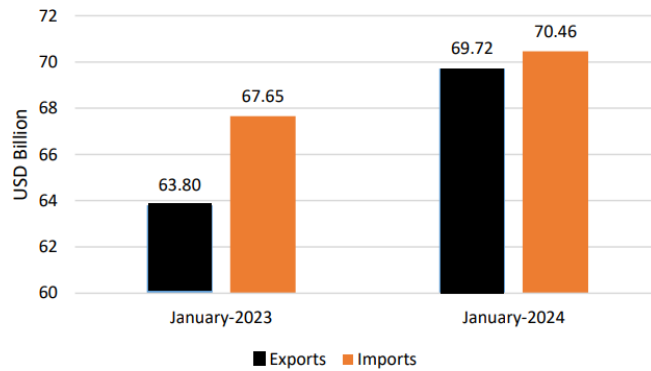
TIME:3 HOURS M.M.–80

GENERALINSTRUCTIONS:

- I. This question paper contains two sections:
Section A – Macro Economics
Section B – Indian Economic Development
- II. This paper contains 20 Multiple Choice Type Questions of 1 mark each.
- III. This paper contains 4 Short Answer Type Questions of 3 marks each to be answered in 60 to 80 words.
- IV. This paper contains 6 Short Answer Type Questions of 4 marks each to be answered in 80 to 100 words.
- V. This paper contains 4 Long Answer Type Questions of 6 marks each to be answered in 100 to 150 words.

Q.NO.	SECTION A – MACRO ECONOMICS	MARKS
1.	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:</p> <p>Assertion(A): The government can reduce the deflationary gap by purchasing government securities in the open market.</p> <p>Reason(R): The Central Bank purchases government securities in the open market to increase the lending capacity of commercial banks.</p> <p>Options:</p> <p>A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>B. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).</p> <p>C. Assertion (A) is true, but Reason (R) is false.</p> <p>D. Assertion (A) is false, but Reason (R) is true.</p>	1

2.	<p>“The Cabinet led by Prime Minister has decided that the Central Government will provide free food grains to 81.35 crore (approx.) beneficiaries under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) for a period of five years with effect from 1st January, 2024.”</p> <p>Source: https://pib.gov.in/PressReleaseFramePage.aspx?PRID=1980689</p> <p>Based on the aforesaid statement, identify the budgetary objective the government is trying to achieve and choose the correct option:</p> <p>A. Reallocation of resources B. Economic stability C. Redistribution of income D. Economic instability</p>	1
3.	<p>To arrive at the value of Gross Value Added at Market Price (GVA_{MP}) _____ (Choose the correct option to fill up the blank)</p> <p>A. Product Taxes B. Net Product Taxes C. Production Taxes D. Net Production Taxes</p>	1
4.	<p>Under the _____ exchange rate system, market forces automatically adjust the surplus and deficit in the Balance of Payments account. (Choose the correct option to fill up the blank)</p> <p>A. fixed B. flexible C. managed floating D. dirty floating</p>	1
5.	<p>From the given diagrams, identify the correct option that indicates the ‘Reference Line’ passing through the origin drawn at a particular angle.</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;"> <p>(i)</p>  <p>Income</p> </div> <div style="text-align: center;"> <p>(ii)</p>  <p>Income</p> </div> <div style="text-align: center;"> <p>(iii)</p>  <p>Income</p> </div> <div style="text-align: center;"> <p>(iv)</p>  <p>Income</p> </div> </div> <p>A. (i) B. (ii) C. (iii) D. (iv)</p> <p>For Visually Impaired Candidates: Under the Keynesian theory, ‘Reference Line’ is a straight line passing through the origin drawn at an angle of _____. (Choose the correct option to fill up the blank)</p> <p>A. 25° B. 45° C. 55° D. 75°</p>	1
6.	<p>As per the data presented in the Union Budget 2023-24, the total receipts of the government other than borrowings and the total expenditure are estimated at ₹27.2 lakh crore and ₹45 lakh crore respectively. The value of the _____ deficit would be ₹17.8 lakh crore. (Choose the correct option to fill up the blank)</p> <p>A. revenue B. fiscal C. budgetary D. primary</p>	1



Source: <https://commerce.gov.in/wp-content/uploads/2024/02/PIB-Press-Release-January-2024-1.pdf>

For Visually Impaired Candidates:

_____ indicates the situation of Current Account Deficit in the Balance of Payments Account.

- A. Receipts > Payments on current account
- B. Receipts = Payments on current account
- C. Receipts < Payments on current account
- D. Receipts < Payments on capital account

1

11.
(A)

On the basis of the given data, estimate the value of Domestic Income (NDP_{FC}):

S.No.	Items	Amount (₹ in crore)
i.	Household Consumption Expenditure	800
ii.	Gross Business Fixed Capital Formation	150
iii.	Gross Residential Construction Investment	120
iv.	Government Final Consumption Expenditure	170
v.	Excess of Imports over Exports	20
vi.	Inventory Investment	140
vii.	Gross Public Investment	500
viii.	Net Indirect Taxes	70
ix.	Net Factor Income From Abroad	(-) 50
x.	Consumption of Fixed Capital	40

OR

11.
(B)

State the steps pertaining to the estimation of National Income under the income method.

3

3

12.

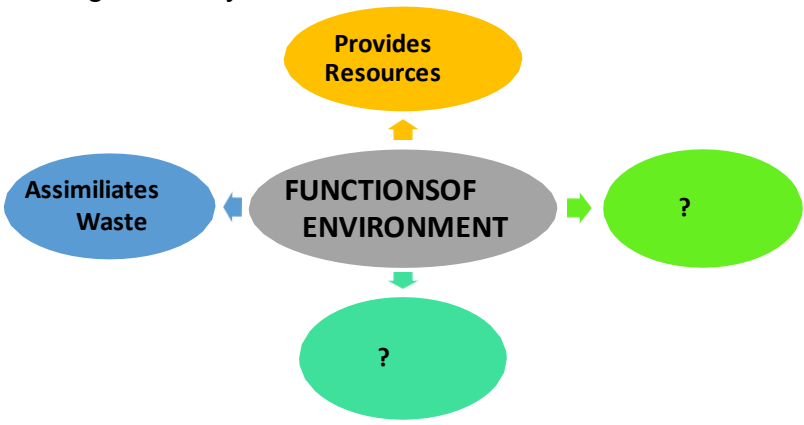
“Tax revenue collection of the government may be categorized under two heads.”
State and explain the two heads of tax revenue.

3

13.	<p>(I) 'Foreign Portfolio Investment (FPI) witnessed a sharp turnaround during 2023-24 with net FPI inflows of US\$ 32.4 billion.'</p> <p>In which sub-account and on which side of the Balance of Payments account the above transaction will be recorded? Give reasons in support of your answer.</p> <p>(II) State the meaning of 'Balance of Payments Deficit'.</p>	<p>3</p> <p>1</p>
14. (A)	<p>"Saving curve can be derived from the consumption curve"</p> <p>Justify the statement, citing valid steps with the help of a well-labelled diagram.</p> <p>For Visually Impaired Candidates:</p> <p>"Saving curve can be derived from the consumption curve" Justify the statement, citing valid steps.</p> <p style="text-align: center;">OR</p> <p>For two hypothetical economies A and B, the value of Marginal Propensity to Consume (MPC) stands at 0.6 and 0.8 respectively. Assuming for both the economies, Autonomous Consumption (\bar{c}) to be ₹ 40 crore and Investment Expenditure (I) to be ₹ 100 crore.</p> <p>Calculate:</p> <p>(I) Break-even level of income for Economy A</p> <p>(II) Equilibrium level of income for Economy B</p>	<p>4</p> <p>2</p> <p>2</p>
14. (B)		
15.	<p>Read the following text carefully:</p> <p>"Union Finance Minister stated, that investments in infrastructure and productive capacity have a large multiplier impact on growth and employment and in view of this, capital investment outlay is being proposed to increase steeply in the Budget 2023-24 by 1,000 crore."</p> <p>Based on the given text and common understanding, explain the working process of the increase in investment on the National Income, assuming the Marginal Propensity to Save (MPS) as 20%.</p>	4
16.	<p>Read the following text carefully:</p> <p>As societies developed from hunters and gatherers, the material needs of human beings increased – to build a house, wear clothes, make weapons and implement etc. Since these needs could not be produced individually, people had to purchase them from others. These purchases, for example, were paid initially by barter – a leather skin cloak for a spear. As barter had its limits – how many cloaks for a spear – barter got standardized in terms of metals or cowrie shells. Now people knew the value of both the cloak and the spear in terms of bronze or cowrie shells. This was still barter, as both bronze and shells had intrinsic value (shells were desired for their beauty). This system evolved over time into metal currencies. Gold and silver coinage were the offshoot of this system where they had features of barter (both gold and silver had intrinsic value) as well as money (they were standardized representation of value).</p> <p>In respect of money two facts emerge historically:</p> <ul style="list-style-type: none"> • Money has taken the form of either commodities (which have intrinsic value) or in terms of debt instruments. 	

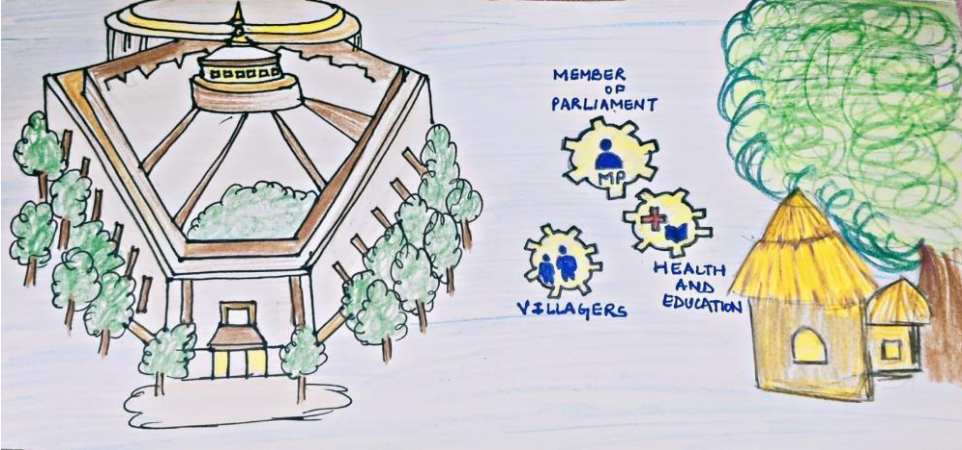
	<ul style="list-style-type: none"> • Money is usually issued by a sovereign (or a Central Bank as its representative). <p>In modern economies, currency is a form of money that is issued exclusively by some competent authority (Central Bank). It is a liability of the issuing Central Bank and an asset of the holding public. Currency is usually issued in paper (or polymer) form, but the form of currency is not its defining characteristic.</p> <p>In the recent past, the Reserve Bank of India, issued Central Bank Digital Currency (CBDC). A CBDC is the currency issued by a central bank in a digital form. It serves all the purposes of a paper currency in a different form. The introduction of CBDC has the potential to provide significant benefits, such as reduced dependency on cash, lower transaction costs, reduced settlement risk. Introduction of CBDC would possibly lead to a more robust, efficient, trusted, regulated payments option. There are associated risks such as cyber-attacks and technology preparedness, but they need to be carefully evaluated against the potential benefits.</p> <p>Source: https://website.rbi.org.in/web/rbi/-/speeches-interview/central-bank-digital-currency-is-this-the-future-of-money-1111 (adapted and modified)</p> <p>On the basis of the given text and common understanding, answer the following questions:</p> <p>(I) "Over the centuries, money has evolved in various forms."</p> <p>In the light of the given statement, state and discuss briefly any two forms of money.</p> <p>(II) "Various economists have formed a strong opinion that, in the modern times digital currency (like CBDC) is quite essential. However, it comes with its own benefits and potential risks."</p> <p>Do you agree with the given statement, giving valid arguments in support of your answer.</p>	<p>3</p> <p>3</p>									
17. (A)	<p>(I) On the basis of the following hypothetical data:</p> <p style="text-align: right;">(all figures in ₹ crore)</p> <table border="1"> <thead> <tr> <th>Year</th><th>Nominal GDP</th><th>Nominal GDP adjusted to base year prices</th></tr> </thead> <tbody> <tr> <td>2020</td><td>3,000</td><td>4,000</td></tr> <tr> <td>2023</td><td>4,000</td><td>4,500</td></tr> </tbody> </table> <p>Calculate the percentage change in Real Gross Domestic Product in the year 2023 using 2020 as the base year.</p> <p>(II) "The public investment on the construction of a multi-lane flyover may reduce traffic congestion."</p> <p>On the basis of the above statement, discuss its likely impact on Gross Domestic Product (GDP) and welfare in an economy.</p> <p style="text-align: center;">OR</p>	Year	Nominal GDP	Nominal GDP adjusted to base year prices	2020	3,000	4,000	2023	4,000	4,500	<p>3</p> <p>3</p>
Year	Nominal GDP	Nominal GDP adjusted to base year prices									
2020	3,000	4,000									
2023	4,000	4,500									
17. (B)	<p>(I) "Basis of classification of final goods into consumption and capital goods depend on the economic nature of its use."</p> <p>Defend or refute the statement, with the help of a suitable example.</p> <p>(II) 'Natural calamities in the hill states of India have led to massive destruction of capital assets.'</p>	<p>4</p>									

	Identify the type of loss (depreciation or capital loss) indicated in the aforesaid statement. Give valid reasons in support of your answer.	2
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SECTION B - INDIAN ECONOMIC DEVELOPMENT										
18.	<p>Read the given image carefully:</p>  <p>Choose the correct option which indicates the combination of vital functions performed by the environment.</p> <ol style="list-style-type: none"> Sustains life Provides aesthetic services Generates waste Provides only renewable resource <p>s Options:</p> <table> <tr> <td>A. (i) and (ii)</td> <td>B. (ii) and (iii)</td> </tr> <tr> <td>C. (i) and (iv)</td> <td>D. (i) and (iii)</td> </tr> </table> <p>For Visually Impaired Candidates: Identify, which of the following is not a correct function of environment?</p> <ol style="list-style-type: none"> Elimination of waste Sustenance of life Provide aesthetic service <p>es Alternatives:</p> <table> <tr> <td>A. (i) only</td> <td>B. (ii) only</td> </tr> <tr> <td>C. (ii) & (iii)</td> <td>D. (i) & (ii)</td> </tr> </table>	A. (i) and (ii)	B. (ii) and (iii)	C. (i) and (iv)	D. (i) and (iii)	A. (i) only	B. (ii) only	C. (ii) & (iii)	D. (i) & (ii)	1
A. (i) and (ii)	B. (ii) and (iii)									
C. (i) and (iv)	D. (i) and (iii)									
A. (i) only	B. (ii) only									
C. (ii) & (iii)	D. (i) & (ii)									
19.	<p>Read the following statements carefully:</p> <p>Statement 1: The British policies led to the collapse of India's world-famous handicraft industries.</p> <p>Statement 2: During the colonial rule in India, the contribution of the industrial sector to Gross Value Added (GVA) increased significantly.</p> <p>In light of the given statements, choose the correct option from the following:</p> <ol style="list-style-type: none"> Statement 1 is true and Statement 2 is false. Statement 1 is false and Statement 2 is true. Both Statements 1 and 2 are true. Both Statements 1 and 2 are false. 	1								

20.	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:</p> <p>Assertion (A): The Education Commission (1964–66) had recommended that at least 4 % of Gross Domestic Product (GDP) be spent on education.</p> <p>Reason (R): The Union and State Governments, have been stepping up expenditures in the education sector over the years to fulfil the objective of attaining cent per cent literacy.</p> <p>Options:</p>	1
	<p>A. Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).</p> <p>B. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).</p> <p>C. Assertion(A) is true, but Reason(R) is false.</p> <p>D. Assertion(A) is false, but Reason(R) is true.</p>	
21.	<p>In the post-independence era, the policy makers of India adopted an economic system that fundamentally implies the coexistence of _____ and _____.</p> <p>(Choose the correct option to fill up the blank)</p> <p>A. small and large-scale industries B. small and medium-scale industries</p> <p>C. public and private sector D. private and foreign sector</p>	1
22.	<p>The institutional structure of rural banking in contemporary India consists of a set of multi-agency institutions, namely, _____.</p> <p>(Choose the correct option to fill up the blank)</p> <p>(i) Regional Rural Banks (ii) Cooperative Banks</p> <p>(iii) Land Development Banks</p> <p>(iv) Commercial Banks</p> <p>Options:</p> <p>A. (i) and (iv) B. (i), (iii) and (iv)</p> <p>C. (i), (ii) and (iii) D. (i), (ii), (iii), and (iv)</p>	1
23.	<p>Identify, which of the following statement is incorrect about the financial sector reform introduced in 1991?</p> <p>(Choose the correct option)</p> <p>A. Enabled the establishment of private sector banks, Indian as well as foreign</p> <p>B. Foreign investment limit in banks was raised to around 74%</p> <p>C. Foreign Institutional Investors were allowed to invest in Indian financial markets</p> <p>D. Change in the role of the Reserve Bank of India from facilitator to regulator</p>	1

24.	China's demographic problem of 4-2-1, resulted in a higher proportion of elderly individuals compared to the younger population. This was primarily due to the implementation of ____. A. Great Leap Forward Campaign B. Great Proletarian Cultural Revolution C. One Child Norm D. Special Economic Zones	1
25.	_____ was setup in 1974 by the Indian government to address two major environmental concerns viz. water and air pollution. (Choose the correct option to fill up the blank) A. State Pollution Control Board B. Central Pollution Control Board C. Brundtland Commission D. Montreal Protocol	1
26.	“Assuming in a hypothetical economy, Real Gross Domestic Product recorded a growth rate of 9% during a fiscal year. However, the economy faced a significant challenge in terms of creating an adequate number of employment opportunities.” Identify the situation indicated in the given statement and choose the correct option.	1
	A. Casualisation of workforce B. Informalisation of workforce C. Formalisation of workforce D. Jobless growth	
27.	During the period 1951-2016, _____ led to an increase in the milk production in India by about ten times. (Choose the correct option to fill up the blank) A. Green Revolution B. Golden Revolution C. Operation Flood D. Industrial Revolution	1
28. (A)	Critically appraise the disinvestment policy initiated by the government during the reforms of 1991.	3
OR		
28. (B)	‘Globalisation is an essential outcome of liberalisation of an economy’. Justify the given statement with a valid explanation.	3
29.	‘To measure the extent of development in an economy, liberty indicators should be considered along with other socio-economic parameters.’ Do you agree with the given statement? Give valid reasons in support of your answer.	3
30.	‘The reform process implemented in the late 1970s, commonly known as China’s open door policy, encompassed a wide range of reforms across sectors like agriculture, investment, industry etc. These reforms played a pivotal role in driving the rapid growth of the Chinese economy over subsequent decades.’ In the light of the given text, discuss any two reforms responsible for the rapid economic growth of China.	4

31. (A)	<p>'Under the Delhi Declaration, the G-20 nations pledged to reach global net zero emissions approximately by mid-century and to triple global renewable energy capacity by 2030.'</p> <p>Discuss briefly the rationale behind the commitment by G-20 nations in the direction of achieving sustainable development.</p> <p style="text-align: center;">OR</p>	4
31. (B)	<p>'It would be unclear to say that, the growth of human capital lays the ground for economic growth of a nation.'</p> <p>Do you agree with the given statement? Support your answer with valid illustrations.</p>	4
32.	<p>(I) Interpret the given picture based on the SaansadAdarsh Gram Yojana(SAGY) initiated by the Government of India.</p> 	3
	<p>(II) State any two examples of allied activities.</p> <p>For Visually Impaired Candidates in lieu of 32(I): Explain briefly the Saansad Adarsh Gram Yojana (SAGY) initiated by the Government of India.</p>	1 3
3 3.	<p>Read the following text carefully:</p> <p>Employment generation has remained one of the top challenges of Indian policymakers, and over the years, this has only become more complex. India has experienced more or less consistent growth in the structure of the output of the economy, especially after the economic reforms which is measured by gross value added. However, the trend in employment did not reveal a consistent and clear pattern. These complexities have led to a wide variation in the conclusions drawn by experts and various studies on workforce and employment.</p> <p>Two major sources of data on the workforce and employment have been the</p> <ul style="list-style-type: none"> (i) decennial population census and (ii) nationwide quinquennial surveys on employment and unemployment by the erstwhile NSSO under the Ministry of Statistics and Programme Implementation (MoSPI), Government of India. <p>The nationwide Employment and Unemployment (E&U) surveys have been replaced by the Periodic Labour Force Survey (PLFS) conducted by the</p>	

	<p>National Statistical Office (NSO) of MoSPI, which started in the year 2017–18.</p> <p>According to NSO, the PLFS data measure the dynamics in labour force participation, worker to population ratio and the employment status along with related, important parameters for both rural and urban areas. Labour force includes persons who were either working (or employed) or those available for work (or unemployed). Some persons in the labour force are abstained from work for various reasons. Deducting that number from the labour force gives the number of actual workers. These workers are further categorised as persons who are engaged in any economic activity as self-employed or regular wage/salaried and casual labour. The difference between the labour force and the workforce gives the number of unemployed persons.</p> <p>The size of the labour force in the country has increased from 485.3 million in the year 2017–18 to 497.4 million in the year 2018–19. The next year, the labour force increased by 8 percent and reached 537.9 million. This increase was witnessed across male and female populations as well as rural and urban households.</p> <p>Source: https://www.niti.gov.in/sites/default/files/2022-04/Discussion_Paper_on_Workforce_05042022.pdf</p> <p>(adapted and modified)</p> <p>On the basis of the given text and common understanding, answer the following questions:</p> <p>(I) State any two major sources of data on the workforce and employment. 2</p> <p>(II) 'The labour force encompasses a broader category than the workforce.' 3</p> <p>Defend or refute the statement, giving valid reasons in support of your answer.</p> <p>(III) 'Workers can be categorized into different types depending on their status.' 1</p> <p>In the light of the given statement, state any one type of employment.</p>	
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34. (A)	(I) 'Under the Industrial Policy Resolution (IPR) 1956 in India, the system of industrial licensing was introduced to promote regional equality.' Justify the given statement with valid arguments. (II) Discuss briefly the estimates made by notable scholars regarding the national income and per capita income during the colonial rule in India.	4
	OR	
34. (B)	(I) 'During the colonial period, India's foreign trade was characterized by a large export surplus, however, this did not result in any flow of gold or silver into India.' Justify the given statement with valid arguments.	3
	(II) Explain the rationale behind choosing 'Self-reliance' as a central planning objective in India's development strategy.	3

Previous year CBSE Questions papers

ECONOMICS (030)-CLASS 12

TIME:3HOURS

M.M.–80

1. This question paper contains two sections:

Section A – Macro Economics

Section B – Indian Economic Development

2. This paper contains 20 Multiple Choice Questions of 1 mark each.

3. This paper contains 4 Short Answer Questions of 3 marks each to be answered in 60 to 80 words.

4. This paper contains 6 Short Answer Questions of 4 marks each to be answered in 80 to 100 words.

5. This paper contains 4 Long Answer Questions of 6 marks each to be answered in 100 to 150 words.

Q.NO.	SECTION A – MACROECONOMICS	MARKS
1	<p>Read the following statements carefully:</p> <p>Statement 1: The level of consumption has a direct impact on the amount of savings the households can accumulate over time.</p> <p>Statement 2: Higher consumption often leads to lower savings, while lower consumption tends to facilitate higher levels of savings.</p> <p>In light of the given statements, choose the correct alternative from the following:</p> <p>a) Statement 1 is true and Statement 2 is false.</p> <p>b) Statement 1 is false and Statement 2 is true.</p> <p>c) Both Statements 1 and 2 are true.</p> <p>d) Both Statements 1 and 2 are false.</p>	1
2	<p>The scenario which would lead to an increase in GDP, but might not necessarily improve overall welfare?</p> <p>a) Reduction in income inequality</p> <p>b) Rapid growth of the financial sector</p> <p>c) Expansion of environmentally harmful industries</p> <p>d) Increased government investment in education and healthcare</p>	1
3	<p>If the government implements a tax cut and people use most of their extra money to increase their consumption, this suggests about the MPC that:</p>	1

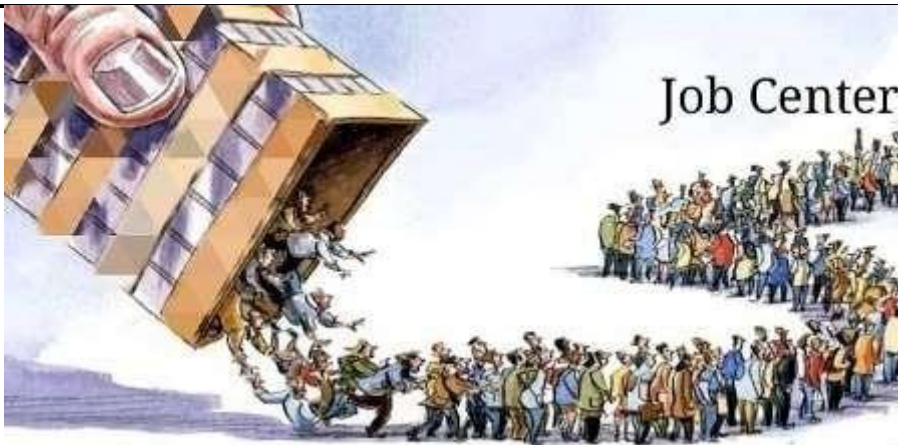
	<ul style="list-style-type: none"> a) It is not applicable in this situation b) It is low, indicating people prefer saving over spending c) It is negative, indicating people are decreasing their consumption d) It is high, indicating people are responsive to changes in income 	
4	<p>A positive balance in the Capital Account of the Balance of Payments of a country indicates that:</p> <ul style="list-style-type: none"> a) trade balance is positive b) currency is depreciating c) it is experiencing a budget surplus d) it is receiving more foreign investments than it is making abroad 	1
5	<p>In the web of financial interactions, when individuals harmoniously enter into agreements to honor the repayment of a loan at a designated point in the future, they are engaging in which pivotal function of money:</p> <ul style="list-style-type: none"> a) a safe place to keep the wealth b) a tool that helps to compare the value of different things c) a bridge between people who want to buy things and people who want to sell things d) a steady foundation that helps to agree on how to settle debts or loans at a later time 	1
6	<p>Punjab National Bank receives a deposit of 80,000 and the reserve requirement is 10%. If the bank decides to hold reserves equal to 20% of the deposit instead of the required amount, how much excess reserve does the bank hold?</p> <ul style="list-style-type: none"> a) 4,000 b) 8,000 c) 12,000 d) 16,000 	1
7	<p>The interaction between the concept of the price level and the dynamics of aggregated demand in an economy is interconnected as:</p> <ul style="list-style-type: none"> a) the price level increases, aggregated demand increases b) the price level increases, aggregated demand decreases c) changes in the price level have no impact on aggregated demand d) the relationship between the price level and aggregated demand is unpredictable 	1
8	<p>The influence exerted by international borrowing on the foreign exchange supply within an economy is indicated when it:</p> <ul style="list-style-type: none"> a) minimally affects the supply of foreign exchange b) tends to diminish the supply of foreign exchange c) intends to increase the supply of foreign exchange d) is confined solely to alterations in the supply of domestic currency 	1
9	<p>Given an economy with a Consumption Function of $C = 750 + 0.5Y$, where C represents Consumption Expenditure, Y represents National Income and an Investment Expenditure of 2,300, what would be the Consumption Expenditure at the equilibrium level?</p>	1

	a) 1,400 b) 6,100 c) 3,050 d) 3,800																									
10	<p>Which of the following best defines 'Unilateral Transfers' in the context of international transactions?</p> <p>a) Funds transferred internationally as loans for a specified tenure and interest rate. b) Trade transactions involving goods and services between two countries. c) Payments made by one party without expecting any return in the future. d) Investments made by a country in the stock market of another country.</p>	1																								
11	<p>Elucidate the distinction between Autonomous Items and Accommodating Items concerning a nation's Balance of Payments. Give examples to demonstrate country's international economic interactions.</p>	3																								
12	<p>(A) Calculate Gross Domestic Product at market price using Expenditure method:</p> <table border="1"> <thead> <tr> <th>S.No.</th><th>Items</th><th>Amount (in crore)</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Private final consumption expenditure</td><td>9,800</td></tr> <tr> <td>(ii)</td><td>Government final consumption expenditure</td><td>12,000</td></tr> <tr> <td>(iii)</td><td>Change in stock</td><td>275</td></tr> <tr> <td>(iv)</td><td>Gross domestic fixed capital formation</td><td>875</td></tr> <tr> <td>(v)</td><td>Consumption of fixed capital</td><td>600</td></tr> <tr> <td>(vi)</td><td>Net exports</td><td>(-) 90</td></tr> <tr> <td>(vii)</td><td>Net factor income from abroad</td><td>790</td></tr> </tbody> </table> <p style="text-align: center;">OR</p> <p>(B) Explain the concept of Double Counting in the context of calculating National Income and provide a practical way to avoid it.</p>	S.No.	Items	Amount (in crore)	(i)	Private final consumption expenditure	9,800	(ii)	Government final consumption expenditure	12,000	(iii)	Change in stock	275	(iv)	Gross domestic fixed capital formation	875	(v)	Consumption of fixed capital	600	(vi)	Net exports	(-) 90	(vii)	Net factor income from abroad	790	3
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		SECTIONB—INDIANECONOMIC DEVELOPMENT																			
18		<p>The overarching objective of equitable distribution of goals in planning is to:</p> <p>Given Data:</p> <table><tr><td>A</td><td>Revenue expenditure</td><td>80,350</td></tr><tr><td>B</td><td>Capital expenditure</td><td>92,000</td></tr><tr><td>C</td><td>Interest payments</td><td>18,000</td></tr><tr><td>D</td><td>Revenue receipts</td><td>63,875</td></tr><tr><td>E</td><td>Borrowings</td><td>59,640</td></tr><tr><td>F</td><td>Capital receipts</td><td>74,000</td></tr></table>	A	Revenue expenditure	80,350	B	Capital expenditure	92,000	C	Interest payments	18,000	D	Revenue receipts	63,875	E	Borrowings	59,640	F	Capital receipts	74,000	1
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19		<p>The main objective of China's One Child Policy, which was implemented from 1979 to 2016 was:</p> <p>a) to provide financial incentives for families with multiple children</p> <p>b) to promote gender equality by limiting the number of male children</p> <p>c) to control the population growth and address overpopulation concerns</p> <p>d) to encourage families to have more children and increase the population</p>	1																		
20		<p>Due to increasing expenses related to energy and ecological considerations, a country chooses to make significant investments in domestic renewable energy technologies instead of bringing in traditional energy sources from abroad.</p> <p>What favorable outcomes can be anticipated from this strategy of substituting imports?</p> <p>I: lower energy costs for consumers due to subsidised imports</p> <p>II: promotion of domestic green energy sector through targeted investments</p> <p>III: enhanced self-sufficiency in energy production and greater sustainability</p> <p>IV: increased dependence on foreign technology for renewable energy implementation</p> <p>Alternatives:</p> <p>a) I and II</p> <p>b) II and III</p> <p>c) III and IV</p> <p>d) IV and I</p>	1																		
21		<p>A farmer Chandu practices organic farming and uses crop rotation and natural predators to control pests.</p> <p>Is there an advantage of this approach provided as compared to conventional pesticides use?</p> <p>a) faster and predictable pest eradication</p> <p>b) lower labor costs for pest management</p> <p>c) increased risk of crop failure and reduced yields</p> <p>d) reduced harm to beneficial insects and pollinators</p>	1																		

22	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below.</p> <p>Assertion (A): The industrial sector reforms implemented under liberalization policies in a country led to an increase in Foreign Direct Investment in the manufacturing sector.</p> <p>Reason (R): Liberalization policies aimed to toughen trade barriers, regulate industries, and provide a conducive environment for</p>	1
	<p>Indigenous investors, making the manufacturing sector more attractive for FDI.</p> <p>Alternatives:</p> <p>a) The Assertion (A) is true, but the Reason (R) is false.</p> <p>b) The Assertion (A) is false, but the Reason (R) is true.</p> <p>c) Both the Assertion (A) and Reason (R) are true, but the Reason (R) is not the correct explanation of the assertion.</p> <p>d) Both the Assertion (A) and Reason (R) are true, and the Reason (R) is the correct explanation of the assertion.</p>	
23	<p>The multifaceted process of demographic transition within the context of India pertains to:</p> <p>a) a sudden decline in the population growth rate due to migration</p> <p>b) a change in the population density across different states in India</p> <p>c) a significant increase in the birth rate and death rates simultaneously</p> <p>d) a shift from high birth and death rates to low birth and death rates over time</p>	1
24	<p>Select the option that presents a common challenge associated with sustainable aquaculture practices:</p> <p>a) guaranteed financial gains</p> <p>b) neutral impact on ecosystems</p> <p>c) struggle to maintain ecological equilibrium</p> <p>d) independent of technological advancements</p>	1
25	<p>In urban areas with high population density, the challenge which is often associated with housing and living conditions?</p> <p>a) high home ownership rates, leading to limited rental options</p> <p>b) difficulty in accessing essential services due to congested living</p> <p>c) limited open spaces and recreational areas, affecting quality of life</p> <p>d) inadequate housing and overcrowding, leading to slum settlements</p>	1

26	<p>Read the following statements carefully:</p> <p>Statement 1: Jobless growth has been a significant challenge in the Indian economy in recent years.</p> <p>Statement 2: Despite witnessing economic growth, the Indian economy has been struggling to create sufficient employment opportunities to absorb the growing workforce.</p> <p>In light of the given statements, choose the correct alternative from the following:</p> <p>a) Statement 1 is true and Statement 2 is false.</p> <p>b) Statement 1 is false and Statement 2 is true.</p> <p>c) Both Statements 1 and 2 are true.</p> <p>d) Both Statements 1 and 2 are false</p>	1																				
27	<p>From the set of statements given in Column I and Column II, choose the correct pair of statements:</p>	1																				
	<table><tr><td></td><td>Column I</td><td></td><td>Column II</td></tr><tr><td>A.</td><td>Medium Term Development Plan</td><td>I</td><td>China model of growth</td></tr><tr><td>B.</td><td>NITI Aayog</td><td>II</td><td>Reforms in India</td></tr><tr><td>C.</td><td>Command Economy</td><td>III</td><td>Pakistan's Five-Year Plans</td></tr><tr><td>D.</td><td>Economic Reform 1991</td><td>IV</td><td>Planning commission is replaced</td></tr></table> <p>Alternatives:</p> <p>(a) A-II, B-I, C-III, D-IV</p> <p>(b) A-III, B-IV, C-I, D-II</p> <p>(c) A-I, B-II, C-IV, D-III</p> <p>(d) A-IV, B-III, C-II, D-I</p>		Column I		Column II	A.	Medium Term Development Plan	I	China model of growth	B.	NITI Aayog	II	Reforms in India	C.	Command Economy	III	Pakistan's Five-Year Plans	D.	Economic Reform 1991	IV	Planning commission is replaced	
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28	<p>(A) Identify and briefly explain three key features of the Indian economy on the eve of independence that contributed to its predominantly stagnant structure.</p> <p style="text-align: center;">OR</p> <p>(B) Describe three key features of India's foreign trade on the eve of independence. Illustrate with examples the country's trading patterns with other nations.</p>	<p>3</p> <p>3</p>																				
29	<p>Outline three sources of the development of human capital and provide instances of investments in human capital that can contribute positively to a nation's economic expansion and overall well-being.</p>	3																				

30	Enumerate four primary policy endeavors undertaken by the Chinese government subsequent to attaining independence, aimed at attaining economic advancement and industrialization. Illustrate the consequences of these approaches on its economic progress and evolution into a significant global economic force.	4
31	<p>(A) Give a thorough analysis of four primary obstacles encountered by rural banking establishments when fostering financial inclusion and driving economic growth within a developing nation.</p> <p style="text-align: center;">OR</p> <p>(B) State four measures that a government in a developing country can implement to enhance the efficiency and effectiveness of the agricultural marketing system.</p>	<p>4</p> <p>4</p>
32	Identify the situation depicted in the given image. Categorize the three main causes of it in the country.	4
	 <p>Source: LinkedIn, from an article by Emanuele Musa</p>	
33	<p>(A). "Considering 'Agricultural Subsidy as a Vice,' analyze three prominent negative implications stemming from agricultural subsidies associated with providing subsidies to farmers.</p> <p>(B) Highlighting three significant adverse impacts, conduct a comprehensive analysis to evaluate the potential negative repercussions of implementing the economic strategy of Import Substitution in developing nations.</p> <p>OR</p> <p>(C) In order to understand the complexities of the industrial sector in India on the eve of independence, elaborate on the prevailing conditions that contributed to "Systematic de-industrialization" and technological backwardness.</p>	<p>3</p> <p>3</p> <p>3</p>

	(D) Analyze the complex challenges posed by India's foreign trade situation on the eve of independence. Investigate the factors that led to the trade imbalances and dependence on imports during this period.	3
34	<p>Read the following passage on the causes of the environmental crisis and answer the questions that follow:</p> <p>The world is facing an unprecedented environmental crisis characterized by various interconnected challenges. Several factors have contributed to this alarming situation, threatening the delicate balance of ecosystems and the well-being of both humans and wildlife. One of the primary causes of the environmental crisis is the rapid growth of human population. The increasing demand for resources, food and energy has led to extensive deforestation, habitat destruction and overconsumption of natural resources.</p> <p>Industrialization and modernization have played a significant role in exacerbating the environmental crisis. The reliance on fossil fuels and the emission of greenhouse gases have resulted in global warming and climate change, leading to extreme weather events, rising sea levels and disruptions in natural cycles. The unchecked discharge of</p>	

	<p>pollutants and waste from industries has further contaminated air, water and soil, endangering human health and biodiversity. Another critical factor contributing to the environmental crisis is the expansion of agriculture and urbanization. The conversion of forests and natural habitats into agricultural lands and urban areas has led to the loss of biodiversity and fragmentation of ecosystems. This has disrupted the natural habitat of numerous species, leading to the extinction of many plants and animals species.</p> <p>Moreover, human activities such as irresponsible waste management and improper disposal of plastics have resulted in the accumulation of plastic waste in oceans and landfills, causing harm to marine life and contaminating the environment. The excessive use of chemical fertilizers and pesticides in agriculture has also led to soil degradation, water pollution and loss of biodiversity.</p> <p>The environmental crisis is a complex issue with various interconnected causes. The rapid growth of human population, industrialization, urbanization, and irresponsible waste management practices are some of the major contributors to this crisis. Addressing these causes requires a collective effort from governments, industries and individuals to adopt sustainable practices and promote environmental conservation.</p> <p><i>Source from: National Institutes of Health, Mongabay, UNFCCC, Intergovernmental Panel on Climate Change</i></p> <p>On the basis of the given text and common understanding, answer the following question:</p> <p>(i). Elucidate the primary causes of the environmental crisis described in the passage.</p> <p>(ii). Discuss the connection between industrialization and the ongoing environmental crisis.</p> <p>(iii). Explain the impact of agriculture and urbanization on the environment.</p>	<p>2</p> <p>2</p> <p>2</p>
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