



केन्द्रीय विद्यालय संगठन क्षेत्रीय कार्यालय रायपुर

Kendriya Vidyalaya Sangathan
Regional Office, Raipur

अध्ययन सामग्री / STUDYMATERIAL(VOLUME- 02)

शैक्षिक सत्र / session – 2025-26

कक्षा / Class- XII

विषय / Subject – अर्थशास्त्र / Economics

विषय कोड / Subject code-030

STUDY MATERIAL FOR HIGH ACHIEVER
IMPORTANT QUESTIONS WITH HINTS
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	
	National Income and Related Aggregates	10
	Money and Banking	06
	Determination of Income and Employment	12
	Government Budget and the Economy	06
	Balance of Payments	06
		40
Part B	Indian Economic Development	
	Development Experience (1947-90) and Economic Reforms since 1991	12
	Current Challenges facing Indian Economy	20
	Development Experience of India – A Comparison with Neighbours	08
	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 AND RELATED AGGREGATES

(10Marks)

	HIGH ACHIEVERS											
Q1	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:</p> <p>Assertion (A): Public goods are those goods that are collectively consumed by the public.</p> <p>Reason (R): Public goods are excludable and rivalrous in nature.</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> <p>Ans. (C) Assertion (A) is true, but Reason (R) is false</p>	1										
Q2	<p>Value Addition = _____ – Value of Intermediate Consumption. (Choose the correct option(s) to complete the stated formula.)</p> <p>(i) Domestic sales (ii) Sales – change in stock (iii) Value of output (iv) (Number of units produced) × (Price per unit)</p> <p>Options: (A) (i) and (ii) (B) (ii) and (iii) (C) (ii), (iii) and (iv) (D) (iii) and (iv)</p> <p>Ans. (D) (iii) and (iv)</p>	1										
Q3	<p>From the items given in Column-I and Column-II, choose the correct pair.</p> <table><thead><tr><th>Column-I</th><th>Column-II</th></tr></thead><tbody><tr><td>(a) Income from Property</td><td>(i) Old age pension</td></tr><tr><td>(b) Income from Entrepreneurship</td><td>(ii) Profit</td></tr><tr><td>(c) Mixed Income</td><td>(iii) Rent free accommodation from an employer</td></tr><tr><td>(d) Compensation of Employees</td><td>(iv) Interest from capital</td></tr></tbody></table> <p>Options: (A) (a) – (i) (B) (b) – (ii) (C) (c) – (iii) (D) (d) – (iv)</p> <p>Ans. (B) (b) – (ii)</p>	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	1
Column-I	Column-II											
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Q4	<p>Define Real Gross Domestic Product. How is it different from Nominal Gross Domestic Product?</p> <p>Ans. Real Gross Domestic Product (GDP) is the money value of all the final goods and services produced in the domestic territory of an economy, measured at base year prices.</p> <p>Whereas;</p> <p>Nominal Gross Domestic Product (GDP) is the money value of all the final goods and services produced in the domestic territory of an economy, measured at current year prices</p>	3										
Q5	<p>“Saksham owns a manufacturing facility where microchips are utilised in the production of electronic devices, including computers and smart phones.” From the above text, identify whether the given statement refers to an intermediate goods or final goods. Give valid reason in support of your answer.</p>	3										

	<p>Ans. Microchips, utilized by Saksham in his manufacturing facility, are classified as intermediate goods. Microchips will be completely used up in the further production of electronic devices in the same year and have not yet crossed the production boundary. Thus, can be categorized as intermediate goods.</p> <p style="text-align: center;">OR</p> <p>Calculate the value of Net Value Added at Factor Cost (NVAFC):</p> <table border="1"> <thead> <tr> <th>S. No.</th><th>Particulars Amount</th><th>(In ₹ crore)</th></tr> </thead> <tbody> <tr> <td>i</td><td>Operating Surplus</td><td>3,740</td></tr> <tr> <td>ii</td><td>Increase in unsold stock</td><td>600</td></tr> <tr> <td>iii</td><td>Sales</td><td>10,625</td></tr> <tr> <td>iv</td><td>Purchase of raw materials</td><td>2,625</td></tr> <tr> <td>v</td><td>Consumption of fixed capital</td><td>500</td></tr> <tr> <td>vi</td><td>Subsidies</td><td>400</td></tr> <tr> <td>vii</td><td>Indirect taxes</td><td>1,20</td></tr> </tbody> </table> <p>Ans. Net Value Added at Factor Cost (NVAFC) = (iii) + (ii) – (iv) – (v) – {(vii) – (vi)} = 10,625 + 600 – 2,625 – 500 – {1,200 – 400} = ₹ 7,300 crore.</p>	S. No.	Particulars Amount	(In ₹ crore)	i	Operating Surplus	3,740	ii	Increase in unsold stock	600	iii	Sales	10,625	iv	Purchase of raw materials	2,625	v	Consumption of fixed capital	500	vi	Subsidies	400	vii	Indirect taxes	1,20	3			
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Q6	<p>(i) On the basis of the data given below, estimate the value of Domestic Income (NDPFC):</p> <table border="1"> <thead> <tr> <th>S. No.</th><th>Items Amount</th><th>(In ₹ crore)</th></tr> </thead> <tbody> <tr> <td>1</td><td>Private final consumption expenditure</td><td>2000</td></tr> <tr> <td>2</td><td>Government final consumption expenditure</td><td>1500</td></tr> <tr> <td>3</td><td>Gross domestic fixed capital formation</td><td>1000</td></tr> <tr> <td>4</td><td>Addition to stock</td><td>400</td></tr> <tr> <td>5</td><td>Consumption of fixed capital</td><td>50</td></tr> <tr> <td>6</td><td>Net factor income from abroad</td><td>100</td></tr> <tr> <td>7</td><td>Net indirect Taxes</td><td>200</td></tr> <tr> <td>8</td><td>Net Exports</td><td>700</td></tr> </tbody> </table> <p>Ans. Domestic Income (NDPFC) = (1) + (2) + (3) + (4) + (8) – (5) – (7) = 2,000 + 1,500 + 1,000 + 400 + 700 – 50 – 200 = ₹ 5,350 crore</p> <p>(ii) Differentiate between factor income and transfer income.</p> <p>Ans. Factor income is the income earned by the factors of production for rendering their services to the production units.</p> <p>Whereas; Transfer income is unilateral income received without rendering any goods and services</p> <p style="text-align: center;">OR</p> <p>I). "In a two sector economy, National Income is always less than Domestic income." Defend or refute the given statement with valid reasons.</p> <p>Ans. The given statement is refuted. National Income = Domestic Income + Net Factor Income from Abroad In a two sector economy, due to no interaction with the external sector, Net Factor Income from Abroad has no significance. Hence, National Income is always equal to Domestic Income.</p> <p style="text-align: right;">(To be marked as a whole)</p> <p>(ii) Gauhar, has recently completed her fashion designing studies and started a</p>	S. No.	Items Amount	(In ₹ crore)	1	Private final consumption expenditure	2000	2	Government final consumption expenditure	1500	3	Gross domestic fixed capital formation	1000	4	Addition to stock	400	5	Consumption of fixed capital	50	6	Net factor income from abroad	100	7	Net indirect Taxes	200	8	Net Exports	700	<p>4</p> <p>2</p> <p>2</p> <p>4</p>
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	<p>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 dresses. Classify the material purchased by Gauhar as Final or Intermediate goods, giving valid reasons in support of the classifications.</p> <p>Ans. Sewing machine purchased by Gauhar for her boutique can be classified as a Final Good.</p> <p>As the same will be used for investment purposes. Fabric, buttons and thread can be classified as intermediate goods. As they are completely used up in the further production of goods and services in the same year</p>																
Q7	<p>(i) "Higher Gross Domestic Product (GDP) always means higher per capita availability of goods in the economy." Defend or refute the given statement as the index of welfare of the people of that country. Ans. The given statement is refuted. Gross Domestic Product (GDP) may not affect the welfare of all the sections of the society in the same dimension. This is because a given rise in GDP may not increase the per capita availability of goods due to concentration in a few hands. For the rest, the income may have fallen. In such a case, the welfare of the entire economy may not increase despite the increase in GDP.</p> <p style="text-align: right;">(To be marked as a whole)</p> <p>(ii) Explain the components of 'Profit' as per Income Method of estimating National Income (NNPFC). Ans. The components of 'Profit' as per Income Method of estimating National Income (NNPFC):</p> <ul style="list-style-type: none"> • Corporate Tax: Taxes imposed on the income made by the corporations (or private sector firms). • Undistributed Profits: Part of the profit earned by the private and government owned firms which are not distributed among the factors of production • Dividend: The residual profit which is distributed among the shareholders (owners of capital) 	3															
Q8	<p>The difference between National Income at market price and National Income at factor cost is _____.</p> <p>(Choose the correct alternative to fill up the blank)</p> <p>(a) net indirect taxes (b) net factor income from abroad (c) consumption of fixed capital (d) market price</p> <p>Ans. (a) net indirect taxes</p>	1															
Q9	<p>Distinguish between 'Value Addition' and 'Final Value of Output'.</p> <p>Ans. Value Addition refers to the excess of 'Value of Output' over the 'Value of Intermediate Consumption'.</p> <p>Value Addition = Value of Output – Value of Intermediate Consumption Whereas;</p> <p>Final Value of output refers to the total money value of goods and services produced during a given period of time.</p> <p>Final Value of output = (Number of units produced) x (Price per unit)</p> <p style="text-align: center;">OR</p> <p>Find the Value Added by Firm A, from the following information:</p> <table border="1"> <thead> <tr> <th>S.No.</th><th>Particulars</th><th>Amount (in ₹ crore)</th></tr> </thead> <tbody> <tr> <td>i</td><td>Purchase of factor inputs by Firm A</td><td>5</td></tr> <tr> <td>ii</td><td>Purchase of non-factor inputs by Firm A</td><td>2</td></tr> <tr> <td>iii</td><td>Sales by Firm A to other firms in the domestic economy</td><td>10</td></tr> <tr> <td>iv</td><td>Import of raw materials by firm A from rest of the world</td><td>50</td></tr> </tbody> </table>	S.No.	Particulars	Amount (in ₹ crore)	i	Purchase of factor inputs by Firm A	5	ii	Purchase of non-factor inputs by Firm A	2	iii	Sales by Firm A to other firms in the domestic economy	10	iv	Import of raw materials by firm A from rest of the world	50	3
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	$\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{Price Index}} \times 100$ $400 = \frac{450}{\text{Price Index}} \times 100$ $\text{Price Index} = \frac{450}{400} \times 100 = 112.50$	
Q14	<p>Question. Giving reason explain how the following should be treated in estimation of national income: [6]</p> <p>(i) Payment of interest by a firm to a bank (ii) Payment of interest by a bank to an individual (iii) Payment of interest by an individual to a bank</p> <p>Answer: (i) Payment of interest by a firm to bank will be included in the national income. This is because the firm would have taken loan for productive purposes. (ii) Payment of interest by a bank to an individual will be included in the national income. This is because the bank would have used the savings of the individuals (on which the loan is paid) for productive purposes. (iii) Payment of interest by an individual to a bank will not be included in the national income. This is because the individual is expected to have taken a loan for consumption purposes rather than for productive purposes.</p>	
Q15	<p>Question. If the Nominal GDP is Rs 600 and Price Index (base = 100) is 120, calculate the Real GDP. [3]</p> <p>Answer: We know,</p> $\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{Price Index of current year}} \times 100$ $= \frac{600}{120} \times 100 = ₹ 500$	
Q16	<p>Question . Sale of petrol and diesel cars is rising particularly in big cities. Analyse its impact on gross domestic product and welfare. [4]</p> <p>Answer: Impact of rising sale of petrol and diesel cars on gross domestic product- GDP will increase because there is increasing demand of petrol and diesel cars in the big cities and to fulfil this increasing demand , the companies have to produce more and have to increase their level of production which will lead to increase in GDP.</p> <p>Impact of rising sale of petrol and cars on the welfare – The increased sale of petrol and diesel car in big cities is continuously increasing the level of pollution in big cities and is turning out to be a life threat for the people living there. This high level of pollution is making people suffer with many vulnerable diseases like asthma, heart diseases, lung problems, cancer,</p>	

	respiratory diseases, etc. Thus reducing the welfare of the people.	
Q17	<p>Question. If nominal income is Rs 500 and price index is 125, calculate real income. [3]</p> <p>Answer: $\text{Real Income} = (\text{Nominal income} \div \text{Price index of current year}) \times \text{Price Index of base year.}$ Let the base year's price index be 100. $\text{Real Income} = (500 \div 125) \times 100$ $= 4 \times 100$ $= \text{Rs } 400$</p>	
Q18	<p>Question. If real income is Rs 400 and price index is 105, calculate nominal income. [3]</p> <p>Answer: $\text{Real Income} = (\text{Nominal income} \div \text{Price index of current year}) \times \text{price index of base year.}$ Let base year's price index be 100 $400 = (\text{nominal income} \div 105) \times 100$ $\text{Nominal Income} = (400 \times 105) \div 100$ $= \text{Rs } 420.$</p>	
Q19	<p>Question. Explain the precautions that should be taken while estimating national income by expenditure method. [6]</p> <p style="text-align: center;">OR</p> <p>Will the following be included in the domestic product of India ? Give reasons for your answer. (a) Profits earned by foreign companies in India. (b) Salaries of Indians working in the Russian Embassy in India. (c) Profits earned by a branch of State Bank of India in Japan.</p> <p>Answer: The following precautions need to taken for correct estimation of national income by expenditure method :</p> <ul style="list-style-type: none"> • To avoid double counting, expenditure on all intermediate goods and services is excluded. For example, purchase of vegetables by a restaurant, expenses on electricity by a factory. • Government expenditure on all transfer payments such as scholarship, unemployment allowance, pension, etc. • Expenditure on purchase of second-hand goods is excluded from national income because this type of expenditure is not on currently produced goods. • Expenditure on purchase of old shares/ bonds or new shares/bonds, etc., is excluded because it is not the payment done for goods and services currently produced. It shows mere transfer of property from one person to another. • Imputed expenditure on own account output (e.g.-owner occupying his house, self- consumed output by a farmer) should not be included. <p style="text-align: center;">OR</p> <p>(a) Profit earned by foreign companies in India : Yes, it is included in domestic</p>	

	<p>income of India because profits are earned by the company within India's domestic territory irrespective of ownership of the company.</p> <p>(b) Salaries of Indians working in Russian embassy in India : No, it is not included in domestic product of India because Russian embassy in India is not a part of domestic territory of India (but a part of domestic territory of Russia).</p> <p>(c) Profits earned by a branch of State Bank of India in Japan : No, it is not included in domestic income of India because it is not earned in Indian domestic territory.</p>	
Q20	<p>Question. Explain the circular flow of income. [3]</p> <p>Answer: Circular flow of income refers to continuous circular flow of goods, services and income among different sectors of an economy. Flow of money is the aggregate value of goods and services either as factor payments or as expenditure on goods and services. It is circular since it has neither any beginning nor an end. It can be explained as household sector supply factor services and spend their income on consumption. The firms use these services in producing goods and other services. The households as owner of factors for production receive the payments in terms of money or reward for rendering productive services. The recipients of these incomes (i.e. households) in turn, spend their incomes on purchase of goods and services to satisfy their wants. In short, income is first generated by production units, then distributed among households for rendering productive services and ultimately • comes back to production units by way of expenditure by the households.</p> <p>Circular flow works on two principles :</p> <ul style="list-style-type: none"> • In an exchange process, the seller (producer) receives the same amount which the buyer (or consumer) spends. • Goods and services flow in one direction and the money paid to acquire them, flow in the reverse direction giving rise to a circular flow. 	
Q21	<p>Question. Explain the precautions that are taken while estimating national income by value added method. [6]</p> <p style="text-align: center;">OR</p> <p>Will the following be included in the national income of India ? Give reasons for your answer.</p> <p>(a) Financial assistance to flood victims (b) Profits earned by the branches of a foreign bank in India (c) Salaries of Indians working in the American Embassy in India.</p> <p>Answer: Precautions that are taken while estimating national income by value added method are:</p> <ul style="list-style-type: none"> • Imputed rent of owner-occupied houses be included because all houses have rental value irrespective of its use by self or tenant. 	

	<ul style="list-style-type: none">Imputed value of goods and services produced for self-consumption or for free distribution should be included.Only value added and not value of output by production units should be included.Value of own-account production of fixed assets by enterprises, government and the households should be included.The value of sale and purchase of second hand goods should be excluded.Sale of bonds by a company should also be excluded since it is merely a financial transaction which does not contribute directly to the flow of goods and services. <p style="text-align: center;">OR</p> <p>(a) Financial assistance to flood victims: This will not be included in the national income since it is a part of transfer payment.</p> <p>(b) Profits earned by the branches of a foreign bank in India: This is not to be included in the national income of India since it is earned by a foreign bank.</p> <p>(c) Salaries of Indians working in the American Embassy in India: It is included in national income of India since Indian employees of American embassy are the normal residents of India.</p>																									
Q22	<p>Question. “Higher Gross Domestic Product (GDP) means greater per capita availability of goods in the economy.” Do you agree with the given statement? Give valid reason in support of your answer. [4]</p> <p style="text-align: center;">OR</p> <p>Explain the meaning of Real Gross Domestic Product and Nominal Gross Domestic Product, using a numerical example.</p> <p>Answer: I do not agree with the statement that “Higher gross domestic product (GDP) means greater per capita availability of goods in economy” as higher GDP does not mean high per head availability of goods and services.</p> <p>(i) It depends upon the population of the country. If GDP is higher but population is equally high then per head availability of goods and services will be low.</p> <p>(ii) It also depends on the fact that whether the income is equally distributed or unequally distributed. If income is equally distributed then share of goods and services for each individual will be equal but if it is unequally distributed, the rich will take more share in comparison to a poor.</p> <p style="text-align: center;">OR</p> <p>Real GDP refers to the money value of all the final goods and services calculated at a base year price produced within the domestic territory in a given time period.</p> <p>Nominal GDP refers to the money value of all the final goods and services calculated at a current year prices produced within the domestic territory in a given time period.</p> <table><tr><th>Commodities</th><th>Quantity in 2018</th><th>Prices in 2011</th><th>Prices in 2018</th><th>Real GDP</th><th>Nominal GDP</th></tr><tr><td>A</td><td>10</td><td>5</td><td>10</td><td>50</td><td>100</td></tr><tr><td>B</td><td>15</td><td>7</td><td>10</td><td>105</td><td>150</td></tr><tr><td>C</td><td>20</td><td>10</td><td>15</td><td>200</td><td>300</td></tr></table>	Commodities	Quantity in 2018	Prices in 2011	Prices in 2018	Real GDP	Nominal GDP	A	10	5	10	50	100	B	15	7	10	105	150	C	20	10	15	200	300	
Commodities	Quantity in 2018	Prices in 2011	Prices in 2018	Real GDP	Nominal GDP																					
A	10	5	10	50	100																					
B	15	7	10	105	150																					
C	20	10	15	200	300																					

	D	5	12	15	60	75	
	Total				415	725	
	<p>In the above table real GDP is Rs 415 for the year 2018 while nominal GDP is Rs 725 for the same year. Such a difference in GDP is due to increase in prices from base year to current year. Therefore, Real GDP is always considered as true indicator of economic growth.</p>						

UNIT- 2 MONEY AND BANKING

Questions for high achievers

Multiple Choice Questions:

Answer the following questions:

Q1. The 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

Q2. Credit creation by commercial banks is determined by

- (A) Cash Reserve Ratio (CRR) (B) Statutory Liquidity Ratio (SLR)
- (C) Initial deposits (D) All of the above

Q3. During festive season, the currency deposit ratio _____

- a). decreases
- b). Increases
- c). Has no impact on it
- d). First decreases then increases

Q4. Chronologically arrange the following events:

- (i) Announcement of demonetisation
- (ii) Circulation of fake currency
- (iii) ₹500 and ₹1000 notes lost legal tender
- (iv) New ₹2000 currency note in the circulation

Choose the correct answer:

- a). (ii) (iv) (i) (iii) (v)
- b). (iii) (iv) (ii) (i) (v)
- c). (ii) (iii) (iv) (i) (v)
- d). (i) (v) (ii) (iii) (iv)

Q5. Suppose in a hypothetical economy, the central bank increases the reserve ratio from 10% to 25%. Keeping the amount of initial deposits constant at ₹1,000 crore, the amount of total money creation would be ₹ _____ crore.

- a). 10,000
- b). 4000
- c). 6000
- d). 5000

Q6. "The value of all goods and services can be expressed in monetary units." On the basis of the given statement, identify the function performed by money.

- a). Medium of exchange

- b). Store of value
- c). Unit of account
- d). Means of standard of deferred payments

Q7. “These deposits form a part of M1 measure of money supply and are payable on demand by the commercial banks.”

Identify the type of deposits and choose the correct alternative

- (i) demand deposits
- (ii) time deposits
- (iii) post office deposits

Alternatives:

- a). only (i)
- b). Only (ii)
- c). (i) and (ii)
- d). (i), (ii) and (iii)

Q8. Identify which of the following is true:

- a). Statutory Liquidity Ratio is fixed by the government
- b). Government of India issues all the coins and ₹1 note
- c). Supply of currency notes are determined under fiscal policy
- d). Demand deposits are not payable through cheques

Statement based question:

Q9. **Statement 1:** Money supply in India does not include ‘demand deposits’ with commercial banks.

Statement 2: Money supply refers to assets available with the commercial banks during a particular period of time.

Choose the correct 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

Assertion Reason based:

Q10. Assertion (A): With the introduction of money, acts of sale and purchase have been separated.

Reason (R): Initially, money was invented as a store of value.

Choose the correct alternative:

- a). Both assertion and reason are true, and reason is the correct explanation of assertion
- b). Both assertion and reason are true, and reason is not correct explanation of assertion
- c). Assertion is true, but reason is false
- d). Assertion is false, but reason is true

Very Short answer questions:

- Q11. Differentiate between full bodied money and credit money. Why do people hold notes and coins when it is clear that the intrinsic value of notes and coins is almost negligible?
- Q12. Explain the concept of limited legal tender.
- Q13. Explain the dynamic functions of money.
- Q14. Differentiate between term deposits and demand deposits.
- Q15. What are the components of monetary base or base money? Why is it referred to as high powered money?
- Q16. Differentiate between primary and secondary deposits.
- Q17. Explain how introduction of money has led to the expansion of markets.

Short answer questions:

- Q18. Explain the 'unit of account' function of money. How has it solved the related problem created by barter?
- Q19. "Money becomes a commodity when the intrinsic value of money exceeds its face value". Defend or refute the given statement.
- Q20. "A curb on high powered money will lead to a curb on creation of credit by the commercial banks in the economy". Defend or refute the given statement.
- Q21. The RBI performs the same function for the government as the commercial banks perform for the general public. Discuss briefly any two such functions performed by the RBI for the government of India.
- Q22. (a) State and explain different components of money supply.
(b) Why are cash deposits of the government, and of the commercial banks with the RBI, not treated as a part of money supply?
- Q23. Explore four main functions of the RBI and how each of these functions contributes to the overall growth of the Indian economy.
- Q24. Discuss the differences between qualitative control and quantitative control of money supply by RBI.
- Q25. (a) Suppose in an economy, cash reserve ratio is equal to 20% and initial deposits are ₹5000 crore. Calculate the credit creation by the banks.
(b) Discuss any three instruments that can be used by RBI in case of inflation.

Competency based questions:

- Q26. Read the following dialogue between Parul and Mitu:
Parul: I want to shift to Singapore. What do I do of my house?
Mitu: I can give you 10 antique pieces for it.
Parul: But I do not need antique pieces.
Mitu: Then let the house remain where it is.

Which of the following problems is being faced by Parul and Mitu in their exchange process?

- a). Lack of double coincidence of wants
- b). Lack of transfer of value
- c). Lack of store of value
- d). Lack of standard for deferred payment

Q27. Read the following and answer the questions:

“The RBI’s rate setting panel unanimously decided to keep the benchmark lending rate unchanged at 6.5%. The committee voted to remain focused on the withdrawal of accommodating monetary policy.”

Source: The Economic Times- 8th June, 2023.

- a. Identify and discuss the economic issue indicated in the above text.
- b. Discuss the likely consequence on money supply if the rate setting panel would have decreased the said rate.

Q28. Bring out the role of the central bank as controller of money supply and credit.

Q29. (a) How can ‘Jan Dhan Yojana’ be used as an instrument to increase supply of money by the commercial banks?

(b) Analyse the impact of demonetisation on credit creation by the commercial banks in the Indian economy.

Q30. Look at the given picture carefully.



Which policy action is being depicted in the given image? In what situation should RBI use such a policy and what are the likely effects?

Solutions

- 1. A
- 2. D
- 3. A
- 4. A
- 5. B

6. C
7. A
8. B
9. B
10. C

Ans. 11. Full bodied money: Money value = Commodity value

Credit Money: Money value > Commodity value

People hold currency despite their intrinsic value being nearly 0 because they are legal tender i.e. they are backed by the government.

Ans. 12. Limited Legal Tender Money: This is a form of money, which can be paid in discharge of a debt up to a certain limit and beyond this limit, a person may refuse to accept the payment and no legal action can be taken against. Coins are limited legal tender in India.

Ans: 13. Dynamic functions of money referred to those functions of money, which impart stability to the economy and accelerate the base of GDP growth. Example, RBI tries to tackle the problem of inflation by lowering the supply of money.

Ans. 14

Basis of difference	Term deposits	Demand deposits
Time	Term deposits are always for a specific period of time, like fixed deposits for a period of one year or two years	Demand deposits are not for any specific period of time
Withdrawal of money	Deposit cannot withdraw money as and when needed	Money in demand deposits can be withdrawn as and when needed
Nature of deposits	Term deposits are not checkable deposits. Depositors cannot sign a cheque against these deposits.	Demand deposits are checkable deposits. These are: saving account, deposits, and current account deposits. Depositors can sign a cheque and withdraw money from these accounts.

Ans.15. Components of base money are:

- (I) Currency held by public
- (II) Vault cash of commercial banks
- (III) Cash reserves of the commercial banks with the RBI

This base money is referred to as high powered money because it is on the basis of this money that banks are able to create credit which serves as money. High-powered money thus determine the flow of money in the economy, which includes demand deposits of the banks.

Ans.16. Primary Deposits:

- **Definition:**
These are the initial deposits of cash made by individuals and businesses into commercial banks.
- **Examples:**
Savings accounts, current accounts, and fixed deposits initiated by the public are all examples of primary deposits.
- **Significance:**
They form the base for the banking system's ability to lend money and create credit.

Secondary Deposits:

- **Definition:**
These are also known as derivative deposits and arise when banks provide loans to individuals and businesses.
- **Mechanism:**
When a bank gives a loan, the loan amount is typically credited to the borrower's account, creating a deposit. This deposit is a secondary deposit, as it's a result of the lending process.
- **Significance:**
Secondary deposits expand the money supply and are a crucial part of the credit creation process within the banking system.

Ans.17. (i) through expansion of exchange

- (ii) Emergency of financial market and financial intermediaries, availability of funds
- (iii) mobility of capital across different parts of the world

Ans.18. Unit of account means that the value of each good of service is measured in monetary units. Measurement of value was very difficult in the barter system (explain how). Money serves as a standard unit of account for all goods and services. It has enhanced the process of exchange. Therefore, the size of the market has expanded leading to higher opportunities of investment in growth.

Ans.19. The given statement is correct.

Ans.20. Yes, the given statement is correct. This is because high-powered money includes currency with the public as well as cash reserves of the commercial banks with RBI. It serves as a monetary base for the creation of credit in the economy. (Explain high-powered money and credit creation by commercial banks in brief)

Ans.21. Banking services to the government

Financial support and crisis management Explain the two functions in detail

- Ans.22. (a) money supply refers to the total stock of money held by the public of a country at a point of time. Components of money supply (M1): currency held by public, demand deposits with the commercial bank, other deposits (explain each of them)
 (b) Because the government and commercial banks are creators or suppliers of money.
- Ans.23. Issuing of currency (RBI helps maintain monetary stability and confidence in the currency), banker to the government (RBI supports fiscal policies and helps in the effective implementation of government plans), Regulator and banker's bank (By regulating banking sector, RBI ensures financial stability and trust), control of credit (RBI help control inflation and ensure that credit flows to productive sectors of the economy)- explain in detail
- Ans.24. Qualitative: Focus on select sectors of the economy, used to increase or decrease the supply of money to select sectors of the economy. These are: margin requirement, rationing of credit, moral suasion
 Quantitative: focus on the overall supply of money in the economy. These are bank rate, open market operations, repo rate, reverse repo rate, cash, reserve ratio, statutory liquidity ratio.
- Ans.25. (a) Credit creation = initial deposits/ CRR. (25000 crores)
 (b) Any three instruments to decrease money supply with explanation
- Ans.26. AAns.27. (a) inflation
 (b) commercial banks may reduce their lending rates, consequently, it may encourage the borrowing leading to an increase in the money supply.
- Ans.28. Quantitative and qualitative controls
- Ans.29. (a) Under Jan Dhan Yojana bank account will be opened. Then some of the cash balances with the people will reach the banking system as primary deposits. This increase will enable commercial banks to increase their cash reserves with the central bank and additional deposits will create more credit.
 (b) Demonetization has led to huge deposits of cash in the commercial banks as primary deposits. Accordingly, credit creation, capacity of the commercial banks is expected to rise.
- Ans.30. The given picture depicts that loans are now cheaper, which is because of expansionary monetary policy by the RBI.
 During recession or economic slowdown
 Effects- increase in demand and therefore economic growth.

UNIT-3 DETERMINATION OF INCOME AND EMPLOYMENT

Multiple Choice Questions:

Answer the following questions:

Q1. The interaction between the concept of the price level and the dynamics of aggregate demand in an economy is interconnected as:

- a) the price level increases, aggregate demand increases
- b) the price level increases, aggregate demand decreases
- c) changes in the price level have no impact on aggregate demand
- d) the relationship between the price level and aggregate demand is unpredictable

Answer: b

Q2. 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?

- a) 1,400 b) 6,100 c) 3,050 d) 3,800

Answer : (d) 3,800 [Solution $AS=AD \Rightarrow Y = C + I \Rightarrow Y = 750 + 0.5Y + I \Rightarrow Y - 0.5Y = 750 + 2,300 \Rightarrow 0.5Y = 3,050 \Rightarrow Y = 3,050 / 0.5 = 6,100$ $C = 750 + 0.5(6,100) = 750 + 3,050 = 3,800$]

Q3. Suppose for a given economy, $S = -60 + 0.1Y$ $I = ₹ 4,000$ crore (Where S = Saving Function, Y = National Income and I = Investment Expenditure) Equilibrium level of Income would be ₹ _____ crore. (Choose the correct alternative to fill up the blank)

Alternatives:

- a) 4,000 b) 40,000 c) 40,600 d) 60,400

Answer: (C)

Q4. In a two-sector economy, Aggregate Demand can be determined by adding _____.
(Choose the correct option to fill up the blank)

- A. Autonomous Consumption, Induced Consumption and Induced Investment
- B. Autonomous Consumption, Autonomous Investment and Induced Investment
- C. Autonomous Consumption and Autonomous Investment
- D. Autonomous Consumption, Induced Consumption and Autonomous Investment

Answer: D

Statement Based Question

In the following questions, Statement 1 is followed by Statement 2. Mark the correct choice

- (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.

Q5. Statement 1: The equilibrium level of income can change even without a change in investment.

Statement 2: Autonomous changes in consumption can affect the equilibrium level of income.

Answer: Both Statement 1 and Statement 2 are true

Q6. Statement 1: Aggregate Demand is the sum of consumption, investment, and net exports in an open economy.

Statement 2: In a closed economy, net exports are excluded from Aggregate Demand.

Answer: Both Statement 1 and Statement 2 are true

Q7. Statement 1: Marginal Propensity to Save (MPS) is equal to 1 minus Marginal Propensity to Consume (MPC).

Statement 2: MPC and MPS together explain the division of additional income into consumption and saving.

Answer: Both Statement 1 and Statement 2 are true

Q8. Statement 1: The multiplier effect is stronger when Marginal Propensity to Consume (MPC) is high.

Statement 2: A higher MPC implies a smaller fraction of income is saved, leading to greater rounds of spending.

Answer: Both Statement 1 and Statement 2 are true

Q9. Statement 1: An increase in Aggregate Demand always ensures full employment in the economy.

Statement 2: Full employment depends on the productive capacity of the economy and not just demand.

Answer: Statement 1 is false, but Statement 2 is true.

Q10. Statement 1: Keynes argued that full employment is always achieved in a free-market economy.

Statement 2: Keynes believed that wage and price rigidity cause persistent unemployment.

Answer: Statement 1 is false, but Statement 2 is true.

Assertion Reason Based Question

Read the following statements-Assertion (A) and Reason (R), and select the correct alternative in each case:

- (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.

Q11. Assertion (A): The economy achieves full employment when Aggregate Demand is maximized.

Reason (R): Full employment occurs when all resources are fully utilized.

Answer: A is true, but R is false.

Q12. Assertion (A): Involuntary unemployment can persist in the economy according to Keynes.

Reason (R): Wages and prices are rigid in the short run.

Answer: Both A and R are true, and R is the correct explanation of A.

Q13. Assertion (A): In a two-sector economy, the multiplier is higher when the Marginal Propensity to Consume (MPC) is higher.

Reason (R): A higher MPC implies a greater proportion of income is spent.

Answer: Both A and R are true, and R is the correct explanation of A.

Q14. Assertion (A): Higher government expenditure increases the level of income in the economy.

Reason (R): Government expenditure forms part of Aggregate Demand.

Answer: Both A and R are true, and R is the correct explanation of A.

Case Based Question

Q15. The government decides to reduce interest rates to encourage borrowing and investment. This leads to increased demand for housing and automobiles, resulting in higher income and employment levels.

- a) How does a reduction in interest rates influence Aggregate Demand?
- b) What is the relationship between interest rates and investment?
- c) Name one limitation of using interest rate policies to boost Aggregate Demand.

Answers

- a) A reduction in interest rates makes borrowing cheaper, encouraging investment and consumption, thereby increasing Aggregate Demand.
- b) Interest rates and investment have an **inverse relationship**—lower interest rates lead to higher investment.
- c) One limitation is that **if consumer confidence is low**, people may not borrow or invest despite lower interest rates.

Q16. A global recession leads to a sharp decline in exports from a country. As a result, businesses face lower revenues, and unemployment rises.

- a) How does a decline in exports affect Aggregate Demand?
- b) What type of unemployment is likely to arise in this situation?
- c) Suggest one policy measure to counter the impact of declining exports.

ANSWERS

- a) A decline in exports reduces Aggregate Demand as exports are a component of it.
- b) This situation may lead to **cyclical unemployment**, caused by reduced economic activity during a recession.

- c) The government can focus on increasing **domestic demand** through higher public spending or tax cuts.

Q17. An economy is facing persistent unemployment despite sufficient productive capacity. Businesses are reluctant to expand production, and Aggregate Demand is significantly lower than Aggregate Supply.

- Why is the economy experiencing unemployment despite having sufficient capacity?
- What policy measures can the government take to address this issue? Explain.

ANSWERS:

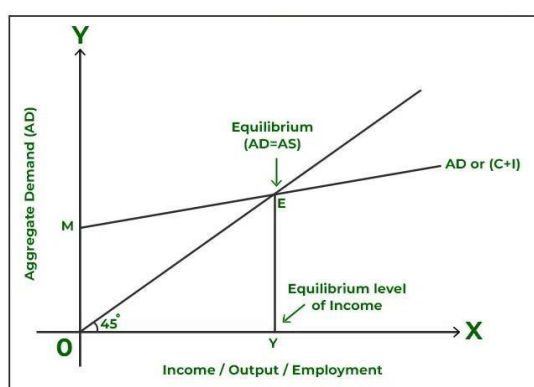
- The economy is facing **deficient demand**, where Aggregate Demand is insufficient to utilize the available productive capacity. Businesses do not expand production because there is no demand for additional goods and services.
- The government can adopt **expansionary fiscal policy** or **monetary policy**:

Fiscal Policy: Increase government expenditure (e.g., on infrastructure) or reduce taxes to boost Aggregate Demand.

Monetary Policy: Reduce interest rates to encourage borrowing and investment. These measures will stimulate demand, leading to increased production and employment.

Picture Based Question

Q18. Look at the following diagram and answer the questions below:

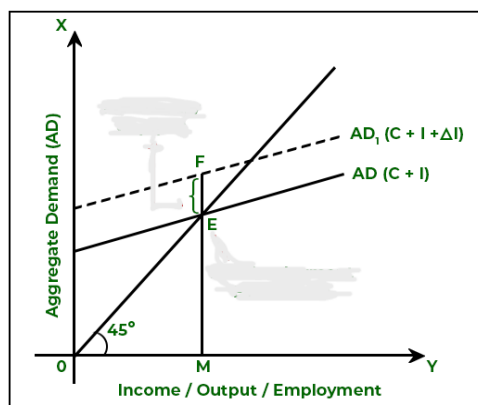


- What does the point of intersection of AD and AS represent?
- If AD increases, what will happen to the equilibrium income and employment? Exp
- What happens when AS is perfectly inelastic in the short run?

Answers:

- The intersection represents the **equilibrium level of income and employment**, where aggregate demand equals aggregate supply.
- If AD increases, equilibrium income and employment will also increase, leading to economic growth.
- When AS is perfectly inelastic in the short run, any increase in AD leads only to an increase in prices, not output.

Q19. Look at the following graph and answer the questions below:



- What happens to the equilibrium level of income when AD shifts from AD to AD₁? 1
- Explain one possible reason for the shift in AD. 3
- If the economy was initially in recession, how does this shift affect employment? 2

Answers:

- The equilibrium level of income increases as the new intersection of AD₁ and AS is at a higher output level.
- One possible reason for the AD shift is an increase in government expenditure, investment, or consumer spending.
- If the economy was in recession, the shift increases demand, leading to higher production and employment.

Table Based / Data Based Questions

Q20. The government introduces a new infrastructure project, leading to an increase in investment and employment. The data is given below:

Year	Investment (₹ Crore)	Employment (Million Workers)
2021	200	5
2022	250	6
2023	300	7.5
2024	400	9

- What is the trend between investment and employment?
- If the investment multiplier is **4**, estimate the total income generated when investment increases from ₹250 crore to ₹400 crore.
- What happens to employment if investment continues to increase at the same rate?

Answers:

- The trend shows a **positive relationship**—as investment increases, employment also increases.
 - Change in Investment (ΔI) = ₹400 - ₹250 = ₹150 crore Using the multiplier formula:
 $\Delta Y = K \times \Delta I$
 $\Delta Y = 4 \times 150 = ₹600$ crore so, total income generated = **₹600 crore**.
 - If investment continues to rise at the same rate, **employment is likely to increase further**, reducing unemployment.
- Q21. Given the following data on a hypothetical economy:

National Income (₹ Crore)	Consumption (₹ Crore)
0	100
100	180
200	260
300	340
400	420

- Find the Marginal Propensity to Consume (MPC).
- Calculate the equilibrium level of income if the Autonomous Investment is ₹200 crore.
- If government expenditure increases by ₹50 crore, what will be the new equilibrium income? 2 Assume MPC = 0.8.

Answers:

- MPC** = Change in Consumption / Change in Income = $(180 - 100) / (100 - 0) = 80/100 = \mathbf{0.8}$
- Equilibrium level of income** is determined using: $Y = C + I$
 $C = C_{\text{aut}} + \text{MPC} Y = 100 + 0.8 Y$
 $Y = 100 + 0.8 Y + 200$
 $(1 - 0.8) Y = 300$
 $0.2 Y = 300$
 $Y = 300/0.2 = 1500$ crore
- Using the **Multiplier Formula**, We know,
 $K = \Delta Y / \Delta I$ or $\Delta Y = K \times \Delta I$
 $K = 1/(1 - \text{MPC}) = 1/(1 - 0.8) = 1/0.2 = 5$
 Therefore, $\Delta Y = 5 \times 1500 = 1750$ crores
 New equilibrium income = **₹1500 + ₹250 = ₹1750 crore**

Short Answer Type Question

Q22. Describe the economic scenario when ex-post Aggregate Demand surpasses ex-post Aggregate Supply and its potential consequences on price levels, production and employment.

Answer: Hints

- 1) Increase in General Price Level
2. Shortages: As production struggles to meet high demand, Shortages of goods can occur
3. Increased Employment: To meet the heightened demand, businesses might need to increase their production, potentially leading to increased hiring and lower unemployment rates.

Q23. 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. Calculate:

- (I) Break-even level of income for Economy A
- (II) Equilibrium level of income for Economy B

Answer: (I) Economy A (MPC = 0.6): Break-even income ($C = Y$):

$$Y = C / 1 - MPC = 400 / 0.4 = ₹100 \text{ crore}$$

- (II) Economy B (MPC = 0.8)

$$\text{Equilibrium income } (Y = C + I): Y = \bar{C} + I / 1 - MPC = 140 / 0.2 = ₹700 \text{ crore}$$

Long Answer Type Question

Q24. The government of Country X has decided to increase public expenditure on infrastructure projects such as roads, bridges, and schools. This results in an increase in employment and income in the economy.

- a) Explain how the increase in government expenditure affects Aggregate Demand (AD).
- b. If the Marginal Propensity to Consume (MPC) is **0.75**, calculate the investment multiplier.
- c. If the government spends an additional ₹500 crore on infrastructure, what will be the total increase in income?

Answers:

a) Increased government expenditure leads to higher incomes, increasing consumption and shifting AD **rightward**, raising output and employment.

b) Multiplier (K) = $1 / (1 - MPC)$

$$K = 1 / (1 - 0.75) = 1 / 0.25 = 4$$

c) Change in Income (ΔY) = Multiplier \times Change in Investment (ΔI)

$$\Delta Y = 4 \times 500 = ₹2000 \text{ crore}$$

Q25. Country Y is experiencing a recession due to a decline in consumer confidence. As a result, Aggregate Demand (AD) has fallen, leading to lower output and higher unemployment.

Questions:

- a) How does a fall in AD affect the equilibrium level of income and employment?

- b) What fiscal policy measures can the government take to restore full employment?
- c) If the government introduces a tax cut, how will this impact Aggregate Demand and the Multiplier Effect?

Answers:

- a) A fall in AD reduces total spending, lowering income, output, and employment. The economy moves to a **lower equilibrium with higher unemployment**.
- b) The government can **increase spending, cut taxes, or provide subsidies** to boost demand and employment.
- c) A tax cut increases **disposable income**, leading to **higher consumption and AD**. The **Multiplier Effect** amplifies this increase in total income.

UNIT4: GOVERNMENT BUDGET AND THE ECONOMY

Multiple Choice Questions:

Answer the following questions:

Q1 The burden of a tax can be shifted i.e., impact and incidence is on different persons.

- a) direct b) indirect c) Both a and b d) None of these

Q2 "In the Annual Budget 2022-23, the Government of India set up disinvestment targets of ₹ 65,000 crore."

Such proceeds from disinvestment can be classified as receipts in the government budget as it leads to of the government. (CBSE 2023)

- a) capital, decrease in assets
b) revenue, increase in assets
c) capital, increase in liabilities
d) revenue, decrease in liabilities

Q3. The payment made by owners of those properties whose value has appreciated due to developmental activities of the government:

- a) Penalties b) Escheat c) Special assessment d) Challan

STATEMENT BASED:

Read the following statements carefully, choose the correct alternative from the following:

a) Statement I is true and Statement II is false.

b) Statement I is true and Statement II is false.

c) Both statements are true.

d) Both statements are false.

Q4. Statement I: Recovery of loans is a non-debt creating capital receipt.

Statement II: Recovery of loans causes a reduction in assets of the government.

Q5. Statement I: Revenue deficit indicates the excess of government's revenue expenditure over its revenue receipts.

Statement II: Revenue deficit can be met by borrowing or disinvestment.

REASON ASSERTION:

Q6. 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.

CASE BASED:

Q7. Two friends, Deepak and Krish were discussing the impact of increase in GST rates on luxury items, as recently undertaken by the Government. Krish was of the view that most of the luxury items (like foreign travel, imported cigarettes, etc.) should be taxed exorbitantly, while the items related to daily consumption of poor and middle class should be tax-free.

- (a) Identify and explain the objective of the Government budget Krish is suggesting.
- (b) State any two examples of non-tax receipts of the Government.

Q8. Read the extract given below and answer the questions on the basis of the same:

The Finance Minister Nirmala Sitharaman proposed a sharp increase in capital expenditure as the total capex in the budget for 2021–22 is ₹ 5.54 lakh crore, a rise of 34.5 per cent over the previous year. The government also proposes to set up a Development Finance Institution (DFI) to facilitate the development of long-term infrastructure financing.

The government will also provide an additional ₹ 20,000 crore to re-capitalise public sector banks to ensure credit disbursal. This proposal will have a positive impact on credit creation. Ms. Sitharaman also proposed to raise FDI limit in the insurance sector from 49 per cent to 74 per cent. Other measures in the budget include increase in allocation for health and wellness sector.

The Finance Minister also suggested a policy of consolidation of public sector banks.

All the proposals, according to experts, will result in increase in capital formation, employment opportunities, rise in output and income. It will also help in maintaining fiscal discipline and accelerating the process of economic growth.

Q.1 What is the expected result of increased capital expenditure of the government?

- a. increase in consumption
- b. increase in employment growth
- c. rise in imports
- d. none of the above

Q.2 Why has the Finance Ministry hiked the capital expenditure?

- a. to recover from the COVID-19 pandemic
- b. to reduce inflation
- c. to earn more by increasing tax rates
- d. none of these

Q.3 What can be the increase in this capital expenditure?

- a. increase in government deficit
- b. increase in investment
- c. increase in inflation
- d. none of these

Q.4 Capital expenditure is related to:

- a. current income
- b. Revenue deficit

- c. fiscal deficit
- d. capital formation

Q.5 Increase in capital expenditure will result in:

- a. increase in exports
- b. Capital expenditure
- c. Government receipts
- d. increase in capital formation

Q 9. Following questions are to be answered on the basis of given data:

S. No.	Items	Budget Expenditure 2020–21 (Percentage of DP)
(i)	Revenue Receipts	20.21
(ii)	Gross Tax Receipts	24.23
(iii)	Net Tax Receipts	16.36
(iv)	Non-Tax Receipts	3.85
(v)	Non-debt Capital Receipts	2.25
(vi)	Debt Receipts	7.96
(vii)	Total Expenditure	30.42
(viii)	Revenue Expenditure	26.30
(ix)	Capital Expenditure	4.12

Q1. Identify the value of fiscal deficit. (CBSE 2021, Term-1)

- a. 6.09
- b. 7.96
- c. 3.85
- d. 4.12

Q2. If primary deficit is 0.88, the value of interest payment would be

- a. 7.96
- b. 7.08
- c. 4.12
- d. 3.85

Q3. Revenue deficit in the government budget is:

- a. Fiscal deficit + Interest payments
- b. Total expenditure - Total receipts
- c. Total receipts - Total expenditure
- d. Revenue expenditure - Revenue receipts

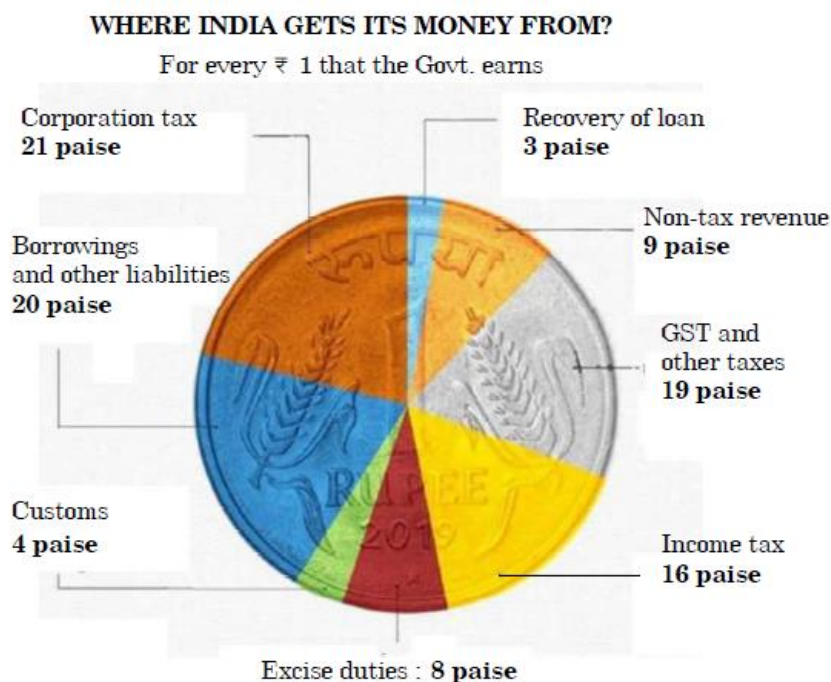
Q4. Which of the following is a non-tax receipt?

- a. Gift tax

- b. Dividend
- c. Sales tax
- d. Excise duty

PICTURE BASED:

Q10. (a) From the information given in the diagram, categorize the items into revenue receipts and capital receipts, stating valid reasons.



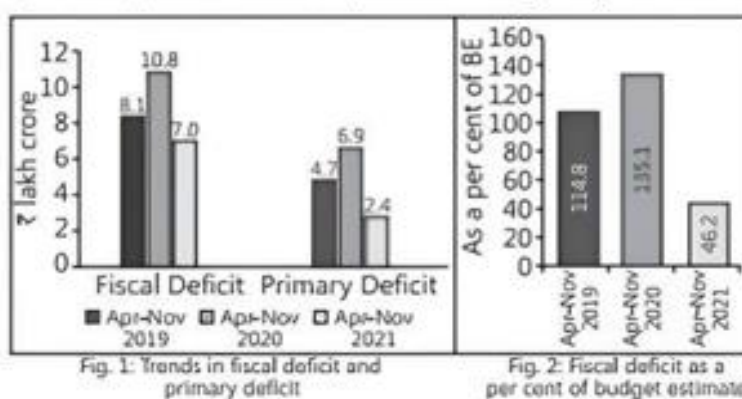
(b) Distinguish between Revenue deficit and Fiscal deficit.

2

Q11. Compare the trends depicted in the figures given below:

Bar Graphs:

Q 14. Compare the trends depicted in the figures given below:



Source : CGA Monthly Accounts

Fig. 1: Fiscal deficit and primary deficit (₹ Lakh Crore)

Fig. 2: Fiscal deficit as percent of budget estimate

SHORT ANSWERS

- Q12.** "Free distribution of LPG connection to poor people is a sign of social justice."
Identify and explain the 'Objective of Government Budget' from the above-mentioned statement. (CBSE 2021, Term-1)
- Q13.** "Fiscal deficit is necessarily inflationary in nature."
Do you agree, support your answer with valid reasons? (CBSE 2017)
- Q14** Suppose you are a member of Advisory Committee to the Finance Minister of India—
The Finance Minister is concerned about the rising revenue deficit in the budget.
Suggest three measures to control the rising revenue deficit of the government.
- Q15** Which objective of the government is trying to fulfil through the following:
- (i) Government provides essential things like food grains at minimum cost to the families below poverty line.
 - (ii) The government under Ujjwala Yojna is providing free LPG kitchen connections to the families below poverty line.
 - (iii) Equitable Restrictions on liquor and imposing sin tax on products like pan masala and tobacco.
 - (iv) Setting up production units in the backward regions.
- Q16** Explain the budgetary measures for achieving the objective of reducing income inequality.
- Q17.** A person claims that he should be exempted from tax payment as he does not use any government services in general. Should the person be allowed to do so?
- Q18.** What is debt trap? Suggest some measures to improve it.
- Q19.** Can there be a fiscal deficit in a government budget without a revenue deficit?
- Q20.** "In the recent times, the Government of India has incurred a lot of expenditure on acquisition of indigenous defence items under Make in India programme".
Identify and discuss the two types of budget expenditures which may be undertaken by the
- Q21.** In a government budget, revenue deficit is ₹ 70 crore. If revenue receipts are ₹ 140 crore and capital expenditures is ₹ 240 crore, then how much is the revenue expenditures?
- Q22.** In a government budget, primary deficit is ₹ 24,000 crore and interest payment is ₹ 14,000 crore. How much is the fiscal deficit?
- Q23.** Differentiate between public provision and public production.
- Q24.** Explain the 'Generation of Employment objective of the Government Budget.

LONG ANSWERS:

Q25. From the following data, calculate fiscal deficit:

S. No.	Particulars	(₹ in billion)
(i)	Capital Receipts	68
(ii)	Revenue Expenditures	160
(iii)	Interest Payment	20
(iv)	Borrowings	32
(v)	Tax Revenue	50
(vi)	Non-tax Revenue	10

Q26. (a) From the following data, calculate the primary deficit.

4

S.No	Particulars	Amount in crores
1	Revenue deficit	40
2	Non-debt creating capital receipts	190
3	Tax revenue	125
4	Capital expenditure	220
5	Interest payments	20

(b) Elaborate "Economic Stability" function of government budget

2

Q27. State whether the following statements are true or false, with valid reasons: (2+2+2)

- (i) High tax on higher income groups aims to achieve the "reallocation of resources" objective of the government
- (ii) Borrowings are a revenue receipt of the government.
- (iii) Fiscal deficit always leads to inflation.

Q28. Distinguish between direct tax and indirect tax with the help of suitable examples.

Q29. Explain the 'redistribution of income' objective of the Government Budget.

SOLUTIONS AND HINTS

Ans.1 b) indirect

Ans.2 a) capital, decrease in assets

Ans.3 c) Special assessment

Ans.4 c) Both statements are true.

Ans.5 b) Statement II is true and Statement I is false.

Ans.6 ASSERTION FALSE reason true

Ans.7 (a) reallocation of resources

(b) Two examples of non-tax receipts of the Government: escheat, fees and fines, special

Ans.8 (b) 2. (a) 3. (b) 4. (d) 5. (d)

Ans.9 1.(b) 2. (b) 3. (d) 4. (c)

Ans.10 (a) Revenue Receipts:

Tax revenue (income tax, GST and other taxes, corporation tax, customs) – Regular income, no liability created.

Non-tax revenue– Also do not create liabilities.

□ Capital Receipts:

Borrowings and other liabilities: Create future repayment obligation.

Recovery of loans : Reduce government assets.

(b) Basis Revenue Deficit Fiscal Deficit

Meaning Excess of revenue expenditure over revenue receipts Excess of total expenditure over total receipts excluding borrowings

Formula Revenue Exp. – Revenue Rec. Total Exp. – (Revenue Rec. + Capital Rec. excluding borrowings)

Ans.11 Sol. Considering the data represented in the given diagram, trend of year-on-year deficit (reporting period April to November) may be stated as follows:

(i) Fiscal deficit in 2020 increased to 10.8 lakh crore from 8.1 lakh crore in 2019. In 2021 it has gone down to 7 lakh crore.

(ii) Primary deficit in 2020 increased to 6.9 lakh crore from 4.7 lakh crore in 2019. In 2021 it has gone down to 2.4 lakh crore.

(iii) Fiscal deficit in 2020 increased to 135.1% of Budget Expenditure from 114.8% in 2019. In 2021, it is 46.2% of budget expenditure.

Ans.12 Equitable Distribution of Income

Ans.13 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.

Ans.14 Ans. Measures to control revenue deficit are as follows:

(i) To reduce government administrative expenses.

(ii) To reduce the burden of subsidy.

(iii) To increase taxation.

Ans.15 (i) Government provides essential things like food grains at minimum cost to families below poverty line.

Objective: Redistribution of income and wealth (reducing economic inequalities by supporting the poor).

(ii) The government under Ujjwala Yojna is providing free LPG kitchen connections to BPL families.

Objective: Reallocation of resources (encouraging the use of clean fuel for social welfare).

(iii) Equitable restrictions on liquor and sin tax on pan masala and tobacco.

Objective: Reallocation of resources (discouraging harmful goods and promoting social welfare).

(iv) Setting up production units in the backward regions.

Objective: Reducing regional disparities (promoting development in underdeveloped areas).

Ans.16 Budgetary measures for reducing income inequality:

(a) High Taxes on Higher Income: The government may levy higher taxes on people with higher income.

(b) Providing Subsidies to Lower Income: The government may provide subsidies to those earning less to lower income gaps.

(c) Developing Social Infrastructure: The government may improve the social infrastructure in poor regions, like schools and hospitals, so that the income is used for human capital formation.

Ans.17 Taxes fund public services for all; even if not directly used, everyone benefits indirectly. No one is exempt based on personal usage.

Ans.18 A debt trap occurs when a country, business, or individual borrows money to repay previous loans and falls into a cycle of continuous borrowing due to inability to repay debts. This leads to mounting interest payments, dependence on new loans, and reduced financial freedom.

1. Control Fiscal Deficit

Spend only what's necessary.

Focus borrowing on productive capital projects (like roads, ports, renewable energy).

2. Increase Revenue

Improve tax compliance and plug tax evasion.

Introduce progressive taxation (higher taxes for higher incomes).

Disinvest non-essential public enterprises.

3. Cut Non-Essential Expenditure

Reduce unproductive subsidies.

Avoid populist schemes that strain the budget without long-term value.

4. Promote Economic Growth

Boost exports, encourage FDI (foreign direct investment), and support local businesses.

A growing economy means more tax revenue and less need for borrowing.

Ans.19 Yes, there can be a fiscal deficit without a revenue deficit.

Revenue Deficit occurs when revenue expenditure > revenue receipts.

Fiscal Deficit occurs when total expenditure > total receipts (excluding borrowings).

A government can have no revenue deficit (i.e., its revenue receipts are equal to or more than its revenue expenditure), but still have a fiscal deficit if:

It is spending more on capital expenditure (like infrastructure, defence, building assets) than it earns, and needs to borrow to meet that extra capital expenditure.

Ans.20 Government as suggested in the above statement

1. Capital Expenditure:

It includes spending on acquisition of assets like defence equipment.

Expenditure on indigenous defence items leads to creation of physical assets and is non-recurring.

2. Developmental Expenditure:

It promotes economic growth and national security.

Investment in indigenous defence strengthens domestic industries and aligns with Make in India objectives.

Ans.21 Sol.

Revenue Deficit = Revenue Expenditures – Revenue Receipts

Given:

Revenue Receipts = ₹ 140 crore

Capital Expenditures = ₹ 240 crore

Revenue Deficit = ₹ 70 crore

Now,

Revenue Deficit = Revenue Expenditures – Revenue Receipts

70 = Revenue Expenditures – 140

Revenue Expenditures = 140 + 70 = ₹ 210 crore

Ans.22 Primary Deficit = ₹ 24,000

Interest Payment = ₹ 14,000 crore

We know that:

Primary Deficit = Fiscal Deficit – Interest Payments

So,

24,000 = Fiscal Deficit – 14,000

Fiscal Deficit = 24,000 + 14,000

Fiscal Deficit = ₹ 38,000 crore

Ans.23 Ans. Public provision refers to those goods that are financed through the government budget and can be used without any direct payment by public. Whereas;

Public production relates to those goods which are directly produced by the government.

Ans.24 Generation of employment has also been one of the main objectives of the government's budgetary policy. In this regard, government needs to promote labour absorbing technology, public work programmes like construction of roads, dams, canals and bridges, and to undertake employment-specific projects.

Ans.25 Fiscal Deficit = Borrowings = ₹ 32 billion .

As Fiscal Deficit = Total expenditure – Total receipts (excluding borrowings), it equals borrowings here

Ans.26 (a) ₹ 50 crore

(b) Economic Stability function of Government Budget:

The government budget aims to maintain economic stability by controlling inflation during booms and stimulating demand during recessions.

It uses fiscal tools like expenditure, taxation, and borrowing to reduce fluctuations in economic activity and ensure steady growth.

Ans.27

(i) True (ii) False (iii) False

Ans.28.

Direct taxes	Indirect taxes
Direct taxes are those taxes whose impact and incidence lies on the same entity.	Indirect taxes are those taxes whose impact and incidence may lie on different entities.
the liability of paying direct taxes can't be shifted	the liability of paying indirect taxes can be shifted
It is imposed on income and wealth	It is imposed on goods and services
For example: income tax, corporation tax	For example: GST, custom duty

Ans.29. The government budget objective of 'Redistribution of Income' aims to bring about equality in the distribution of income. Government can reduce inequalities of income through taxes and public expenditure. It may impose high taxes on the rich to reduce their disposable income. Furthermore, government may incur more public expenditure for the welfare of the poor, like providing free services etc. By adopting these measures, the government tries to bridge the gap between the rich and the poor.

UNIT-5 :BALANCE OF PAYMENTAND FOREIGN EXCHANGE

Multiple Choice Questions:

Answer the following questions:

Q: 1 Suppose, Country X, has more inflation than Country Y. Which of the following is most likely

situation to happen in such a case, assuming other factors being constant?

(Choose the correct alternative)

- (a) A surplus trade balance in Country X (b) A deficit trade balance for Country X
(c) A rise in exports from Country X to Country Y (d) A deficit trade balance for Country Y

Ans. (b) A deficit trade balance for Country X

Q: 2 Identify, which one of the following is an intangible item in Balance of Payment (BoP).

- (a) Export of food grains
(b) Imports of crude oil
(c) Export of Information Technology (IT) services to U.S.A.
(d) Import of coal by steel company in India

Ans. (c) Exports of Information Technology to U.S.A.

Q :3 “Considering the depreciation of Indian Currency (₹) in the international market, the Reserve Bank of India (RBI) has decided to purchase Indian currency (₹) in the open market.”

This represents _____ exchange rate system. (Fill up the blanks with correct alternative)

- (a) fixed (b) flexible (c) managed floating (d) manipulated

Ans. (c) managed floating

Q: 4 ‘Deficit’ in Balance of Payment (BOP) refers to the excess of _____. (Choose the correct alternative)

- (a) Current account payments over Current account receipts
(b) Capital account payments over Capital account receipts
(c) Autonomous payments over Autonomous receipts
(d) Accommodating payments over Accommodating receipts

Ans. (c) Autonomous payments over Autonomous receipts

Q:5 From the following, identify the correct reasons that may affect the supply of foreign exchange in an economy:

- I. Purchase of land in England by an Indian
II. Foreign tourists visiting Taj Mahal
III. Donation of \$ 500 million from Microsoft
IV. Indian students going to Australia for studies

Alternatives:

- (A) I and II (B) II and IV (C) II and III (D) I and IV

Ans. (C) (II) and (III)

Q.6

Outflow of Forex (Debit)	in crore	Inflow of Forex (Credit)	in ore
1. Import of goods	4,000	1. Export of goods	6000
2. Import of services	9,000	2. Export of services	2,000
3. Unilateral transfers to rest of e world	700	3. Unilateral transfers received om rest of the world	2,000
4. Long-term lendings	2,000	4. Long-term borrowings.	2,000
5. Capital payments	3,000	5. Capital receipts	6,700
Total Payments	18,700	Total Assets	18,700

On the basis of the above-mentioned information answer the following question:

The value of capital account balance for the above data of a hypothetical economy is_____.

- (a) 3,700 crore (c) 300 crore
(b) 6,700 crore (d) 2,800 crore

Ans. (a) 3,700 crore.

Q: 7 Identify, which of the following is not a source of supply of foreign exchange for India.

(Choose the correct alternative)

- (a) Exports of goods and services abroad
(b) Remittances by Indian workers working abroad
(c) Imports of goods and services from abroad
(d) Foreign Direct Investment (FDI) by a German automobile manufacturer

Ans. (c) Imports of goods and services from abroad

Q: 8 "As per the National Stock Exchange (NSE) data, dated 9th June, 2023, there was a net selling off worth ₹ 309 crore by Foreign Institutional Investors (FIIs) over the period of one month i.e., 9th May, 2023 - 9th June, 2023."

The above mentioned transactions will be recorded on _____ side of _____ account of Balance of Payments of India. (Choose the correct alternative to fill in the blanks)

- (A) Debit, Current (B) Credit, Capital (C) Credit, Current (D) Debit, Capital

Ans. (D) Debit, Capital

Q:9 Suppose, the Balance of Trade of an imaginary economy shows a favorable balance of ₹ 500 crore. The values of merchandise exports are ₹ 1200 crore and transfer payments are ₹400 crore. The value of merchandise imports would be ₹ _____ crore.

(Choose the correct alternative to fill in the blank)

- (A) 1700 (B) 750 (C) 700 (D) 900

Ans. (C)

Q: 10 According to the Reserve Bank of India's (RBI's) Statistical Supplement released on 19th May, 2023:

"India's foreign exchange reserves grew for the third straight week and reached near an approximate level of \$ 600 billion."

The above situations will _____ the _____ side of Balance of Payments account of India. (Choose the correct alternative to fill in the blanks)

(A) Increase, Credit (B) Decrease, Credit

(C) Decrease, Debit (D) Increase, Debit

Ans. (D) Increase, Debit

STATEMENT BASED

Q:11 Read the following statements carefully:

Statement 1: Borrowings by a nation from the World Bank to finance Balance of Payment (BOP) deficit will be recorded in the capital account.

Statement 2: Autonomous transactions are independent of the condition of Balance of Payment (BOP) account.

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 1 and 2 are true.

Q: 12 Read the following statements carefully:

Statement 1: Import of gold from Dubai will be recorded on the debit side of the current account in Balance of Payments of India.

Statement 2: Outflow of Foreign Institutional Investment (FII) from Indian stock markets will be recorded on the credit side of the capital account. 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) Statement 1 is true and Statement 2 is false.

Q: 13 Read the following statements carefully:

Statement 1: Balance of Payment account is always balanced in accounting sense.

Statement 2: Autonomous transactions, restore balance in Balance of Payment account.

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) Statement 1 is true and Statement 2 is false.

Q: 14 Read the following statements carefully:

Statement 1: Depreciation of domestic currency may lead to a rise in exports.

Statement 2: Due to the depreciation of Indian National Rupee (₹), purchasing power of US Dollar (\$) may increase.

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 1 and 2 are true.

Q:15 Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below:

Assertion (A): In case of an unfavorable Balance of Trade, the Current Account of the nation may be in surplus.

Reason (R): Net invisible receipts of a nation can exceed the Net visible receipts.

Alternatives:

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

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the 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 the Assertion (A).

Q:16 Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): The Balance of Payments is in surplus, if autonomous receipts are greater than autonomous payments.

Reason (R): Autonomous transactions are determined by the difference in the Balance of Payments.

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

CASE BASED

Q:17 Read the following news report and answer the following questions on the basis of the same.

The Balance of Payment (BoP) sharply jumped to \$7.057 billion in the fourth quarter of 2013-14 from \$2.68 billion in the same period in 2012-13, RBI data showed. For the full year, the BoP stood at \$15.459 billion up from \$3.83 billion in FY13. Total capital account moderated to \$9.195 billion in the March quarter from \$23,787 billion in the December quart. The current account deficit narrowed sharply to \$1.2 billion or 0.2 per cent of GDP in Q4 of FY14 from \$18.1 billion or 3.6 per cent of GDP a year ago. In the December quarter, CAD stood at \$4.2 billion or 0.9 per cent of GDP. The lower CAD was primarily on account of a decline in the trade deficit as decline in imports was sharper than that in exports. In FY14, current account deficit narrowed to 1.7 per cent of GDP, or \$32.4 billion, from 4.7 per cent, or \$87.8 billion in the previous fiscal. "Contraction in the trade deficit, coupled with a rise in net invisible receipts, resulted in a reduction of the CAD to \$32.4 billion in FY14," the RBI said. The merchandise trade deficit, on BoP basis, contracted by about 33 per cent to \$30.7 billion in Q4 from \$45.6 billion in the corresponding quarter a year ago. On a BoP basis, there was a net accretion of \$7.1 billion to foreign exchange reserves in Q4 as compared to \$19.1 billion in the preceding quarter.

(a) Foreign exchange transactions which are independent of other transactions in the Balance of Payment Account are called _____ (autonomous/accommodating) transactions.

(b) 'Gifts and remittances to abroad' are recorded on the:

(i) Credit side of Current Account (ii) Debit side of Capital Account

(iii) Debit side of Current Account (iv) Credit side of Capital Account

(c) Import of goods and services raises the (demand/supply) of foreign exchange.

(d) Excess of export of goods over import of goods is called

(i) Balance of Trade (iii) Both (i) and (ii)

(ii) Balance of Payments (iv) Neither (i) nor (ii)

Answer-

(a) autonomous

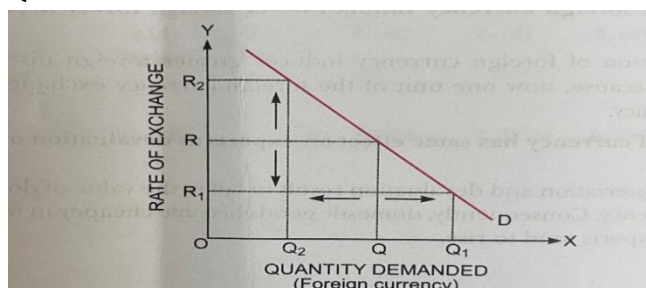
(b) (iii) Debit side of Current Account

(c) demand

(d) (i) Balance of Trade

PICTURE BASED:

Q:18



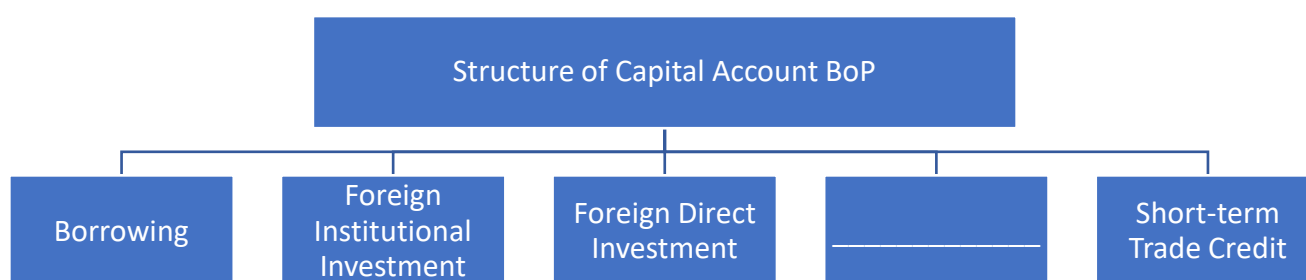
Analyse the diagram given above and explain the relation between foreign exchange rate and demand for foreign exchange.

Ans. The given diagram shows that foreign exchange rate and demand for foreign exchange are inversely related to each other.

When the price of foreign currency falls we get more dollar per unit of our currency. Accordingly, domestic traders would tend to buy more goods in the international market. This raises demand for foreign currency from OQ to OQ , when exchange rate falls from OR to OR_1 .

Similarly, when the price of foreign currency rises, we get less dollar per unit of our currency. Accordingly, domestic traders would be able to buy less goods in the international market. As a result, demand for foreign currency will fall from OQ to OQ , when exchange rate rises from OR to OR_2 .

Q:19



Analyse the above chart and identify the component to be filled in the blank. Also elaborate upon the given components along with the one identified.

Ans. Banking capital, NRI deposits.

- (i) **Borrowing:** It includes external commercial borrowing and external assistance. External assistance is recorded as the net of receipts while commercial borrowing is recorded as the net of borrowing in the capital account of India's BoP.
- (ii) **Foreign Investment:** It includes FDI (Foreign Direct Investment) and portfolio investment. Investment by our residents in rest of the world is recorded under 'debit items', while investment by non-residents in our country is recorded under 'credit items' in capital account BoP.
- (iii) **NRI Deposits:** NRI (Non-resident) deposits refer to the transfer of funds by the non-resident Indians from rest of the world. Net value of these transfers is recorded which is estimated as the difference between NRI deposits and NRI withdrawals.
- (iv) **Banking Capital:** It refers to foreign asset holding of the commercial banks. Owing to drawdown of foreign assets of the commercial banks, banking capital inflow into the domestic economy tends to rise.
- (v) **Short-term Trade Credit:** Inflow of foreign exchange on account of credit with maturity of one year or less

SHORT ANSWER

Q: 20 "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.

- 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.

Q :21 Discuss briefly the determination of exchange rate under the flexible exchange rate system.(use diagram)

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:22 "Trade Deficit must exist, if a country is facing situation of Current Account Deficit (CAD)." Defend or refute the above mentioned statement with valid arguments.

Ans. The given statement is refuted. The Current Account Deficit (CAD) is a broader concept. CAD occurs when the foreign exchange payments on account of visible, invisibles and unilateral transfers are in excess over the foreign exchange receipts of visible, invisibles and unilateral transfers. A country may face a situation of CAD, even if the country has trade surplus, with negative balances on account of services and unilateral transfers.

LONG ANSWER

Q:23 "Under the flexible exchange rate system, the Central Bank does not intervene in the foreign exchange market." Justify the statement, giving valid arguments.

Ans. Under the flexible exchange rate system, the foreign exchange rate is determined through free market forces of demand and supply. Equilibrium rate of exchange is established at a point where the quantity demanded and quantity supplied of foreign exchange are equal. In case of any disequilibrium, market forces of demand and supply will automatically bring the exchange rate back to the equilibrium level. Hence, the Central Bank does not have any active role to play in the determination of exchange rate under the flexible exchange rate system.

Q:24. 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 :25. 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.

UNIT-6 DEVELOPMENT EXPERIENCE OF INDIA 1947-1990 & ECONOMIC REFORMS SINCE 1991

Multiple Choice Questions:

Answer the following questions:

Q1. Identify, which of the following indicates the adverse impact of British rule in India.

- a) Introduction of communication networks in India
- b) Change in composition of India's foreign trade
- c) Introduction of modern administrative system in India
- d) Introduction of railways in India

Ans. b

Statement based questions

Q2. Read the following statements carefully:

Statement 1: Commercialization of agriculture under the British rule was responsible for frequent famines between 1875 and 1900.

Statement 2: During British rule, India began to export food grains. 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 1 and 2 are true

Q3. Read the following statements carefully:

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

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

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

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

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

Q4. Read the following statements carefully:

Statement 1: The British policies led to the collapse of India's world-famous handicraft industries. Statement 2: During the colonial rule in India, the contribution of the industrial sector to Gross Value Added (GVA) increased significantly.

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. A

Picture based questions:

Q5. Look at the image given below and answer the question by choosing the correct alternative:



The opening of the Suez Canal in 1869 Suez Canal: Used as highway between India and Britain Trade through the Suez Canal

- Further intensified British control over India's foreign trade
- Reduced the cost of transportation
- Made access to the Indian market easier
- All of the above

Ans. d

Short answer question

Q6. "During the colonial period, a number of socio-economic indicators were in a dilapidated state." List any three such indicators that led to the worsening of India's demographic profile.

Ans. India's demographic indicators were in a dilapidated state during the colonial period as:

- The overall literacy level was less (below 16%).
- Life expectancy was very low (32 years).
- Alarming infant mortality rate (218/1000).

Q7. "The pre-independent India's occupational structure experienced growing regional variation." Justify the above statement with valid explanation

Ans. The pre-independent India's occupational structure experienced growing regional variation as:

- Parts of Madras Presidency, Bombay and Bengal witnessed a decline in the dependence of the workforce on the agricultural sector with a commensurate increase in the manufacturing and the services sectors.
- There had been an increase in the share of workforce in agriculture in states such as Orissa, Rajasthan and Punjab.

Q8. “During the colonial period, the occupational structure showed lopsided movements.” Do you agree with the given statement? Justify your answer with valid arguments.

Ans. Yes. The occupational structure during the colonial period showed lopsided movements as:

- Parts of Madras Presidency, Bombay and Bengal witnessed a decline in the dependence of the workforce on the agricultural sector with a commensurate increase in the manufacturing and the services sectors.
- There had been an increase in the share of workforce in agriculture in states such as Orissa, Rajasthan and Punjab. (To be marked as a whole)

Q9. ‘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.

Ans: Throughout the colonial period, India's foreign trade was characterized by a significant export surplus. However, this surplus had detrimental consequences for the country's economy. This export surplus did not bring gold or silver into India. Instead, it was used to cover expenses incurred by an office set up by the colonial government in Britain, the expenses on the war fought by the British government, and the import of invisible items, all contributed to the drain of India's wealth.

Q10. Discuss briefly the estimates made by notable scholars regarding the national income and per capita income during the colonial rule in India

Ans: Several notable scholars, such as Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai, made earnest efforts to calculate national income during the colonial era. Among these scholars, the estimates provided by V.K.R.V. Rao were considered very significant. However, the majority of these studies revealed that the country's overall real output growth during the first half of the 20th century remained below 2%, with a meagre annual per capita output growth of just 0.5%.

Indian economy 1950-1990

Multiple choice questions:

Q11. Identify the incorrect statement from the following:

- (a) Import substitution was the strategy used to save foreign exchange.
- (b) License policy ensured regional equality.
- (c) Russian economic model was the base for the Indian economic system.
- (d) Small Scale Industries are one of the essential tools for employment generation.

Ans. (c) Russian economic model was the base for the Indian economic system

Q12. The shackles of agriculture during the colonial rule were permanently broken by the Green Revolution that resulted from the application of ____

- I) High Yielding Varieties (HYV)
- II) Mechanization of Agriculture
- III) Chemical Fertilizers and Pesticides
- IV) Organic Fertilizers and Pesticides

Alternatives:

- a) I, II, IV b) I, II, III c) II, III, IV d) I, III, IV

Ans. b)

Q13. 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

Picture based question :

Q14. Look at the image given below and answer the question by choosing the correct alternative:



Green revolution led to _____

- a) Attainment of marketable surplus
- b) Buffer stock of food grains
- c) Benefit to low-income groups
- d) All of the above

Short answer question:

Q15. 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.

- 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.
- Green Revolution led to an increase in the growth of agricultural output. 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..

Q16. "In order to protect domestic industries, India followed the regime of restrictions on imports."

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:

- i. Tariffs: Tariffs are a tax on imported goods that make imported goods dearer and discourage their usage.
- ii. Quotas: Quotas specify the quantity of goods that can be imported

Q17. "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.

- Land reforms were inevitable in the post-independence era. The policy makers of independent India introduced land reforms such as land ceiling, abolition of intermediaries etc.
- 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.

Q18. Explain briefly the rationale behind the 'License Raj' under the Industrial Policy Resolution, 1956.

Ans. The aim of License Raj under the Industrial Policy Resolution 1956, was to keep the private sector under control. No new industry was allowed unless a license was obtained from the Government. This policy was used for ensuring regional equality..

Q19. Elaborate the reasons owing to which the private sector was regulated under the Industrial Policy Resolution, 1956.

Ans. The Industrial Policy Resolution, 1956 regulated the private sector through a system of licenses. This policy aimed at achieving regional equality. The government made it relatively easier to obtain an industrial license, for industrial units to be established in economically backward areas. Moreover, to ensure judicious use of resources owned by the private sector, licenses were needed for expanding/diversifying output by existing industrial units.

Q20. State the importance of “Growth with equity” as the objective of Indian economic planning.

Ans. For a nation, both growth of Gross Domestic Product (GDP) and equity in distribution of income are equally important. Growth refers to an increase in a country's capacity to produce goods and services. Equity refers to reductions in inequality of income and wealth. Growth with equity ensures that the fruits of economic development are enjoyed by all sections of society equitably. Hence, achieving equitable growth is an important objective that was taken into consideration in the Indian economic planning.

Q21. While subsidies encourage farmers to use new technology, they are a huge burden on government finances. Discuss the usefulness of subsidies in light of this fact.

Ans: The usefulness of subsidies:

- The government should continue with agricultural subsidies because farming in India continues to be a risky business.
- Most farmers are very poor and they will not be able to afford the required inputs without subsidies.
- Eliminating subsidies will increase the inequality between rich and poor farmers and violate the goal of equity.

Economic reforms since 1991

Multiple choice questions:

- Q1. Identify, which of the following statement is incorrect about the financial sector reform introduced in 1991? (Choose the correct option)
- A. Enabled the establishment of private sector banks, Indian as well as foreign
 - B. Foreign investment limit in banks was raised to around 74%
 - C. Foreign Institutional Investors were allowed to invest in Indian financial markets
 - D. Change in the role of the Reserve Bank of India from facilitator to regulator

Ans.D

Statement based questions:

Assertion reason based question

- Q2. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below.

Assertion (A): In 1991, as an immediate measure to resolve the Balance of Payments crisis, the rupee was devalued against foreign currencies.

Reason (R): Devaluation of currency was eminent, to replenish the deteriorated foreign exchange reserves. 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, but Reason (R) is false.
 - d) Assertion (A) is false, but Reason (R) is true.
- Q3. Read the following statements- Assertion (A) and Reason (R). Choose the correct alternative given below:
- Assertion (A): The excessive regulation of permit license raj prevented certain private firms from becoming fairly competitive.
- Reason (R): Private sector wasted huge amounts in obtaining licenses rather than on improving the product quality and international competitiveness.

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, 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

- Q4. Read the following statements- Assertion (A) and Reason (R). Choose the correct alternative given below: Assertion (A): World Trade Organization (WTO) is expected to establish the rule-based trading regime, to avoid unilaterally placed arbitrary restrictions by member nations.

Reason (R): It is imperative to enlarge world production and ensure optimum utilization of world resources along with environmental protection.

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, 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).

Short answer question

Q5. “In the post-reform period, the Government of India decided to retain profit-making Public Sector Undertakings (PSUs). It provided a special status to PSUs to enable them to expand in the global market.” Do you agree with the given statement? Give valid reasons in support of your answer.

Ans. Yes.

- In order to improve efficiency, infuse professionalism and enable Public Sector Undertakings (PSUs) to compete more effectively in the liberalised global environment, the government identified profit making PSUs.
- Government declared them as Maharatnas, Navratnas and Miniratnas. PSUs were given greater managerial and operational autonomy, in taking various decisions.
- As a result, over the years these Maharatnas, Navratnas and Miniratnas have performed exceedingly well and established themselves as market leaders.

Q6. “Under the liberalisation measures taken by the Government of India, regulation of industrial sector was extremely crucial.” Reject or support the given statement with valid arguments.

Ans. The given statement is rejected. As the liberalisation measures curtailed many restrictions on the industrial sector. Industrial licensing was abolished for almost all except for three industries. Many goods produced by Small Scale Industries were dereserved. In most of the industries, market has been allowed to determine the prices independently. This was necessitated by the slower industrial growth rate under the pre-reform period.

Q7. “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.

Q8. Compare the Indian economy before and after 1991 in terms of growth, foreign trade, and investment.

Ans:

Indicator	Pre-1991	Post-1991
	-----	-----
GDP Growth	~3.5%	~6–7%
Foreign Trade	Inward-looking, restricted	Export-led, liberalised
Investment	Limited FDI, public sector led	High FDI, private-led

Q9. Critically appraise the disinvestment policy initiated by the government during the reforms of 1991.

Ans. Disinvestment aimed to boost financial discipline and modernisation. The government exceeded its mobilisation target but assets of Public Sector Enterprises (PSEs) had been undervalued, resulting in significant losses to the government. Moreover, the proceeds were primarily used to cover shortfalls of government revenue instead of investing in social infrastructure or the development of PSE.

Q10. 'Globalisation is an essential outcome of liberalisation of an economy'. Justify the given statement with a valid explanation.

Ans. Globalisation is indeed an essential outcome of liberalisation of an economy. The removal or reduction of restrictions in the industrial sector, financial sector, trade and investment policy etc. opened the doors of the Indian economy to the rest of the world. Hence, liberalisation acted as a catalyst for globalisation. It fostered international trade integrating the Indian economy with the global economy.

UNIT-7 CURRENT CHALLENGES FACING INDIAN ECONOMY

(Human capital Formation)

Assertion- Reason questions:

Q.1. Read the following statements carefully: Assertion (A) and Reason (R). Choose the correct option from those given below:

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

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

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. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)

Q.2. Is based on the idea that education and health are integral to human wellbeing. (Choose the correct option to fill up the blank)

(A) Human Resource (B) Human Development

(C) Human Capital (D) Economic Development

Ans. (B) Human Development

Q.3. Read the following statements – Assertion (A) and Reason (R). Choose the correct alternative from the options given below:

Assertion (A): Information plays a crucial role in judicious decision-making about investing in human capital.

Reason (R): Individuals invest to acquire information about the labour market and other areas such as education and healthcare.

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).

Statement based questions:

Q4. Read the following statements carefully and choose the correct alternative:

Statement 1: Human capital treats human beings as a means to an end.

Statement 2: In the human development perspective, human beings are an end in themselves.

Alternatives:

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

Ans. – (a)

Q5. Read the following statements carefully.

Statement 1: On-the-job trainings help to bridge a gap between theoretical concepts and practical Experiences. Statement 2: On-the-job trainings update the employees with the latest changes in their work field.

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

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

Ans. – (C)

Q6. Trace the relationship between Human capital and Economic growth.

Ans. Human capital and economic growth of a nation are positively correlated. Human capital refers to the stock of knowledge and skill set of population of a nation. Investing in human capital improves efficiency and abilities of the human resource of the country.

Technical skills gained through various sources of human capital formation (education, health, training etc.) contribute to increased productivity and output. Additionally, human capital fosters innovation and enhances the capacity to adopt new technologies, leading to economic growth.

Q7. Medhya and Danish both had their own farms. Medhya invested in a few agricultural Courses, learnt modern farming techniques and trained her labourers on best practices related To soil fertility, crop management, pest control etc. Whereas, Danish invested heavily in, by purchasing advanced farming machinery, irrigation Systems, and high quality seeds.

Do you agree that, Danish had made investment in human capital? Give valid reason in Support of your answer.

Ans. No, Danish has not made investment in human capital. As investment in human Capital increases, the stock of knowledge, skill and ability imbibed in the owner of the Same. However, Danish's investment in purchasing advanced farming machinery, Irrigation systems, and high-quality seeds is made in physical capital. Physical capital includes assets which are tangible in nature. It is separable from its Owner and can be transacted in the market. (To be marked as a whole)

Q8. “Expenditure on preventive medicine, curative medicine and social medicine helps in Building human capital and economic development.” Do you agree with the given statement ? Give valid arguments in support of your answer.

Ans. Yes. Expenditure on health as a source of human capital formation, in an Economy, may take different forms like expenditure on preventive medicine, curative Medicine and social medicine, etc. A healthy person provides uninterrupted labour Supply for a longer period of time. Thus, such expenditure leads to human capital Formation contributing towards economic development.

Q9. On the basis of the given image, explain the source of human capital formation which may Contribute to the economic growth in India.



Ans. The source of Human Capital Formation (HCF) indicated in the given image is Investment in education.

Education provides knowledge to understand changes in society and scientific Advancements. It stimulates inventions and innovations in the economy. Similarly, the Availability of an educated labour force facilitates adaptation to new technologies. Technical skills acquired through education provide an opportunity to make better use Of given resources thereby promoting the economic development of the nation.

Q10. “Dr. Khurana, a dentist, ran his clinic in an economically backward area. He was earning a comparatively low income. So, he decided to move to a city and spent a huge amount for the same.” Identify and explain the type of expenditure incurred by Dr. Khurana, which directly contributed to the Process of human capital formation.

Ans. The expenditure incurred by Dr. Khurana on shifting his clinic from economically backward area to the city comes under the category of “Expenditure on Migration”.

Expenditure on migration is the source of human capital formation. People migrate in search of jobs that fetch them higher salaries. Technically qualified persons like engineers and doctors, migrate to other areas because of higher incomes and better opportunities.

Q11. Education Commission 1904-06 had recommended that at least 6 per cent of GDP must be spent on education: How far India has been able to achieve the said goal?

OR

“India has failed to implement the recommendations of Education Commission of 196466.” Give valid arguments in support of the given statement.

Ans. Investment in education system in India has been a woeful failure. The fact of the matter is that, in 1952, we were spending a meager 0.6% of our GDP on education that rose to

only 4% in 2014. This has fallen well Short of 6% target as proposed by the Education Commission, 1964. Moreover, throughout this period, the Increase in education expenditure has not been uniform and there has been irregular rise and fall. This shows the apathy of the government towards investment in the education system. One can imagine, if the recommended 6% p.a. of the GDP would have been spent properly, the present education system would have reached unforeseen heights.

Q12. How is human development a broader term as compared to human capital?

Ans.

1. Human capital is a narrow concept which treats human beings as a means to achieve an end Which is higher productivity, failing which the investment is not considered to be productive.
2. Human development is a broader concept which considers human beings as ends in themselves. Human welfare can be achieved through investments in education and health. It considers Welfare—a right of every individual irrespective of their contribution to labour productivity. Every individual has right to be literate and lead a healthy life

Q .13. Education is an important ingredient of growth. Comment.

Ans. It is true that education is an important ingredient (input) of growth. This is because:

- (i) education produces civilised citizens,
- (ii) education produces scientists, engineers, doctors and educationists. These serve as important Agents of growth,
- (iii) education increases the rate of participation through skill formation. It lends momentum to the Pace of growth,
- (iv) education generates the sense of the social dynamism. It promotes collective effort to frame Programmes and policies of growth.

Briefly, education gives momentum to the process of growth. Uneducated societies are often Backward societies. Educated societies, on the other hand, are developed societies of the world.

UNIT-7 CURRENT CHALLENGES FACING INDIAN ECONOMY (RURAL DEVELOPMENT)

Multiple Choice Questions:

Answer the following questions:

Q.1. Agricultural marketing is a process that involves the _____ of agricultural commodities.

(Choose the correct option to fill up the blank)

(i) Privatisation (ii) Processing

(iii) Assembling (iv) Grading Options :

(A) (i) and (ii). (B) (ii) and (iii)

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

Ans. (D) (ii), (iii) and (iv)

Q.2. Production of diverse varieties of crops, rather than one specialised crop, is known as diversification of _____. (Choose the correct option to fill in the blank)

(A) Crops

(B) Agricultural Production

(C) Sectoral Composition

(D) Employment

Ans. (A) Crops

Q.3. Identify, which of the following statements is incorrect about the Rural Banking system in India. (Choose the correct option)

(A) The Rural Banking system in India consists of a set of multi-agency institutions.

(B) In the post-independence period, a well-structured Rural Banking system was formulated in India.

(C) Regional Rural Banks, Cooperative and Land Development Banks are components of the Rural Banking system in India.

(D) The Rural Banking system in India works under the guidance, instruction and supervision of the State Bank of India.

Ans. (D) The Rural Banking system in India works under the guidance, instruction and supervision of the State Bank of India.

Q.4. Read the following statements carefully :

Statement 1 : The purchase of food grains, made by the government on the Minimum Support Price (MSP), is maintained as buffer stock.

Statement 2 : Minimum Support Price (MSP) safeguards the farmers against any sharp fall in farm product prices.

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.

Q.5. Prime beneficiary of the Minimum Support Price (MSP) fixed by the government is _____. (Choose the correct option to fill in the blank)

(A) Labourer (B) Consumer (C) Trader (Buyer) (D) Farmer

Ans. (D) Farmer

Q6. Study the following image and identify the measure adopted by the Government to improve Agricultural marketing. (Choose the correct option)



- (A) Cooperative credit societies (B) Regulated markets
(B) Transportation facilities. (D) Dissemination of information

Ans. (B) Regulated markets

Q.7 . Read the following text carefully:

Agro-start-ups and rural enterprises are becoming increasingly vital for rural development in India. They address the critical challenges faced by rural sector in India. These ventures bring In technological innovations such as precision farming, IT-based monitoring system and Data-driven decision-making tools that enhance productivity and resource efficiency. By streamlining supply chains and creating direct market linkages, they ensure better pricing For farmers and reduce dependency on traditional intermediaries. Such enterprises contribute Actively to employment generation in the rural areas. The government has demonstrated a Continuous policy and financial support for Agri-startups and entrepreneurs through various Programs like RKVY-RAFTAAR, the Agri-infrastructure fund and Agri-SURE.

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

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

Ans. Agri-startups address the agricultural sector challenges by:

- technical innovation such as precision farming, IT-based monitoring system and Datadriven decision making tools.
- Streamlining supply chains and creating direct market linkages which may lead To better pricing.

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

Ans.The government has demonstrated continuous policy and financial support for Agri-startups and entrepreneurs through various programs like RKVY-RAFTAAR, The Agri-infrastructure fund, and Agri-SURE.

Q.8. “Cooperatives have received a setback during the recent past.” Justify the given statement with valid explanation.

Ans. Cooperative marketing has supported farmers in obtaining fair prices for their Produce in the market. However, in recent times, they have encountered several Challenges, including:

- inadequate coverage of farmer members
- insufficient connection between marketing and processing cooperatives
- inefficient financial management

Q9. “Micro credit programmes have been very helpful in supporting rural development and Improving livelihoods in India.” Do you agree with the given statement ? Give valid reasons in support of your answer.

Ans. Yes. Micro-credit programmes have emerged to fill the gap in the formal credit System. The formal credit delivery mechanism has not been fully integrated into the Rural social structure. Due to non-availability of collateral, a vast proportion of poor Rural households go out of the credit network. Micro-credit system has brought these Poor households in the ambit of formal credit system by providing them loans at a Concessional rate of interest.

Q10. In the Indian rural landscape, agricultural diversification has emerged as a reasonable Alternative to fill up the gaps in income.

Ans. True. There is a greater risk in depending exclusively on farming for livelihood. Diversification has reduced the risk from uncertainties in the agriculture sector and Has provided productive sustainable livelihood options to rural people.

Q11. Read the following text carefully:

The National-Level Multi-State Cooperative Society recently approved by the Union Cabinet for promoting organic production and exports, will help the farmers to increase their Income manifold. The arrangements for testing of land and selection of natural form of products will be set up In each district in the coming five years.

Government has also decided to set up a cooperative society in all Panchayats, which will Ensure that the Central Government’s schemes reach the farmers. Wide use of urea has spoiled farmland, and lakhs of farmers have moved towards organic Farming. To get better prices, there is a need for marketing and certification of such produce. Furthermore, steps must be taken to ensure that fake organic products do not hit the market.

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

(a) Define organic farming.

Ans. Organic farming is a whole system of farming that restores, maintains and Enhances the ecological balance.

(b) State any two benefits of organic farming.

Ans. Advantages of Organic farming are:

- Soil conservation.
- Nutritional food.

(c) Explain the steps taken by the government to promote organic products.

Ans. The steps taken by the government to promote organic products are:

- Testing of land and selection of natural form of products will be set up in each District in the coming five years.

- Set up a cooperative society in all Panchayats, which will ensure that the Central Government's schemes reach the farmers.

Q12. Explain the importance of credit availability in rural development.

Ans. Growth of rural economy depends primarily on infusion of capital, from time to time, to realise higher productivity in agriculture and non-agriculture sectors. As the Gestation period (duration between crop sowing and realisation of income after Production) is quite long, hence rural credit is required to meet their initial investment Needs of seeds, fertilizers, implements, etc. Along with other family expenses.

Q13. "Farm subsidies put a huge burden on the government finances, but are necessary for poor and marginal farmers."

Justify the given statement with valid explanation.

Ans. The introduction of farm subsidies had been an opinionated step taken by the Government of India.

Arguments in favour of continuing farm subsidies:

- 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.

Q.14. State and elaborate whether the following statement is true/false, with valid arguments:

(a) In the Indian rural landscape, agricultural diversification has emerged as a solution for a Lot of farmers' problems.

Ans. True. There is a greater risk in depending exclusively on farming for livelihood. Diversification has reduced the risk from uncertainties in the agriculture sector and Has provided productive sustainable livelihood options to rural people.

Q.15. Critically appraise the micro-credit programmes in rural India.

Ans. Micro-credit programmes fill the gaps in the formal credit system. Due to nonAvailability of collateral a vast proportion of rural households go out of the credit Network. Micro-credit system has brought these poor households in the ambit of formal Credit system by providing them loans at a concessional rate of interest. However, it is Alleged that the borrowings are mainly confined to consumption purposes.

UNIT-7 CURRENT CHALLENGES FACING INDIAN ECONOMY(EMPLOYMENT)

Multiple Choice Questions:

Answer the following Questions:

Q.1. Read the following statements carefully:

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

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

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

Q.2. "It is short-term unemployment occurring, as people transit between jobs." On the basis of the given definition, identify the type of unemployment indicated.

Options:

(A) Disguised Unemployment

(B) Seasonal Unemployment

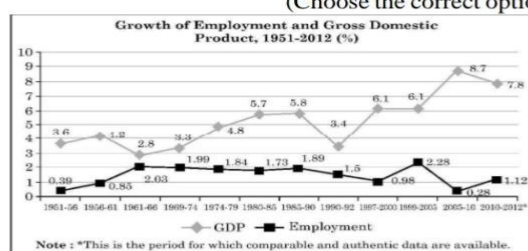
(C) Open Unemployment

(D) Frictional Unemployment

Ans. (D) Frictional Unemployment

Q.3 .

The given chart indicates the problem of _____ in the Indian Economy, post 1990-92.
(Choose the correct option to fill up the blank)



Options :

(A) Informalisation of Workforce

(B) Casualisation of Workforce

(C) Jobless Growth

(D) Formalisation of Workforce

Ans. (C) Jobless Growth

Note : The following question is for the Visually Impaired Candidates only in lieu of Q. No. 26.

The situation under which an economy attains economic growth without corresponding rise in employment is known as _____.
(Fill up the blank with correct option)

Options :

(A) Informalisation of Workforce

(B) Casualisation of Workforce

(C) Jobless Growth

(D) Formalisation of Workforce

Ans. (C) Jobless Growth

Q.4. “Suppose an imaginary economy is experiencing a situation of rise in Real Gross Domestic Product (GDP), without any corresponding adequate rise in the employment opportunities in the economy.”

In economic parlance, such a situation is termed as _____ growth.

(Choose the correct option to fill in the blank)

- (A) Casual
- (B) Informal
- (C) Formal
- (D) Jobless

Ans. (D) Jobless

Q.5. Under _____ unemployment the marginal productivity of a worker is equal to zero.

(Choose the correct option to fill in the blank)

- (A) Seasonal (B) Structural
- (C) Involuntary (D) Disguised

Ans. (D) Disguised

Q.6. Read the following statements carefully:

Statement 1: Employment is an activity which enables a person to earn means of livelihood for his/her family.

Statement 2: A worker is the one who contributes to the process of Gross Domestic Product (GDP) by rendering his productive services.

In the light of 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

Q.7. Explain the reasons behind less number of regular salaried employees in rural areas as compared to urban areas.

Ans. In India, rural areas have lesser number of regular salaried employees compared to the urban areas, as:

- most of the rural workforce is involved directly/indirectly in their farm and other allied activities.
- regular salaried employment opportunities require skills and qualifications, which are generally not accessible to the rural population.

Q8. “In recent times through various schemes and policies, the Government of India has taken vital initiatives to generate employment directly/indirectly.” Justify the statement giving valid arguments.

Ans. Since independence the government has played an important role in generating employment directly / indirectly. Various government departments/enterprises employ people and increase their output of goods and services, leading to direct employment. When the output of goods and services from government enterprises increases, then private enterprises which receive raw materials from government enterprises will also

Raise their output. Subsequently, private enterprises using these output are indirectly Benefitted with increase in scale of production. This leads to an increase in the Employment opportunities indirectly in the economy.

Q9. State and elaborate whether the following statement is true/false, with valid arguments :

(a) The Indian economy has shown satisfactory progress towards formalisation of workforce In the recent years.

Ans. False. In recent times, India has witnessed an unprecedented shift of workforce From formal to informal sectors. This may primarily be due to a decline in job Opportunities in formal sector (public & private). Thus, informalisation of workforce Has become a major challenge for the economy.

Q10. Read the following text carefully:

The Labour Force Participation Rate (LFPR) measures the percentage of the population Either employed or actively seeking employment in a nation. In India, the labour force grew By 99.2 million persons between 2000-2019. The labour force grew from 396.3 million to 495.5 million. During 2012-2019, the labour force grew without a matching increase in employment, Leading to higher unemployment. The gender disparity in India's labour market is notable with women's LFPR at 32.8% in 2022, significantly lower than men's LFPR at 77.2%. This is a major reason for India's Overall low LFPR, which is lower than the global average of 47.3%. During 2000-2019, rural LFPR declined by 14.1%, compared to a 3.5% decline in urban Areas. This trend reversed between 2019-2022, with rural LFPR increasing by 6% (especially Among rural women) and urban LFPR by 2.1%. These shifts suggest that fluctuations occur In women's labour market participation, particularly in rural areas. This significantly affected the overall LFPR. Women join the workforce during economic Hardships and move out when conditions improve.

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

(a) Define unemployment.

Ans. Unemployment refers to a situation in which all those persons who are willing and Able to work do not get work at the prevailing wage rate.

(b) Write the meaning of Labour Force Participation Rate (LFPR).

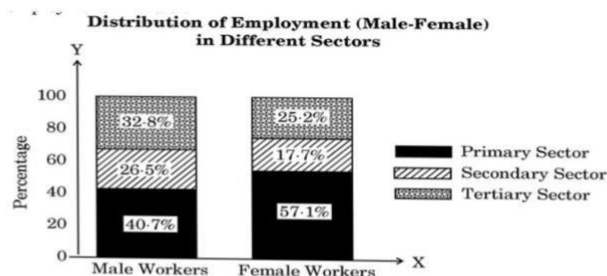
Ans. The Labour Force Participation Rate (LFPR) measures the percentage of the Population either employed or actively seeking employment in a nation.

(c) Comment upon the gender disparities in rural and urban Labour Force Participation Rate (LFPR) during 2000-2019.

Ans. The gender disparities in India's labour market is notable with women's LFPR at 32.8% in 2022, significantly lower than men's LFPR at 77.2%. During 2000 – 2019, Rural LFPR declined by 14.1%, compared to a 3.5% decline in urban areas.

Q11.

Compare and analyse the following information related to distribution of employment in India :



Ans. In India, the Primary sector has emerged as a major source of employment with a greater concentration of female workers (57.1%) as compared to males (40.7%). The secondary sector accommodates 17.7% of female workers and 26.5% of male workers. The service sector consists of 32.8% of male and 25.2% of female workers. Thus, it can be concluded that men get more opportunities in both secondary and service sectors whereas females are mainly found working in the primary sector.

Q12. “It is necessary to generate more employment in the formal sector rather than in the informal Sector.”

Justify the given statement with valid arguments.

Ans. The formal sector workers can form trade unions and are entitled to fair wages And other social security measures. However, workers in the informal sector do not get Regular income. Additionally, they do not have any protection/regulation from the Government. Many a times, workers may be dismissed without any compensation.

Hence, formal sector employees are generally in a better position as compared to Informal sector employees. Therefore, it is essential to generate employment in the Formal sector rather than the informal sector.

Q13. Read the following text carefully:

Indian labour market indicators have improved in the last six years, as per the Periodic

Labour Force Survey Data. The unemployment rate has fallen to 3.2% in 2022–23. Rising Youth and female participation in the workforce present an opportunity to tap the Demographic and gender dividend. The factory employment data exhibits the bounce back Of the organised manufacturing sector in FY 2022–23 with rise in employment and the Upscaling of factories.

The net payroll additions under EPFO have more than doubled in the past five years, Signalling healthy growth in formal employment. To generate and sustain quality employment, agro-processing and care economy are two Promising candidates.

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

(a) State any one significance of rising youth and female participation in the Indian Workforce.

Ans. Rising youth and female participation in the Indian workforce can provide an Opportunity to tap the demographic and gender dividend.

(b) Identify any two sectors which may be highlighted as promising for generating quality Employment in India.

Ans. The two sectors which may be highlighted as promising for generating quality Employment in India are:

- agro-processing
- care economy.

(c) Elaborate the meaning of disguised unemployment with the help of a suitable example.

Ans. Disguised unemployment refers to a situation when the person seems to be Employed but is not contributing to the output i.e., his marginal productivity is zero.

For example, suppose a farmer with four acres of land and two workers can produce 100 quintals of wheat. Even if he employs one more worker, the total output remains Unchanged. Hence, the contribution made by the additional worker to the total output Is zero and thus can be said to be in a situation of disguised unemployment.

UNIT-7 CURRENT CHALLENGES FACING INDIAN ECONOMY

(Environment and sustainable development)

Multiple Choice Questions:

Answer the following questions:

Q.1. Study the following picture:

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



Options:

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

Ans. (B) Environmental crisis

Q.2. Read the following statements carefully :

Statement 1 : Environmental concerns of waste generation and pollution have become Critical, due to reversal of demand and supply relationship.

Statement 2 : Environmental crisis happens, when the rate of resource extraction is less than That of regeneration of resource. 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. (A) Statement 1 is true and Statement 2 is false.

Q.3. Read the following statements carefully :

Statement 1: In order to address the problem of water and air pollution in India, the Government of India had established the Central Pollution Control Board (CPCB).

Statement 2: Deforestation leads to the permanent destruction of indigenous forests. 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. (A) Statement 1 is true and Statement 2 is false.

Q.4.(a) “Bio-pesticides help to reduce the ill-impacts of green revolution on soil and water bodies While promoting sustainable development .Justify the given statement with valid explanation.

Ans. Owing to the introduction of the Green Revolution in India, the usage of more and More chemical pesticides had adverse impacts such as contaminated soil, water bodies And groundwater. The use of bio-pesticides serves as an eco-friendly alternative to chemical pesticides. In Addition to this, promoting natural predators like snakes and birds help to control Pests, support the ecosystem, and contribute to sustainable agriculture.

(b) Define Absorptive capacity.

Ans. Absorptive capacity means the ability of the environment to absorb degradation.

Q.5. Read the following text carefully:

Climate change and sustainability of environment are two pressing issues that have captured global attention. In recent years, the world has witnessed a surge in extreme weather events including severe droughts, cloud bursts, floods, land slides, receding coastlines and the alarming melting of arctic ice and Himalayan Glaciers. Wildfires have become more frequent and intense .

In this context, sustainable agriculture emerges as a crucial solution. This refers to those farming practices that meet today’s requirements while preserving resources for the future generation. This means adopting methods that protect the environment, reduce dependence on chemical inputs, efficiently use water and land and ensuring socioeconomic equity for farmers. On one hand sustainable agricultural practices are necessary, on the other, they are often more expensive to implement compared to conventional methods. Sustainable practices like organic farming, climate-smart technologies, modern irrigation system may seem costly upfront, but they offer long-term benefits by improving productivity, and environmental stewardship. Without accessible and affordable financing options, the much-needed shift to sustainable farming practices will remain a distant dream for many. Therefore, sustainable finance should not only promote eco-friendly practices but also ensure that financial resources are available to the farmers who need it.

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

(a) Define Sustainable Agriculture.

Ans. Sustainable agriculture refers to those farming practices that meet today’s Requirements while preserving resources for future generations.

(b) “Sustainable Agriculture practices, like organic farming may seem costly initially, but Offer long term benefits. Discuss the long term benefits these practices can offer.

Ans. Sustainable Agriculture practices, like organic farming, may seem costly initially But offer long-term benefits. Such practices improve productivity, restore, maintain And enhance the ecological balance. They reduce dependence on chemical inputs and Help in soil conservation. (To be marked as a whole)

(c) State any two strategies to promote sustainable development in a developing country Like India.

Ans. Two strategies to promote sustainable development in a developing country like India are -

- Use of Solar Power
- Use of Mini-Hydel Plants

Q.6. Read the following text carefully:

Growing carbon footprint of industries have put power and steel sector in the spotlight as the Major contributor to the climate crisis. The challenge of climate change can be tackled only By making our industries and businesses follow practices and processes that reduce their Carbon footprint. It can be possible only with green financing .Green financing aims to increase the level of financial flows (from banking, micro-credit, Insurance and investment) from the public, private and not-for-profit sectors to sustainable Development priorities Global green finance has also started chasing Indian companies. Global development finance Institutions and funds are ready to offer long-term support (both equity and debt) at cheap Rates to projects like solar energy and hydropower.Green finance can positively affect environment quality, economic development and Financial issues that promote the green economy, such as reducing greenhouse gas emissions, Improving energy efficiency or enhancing the organic economy.

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

(a) State the meaning and objective of green finance.

Ans. Green finance refers to the practices and processes that industries and businesses Should follow to reduce carbon footprints. The aim of green financing is to increase the level of financial flows (from banking, Micro-credit, insurance and investment) from the public, private and not-for-profit Sectors to sustainable development priorities.

(b) Discuss any two benefits of green financing.

Ans. The benefits of green financing are:

- Green finance positively affects environmental quality by reducing greenhouse gas Emissions.
- Improves energy efficiency by investing in projects that promote green economy.

Q.7. Environment is able to perform its functions easily as long as demand on these functions is within its Carrying Capacity. What does the term 'Carrying Capacity' imply?

Ans. 'Carrying Capacity' implies two things:

- (i) Resource extraction should remain below the rate of resource regeneration.
- (ii) Generation of waste should remain within the absorption capacity of the environment.

Q8.Explain how opportunity cost of negative environmental impact is high.

Ans. Increased financial commitments of the government due to global warming and ozone depletion and rise In expenditure on health due to decline in air and water quality shows that opportunity costs of negative environmental impacts are high.

Q.9. "It is our moral and social responsibility to work hard for sustainable development." Do you agree? If yes, what should be done to achieve the objective of sustainable development?

Ans. Yes, I agree with the given statement. The basic aim of sustainable development is to ensure that present generation should leave stock of 'quality of life' for the next generation, which is no less than what we have inherited.

Sustainable development can be achieved by following the five given rules:

- (i) Restrict use of renewable resources: Renewable resources should be extracted on a sustainable basis, that is, rate of extraction should not exceed rate of regeneration.
- (ii) Substitute non-renewable with renewable resources: As non-renewable resources are depleted, renewable substitutes must be developed, so as to maintain the flow of services over time.
- (iii) Become Input Efficient: Technological progress should be made to become input efficient and not input consuming. It means efforts should be made to produce more per unit of input. It will reduce the exploitation of resources.
- (iv) Control Pollution: Pollution emissions should be limited to the absorption capacity of the environment.
- (v) Control the growth of population: The growth of human population should be controlled to a level, which is within the carrying capacity of the environment

Q10. If the rate of resource extraction exceeds the rate of regeneration, it leads to reduction in carrying capacity of the environment' Discuss the rationale of the given statement with valid reasons. (CBSE, Sample Paper 2021)

Ans. The environment is able to perform its functions uninterruptedly so long as the demand for these functions is within the carrying capacity of the environment. This means that the resources are not extracted beyond the rate of their regeneration.

If there is a disequilibrium (demand being more than supply), the environment fails to replenish itself and it will lead to environmental crisis. Thus, to maintain a healthy environment, the carrying capacity of the environment must be valued and respected.

Q11. Interpret the given picture on account of current environmental challenges.



Ans. The given image indicates towards the environmental challenge of 'global warming. Global warming is a gradual increase in the average temperature of the earth's lower atmosphere as a result in the increase in greenhouse gases.

The statement given, 'we are running out of time, act now before it's too late' represents the urgency of actions to be taken to control the situation. Various studies have shown that global warming is causing rise in sea level, loss of coastal land, increase in risk of floods, etc.

Q12. In order to protect the future of our planet, it is important to tackle carbon emissions.” And “Serious concerns over the climate change is taking over the attention of the world.”



In the light of the above statements and images, discuss any two strategies to tackle this global concern of Environmental degradation.

Ans. In order to tackle the problem of environmental degradation, following strategies are highlighted in the Given image:

1. Use of wind energy: In areas where speed of wind is usually high, windmills can be used to generate electricity without any adverse impact on the environment.
2. 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.

Q13. Interpret the situation of earth as depicted in the given picture, with reference to current environmental challenges:



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

SOME OTHER QUESTIONS

Q. 13. Interpret the given picture, on account of current environmental challenges: [CBSE, 2023 (58/1/1)]

Ans. Deforestation is defined as large scale cutting down of trees for executing developmental projects. It is a serious environmental concern, since it can result in the loss of biodiversity, damage of natural habitats, disturbances in the water cycle, soil erosion etc. Deforestation is also the main contributor to the environmental problems like climate change and global warming.



Q. 14. In the light of the given image, identify and explain any one strategy to ensure sustainable development. [CBSE, 2023 (58/3/1)]

Ans. One of the strategies to ensure sustainable development depicted in the given image is the usage of wind energy. Wind power is a popular source of sustainable renewable energy. In the areas where speed of wind is usually high, wind mills can provide electricity without any adverse impact on environment.



Q. 15. Interpret the given picture with reference to current environmental challenges. [CBSE, 2023 (58/4/1)]

Ans. The given picture indicates the usage of renewable sources of energy. Power is the need of the hour and the usage of non-renewable sources of energy lead to an environmental crisis. On the other hand, using renewable sources of energy like solar, wind and hydro energies ensure sustainable development without any adverse impact on the environment. The power generated through these resources is a cleaner and greener alternative.



UNIT-8 (Development Experience of India

(A Comparison with Neighbours)

Multiple choice Questions:

Answer the following questions:

Q1. India is not a member of which of the following regional / global economic groups? 1

- (a) European Union
- (b) BRICS
- (c) G20
- (d) SAARC

Q2. Under _____ in China, farmers and industrial units were required to buy and sell fixed quantities of inputs and outputs on the basis of prices fixed by the government and the rest were purchased and sold at market prices. (Choose the correct alternative to fill up the blank)

- (a) Commune System
- (b) Great Leap Forward
- (c) Dual Pricing
- (d) Great Proletarian Cultural

Revolution

Q3. _____ may be defined as the measure of the extent of demographic participation in the social and political decision making. (Choose the correct alternative to fill up the blank)

- (a) Economic indicator
- (b) Liberty indicator
- (c) Health indicator
- (d) Demographic indicator

Q4. Full form of UNDP

- (a) United Nation Development Policy
- (b) United Nation Development Programme
- (c) Union Nation Development Programme
- (d) None of the above

Q5. “In 1990, India’s and China’s manufacturing sector were comparable and significantly. India was slightly ahead in manufacturing and capital goods during those times.” From the above statement choose production in which goods India was ahead as compared to China:

- (a) Consumption goods
- (b) Machinery products
- (c) Capital goods
- (d) Both (b) and (c)

Q6. (Higher/Lower) value of HDI implies higher growth and development level of a Nation.

Q7. Which of the following is a feature pertaining to the Indian economy?

- (a) One child norm
- (b) Growth due to manufacturing sector
- (c) High degree of urbanization
- (d) Growth due to service sector

Q8. “Low skill services and agriculture, which have been providing many jobs so far, have limited potential for high wages.” India must create job opportunities in _____ sector to enable wage levels to rise.

- (a) Agriculture
- (b) Service sector
- (c) Manufacturing sector
- (d) Low skill services

Statement based Questions:

Q9. There are two statements given below, marked as Statement (1) and Statement (2). Read the statements and choose the correct option.

Statement (1): Both India and China initiated industrial reforms with the creation of agricultural communes.

Statement (2): Both countries are primarily agrarian in nature with all sectors depending on the primary one.

- (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

Q10. Statement 1: Special Economic Zones (SEZs) policy has led to huge Foreign Direct Investment (FDI) flow to China.

Statement 2: China's rapid industrial growth was the result of its economic reform in 1981.

Alternatives:

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

Assertion and Reason based

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 but Reason (R) is false
- (d) Assertion (A) is false but Reason is true

Q11. Assertion (A): During 1980s, economic growth rate of Pakistan was more than that of India.

Reason (R): Pakistan followed the Path of mixed economic structure with equal participation of the public and the private sector.

Q12. Assertion (A): In the late 1970s, China's population growth rate had sharply declined.

Reason (R): one child policy and better health services attributed to the low growth of population in China.

Q13. Assertion (A): Inspite of being the world's most populous country, China's annual growth rate of population (0.46) is lower than India's annual growth rate of population (1.03) and Pakistan's annual growth rate of population (2.05)

Reason (R): The one child policy was part of a birth planning program designed to control the size of the rapidly growing population of China.

Q14. Assertion (A): In an economy, Human Development Index measures quality of life

Reason (R): HDI is a summary composite measure of a country's average achievements in three basic aspects of human development: health, knowledge and standard of living.

Q15. Assertion (A): China's annual growth rate of population is more than India and Pakistan. (as per World Development Indicators 2019).

Reason (R): 'One-Child policy introduced in China in the late 1970s.

Q16. Assertion (A): Understanding the economy of neighbouring countries is essential for the scope of development.

Reason (R): Understanding the economy of neighbouring countries doesn't allow a nation to identify its competitors.

Q17. Assertion (A): The five-year plan in Pakistan is known as the medium-term development plan

Reason (R): The Medium-Term Development plan is a program formulated for social and cultural development

Q18. Assertion (A): Pakistan has highest annual growth rate of population. (as per World Development Indicators 2019)

Reason (R): 'One-Child policy introduced in China in the late 1970s.

Case based Questions

Q19. Special Economic Zones (SEZs) are intended to function as zones of rapid economic growth by using tax and business incentives to attract foreign investment and technology. The first four economic zones were created in 1980 in southeastern coastal China and consisted of what were then the small cities of Shenzhen, Zhuhai, and Shantou in Guangdong province and Xiamen in Fujian province. In these areas, local governments have been allowed to offer tax incentives to foreign investors and to develop their own infrastructure without the approval of the central government. Business enterprises have made most of their own investment, production and marketing decisions and foreign ownership of such ventures have been legalized. Though some of them began a little more than small towns, the new SEZs soon attracted foreign investment and became boom towns, with rapidly expanding light and consumer goods industries and growing population. Encouraged by the zone's success, the Chinese government in 1984 opened 14 larger and older cities along the coast of foreign trade and investment. In 1988, Hainan Island was made a separate province and a special economic zone, and in 1990 the Pudong area within the Shanghai municipality became a special economic zone with policies even more flexible than those already in force in the original four Special Economic Zones (SEZs).

(a) What were Special Economic Zones (SEZs)? Name any two cities in which special economic zones were started in China in 1980.

(b) When were economic reforms initiated in China? What autonomy was given to local

government for motivating foreign investors in China under special Economic Zones?

Q20. 1. Read the following case study carefully and answer the question i) and ii) based on the same.

India and Pakistan have very much in common, however, at present Indian economy seems to be in the lead. As a growing focus on solving poverty in developed countries this year, we provide suggestions for policy makers of poorer countries based on our analysis. India's higher savings rate, lower population growth and superior productivity are also factors that contributed to its economic growth. In contrast, Pakistan's related economic torpor can be attributed to its political instability, which hinders any long run economic development plans. Furthermore, Pakistan has a lower saving rate, high population growth and inferior productivity. For these reasons, India has experienced significantly higher levels of economic growth than Pakistan for both countries the political and economic components affecting economic growth were examined. However, these two factors are not equal in magnitude.

---Terry Qi, India versus Pakistan and evolution of long run Economic growth with respect to Solow growth model, 2020.

- i.) Write three observations on the common success stories of India and Pakistan.
- ii.) Write three observations pointing through common failures of India and Pakistan.

Tabled based Question:

Q21. Compare and analyse the given data of distribution of workforce (in 2018-19) with valid reasons:

Country	Agriculture (%)	Industry (%)	Services (%)
India	43	25	32
China	26	28	46
Pakistan	41	24	35

Q22. Given below are some statistics related to India, China and Pakistan.

Country	Population (in millions)	Fertility Rate	Urbanisation (%)
India	1352	2.2	34
China	1392	1.7	59
Pakistan	212	3.6	37

Compare and contrast China's demographic statistics with its neighbours.

Very Short Answers

Q23. What was the objective of the Great Proletarian Cultural Revolution introduced by Mao?

Q24. Between India, China and Pakistan which country has the highest life expectancy at birth?

Q25. "Heavy dependence on exports has led to slowdown of the Chinese economy." Explain?

Q26. Name any two indicators of comparative development?

Short Answers

- Q27.** Do you agree with the statement that India is lagging behind China because it has failed to check the growth rate of its population? Write your view in brief.
- Q28.** Which factors help China to attract more FDI as compared to India and Pakistan?
- Q29.** China's rapid industrial growth can be traced back to its reform in 1978. Do you agree? Elucidate.
- Q30.** "India, China and Pakistan have travelled more than seven decades of developmental path with varied results." Explain the given statement with valid arguments.

Long Questions

- Q31.** Evaluate the various factors that led to the rapid growth in Economic development of China.
- Q32.** India has an edge over Pakistan, but China has an edge over both India and Pakistan in the area of growth and development. Explain this fact, using indicators of growth and development.

Competency based Questions

1. "China created Special Economic Zones (SEZs) to push to manufacturing and export oriented industries. India's SEZs that came up decades later lacked such push and better incentives to attract foreign investors in numbers and size to give China a competition. India encouraged capital intensive industries that came at a cost of loss of potential employment to millions of job seekers."

As compared to China, India failed to give encouragement to Industrial development due to _____ (From the above paragraph choose the correct option)

- (a) Capital intensive technique which caused unemployment and poverty
- (b) SEZs in India were established decades later than China
- (c) Indian SEZs had much better incentives than China to attract foreign investments
- (d) Both (a) and (b)

2. Now-a-days, nations are forming regional and global economic groupings such as the SAARC, European Union, ASEAN, G-8, G-20, BRICS etc.

Answer the question as: Why are such regional and economic groupings formed?

3. Compare and analyse the following information related to Imports and Exports of the three neighbouring nations:

Country	Exports from India (in crore)			Imports to India (in crore)		
	2004-05	2018-19	Annual rate of growth (%)	2004-05	2018-19	Annual rate of growth (%)

Pakistan	2,341	14,426	3.7	427	3,476	5.1
China	25,232	1,17,289	2.6	31,892	4,92,079	10.3

4. Group the following features pertaining to the economies of India China and Pakistan under three heads:

- 1) One Child Norm
- 2) high degree of urbanization
- 3) Mixed economy
- 4) large population
- 5) High density of population
- 6) Growth due to manufacturing sector
- 7) Growth due to service sector
- 8) low fertility rate
- 9) Very high fertility rate

5. Interpret the given image on account of population policy and resultant effects in China.



6. Scholars find son preference as a common phenomenon in many developing countries including India, China and Pakistan. Do you find this phenomenon in your family and neighbourhood? Why do people practice discrimination between male and female children? What do you think?

Solution of Questions for High Achievers

1. (a)
2. (c)
3. (b)
4. (b) United Nation Development Programme
5. (d)
6. (Higher)
7. (d)
8. (c)
9. B
10. A
11. B

- 12. A
- 13. A
- 14. A
- 15. D
- 16. C
- 17. C
- 18. B

Ans 19. a) A special economic zone (SEZ) is an area in a country that is designed to generate positive economic growth. An SEZ is normally subject to different and more favourable economic regulations compared to other regions in the same country, including tax incentives and the opportunity to pay lower tariffs. The first four economic zones were created in 1980 in China were the small cities of Shenzhen, Zhuhai, and Shantou in Guangdong province.

b) In late 1978. In these areas, local governments have been allowed to offer tax incentives to foreign investors and to develop their own infrastructure without the approval of the central government.

Ans 20. i) Following three observations highlight the common success story of India and Pakistan

A. Indian Pakistan both have succeeded in more than doubling their per capita income.

B. The incidence of absolute poverty has also been reduced significantly in both the countries.

C. A well developed modern sector (along with a backward traditional sector) has emerged in both the countries.

ii) following three observations highlight the common failures of India and Pakistan.

A. The relatively inward-looking economic policies and high protection to domestic industry did not allow India and Pakistan to take timely advantage of globalisation.

B. Both the countries recorded this small performance in terms of fiscal management.

C. Urban services are deficient in both the countries which are a big hurdle in their processes of growth and development.

Ans 21. As evident from the table, the percentage of a work force engaged in agricultural sector is the highest in case of India, which stands at 43 percent. The corresponding rates for China and Pakistan are 26 percent and 41 percent respectively. The percentage work force engaged in industry is the highest in China, which stands at 28 percent. The corresponding rates for India and Pakistan are 25 percent and 24 percent respectively. The percentage of work force engaged in services sector is again the highest in China, which stands at 46 percent. The corresponding for India and Pakistan is 32 percent and 35 percent respectively. These observations point to a fact that China is far ahead of India and Pakistan in industrializing its production activity which is a sign of long period growth and development. Higher percentage of work force in services sector in China is also a sign of its faster growth compared to India and Pakistan. However, the fact should also be not ignored that Pakistan has taken over India as regards the growth of services sector. This points to rapid urbanization.

Ans 22. Total population in millions is the highest in China, followed by India and Pakistan.

- The fertility rate is low in China and very high in Pakistan as compared to India.
- Urbanisation is high in China with India having 34 per cent of its people living in urban areas.

Ans 23. Under the Great Proletarian Cultural Revolution, students and professionals were sent to work and learn from the countryside.

Ans 24. China has the highest life expectancy at birth.

Ans 25. True, because economic slowdown in most parts of the world (particularly in European economies) has led to a significant fall in global demand for the Chinese goods. Hence, the slowdown of the Chinese economy.

Ans 26. 1) GDP Growth

2) Demographic profile

Ans 27. It is true that China has succeeded in controlling the growth rate of its population, while India has failed. Owing to unbridled growth of population, the government in India has failed to reduce the BPL population. This has led to a huge expenditure by way of food subsidy, besides the expenditure related to health, housing and education of the BPL population. While, all such expenditures are welfare- oriented, these are non- productive. Such expenditures do not add to production capacity of the nation, rather they tend to erode it. Accordingly, growth process is adversely affected. This is one of the important reasons why India is lagging behind China in the area of economic growth.

Ans 28. China was able to attract more FDI due to its liberal policies, setting up of special economic zones allowing 100% of equity investment to the foreign investors and providing them with developed infrastructural facilities.

Ans 29. Yes, I agree with the given statement. The present day fast industrial growth in China can be traced back to the reforms introduced in phases in 1978. China introduced reforms in phases.

1. In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors.
2. In the later phase, reforms were initiated in the industrial sector.
3. Dual pricing
4. Special economic zones were set up.

Ans 30. 1. Till the late 1970s, all the three countries were maintaining the same level of low development.

2. Over the last three decades, the three countries have taken different levels of development

(a) India has performed moderately over the years. Majority of its people still depend on agriculture. Infrastructure is lacking and more than 1/4th of its population lives below poverty line.

(b) Pakistan performed low because of political instability, over dependence of remittances and foreign aid along with volatile agriculture.

(c) China has used the market system to succeed in raising the rate of growth in economy with stress on alleviation of poverty.

Ans 31. 1. China's rapid economic development is an aggregate outcome of the introduction of the reforms in phases since 1978. The following are the various factors that led to the rapid growth in the economic development in China:

2. In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors. The system of collective farming known as Commune System was implemented.
3. In the later phase, reforms were initiated in the industrial sector.
4. The dual pricing were implemented.
5. setting up of Special Economic Zones to attract foreign investors and to encourage its exports.

Therefore, the aggregate focus of all these economic reforms resulted in rapid industrial growth and economic development in China.

Ans 32. • China has the second largest GDP (PPP) of \$19.8 trillion, whereas, India's GDP (PPP) is \$8.07 trillion and Pakistan's GDP is \$ 0.94 trillion, roughly about 12 per cent of India's GDP.

- India's GDP is about 40 per cent of China's GDP.
- When many developed countries were finding it difficult to maintain a growth rate of even 5 per cent, China was able to maintain near double-digit growth for one decade. In the 1980s, Pakistan was ahead of India; China was having double-digit growth and India was at the bottom. In 2015–17, there has been a decline in Pakistan and China's growth rates, whereas, India met with moderate increase in growth rates.

Competency based Questions for High Achievers

1. (d)

2. These regional and economic grouping are formed in a geographic region to reduce or remove tariff or non tariff barriers to allow free flow of goods, services and inputs between each other. The regional and economic groupings are essential for developing countries as they face competition not only from developed nations but also amongst themselves in the relatively limited economic space enjoyed by the developing world.

3. The above table shows that during the given periods the Exports from India to Pakistan have increased at an annualized rate of 3.7 % while the same with China shows 2.6% of growth. On the other hand, India's import from China accounted for a massive 10.3 %. The corresponding figure with Pakistan witnessed an average of 5.1% respectively. The situation indicates that Indian imports from China are too high in comparison to the exports to China. This shows that Indian economy was over-dependent on Chinese economy for goods and services, over the given period of time.

4. A) China

- i) One Child Norm
- ii) Low fertility rate
- iii) High degree of urbanization
- iv) Growth due to manufacturing sector
- v) large population

B) Pakistan

- i) High degree of urbanization

- ii) Mixed economy
- iii) Very high fertility rate
- iv) Growth due to service sector

C) India

- i) Mixed economy
 - ii) High density of population
 - iii) Growth due to service sector
5. a) It shows the vast worker pool powered explosive growth of export driven economy. Lack of skilled workers and labour shortage because of one child norm since late 1970s is pushing up wages and adding to the burden of companies already facing shrinking global markets.
 - b) For China demographics pose a huge challenge requiring difficult and innovative decisions in terms of policies and social welfare funding, population control and employment and labour development.
 - c) This leads China to allow couples to have two children first (2016) and then three children (2021).
 6. It is a harsh reality of 21st century countries that they prefer male child to a female. It has been seen by me even in my surroundings. People practice discrimination between male and female child due to following reasons:
 - a. **Insecurity for the females:** Crimes against women are on a rise. Parents find it a headache to look after their daughters.
 - b. **Marriage and dowry system:** In Indian society, daughters leave their parents' house after marriage while sons leave with them and look after them in old age. Therefore, they prefer a male child. Dowry is also to be given to sons on their marriage. So, they take sons as a lottery ticket and daughters as a burden.
 - c. **Religious Background:** Even if religious scriptures are read, they promote an idea that males are superior to females.

In my opinion, we must not repeat mistakes of our ancestors. We must accept that gender is a biological difference and not something which should determine social norms. I do not want girls to behave like boys to prove their supremacy but they must be respected equally in whatever role they play in their lives. Instead of laws, it is education in the right sense that can bring a change.

Previous year CBSE Questions papers

ECONOMICS (030)- CLASS 12

TIME:3HOURS

M.M.–80

GENERALINSTRUCTIONS:


1. Thisquestionpapercon
tainstwosection
s: Section A –
Macro
Economics
SectionB–IndianEconomic Development
2. Thispapercontains 20MultipleChoiceQuestionstypequestionsof 1markeach.
3. Thispapercontains4ShortAnswerQuestionstypequestionsof3markseacht
obeanswered in 60 to 80 words.
4. Thispapercontains6ShortAnswerQuestionstypequestionsof4markseacht
obeanswered in 80 to 100 words.
5. Thispapercontains4LongAnswerQuestionstypequestionsof6markseacht
obeanswered in 100 to 150 words.

Q.NO.	SECTIONA –MACRO ECONOMICS	MARKS
1	<p>Readthe followingstatementscarefully:</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>Statement2:AggregateDemandcurveandConsumptioncurveareparalleltoreach other. In the light of the given statements, choose the correct alternative from the following:</p> <p>a) Statement1 istrueandstatement 2is false</p> <p>b) Statement1 isfalse andstatement 2is true</p> <p>c) Bothstatements1and2aretrue</p> <p>d) Bothstatements1and2 are false</p>	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> <ul style="list-style-type: none"> a) Production of cars in India will rise. b) Production and sale of cycles in India will rise. c) Inflow of US Dollars in India will rise. d) Outflow of US Dollars from India will rise. 	1
3	<p>_____ is an institution that accepts deposits for lending purposes. (Fill up the blank with correct alternative)</p> <ul style="list-style-type: none"> a) Commercial Banks b) Life Insurance Corporation c) Reserve Bank of India d) Government of India 	1
4	<p>Read the following statements carefully:</p> <p>Statement 1: Export of financial services by India will be recorded on the credit side of current account.</p> <p>Statement 2: Foreign Direct Investments in India will be recorded on the credit side of capital account.</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

7	<p>Money supply in India may increase if, _____ (Choose the correct alternative)</p> <p>1. Reserve Bank of India (RBI) injects more money in circulation</p> <p>2. the commercial banks expand their credit operation</p> <p>3. tax rates are reduced by the Central Government</p> <p>4. Reserve Bank of India increases the Bank Rate</p> <p>Alternatives:</p> <p>a) 1, 2 and 3 are correct</p> <p>b) 2, 3 and 4 are correct</p> <p>c) 1, 3 and 4 are correct</p> <p>d) 1, 2 and 4 are correct</p>	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>Visible Imports</td></tr><tr><td>2010</td><td>230</td><td>240</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> <p>a) Improvement in balance of trade</p> <p>b) Increase in trade deficit</p> <p>c) Improvement in balance in invisible items</p> <p>d) Deterioration of balance of trade</p> <p style="text-align: center;">OR</p> <p>The following information is given for an imaginary country:</p> <table><tr><td>Current Account</td><td>Amount (in ₹'000 Crore)</td></tr><tr><td>Visible Exports</td><td>100</td></tr><tr><td>Visible Imports</td><td>150</td></tr><tr><td>Invisible Exports</td><td>70</td></tr><tr><td>Invisible Imports</td><td>30</td></tr></table> <p>Net current transfer balance 15</p>	Year	Visible Exports	Visible Imports	2010	230	240	2020	580	460	Current Account	Amount (in ₹'000 Crore)	Visible Exports	100	Visible Imports	150	Invisible Exports	70	Invisible Imports	30	1
Year	Visible Exports	Visible Imports																			
2010	230	240																			
2020	580	460																			
Current Account	Amount (in ₹'000 Crore)																				
Visible Exports	100																				
Visible Imports	150																				
Invisible Exports	70																				
Invisible Imports	30																				

	<p>Balance on current account will be _____ of ₹ _____ thousand Crore.</p> <p>a) deficit, 10 b) surplus, 5 c) deficit, 5 d) surplus, 10</p>	1
9	<p>Read the following statement-Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p>Assertion (A): Ex-post Investments represent planned Investments; whereas ex-ante Investments represent actual level of investments.</p> <p>Reason (R): At equilibrium level, Ex-ante Savings and Ex-ante Investments are always equal.</p> <p>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:</p> <p>Assertion (A): Saving curve makes a negative intercept on the vertical axis at zero level of income.</p> <p>Reason (R): Saving function refers to the functional relationship between saving and income.</p> <p>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	<p>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.</p>	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

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> <ol style="list-style-type: none"> Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A). Both Assertion(A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion (A). Assertion(A) is true but Reason (R) is false. Assertion(A) is false but Reason (R) is true. 	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	<p>Defend or refute the following statement with valid explanation:</p> <p>'Disguised unemployment is a common form of unemployment in rural India'</p> <p>Or</p> <p>Critically evaluate the role of rural banking system in the process of rural development in India.</p>	3 3
30	<p>Compare and analyse the following information related to Imports and Exports of the three neighbouring nations:</p>	

	Country	Exports from India (in ₹ Crore)			Imports to India (in ₹ Crore)			
		2004-05	2018-19	Annual rate of growth (%)	2004-05	2018-19	Annual rate of 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 Maharatana company. b) 'Land ceiling promotes equity.' Support the given statement with valid explanation. OR Discuss briefly, how institutional reforms (land reforms) have played a significant role in transforming Indian agriculture.							1 3 4
32	State whether the following statements are true/false, with valid arguments: a) Human Capital and Human Development are one and the same thing b) India has a poor stock of technical manpower.							2 2
33	a) Define agricultural marketing. b) Discuss briefly the importance of micro-credit programmes in rural development. c) Enlist any two problems faced by farmers in the initial years of organic farming. OR 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 or refute 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>	
	<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. 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> <p>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'.</p>	3 3

Previous year CBSE Questions papers

ECONOMICS(030)CLASS XII (2024-25)

QUESTIONPAPER

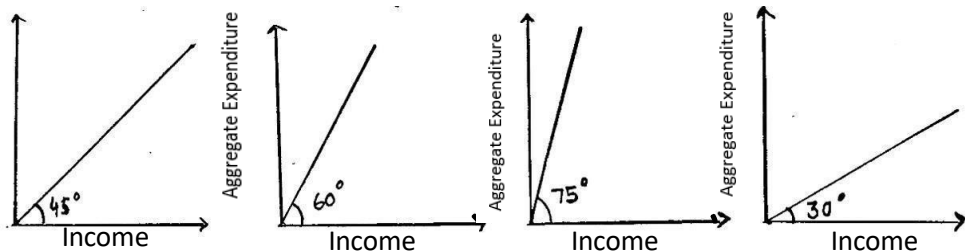
TIME:3 HOURS

M.M.–80

GENERALINSTRUCTIONS:

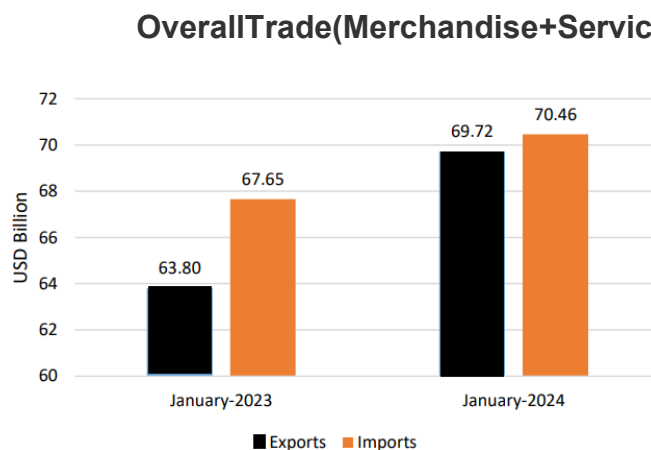
- I. Thisquestionpapercontainstwo sections:
SectionA–MacroEconomics
SectionB–IndianEconomicDevelopment
- II. Thispapercontains20MultipleChoiceTypeQuestionsof1markeach.
- III. Thispapercontains4ShortAnswer TypeQuestionsof3markseachtobeansweredin60 to 80 words.
- IV. Thispapercontains6ShortAnswer TypeQuestionsof4markseachtobeansweredin80 to 100 words.
- V. Thispapercontains4LongAnswer TypeQuestionsof6markseachtobeansweredin100 to 150 words.

Q.NO.	SECTIONA–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):Thegovernmentcanreducethedeflationarygapbypurchasing government securities in the open market.</p> <p>Reason(R):TheCentralBankpurchasesgovernmentsecuritiesintheopen market to increase the lending capacity of commercial banks.</p> <p>Options:</p> <p>A. BothAssertion(A)andReason(R)aretrueandReason(R)isthecorrect explanation of Assertion (A).</p> <p>B. Both Assertion (A) and Reason (R) are true, but Reason (R) is not thecorrect explanation of Assertion (A).</p> <p>C. Assertion(A)istrue,butReason(R)isfalse.</p> <p>D. Assertion(A)isfalse,butReason(R)istrue.</p>	1
2.	<p>“TheCabinetledbyPrimeMinisterhasdecidedthattheCentralGovernment will provide free food grains to81.35 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/PressReleaselframePage.aspx?PRID=1980689</p> <p>Basedontheaforesaidstatement,identifythebudgetaryobjectivethe government is trying to achieve and choose the correct option:</p> <p>A.Reallocationofresources B.Economicstability C.Redistributionofincome D.Economicinstability</p>	1

3.	To arrive at the value of Gross Value Added at Market Price (GVA_{MP}) _____ (Choosethecorrectoptiontofilluptheblank) A.ProductTaxes C.ProductionTaxes B.NetProductTaxes D.NetProductionTaxes	1
4.	Under the _____ exchangeratesystem,marketforcesautomaticallyadjust the surplus and deficit in the Balance of Payments account. (Choosethecorrectoptiontofilluptheblank) A.fixed C.managed floating B.flexible D.dirty floating	1
5.	From the given diagrams, identify the correct option that indicates the 'ReferenceLine'passingthroughtheoriginataparticularangle. (i) (ii) (iii) (iv)  A.(i) B.(ii) C. (iii) D. (iv) ForVisuallyImpairedCandidates: UndertheKeynesiantheory,'ReferenceLine'isastraightlinepassing through the origin drawn at an angle of _____. (Choosethecorrectoptiontofilluptheblank) A.25° B.45° C. 55° D.75°	1
6.	AsperthedatapresentedintheUnionBudget2023-24,thetotalreceiptsof the government other than borrowings and the total expenditure are estimatedat₹27.2lakhcroreand₹45lakhcrorerespectively. The value of the _____ deficitwouldbe₹17.8lakhcrore. (Choosethecorrectoptiontofilluptheblank) A.revenue C. budgetary B.fiscal D. primary	1
7.	Readthefollowingstatementscarefully: Statement1: ThemaximumvalueofMarginalPropensitytoConsume(MPC) can be unity. Statement 2: As the income of an economy increases, the proportionate increase in the level of consumption is always more than the increase in the level of income. Inlightofthegivenstatements,choosethecorrectoptionfromthefollowing: A.Statement1istrueandStatement2isfalse. B.Statement1isfalseandStatement2istrue. C.BothStatements1and2are true. D.BothStatements1and2arefalse.	1

8.	<p>In a two-sector economy, Aggregate Demand can be determined by adding _____.</p> <p>(Choose the correct option to fill up the blank)</p> <p>A. Autonomous Consumption, Induced Consumption and Induced Investment</p> <p>B. Autonomous Consumption, Autonomous Investment and Induced Investment</p> <p>C. Autonomous Consumption and Autonomous Investment</p> <p>D. Autonomous Consumption, Induced Consumption and Autonomous Investment</p>	1
9.	<p>Read the following statements carefully:</p> <p>Statement 1: Foreign grants-in-aid receipts do not lead to any claim on the government.</p>	1

	<p>Statement 2: Disposal of equity by the Public Sector Undertakings in the market may lead to a decrease in the assets of the government.</p> <p>In light of the given statements, choose the correct option 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>	
10.	<p>Based on the given diagram:</p> <p>The trade under current account during January 2024 reflects a _____</p> <p>A. surplus, 0.74</p> <p>B. surplus, 3.85</p> <p>C. deficit, 0.74</p> <p>D. deficit, 3.8</p>	1

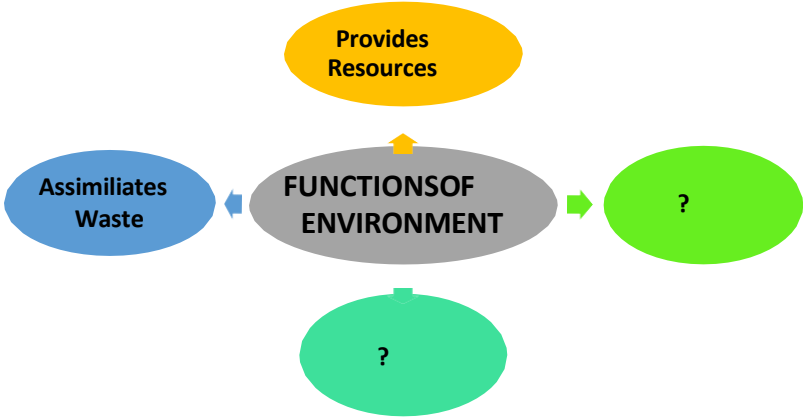


	<p>Source: https://commerce.gov.in/wp-content/uploads/2024/02/PIB-Press-Release-January-2024-1.pdf</p> <p>For Visually Impaired Candidates:</p> <p>_____ indicate the situation of Current Account Deficit in the Balance of Payments Account.</p> <p>A. Receipts > Payments on current account B. Receipts = Payments on current account C. Receipts < Payments on current account D. Receipts < Payments on capital account</p>	1																																	
11. (A)	<p>On the basis of the given data, estimate the value of Domestic Income (NDP_{FC}):</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>Household Consumption Expenditure</td><td>800</td></tr> <tr> <td>ii.</td><td>Gross Business Fixed Capital Formation</td><td>150</td></tr> <tr> <td>iii.</td><td>Gross Residential Construction Investment</td><td>120</td></tr> <tr> <td>iv.</td><td>Government Final Consumption Expenditure</td><td>170</td></tr> <tr> <td>v.</td><td>Excess of Imports over Exports</td><td>20</td></tr> <tr> <td>vi.</td><td>Inventory Investment</td><td>140</td></tr> <tr> <td>vii.</td><td>Gross Public Investment</td><td>500</td></tr> <tr> <td>viii.</td><td>Net Indirect Taxes</td><td>70</td></tr> <tr> <td>ix.</td><td>Net Factor Income From Abroad</td><td>(-) 50</td></tr> <tr> <td>x.</td><td>Consumption of Fixed Capital</td><td>40</td></tr> </tbody> </table> <p style="text-align: center;">OR</p>	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	3
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11. (B)	<p>State the steps pertaining to the estimation of National Income under the income method.</p>	3																																	
12.	<p>“Tax revenue collection of the government may be categorized under two heads.” State and explain the two heads of tax revenue.</p>	3																																	
13.	<p>(I) ‘Foreign Portfolio Investment (FPI) witnessed a sharp turnaround during 2023-24 with net FPI inflows of US\$ 32.4 billion.’ 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>	3 1																																	
14. (A)	<p>“Saving curve can be derived from the consumption curve” Justify the statement, citing valid steps with the help of a well-labelled diagram.</p> <p>For Visually Impaired Candidates: “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,</p>	4																																	
14.																																			

(B)	<p>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>2</p> <p>2</p>
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. 	

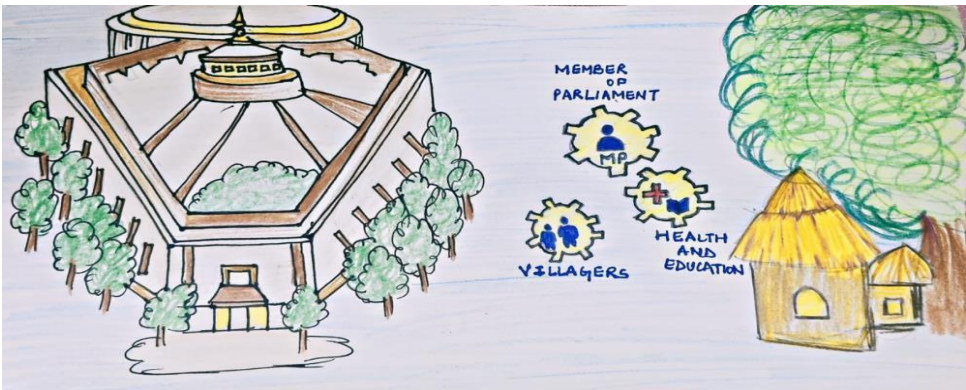
	<ul style="list-style-type: none"> • Money is usually issued by a sovereign (or a Central Bank as its representative). <p>In modern economies, currency is a form of money that is issued exclusively by some competent authority (Central Bank). It is a liability of the issuing Central Bank and an asset 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.</p> <p>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." 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." 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." 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." 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> <p>i. Sustains life ii. Provides aesthetic services iii. Generates waste iv. Provides only renewable resources</p> <p>Options:</p> <p>A. (i) and (ii) </p>	

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 (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? (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.	<p>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 _____.</p> <p>A. Great Leap Forward Campaign</p> <p>B. Great Proletarian Cultural Revolution</p> <p>C. One Child Norm</p> <p>D. Special Economic Zones</p>	1

25.	<p>_____ was setup in 1974 by the Indian government to address two major environmental concerns viz. water and air pollution.</p> <p>(Choose the correct option to fill up the blank)</p> <p>A.State Pollution Control Board B.Central Pollution Control Board C.Brundtland Commission D.Montreal Protocol</p>	1
26.	<p>“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.”</p> <p>Identify the situation indicated in the given statement and choose the correct option.</p>	1
	<p>A.Casualisation of workforce B.Informalisation of workforce C.Formalisation of workforce D.Jobless growth</p>	
27.	<p>During the period 1951-2016, _____ led to an increase in the milk production in India by about ten times.</p> <p>(Choose the correct option to fill up the blank)</p> <p>A.Green Revolution B.Golden Revolution C.Operation Flood D.Industrial Revolution</p>	1
28. (A)	<p>Critically appraise the disinvestment policy initiated by the government during the reforms of 1991.</p>	3
28. (B)	<p style="text-align: center;">OR</p> <p>‘Globalisation is an essential outcome of liberalisation of an economy’. Justify the given statement with a valid explanation.</p>	3
29.	<p>‘To measure the extent of development in an economy, liberty indicators should be considered along with other socio-economic parameters.’</p> <p>Do you agree with the given statement? Give valid reasons in support of your answer.</p>	3
30.	<p>‘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.’</p> <p>In the light of the given text, discuss any two reforms responsible for the rapid economic growth of China.</p>	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>	4
31. (B)	<p>OR</p> <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>	1
	<p>For Visually Impaired Candidates in lieu of 32(I):</p> <p>Explain briefly the Saansad Adarsh Gram Yojana (SAGY) initiated by the Government of India.</p>	3
33	<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> <ol style="list-style-type: none"> decennial population census and 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.</p> <p>(II) 'The labour force encompasses a broader category than the workforce.'</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.'</p> <p>In the light of the given statement, state any one type of employment.</p>	<p>2</p> <p>3</p> <p>1</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.	4
	(II) Discuss briefly the estimates made by notable scholars regarding the national income and per capita income during the colonial rule in India.	2
34. (B)	OR (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

	<p>a) It is not applicable in this situation</p> <p>b) It is low, indicating people prefer saving over spending</p> <p>c) It is negative, indicating people are decreasing their consumption</p> <p>d) It is high, indicating people are responsive to changes in income</p>	
4	<p>A positive balance in the Capital Account of the Balance of Payments of a country indicates that:</p> <p>a) trade balance is positive</p> <p>b) currency is depreciating</p> <p>c) it is experiencing a budget surplus</p> <p>d) it is receiving more foreign investment than it is making abroad</p>	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> <p>a) a safe place to keep the wealth</p> <p>b) a tool that helps to compare the value of different things</p> <p>c) a bridge between people who want to buy things and people who want to sell things</p> <p>d) a steady foundation that helps to agree on how to settle debts or loans at a later time</p>	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> <p>a) 4,000</p> <p>b) 8,000</p> <p>c) 12,000</p> <p>d) 16,000</p>	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> <p>a) the price level increases, aggregated demand increases</p> <p>b) the price level increases, aggregated demand decreases</p> <p>c) changes in the price level have no impact on aggregated demand</p> <p>d) the relationship between the price level and aggregated demand is unpredictable</p>	1
8	<p>The influence exerted by international borrowing on the foreign exchange supply within an economy is indicated when it:</p> <p>a) minimally affects the supply of foreign exchange</p> <p>b) tends to diminish the supply of foreign exchange</p> <p>c) intends to increase the supply of foreign exchange</p> <p>d) is confined solely to alterations in the supply of domestic currency</p>	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> <p>a) 1,400</p> <p>b) 6,100</p>	1

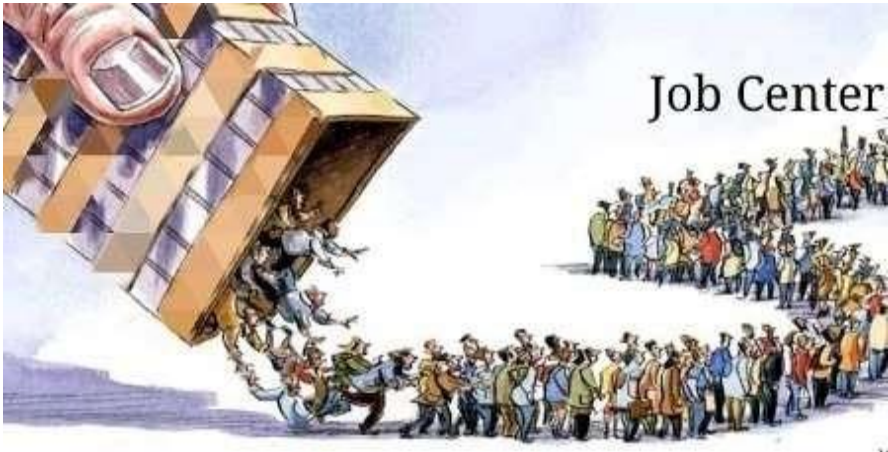
	c) 3,050 d) 3,800																									
10	<p>Which of the following best defines 'Unilateral Transfers' in the context of international transactions?</p> <p>a) Fund transferred internationally as loans for a specified tenure and interest rate. b) Trade transactions involving goods and services between 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	Elucidate the distinction between Autonomous Items and Accommodating Items concerning a nation's Balance of Payments. Give example to demonstrate country's international economic interactions.	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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13	If National Income is 250 crore and Savings is 80 crore, find out Average Propensity to Consume. When National Income rises to 390 crore and Savings to 115 crore, what will be the Average Propensity to Consume and the Marginal Propensity to Save?	4																								

14	<p>(A) Describe the economic scenario when ex-post Aggregate Demand surpasses ex-post Aggregate Supply and its potential consequences on price levels, production and employment.</p> <p style="text-align: center;">OR</p>	4																					
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	(B) Demonstrate your understanding of how the Reserve Bank of India can apply monetary policy tools to tackle a scenario of Deficient Demand in the economy? Identify and discuss four specific measures that the Reserve Bank of India can employ to effectively correct the situation.																						
15	Explore four main functions of the Reserve Bank of India and how each of these functions contributes to the overall growth of the Indian economy.	4																					
16	<p>(A). Utilizing the provided data, compute Revenue Deficit, Fiscal Deficit and Primary Deficit:</p> <table border="1"> <thead> <tr> <th>S.No.</th><th>Given Data</th><th>(in crore)</th></tr> </thead> <tbody> <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> </tbody> </table> <p>(B) Outline a hypothetical scenario where a government is considering implementing a new tax policy. In this scenario, explain how the introduction of a Progressive Tax would affect individuals with low, middle and high incomes.</p> <p style="text-align: center;">OR</p> <p>(C) Explain the Government's Budget and its various sources of revenue. Present three actual instances of non-tax revenue earnings that a government could accumulate during its fiscal year.</p> <p>(D). Highlight three main objectives that guide the government to frame their policies and decisions. Explain these three objectives providing examples.</p>	S.No.	Given Data	(in crore)	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	3
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17	<p>(a). In the estimation of a country's National Income, are the following items included? Provide reasons for each.</p> <p>(i) Rent-free house to an employee by an employer</p> <p>(ii) Purchases by foreign tourists</p> <p>(iii) Purchase of a truck to carry goods by a production unit</p> <p>(b). Elaborate on the concepts of Nominal Gross National Product and Real Gross National Product with examples to illustrate the significance of these measures in economic decision-making.</p>	3																					
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	SECTION B – INDIAN ECONOMIC DEVELOPMENT																						

18	<p>The overarching objective of equitable distribution goals in planning is to:</p> <ul style="list-style-type: none"> a) ensure a fair and just society for all citizens b) foster competition by reducing government intervention in markets c) focus on short-term gains rather than long-term societal benefits d) enhance economic growth through targeted investments in specific sectors 	1
19	<p>The main objective of China's One Child Policy, which was implemented from 1979 to 2016 was:</p> <ul style="list-style-type: none"> a) to provide financial incentives for families with multiple children b) to promote gender equality by limiting the number of male children c) to control the population growth and address overpopulation concerns d) to encourage families to have more children and increase the population 	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 II: promotion of domestic green energy sector through targeted investments III: enhanced self-sufficiency in energy production and greater sustainability IV: increased dependence on foreign technology for renewable energy implementation</p> <p>Alternatives:</p> <ul style="list-style-type: none"> a) I and II b) II and III c) III and IV d) IV and I 	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> <ul style="list-style-type: none"> a) faster and predictable pest eradication b) lower labor costs for pest management c) increased risk of crop failure and reduced yields d) reduced harm to beneficial insects and pollinators 	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 these 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-II, 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	<p>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.</p>	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>	4	4
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 style="text-align: center;">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>(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.</p>	3 3 3 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>	
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	<p>pollutants and waste from industries has further contaminated air, water and soil, endangering human health and biodiversity.</p> <p>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 habitats 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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