केन्द्रीय विद्यालय संगठन मुंबई संभाग
KENDRIYA VIDYALAYA SANGATHAN MUMBAI REGION
मासिक परीक्षा- (अक्टूबर) 2024-25
MONTHLY TEST- (OCTOBER) 2024-25

कक्षा: बारहवीं **अंक: 40**

Class: XII Marks:40

विषय: अर्थशास्त्र **समय: डेढ़ घंटा**

Subject: Economics Time: 1 ½ hrs.

सामान्य निर्देश:

I. इस प्रश्न पत्र में 10 बहुविकल्पीय प्रश्न हैं, जिनमें से प्रत्येक 1 अंक का है।

II. इस प्रश्न पत्र में 2 लघु उत्तरीय प्रश्न हैं, जिनमें से प्रत्येक 3 अंक का है, जिनका उत्तर 60 से 80 शब्दों में देना है।

III. इस प्रश्न पत्रमें 3 लघु उत्तरीय प्रश्न हैं, जिनमें से प्रत्येक 4 अंक का है, जिनका उत्तर 80 से 100 शब्दों में देना है।

IV. इस प्रश्न पत्र में 2 दीर्घ उत्तरीय प्रश्न हैं, जिनमें से प्रत्येक 6 अंक का है, जिनका उत्तर 100 से 150 शब्दों में देना है।

GENERAL INSTRUCTIONS:

I. This Q.paper contains 10 Multiple Choice Type Questions of 1 mark each.

II. This Q. paper contains 2 Short Answer Type Questions of 3 marks each to be answered in 60 to 80 words.

III. This Q. paper contains 3 Short Answer Type Questions of 4 marks each to be answered in 80 to 100 words.

IV. This Q. paper contains 2 Long Answer Type Questions of 6 marks each to be answered in 100 to 150 words.

Q.N.	Questions प्रश्न	Marks
1	'गरीब लोगों को मुफ्त में एल.पी.जी. कनेक्शन वितरित करना सामाजिक न्याय का प्रतीक है।' उपर्युक्त कथन से 'सरकारी बजट का उद्देश्य पहचानिए। (a) आर्थिक विकास को बढ़ावा देना। (b) सार्वजनिक उद्यमों का प्रबंधन। (c) आय का समान वितरण करना। (d) सरकार के राजस्व में उतार-चढ़ाव पैदा करना। 'Free distribution of LPG connection to poor people is a sign of social justice.' Identify the 'Objective of Government Budget' from the above mentioned statement. (a) Promote economic growth. (b) Management of public enterprises. (c) Create equitable distribution of income. (d) Create fluctuation in revenue of the government.	1
2	निम्नलिखित कथनों को पढ़ें: अभिकथन (A) और कारण (R)। नीचे दिए गए विकल्पों में से सही विकल्प चुनें: **अभिकथन (A):** ऋणों की वसूली सरकार के लिए राजस्व प्राप्ति है। **कारण (R):** ऋणों की वसूली से सरकार की वित्तीय परिसंपत्तियों में गिरावट आती है। (a) अभिकथन (A) और कारण (R) दोनों सत्य हैं और कारण (R) अभिकथन (A) की सही व्याख्या है। (b) अभिकथन (A) और कारण (R) दोनों सत्य हैं, लेकिन कारण (R) अभिकथन (A) की सही व्याख्या नहीं है। (c) अभिकथन (A) सत्य है, लेकिन कारण (R) असत्य है। (d) अभिकथन (A) असत्य है, लेकिन कारण (R) सत्य है।	1

	Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: **Assertion(A)**: Recovery of loans is a revenue receipt for the government. **Reason(R):** Recovery of loans leads to decline in financial assets of the government. (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.	
3	"भारतीय रिजर्व बैंक" ने केवाईसी नियमों का उल्लंघन करने के लिए एक्सिस बैंक पर 25 लाख का जुर्माना लगाया है। ऐसा करते समय आरबीआई ने निम्नलिखित में से कौन सा कार्य किया है? (a) सरकार का बैंकर। (b) बैंकों का बैंक और पर्यवेक्षक। (c) विदेशी मुद्रा भंडार का संरक्षक। (d) मुद्रा आपूर्ति का नियंत्रक। "Reserve Bank of India" imposes ₹ 25 lakh penalties on Axis Bank for violating KYC rules". Which of the following functions, RBI has performed while doing this? (a) Banker to the government. (b) Banker's bank and supervisor. (c) Custodian of foreign exchange reserve. (d) Controller of money supply.	1
4	सही विकल्प चुनें: 'रेपो दर' वह दर है जिस पर_____ (a) वाणिज्यिक बैंक केंद्रीय बैंक से सरकारी प्रतिभूतियाँ खरीदते हैं। (b) वाणिज्यिक बैंक केंद्रीय बैंक से अल्पकालिक ऋण ले सकते हैं। (c) वाणिज्यिक बैंक अपनी जमाराशि केंद्रीय बैंक के पास रख सकते हैं। (d) वाणिज्यिक बैंक केंद्रीय बैंक से दीर्घकालिक ऋण ले सकते हैं। *Choose the correct option:* Repo rate is the rate at which_____ (a) Commercial banks purchase government securities from the central bank. (b) Commercial banks can take short term loans from the central bank. (c) Commercial banks can keep their deposits with the central bank. (d) Commercial banks can take long term loans from the central bank.	1
5	निम्नलिखित कथनों को ध्यानपूर्वक पढ़ें: **कथन 1:** दो क्षेत्र वाली अर्थव्यवस्था में, उपभोग व्यय और निवेश व्यय समग्र मांग के दो घटक हैं। **कथन 2:** समग्र मांग वक्र हमेशा सकारात्मक ढलान के साथ मूल बिंदु से शुरू होता है। दिए गए कथनों के आधार पर, *निम्नलिखित में से सही विकल्प चुनें:* (a) कथन 1 सत्य है और कथन 2 असत्य है। (b) कथन 1 असत्य है और कथन 2 सत्य है। (c) कथन 1 और 2 दोनों सत्य हैं। (d) कथन 1 और 2 दोनों असत्य हैं।	1

	Read the following statements carefully: **Statement 1:** In two sector economy, consumption expenditure and investment expenditure are the two components of aggregate demand. **Statement 2:** Aggregate demand curve always starts from point of origin with positive slope. 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.	
6	औसत उपभोग प्रवृत्ति से तात्पर्य है: (क) आय का वह स्तर जिस पर बचत आय के बराबर होती है। (ख) अतिरिक्त आय जो बचाई नहीं जाती। (ग) बचत का आय से अनुपात। (घ) उपभोग का आय से अनुपात। Average Propensity to Consume refers to: (a) Level of income at which savings are equal to income. (b) Additional income that is not saved. (c) Ratio of savings to the income. (d) Ratio of consumption to the income.	1
7	'यदि भारत को वास्तविक प्रगति करनी है तो उसे अपने ग्रामीण क्षेत्रों का विकास करना होगा।' उपर्युक्त कथन के लिए निम्नलिखित में से कौन सा कारण गलत है? (a) ग्रामीण भारत की लगभग एक तिहाई आबादी अभी भी घोर गरीबी में रहती है। (b) भारत की 50 प्रतिशत से अधिक आबादी अपनी आजीविका के लिए कृषि पर निर्भर है। (c) भारतीय कृषि क्षेत्र में वृद्धि दर अन्य क्षेत्रों की तुलना में काफी कम रही है। (d) अधिकांश ग्रामीण लोगों की पहुँच जीवन की बुनियादी आवश्यकताओं तक है। 'If India has to make real progress it has to develop its rural areas.' Which of the following is incorrect reason for the above mentioned statement? (a) Approximately one third population of rural India still lives in abject poverty. (b) More than 50 percent India's population depends on agriculture for their livelihood. (c) Growth rate in Indian agriculture sector has been quite lower than of other sector. (d) Majority of rural people have access to the basic necessities of life.	1
8	निम्नलिखित कॉलम I और कॉलम II से सही युग्म की पहचान करें और सही विकल्प चुनें:	1

कॉलम I	**कॉलम II**
(A) स्व-नियोजित श्रमिक	(i) वे अपनी आजीविका कमाने के लिए व्यवसाय का स्वामित्व रखते हैं और उसका संचालन करते हैं।
(B) आकस्मिक वेतन भोगी श्रमिक	(ii) उन्हें स्थायी आधार पर वेतन मिलता है।
(C) नियमित वेतनभोगी कर्मचारी	(iii) उन्हें स्थायी आधार पर काम पर नहीं रखा जाता है।
(D) औपचारिक क्षेत्र के श्रमिक	(iv) वे केवल निजी क्षेत्र में काम करते हैं।

विकल्प:

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

	Identify the correct pair from the following Column I and Column II, and choose the correct alternative: <table><tr><th>Column I</th><th>Column II</th></tr><tr><td>(A) Self-employed workers</td><td>(i)They own and operate a business to earn their livelihood.</td></tr><tr><td>(B) Casual wage workers</td><td>(ii)They get wages on permanent basis.</td></tr><tr><td>(C) Regular salaried workers</td><td>(iii) They are not hired on permanent basis.</td></tr><tr><td>(D) Formal sector workers</td><td>(iv) They work only in private sector.</td></tr></table>*Alternatives:* (a) A-(i) (b) B -(ii) (c) C-(iii) (d) D-(iv)	
9	_____ का उद्देश्य एक वित्तीय वर्ष में 100 दिन की मजदूरी रोजगार की गारंटी देकर ग्रामीण क्षेत्रों में लोगों की आजीविका सुरक्षा को बढ़ाना है। (a) प्रधानमंत्री जन-धन योजना (b) महात्मा गांधी राष्ट्रीय ग्रामीण रोजगार गारंटी अधिनियम-2005 (c) सम्पूर्ण ग्रामीण रोजगार योजना (d) राष्ट्रीय काम के बदले अनाज कार्यक्रम _____ aims at enhancing the livelihood security of people in rural areas by guaranteeing 100 days wage employment in a financial year. (a) Pradhan Mantri Jan-Dhan Yohna (b) Mahatma Gandhi National Rural Employment Guarantee Act-2005 (c) Sampoorna Gramin Rozgar Yojna (d) National Food For Work Programme	1
10	पहचानें कि निम्नलिखित में से कौन सा कथन गलत है? (a) पुरुषों की तुलना में, कम महिलाएँ काम करती पाई जाती हैं। (b) प्रत्येक 100 शहरी महिलाओं के लिए, केवल लगभग 14 कुछ आर्थिक गतिविधियों में लगी हुई हैं। (c) ग्रामीण क्षेत्रों में, प्रत्येक 100 ग्रामीण महिलाओं के लिए लगभग 38 रोजगार बाजार में भाग लेती हैं। (d) यह देखना आम बात है कि जहाँ पुरुष उच्च आय अर्जित करने में सक्षम हैं, वहाँ परिवार महिला सदस्यों को नौकरी करने से हतोत्साहित करते हैं। Identify which of the following statement is incorrect? (a) Compared to males, less females are found to be working. (b) For every 100 urban females, only about 14 are engaged in some economic activities. (c) In rural areas, for every 100 rural women about 38 participate in the employment market. (d) It is common to find that where men are able to earn high income, families discourage female members from taking up jobs.	1

11	समग्र मांग से आप क्या समझते हैं? इसके घटकों की व्याख्या कीजिए। (1+2) What do you mean by aggregate demand? Explain its components. (1+2)	3
12	निम्नलिखित केस स्टडी को ध्यान से पढ़ें और उसके बाद आने वाले प्रश्नों के उत्तर दें: "कृषि का उत्पादन मुख्य रूप से एक कच्चा माल है जिसका उपयोग आगे की प्रक्रिया के लिए किया जाता है। कृषि उत्पाद बड़े और जल्दी खराब होने वाले दोनों होते हैं। भारी होने के कारण विपणन मुश्किल हो जाता है और परिवहन और भंडारण की इकाई लागत बढ़ जाती है। जल्दी खराब होने वाले उत्पादों को तेजी से संभालने और प्रशीतन की आवश्यकता होती है। एकरूपता गुणवत्ता के लिए मानकीकरण किया जाता है और इसमें मानकों का निर्धारण शामिल होता है। ग्रेडिंग आकार, रंग या उपस्थिति जैसे बुनियादी वर्णनात्मक मानकों का अनुप्रयोग है। पैकेजिंग में, उत्पादों को खराब होने और बर्बाद होने से बचाने के लिए पैक में रखा जाता है और खेतों से अंतिम उपभोक्ताओं के कब्जे में ले जाने में आसानी होती है। परिवहन वस्तुओं के लिए स्थान उपयोगिता बनाता है। भंडारण माल को रखने और संरक्षित करने की प्रक्रिया है।" (क) भारत में कृषि विपणन की मुख्य समस्याएँ क्या हैं? कोई तीन बताएँ। 1.5 अंक (ख) कृषि विपणन में सुधार के लिए सरकार द्वारा उठाए गए किन्हीं तीन कदमों का उल्लेख करें। 1.5 अंक Read the following case study carefully and answer the questions that follow: "Output of agriculture is largely a raw material which is used for further processing Agricultural products are both are bulkiest and perishable. Bulkiness makes marketing difficult and increases the unit cost of transportation and storage. Perishable products require speedy handling and refrigeration. Standardization is done for the uniformity quality and involves determination of standards. Grading is application of basic descriptive standards such as size, colour or appearance. In packaging, the products are put in to packs to prevent spoilage and waste and facilitate their movement from the farms into possession of final consumers. Transportation creates place utility for commodities. Storage is the process of holding and preserving goods." (a) What are the main problems of agricultural marketing in India? Mention any three. 1.5 Marks (b) Mention any three steps taken by the government to improve agricultural marketing. 1.5 Marks	3
13	वाणिज्यिक बैंकों द्वारा ऋण सृजन की प्रक्रिया की व्याख्या करें। या केंद्रीय बैंक खुले बाजार परिचालन द्वारा वाणिज्यिक बैंकों द्वारा ऋण सृजन को कैसे प्रभावित करता है? समझाएँ। Explain the process of credit creation by commercial banks. OR How does a central bank influence the credit creation by commercial banks by open market operations? Explain.	4
14	निम्न तालिका को पूरा करें: **आय (₹) | औसत उपभोग प्रवृत्ति | बचत | सीमांत उपभोग प्रवृत्ति** 0 | - | -80 | - 100 | 1.4 | … | … 200 | 1 | … | … 300 | 0.8 | … | …	4

Complete the following table:

Income (₹)	APC	Saving	MPC
0	-	-80	-
100	1.4	…	…
200	1	…	…
300	0.8	…	…

15 निम्नलिखित केस स्टडी को ध्यान से पढ़ें और उसके बाद आने वाले प्रश्नों के उत्तर दें: 4

"कृषि क्षेत्र से जोखिम को कम करने के लिए ही नहीं बल्कि ग्रामीण लोगों को उत्पादक टिकाऊ आजीविका विकल्प प्रदान करने के लिए भी नए क्षेत्रों की ओर विविधीकरण आवश्यक है। संबद्ध गतिविधियों, गैर-कृषि क्षेत्रों जैसे कृषि प्रसंस्करण उद्योग, खाद्य प्रसंस्करण उद्योग आदि पर ध्यान केंद्रित करने की आवश्यकता है।"

(a) विविधीकरण में कृषि गतिविधियों के कौन से दो पहलू शामिल हैं? 2

(b) विविधीकरण न केवल महत्वपूर्ण है बल्कि टिकाऊ आजीविका के लिए कृषि गतिविधियों के मामले में आवश्यक क्यों है? 2

Read the following case study carefully and answer the questions that follow:

"Diversification towards new areas is necessary not only to reduce the risk from agriculture sector but also to provide productive sustainable livelihood option to rural people. There is need to focus on allied activities, non-farm sectors like agro-processing industries, food processing industries etc."

(a) What are the two aspects that the diversification includes of agricultural activities? 2

(b) Why diversification is not only important but necessary in case of farm activities for sustainable livelihood? 2

16 (a) निम्नलिखित को राजस्व व्यय या पूंजीगत व्यय में वर्गीकृत करें। वैध कारण बताएँ। (1x3=3) 6

(i) सरकार द्वारा अपने कर्मचारियों को दिया जाने वाला वेतन।

(ii) ₹ 60,000 में एक नई मशीन खरीदी जाती है।

(iii) केंद्र सरकार द्वारा राज्य सरकार को सब्सिडी प्रदान करने के लिए दिया गया ऋण।

(b) तालिका में दी गई जानकारी के आधार पर, निम्नलिखित का मूल्य परिकलित करें:

(i) राजकोषीय घाटा (ii) प्राथमिक घाटा। (1.5 x 2=3)

क्र.सं.	मदें	(₹ करोड़ में)
i	राजस्व प्राप्तियाँ	20
ii	पूंजीगत व्यय	15
iii	राजस्व व्यय	25
iv	गैर-ऋण सृजन पूंजीगत प्राप्तियाँ राजस्व प्राप्तियों का	राजस्व प्राप्तियों का 50%
v	ब्याज भुगतान	4

	(a) Categorise the following in to revenue expenditure or capital expenditure. Give valid reasons. (1x3=3) (i) Salaries paid by the government to their employees. (ii) A new machine is purchased for ₹ 60,000. (iii) Loan given by the central government to state government for providing subsidies. (b) On the basis of information given in the table, calculate the value of: (i) Fiscal Deficit (ii) Primary Deficit. (1.5 x 2=3) S. N. / Items / (₹ in crore) i / Revenue receipts / 20 ii / Capital expenditure / 15 iii / Revenue expenditure / 25 iv / Non-debt creating capital receipts / 50% of revenue receipts v / Interest payments / 4	
17	(क) "कार्यबल का आकस्मिकीकरण भारतीय अर्थव्यवस्था की चिरकालिक समस्या बन गई है।" वैध स्पष्टीकरण के साथ दिए गए कथन का बचाव या खंडन करें। 3 (ख) "भारत में, स्वरोजगार करने वाले लगभग 60% कर्मचारी हैं। स्वरोजगार करने वालों में अल्परोजगार की संभावित घटना सबसे अधिक है।" नीति निर्माता के रूप में, स्वरोजगार करने वालों के लिए अधिक उत्पादक रोजगार सुनिश्चित करने के लिए उठाए जा सकने वाले किन्हीं दो उपायों का सुझाव दें और उनकी व्याख्या करें। 3 (a) "Casualisation of workforce has become perennial problem of the Indian economy." Defend or refute the given statement with valid explanation. 3 (b) "In India, the self-employed constitute around 60% employees. The possible incidence of under employment is the highest among the self-employed." As a policy maker, suggest and explain any two measures that may be taken ensure more productive employment for the self-employed. 3	6

केन्द्रीय विद्यालय संगठन

आंचलिक शिक्षा एवं प्रशिक्षण संस्थान, भुवनेश्वर

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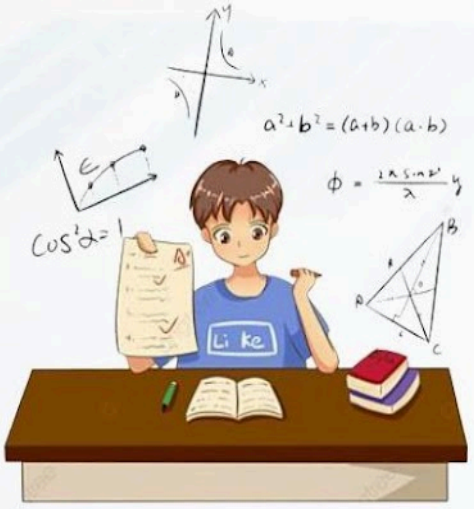
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Class-XII

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निदेशक महोदया का संदेश



"शिक्षा सामाजिक न्याय और समानता प्राप्त करने का सबसे बड़ा साधन है।"

- राष्ट्रीय शिक्षा नीति - 2020

यह सर्व विदित है कि राष्ट्रीय शिक्षा नीति 2020 समानता, गुणवत्ता, सामर्थ्य, पहुंच, और जवाबदेही के सिद्धांतों पर आधारित है और एक समग्र, बहु-विषयक और शिक्षार्थी-केंद्रित शिक्षा प्रणाली विकसित करने का मार्ग प्रशस्त करती है। राष्ट्रीय शिक्षा नीति 2020 शिक्षण को समग्र, एकीकृत, आनंददायक, और आकर्षक बनाने के लिए सभी चरणों में अनुभवात्मक शिक्षा को अपनाने पर बल देती है, जिससे शैक्षणिक दृष्टिकोण में एक आदर्श बदलाव का मार्ग को सुगम हो जाता है।

इसी दृष्टिकोण को ध्यान मे रखते हुये आंचलिक शिक्षा एवं प्रशिक्षण संस्थान भुवनेश्वर, न केवल केंद्रीय विद्यालय संगठन के कार्मिकों एवं शिक्षकों की प्रशिक्षण आवश्यकताओं को पूर्ण करने के लिए अनवरत प्रयासरत है अपितु विद्यार्थियों की शैक्षिक प्रगति को ध्यान मे रखते हुये उन्हें उपयोगी अध्ययन सामग्री उपलब्ध कराने के लिए भी कटिबद्ध है।

इसी क्रम मे आंचलिक शिक्षा एवं प्रशिक्षण संस्थान भुवनेश्वर के फीडर संभाग के शिक्षकों द्वारा यह अध्ययन सामग्री प्रतिभाशाली विद्यार्थियों की आवश्यकता, लक्ष्य और रचनाशीलता को ध्यान मे रखते हुये अथक प्रयास और मनोयोग से तैयार किया गया है और संस्थान के प्रशिक्षण सहयोगी द्वारा संकलित किया गया है।

मुझे आशा ही नहीं पूर्ण विश्वास है की प्रस्तुत गुणवत्ता पूर्ण अध्ययन सामग्री प्रतिभाशाली विद्यार्थियों का ज्ञानवर्धक कराते हुये परीक्षा की कठिनाइयों को रेखांकित कर सघन तैयारी करने मे पूर्ण सहयोग प्रदान करेगी।

शुभकामनाओं सहित।

श्रीमती पी. बी. एस. उषा/ Mrs. P. B. S. Usha

निदेशक / Director

आंचलिक शिक्षा एवं प्रशिक्षण संस्थान, भुवनेश्वर

Zonal Institute of Education and Training, Bhubaneswar

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PART A: INTRODUCTORY MACROECONOMICS

CHAPTER 1: NATIONAL INCOME AND RELATED AGGREGATES (BASIC CONCEPTS)

Q. NO	QUESTION	MARKS
1	Journey of sugar candy A Farmer grows sugarcane of ₹500 in his farm. The sugar factory owner purchases these sugarcanes and produce the sugar of ₹750. The sweet shop purchases this sugar to produce sugar candy of ₹ 1200 and sells these to the consumer. What is the total value added in the Journey of sugar candy?	**1**
2	Which of the following is not included in the domestic territory of India? 1) Indian embassy in Australia 2) Branch of State bank of India in India 3) Indian consulates in France 4) Branch of State bank of India in France	**1**
3	Suppose in an economy GDP at Market Price in a particular fiscal year was ₹4000, National Income was ₹2500 crore, Net Factor Income paid by the economy to Rest of the World was ₹400 crore and value of the Net Indirect Taxes is ₹450 crore. Estimate the value of consumption of fixed capital for the economy from the given data.	**1**
4	**New Delhi.** The Centre on Thursday eased norms to offer 50% of salary for three months as unemployment allowance to lakhs of workers who are members of the Employees State Insurance Corporation and lost their jobs due to the corona virus pandemic. The move as a major relief for industrial workers, who have lost jobs or are on the verge of losing jobs to the impact of the pandemic and the lockdown, which had stalled economic activity. There have been demands from several sections to provide wage relief to workers hit hard by the pandemic. **Source: m.timesofindia.com, Aug 21, 2020** Unemployment allowance is a ---------- (factor/transfer) income	**1**
5	For a closed economy, which one of the following is correct? a) NDP = NNP b) NDP > NNP c) NDP < NNP d) None Of above	**1**
6	Assertion (A): The goods which are used either for resale or for further production in the same year are Intermediate goods. Reason (R): Intermediate goods are included in National Income Choose the correct option from the following. **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	**1**

7	Assertion (A): Goods that meant for final use and will not pass through any more stages for production or transformation is called a final good. Reason (R): It will not under go any further transformation at the hands of any producer, but many such final goods are transformed during their consumption. Choose the correct option from the following. 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	**1**
8	NVAFC equals: (a) ∑Factor Payments (b) ∑ Current Transfer Payments (c) ∑ Capital Transfer Payments (d) Net Current Transfer from Rest of the World	**1**
9	The difference between indirect tax and subsidy is known as _____. (a) Net Factor Income from Abroad (b) Capital Consumption Allowances (c) Depreciation (d) Net Indirect Taxa	**1**
10	Reeta's Mother is a teacher. She also teaches Reeta. How will you treat this act of teaching Reeta while calculating National Income and Domestic Income? a. It will be included in the National Income but not in Domestic Income b. It will not be included in the National Income but in Domestic Income c. It will be included both in the National Income and Domestic Income d. It will neither be included in the National Income and nor in Domestic Income	**1**
11	Mohan is a farmer. He produces wheat and sells for Rs 750 to a miller who grinds it into flour and sells it to baker for Rs 1360. The baker sells bread to the consumers for Rs 1795. Calculate the value of total value added. a)750 b)1350 c)1795 d)3900	**1**
12	In an economy, the value of Net Factor Income from Abroad is Rs. 300 crores and the value of Factor Income to Abroad is Rs. 50 crores, identify the value of Factor Income from Abroad. a. Rs. 250 crores b. Rs. 350 crores c. Rs. 360 crores d. Rs. 300 crores	**1**
13	Statement 1: Normal residents include both individuals and institutions. Statement 2: International organizations are treated as normal residents. Choose the correct option from the following. a. Both the statements are true. b. Both the statements are false	**1**

	c. Statement-1 is true but Statement-2 is false d. Statement-1 is false but Statement-2 is true	
14	Statement 1: Money received from the sale of second-hand goods will be considered while calculation National Income. Statement 2: There value is already included and they do not contribute to current flow of goods and services. Choose the correct option from the following. a. Both the statements are true. b. Both the statements are false c. Statement-1 is true but Statement-2 is false d. Statement-1 is false but Statement-2 is true	**1**
15	Assertion (A): Domestic income is equal to National Income in case of a closed economy. Reason (R): Closed economy has no economic relationship with rest of the world. Choose the correct option from the following. 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 e. Assertion (A) is false but Reason (R) is true.	**1**
16	Assertion (A): The stock variable does not have a time dimension. Reason (R): The stock variable is measured over a period of time. Choose the correct option from the following. 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 Assertion (A) is false but Reason (R) is true.	**1**
17	If factor cost is > market price, then it means that: a. Indirect Taxes > Subsidies b. Indirect Taxes =Subsidies c. Indirect Taxes <Subsidies d. Indirect Taxes ≥ Subsidies	**1**
18	"Amar stepped out of his school van and his mother who was waiting for his arrival received him. Before the van driver left, he informed Amar's mother that school van service fare will be increased by ₹ 50 from next month onwards. When enquired about the reason for such an increase in school van fare, the driver informed that it is due to high rate of inflation in the economy." The rate of inflation as mentioned in the above scenario is studied as part of the _____. (microeconomics / macroeconomics) (Fill in the blank from the options given in the bracket)	**1**
19	Read the following statements- Assertion (A) and Reason (R) Assertion (A): Savings is one the best way of capital formation and it helps a great deal in the economic growth of a country. Reason (R): Investment is also known as capital formation.	**1**

	Choose the correct option from the following. (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.	
20	Read the following passage and answer the question given below: India's economic resilience can be seen in the domestic stimulus to growth seamlessly replacing the external stimuli. The growth of exports may have moderated in the second half of FY23. However, their surge in FY22 and the first half of FY23 induced a shift in the gears of the production processes from mild acceleration to cruise mode. Manufacturing and investment activities consequently gained traction. By the time the growth of exports moderated, the rebound in domestic consumption had sufficiently matured to take forward the growth of India's economy. Private Consumption as a percentage of GDP stood at 58.4 per cent in Q2 of FY23, the highest among the second quarters of all the years since 2013-14, supported by a rebound in contact-intensive services such as trade, hotel and transport, which registered sequential growth of 16 per cent in real terms in Q2 of FY23 compared to the previous quarter. *Source: Economic Survey, 2022-23* **Read the following statements- Assertion (A) and Reason (R)** **Assertion (A):** In a two-sector model of circular flow of income, both real flow and money flow exist as a result of one another. **Reason (R):** The export earnings of an economy form a part of the real flow in 2-sector circular flow of income. Select the correct alternative from the following: (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.	**1**
21	Injections are the macroeconomic variables which lead to a rise in the level of output in the economy. Leakages are the macroeconomic variables which lead to a fall in the level of output in the economy. The circular flow of income remains stable if _____ are exactly equal to injections. **(Fill in the blank)**	**1**
22	Read the following statements and choose the correct alternatives among those given below: Statement 1: Gross investment includes only inventory investment. Statement 2: Gross investment shows net addition to the existing capital stock. Alternatives: (i) Both the statements are true (ii) Both the statements are false (iii) Statement 1 is true and statement 2 is false	**1**

	(iv) Statement 2 is true and statement 1 is false	
23	"Macroeconomics emerged as a separate branch of economics after the "Great Depression" which began in 1929 in the United States and impacted most of the western European nations for about a decade. J.M. Keynes the author of the book," General Theory of Employment, Interest and Money", published in 1936 was instrumental in bringing about this schism. The problem was not able to resolve itself going by the theories of the then Classical Economic Thoughts. According to Keynes, certain interventions are required to solve the short run disequilibrium occurring in an economy." The Great Depression of 1929 was caused due to (i) Rising Aggregate Demand (ii) Falling Aggregate Demand (iii) Both (i) & (ii) (iv) None of the above	**1**
24	"Net Factor income from Abroad is the excess of factor incomes earned from abroad over factor incomes paid to abroad". Calculate the Net Factor Income from abroad (NFIA), if the Factor Income from Abroad is ₹ 700 crores and Factor Income to Abroad is ₹ 400 crores.	**1**
25	A new machine is bought for ₹40 lakh. It has a useful life of 10 years, after which it becomes obsolete and needs to be replaced. This means that the scrap value of the machine will be zero after 10 years. Calculate the annual depreciation on the machine.	**1**
26	(v) Gross Investment - = Net Investment	**1**
27	In the production of sugar, sugarcane is an (a) Final Good (b)capital good (c) Intermediate Good (d) none of these	**1**
28	Foreign embassies in India are a part of India (a) Economic territory (b) Geographical territory (c) both (d) none of these	**1**
29	Goods purchased for satisfaction of wants are a. Capital Goods b. Final Goods c. Consumption goods d. Intermediate goods	**1**
30	National Income = Domestic income when: a. NFIA is Positive b. NFIA is Negative c. NFIA is Zero d. None of the above	**1**
31	Flow of goods and services across different sectors of the economy is called: a. Real Flow b. Circular Flow c. Monetary Flow d. Inventory Flow	**1**
32	Statement Based Questions Statement 1: Net investment is a stock concept Statement 1: Capital is a flow concept Select the correct alternative from the following: A Statement 1 is true and statement 2 is false	**1**

	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	
33	With a rise in real national income ,welfare of the people : a) Rises b) falls c) Remain unchanged d) None of these	**1**
34	Read the following statements- Assertion (A) and Reason (R) Assertion (A) Car purchased by taxi driver is to use a taxi is a consumer good Reason (R) Consumer good are those which directly satisfying the wants of consumers Select the correct alternative from the following: 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 the correct explananation of assertion C) Assertion is true but Reason is false D) Assertion is false but Reason is true	**1**
35	Increase in production of goods and services means increase in GDP. If a country increases its production of Guns, Tanks, and bombs, will it increase its welfare of people? Give two arguments.	**3**
36	"Machine purchased is always a final good", Do you agree? Give reasons for your answer.	**3**
37	Classify the following as intermediate gods or final goods: a) Paper purchased by publisher b) Milk purchased by household c) Computers installed in an office d) Fees paid to the lawyer by a producer	**3**
38	Do you agree with the statement, 'Machine purchased is always a final good'? Give reason for your answer.	**3**
39	Read the following passage and answer the questions given below. "The Economic Survey, 2018-19 describes the vicious cycle of growth where increase in the rate of fixed investment accelerates the growth of GDP that in turn induces a higher growth in consumption. Higher growth of consumption improves the investment outlook, which results in still higher growth of fixed investment that further accelerates the growth of GDP, including a still higher growth of consumption. This cycle of higher fixed investment, higher GDP and higher consumption growth generates economic development in the country." (a) _____ (Gross investment/ Net investment) includes investment for the maintenance of fixed assets. (b) Inventory investment includes : i. stock of finished goods ii. stock of semi-finished goods iii. stock of raw materials iv. all of these Depreciation is a component of Net investment. (True/ False)	**3**

40	Giving valid reasons explain which of the following will not be included in the estimation of the National Income of India? a. Purchase of shares of X Ltd. by an investor in the National Stock Exchange. b. Salaries paid by the French Embassy, New Delhi to the local workers of the housekeeping department. c. Compensation paid by the Government of India to the victims of floods.	**3**
41	Read the following passage and answer the question given below: Slower growth in OECD economies — especially in the high-tech sector in the United States that could affect the demand for information technology (IT) workers and lead to a diversion of formal remittances toward informal money transfer channels — is likely to impact the flow of remittances this year. India, which registered a growth of more than 24% to reach a record-high $111 billion in remittances in 2022, is expected to post a growth of just 0.2% in remittance inflows in 2023, according to the World Bank's latest Migration and Development Brief. Source : Indian Express, 27 June 2023 (i) Distinguish between factor income and transfer receipt. (ii) Is remittance a factor income or transfer receipt?	**3**
42	Which of the following will not be included in the estimation of national income? Give reasons. (i) Purchase of shares of a limited company by an investor in the Bombay Stock Exchange. (ii) Salaries paid by the Japanese Embassy, New Delhi to the local workers of the housekeeping department. (iii) Compensation paid by the Government of India to the victims of earthquake.	**3**
43	Between 'investment' and 'capital' which is a stock and which is a flow variable? Explain with an illustration.	**3**
44	'Machine purchased is always a final good' do you agree? Give reason for your answer	**3**
45	Which among the following are capital goods and which are consumer goods and why? a)A car is used as a taxi b) Refrigerator in a hotel c)AC in a house	**3**
46	Subsidies to the producers should be treated as transfer payments . Defend or refute the given statement with valid reason	**3**
47	On 21st June, 2015, the first World Yoga Day was celebrated. In India, it was significantly observed in Delhi, with more than 3500 people, including dignitaries from 84 nations and the Prime Minister NarendraModi. It was organized by the Ministry of AYUSH. It widely publicised through campaigns on various media to spread awareness about the benefits of Yoga among the masses. T-shirts with the yoga day logo, yoga mats and other related items were distributed to the enthusiasts. Trained yoga experts were appointed to help beginners who participated in the event. (a) Government's expenditure to popularise yoga among the masses_____ welfare. (b) Government's expenditure to popularise yoga among the masseshas no effect on GDP. (True/ False) (c) The term 'welfare ' refers to :	**4**

	(i) Sense of pride in the nation (ii) Increase in purchase of services (iii) Sense of well-being among the people (iv) Strict control by the government (d) GDP at constant prices is also called _____(per capita GDP/real GDP).	
48	The Economic Survey, 2018-19 describes the vicious cycle of growth where increase in the rate of fixed investment accelerates the growth of GDP that in turn induces a higher growth in consumption. Higher growth of consumption improves the investment outlook, which results in still higher growth of fixed investment that further accelerates the growth of GDP, including a still higher growth of consumption. This cycle of higher fixed investment, higher GDP and higher consumption growth generates economic development in the country. A)High_____is a sign of expansion of production capacity in the economy. (i) Gross fixed investment (ii) Inventory investment (iii) Gross investment (iv) Net fixed investment B)_____(Gross investment/ Net investment) includes investment for the maintenance of fixed assets. C)Inventory investment includes : (i) stock of finished goods (ii) stock of semi-finished goods (iii) stock of raw materials (iv) all of these D)Depreciation is a component of Net investment. (True/ False)	**4**
49	Read the following news report and answer the questions that follow. In India, flattening sequential recovery, accelerating inflation and a weak labour market will Continue to act as an impediment to sustained economic revival. Capital goods and consumer durable goods have witnessed negative growth rate in double digits. The government might also need to look at policies to boost consumption by the poor, who have a much higher Marginal Propensity to Consume rather than thinking about the relatively well off, such as government employees, who were the target of expenditure boosting measures. Overall, the amount of demand stimulus is underwhelming and we view the impact on both fiscal and growth as quite limited. Hindustan Times; October 13th, 2020 (a) Refrigerator purchased by a confectionery shop is a _____ good. (i) capital (ii) intermediate (iii) non-durable (iv) None of these	**4**

	(b) Which of the following is/are non-durable good(s)? (i) Milk (ii) Bread (iii) Both (i) and (ii) (iv) None of these (c) Real growth of an economy can only be measured through _____ at constant prices. (i) per capita income (ii) national income (iii) nominal income (iv) real income (d) Goods purchased for _____ purpose are final goods. (i) satisfaction of wants (ii) investment in firm (iii) Both (i) and (ii) (iv) None of these	
50	Read the following statements and answer the questions. a. Domestic/household services performed by a woman may not be considered as an economic activity'. Defend or refute the given statement with a valid reason. b. 'Compensation to the victims of a cyclone is an example of a welfare measure taken by the government'. State with a valid reason, should it be included/not included in the estimation of the national income of India.	**4**
51	Explain why subsidies are added to and indirect taxes deducted from domestic product at market price to arrive at domestic product at factor cost?	**4**
52	Distinguish between 'capital good' and 'capital stock' by giving a proper illustration.	**4**
53	Classify the following into intermediate goods and final goods. Give valid reasons for your answers: (i) A sewing machine purchased by a household (ii) Machinery used for production by a firm (iii) Air conditioner purchased by a shopkeeper to be used in his shop (iv) Purchase of ticket for train journey by an individual	**4**
54	India's factory output growth surged to more than 7 per cent in April on the back of growth in capital goods and consumer durables sector. Capital goods sector surged by 14.7 per cent in April while the consumer durables sector rose by 8.5 per cent compared to same period last year. The tepid growth in non-durable sector remains a cause for concern. It remained almost flat at 0.3 per cent showing that the consumers are wary to spend amid high inflation. NSO further said the primary goods, intermediate goods, infrastructure/ construction goods, and consumer non-durables sectors expanded by 10.1 per cent, 7.6 per cent, 3.8 per cent, and 0.3 per cent, respectively. The manufacturing sector reported a growth of 6.8 per cent while electricity and mining showed an increase of 11.8 and 7.8 per cent respectively. India's economy entered the FY23 fiscal with a host of macroeconomic	**4**

	challenges. Inflation risks and tightening interest rates are likely to slow down the economy as the RBI and government act to tame rising prices. Source : The Economic Times, 10 June 2022 Identify which of the following items are consumer goods and capital goods. (i) Car purchased by a driver to be used as a taxi (ii) Sugar used by households (iii) Services of a doctor or a lawyer used by a household (iv) Laptop purchased by a household (v) Machine purchased by a sugar mill (vi) Cloth lying unsold with a trader at the end of the year.	
55	In India ,flattening sequential recovery, accelerating inflation and a weak labour market will continue to act as an impediment to sustained economic revival . Capital goods and consumer durable goods have witnessed negative growth rate in double digits. The government might also need to look at policies to boost consumption by the poor, who have much higher MPC rather than thinking about the relatively well off such as government employees, who were the target of expenditure boosting measures, overall , the amount of demand stimulus is underwhelming and we view the impact on both fiscal and growth as quite limited. a) Which type of good is refrigerator purchased by a confectionary shop ? b) Explain how capital goods are different from consumer goods ?	**4**
56	Sale of petrol and diesel car is rising particularly in big cities. Analyse its impact on GDP and welfare	**4**
57	Distinguish between: a. Final goods and Intermediate goods b. Stock and Flow variable	**6**
58	Giving reason, explain whether the following are included in domestic product of India. 1. Profits earned by a branch of foreign bank in India 2. Payment of salaries to its staff by embassy located in New Delhi 3. Interest received by an Indian resident from its abroad firms	**6**
59	'Circular flow of income in a two-sector economy is based on the axiom that one's expenditure is the other's income'. Do you agree with the given statement? Support your answer with valid reasons.	**6**
60	State which of the following items will be included in the estimation of national income. Give valid reasons for your answers. (i) Payment of interest by bank to its depositors/ payment of interest by a firm to households. (ii) Payment of corporate tax by a firm (iii) Net addition to capital stock (iv) Profit earned by foreign banks in India.	**6**

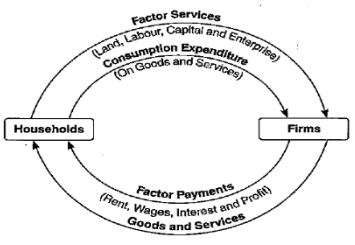
	(v) Expenditure on fertilizers by a farmer (vi) Imputed rent of self-occupied houses	
61	State with valid reason, which of the following statement is true or false: (i) Intermediate goods are always durable in nature (ii) The Indian embassy located in foreign country is a part of the domestic territory (iii) All capital goods are producer goods whereas all producer goods may not be capital goods (iv) Capital goods are used up to produce other goods (v) A water tanker containing 500 litres of water in the morning of a day is a stock concept (vi) Domestic territory is where there is free movement of goods, capital and people without any hindrance.	**6**
62	(i) 'Circular flow of income in a two sector economy is based on the axiom that one's expenditure on other's income'. Do you agree with the give statement? (ii)What is the difference between Market Prices and Factor Cost?	**6**
63	How are these included in Domestic Income and National Income? 1.Profits earned by a branch of foreign bank in India 2. Profits earned by a company in India owned by non-residents. 3. Profits earned by a branch of State bank Of India in England 4. . Rent received by an Indian resident from Russian embassy in India.	**6**
64	Should the following be treated as normal resident of India ? Give reason for your answer. i)Foreigner working in Indian embassy in Taiwan ii)Indian working in Asian Development bank in Philippines iii) Indian student in UK who has been living there for five years	**6**
65	Giving reason, classify the following into intermediate goods and final goods: I) A refrigerator purchased by a household II) Wood used for making a dining table by the carpenter An air condition purchased by a builder for his office	**6**

ANSWER

1	₹1200
2	Branch of State bank of India in France
3	Consumption of fixed capital = GDP_{MP}-NDP_{MP} NDP_{MP}=NNP_{FC}-NFIA+NIT =2500-(-400+450=2500+400+450=3350 Consumption of fixed capital =4000-3350=₹650 crore
4	Transfer income
5	a) NDP = NNP
6	c) Assertion (A) is true but Reason (R) is false.
7	a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion
8	(a) ∑Factor Payments
9	(d) Net Indirect Tax
10	d.It will neither be included in the National Income and nor in Domestic Income
11	c.1795
12	b.Rs. 350 crores
13	c.Statement-1 is true but Statement-2 is false
14	d.Statement-1 is false but Statement-2 is true
15	a.Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
16	c.Assertion (A) is true but Reason (R) is false
17	c.Indirect Taxes <Subsidies
18	macroeconomics
19	(d) Assertion (A) is false, but Reason (R) is true.
20	(c) Assertion (A) is true, but Reason (R) is false.
21	Leakages
22	(ii) Both the statements are false
23	(ii) Falling Aggregate Demand
24	Net Factor Income from abroad (NFIA) = Factor Income from Abroad - Factor Income to Abroad i.e., ₹ 700 crores - ₹ 400 crores = ₹ 300 crores
25	Depreciation on capital (annual) =$\frac{cost\ of\ the\ capital\ asset - scrap\ value}{estimated\ life\ of\ the\ capital\ asset\ (in\ years)} = \frac{4000000-0}{10}$ = ₹ 4 lakh per year
26	Depreciation

27	C
28	b
29	c
30	c
31	a
32	d
33	a
34	d
35	It is partially true that increase in production of goods and services means increase in GDP because if a country increases its production of Guns, Tanks, and bombs, it will increase the size of GDP, but people need bread, butter, shelter, drinking water, etc, if guns are produced people will be unable to purchase bread and butter. So production of weapons will reduce welfare of people.
36	Whether machine is a final good or it depends on how it is being used end use. If machine is bought by a household then it is a final good. If machine is bought by a firm for its own use then also it is a final good. If the machine is bought by a firm for resale then it is an intermediate good.
37	Final goods: b & c intermediate goods: a & d
38	No, I do not agree with the assertion made here. It is up to the user to decide if a machine is a finished product or not. When a machine is purchased by a household, it is referred to as a final good. On the other hand, if a machine is purchased by a business, it is referred to as a final good. However, if it is purchased by a company for resale, it is referred to as an intermediate good.
39	a.Gross Investment b.All of these c.False
40	The following will not be included in the estimation of the National Income of India: a. As such transactions are mere paper claims and do not lead to any value addition. c. Compensation paid by the Government of India is a mere transfer payment and does not lead to any flow of goods and services in an economy.
41	(i) Factor incomes are those payments which are received by households as a result of certain factor services (land, labour, capital and entrepreneurship) provided by the household for the production of goods and services to the firms. Whereas, transfer receipts on the other hand are those payments which are received by the household without rendering any factor services. In other words they are the unilateral unrequited payments / transfers. (ii) Remittance is a transfer receipt as these are the transfers from family members to those who have not provided any factor services.
42	Following will not be included in the estimation of national income of India. (i) As such transactions are mere paper claims and do not lead to any value addition. (iii) Compensation paid by the government of India is mere transfer payment and does not lead to any flow of goods and services in an economy.
43	Capital is a stock variable as it is measured at a point of time. We often find producers estimating their capital stock at the end of the year, which refers to a point of time or a particular date. Investment means addition to the stock of capital during an accounting year. It is measured for the year. If a firm has a stock of 10 machines on 31 March 2022 and has 15 machines as on 31 March 2023, it has added 5 machines to the stock of its capital during the year. This is its investment.
44	Whether machine is a final good or it depends on how it is being used (end use). If machine is bought by a household, then it is a final good. If machine is bought by a firm for its own use, then also it is a final good. If the machine is bought by a firm for resale then it is an intermediate good

45	a) Capital goods ,because it is used for producing services . b) Capital goods ,because it is used for providing services over a period of time to the hotel. c) Consumer goods ,because it is used for satisfaction of a want by an household
46	No, subsidies to the producers should not be treated as transfer payment . Subsidies in a form of financial or in kind of support extended to an economic sector ,institution ,business etc. generally with the aim of promoting economic and social policy
47	(a) Increase (b)False (c)Sense of well-being among the people (d)Real GDP
48	A-(iv) Net fixed investment B-Net investment C-(iv) all of these D-False
49	(a) (i) capital (b) (iii) Both (i) and (ii) (c) (ii) national income (d) (iii) Both (i) and (ii)
50	a. The given statement is defended, as it is difficult to measure the monetary value of the services performed by a woman (homemaker). Therefore, these activities may not be considered as an economic activity. b. Compensation given to the victims of a cyclone is an example of a social welfare measure taken by the government. However, it is not included in the estimation of national income as it is a transfer payment that does not lead to a corresponding flow of goods and services.
51	Subsidies by government are grants that decrease the price of a commodity, whereas indirect taxes are paid by a firm and households that increase the final price of a commodity. Hence, to derive Gross Domestic Product at Factor Cost from Gross Domestic Product at Market Price, we deduct indirect taxes and add subsidies. Also subsidies are the income received while indirect taxes are paid.
52	Capital goods are the durable use producer goods and involve depreciation losses while in use. Example: plant and machinery. Capital stock is a stock of all man-made goods which can be used as a means for further production. Capital goods are only a part of capital stock. Besides capital goods, capital stock also includes the stock of consumer goods, semi-finished goods or even raw materials which can be used for the purpose of further production or value addition. Example: stock of wheat with the flour mill is a part of its inventory stock, and therefore, a part of its capital stock.
53	(i) It is a final good because the household is the final user of the sewing machine and no value is to be added to the machine (ii) It is an intermediate good because a firm purchases a machine for further production of output to be sold to final users (iii)It is a final good because air conditioner in an investment expenditure as it adds to the capital stock of the shopkeeper It is a final good because it is a final consumption expenditure which the passenger purchases for its own consumption i. e., travelling. No further value addition can be made on it.
54	(i) Capital goods (ii) Consumer goods (iii) Consumer goods (iv) Consumer goods (v) Capital goods

	(vi) Capital goods
55	A) Capital Good Capital good are those good which are used for producing other goods and services and have production capacities whereas consumer goods are used by the consumer directly to satisfy human wants
56	GDP will increase but due to negative externalities its reduces the welfare as the health of the people gets badly affected by the population
57	Final Goods vs Intermediate Goods. Final goods are those goods that are manufactured to be consumed directly by the consumer. These goods are finished goods. These goods are available for consumption or can be used for capital formation. Final goods are considered to be a part of national income and have an impact on the national income. Intermediate goods are referred to as those goods that are used for producing final goods. These goods are goods that are partly prepared and can be referred to as unfinished goods or partly finished goods. Intermediate goods are not included in the national income and therefore have no impact. Stock and Flow Stock is defined as a variable that is measured at a particular point in time. It does not have a time dimension attached with it. Stock is static in nature. Stock influences the flow, as such greater amount of capital will lead to greater flow of services. Flow is defined as a variable which is measurable over a period of time. It has a time dimension attached with it. Flow is dynamic in nature. Flow influences the stock, as in increased flow of money supply in an economy results in increase in the quantity of money.
58	1. Profits earned by a foreign bank branch in India are included in India's domestic income because they are earned within the country's borders. 2. Since the embassy in New Delhi is not part of India's domestic territory, salaries paid to its employees will not be included in the country's domestic income. 3. Interest received by an Indian resident from his or her foreign enterprises is not included in India's domestic income because it is a factor income.
59	Yes, the given statement is correct. In a two-sector economy, the firms produce goods and services and make factors payments to the households. The factor income earned by the households will be used to buy the goods and services which would be equal to the income of firms. The aggregate consumption expenditure by the households in the economy is equal to the aggregate expenditure on goods and services produced by the firms in the economy (income of the producers).  Circular flow of income in a two-sector economy – Households are owners of factors of production, they provide factor services to the firms (producing units). Firms provide factor payments in exchange for their factor services. So, factor payments flow from firms (producing units) to households. Households purchase goods and services from firms (producing units) for which they make payments to them. So, consumption expenditure (spending on goods and services) flows from households to firms.

60	(i) Yes, it is included in national income. Because it is a factor income paid by a production unit (bank or firm). Banks borrow for carrying out banking services. The firms borrow money for carrying out production. (ii) No, it is not included in national income as it is a transfer payment. Corporate tax accrues to the government. It is not received by the owners of factors of production. Hence, it is not a factor income. (iii) Yes, it is included in national income by expenditure method. Because it is net investment or net capital formation, which is an item of final expenditure. (iv) No, it will not be included in national income of India. It will be included in domestic income of India (since the factor income is earned within the domestic territory). But as it is a factor income paid to abroad, it is subtracted from domestic factor income to get national income. (v) No, it is not included in national income. Because it is an intermediate expenditure for the farmer and hence deducted from value of output while calculating national income. Yes, it will be included in the national income. Because self-occupied houses provide housing service similar to those as rented house.
61	(i) False, because intermediate goods are those goods which are used up completely in the production of other goods they are not durable in nature (ii) True, because the Indian embassy located elsewhere will allow the free movement of goods, capital and people of India and so they are part of the domestic territory. (iii) True. Capital goods are those goods which are durable in nature and which can be used for the production of further goods. While these are used by producers to produce goods they are also part of producer goods. But producer good contain raw materials and other items which may be used up completely for production of other goods. So, all capital goods are not producer goods. (iv) False, because capital goods are used for the production of other goods but in the process they themselves are not used up. Depreciation may occur to them with time but they are not used up. (v) True. Since the amount of water contained in the tanker is measured at a particular point of time, it is a stock variable. True. Domestic territory in economics is different from that of political or geographical sciences. It is the territory within which there is free movement of goods and services, capital and people of a particular country.
62	(i) Yes, the given statement is correct. In a two-sector economy, the firms produce goods and services and make factor payments to the households. The factor income earned by the households will be used to buy the goods and services which would be equal to income of firms. The aggregate consumption expenditure by the households in the economy is equal to the aggregate expenditure on goods and services produced by the firms in the economy (income of the producers). Market Prices are the prices which are paid by the consumers while purchasing the goods and services from market. It is inclusive of net indirect taxes, which is the resultant value of indirect tax and subsidies provided by the government on production of goods and services. Factor Cost on the other hand does not include the net indirect taxes. They are the cost incurred by producers in production of goods and services. They have not crossed the boundary line of production and hence neither the indirect tax nor subsidies are attached with goods.

63

Items	Domestic Income	National Income
1.Profits earned by a branch of foreign bank in India	Yes, it will be included as income(profits) is generated in domestic territory of India.	No, it will not include as profits will belong to foreign country. It is factor income paid abroad.
2. Profits earned by a company in India owned by non-residents.	Yes, it will be included as income (profits) is generated In domestic territory of India.	No, it will not be included, as profits will belong to foreign country. It is factor income from abroad.
3. Profits earned by a branch of State bank Of India in England.	No, it will not be included in domestic income as SBI is located outside the domestic territory of India.	Yes, it will be included in national income as this is factor income from abroad.
4. Rent received by an Indian resident from Russian embassy in India.	No, it will not be included in the domestic income as Russian Embassy is not a part of domestic territory of India.	Yes, it will be included as it is facto income from abroad.

64

I) Not a normal resident of India as his economic interest doesnot lie in India
II) Normal resident of India as his economic interest lies in India
III) Normal resident of India as his economic interest lies in India

65

I) Final goods because the household is the final user of the refrigerator and no value is to be added to the refrigerator
II) Intermediate goods as it is used as a raw material

Final goods as it is an investment

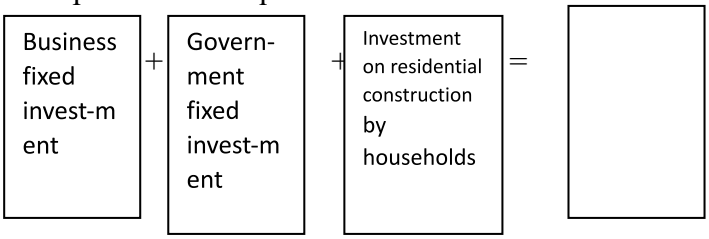
Chapter 2: National Income and Related Aggregates (Methods)

Q. NO	QUESTION	MARKS
1	Assertion (A): The goods which are used either for resale or for further production in the same year are intermediate goods. Reason(R): Intermediate goods are included in National Income. Choose the correct option from the following. 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. Assertion (A) is false but Reason(R) is true.	**1**

2	Assertion (A): Value addition can also take place even when the commodity does not go through any transformation. Reason(R): It happens when a commodity is purchased for resale. Choose the correct option from the following. 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. Assertion (A) is false but Reason(R) is true.	**1**
3	Assertion (A): Gross Domestic Capital Formation can be less than Gross fixed capital formation. Reason(R): Change in stock is negative. Choose the correct option from the following. 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.	**1**
4	Assertion (A): The problem of double counting leads to underestimation of the National Income of the country. Reason(R): Double counting arises when value of a good is counted more than once while measuring the value of National Income. Choose the correct option from the following. 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.	**1**
5	Assertion (A): Domestic Income of a country can be more than its National Income.	**1**

	Reason(R): Factor income paid abroad < factor income received from abroad. Choose the correct option from the following. 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.	
6	Assertion (A): The problem of double counting leads to under estimation of the national income of the country. Reason (R): the double counting arises when value of a good is counted more than once while measuring the value of national income. Choose the correct option from the following. 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.	**1**
7	Assertion (A): Nominal value is money value or value measured in term of prices that prevail at the time of measurement. Reason (R): GDP is measured at both current prices as well as constant prices. Choose the correct option from the following. 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	**1**
8	Assertion (A): Tax is a main source of government revenue which is used to provide services are included in national income. Reason (R): Tax is a transfer income. Choose the correct option from the following.	**1**

	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	
9	Assertion (A): Compensation to flood victims is not included while national income. Reason (R): Transfer income does not contribute to current flow of goods and services. Choose the correct option from the following. 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	**1**
10	Assertion (A): GDP_{MP}= NDP_{MP} Reason (R): NIT= 0 Choose the correct option from the following. 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	**1**
11	Value added method measures the contribution of which of the following within the domestic territory of a country? (a) Household consumers (b) The producing enterprises owned by residents of the country (c) The producing enterprises owned by the non-residents of the country (d) Both (b) and (c)	**1**
12	Expenditure methods focuses on measurement of national income at: (a) Phase of production of goods and services (b) Phase of income distribution (c) Phase of income disposition (d) all the above	**1**
13	Read the statements carefully and choose the correct alternative among those given below: Alternatives: (a) Both the statements are true (b) Both the statements are false	**1**

	(c) Statement 1 is true and Statement 2 is false (d) Statement 2 is true and Statement 1 is false 1. Statement 1 : Value added includes the value of intermediate goods used in production. Statement 2 : Contribution to provident fund by the employers is included in the national income.	
14	Assertion and Reasoning The following questions statement Assertion (A) is. followed by a statement of Reason (R). Assertion (A) : Leisure-time activity does not contribute to GDP. Reason (R) : It does not involve rendering of any factor service. Choose the Correct alternative among those given below: (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	**1**
15	A growing country is one with: (a) Rising GNP at constant price (b) Constant GNP at constant price (c) Rising GNP at current price (d) None of these	**1**
16	Write True or False with a reason: Value addition occurs even when goods do not undergo any material transformation.	**1**
17	Problem of double counting can be avoided by using: (a) Final Output method (b) Value added method (c) Both (a) and (b) (d) Neither (a) nor (b)	**1**
18	Draw/picture based questions  On the basis of the above chart answer the following question: (a) Gross domestic capital formation (b) Gross domestic fixed capital formation (c) Final consumption expenditure (d) None of these	**1**
19	Which of the given statement is incorrect? (a)GDP_{MP}=GDP_{FC} + NIT (b) NNP_{MP} = NNP_{FC} + Depreciation	**1**

	(c) $GNP_{MP}=GDP_{MP}+NFIA$ (d) NNP_{FC} = National income	
20	Welfare of the people in an economy is measured in terms of..... (a) Rise in National Income (b) Availability of goods and services per person (c) Overall price le and degree of profit maximisation (d) Overall price level in an economy.	**1**
21	What is the problem of double counting? How can it be avoided?	**3**
22	Define Compensation of Employees. State its Components.	**3**
23	Explain the precautions to be taken while estimating National Income through Value Added Method.	**3**
24	If in 2021-22 the real GDP of India is RS 1000 and price index (with base year=100) is Rs 120, Calculate nominal GDP.	**3**
25	How can estimates of GDP using income method and expenditure method be identical when households do not spend their entire income on the purchase of goods and services, and part of them remain unsold during an accounting year?	**3**
26	In an economy, industry P sells output to Q. Q sells output to R for Rs 600. Q's value added is ½ of P's value added. Assuming P's value of inputs are 0 (zero), calculate how much P sells to Q.	**3**
27	The Indian Economy saw its worst contraction in decades, with GDP shrinking by a record 23.9% in the April to June quarter in comparison to the same period last year. The contraction reflects the severe impact of the Covid-19 lockdown, which halted most economics activities as well as the slowdown trend of the economy even pre Covid-19. The Indian economy is in a deeply vicious circle, where demand is contracting to heavily, while the capacity to neutralize this contraction has also contracted equally because of the tax revenue contraction. Agriculture was the only sector which recorded modest growth of 3.4% in year on year terms and all other sectors saw contraction. Q.1. The impacts of Covid-19 on India's GDP _____. A. Increasing B. Decreasing C. Constant D. None of these Q2. Net Indirect Taxes are calculated as _____ . A. IT - Subsidies B. IT + Subsidies C. Subsidies - IT D. Subsidies + IT	**4**

	Q3. Firms are considered as the owner of factor of production. A. True B. False Q4. The only sector which recorded modest growth of 3.4% in year. A. Agriculture B. Industry C. Services All of these	
28	Income method is that method which measures domestic income as the sum total of factor incomes generated within the domestic territory of a country during the period of an accounting year. Net factor income from abroad is added to domestic income to find National income. While calculating National income by this method, some precautions has to be followed, Such as avoid transfer payment, do not include income generated through illegal activities etc. Expenditure method is that method which measures the GDP at MP as the sum total of the expenditure on the purchase of final goods and services produced within the domestic territory of the economy during the period of an accounting year. It is adjusted to find national income. While calculating NI consider only the expenditure on final goods only. Also do not consider expenditure on second hand goods or on share and bonds. Q1. Which of the following items is not included while estimating NI by Income method? a. Rent b. Mixed Income c. Fixed Investment d. Undistributed profits Q2. Which of the following is not included in NI? a. Receipt of a gift cheque sent by your parents settled abroad. b. Repatriation of wages earned by the NRIs to their parents in India. c. Excise duty on domestic production. d. All of these. Q3. Which of the following is irrelevant in the estimation of compensation of employees? a. Free accommodation provided to the school principal.	**4**

	b. Free education of the student whose parents are working in schools c. Wages and salaries in cash d. Old age pensions Q4. Gross Domestic Product at market price is equal to : a. Compensation of employee+ operating surplus+ Mixed income of self-employed. b. Compensation of employee+ operating surplus+ Mixed income of self-employed+ consumption of fixed capital+ net indirect taxes c. Compensation of employee+ operating surplus+ net indirect taxes d. Compensation of employee+ operating surplus Q5. Expenditure method focuses on measurement of national income at: a. Phases of production of goods and services b. Phases of income distribution c. Phases of income disposition All of the above	
29	National Income of India constitutes total amount of income earned by the whole national by our country and originated both within and outside its territory during a particular year. The National Income Committee in its first report wrote 'A national income estimate measures the volume of commodities and services turned out during a given period, without duplication'. The estimates of National Income depict the clear picture about standard of living of the community. The national income statistics diagnose the economic else of the country and at the same time suggest remedies. The rate of savings and investment in an economy also depends on the national income of the country. Moreover, the national income measures the flow of all commodities and services produces in an economy. Thus, The National Income is not stocked but a flow. It measures the total productive power of the community during given period. Further, The National Income Committee has rightly observed, 'National Income statistics enable an overall view to be taken of the whole economy and of the relative positions and inter-relations among its various parts'. Thus, the computation of national income and its analysis has been considering an important exercise on economic literature.	**4**

	Answer the following Questions:- Q1. Which territory has been referred to in the first passage by the expert? Q2. Differentiate between Stock and Flow? Q3. The returns for the productive powers____ income. (Transfer/Factor) Q4. In a closed economy, what are savings and investment referred to?	
30	**First Advance Estimates of National Income, 2019-20** The National statistical Office (NSO), Ministry of Statistics Programme Implementation has released the First Advanced Estimate of national income at both Constant (2011-12) and Current Prices, for the financial year (2019-20) along with the corresponding estimates of expenditure components of the Gross Domestic Product (GDP). ***Gross domestic product:*** Real GDP or GDP at Constant Prices (2011-12) in the year 2019-20 is likely to attain a level of rupees 147.79 lakh crore as against the Provisional Estimate of GDP for the year 2018-19 of rupees 140.79 lakh crore, released on 31st may 2019. The growth in real GDP during 2019-20 is estimated at 5.0% as compared to the growth of 6.8 % in 2018-19. ***Gross Value Added (GVA) at constant prices*** Real GVA at Constant Prices estimated to increase from rupees 129.07 lakh crore in 2018-19 to rupees 135.40 lakh crore in 2019-20. Estimated growth of real GVA in 2019-20 is 4.9% as against 6.6% in 2018-19 ***Gross domestic product*** GDP at current prices in the year 2019-20 is likely to attain a level of rupees 204.42 lakh crore, as against rupees 190.10 lakh crore in 2018-19 showing a growth rate of 7.5% ***National income*** The nominal net National Income (NNI), also known as national income (at current price) is likely to be rupees 181.10 lakh crore during 2019-20, as against rupees 168.37 lakh crore for the year 2018-19. In terms of growth rates, The National Income registered a growth rate of 7.6% in 2019-20 as against the previous year's growth rate of 11.3%. Answer the following Questions:	**4**

	Q1. A growing country is one with: a) Rising GNP at constant prices. b) Constant GNP at constant prices. c) Rising GNP at current prices. d) None of these Q2. Which of the following statements is correct a) GDP is derived by subtracting taxes on products net of subsidies on products to GVA at constant prices. b) GDP is derived by adding taxes on products net of subsidies on products to GVA at constant prices. c) GDP is derives by adding subsidies net of taxes on products to NVA at constant prices. d) GDP is derives by adding taxes on products net of subsidies on products to GVA at constant prices. Q3. National product at current prices is higher than national product at constant prices during a period of : a) Rising prices b) Falling prices c) Constant prices d) Both a and b Q4. Value added means value of: a) Output at market prices. b) Output less depreciation. c) Output less intermediate cost d) Output plus intermediate cost	
31	Read the following hypothetical text and answer the given questions: The Budget Estimate of total spending for 2021-22 is 34.83 lakh crore. The Revised Estimate (RE) for total central spending in 2020-21 is 34.5 lakh crore. The Gross Domestic Product (GDP) deflator — if one takes 14.4% nominal GDP growth projection for 2021-22 given in the budget and 11% real GDP forecast	**4**

	given in the latest Economic Survey — comes to 3.4%. This means that central spending should have increased to at least 35.7 lakh crore to keep it unchanged in real terms. The fact that it has not happened implies that the 2021-22 budget entails a negative fiscal stimulus to the economy. To be sure, one could argue that 2020-21 was an abnormal year — and, therefore, the government is justified in rolling back its welfare spending push, as the economy gets unlocked and vaccination gains momentum. Q-1 With the rise in real national income, the economic welfare of the people_____(rises/falls). (Choose the correct alternative) Q-2 If GDP Deflator = 125, Nominal GDP= 15000crs. then Real GDP is equal to _____ (10000crs / 12000crs/ 20000crs). (Choose the correct alternative) Q-3 Read the following statements - Assertion (A) and Reason (R) Assertion (A): Real GDP is always equal to Nominal GDP. Reason (R): Real GDP is a better measure to make periodic comparison in the physical output of goods and services over different years. Select the correct alternative from the following: a) Assertion (A) is true and Reason (R) is false. b) Assertion (A) is false and Reason (R) is true. Q-4 State the significance of GDP Deflator. (Choose the correct alternative) (a) GDP Deflator is a tool that shows changes in the price level of the economy over a given period of time (b) GDP Deflator is a tool that shows changes in the demand level of the economy over a given period of time	
32	Read the following hypothetical text and answer the given questions: <u>GDP and Welfare</u> Can the GDP of a country be taken as an index of the welfare of the people of that country? If a person has more income, he or she can buy more goods and services and his or her material well-being improves. So it may seem reasonable to treat his or her income level as his or her level of well-being. GDP is the sum total of value of goods and services created within the geographical boundary of a country in a particular year. It gets distributed among the people as incomes (except for retained earnings). So we may be tempted to treat higher level of GDP of a country as an index of greater well-being of the people of that country (to account for price changes, we may take the value of real GDP instead of nominal GDP).	**4**

Source: Introductory Macroeconomics Textbook for Class 12, p.27.

Q1. Is it reasonable to treat a person's income level as his or her level of wellbeing?
YES/NO (Choose the correct alternative)
Q2.Nominal GDP is a true indicator of welfare?
True / False (Choose the correct alternative)
Q3. Which of the following are correct for Real GDP?

A. Current year production valued at current prices
B. Current year production valued at base year
C. Current year production valued at last year prices
D. Current year production valued at forecasted prices

Q4.Read the following statements – Assertion (A) and Reason (R)

Assertion (A): Increase in GDP all of the people have not benefited.

Reason (R): The distribution of GDP is not uniform

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
C. Assertion (A) is true but Reason (R) is false.
D. Assertion (A) is false but Reason (R) is true.

33 **Calculate National Income by Income and Expenditure Method.** **6**

Sl. No.	**Particulars**	**Rs. In crore**
i	Compensation of employees	600
ii	Government final consumption expenditure	550
iii	Net factor income from abroad	(-) 10
iv	Net exports	(-) 15
v	Profits	400
vi	Net indirect taxes	60
vii	Mixed income of self employed	350
viii	Rent	200
ix	Interest	310
x	Private final consumption expenditure	1000

	xi | Net domestic capital formation | 385 xii | Consumption of fixed capital | 65	
34	Write down the steps of calculating National Income by Value Added method.	**6**
35	Giving reasons explain the treatment assigned to the following while estimating National Income of India. (a) Interest paid by banks on deposits by individuals. (b) Payment of interest by a firm to a bank (c) Payment of interest by an individual to a bank (d) National debt interest (e) Expenditure on free services provided by government (f) Payment of interest by a government firm Pension paid after retirement	**6**
36	In a single day Raju, the construction worker, collects 500 from construction activities; over this day, his equipment depreciates in value by ₹50. Of the remaining ₹ 450, Raju pays sales tax worth ₹30, takes home ₹200 and retains ₹220 for improvement and buying of new equipment. He further pays ₹20 as income tax from his income. Based on this in formation, complete Raju's contribution to the following measures of income: (i) Gross Domestic Product at market price, (ii) NNP at market price, (iii) NNP at factor cost.	**6**
37	Is it necessary to deduct Intermediate consumption from the value output? What happen if not deducted? Illustrate with proper example. Also, suggest measures to avoid this problem.	**6**
38	Calculate (a) Gross National product at Market Price by Income Method, and (b) National Income by Expenditure Method on the basis of the following data:	**6**

Items		Rs. in lakh
i	Net Export	10
ii	Rent	20
iii	Private final consumption expenditure	400
iv	Interest	30
v	Dividend	45
vi	Undistributed profit	5
(vii	Corporate tax	10
viii	Govt. final consumption expenditure	100
ix	Net domestic capital formation	50
x	Compensation of employees	400
xi	Consumption of fixed capital	10
xii	Net indirect tax	50
xiii	Net factor income from abroad	(-) 10

ANSWER

1	C
2	A
3	A
4	D
5	C
6	D
7	B
8	D
9	A
10	C
11	(d) Both (b) and (c)
12	(c) Phase of income disposition
13	(d) Statement 2 is true and Statement 1 is false
14	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion
15	(a) Rising GNP at constant price
16	True. Value addition occurs even when goods are purchased for resale, without any material transformation.
17	(c) Both (a) and (b)
18	(b) Gross domestic fixed capital formation
19	(b) $NNP_{MP} = NNP_{FC}$ + Depreciation
20	(b) Availability of goods and services per person
21	Problem of double counting refers to adding the value of one output more than once while estimating National Income. Problem: Due to this the National Income is over estimated. <u>Methods of avoiding:</u> This can be avoided by two methods (a) Final Output Method ● In this method, the value of final output only is included ● The value of intermediate cost is not included (b) Value Added Method: ● In this method the value added in various stages of production are taken in to account while estimating National Income instead of adding value of output in each stage ● The value of the final, output is equal to the sum of the value added in various stages of production Value of Final Output = $\sum$ Value Added

<table>
<tr><td>22</td><td>Compensation of employees is defined as: the total remuneration in cash or in kind, payable by an enterprise to an employee in return for work done by the latter during the accounting period.
The main components of compensation of employees are
(a) Wages and salaries
i. in cash
ii. in kind

Social security contributions by the employers.</td></tr>
<tr><td>23</td><td>There are a large number of conceptual and statistical problems that arise in estimating national income of a country. To minimize error, it is necessary that certain precautions are taken in advance. Some of the precautions while estimating National Income through Value Added Methods are as follows.
(a) Avoid double counting:

Value added equals value of output less intermediate cost. There is a possibility that instead of counting ‘value added’ one may count value of output. We can verify by taking some imaginary numerical example that counting only values of output will lead to counting the same output more than once. This will lead to overestimation of national income. There are two alternative ways of avoiding double counting:
(i) Count only value added and
(ii) Count only the value of final products.
(b) Do not include sale of second-hand goods.

Sale of the used goods is not a production activity. The good should not be treated as fresh production, and therefore doesn’t qualify for inclusion in national income.
(c) Self-consumed output must be included.
Output produced but retained for self-consumption, rather than selling in market, is output and must be included in estimates. Services of owner-occupied buildings, farmer consuming its own produce, etc are some examples.</td></tr>
<tr><td>24</td><td>$$Real\ GDP = \frac{Nominal\ GDP}{Price\ Index}\ x\ 100$$
$$Nominal\ GDP = \frac{220\ X\ 120}{100}$$
= 264</td></tr>
<tr><td>25</td><td>Goods which remain unsold during the year are treated as a part of change in stock during the year. These goods become a part of inventory investment of the producers. Accordingly," income method and expenditure method must yield identical estimates of GDP.</td></tr>
<tr><td>26</td><td>Suppose, sales by P to Q = x

<table><tr><td>Firm</td><td>Value of output</td><td>Intermediate consumption</td><td>Value added</td></tr><tr><td>P</td><td>Sales to Q=x</td><td>Value of inputs= 0</td><td>x-0</td></tr><tr><td>Q</td><td>Sales to R= 600</td><td>Value of inputs= x</td><td>600-x</td></tr></table>
Value added by firm P = x-0
Value added by firm Q = 600-x
Given, Q’s value added is ½ of P’s value added
It means: 600-x = ½ x
x = Rs 400</td></tr>
<tr><td>27</td><td>1 – B,</td></tr>
</table>

	2 – A, 3 – B, 4 – A
28	1 – C, 2 – D, 3 – D, 4 – B, 5 – C
29	1 - Domestic territory 2 - Stock is measures at a particular point of time and flow is measured for a particular period of time 3 – Factor 4- Leakages and injections
30	1 – A, 2 – D, 3 – A, 4 – C
31	1 - Rises 2 - 12,000 crores 3 - b) Assertion (A) is false and Reason (R) is true. 4 - (a) GDP Deflator is a tool that shows changes in the price level of the economy over a given period of time
32	1 - NO 2 - False 3 - B] Current year production valued at base year 4 - (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
33	Solution: Income Method: NDP_{FC} = i + (v + viii + ix) + vii = 600 + (400 + 200 + 310) + 350 = 600 + 910 + 350 = 1860 NI or NNP_{FC} = NDP_{FC} + NFIA = NDP_{FC} + iii = 1860 – 10 = 1850 crore Expenditure Method: GDP_{MP} = x + (xi + xii) + ii + iv = 1000 + 65 + 385 + 550 – 15 = 1985 crore NI or NNP_{FC} = GDP_{MP} – Depreciation + NFIA – NIT = 1985 – xii + iii – vi = 1985 – 65 – 10 – 60 = 1850 crore Hence the calculated national Income is Rs. 1850 crore.
34	Steps for calculating National Income: Value Added Method: Step-1: Identify various sectors of the economy as Primary, secondary and tertiary

	Step-2: Calculate GVA_{MP} in all sectors by GVA_{MP} = Sales + Change in Stock – Intermediate cost Step-3: Subtract the value of depreciation from GVA_{MP} and find NVA_{MP} $NVA_{MP} = GVA_{MP}$ – Depreciation Step-4: Add the value of NFIA with NVA_{MP} and get NNP_{MP} $NNP_{MP} = NVA_{MP}$ + NFIA Step-5 : Subtract the value of Net Indirect Taxes from NNP_{MP} and get NNP_{FC} or the National Income National Income or $NNP_{FC} = NNP_{MP}$ – NIT Step-6: Add the National income of all sectors and find the National Income of the economy
35	Answer: (a) It will be included while estimating the National Income of India because bank is a productive unit. (b) It will be included while estimating the National Income of India because Firm is a productive unit and it has taken loan for production purposes (c) It will not be included while estimating the National Income of India because Individual has taken loan for consumption purposes (d) It will not be included while estimating the National Income of India because it the debt on the loan which government took for its consumption expenditure. (e) It will be included while estimating the National Income of India because it is a part of the Government final consumption expenditure (f) It will be included while estimating the National Income of India because Government Firm is a productive unit and it has taken loan for production purposes It will be included while estimating the National Income of India because it is a part of compensation of employees.
36	(i) GDP_{MP} = ₹500 (Raju's contribution to GDP) (ii) $NNP_{MP} = GDP_{MP}$ - Depreciation = ₹500- ₹50 = ₹450 (Raju's contribution to NNP_{MP}) (iii) $NNP_{FC} = NNP_{MP}$- Net indirect taxes = ₹450- ₹30 = ₹420 (Raju's contribution to NNP_{FC}).]
37	Yes. If not deducted double counting problem may arise. This leads to overestimation of the value of goods and services produced. Thus, the importance of avoiding, double counting lies in avoiding overestimating the value of domestic product. For example, a farmer produce one ton of wheat and sells it for Rs 400 in the market to a flour mill. The flour mill sells it for Rs 600 to the baker. The baker sells to the bread shopkeeper for rs 800. The shopkeeper sells the entire bread to the final consumers for Rs 900. Yhus, Value of output=400+600+800+900 = 2700 Infact, the value of the wheat is counted four times. To avoid the problem of double counting two methods are used: (a) Final output Method: According to this method, the value of intermediate goods is not considered. Only the value of final goods and services is considered. In the above example, the value of final goods i.e., Bread is Rs 900. (b) Value added method: Another method to avoid the problem of double counting is to estimate the total value added at each stage of production. In the above example, the value added at each stage of production is 400+200+200+100=900.

38	(a) Income method GNP_{MP}= 400+20+30+45+5+10+10+50+(-)10 = 560 lakh (b) Expenditure Method National Income = 400+100+50+10-50+(-)10 = 500 lakh

Chapter 3 : .Money and Banking

Q. NO	QUESTION	MARKS
1	If the total deposits created by commercial banks is Rs 10000 crores and LRR is 40% then amount of initial deposits will be__ a)Rs 2000 crore b)Rs 3000 crore c)Rs 4000 crore d)Rs 14000 crore	1
2	"The deposit forms a part of M1 measure of money supply and are payable on demand by the commercial bank." Identify the type of deposit : 1. Demand deposit 2. Time deposit 3. Post office deposits 4. None of these	1
3	In the COVID-19 times Indian Economy have been Experiencing the deflationary shocks many small and medium scale industries closed Many Economists opined that without support (availability of chief credit) from government and monetary authority it is difficult to revive Suppose you are a member of the high powered committee constituted by the Reserve Bank of India (RBI). You have suggested that the Repo rate should be _____ (reduced / increased) (Choose the correct alternative).	1
4	Supply of money refers to……..... (Choose the correct alternative) a. currency held by the public b. currency held by Reserve Bank of India (RBI) c. currency held by the public and demand deposits with commercial banks	1
5	Assertion (A): To boost the falling demand in the economy. Reserve bank of India recently reduced repo rate and bank rate.	1

	Reason (R): Decrease in repo rate and bank rate causes decreases in the rate of interest which leads to rise demand of credit because of which more money flows into the economy, purchasing power of people increases. Thus, aggregate demand rises and deficient demand is corrected. Choose the correct option from the following. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (b) Both Assertion (A) and Reason (R) are true and Reason (R) is the not correct explanation of Assertion (A) (c) Assertion (A) is true but Reason (R) is false (d) Assertion (A) is false but Reason (R) is true	
6	Assertion (A): Anything will be called money if the law of country proclaims it to be money. It will be commonly accepted measure of value as it will be endowed with legal tender power (Limited and unlimited).Thus "money is what the law says it is" Reason (R): Limited legal tender money can be accepted up to a certain limit. For example, in India, coins up to Rs1000 only (as per coinage bill, August 2011) can be accepted legally in payment. All currency notes have unlimited legal tender. Choose the correct option from the following. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (b) Both Assertion (A) and Reason (R) are true and Reason (R) is the not correct explanation of Assertion (A) (c) Assertion (A) is true but Reason (R) is false (d) Assertion (A) is false but Reason (R) is true	**1**
7	when value of money multiplier is 25 and value of CRR is 1%, the value of SLR is ……. a) 1% b) 2% c) 3% d) 4%	**1**
8	Assertion (A): Money supply is a flow concept. Reason (R): Money Supply always measured at a particular point of time. Choose the correct option from the following. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (b) Both Assertion (A) and Reason (R) are true and Reason (R) is the not correct explanation of Assertion (A) (c) Assertion (A) is true but Reason (R) is false. (d) Assertion (A) is false but Reason (R) is true	**1**
9	The role of RBI has been changed from ……. to …….. under New Economics Policy 1991.	**1**

	a) Facilitator to Regulator b) Supervisor to facilitator c) Regulator to facilitator d) Facilitator to supervisor	
10	The relation between CRR,SLR and LRR is define as……. a) LRR is the product of CRR and SLR. b) LRR is the ratio of CRR and SLR. c) LRR is the difference of CRR and SLR. d) LRR is the sum of CRR and SLR	**1**
11	Assertion (A)- Credit creation process increases the money supply in economy. Reason (R)- Through the credit creation process commercial banks can distribute loans many times as compare to their primary deposits. Choose the correct option from the following. (a) Both (A) & (R) both are true and (R) is correct explanation of (A) (b) Both (A) & (R) both are true and (R) is not correct explanation of (A) (c) (A) is true but (R) is false (d) (A) is false but (R) is true	**1**
12	Assertion (A)-Settlement of liabilities of commercial banks is done by RBI. Reason (R)- RBI holds the accounts of all commercial banks and commercial banks keep funds in it essentially. Choose the correct option from the following. (a) Both (A) & (R) both are true and (R) is correct explanation of (A) (b) Both (A) & (R) both are true and (R) is not correct explanation of (A) (c) (A) is true but (R) is false (d) (A) is false but (R) is true	**1**
13	Supply of money refers to (a) currency held by the public (b) currency held by Reserve Bank of India (c) currency held by the public and demand deposits with the commercial banks (d) currency held by Reserve Bank of India and demand deposits with commercial bank	**1**
14	Demand deposit include… (a) Saving account deposits and fixed deposits (b) Saving account deposits and current account deposits (c) Current account deposits and fixed deposits (d) All types of deposits	**1**
15	Two friends Akash and Amit were discussing about the features of central	**1**

	bank. "This features saves the commercial banks from possible breakdown" The above mentioned statement was given by Akash, identify the feature was he taking about… (a) Banker's bank (b) Lender of the last resort (c) Controller of credit (d) Financial advisor	
16	**Assertion (A)**: Central Bank as a banker to the government, works as a custodian of cash reserves. **Reason(R):** The Central Bank acts as a clearinghouse for the transfer and settlement of mutual claims of commercial banks. Choose the correct option from the following. (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 and 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	**1**
17	**Assertion(A):** The Central Bank is also known as the bank of issue. **Reason(R):** The Central Bank enjoys the sole monopoly of issuing currency to ensure control over volume of currency and money supply. Choose the correct option from the following. (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 and Reason(R) is not the correct explanation of the Assertion(A) (c) Assertion(A) is true but Reason(R) is false Assertion(A) is false but Reason(R) is true	**1**
18	In a hypothetical economy, Mr. Neeraj has deposited ₹100 in the bank. If it is assumed that there is no other currency circulation in the economy, then the total money supply in the economy will be a) zero b) ₹ 100 c) not defined d)₹ 120	**1**
19	The amount of initial deposits is 3000cr and LRR is 25%. Calculate the amount of total deposits created by commercial banks (a) 10000 crore (b) 11000 crore (c) 12000 crore (d) 13000 crore	**1**
20	Ms. Sakshi, an economics teacher, was explaining the concept of 'minimum	**1**

	percentage of the total deposits to be kept by any commercial bank with the Central Bank of the country, as per norms and statute prevailing in the country'. From the following, choose the correct alternative which specifies towards the concept explained by her? a) Cash Reserve Ratio b) Repo Rate c) Bank Rate d) Statutory Liquidity Ratio	
21	What will be the effect of an increase in the 'Repo Rate on the Money Supply? a) Money supply will increase b) Money supply will decrease c) Money supply will remain the same d) Money supply will initially increase and then it will decrease	**1**
22	Credit Control means (a) Contraction of credit only (b) Extension and contraction of money supply (c) extension of credit only (d) supply of money remains the same	**1**
23	Assertion: The Central Bank is also known as the bank of issue. Reason: The Central Bank enjoys the sole monopoly of issuing currency to ensure control over volume of currency and money supply. Choose the correct option from the following. (a) Assertion and Reason both are correct, statements and Reason is correct explanation for Assertion. (b) Assertion and Reason both are correct statements but Reason is not correct explanation for Assertion. (c) Assertion is true but Reason is false. (d) Assertion is false but Reason is true.	**1**
24	Which of the following deposits are also known as chequeable deposits? a) Savings account deposits. b) Demand deposits. c) Fixed account deposits. d) Current account deposits.	**1**
25	_____ is responsible for issuing ₹1 currency note in India. a) Reserve Bank of India. b) Ministry of commerce. c) Ministry of finance. d) Niti Aayog.	**1**
26	The value of deposit multiplier is equal to _____. a) 1/CRR. b) 1/SLR. c) 1/LRR. d) None of these.	**1**

27	The ratio of total deposits that a commercial bank has to keep with Reserve bank of India is called. a) Statutory Liquid Ratio. b) Deposit Ratio. c) Cash Reserve Ratio. d) Legal Reserve Ratio.	**1**
28	_____ is the fraction of deposit which all commercial banks are required to keep with the central bank. a) Cash Reserve Ratio. b) Legal Reserve Ratio. c) Deposit Ratio. d) Repo Rate.	**1**
29	Assertion (A): Money kept with RBI is the part of money supply in India. Reason (R): RBI supply money in India. Choose the correct option from the following. a) Both (A) and (R) are true and Reason is the correct explanation of Assertion. b) Both (A) and (R) are true and Reason is not the correct explanation of Assertion. c) (A) is true but (R) is false. d) (A) is false but (R) is true.	**1**
30	If the reserve ratio is 20%, what will be the amount of total reserves after an initial deposit of ₹200? a) 4,000. b) 2,000. c) 1,000. d) 400.	**1**
31	Statement 1: Primary deposits indicate savings of the depositors with the banks. Statement 2: Secondary deposits indicate borrowing of the depositors from the banks. a) Both statements are true. b) Both statements are false. c) Statement 1 is true and Statement 2 is false. d) Statement 1 is false and Statement 2 is true.	**1**
32	Statement 1: A fall in SLR increases money supply on the economy. Statement 2: Fall in SLR enhances capacity of the commercial banks to create credit a) Both statements are true. b) Both statements are false. c) Statement 1 is true and Statement 2 is false. d) Statement 1 is false and Statement 2 is true.	**1**

33	Bring out the role of Central Bank as the controller of money supply or credit using Bank rate	**3**
34	How does central bank control availability of credit by open market operations?	**3**
35	What is Legal Reserve Ratio? Explain its components.	**3**
36	Suppose all the customers of a commercial bank demand for their deposits at the same time then how does central bank help to commercial bank in this situation?	**3**
37	Money acts as a yardstick of standard measure of value to which all other things can be compared. Discuss it.	**3**
38	Explain the role of the Reserve Bank of India as the "lender of last resort"	**3**
39	Give meaning of money supply. State its components.	**3**
40	Central bank has several important functions. It issues the currency of the country. It controls money supply of the country through various methods, like bank rate, opens market operations and variations in reserve ratios. It acts as a banker to the government. It is the custodian of the foreign exchange reserves of the economy. It also acts as a bank to the bankingsystem, which is discussed in detail later 1.What is the name of Indian central bank? (A) Reserve Bank of India (B) Federal Reserve (C) State Bank of India (D) None of the above 2.Who determine the Case Reserve Ratio? (A) Central Bank (B) Federal Reserve (C) Commercial Bank (D) Government 3.Who is the official 'Lender of the Last Resort' in India? (A) PNB (B) RBI (C) SBI (D) CBI 4.In order to discourage credit in the economy, the central bank may (A) Increase Bank rate (B) Decrease Bank rate (C) Buy securities in the open market (D) Decrease CRR	**4**
41	How will Reverse Repo rate control money supply at the time of inflation in an economy ?	**4**
42	Money acts as a yardstick of standard measure of value to which all other things can be compared. Discuss it.	**4**
43	Explain the "Bank of Issue Function" of the central Bank.	**4**
44	Which bank is known as Government's Bank? Describe the function of government bank.	**4**
45	Explain the "banker's bank ' function of a central bank.	**4**
46	Explain 'Banker's Bank' function of central bank.	**4**
47	How does a central bank control the availability of credit by open market operation	**4**
48	**The following hypothetical Case Study, carefully and answer the question numbers 1-4 on the basis of the same.** The central bank of India i.e. Reserve Bank of India, is the apex institution that control the entire financial market. It's one of the major functions is to maintain the reserve of foreign exchange. Also, it intervenes in the foreign exchange market to stabilise the excessive fluctuations in the foreign exchange rate.	**4**

	In other words, it is the central bank's job to control a country's economy through monetary policy; if the economy is moving slowly or going backward, there are steps that central bank can take to boost the economy. These steps, whether they are asset purchases or printing more money, all Involve injecting more cash into the economy. The simple supply and demand economic projection occur and currency will devalue. When the opposite occurs, and the economy is growing, the central bank will use various methods to keep that growth steady and in-line with other economic factors such as wages and prices. Whatever the central bank does or in fact don't do, will affect the currency of that country. Sometimes, it is within the central bank's interest to purposefully effect the value of a currency. For example, if the economy is heavily reliant on exports and their currency value becomes too high, importers of that country's commodities will seek cheaper supply; hence directly effecting the economy. 1. Which of the following tools are used by the central bank to control the flow of money in domestic economy? (a) Fiscal tools(b) Quantitative monetary tools (c) Qualitative monetary tools (d) Both (b) and (c) 2. Dear money policy of central bank, which is used to keep the growth steady and in-line with other economic factors, refers to a) Tighten the money supply in the economy b) Ease the money supply in the economy c) Allow commercial banks to work under less strict environment d) Both (b) and (c) 3. Which of the following steps should be taken by the central bank if there is an excessive rise in the foreign exchange rate? (a) Supply foreign exchange from its stock (b) Demand more of other foreign exchange (c) Not intervene in the market as the exchange rate is determined by the market forces (d) Help central government to stabilize the foreign exchange rate 4. The central bank does not perform the following functions. (a) conducts sale and purchase of securities for foreign governments securities. (b) acts as a lender of the last resort. (c) controls money supply and credit. (d) manages the nation’s reserves of international currency.	
49	**The following hypothetical Case Study, carefully and answer the question numbers 1-4 on the basis of the same.** Repo (repurchase) rate also known as the benchmark interest rate is the rate at which the RBI lends money to the commercial banks for a short-term (a maximum of 90 days). When the repo rate increases, borrowing from RBI becomes more expensive. If RBI wants to make it more expensive for the banks to borrow money, it increases the repo rate similarly, if it wants to make it cheaper for banks to borrow money it reduces the repo rate. If the repo rate is increased, banks can’t carry out their business at a profit whereas the very opposite happens when the repo rate is cut down. Generally, repo rates are cut down whenever the country needs to progress in banking and economy. If banks want to borrow money (for short term, usually overnight) from RBI then banks	**4**

	have to charge this interest rate. Banks have to pledge government securities as collateral. This kind of deal happens through a re-purchase agreement. If a bank wants to borrow, it has to provide government securities at least worth ₹ 1 billion (could be more because of margin requirement which is 5%–10% of loan amount) and agree to repurchase them at ₹1.07 billion (US$15 million) at the end of borrowing period. So the bank has paid ₹65 million (US$910,000) as interest. This is the reason it is called repo rate. 1.What kind of tool Repo rate is:- a) Qualitative tool b) Quantitative tool c) Fiscal tool c) None of these 2.Why Repo rate is called Repurchasing rate:- a) Commercial bank has to mortgage its securities with RBI b) Commercial bank has to make an agreement to repurchase the securities mortgage with RBI c) Commercial banks have to pay interest on borrowings d) None of These 3.If inflationary conditions persist in economy then what should be done with Repo rate: a) Repo rate should be reduced b) Repo rate should be increased c) Does not change Repo rate d) None of above 4.On which type of borrowing Repo rate is charged by RBI a) On short term borrowings b) No long term borrowings c) Borrowings to maintain reserves d) Borrowings to purchase assets	
50	**The following hypothetical Case Study, carefully and answer the question numbers 1-4 on the basis of the same.** Demonetisation was a new initiative taken by the Government of India to tackle the problem of corruption, black money, terrorism and circulation of fake currency in the economy. Old currency notes of Rs 500, and Rs 1000 were no longer legal tender. New currency notes in the denomination of Rs 500 and Rs 2000 were launched. The public were advised to deposit old currency notes in their bank account till 31 December 2016 without any declaration and upto 31March 2017 with the RBI with declaration. Further to avoid a complete breakdown and cash crunch, notes government had allowed exchange of Rs 4000 old currency the by new currency per person and per day. Further till 12 December 2016, old currency notes were acceptable as legal tender at petrol pumps, government hospitals and for payment of government dues, like taxes, power bills, etc.	**4**

	This move received both appreciation and criticism. There were long queues outside banks and ATM booths. The shortage of currency in circulation had an adverse impact on the economic activities. However, things improved with time and normalcy returned. This move has had positive impact also. It improved tax compliance as a large number of people were bought in the tax ambit. The savings of an individual were channelised into the formal financial system. As a result, banks have more resources at their disposal which can be used to provide more loans at lower interest rates. It is a demonstration of State's decision to put a curb on black money, showing that tax evasion will no longer be tolerated. 1.The latest demonetization of Indian currencies introduced by the Government was: (a) November 2016 (b) December 2016 (c) October 2016 (d) September 2016 2.Who was the Prime Minister of India during the demonetization of 2016? (a) Manmohan Singh (b) Atal Bihari Bajpayee (c) Narendra Modi (d) HD Devegowda 3.Which one of the following was one of the objectives of demonetization in 2016? (a) To gift new notes to people of India (b) To reduce and prevent circulation of black money in the market (c) To increase the interest rate (d) To increase the value of the currency 4.Which is not a positive impact of the demonetization drive in 2016? (a) Improved tax compliance (b) channelization of more savings into the formal financial system (c) Commercial Banks lower the rate of interest (d) long queues outside banks and ATM booths	
51	Distinguish between central bank and commercial banks.	**4**
52	Read the following case study carefully and answer the questions 1-2 on the basis of the same: The Reserve Bank of India has the sole right to issue bank notes in India. The bank notes are legal tender guaranteed by the Central Government. The issue of bank note is conducted by a separate department called issue department. The Central Government on the recommendation of Central Board specifies denomination of bank notes including discontinuance of bank notes. The Central Government approves design, form and material of bank notes on consideration of recommendations of the Central Board. The Reserve is empowered to formulate banking policy in the interest of the public or depositors banking policy in relation to advances and provide direction on the purpose of the advances, margins to be maintained in a secured advances, the maximum amount of advance may be made, the rate of interest, terms and conditions for advances or guarantees may be given. 1. "RBI acts as a bankers' bank and performs a supervisory role as well." Comment. 2. Explain banker to the government function of RBI.	**6**

53	(A) - State any two components of M, measure of Money Supply. (B) Elaborate and two instruments of credit control, as exercised by the Reserve Bank of India.	**6**
54	Explain the functions of the central bank.	**6**
55	Analyse the role of Central Bank as 'Banker's Bank'.	**6**
56	Discuss 'Banker to the Govt' function of central bank.	**6**
57	How does money solve the problem of double coincidence of wants? Explain with an example.	**6**
58	(i) What is meant by Cash Reserve Ratio? How does it increase the money Supply in the economy? (ii) What is meant by Open Market Operation? How does it reduce the money supply in the economy?	**6**
59	Define money and explain the functions of money.	**6**
60	The Government of India launched 'Jan-DhanYojna' aimed at every household in the country to have at least one bank account. Explain how deposits made under the plan are going to affect the national income of the country.	**6**
61	Explain the process of Money creation by the commercial banks with the help of a numerical example. or What role does it play in determining the credit creation power of the banking system? Use a numerical illustration to explain.	**6**
62	What are the functions of money? OR Explain primary and secondary functions of money.	**6**
63	Explain the function of central bank	**6**

ANSWER

1	C
2	1. Demand deposit
3	Reduced
4	Currency held by the public and demand deposits with commercial banks
5	A
6	A
7	3%
8	C
9	Regulator to facilitator
10	LRR is the sum of CRR and SLR.
11	A
12	B
13	(e) currency held by the public and demand deposits with the commercial banks
14	(e) Saving account deposits and current account deposits
15	(b) Lender of the last resort
16	(e) Assertion(A) is true but Reason(R) is false
17	(a)Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of the Assertion(A)

18	d) ₹ 100
19	(c) 12000 crore
20	a) Cash Reserve Ratio
21	b) Money supply will decrease
22	b) Extension and contraction of money supply
23	A
24	(b).
25	(c).
26	(c).
27	(c).
28	(a).
29	(d).
30	(c).
31	(a).
32	(a).
33	The central bank will hike the bank rate if it wants to regulate lending. Commercial bank will increase rate of interest as a result of this. Borrowing will be expensive. It will reduce money supply. Likewise, a decrease in the bank rate significantly decreases money market lending rates, which in turn stimulates commercial and industrial activity, requiring more credit from banks. As a result, the volume of bank credit will increase.
34	1. Open Market Operation consists of buying and selling of government securities and bond in the open market by central bank. 2. To control availability of credit, central bank sells government securities and bonds to commercial bank. 3. With the sale of these securities, the power of commercial banks of giving loans decreases.
35	1. **Legal Reserve Ratio:** It is the minimum ratio of deposits legally required to be kept by the commercial banks with themselves and with the central bank. 2. **It's components are:** **(a) Cash Reserve Ratio:** It refers to the minimum percentage of a bank's total deposits, which it is required to keep with the central bank. **(b) Statutory Liquidity Ratio:** It refers to minimum percentage of net total demand and time liabilities, which commercial banks are required to maintain with themselves.
36	1. As banker to the banks, the central bank acts as the lender of the last resort. 2. In other words, in case the commercial banks fail to meet their financial requirements from other sources, they can, as a last resort, approach to the central bank for loans and advances. 3. The central bank assists such banks through discounting of approved securities and bills of exchange. Value: Analytic.
37	

	Money serves as a measure of value in terms of unit of account. Measurement of value was the main difficulty of the barter system. Introduction of money has removed this difficulty. It acts as a yardstick of standard measure of value to which all other things can be compared." Money measures the value of everything or the prices of all goods and services can be expressed in terms of money.
38	As banker to the banks, the central bank acts as the lender of the last resort. In other words, in case the commercial banks fail to meet their financial requirements from other sources, they can, as a last resort, approach to the central bank for loans and advances. The central bank assists such banks through discounting of approved securities and bills of exchange.
39	It refers to stock of money available with the public/people at a point of time. Measures of Money Supply M1 = C + DD + OD M2 = M1+ Post office savings deposits M3 = M1+ Time deposits of commercial banks M4= M3+ Total deposits with the post office saving deposit excluding the deposits on NSC
40	1- A 2- A 3- B 4- A
41	Reverse Repo rate is the rate at which commercial bank park their excess fund with central bank. At the time of inflation , there is a need to reduce money supply in the economy. If central bank increases Reverse Repo rate , commercial bank will park more money with central bank . As a result they will have less amount to issue loan to general public & hence money supply will be reduced.
42	Money serves as a measure of value in terms of units of account. Measurement of value was the main difficulty of the barter system. Introduction of money has removed this difficulty. It acts as a yardstick of standard measures of value to which all other things can be compared. Money measures the value of everything or the prices of all goods and services can be expressed in terms of money. This function of money also enables the trading firms to ascertain their costs, revenues, profits and losses.
43	1.The central bank has the sole monopoly to issue currency notes. Commercial banks cannot issue currency notes. Currency notes issued by the central bank are the legal tender money. 2.Legal tender money is one, which every individual is bound to accept by law in exchange for goods and services and in the discharge of debts. 3.Central bank has an issue department, which is solely responsible for the issue of notes. 4.However, the monopoly of central bank to issue the currency notes may be partial in certain countries. 5.For example, in India, one rupee notes and all coins are issued by the government and all other notes are issued by the Reserve Bank of India.
44	As a banker to the government, the central bank performs same functions as performed by the commercial banks to their customers. 1. It receives deposits from the government and collects cheques and drafts deposited in the government account. 2. It provides cash to the government as resumed for payment of salaries and wages to their staff and other cash disbursements. 3. It makes payments on behalf of the government.

	4. It also advances short term loans to the government. 5. It supplies foreign exchange to the government for repaying external debt or making other payments.
45	Central bank acts as the banker to the banks in three ways : 1. Custodian of the cash reserves of the commercial banks; 2. As the lender of the last resort; and 3. As clearing agent. 1. As a custodian of the cash reserves of the commercial banks, the central bank maintains the cash reserves of the commercial banks. Every commercial bank has to keep a certain percent of its cash reserves with the central bank by law. 2. As Lender of the Last Resort. (a) As banker to the banks, the central bank acts as the lender of the last resort. (b) In other words, in case the commercial banks fail to meet their financial requirements from other sources, they can, as a last resort, approach to the central bank for loans and advances. 3. The central bank assists such banks through discounting of approved securities and bills of exchange. (c) As Clearing Agent (i) As the custodian of the cash reserves of the commercial banks, the central bank acts as the clearing house for these banks. (ii) Since all banks have their accounts with the central bank, the central bank can easily settle the claims of various banks against each other simply by book entries of transfers from and to their accounts. (iii) This method of settling accounts is called Clearing House Function of the central bank.
46	Central bank acts as the banker to the banks in three ways: (i) custodian of the cash reserves of the commercial banks; (ii) as the lender of the last resort; and (iii) as clearing agent. (i) Custodian of the cash reserves of the commercial banks: Every commercial bank has to keep a certain percent of its cash reserves with the central bank by law. (ii) Lender of the Last Resort. As banker to the banks, the central bank acts as the lender of the last resort, in case the commercial banks fail to meet their financial requirements from other sources, they can, as a last resort, approach to the central bank for loans and advances. (ii) Clearing Agent Since it is the custodian of the cash reserves of the commercial banks, the central bank can act as the clearinghouse for these banks.
47	Open market operation is the policy of the central monetary authority to sell and buy the government securities in the market. RBI purchases government securities from commercial banks and general public in a bid to increase the stock of high-powered money in the economy. Similarly, RBI sells government securities to commercial banks and general public in a bid to decrease the stock of high-powered money in the economy.
48	1. (d) Both (b) and (c) 2. (a) Tighten the money supply in the economy 3. (a) Supply foreign exchange from its stock 4. a)conducts sale and purchase of securities for foreign governments securities.
49	1-(a) 2-(b)

<table>
<tr><td></td><td>3-(b)
4-(a)</td></tr>
<tr><td>50</td><td>1-(a)
2-(c)
3-(b)
4-(d)</td></tr>
<tr><td>51</td><td>
<table>
<tr><th>Central Bank</th><th>Commercial Banks</th></tr>
<tr><td>(1) Central bank functions as the apex bank of the country.</td><td>(1) Commercial banks function according to the rules and regulations stipulated by the central bank.</td></tr>
<tr><td>(2) The central bank designs and controls all instruments of monetary policy of the country.</td><td>(2) Commercial banks only executes the monetary policy as directed by the central bank.</td></tr>
<tr><td>(3) Central bank is the sole authority of note issuing.</td><td>(3) Commercial banks contribute to the flow of money only by way of credit creation.</td></tr>
<tr><td>(4) Central bank does not deal directly with the general public. It does not accept deposits or advance loans.</td><td>(4) Commercial banks deal directly with the general public by accepting deposits and advancing loans.</td></tr>
</table>
</td></tr>
<tr><td>52</td><td>1. As a bankers' bank, it has almost the same relation with other banks in the country as a commercial bank has with its customers. Three observations need to be noted in this context:
(a) The central bank accepts deposits from the commercial banks, and offers them loan.
(b) The central bank provides 'Clearing House' facility to the commercial banks. It is a cheque clearing facility provided at one centre to all the banks.
(c) In its supervisory role, the central bank ensures that the commercial banks show compliance to its directives, particularly relating to CRR and SLR. The central bank changes CRR, SLR as and when required. It ensures that the commercial banks show compliance to these changes so that the desired targets are achieved.

2. Central bank is a banker, agent, and financial advisor to the government.
(a) As a banker to the government, it manages accounts of the government.
(b) As an agent to the government, it buys and sells securities on behalf of the government.
(c) As an advisor to the government, it frames policies to regulate the money market.</td></tr>
<tr><td>53</td><td>(A). The two components of M, measure of money supply are:
(1) Currency held by public
(2) Net demand deposit held by the commercial banks.

(B). The two instruments of credit control, as exercised by the Reserve Bank of India are:
(1) Open market operations refer to the buying and selling of government securities by the central bank. By selling government securities. in the open market and the public buying them, money flows out of commercial banks into the central bank. This will reduce the demand deposits with the commercial banks and thereby lower their capacity to create credit. Thus, borrowing from the banks becomes less and money supply is reduced.So, credit creation is controlled.
(2) Repo rate is the rate of interest at which the central bank lends money to the commercial banks for a short period. It can be helpful in controlling credit creation. A rise in the repo rate would discourage the commercial banks to build their cash reserves for the creation of credit through loans. Rise in repo rate makes borrowings by commercial banks costlier. So,</td></tr>
</table>

	commercial banks are forced to raise their lending rates. Since, borrowings becomes costly for people, they borrow less. So, banks create less credit.
54	The principal functions of the central bank are as follows: (1). Issuing of Notes or Currency Authority: The central bank is the sole note-issuing authority in the country. Large number of central banks have divided their functions into two parts banking department and issue department. It is the issue department that is responsible for note-issuing. (2). Banker to the Government: Central bank acts as a banker, agent and financial advisor to the government. As a banker to the government, it keeps the accounts of all government bank and manages government treasuries. The loans are given to the government without any interest for short-term. It also transfers government funds. It also buys and sells securities, treasury bills on behalf of the government. Being the apex bank of the country, it advises the government from time to time on economic, financial and monetary matters. (3). Banker's Bank: It performs the function of a banker to all other banks in the country Central bank keeps part of the cash balances of all commercial banks as deposit with a vier to meeting liabilities of these banks in times of crisis. (4). Lender of the Last Resort: The central bank also acts as lender of the last resort for the other banks of the country. It means that if a commercial bank fails to get financial accommodation from anywhere, it approaches the central bank as a last resort. Central bank advances loan to such a bank against approved securities. (5). Custodian of the Nation's Reserves of Foreign Exchange: Central bank also functions as the custodian of nation's foreign exchange reserves. These reserves are regulated: (a) to stabilise exchange rate in the international money market, and (b) to promote exports. (6). Clearing House Function: Central bank also performs the function of a clearing house. Every bank keeps cash reserves with the central bank. The claims of banks against one another can be easily and conveniently settled by simple transfers from and to their account. (7). Control of Credit: The most important function of the central bank is to control the credit activities of the commercial banks. Credit control refers to the increase or decrease in the volume of credit money in accordance with the monetary requirement of the country.Central bank seeks to contain credit money within reasonable limits.
55	1. Custodian of cash reserve - Each commercial bank is required to keep a certain fraction of their deposits as reserve with central bank . 2. Lender of last resort - When commercial banks fails to meet its financial requirements from all possible sources, it approaches central bank as the last option Clearing House - central bank settles the inter-bank claims by making debit & credit transactions in their respectives .
56	1. As a bankers it maintains the current account of C Govt, accepts receipts and makes payments on behalf of the govt, takes loans & gives loan on behalf of the govt 2. As a financial adviser, it advises the govt on various financial & monetary matters As an agent, it manages public debt & deals in buying & selling of Govt securities
57	Money acts as an intermediary in the exchange transactions of goods and services. It removes the difficulty of double coincidence of want by separating the act of sell and purchase. For example, if a vegetable grocer wants a cart but the cart manufacturer wants clothes, and not vegetables, then the grocer can use money to buy a cart. Similarly, the cart manufacturer can then use the money to buy clothes. Thus, everyone's wants can be satisfied as money acts as a medium of exchange. Money is also called a bearer of options or generalised purchasing power. This indicates the freedom of choice that the use of money offers. This function can only be performed properly if the value of money remains constant.

58	. **Cash Reserve Ratio:** (a) It refers to the minimum percentage of a bank's total deposits, which it is required to keep with the central bank. Commercial banks have to keep with the central bank a certain percentage of their deposits in the form of cash reserves as a matter of law. (b) For example, if the minimum reserve ratio is 10% and total deposits of a certain bank is ?100 crore, it will have to keep Rs 10 crore with the central bank. (c) To increase Money supply in an economy, cash reserve ratio (CRR) falls to 5 per cent, the bank will have to keep Rs 5 crore with the central bank, which will increase the cash resources of commercial bank and increasing credit availability in the economy, which will increase the money supply in an economy. 2. **Open Market Operation:** (a) It consists of buying and selling of government securities and bonds in the open market by central bank. (b) To reduce Money Supply in an economy, central bank sells government securities and bonds to commercial bank. With the sale of these securities, the power of commercial bank of giving loans decreases, which will reduce the money supply in an economy.
59	Money: Money may be defined as anything which is generally acceptable as a medium of exchange and at the same time acts as a measure, store of value and standard of deferred payment. Functions of Money: 1. Primary Functions a. Medium of exchange b. Common measure of value or unit of value 2. Secondary Functions a. Standard of deferred payment b. Store of value c. Transfer of value 3.Contingent Functions a. Basis of credit b. Liquidity c. Basis of price mechanism d. Maximum profit to the producers e. Maximum satisfaction to the consumers f. Basis of distribution of income
60	Due to launch of "Jan- DhanYojna" people start depositing their money in banks, which will increase the initial deposits with the commercial bank, which will increase the total deposits. Let us assume that the entire commercial banking system is one unit. Let us call this one unit simply "banks'. Let us also assume that all receipts and payments in the economy are routed through the banks. One who makes payment does it by writing cheque. The one who receives payment deposits the same in his deposit account. 1. Suppose initially people deposit ?1000. The banks use this money for giving loans. But the banks cannot use the whole of deposit for this purpose. It is legally compulsory for the banks to keep a certain minimum fraction of these deposits as cash. The fraction is called the Legal Reserve Ratio (LRR). The LRR is fixed by the Central Bank. 2. Let us now explain the process, suppose the initial deposits in banks is ?1000 and the LRR is 10 percent. Further, suppose that banks keep only the minimum required, i.e., ^100 as cash reserve, banks are now free to lend the remainder ?900. Suppose they lend ?900. What banks do to open deposit accounts in the names of the borrowers who are free to withdraw the

amount whenever they like. Suppose they withdraw the whole of amount for making payments.
3. Now, since all the transactions are routed through the banks, the money spent by the borrowers comes back into the banks into the deposit accounts of those who have received this payment. This increases demand deposit in banks by Rs 900. It is 90 per cent of the initial deposit. These deposits of Rs 900 have resulted on account of loans given by the banks. In this sense the banks are responsible for money creation. With this round increase in total deposits is now Rs 1900 (=1000 + 900).
4. When banks receive new deposit of Rs 900, they keep 10 per cent of it as cash reserves and use the remaining ?810 for giving loans. The borrowers use these loans for making payments. The money comes back into the accounts of those who have received the payments. Bank deposits again rise, but by a smaller amount of Rs 810. It is 90 per cent of the last deposit creation. The total deposits now increase to Rs 2710 (= 1000 + 900 + 810). The process goes on till the total deposit creation comes to Rs 10000, ten times the initial deposit as shown in the table below.

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Credit creation is the most important functions of Commercial bank.
The capacity of banks to create money or credit depends on:

a) Amount of primary deposits b) Legal reserve ratio(LRR).

To understand this process we have to make two assumptions:

1) The entire commercial banking system is one unit and is termed as banks.

2) All the payments are receipts are made through banks i.e all payments are made to check and all receipts are deposited in the banks.

Let us understand the process of credit creation with the following example.

Suppose there is an initial deposit of Rs. 1000 and L.R.R. is 20% i.e., the banks have to keep Rs. 200 and lend Rs. 800/-. All the transactions are routed through banks.

	Deposits (in Rs.)	**Loans (in Rs.)**	**Cash Reserve Ratio (20%)**
Initial deposit	1000	800	200
First round	800	640	160
Second round	640	512	128
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
Total	5000	4000	1000

The deposit creation comes to end when the total cash reserves become equal to the initial deposit.
Money Multiplier = 1/LRR
Credit creation = Initial deposit X 1/LRR. Credit creation = 1000 x 1/20%
1000 x 100/20=Rs 5000
In this way, commercial banks create credit many more times than their cash reserves and contributes to increase money supply in the economy.

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	Primary Function i) Medium of exchange: It means that money can be used to make payments for all the transactions of goods and services. A buyer can buy goods through money and a seller can sell goods for money. It is an essential function of money. ii) Measure of value: Money serves as a measure of value. The value of all goods and services is expressed in terms of money. Secondary Function i) Standard of deferred payments: It means that money acts as a 'standard' for making future payments. It has made deferred payments much easier than before. Example: When we borrow money from somebody, we have to return both the principal as well as the interest amount in the future. ii) Store of value: A store of value implies a store of wealth. Money can be easily stored for future use. It is the most convenient and economical means to store earnings and wealth. iii) Transfer of value: Money also serves for transfer of value. It facilitates buying and selling of goods not only in the domestic country but also in other parts of the world
63	1. currency authority. The central bank has the sole monopoly to issue currency notes. Commercial banks cannot issue currency notes. Currency notes issued by the central bank are the legal tender money. Central Bank is obliged to back the currency with assets of equal value (usually gold coins, gold bullions, foreign securities etc.) 2. Central bank acts as the banker to the banks in three ways: (i) custodian of the cash reserves of the commercial banks; (ii) as the lender of the last resort; and (iii) as clearing agent. (i) Custodian of the cash reserves of the commercial banks: Every commercial bank has to keep a certain percent of its cash reserves with the central bank by law. (ii) Lender of the Last Resort. As banker to the banks, the central bank acts as the lender of the last resort, in case the commercial banks fail to meet their financial requirements from other sources, they can, as a last resort, approach to the central bank for loans and advances. (ii) Clearing Agent Since it is the custodian of the cash reserves of the commercial banks, the central bank can act as the clearinghouse for these banks 3. Central bank everywhere in the world acts as banker, fiscal agent and adviser to their respective government. (i) As Banker: As a banker to the government, the central bank performs same functions as performed by the commercial banks to their customers. (ii) As Fiscal Agent: As a fiscal agent, it performs the following functions: It manages the public debt. It collects taxes and other payments on behalf of the government. (iii) As Adviser The central bank also acts as the financial adviser to the government. 4. Credit Control Two types of methods are adopted by the central bank to control credit. These are quantitative methods and qualitative methods.

	(a) Quantitative methods aim at controlling the cost and volume of credit created by commercial banks by using instruments like bank rate, open market operation, legal reserve ratios, repo rate and reverse repo rate. (b) Qualitative methods regulate the direction of flow of credit among various users rather than influencing just the availability of credit. Example: margin requirement, credit rationing, direct action and moral suasion.

Chapter 4 : Determination of Income and Employment

Q. NO	QUESTION	MARKS
1	ASSERTION (A): APS can never be one or more than one. REASONING (R): APC increases with increase in income. Choose the correct option from the following. (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.	**1**
2	ASSERTION (A): MPC of poor is more than that of rich. REASONING (R): MPC falls with successive increase in Income.	**1**

	Choose the correct option from the following. (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.	
3	ASSERTION (A): Multiplier explains how many times the income increases as a result of an increase in the investment. REASONING (R): There is an inverse relationship between the value of marginal propensity to save and investment multiplier. Choose the correct option from the following. (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.	**1**
4	ASSERTION (A): Full employment is that situation in the economy when AS = AD along with fuller utilization of the resources. But it does not mean a situation of zero unemployment in the Economy. REASONING (R): Full employment means absence of unemployment in the economy. Choose the correct option from the following. (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	**1**
5	ASSERTION (A): When Investment Multiplier is 1, the value of MPC is also 1. REASONING (R): Consumption can exceed Income but Savings cannot. Choose the correct option from the following. (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.	**1**
6	Assertion (A): Higher the value of Marginal Propensity to Consume, higher the value of multiplier and more chances of economic growth and increase in National Income. This happens when marginal propensity to save falls and marginal propensity to consume rises.	**1**

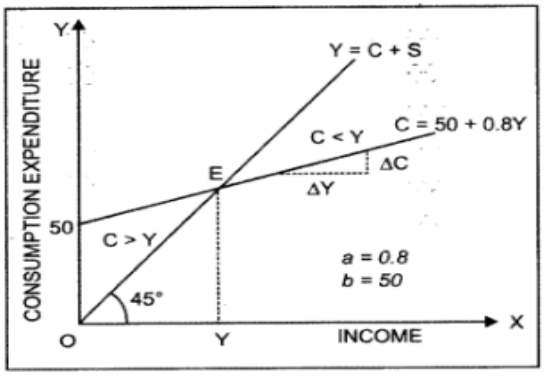
	Reason(R): Investment generates income and this additional income causes a change in consumption. Additional consumption expenditure generates additional income for producers of goods and services. This process keeps repeating till the total increase in income equals the product of multiplier and change in investment: $\Delta Y = K \times \Delta I$ Choose the correct option from the following. (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.	
7	Assertion (A): Unplanned inventories accumulates when planned investment is less than planned savings i.e. producers are left with unsold stock of goods as planned savings are more than planned investments. Reason(R): In a situation of deficiency of AD in relation AS, Aggregate Demand is less than Aggregate Supply when buyers (consumers and firms) are consuming less and thus spending less. It means that they are planning to buy less than what sellers are planning to sell implying fall in marginal propensity to consume. Choose the correct option from the following. (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.	**1**
8	Assertion (A): There is direct relationship between Saving and demand for goods and services in the economy. Reason(R): As people save more and more, the demand for goods and services fall in the economy. Choose the correct option from the following. (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.	**1**
9	Assertion (A): J M Keynes emphasized more on Investment. Reason(R): As saving increases, it leads to more and more investment in the economy and hence more demand for goods and services in the economy. Choose the correct option from the following. (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.	**1**
10	Assertion (A): There is always full employment equilibrium in the economy. Reason (R): The equilibrium in the economy, where AD=AS may strike even when there is underemployment.	**1**

	Choose the correct option from the following. (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.	
11	Assertion: Price has no role to play as a determinant of Aggregate Supply. Reason: Proportionate increase in aggregate supply due to excess capacity of production leads to a constant price level in the economy. Choose the correct option from the following. (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.	**1**
12	Read the following statement carefully: Statement 1 : AD is a flow concept Statement 2 : AD and AS are the major tools of macroeconomics analysis. In the light of the given alternatives, 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.	**1**
13	Assertion (A): Monetary policies are RBI policy. Reason (R): Fiscal policies are Government policy. Choose the correct alternatives given below: (a) Both (A) and (R) are true and (R) is the correct explanation of (A) (b) Both (A) and (R) are true and (R) is not the correct explanation of (A) (c) (A) is true but (R) is false. (d) (A) is false but (R) is true.	**1**
14	The value of MPC varies between _____. (i) -9 and 0 (ii) 1 and 9 (iii) 0 and 1 (iv) -1 and 9	**1**
15	Negative savings is also termed as : (a) Dissaving (b) Savings (c) Individual savings (d) Break-even point	**1**
16	Why does the consumption curve of an individual not start from origin?	**1**
17	At the break-even point, (i) Y>C	**1**

	(ii) Y=C (iii) Y<C	
18	Why should price rise only after full employment?	**1**
19	If planned saving are greater than planned investments, what will be its effect on inventories?	**1**
20	Categorise the following as induced investment and autonomous investment. (a)Government has set up public health centres in rural areas. (b)Government has decided to invest Rs. 1,000 crore to save Forests. (c) TATA has invested Rs 1,000 crore to improve its services.	**1**
21	Out of the following which can have a value more than one? a. MPC b. MPS c. APC d. APS	**1**
22	Statement 1:When investment multiplier is 1, the value of MPC is zero. Statement 2: When investment multiplier is zero, the value of MPC is one. a. Statement 1 is true and statement 2 is false. b. Statement 1 is false and statement 2 is true. c. Both the statement are true. d. Both the statement are false.	**1**
23	ASSERTION (A): MPC of poor is more than that of rich. REASONING (R): MPC falls with successive increase in Income. 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.	**1**
24	ASSERTION(A): If MPC is higher the value of investment multiplier will also be higher. REASONING(R): Their exist a direct relationship between MPC and the value of multiplier. Choose the correct option from the following. 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.	**1**
25	In the relationship between an initial increment in investment and the resulting increase in aggregate income. a. MPC b. MPS	**1**

<table>
<tr><td></td><td>c. Investment Multiplier
d. All of these.</td><td></td></tr>
<tr><td>26</td><td>When the economy decides to save the whole of its additional income, then the value of investment multiplier will be:
a. 0
b. -1
c. 1
d. 2</td><td>1</td></tr>
<tr><td>27</td><td>Which one of the following saving function corresponds to the investment multiplier of 5?
a. S= -28+0.25Y
b. S=-40+0.75Y
c. S=-75+0.30Y
d. S=-60+0.20Y</td><td>1</td></tr>
<tr><td>28</td><td>Choose the correct pair of statement.
<table>
<tr><td>Column I</td><td>Column II</td></tr>
<tr><td>A. Ex-ante saving</td><td>Actual savings</td></tr>
<tr><td>B. AS<AD</td><td>Some of the goods remain unsold</td></tr>
<tr><td>C. Savings</td><td>Negatively related with income</td></tr>
<tr><td>D. C=100+0.75Y</td><td>MPS=0.25</td></tr>
</table></td><td>1</td></tr>
<tr><td>29</td><td>Which of the statement is correct about the relationship between the APS and APC?
a. Both APS and APC rise in case of an increase in the National Income.
b. Both APS and APC fall in case of an increase in the National Income.
c. APC rises, but APS falls in case of an increase in the National Income.
d. APS rises, but APC falls in case of an increase in the National Income.</td><td>1</td></tr>
<tr><td>30</td><td>Find out the value of MPC in the saving function S=100+0.80Y.
a. 0.80
b. 0.20
c. 100
d. 1</td><td>1</td></tr>
<tr><td>31</td><td>According to classical economists there always exists_____equilibrium in the economy.
a)Full Employment
b)Underemployment
c)Over full employment
d)None of the above</td><td>1</td></tr>
<tr><td>32</td><td>Which among is the direct tax?
a)Income tax
b)Gift and corporation tax
c)Wealth tax
d)All of these</td><td>1</td></tr>
<tr><td>33</td><td>Who is the author of the book ‘General Theory of Employment, Interest and Money’?
a)A.C.Pigou
b)Malthus</td><td>1</td></tr>
</table>

	c)J.M.Keynes d)Marshall	
34	Which is correct? a)MPC+MPS=0 b)MPC+MPS<1 c)MPC+MPS=1 d)MPC+MPS>1	**1**
35	Assertion(A):Higher the value of MPC,higher is the value of Investment multiplier Reason(R):Investment multiplier is directly related to MPS I)Both A and R is true and R is the correct explaination of A II)Both A and R is correct but R is not the correct explaination of A III)A is correct but R is not correct IV)A is correct but R is incorrect	**1**
36	Mr Mahesh has a income of Rs 20000 a month,out of which he spends Rs 12000 in consumption and rest he saves.Find out his Average Propensity to Save?	**1**
37	What is Investment Multiplier?	**1**
38	The autonomous consumption of a person can be 0.(True/False)	**1**
39	In a given situation when AD>AS in an economy then_____. a)General price level in the economy will decrease. b)Inventory stock will increase beyond desired level. c)Situation of excess demand arises. d)Producers will increase planned output.	**1**
40	Assertion(A):At Break even point,consumption is equal to National Income. Reason(R):APC falls continuously with an increase in income as the proportion of income spent on consumption keeps on decreasing. I)Both A and R is true and R is the correct explaination of A II)Both A and R is correct but R is not the correct explaination of A III)A is correct but R is not correct IV)A is correct but R is incorrect	**1**
41	Explain any three components of aggregate demands? Distinguish between voluntary unemployment and involuntary unemployment. What is the significance of this distinction?	**3**
42	What is the “paradox of thrift”? “Economists are generally concerned about the rising marginal Propensity to save (MPS) in an economy” Explain why ?	**3**
43	Explain the concept of consumption function ? when average propensity to consume(APC) is 1, can be saving 0 ? Show with the help of consumption function sedule	**3**
44	From the following data calculate investment expenditure. (a) MPS = 0.2 (b) Equilibrium level of income = Rs 22,500 (c) Autonomous consumption = Rs 500	**3**

45	 Observe the above picture and answer the following questions. (i) When Aggregate Demand is less than Aggregate Supply at full employment, which gap is arise? (ii) How can we correct the above gap using monetary policy? (iii) Which type of unemployment will arise in this situation?	**3**
46	Write the differences between excess demand and deficient demand.	**3**
47	 I. Write the Breakeven point from the above diagram. II. Derive the saving function from the consumption function i.e C=50+0.8Y. III. Find the value of Investment Multiplier from the above diagram.	**3**
48	Justify the following statement, with valid reason. "Ex-ante Aggregate Demand is always equal to Ex-ante Aggregate Supply."	**3**
49	Difference between Autonomous investment and Induced Investment.	**3**
50	It is planned to make a new investment of Rs 1500 crores in the economy.How much increase in investment is required to achieve this goal,given MPC is 0.6.	**3**
51	Show with the help of a diagram,how aggregate demand and aggregate supply determine the equilibrium level of income.	**3**
52	What is the difference between ex-ante and ex-post investment?	**3**
53	State Bank of India's latest edition of ECOWRAP has noted that many households may have marginal propensity to consume less because several types of spending are not easily available amid social distancing constraints. Analysing the trends in deposits since the lockdown was first imposed, on May 25, the bank noted that the data revealed that deposits (savings, current and term) increased significantly during Lockdown-1 as people were apprehensive in the beginning about spending, and turned frugal. During Lockdown-2, there was a 25% decline in bank deposits, but term deposit accrual was very healthy. Source: Business Standard; June 2nd, 2020 Questions: 1._____ is the ratio of change in consumption to change in income. (APC/MPC) 2. According to given article, many households may have marginal propensity to consume because several types of spending are not easily available amid social distancing constraints. (a) no change (b) more (c) less (d) None of these	**4**

	3. There was a 25%_____ in bank deposits, but term deposit accrual was very healthy during lockdown 2. 4. The sum of APC and MPC is _____ . (a) one (b) zero (c) both (a) and (b) (d) None of these	
54	Government consumption will have to fuel demand till the economy comes out of the COVID-19 shock and regains pre-COVID-19 momentum, the Reserve Bank's annual report said on Tuesday. Private consumption, which has lost its discretionary elements across the board, particularly transport services, hospitality, recreation and cultural activities, will come in later as "behavioural restraints may prevent the normalisation of demand for these activities", RBI said in the annual report. Source: Economics Times Aug 25, 2020 Questions: 1. The term demand referred above means : (a) Individual demand (b) Aggregate demand (c) Market demand (d) none of the above 2. What situation is faced by the economy due to this COVID situation? (a) Excess Demand (b) Deflationary gap (c) Deficient Demand (d) both b and c 3. Net Exports is a part of Aggregate demand for an economy. (True / False) 4. If this is situation is not addressed immediately then an economy will face : (a) Boom and rise in prices (b) Depression and fall in prices (c) Recovery and fall in prices (d) recession and rise in prices	**4**
55	Read the following news repot and answer the following question on the basis of the same. India's record pump prices of gasoline and diesel are the newest threat to the economy's nascent recovery , as high local taxes on retail fuel risk fanning inflation and driving a wedge between the objectives of fiscal and monetary policymakers . Gasoline prices were at an all- time high of 97.6rs ($1.3) a liter in Mumbai Tuesday, while diesel sold for a record 88.6 rs, data from state run - Indian oil corporation show . Taxes make up more than half of that cost and represent a score point for the inflation targeting RBI , which has vowed to keep borrowing costs low for as long as needed to support economic growth . a) Fiscal policy is a policy undertaken by: i) Central bank ii) Government iii) Both of these iv) None of these b) To reduce the price level of petrol , government should: i) Increase Taxes ii) Decrease Taxes iii) Increase Borrowing iv) All of the above	**4**

	c) Monetary policy tool used by the central Bank to curtain inflation is : i) Sell bonds ii) Increase CRR iii) Increase repo rate iv) All of the above d) When an inflationary gap persists in the economy , what is the impact on price, output and employment level ? i) Rise in prices, output and employment ii) Fall in prices , output and employment iii) Rise in price , No change in output and employment iv) Fall in prices , No change in output and employment	
56	Read the following news report and answer the Questions: Significant pick-up in economic activity was observed from October 2020 that peaked in January this year and started declining from February. The same started increasing from May this year, peaked in July and declined again in August. At this juncture, there is a need to further fuel the drivers of household consumption and private investments to enhance the aggregate demand in the economy as it will have an accelerated effect on expansion of capital investments in the country. The government should frontload the National Infra Pipeline expenditure as increased spending on infrastructure will give a multiplier effect to rejuvenate the aggregate demand in the economy. Source:(Interview: Sanjay Aggarwal, President of the PHD Chamber of Commerce and Industry) Entrepreneur India September 13, 2021 Q.1: What is the relationship between multiplier and MPC? (a) Positive and indirect (b) Positive and direct (c) Negative and direct (d) Negative and indirect Q.2: Which of these is a component of aggregate demand? (a) Private consumption expenditure (b) Investment expenditure (c) Government expenditure (d) All of these Q.3: which is not affected by changes in the level of income: (a) Autonomous investment (b) Induced investment (c) Aggregate investment (d) Portfolio investment Q.4: Which policy is related to the RBI: (a) Fiscal Policy (b) Budgetary Policy (c) Monetary Policy (d) Revenue Policy	**4**
57	The Reserve Bank of India said on Monday that the second wave of the COVID-19 pandemic in India has had a bigger impact on aggregatedemand than on aggregate supply, and it believes the economic slowdown was not as severe as a year ago. The biggest toll of the second wave is in terms of a demand shock - loss of mobility, discretionary spending and employment, besides inventory accumulation, while the aggregate supply is less impacted, the Reserve Bank of India said in its monthly bulletin. RBI said the impact of the second wave is appearing to be U-shaped with agriculture and technology forming the shoulders of the letter U andmost vulnerable being blue collar groups (manual work or workers, particularly in industry) and these will warrant a priority in policyinterventions.	**4**

	Source: The Economic Times (17 May 2021.) Q1: If AD<AS, what will the impact of the situation in an economy? (a) Decrease in inventories, income, employment and general price level (b) Increase in inventories, income, employment and general price level (c) Decrease in income, output, employment and general price level (d) No change in output but increase in employment and general price level Q2: Which of the following is a reason of demotivation for induced investment? (a) High aggregate demand (b) Availability of labour at low wages (c) Easy availability of finance facilities (d) Loan on high interest rate Q3: AD<AS will cause a situation of: (a) Deflation (b) Inflation (c) Over employment (d) None of these Q.4: Aggregate Demand = Consumption + _____. (a) Supply (b) Investment (c) Saving (d) Expenditure	
58	Read the passage given below and answer the following question Amidst indications of an economic slowdown in the beginning of year in Feb-mar 2020, forcing the government to impose a strict lockdown leading to near cessation of major economic activities across all sectors. The finance minister on 13th, 14th, 15th may 2020 announced an economic package of Rs. 20 lakh crore for revival of the Indian economy. Government of India's Rs. 20 lakh crore 'AatmaNirbhar Bharat' package which aimed at reviving the economy, includes major fiscal measures like free food for the poor, direct cash transfer, money for rural job guarantee scheme, MGNREGA and credit guarantee to MSMEs. RBI has also taken steps to slash lending rates and add more liquidity into markets. 1 indicate the impact of economic package on AD- (A) fall in the AD (B) rise in the AD (C) rise in the general price level (D) no change in AD 2. to induce liquidity RBI must have- (A) increased CRR (B) reduced Repo rate (C) increased reverse repo rate (D) kept statutory liquidity ratio constant 3. the likely impact of "deficit demand" under income and employment theory, in an economy are: (A) decrease in income, output, employment and general price level (B) decrease in income, but no change in real output (C) increase in income, output, employment and general price level (D) no change in output/employment but increase in general price level 4. The nature of fiscal policy undertaken by the government is _____and monetary policy is ____in its nature. (A) expansionary, expansionary (B) expansionary, contractionary (C) contractionary, expansionary (D) contractionary, contractionary	**4**
59	Read the passage given below and answer the following question In the simple Keynesian model of income determination, we assume that there is no government activity in the economy. If we remove this assumption to see how the	**4**

	equilibrium level of income can be determined in the presence of economic activity of the government, it can be seen that, the government collects money from the economy and spends money into the economy. Government expenditures and receipts have an important effect on the economy. Government budget has two sides viz. the expenditure side and the receipt side. Money inflows in the receipt side of the budget are of three types, i.e. taxation, public borrowing and sales of goods and services; money outflow in the expenditure side of the budget are also of three types i.e. purchase of goods and services, transfer payment and repayment of debts. Taxation is a compulsory contribution made by the people to the government against which no direct payments are made by the government. A taxpayer becomes poorer by the amount of taxes. Hence, the income available in the hands of the people is reduced by the amount of taxes paid. Public borrowing is made through the sale of new government bonds, which people voluntarily purchase. Neither their income nor their wealth is deduced thereby. They simply alter the form and composition of wealth in the private sector. An increase in the net indebtedness of the government to the central bank takes place through the creation of new money by the central bank. 1. If government increases its expenditure on the infrastructural project, how will this impact the aggregate demand? (A) Increase (B) Decrease (C) Remains constant (D) Increase in a three sector closed economy 2. what will be the impact on the aggregate demand, if the government increase tax rates as it is a main source of government's revenue (A) Increase (B) Decrease (C) Remains constant (D) Either Increase or decrease 3. Public borrowings by the government will lead to ----------(increase/decrease) money supply in the economy. 4. Suppose government gives subsidies to an industry to share its cost and help the industry to establish it in the long run. This represents which of the following objectives of the government budget? (A)Reducing income inequality (B) Reallocation of resources (C) Social Welfare (D) Fiscal Discipline	
60	Amidst indications of an economic slowdown in the beginning of year 2020 came the challenge of Corona pandemic in Feb-Mar 2020, forcing the Government to impose a strict lockdown leading to near cessation of major economic activities across all sectors. The Finance Minister on 13th, 14th, 15th May 20 announced an economic package of ₹20 Lakh Crore for revival of Indian economy. Indicate the impact of economic package on AD: a) Fall in Aggregate Demand b) Rise in Aggregate Demand c) Rise in general price level d) No change in Aggregate Demand	**4**
61	Government of India's ₹20 lakh crore 'AatmaNirbhar Bharat' package which aimed at reviving the economy, includes major fiscal measures like free food for the poor, direct cash transfer, money for rural job guarantee scheme, MGNREGA and credit guarantees to MSMEs. RBI has also taken steps to slash lending rates and add more liquidity into the markets. To induce liquidity RBI must have.	**4**

	a) Increased cash Reserve Ratio b) Reduced Repo Rate c) Increased Reverse Repo Rate d) Kept statutory liquidity Ratio constant	
62	It is the aggregate demand which generates output and incomes in an economy.If nothing is demanded nothing would be produced,no factors of production would be employed and there would be no income generation in the economy.If income increases demand also increases and vice-versa.So AD curve slopes upward with respect to increase in income.The Aggregate demand is composed of Private Consumption Demand(C),Private Investment Demand(I),Government Demand for Goods and Services(G) and Net Exports(X-M).So it can be written as AD=C+I+G+(X-M). I)If nothing is demanded in the economy,aggregate demand will increase.(True/False) II)There exists a _____relationship between AD and Income. a)Positive b)Negative c)Neutral D)None of the above III)What are the components of Aggregate Demand?	**4**
63	Full Employment refers to a situation when all resources in an economy-land,labour and capital are fully and efficiently employed.However for simplicity full employment is restricted to the labour market only.Thus in full employment situation demand for labour is equal to available supply of labour of labour at a given level of wage rate that is labour market is in equilibrium.However in a situation labour market,equilibrium,some natural unemployment may occur.Due to imperfections of labour market some workers may be reduced unemployed temporarily.It largely occurs due to time required in shifting of jobs in a dynamic economy.This is called frictional unemployemt. I)What is Full employment? II)In full employment demand for labour varies with supply of labour at given wage rate.(True/False) III)Why some workers are removed temporarily? IV)How does Frictional unemployment occurs?	**4**
64	The consumption function expresses the relationship between the income of the economy and the level of consumption made by the households. The Consumption function is based on the Keynes psychological law of consumption. This law states that rise in income and increase consumption doesnot go together, increase in consumption is somewhat less than increase in income.There is two types of consumption basically that is studies-induced consumption and autonomous consumption.By induced consumption we mean when the income of people rises their level of consumption also increases on the contrary autonomus consumption means there will be a minimum level of consumption even if income of a person is 0. i)What is consumption function? II)According to Keynes Psychological Law of Consumption,increase in income and increase in consumption rises proportionately.(Agree/Disagree) III)Differentiate between induced consumption and autonomous consumption with a suitable numerical example.	**4**
65	a) What is an investment multiplier or output multiplier? What can be its minimum value and why? 1+2 b) Is there a negative relationship between MPC and the investment multiplier? use a hypothetical example. 3	**6**

<table>
<tr><td>66</td><td>Explain what happens when the economy is not in equilibrium and saving exceeds investment? Use a hypothetical table.Does equilibrium level of income always indicate full employment in the economy?Explain.</td><td>6</td></tr>
<tr><td>67</td><td>Given the aggregate consumption expenditure function C=100+0.75 Y(Where Y= national income and C= aggregate consumption expenditure) and autonomous investment expenditure(Io)=Rs 1000 Crore, Calculate equilibrium level of Y?</td><td>6</td></tr>
<tr><td>68</td><td>In an economy, 60% of increased income is spent on consumption. If 2 crores are invested in a project then find: (a) Increase in income, and
(b) Increase in savings.</td><td>6</td></tr>
<tr><td>69</td><td>(a) Distinguish between inflationary and deflationary gap.

Explain how deficient demand should be corrected using monetary policy.</td><td>6</td></tr>
<tr><td>70</td><td>If planned saving is less than planned investment, what changes will bring in economy in equilibrium?</td><td>6</td></tr>
<tr><td>71</td><td>Explain how is equilibrium level of income and employment established through AD and AS?</td><td>6</td></tr>
<tr><td>72</td><td>Explain the equilibrium level of income with the help of saving and investment curve.</td><td>6</td></tr>
<tr><td>73</td><td>Explain with the numerical example how an increase in investment in an economy affects its level of income.</td><td>6</td></tr>
<tr><td>74</td><td>Differentiate between inflationary and deflationary gap.Show deflationary gap on a diagram.Can this gap exists at equilibrium level of income?Explain</td><td>6</td></tr>
<tr><td>75</td><td>What is fiscal policy?How does the following affect AD in an economy :
I)Changes in government expenditure
II) Changes in tax rates.</td><td>6</td></tr>
<tr><td>76</td><td>Give the MPC=0.8 and investment at all levels of incomes is Rs. 40 crores, complete the following table:

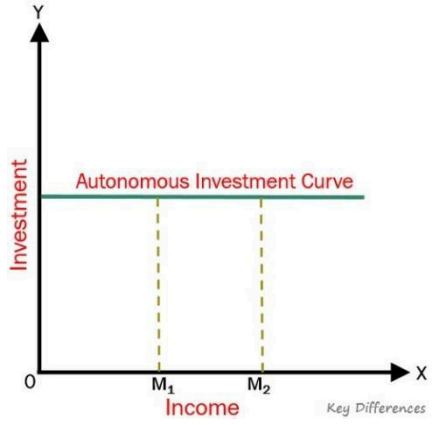
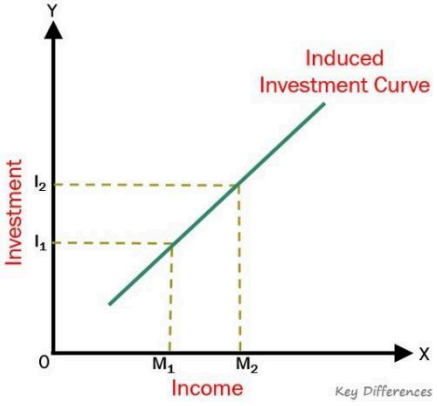
<table>
<tr><th>Income</th><th>Consumption</th><th>Saving</th><th>investment</th><th>AD</th><th>AS= Y</th></tr>
<tr><td>0
100
200
300
400
500
600</td><td>60
-
-
-
-
-
-</td><td>-
-
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-</td><td>-
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</table>
</td><td>6</td></tr>
</table>

ANSWER

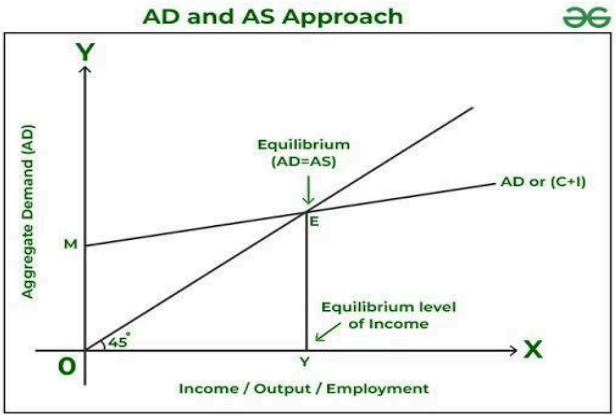
1	(c) Assertion (A) is true but Reason (R) is false
2	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
3	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
4	(c) Assertion (A) is true but Reason (R) is false
5	(d) Assertion (A) is false but Reason (R) is true.
6	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
7	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
8	(d) Assertion (A) is false but Reason (R) is true.
9	(c) Assertion (A) is true but Reason (R) is false
10	(d) Assertion (A) is false but Reason (R) is true.
11	(a) Both (A) and (R) are correct and (R) is correct explanation of (A).
12	(c) Both statements 1 and 2 are true.
13	(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
14	(iii) 0 and 1
15	(a) Dissaving
16	Because even at zero level of income, the consumption is not zero.
17	(ii) Y = C
18	AS is assumed to be perfectly elastic.
19	The inventories will rise.
20	(i) & (ii) are Autonomous Investment: Establishment of public health centres and government investment on saving forests. These investments are not done with profit motive. (iii) is Induced Investment : TATA investment is driven by profit motive
21	c. APC
22	Statement 1 is true and statement 2 is false.
23	Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
24	Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
25	Investment Multiplier
26	c. 1
27	d. S=-60+0.20Y
28	d. C=100+0.75Y, MPS=0.25
29	d. APS rises, but APC falls in case of an increase in the National Income.
30	b. 0.20
31	Full Employment
32	All of these
33	J.M.Keynes
34	MPC+MPS=1
35	A is correct but R is not correct

<table>
<tr><td>36</td><td>Given,
Consumption(C)=12000 and Income(Y)=20000 Saving=Y-C=8000
We know that APS=S/Y
=8000/20000
=0.4</td></tr>
<tr><td>37</td><td>Investment multiplier is defined as the ratio of change in income to change in investment.</td></tr>
<tr><td>38</td><td>False</td></tr>
<tr><td>39</td><td>Situation of excess demand arises</td></tr>
<tr><td>40</td><td>Both A and R is correct but R is not the correct explanation of A</td></tr>
<tr><td>41</td><td>Ans: Short answer type question
Ans:
<table><tr><td>VOLUNTARY UNEMPLOYMENT</td><td>INVOLUNTARY UNEMPLOYMENT</td></tr><tr><td>Voluntary unemployment refers to that part of the population which prefers not to work even though suitable work is available for them</td><td>Involuntary unemployment refers to that part of the labour force of the country, which is able to work and prefers to work, but it is out of work, on account of no fault or wish of its own.</td></tr><tr><td>Voluntary unemployment is not taken into account for determining the labour force of the country</td><td>Involuntary unemployeds are a part of the labour force of the country.</td></tr></table>
Magnitude of unemployment in the country refers to involuntary unemployment only and the government's objective is to remove this kind of unemployment.</td></tr>
<tr><td>42</td><td>Ans: Short answer type questionAns : Economists are justified in being concerned about the rising MPS in the economy , as rising MPS would be at the cost of falling MPC. This is a cost of grave concern as the proportion of additional income going to consumption falls. Thus , fall in consumption will have an adverse impact on the economy, culminating in a fall in the equilibrium level of income in the economy.</td></tr>
<tr><td>43</td><td>Ans: Short answer type question
when average propensity to consume (APC) is 1 it means total consumption C is equal to total income , C = Since APC= C/Y. APC + APS =1 so when APC is 1 APS must be 0 because APS=S/Y=0. So when APCis 1,saving is 0.This is called breakeven point</td></tr>
<tr><td>44</td><td>Given,
Marginal Propensity to Save (MPS) = 0.2, Income (Y) = 22,500, and autonomous consumption = 500
We know that,
MPC = 1 – MPS = 1 – 0.2 = 0.8.
At equilibrium level,
Y = C + I
Therefore, 22,500 = 500 + (0.8) 22,500 + I
Or I = 22,500 – 500 – 18,000 = Rs.4,000
Hence we have Investment Expenditure equal to Rs. 4000.</td></tr>
<tr><td>45</td><td>Answers will vary based on students understanding.</td></tr>
</table>

46	Answers will vary based on students understanding capacity.
47	I-At point E. II-S=50+.20Y III-5
48	Ex-ante Aggregate Demand is equal to Ex-ante Aggregate Supply only when the economy is in equilibrium. At under-employment equilibrium level, when Ex-ante Aggregate Demand falls short of Ex-ante Aggregate Supply, it will lead to accumulation of unplanned inventories. Hence the producer will reduce employment leading to reduction in output and income till the two forces becomes equal to each other and vice versa
49	

Autonomous investment	Induced Investment.
a. It refers to the investment expenditure which is incurred by the Government with the motive to promote the level of growth and development. b. Independent with level of income. c. It is influenced by the change in population structure, natural calamities, change in technology etc.	a. It refers to the investment expenditure which is incurred by the enterprises with the motive to make greater investment and receive higher return. b. Dependent with level of income. c. It is influenced by the level of income of an economy. Higher the income , greater is the Induced investment.
	

50	Given: $\triangle Y=1000$, $\triangle I=?$, MPC=0.6 We know that $\triangle Y=k*\triangle I$ $\triangle Y=1/1\text{-MPC} *\triangle I$ $1000=1/1-0.6*\triangle I$ $\triangle I=1000*0.4$ $=400$
51	Aggregate demand refers to the total expenditure on goods and services in an economy. Aggregate supply refers to the total production of goods and services in an economy. The equilibrium level of income is determine at the point where AD=AS, this can be shown with the diagram below-

	
52	By planned (ex-ante) investment we mean the level of investment which the investors plan to invest at different levels of income and employment in the economy. Planned investment refers to the amount of planned or derived investment given by the investment demand function. However actual (ex-post) investment may differ from the planned investment when actual sales differ from the plan sales and the firms thus face unplanned addition or reduction in inventories.
53	1. MPC 2. Less 3. Decline/ 4. (d) None of these
54	1. (b) Aggregate demand 2. (d) both b and c 3. True 4. (b) Depression and fall in prices
55	a) ii) Government b) ii) Decrease taxes c) iv) All of the above iii) Rise in price ,no change in output and employment
56	1. (b) Positive and direct 2. (d) All of these 3. (a) Autonomous investment 4. (c) Monetary Policy
57	1. (c) Decrease in income, output, employment and general price level 2. (d) Loan on high interest rate 3. (a) Deflation 4. (b) Investment
58	1 (B) rise in the AD 2 (B) reduced Repo rate 3 (A) decrease in income, output, employment and general price level 4 (B) expansionary, contractionary
59	1 (A) Increase 2 (B) Decrease 3 Decrease 4 (B) Reallocation of resources
60	Option b
61	Option b
62	I)False II)positive

	III) The Aggregate demand is composed of Private Consumption Demand(C),Private Investment Demand(I),Government Demand for Goods and Services(G) and Net Exports(X-M).
63	I)Full Employment refers to a situation when all resources in an economy-land,labour and capital are fully and efficiently employed. II)False III) Due to imperfections of labour market some workers may be reduced unemployed temporarily. IV)Frictional unemployment occurs due to time required in shifting of jobs in a dynamic economy.
64	I)The consumption function expresses the relationship between the income of the economy and the level of consumption made by the households. II)Disagree III) By induced consumption we mean when the income of people rises their level of consumption also increases on the contrary autonomous consumption means there will be a minimum level of consumption even if income of a person is 0.For example-If income rises by Rs 5000, the consumption will increase by Rs 2000 in case of induced investment .In case of autonomous consumption even if income is 0,there will be a little consumption which will be done through past savings or borrowing.
65	Ans:long answer type Investment multiplier is defined as the ratio of change in income to change in investment . k= change in income / change in investment minimum value of k will be 1 when minimum value of MPC is 0 K= 1/ 1-MPC = 1/1-0=1 the maximum value of K is infinity if MPC is 1 then K=1/1-MPC= 1/1-1=1/0 = infinity. b) No, there is no negative relationship between MPC and the investment multiplier.The value of multiply is determined by MPC . It is directly related with MPC higher than will be K , lower the MPC smaller will be K k=1/1-MPC ex i)if MPC is 0.5 , k=2 ex ii) if MPC is 0.75 k=4 it is clear from the above example higher the MPC higher the K and vice versa
66	Ans: The equilibrium level of income is determined at a point where saving and investment are equal, i.e S=I. The given table illustrate the idea

INCOME (Y)	CONSUMPTION(C)	SAVING(S) (Y-C)	INVESTMENT (I)	
0	50	-50	100	S< I
100	100	0	100	S< I
200	150	50	100	S< I
300	200	100	100	S= I

400	250	150	100	S > I

The above table shows that the equilibrium level of income is Rs.300 crores and at this point S(100)=I(100).

When saving exceeds planned investment, it means that people are consuming less and thereby spending less. AS a result, aggregate demand is less than aggregate supply. This will lead to the accumulation of unintended inventories . to avoid further accumulation of inventories, producers will reduce production. Consequently , output , income and employment will be reduced till the employment level of income (300 crores) is reached where S=I.

The equilibrium level of income may not necessarily be at the full employment level, i.e., it is not necessary that there will always be full employment at the equilibrium level of income.

67 Ans: We know that at the equilibrium national output(Y)
Y=C+Io
=100+0.75Y+Io
Y-0,75Y=100+1000
Y (1-0,75)=1100
Y=1100/(1-0,75)
Y= 1100/0,25
=Rs 4400

68 (a) Change in income = 5
(b) Change in savings = 2

69 (a) Differences on the basis of concepts of AD and AS. Answers will vary based on student's understanding.
(b) There are two broad instruments to correct deficient demand

1.Quantative instruments
- Decrease in Bank Rate
- Purchase of securities
- Decrease in LRR

2, Qualitative instruments
- Decrease in margin requirements
- Advice to encourage lending

Withdraw credit rationing

70 AD = AS
C + I = C + S
I = C + S - C = S
- when planned saving is less than planned investment, then national income will decrease

When, investment > saving, then production will have to be increased to meet the excess demand. Consequently, national income will increase leading to rise in saving until saving becomes equal to investment. Equilibrium level of income is established because what the savers intend to save becomes equal to what the investors intend to invest.

71 According to the Keynesian theory, the equilibrium level of income in an economy is determined at the intersection point of AD and AS curves.
Aggregate demand
● Aggregate demand means the total demand for final goods in an economy. It is represented by C + I.

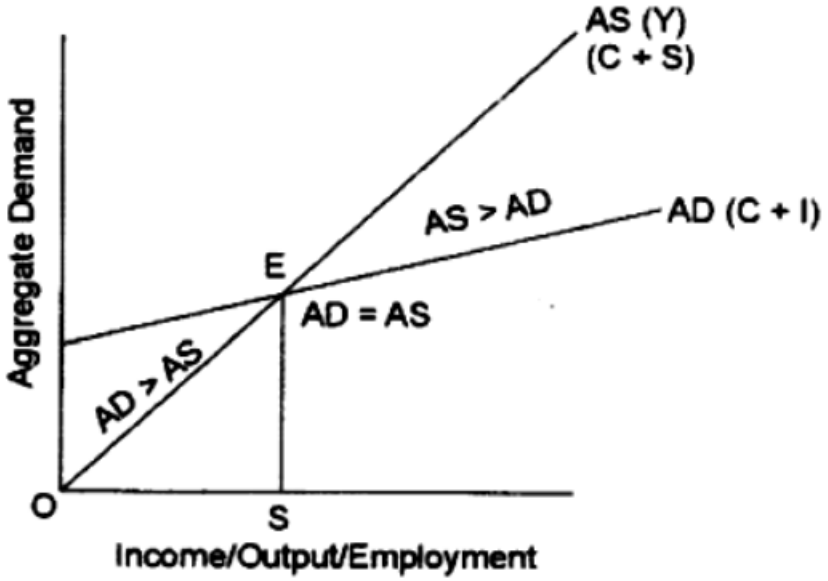
Aggregate supply

● It is the value of the total quantity of final goods and services produced in the economic territory of a country.

It is a positively sloped 45° straight line curve starting from the origin.

Explanation by Table and diagram

Income	Consumption	Saving	Investment	AD(C+I)	AS(C+S)	Remarks
0	40	-40	40	80	0	AD>AS
100	120	-20	40	160	100	AD>AS
200	200	0	40	240	200	AD>AS
300	280	20	40	320	300	AD>AS
400	360	40	40	400	400	AD=AS
500	440	60	40	480	500	AD<AS
600	520	80	40	560	600	AD<AS



In the given figure AS represents Aggregate Supply Curve. It forms 45° angle, signifying' that each point on it expresses the equal value of income and receipts whereas AD represents Aggregate Demand. Both i. e., AD and AS intersect each other at the point which is known as the equilibrium point. Point E shows that in equilibrium.

As the **planned spending (AD) is more than planned output (AS)** this means consumers and firms together would be buying more goods than the firms are willing to produce. As a result, the planned inventory would fall below the desired level. Firms would be induced to increase production which will lead to an increase in the level of employment/output/income. The firms will keep on increasing production until AD = AS.

When AS > AD, Under such a situation the economy will be operating beyond E. As the planned spending is less than planned output (AS) this means consumers and firms together would be buying fewer goods than the firms are willing to produce. As a result, the planned inventory would rise. Firms would be induced to decrease production which will lead to decrease in the level of employment /output/income.

The firms will keep on decreasing production till AD = AS.

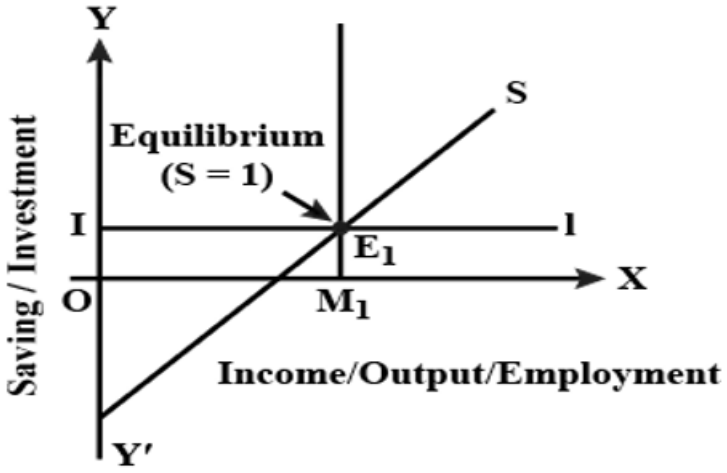
72 According to this approach of equilibrium, the equilibrium is reached only when Investment(I) equals Savings(S) because at this level there is no tendency for income and output to change.

Explanation by Table and diagram

Income	Consumption	Saving	Investment	Remarks

0	40	-40	40	S<I
100	120	-20	40	S<I
200	200	0	40	S<I
300	280	20	40	S<I
400	360	40	40	S=I
500	440	60	40	S>I
600	520	80	40	S>I

Diagram:

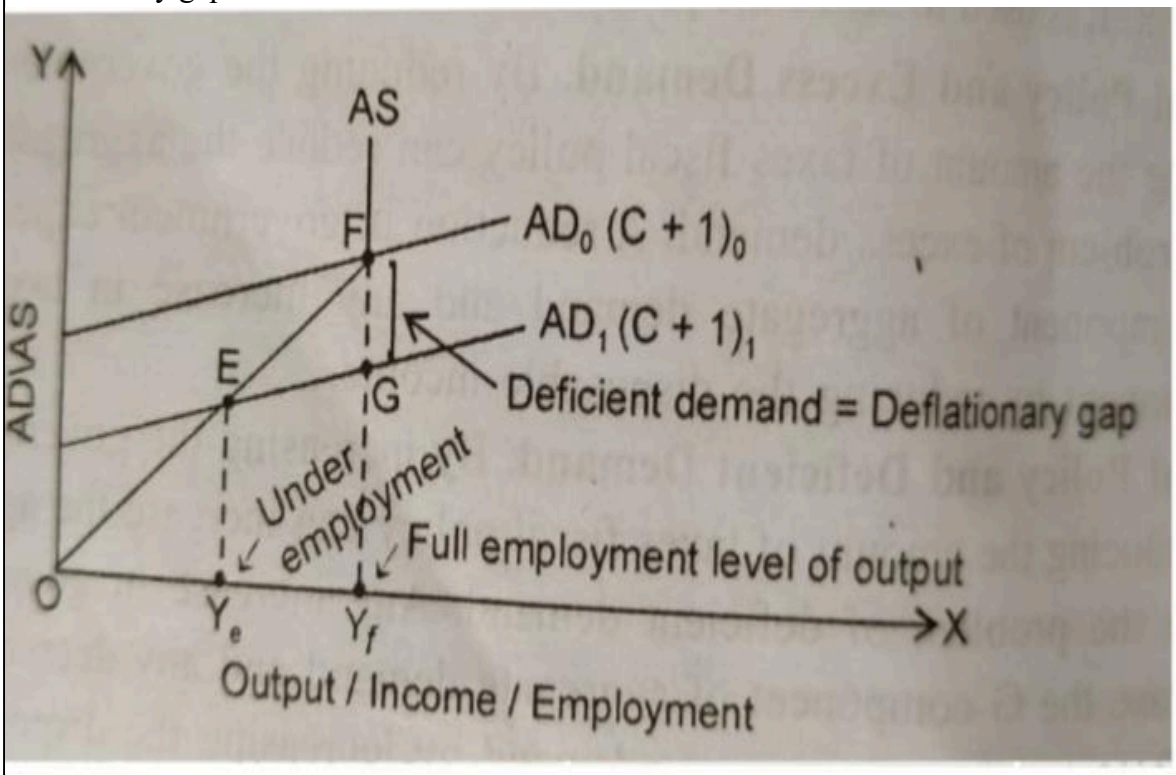


In the diagram the equilibrium is at E where savings intersects investment curve At this point, I=S. When **S is more than I(S>I)** , then the planned inventory would fall below the desired level. To bring back the Inventory at the desired level, the producers expand the output More output means more income. Rise in output means rise in I and rise in income means rise in S. Both continue to rise till they reach E, S=I.
When **S is less than I(S<I),** then the planned inventory rises above the desired level. To clear the unwanted increase in inventory, firms plan to reduce the output till S becomes equal to I.
So, equilibrium takes place only at point E, when S=I.

73 The concept of Investment Multiplier is an important contribution of Prof. J.M.Keynes. The working of multiplier is based on the fact that, "one person's expenditure is another persons income". When an additional investment is made, then income increases many times more than the increase in investment.
EXPLANATION:
Suppose initial investment is 1000 and MPC is 0.80

ROUND	Increase in Investment	Increase in Income(ΔY)	Increase in consumption(ΔC)	Increase in saving(ΔS)
1ST	1000	1000	800	200
2nd		800	640	160
3rd		640	512	128
4th		512	-	-
5th		-	-	-
6th		-	-	-
Total		5000	4000	1000

In the multiplier process, increase in income in the first round is always equal to additional investment. So, Increase in income in the first round=Rs.1,000=Rs.1,000 crores.

	The saving off Rs. 200 crores indicates that increase in consumption will be Rs. 800 crores in the first round. - additonal consumption of Rs. 800 crores out of an additional income of Rs. 1,000 indicates that 80% of income is spent, i.e MPC = 0.8. The values of second and third round are calculated on the basis of this data. This multiplier process will go on and the consumption expenditure in every round will be 0.80 times of the additional income received from the previous line. Thus, an initial investment of 1000 leads to a total increase of 5000 in the income. As a result, Multiplier (k)= (ΔY)/ (Δ*I*)=5000/1000=5
74	The execess of aggregate demand over aggregate supply at the full employment level is known as inflationary gap. The excess of aggregate supply over aggregate demand at the full employment level is known as deflationary gap.  The deflationary gap doesn't exist at equilibrium level of income OY_0 .It exists at full employment level of output. In this diagram OY_f is the full employment level of output for which $(C+I)_0$ should have been the aggregate demand. But the actual demand is $(C+I)_1$ which corresponds to point G an aggregate demand resulting in a deflationary gap of FG.The deflationary gap is thus,a measure of deficiency aggregate demand.
75	Fiscal Policy is the policy concerning taxation and expenditure of the government. **Fiscal Policy and Excess Demand:** Excess demand refers to a situation when AD>AS at full employment level. Following fiscal policy measures can be used to correct the situation of excess demand: I) Increase in taxes-The government should impose new taxes and raise the rate of existing taxes.It will reduce the disposable income which further leads to a fall in both investment and consumption expenditure and consequently AD is reduced and thus the problem of excess demand can be solved. II)Reduction in government's expenditure-The government should reduce its expenditure on non-essential and non-developmental items.Transfer payments such as old age pensions,subsidies etc. should be reduced.Reduction in government's expenditure will help in reducing aggregate demand and thus the problem of excess demand can be solved.

Fiscal Policy and Deficient Demand: Deficient demand refers to a situation in when AD<AS at full employment level.Following fiscal measures can be used to correct the situation of deficient demand:

I) Decrease in taxes-The government should reduce the taxes to increase the purchasing power of the people. The government should also cut the taxes particularly the corporate taxes and the income taxes to encourage private investment.If the tax rate is reduced,it will increase the level of aggregate demand and thus will remove the problem of deficient demand.

II) Increase in government expenditure-The government should increase its expenditure on public works programmes, public health and education should make large investments. If the governments expenditure is increased,it will increase the level of aggregate demand and thus the problem of deficient demand can be solved.

76

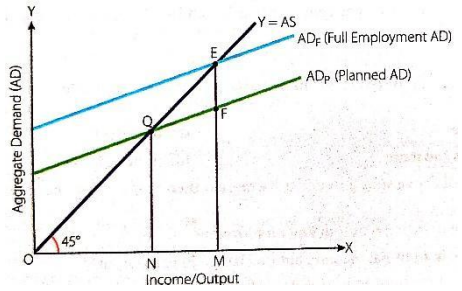
Income	Consumption	Saving	investment	AD	AS=Y
0	60	-60	40	100	0
100	140	-40	40	180	100
200	220	-20	40	260	200
300	300	0	40	340	300
400	380	20	40	420	400
500	460	40	40	500	500
600	540	60	40	580	600

Chapter 5 : Problems of excess demand and deficient demand

Q. NO	QUESTION	MARKS
1	Choose the correct alternative from the below: Statement 1: Excess demand leads to a rise in general price level. Statement 2: Excess demand does not affect the output level as full employment is already attained. Alternatives: a) Both the statements are true. b) Both the Statements are false. c) Statement 1 is true and statement 2 is false. Statement 1 is false and statement 2 is true.	**1**
2	Choose the correct alternative from the below: Statement 1: Voluntary unemployment may arise as a result of deficient demand. Statement 2: Fall in consumption and investment demand may create the situation of deficient demand.. Alternatives: a) Both the statements are true. b) Both the Statements are false. c) Statement 1 is true and statement 2 is false. Statement 1 is false and statement 2 is true.	**1**
3	Read the following Assertion (A) and Reasons(R) Assertion (A): Inflationary gap is the result of excess demand. Reasoning(R): When aggregate demand is more than aggregate supply, inflationary gap is occurred. Choose the correct option from the following. (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.	**1**
4	Read the following Assertion (A) and Reasons(R) Assertion (A): Due to excess demand, employment increases in the economy. Reasoning(R): Output level increases in the economy due to excess demand. Choose the correct option from the following. (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)	**1**

	(c) Assertion (A) is true but Reason (R) is false. (d) Assertion (A) is false but Reason (R) is true.	
5	Read the following Assertion (A) and Reasons(R) Assertion (A): Bank rate increases in order to control excess demand. Reasoning(R): Bank rate helps to control the money supply in the economy. Choose the correct option from the following. (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.	**1**
6	In April 2023, the RBI announced its quarterly monetary policy and decided to increase Cash reserve ratio by 25% basis point. How will it affect the aggregate demand of the country?	**1**
7	The RBI has sold Govt securities worth Rs. 8,710 Crore in the secondary market, over the last four weeks, to drain out excessive liquidity'- The Economic Times 26 Dec 2021. What may be the likely cause of the action? a) Curbing inflation b) Boosting the money market c) Boosting the share market d) All of the above	**1**
8	Read the following Assertion (A) and Reasons(R) Assertion (A): Increase in reverse repo rate helps to correct the excess demand. Reason(R): The Credit creation capacity of the commercial banks can be increased by raising the reverse repo rate. Choose the correct option from the following. 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 and 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	**1**
9	Read the following Assertion (A) and Reasons(R) Assertion (A): Deficient demand leads to underemployment equilibrium. Reason(R): During deficient demand, equilibrium is determined at a level less than full employment. Choose the correct option from the following. 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 and 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	**1**

<table>
<tr><td>10</td><td>Identify the correct sequence of alternatives given in Column II by matching them with respective items in Column I:<table><tr><td>Column I</td><td>Column II</td></tr><tr><td>(a) Full Employment equilibrium
(b) Structural Unemployment
(c) Excess of demand
(d) Shortage of demand</td><td>(i)Inflationary gap in the economy
(ii) Underemployment equilibrium
(iii) Change in the technique of production
(iv) No excess capacity</td></tr></table></td><td>1</td></tr>
<tr><td>11</td><td>In case of an underemployment equilibrium, which of the following alternative is not true?
(a) Aggregate demand is equal to aggregate supply
(b) There exists excess production capacity in the economy
(c) Resources are not fully and efficiently utilised
(d) Resources are fully and efficiently utilised</td><td>1</td></tr>
<tr><td>12</td><td>Revenue and expenditure policy of the government to correct the situations of excess and deficient demand is known as:
(a)monetary policy
(b) fiscal policy
(c) both (a) and (b)
(d) none of these</td><td>1</td></tr>
<tr><td>13</td><td>By increasing the tax burden on the households, the government intends to:
(a) correct the situation of deficient demand
(b) correct the situation of inflationary gap
(c)correct the situation of excess demand
(d)both (a) and (b)</td><td>1</td></tr>
<tr><td>14</td><td>With a view to correcting inflationary gap, which of the following fiscal policy measures should be adopted?
(a)Reduction in public expenditure
(b) Increase in taxes
(c) Increase in public debt
(d) All of these</td><td>1</td></tr>
<tr><td>15</td><td>If the level of AD is to be raised (implying an upward shift in AD curve) there should be:
(a) increase in autonomous investment
(b) increase in autonomous consumption expenditure
(c) both (a) and (b)
(d) none of these</td><td>1</td></tr>
<tr><td>16</td><td>During deflation, it is advisable to:
(a) Lower the bank rate and purchase of securities in the open market
(b) Increase the bank rate and purchase of securities in the open market
(c) Lower the bank rate and sale of securities in the open market
(d) Increase the bank rate and sale of securities in the open market</td><td>1</td></tr>
<tr><td>17</td><td>To reduce credit availability in the economy, the Central Bank may
(Choose the correct alternative).
(a) Buy securities in the open market
(b) Sell securities in the open market
(c) Reduce reserve ratio
(d) Reduce repo rate</td><td>1</td></tr>
<tr><td>18</td><td>Natural unemployment occurs due to:</td><td>1</td></tr>
</table>

	(a) shortage of factors of production (b) time required in adjusting to change in technology (c) time required in shifting from one job to the other (d) both (b) and (c)	
19	Assertion (A): Output remains constant even beyond full employment equilibrium. Reason (R) : Full employment equilibrium output is the maximum output. (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	**1**
20	 On the basis of the above diagram, what does point Q indicate? (a) Point of underemployment equilibrium (b) Point of full employment equilibrium (c) Point of over employment equilibrium (d) None of these	**1**
21	The gap by which actual aggregate demand exceeds the aggregate demand required to establish full employment equilibrium is known as_____. a) Deficit demand b) Deflationary gap c) Inflationary gap d) Excess demand	**1**
22	Involuntary unemployment refers to the situation (a) When people choose to do work, but jobs are unavailable (b) When people choose to remain unemployed, even when jobs are available (c) When people are not getting work, even when they are willing to work at the existing wage rate. When people get less income than to their capability	**1**
23	Policy related to taxation and government expenditure is called a) Monetary policy b) Fiscal policy c) Foreign trade policy Moral suasion	**1**
24	To correct Excess demand, RBI must _____ the margin requirement. (a)increase (b)decrease (c)not change (d)remove	**1**
25	Which of the following can be used to correct deflationary gap: a) Increase in bank rate b) Increase in CRR c) Reduction in SLR	**1**

	Increase in margin requirement.	
26	**Assertion (A):** In a situation of excess demand at the full employment level, there is inflation in the economy. **Reason(R):** At the full employment level, even if there is more demand for goods and service, the output cannot be increased. **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.	**1**
27	**Assertion (A):**In a situation of deficient demand, there is underemployment in the economy. **Reason(R):** Excess demand raises the real value of the output. Choose the correct option from the following. (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.	**1**
28	**Statement-1:** The inflationary gap is the amount by which the actual aggregate demand exceeds the level of aggregate demand required to establish the full-employment equilibrium. **Statement-2:** The deflationary gap is a measure of the amount of the excess of aggregate demand. (a) Both Statement 1 & 2 are True (b) Both Statement 1 & 2 are False (c) Statement-1 is True but Statement-2 is False (d) Statement-2 is True but Statement-1 is False	**1**
29	Which of the following statements is true? (a) Employment level declines due to decrease in demand (b) Price level falls due to Deficit demand in the country (c) Production level falls Deficit demand (d) All the above	**1**
30	Statement-1: Deficient demand gives rise to a 'deflationary gap Statement-2: Deflationary gap causes the economy's income, to decline, thus pushing the economy into an under-employment equilibrium. (a) Both Statement 1 & 2 are True (b) Both Statement 1 & 2 are False (c) Statement-1 is True but Statement-2 is False (d) Statement-2 is True but Statement-1 is False	**1**
31	Excess demand refers to a situation when: a) AD > AS (corresponding to full employment level) b) AD < AS (corresponding to full employment level) c) AS > AD (corresponding to full employment level) d) none of these.	**1**
32	Deficient demand leads to:	**1**

	(a) Deflationary gap b) Inflationary gap (c) Both (a) and (b) d) None of the above	
33	An economy is at full employment and AD is greater than AS what will be the impact on price level in such an economy? a) Rise b) Fall c) No change d) Both rise and fall	**1**
34	When aggregate demand is greater than the aggregate supply, inventories _____. a) First fall than rise b) Rise c) Fall d) Do not change	**1**
35	The effect of excess demand in the economy are: a) Increase in output, employment and price level b) Decrease in output, employment and price level c) Increase in price level but no change in output and employment d) Increase in output but no change in employment and price level	**1**
36	Which of the following is a cause of deficient demand? a) Decrease in price level b) Increase in tax rate c) Increase in consumption expenditure d) Reduction in tax rate	**1**
37	Excess demand generates greater employment opportunities in the economy. (true / false)	**1**
38	Of the following, what are the quantitative measures of monetary policy? a) Repo rate b) Open market operations c) SLR d) All of these	**1**
39	Read the following Assertion (A) and Reasons(R) ASSERTION: During excess demand, there is no change in the level of unemployment REASON: At the time of excess demand, there is no involuntary unemployment Alternatives A) Assertion and reason are true and reason is correct explanation of assertion B) Both assertion and reason are true but reason is not correct explanation of assertion C) Assertion is true but reason is false D) Assertion is false but reason is true	**1**
40	Read the following Assertion (A) and Reasons(R) Assertion (A): Monetary measures are adopted by the central bank to control deficient demand. Reasoning(R): Fiscal measures are adopted by the government through budget to control excess demand. Alternatives:	**1**

	(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.	
41	Programmes like 'Make in India' or 'Start Up'' initiated by the Indian Govt can help correct the problem of deficient demand. Defend or refute the statement with valid reasons.	**3**
42	"Excess demand creates greater opportunities of employment in the economy". Defend or refute the given statement with valid explanations.	**3**
43	How will be following monetary and fiscal measures exercised during excess demand situation: a) Bank Rate b) Public Expenditures c) Margin Requirements	**3**
44	What is the effect of excess demand on output, employment and prices?	**3**
45	How will the flow of funds in the money market be impacted, if CRR is gradually lowered the central bank?	**3**
46	Price of crude oil has drastically fallen in the international oil market. Can you identify its negative impact on aggregate demand for the goods produced in India?	**3**
47	Explain the meaning and implications of inflationary gap.	**3**
48	Explain the role of Cash reserve Ratio in removing the deflationary gap.	**3**
49	Why does deflationary gap push the economy into an under-employment equilibrium?	**3**
50	Define full employment. What is under employment equilibrium?	**3**
51	What is the meaning and implications of deflationary gap?	**3**
52	State whether the following statement is true or false. Give valid reasons. According to Keynesian theory of employment, a state of underemployment can never exist in an economy.	**3**
53	Jobs are back, income is not: Workers take lower-paying jobs ; still suffer salary cuts, November 24,2020 More than half the households in India have suffered a fall in their incomes during the lockdown, compared to a Year ago, and a very large proportion has seen no increase. The Indian economy is recovering, listed companies are making huge profits, the employment rate is rising; but, The common people are still struggling with stagnant household incomes. According to the Centre for Monitoring Indian Economy (CMIE). Now, India is nearly eight months into the lockdown with several relaxations in the movement of goods and delivery of services, and many fast frequency indicators have reported a smart recovery, but the recovery in household incomes is very slow. i) . Due to deficit financing there will be _____ in the economy. (excess demand/ deficient demand) ii) . _____is not a component of aggregate demand in two-sector economy. (import, net exports , export) iii) . Deficient Demand indicates _____ full employment equilibrium. (over/under)	**4**

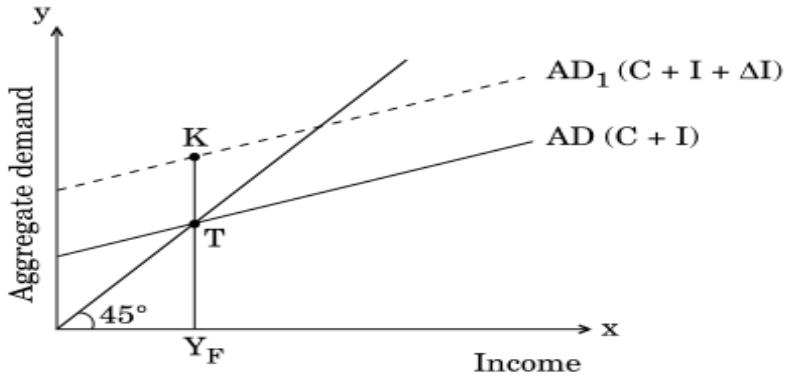
	iv) . Minimum level of expenditure is dependent on the level of income in the economy. (true or false)	
54	Read the following news report and answer Questions the following on the basis of the same : The Reserve Bank of India (RBI), cut Repo Rate to 4.4%, the lowest in at least 15 years. Also, it reduced the Cash Reserve Ratio (CRR) maintained by the banks for the first time in over seven years. CRR for all banks was cut by 100 basis points to release ` 1.37 lakh crores across the banking system. RBI governor Dr. Shaktikanta Das predicted a big global recession and said India will not be immune. It all depends how India responds to the situation. Aggregate demand may weaken and ease core inflation. The Economic Times; March 27th, 2020 1. Cut in Repo rate by RBI is likely to..... (Increase/decrease) the demand for goods and services in the economy. (choose the correct alternative) 2. Decrease in Cash Reserve Ratio will lead to..... (choose the correct alternative) (i) fall in aggregate demand (ii) rise in aggregate demand (iii) no change in aggregate demand (iv) fall in general price level 3.. The difference by which actual Aggregate Demand exceeds the Aggregate Demand, required to establish full employment equilibrium is known as... .....(inflationary gap/deflationary gap). (choose the correct alternative) 4.. The impact of 'Excess Demand' under Keynesian theory of income and employment, in an economy are : (choose the correct alternative) (i) decrease in income, output, employment and general price level (ii) decrease in nominal income, but no change in real output (iii) increase in income, output, employment and general price level (iv) No change in output/employment but increase in general price level.	**4**
55	Read the following news report and questions that follow on the basis of the same: New Delhi: The Indian economy will suffer its deepest contraction on record this fiscal year and recent government stimulus does not go far enough to significantly boost activity depressed by the corona virus pandemic, according to economists polled by Reuters. With over 7.6 million corona virus infections, India is the second worst hit country in the world after the United States and the spread shows no signs of abating While the government has removed most restrictions imposed on businesses to slow the spread of the virus, the Reserve Bank of India issued gloomy economic forecasts earlier this month but kept interest rates unchanged citing rising inflation. "Indian economy set for a near double-digit contraction this fiscal" - The Economic Times- October 22nd, 2020 Q.1 Why has the government given a stimulus package? (A) To increase the Aggregate Demand. (B) To increase the Aggregate Supply. (C) To increase the GDP of the economy. (D) To gain votes in the election. Q.2 What has the government done to slow down the spread of corona virus?	**4**

	(A) Increased the government spending. (B) Increased the taxes. (C) Imposed the restriction on businesses. (D) Done nothing at all. Q.3 What is the main reason for the central bank to not increase the interest rates? (A) Curbing Inflation (B) Curbing Deflation (C) Controlling the Economy (D) Relying more on Fiscal Policy Q. 4 What is the situation faced by the economy in the current Covid-19 situation? (A) Excess Demand (B) Deficient Demand (C) Aggregate Demand (D) Aggregate Supply	
56	When an economy undergoes a deflationary Shock, the implications can be both positive and negative for consumers and businesses. There is a big difference between the terms disinflation and deflation, which we will first go over before getting into the causes and effects of deflationary shocks, and how these shocks can affect the economy, consumers and businesses. Disinflation usually occurs during a period of recession and manifests itself by slowing down the rate at which prices increase; this occurs as a result of a decrease in consumer sales. If the inflation rate drops to a lower level than before, technically that difference is disinflation. Deflation, on the other hand, can be thought as the opposite of inflation, or as negative inflation, and it occurs when the supply of goods or services rises faster than the supply of money. i. …….. (Central bank/Commercial bank) help to correct the situation of deflationary shock in a country through its credit control policy. ii. Which of the following steps should be taken by the Central Bank to boost demand in the economy during the deflationary gap? A. Decrease tax rate B. Deficit financing C. Decrease legal reserve requirements D. Increase foreign exchange reserve iii. Which of the following statements stands true during the deflationary gap? A. Actual output falls short of potential output B. Potential output falls short of actual output C. Actual demand is less than expected demand D. Expected demand is less than actual demand iv. What will be the impact on money supply during the deflationary gap? A. Decrease B. Increase C. Remain constant D. Can't be predicted	**4**
57	India’s wholesale inflation accelerated for the third consecutive month and firmed up to an eight-month high of 1.48% in October, driven by manufactured items, data released by the commerce and industry ministry showed on 16 Nov. The WPI had increased 1.32% in September, The annual rate of inflation based on the	**4**

	WPI Food Index, which comprises 'food articles' from the primary articles group and 'food product' from the manufactured products group, decreased to 5.78% in October from 6.92% in September. The government also revised the wholesale inflation for August to 0.41% from 0.16% earlier. Food inflation cooled to 6.37% in October from 8.17% in September, led by decline in meat, egg and fish inflation that slowed to 1.65% in October from 4.15% the previous month. Inflation in vegetables and potatoes was 25.23% and 107.70% respectively. In the manufactured products category, inflation was 2.12% compared with 1.61% in September. i, India's wholesale inflation accelerated for the third consecutive month in October 2020, driven by _____item(food/manufactured). ii. Increase in core inflation implies improvement in _____(demand/supply) condition after covid 19 related lockdown was lifted. iii. Inflation is a situation of excess demand i.e., when aggregate demand is in excess of aggregate supply corresponding to _____. a. under full employment b. over full employment c. full employment d. none of these iv. Inflationary gap causes _____. a. no change in the level of output b. no change in the level of employment c. rise in general price level d. all of these	
58	Amidst indications of an economic slowdown in the beginning of year 2020 came the challenge of CoronaPandemic in Feb-Mar 2020, forcing the Government to impose a strict lock down leading to near cessation of Major economic activities across all sectors. The Finance Minister on 13th, 14th, 15thMay'20 announced an Economic package of ₹20 Lakh Crore for revival of Indian economy. Government of India's ₹20 lakh crore 'AatmaNirbhar Bharat' package which aimed at reviving the economy, includes major fiscal measures like free food for the poor, direct cash transfer, money for rural job guarantee scheme, MGNREGA and credit guarantees to MSMEs.RBI has also taken steps to slash lending rates and add more liquidity into the markets. 1. Indicate the impact of the economic package on AD: (a) Fall in Aggregate Demand (b) Rise in Aggregate Demand (c) Rise in general Price level (d) No change in Aggregate Demand 2. To induce liquidity RBI must have: (a) Increased Cash Reserve Ratio (b) Reduced Repo Rate (c) Increased Reverse Repo Rate (d) Kept Statutory liquidity Ratio constant 3. The likely impact of "Deficit Demand" under income and employment theory, in an economy are: (a) Decrease in income, output, employment and general price level (b) Decrease in nominal income, but no change in real output (c) Increase in income, output, employment and general price level	**4**

	(d) No change in output/ employment but increase in general price level 4. The nature of fiscal policy undertaken by the government is _____ and Monetary Policy is _____ in its nature. (a) Expansionary, Expansionary (b) Expansionary, Contractionary (c) Contractionary, Expansionary (d) Contractionary, Contractionary	
59	Case Study : Monetary and fiscal instruments are the key to combat the problems of excess and deficient demand. Fiscal instruments relate to revenue and expenditure policy of the government. Monetary instruments relate to the regulation of money supply in the economy. To combat excess demand, the government needs to curb its expenditure and raise its revenue. On the monetary front, it needs to pursue a Dear Money Policy, making availability of credit tougher than before and shrinking the credit creation capacity of the commercial banks. On the other hand, to combat deficient demand, expenditure needs to be stimulated while revenue needs to be cured. On the monetary front, Cheap Money Policy needs to be pursued, facilitating easy availability of credit and enhancing credit creation capacity of the commercial banks. Based on case study given above, answer the following questions: 1: Who issues monetary policy to control aggregate demand: (A) Central bank (B) Government (C) Commercial bank (D) None of these 2: Which is monetary instrument to combat the problems of excess and deficient demand: (A) CCR (B) SLR (C) Bank rate (D) All of above 3: Which is fiscal instrument to combat the problems of excess and deficient demand: (A) Public revenue (B) Public expenditure (C) Public debt (D) All of above 4: Cause of Deficient Aggregate Demand: (A) Reduction in private consumption expenditure (B) Reduction in government expenditure (C) Decline in exports (D) All of these	**4**
60	Case Study : Along with the weakening of global economic activity, inflation the world over also remained muted in 2019.Inflation softened in advanced and emerging economies reflecting a slack in consumer demand. From the supply side, lower energy prices in 2019 also contributed to softening of inflation. In India, inflation slightly, lower energy prices in rose to 4.1per cent in April-December 2019, after a sharp decline from 5.9per cent in 2014 to 3.4 per cent in 2018. Based on case study given above, answer the following questions: 1: Due to weakening of global economic activity, level of aggregate demand in the economy:	**4**

	(A) increases (B) decreases (C) fluctuate (D) constant 2: The impact of above situation under Keynesian theory of income and employment, in an economy is: (A) Decrease in income, output and employment. (B) Decrease in nominal income, but no change in real output. (C) Increase in income, output and employment. (D) No change in output and employment but increase in general price level. 3: Decrease in government expenditure is required to combat: (A) inflation (B) deflation (c) unemployment (D) poverty 4: Inflation leads to: (A) unemployment (B) wage-price spiral (c) both (A) and (B) (D) none of these	
61	Critically examine the effectiveness of quantitative and qualitative monetary measures to control the situation of deficient demand.	**6**
62	In a three-sector economy, explain the problem of excess demand. How can aggregate demand be reduced by an amount equal to inflationary gap?	**6**
63	Explain the effectiveness of fiscal measures in excess demand and deficient demand situations.	**6**
64	Distinguish between inflationary gap and deflationary gap. Show deflationary gap on a diagram. Can this gap exist at equilibrium level of income? Explain.	**6**
65	How can the problems of excess and deficient demand be combated?	**6**
66	Read the following statements carefully and identify the policy measure as indicated in each. Also, state the use of this policy measure. (i) RBI raises cost of borrowing for the commercial banks. Consequently, market rate of interest is raised by the commercial banks. (ii) RBI purchases securities in the open market. (iii) Restricting loans only for priority sectors of the economy. (iv) Government borrows? 20 crores from the public. (v) Difference between the value of collateral and the value of loan is increased. (vi) GST increases from 10% to 15%.	**6**
67	"In order to remedy the problem of excess demand, the aggregate demand has to be reduced by an amount equal to the inflationary gap". Explain.	**6**
68	"In order to combat deficient demand the aggregate demand may be increased by taking recourse to fiscal policy, monetary policy or both". Explain.	**6**
69	Explain the effects of deficient demand on employment, output and general price level in the economy.	**6**
70	Explain the role of Government expenditure and Open Market Operation in reducing AD/excess demand.	**6**
71	Explain the meaning of under employment equilibrium. Explain two measures by which full employment equilibrium can be reached.	**6**

72	In the given figure, what does the gap 'KT' represent? State and discuss any two fiscal measures to correct the situation.  	**6**

ANSWER

1	Both the statements are true
2	d. Statement 2 is true and Statement 1 is false.
3	(a) Both Assertion and reason are true and reason is the correct explanation of the assertion.
4	(b) Assertion and reason both are true but reason is not the correct explanation of assertion.
5	(a) Both Assertion and reason are true and reason is the correct explanation of the assertion.
6	Aggregate demand may be reduced slightly
7	Curbing Inflation
8	C .Assertion (A) is true but Reason (R) is false
9	a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A)
10	a - (iv), b - (iii) , c (i) , d (ii)
11	(d) Resources are fully and efficiently utilised
12	(b) fiscal policy
13	(d)both (a) and (b)
14	(d) All of these
15	(c) both (a) and (b)
16	(a) Lower the bank rate and purchase of securities in the open market
17	(b) Sell securities in the open market
18	(d) both (b) and (c)
19	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
20	(a) Point of underemployment equilibrium
21	c) Inflationary gap
22	c) When people are not getting work, even when they are willing to work at the existing wage rate
23	(b) Fiscal policy

24	(a)increase
25	c) Reduction in SLR
26	(a) Both Assertion and reason are true and reason is the correct explanation of the assertion.
27	(c) Assertion (A) is true but Reason (R) is false.
28	© Statement-1 is True but Statement-2 is False
29	(d) All the above
30	Both Statement 1 & 2 are True
31	a) AD > AS
32	a) Deflationary gap
33	a) Rise
34	d) Do not change
35	c) Increase in price level but no change in output and employment
36	a) Increase in tax rate
37	True
38	d)All of these
39	a) Assertion and reason are true and reason is correct explanation of assertion
40	(b) Assertion and reason both are true but reason is not the correct explanation of assertion.
41	I would like to defend the given statement. a) The programmes like Make in India or Start Ups will induce domestic as well as foreign investors for new investment. b) It may increase capital flow in the market. It will create additional purchasing power within the economy.
42	The given statement may be refuted. a) In excess demand situation, full employment is already reached. b) No further employment is possible as all existing resources are fully employed. Efficiency of resources employed can't be increased.
43	a) Bank rate to be increased to control money supply in the market. b) Public expenditures to be reduced to curb the tendency of excess demand. Margin requirements to be increased to reduce money supply in the market.
44	Ans. (i) Effect on Output: In the situation of excess demand, output does not increase. The economy is already operating at full employment. (ii) Effect on Employment: Employment will not increase The economy has already achieved full employment. (iii) Effect on Prices: Excess demand only generates pressure of demand on the existing flow of goods and services in the economy. Accordingly, prices tend to rise.
45	CRR makes it mandatory for the commercial banks to keep some cash reserves (as a percentage of their deposits) with the central bank. If CRR is gradually lowered, these cash reserves can be productively utilised by the commercial banks. Cash reserves can add to the stock of liquid assets of the banks, and accordingly, enhance their capacity to create credit (on the basis of the existing SLR). Accordingly, flow of funds in the money market will increase.

46	A drastic fall in the price of crude oil in the international market would lead to an equally drastic fall in the level of income in the oil-producing economies. To the extent India depends on these economies for its exports, it would mean a fall in 'export' component of aggregate demand. So that, aggregate demand (for the goods produced in India) is expected to fall.
47	The inflationary gap is the amount by which the actual aggregate demand exceeds the level of aggregate demand required to establish the full-employment equilibrium. Implications: ● The inflationary gap is a measure of the amount of the excess of aggregate demand. ● The inflationary gap is so called because it sets in motion forces that will cause inflation or a rise in the price level. The effect of this will be to create demand pull inflation (an aggregate demand induced rise in the price level).
48	CRR is the percentage of total deposits which commercial banks are stipulated to keep with RBI To remove deflationary gap ● At the time of deficient demand central bank lowers the CRR ● This increases the funds of the commercial bank to give loans ● So the credit creation capacity by the commercial banks increased which leads to increase in Aggregate Demand. As a result, deflationary gap reduced.
49	● If aggregate demand is for a level of income less than the full-employment level, then a situation of deficient demand exists. Deficient demand gives rise to a 'deflationary gap', which causes the economy's income, to decline, thus pushing the economy into an under-employment equilibrium.
50	A situation when all those who are willing to or able to work are getting work, is termed as full! employment in an economy. In an economy, when AS = AD but without the fuller utilisation of labour force, the economy is said to be in underemployment equilibrium.
51	When there is involuntary unemployment in the economy, there is a short fall in Aggregate Demand from the level required to maintain a full employment equilibrium.
52	False, According to Keynesian theory of employment, a state of underemployment can exist in the economy. This state may occur at the level of income where equilibrium between AD and AS happens at less than full employment.
53	i) Excess demand ii) Net exports iii) Under full employment iv)False.
54	1. increase 2. (iii) rise in aggregate demand 3. Inflationary gap 4. (iv) No change in output/employment but increase in general price level.
55	Ans 1. Option (A) is correct. Explanation: Due to Covid, income level decreased, resulting decreased Aggregate Demand. Ans.2 Option (C) is correct

	Ans.3 Option (A) is correct. Ans.4 Option (B) is correct. Explanation: When aggregate demand is less than Aggregate Supply at full employment level, there is deficient demand in the economy
56	i. Central bank ii. C. Decrease legal reserve requirements iii. C. Actual demand is less than expected demand iv. A. Decrease
57	i. manufactured ii. demand iii. c) full employment iv. d) all of these
58	1. Rise in Aggregate Demand 2. Reduced Repo Rate 3. Decrease in income, output, employment and general price level 4. Expansionary, Expansionary
59	1 (A) 2 (D) 3 (D) 4 (D)
60	1 (B) 2 (A) 3 (A) 4 (B)
61	In correcting the deficient demand situation, quantitative credit control measures and qualitative credit control measures separately or jointly are very much effective. Under quantitative credit control measures the followings are applied: a) To decrease the cash reserve ratio. b) To decrease the bank rate. c) To purchase Govt securities under open market operation. Under qualitative credit control measures, the followings are applied during deficient demand situation: a) Selective credit control b) Decrease in Margin requirements Relaxation in credit quotas
62	a) In a three sector model there are Household, Firm & Govt sectors are there and Govt expenditures play a important role in correcting the abnormalities like excess or deficient demand. The aggregate demand equation becomes AD= C+I+G compared to closed economy model of AD= C+I (Diagram of excess demand to be given). b) In order to correct the excess demand situation, the Govt needs to use its fiscal measures of reducing expenditures, Decrease in Govt expenditures will reduce aggregate demand and remove the inflationary gap. (Us appropriate diagram).

63

Fiscal measures refers to Govt steps related to changes in public expenditures and tax rates

Fiscal measures during excess demand:

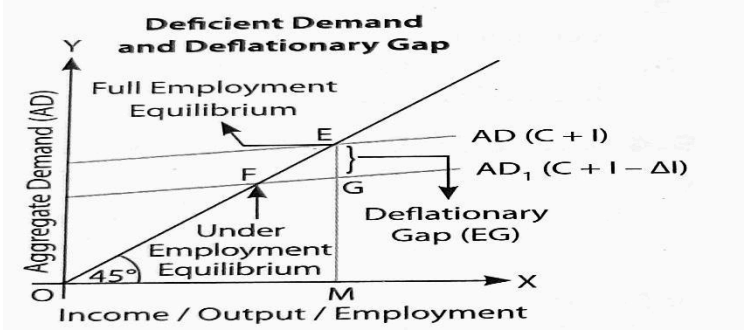
a) Increase in tax rate
b) Reduction in Govt expenditures
c) Reduction in deficit financing
d) Increase in public borrowing

Fiscal measures during deficient demand:

a) Decrease in tax rate
b) Increase in Govt Expenditures
c) Increase in deficit financing
d) Decrease in public borrowings

64

Deflationary Gap	Inflationary Gap
1. It is the deficiency of AD from the level required to maintain full employment equilibrium in the economy. 2. It occurs when AD < AS, corresponding to full employment level. 3. Level of output is less than that at full employment.	1. It is the excess of AD over and above its level required to maintain full employment equilibrium in the economy. 2. It occurs when AD > AS, corresponding to full employment level. 3. Level of output does not rise, as it already corresponds to full employment in the economy.



Yes this gap can exist at underemployment equilibrium because during deficient demand, equilibrium is determined at a level less than full employment equilibrium. It leads to underemployment equilibrium.

65	Monetary and fiscal instruments are the key to combat the problems of excess and deficient demand. ● Fiscal instruments relate to revenue and expenditure policy of the government. To combat excess demand, the government needs to curb its expenditures and raise its revenue. To combat deficient demand, on the other hand, expenditure needs to be stimulated while revenue needs to be curbed. Monetary instruments relate to the regulation of money supply in the economy. On the monetary front, it needs to pursue a Dear Money Policy, making availability of credit tougher than before and shrinking the credit creation capacity of the commercial banks. On the monetary front, Cheap Money Policy needs to be pursued, facilitating easy availability of credit and enhancing credit creation capacity of the commercial banks.
66	(i) Policy of Bank rate/Repo rate (Increase in bank rate or repo rate increases the cost of borrowing for the commercial banks). This monetary measure is used to correct excess demand. (u) Open market operations (Purchase of securities in open market). This monetary measure increases liquidity to correct deficient demand. (iii) Policy of credit rationing. This monetary measure is used to correct excess demand. (iv) Public borrowing (Borrowing from the public). This fiscal measure is used to correct excess demand by soaking liquidity. (v) Policy of margin requirement (Increase in the margin). This monetary measure is used to correct excess demand. (vi) Fiscal policy (Increase in taxes). This fiscal measure is used to correct excess demand.
67	● In order to remedy the problem of excess demand, the aggregate demand has to be reduced by an amount equal to the inflationary gap. ● This will keep the economy at full employment equilibrium but will lower the price level and thus combat the inflation. The aggregate demand may be reduced by taking recourse to fiscal policy or to monetary policy.
68	In order to remedy the problem of deficient demand, the aggregate demand has to be increased by an amount equal to the deflationary gap. This will move the economy to the full employment equilibrium. The aggregate demand may be increased by taking recourse to fiscal policy, monetary policy or both. Fiscal policy: We shall first consider the fiscal policy measures to increase aggregate demand. This may be done by either increasing the level of government expenditure or by reducing the amount of taxes. ● If the government expenditure is increased by an amount equal to the deflationary gap, it will restore the economy to the full-employment equilibrium. ● If the tax rate is decreased it causes increase in disposable income with people which resulted to increase in AD and remedy to deficient demand. Monetary Policy: ● The problem of deficient demand can also be solved by taking resort to monetary policy measures.

	● The aim of the monetary policy measures is to cause an increase in the investment expenditure by firms. ● This may be done by increasing the availability of credit. More credit can be made available by taking recourse to the various instruments of credit regulation by the Central Bank.
69	If aggregate demand is for a level of income less than the full-employment level, then a situation of deficient demand exists. Deficient demand gives rise to a 'deflationary gap', which causes the economy's income, to decline, thus pushing the economy into an under-employment equilibrium. (a) Effect on Employment: Due to deficient demand, investment level is reduced, which causes involuntary unemployment in the economy due to fall in the planned output. (b) Effect on Output: Low level of investment and employment implies low level of output. Effect on General Price Level: Deficient demand causes the general price level to fall because it arises when aggregate demand is less than aggregate supply at full employment level. There is deflation in an economy showing deflationary gap.
70	(a) Government Expenditure: 1. Government has to invest huge amount on public works like roads, buildings, irrigation works, etc. 2. During inflation, government should curtail (reduce) its expenditure on public works like roads, buildings, irrigation works thereby reducing the money income of the people and their demand for goods and services. (b) Open Market Operation: 1. It consists of buying and selling of government securities and bonds in the open market by central bank. 2. In a situation of excess demand leading to inflation, central bank sells government securities and bonds to commercial bank. With the sale of these securities, the power of commercial bank of giving loans decreases, which will control excess demand.
71	In an economy, when AS = AD or S = I but without the fuller utilisation of labour force, the economy is said to be in under employment equilibrium. Under employment equilibrium occurs when AS= AD but without the fuller utilisation of labour force. **Measures to Correct Under Employment Equilibrium** **(i) Bank rate** Central Bank should decrease the bank rate. A decrease in bank rate lowers the rate of interest and credit becomes cheap. Accordingly, the demand for credit expands and Aggregate Demand increases. **(ii) Open market operations** By buying the government securities, the Central Bank injects additional purchasing power into the system which results in the expansion of credit. As a result, Aggregate Demand increases.
72	In the above-given Income and Aggregate Demand graph, KT represents the **inflationary gap.** An inflationary Gap is a gap by which the actual aggregate demand exceeds the aggregate demand required for the establishment of full employment equilibrium. This gap or excess demand happens due to the rise in money supply and availability of credit at easy terms. The

	inflationary gap can occur because of various reasons such as a rise in the propensity to consume, reduction in taxes, increase in investment, increase in government expenditure, deficit financing, etc and can have an impact on the output, employment, and general price level. The fiscal measures (fiscal measures or policies are the measures of the Central Government) to correct the situation of inflationary gap or excess demand are as follows: **1) Decrease in Government Spending:** Government spends a huge amount of money on infrastructural and administrative activities. To control the situation of inflationary gap, it should reduce its expenditure to the maximum possible limit. It should give more emphasis on the reduction of expenditure on defence and unproductive works. It is because expenditure on these activities rarely helps in the growth of a country. Hence, a reduction in government spending will reduce the level of aggregate demand in the economy and will ultimately help in correcting inflationary pressures in the economy. Increase in Taxes: When there is an inflationary gap, the Government increases the tax rates and even imposes some new taxes to reduce the level of aggregate expenditure in the economy. The rise in taxes ultimately helps in controlling the situation of excess demand or inflationary gap.

Chapter 6 : Government Budget and the Economy

Q. NO	QUESTION	MARKS
1	"In the Annual Budget 2023-24, 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. (Choose the correct alternative**)** (a) capital, decrease in assets (b) revenue, increase in assets (c) capital, increase in liabilities (d) revenue, decrease in liabilities	**1**
2	In order to tackle the problem of rising general price level (inflation) in an economy. Government may come up with a surplus budget to achieve the budget objective of…… I. reallocation of resources II. price stability III. redistribution of income Choose the correct option from the following. (a) (i) only	**1**

<table>
<tr><td></td><td>(b) (iii) only
(c) (ii) only
(d) (i) and (iii)</td><td></td></tr>
<tr><td>3</td><td>Read the following statements - Assertion (A) and Reason (R): Choose the correct alternative among those given the below:
Assertion: In the process of development, construction of dams, new schools, new plants, and repayment of loans is essential.
Reason: Capital expenditure creates the assets of the government and causes reduction in the liabilities of the government.

Choose the correct option from the following.

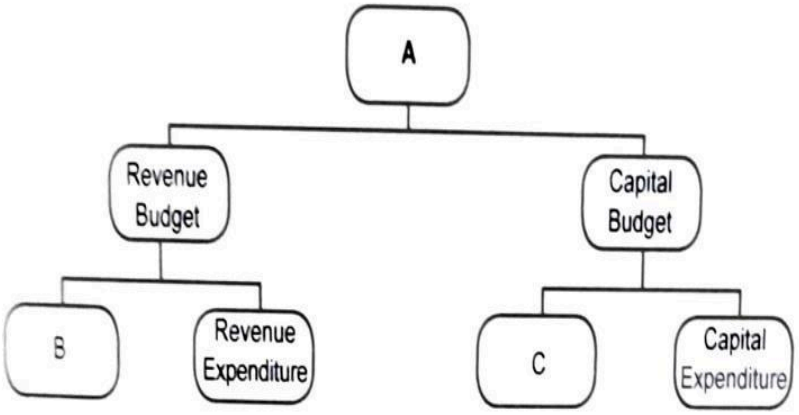
(a) Both A and R are true and R is the correct explanation of A.
(b) Both A and R are true but R is not the correct explanation of A.
(c) A is true but R is false.
(d) A is false but R is true,</td><td>1</td></tr>
<tr><td>4</td><td>Read the following statements - Assertion (A) and Reason (R): Choose the correct alternative among those given the below:
Assertion: High Fiscal deficit throws a country into the debt trap and enhances foreign dependence.
Reason: Fiscal discipline of any country establishes the credibility of country's creditworthiness.
Choose the correct option from the following.

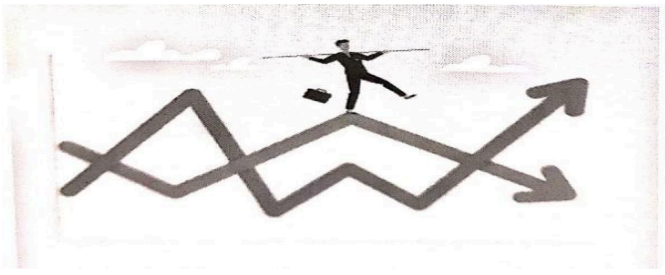
(a) Both A and R are true and R is the correct explanation of A.
(b) Both A and R are true but R is not the correct explanation of A.
(c)A is true but R is false.
(d) A is false but R is true.</td><td>1</td></tr>
<tr><td>5</td><td>“Free distribution of LPG connection to poor people is a sign of social justice”. Identify the Objective of Government Budget' from the above-mentioned statement.
(a) Promote Economic Growth
(b) Management of public enterprises
(c) Create equitable distribution of income

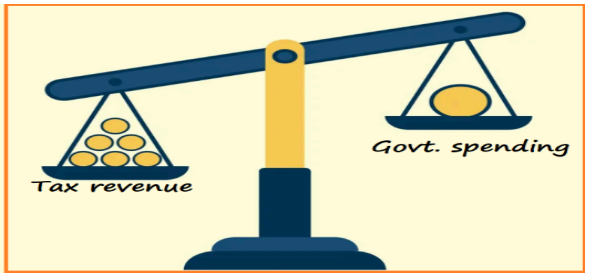
Create fluctuation in revenue of the government</td><td>1</td></tr>
<tr><td>6</td><td>Read the following statements carefully and choose the correct alternative:
Statement 1: Fiscal deficit is always greater than primary deficit.
Statement 2: Fiscal deficit indicates borrowing requirements of the government.
(a) Both the statements are true.
(b) Both the statements are false.
(c) Statement 1 is false, but statement 2 is true.
(d) Statement 2 is false, but statement 1 is true</td><td>1</td></tr>
<tr><td>7</td><td>From the set of statements given in column I and column II, choose the correct pair of statements:
<table><tr><td>Column I</td><td>Column II</td></tr><tr><td>(a) Payments of salaries</td><td>(i) Capital Expenditure</td></tr><tr><td>(b) Giving loan to Nepal</td><td>(ii) Revenue Expenditure</td></tr><tr><td>(c) Getting grants from IMF</td><td>(iii)Capital Receipts</td></tr></table></td><td>1</td></tr>
</table>

	(d) Providing free covid vaccine to public | (iv)Revenue Receipts	
8	Fiscal deficit in Government Budget indicates…… a) Excess of capital expenditure over capital receipt (excluding borrowings) (b) Excess of revenue expenditure over revenue receipt (c) Borrowing requirement of the State Governments only (d) Excess of total expenditure over revenue receipts and non-debt creating capital receipts	**1**
9	'Govt. of India spends 2.5 crore for Olympic medallist Mirabai Chanu in 5 years; This will be categorized as (a) Revenue Nature Income (b) Capital Nature Income (c) Capital Nature Expenditure (d) Revenue Nature Expenditure	**1**
10	According to 'Pradhan Mantri Garib Kalyan Anna Yojana': During the period May-November 2021, more than 1.35 crore people will be provided 5 kg free wheat/rice per person/month along with 1 kg free whole chana to each family per month to safeguard the interest of poor section during Covid-19 pandemic. Which objective does the government aim to satisfy with this? (a) Economic Stability (b) Reallocation of Resources (c) Economic Growth (d) Reducing inequalities in income and wealth	**1**
11	Assertion (A): borrowings are capital receipts but payment of interest on borrowings are revenue expenditure. Reason (R):borrowings creates liability but payment of interest does not reduce liability. Choose the correct option from the following. a) Both Assertion (A) and Reason (R) are true, (R) is correct explanation of (A). b) Both Assertion (A) and Reason (R) are true but (R) is not correct explanation of (A). c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.	**1**
12	Assertion (A):Through the changes in expenditure & taxes, government bring economic stability. Reasoning(R): In case of deflation, the government can give tax concession or increase expenditure to leave more disposable income in the hands of the people. In case of inflation, government can reduce its expenditure or increase in tax rate. Choose the correct option from the following. a) Both Assertion (A) and Reason (R) are true, (R) is correct explanation of (A). b) Both Assertion (A) and Reason (R) are true but (R) is not correct explanation of (A). c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.	**1**

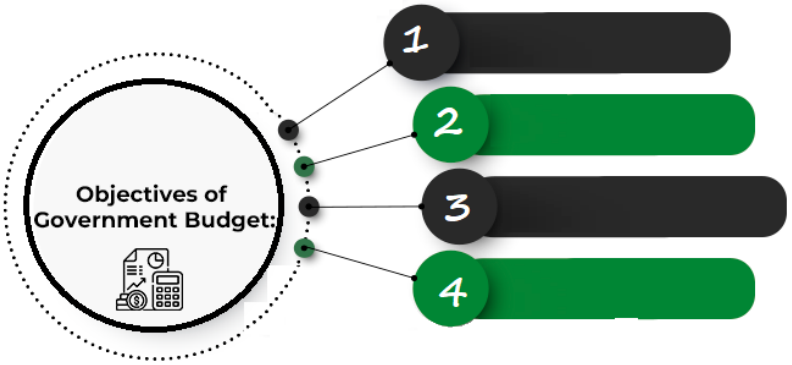
13	Assertion (A):The government budget of a country cannot have fiscal deficit without the existence of revenue deficit. Reason(R):Fiscal deficit can exist without revenue deficit, if capital budget is in deficit with balanced revenue budget or if capital budget is in deficit in greater proportion to surplus revenue budget. Choose the correct option from the following. a) Both Assertion (A) and Reason (R) are true, (R) is correct explanation of (A). b) Both Assertion (A) and Reason (R) are true but (R) is not correct explanation of (A). c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.	**1**
14	Capital expenditure is that estimated expenditure of the government by which a) Assets are increased b) Liabilities are decreased c) Both a and b d) Assets and liabilities do not change	**1**
15	If primary deficit is 3500 and interest payment is 500, then fiscal deficit is a) 2900 b) 4000 c) 4100 d) 4200	**1**
16	Which of the following conditions satisfy the concept of revenue receipt? a)Does not create liability b) Does not reduce asset c) Create liability d) Both a) and b)	**1**
17	Disinvestment is which type of receipt for the Government? a) Capital Receipt b) Revenue Receipt c) Both a and b d) None of these	**1**
18	The sources to meet fiscal deficit are a) Borrowings from public b) Borrowings from external sources c) Deficit financing d) All of these	**1**
19	_____receipts are non-recurring in nature. a) Revenue b) Capital c) Both a and b d) None of these	**1**
20	Statement 1- Fiscal deficit includes borrowings to create loan Statement 2- Fiscal deficit depicts borrowings required to meet current year budget expenditure a) Both are correct b) Both are wrong	**1**

	c) Statement 1 is correct and statement 2 is wrong d) Statement 1 is wrong and statement 2 is correct	
21	Under Ujjwala Yojana, the Government of India is providing free PG kitchen gas connections to the families living 'below the poverty line'. Identify the objective that the government is trying to fulfil here. (a) Allocation of resources (b) Reducing distribution of income inequalities (c) Economic growth (d) Financial stability	**1**
22	Choose the correct alternatives to be filled in given blanks A, B and C.  (a) A - Revenue receipts, B- Capital receipts C-Government budget (b) A - Capital receipts, B - Government budget, C- Revenue receipts (c) A - Capital receipts, B - Revenue receipts, C-Government budget (d) A-Government budget, B Revenue receipts, C-Capital receipts	**1**
23	Read the following data and identify the correct value of fiscal deficit from the options given below: Sr. / Item / Amount (₹ in billion) (i) Capital receipts 68 (ii) Revenue expenditure 160 (iii) Interest payment 20 (iv) Borrowing 32 (v) Tax revenue 50 (vi) Non Tax revenue 10 Alternatives (a)₹ 32 billion (b)₹ 64 billion	**1**

	(c) ₹ 20 billion (d)₹ 46 billion	
24	Which of the following is an example of a public good? (a) Medicines and injections (b) Books and stationary (c) Houses and furniture (d) Law and order	**1**
25	_____is a revenue receipt of the government. (a) Funds raised by the government by issuing National Saving Certificates (b) Sale of 40% shares of a public sector undertaking to a private enterprise (c) Profits of LIC, a public enterprise (d) Amount borrowed from Japan for construction of Bullet Train	**1**
26	Identify which of the following statements is true? (a) Fiscal deficit is difference between planned revenue expenditure and planned revenue receipts. (b) Fiscal deficit is difference between total planned expenditure and total planned receipts. (c) Primary deficit is the difference between total planned receipt and interest payments. (d) Fiscal deficit is the sum of primary deficit and interest payment.	**1**
27	Repayment of loan is an example of (a) Capital Expenditure (b) Nom plan Expenditure (c) Revenue Expenditure (d) Plan Expenditure	**1**
28	Identify which objective of the government budget should we use to tackle the issue depicted in the image given below.  Alternatives: (a) Allocation of resources (b) Reducing income inequalities	**1**

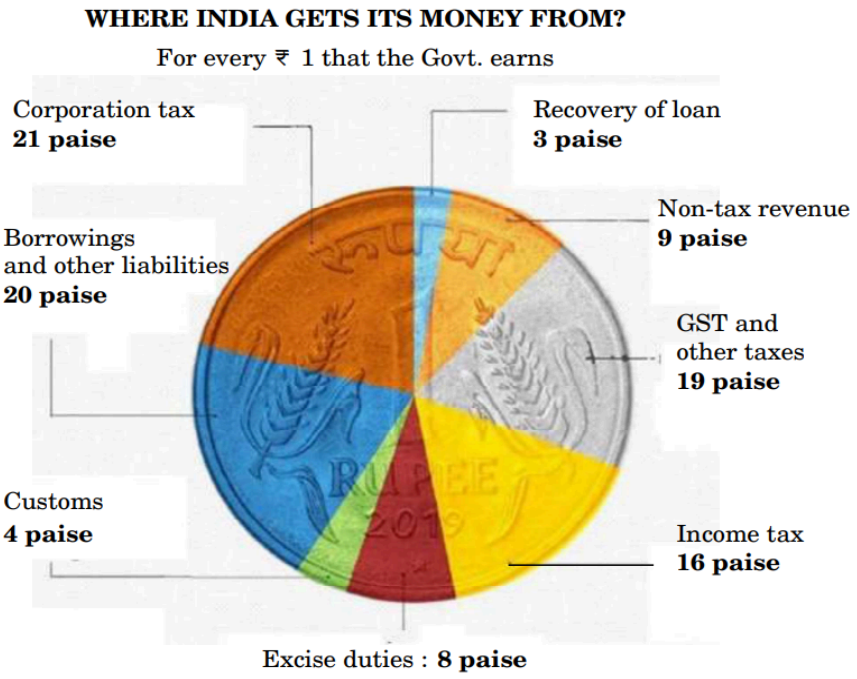
	(c) Economic stability (d) Reducing regional disparities	
29	Read the following statement carefully and choose the correct alternative from the following: Statement1: Government Budget is a detailed economic statement presented by Finance Minister. Statement2: Government Budget consists of Financial programmes and policies of the government for the next year. Alternative: (a) Both the statement are true (b) Both the statement are false. (c) Statement 1 is true and statement 2 is false (d) Statement 2 is true and statement 1 is false	**1**
30	Assertion (A): If primary Deficit is Zero, Fiscal Deficit = Interest Payments. Reasons(R): Primary deficit if the difference between fiscal deficit of the current year and interest payments on the previous borrowings. Choose the correct option from the following. (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	**1**
31	 Identify the budgetary situation in the economy. a) Deficit budget b) Surplus budget c) Balanced budget d) None of the above.	**1**
32	Government expenditure on midday meal scheme running in government schools is a ……. expenditure in government budget a) capital b) revenue c) normal d) any of these	**1**
33	List the following items as revenue and capital expenditure. a) Subsidies b) Purchase of train coaches from South Korea c) Amount borrowed from UK repaid	**1**

	d) Grants given to state government	
34	Fill the blank areas in the given diagram with any 4 important indirect taxes that replaced /subsumed into GST regime.  	**1**
35	The fee of the government college is a part of revenue receipts because. a) It creates liabilities of the government b) It increases assets of the government c) It neither creates any liability nor reduces any assets of the government d) It either creates liability or reduces any assets of the government	**1**
36	Which of the following is the implication of revenue deficit? i) A high revenue deficit shows fiscal discipline. ii) It shows wasteful expenditure of government on administration. iii) It implies that government is dis-saving. a) i and ii b) i and iii c) ii and iii d) i,ii,and iii	**1**
37	Assertion (A): Fiscal deficit gives the better picture of the government expenditure in comparison to revenue deficit. Reason (R): Fiscal deficit reflects borrowings requirement of the government. a) Both assertion A and R are true, and R is the correct explanation of A b) Both assertion A and R are true, and R is not the correct explanation of A c) A is false but R is false. d) A is false but R is true	**1**
38	Fill the blank area with any four objectives of government budget:	**1**

<table>
<tr><td></td><td>

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<tr><td>39</td><td>Assertion (A): Expenditure on food subsidy in the budget is entered under capital expenditure head.
Reason (R): This expenditure neither created assets nor reduce the liabilities of the government.
a) Both assertion A and R are true, and R is the correct explanation of A
b) Both assertion A and R are true, and R is not the correct explanation of A
c) A is true but R is false.
d) A is false but R is true</td><td>1</td></tr>
<tr><td>40</td><td>A large fiscal deficit implies _____
a) Very small savings
b) Investment
c) Borrowing requirement
d) No borrowing</td><td>1</td></tr>
<tr><td>41</td><td>Suppose you are a member of the "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.</td><td>3</td></tr>
<tr><td>42</td><td>Giving reasons, categorise the following into revenue expenditure and capital expenditure:
(i) Grants given to state government.
(ii) Repayment of loans
(iii) Construction of school building.</td><td>3</td></tr>
<tr><td>43</td><td>On the basis of the given information, calculate the value of:
(a) Fiscal deficit
(b) Primary deficit
(c) Revenue Deficit
<table><tr><th>S. No.</th><th>Items</th><th>2023-24 (₹in crore)</th></tr><tr><td>(i)</td><td>Revenue Receipts</td><td>35,000</td></tr><tr><td>(ii)</td><td>Revenue expenditure</td><td>45,000</td></tr><tr><td>(iv)</td><td>debt creating capital receipts</td><td>12,000</td></tr><tr><td>(v)</td><td>Interest Payments</td><td>30% of Revenue Deficit</td></tr></table></td><td>3</td></tr>
</table>

44	Does the government bring equality in the society with the help of budget?	**3**
45	How can one identify capital receipt & revenue receipt from the followings? (a)Disinvestment in public sector (b)tax collected by the government (c)Profit of Indian railway.	**3**
46	Calculate revenue deficit & fiscal deficit (a) Tax revenue 2000 (b) Non-tax revenue 300 (c) Net borrowing by government 400 (d) Disinvestment 100 (e) Revenue expenditure 1000 (f)Capital expenditure 500	**3**
47	Explain how the government can use its budgetary policy in reducing inequality of income in the country.	**3**
48	Explain Primary deficit in a government budget what does it indicate?	**3**
49	Suppose you are a member of the "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.	**3**
50	**Centre has spent only 1% of this year's allocations for pre-matric SC scholarships** In the first nine months of the financial year 2022-23, the Ministry of Social Justice and Empowerment was able to spend only 1% of its allocation for a pre-matric scholarship scheme for Scheduled Caste students and others; and less than half the amount allocated for a post-matric scholarship scheme for SC students, government data submitted before the Parliamentary Standing Committee on Social Justice and Empowerment showed. *Source : The Hindu -March 23,2023* **India pumps up infrastructure spending.** "Investment in infrastructure and productivity have a large multiplier impact on growth and employment," Sitharaman said in a speech ."After the subdued period of the pandemic, private investments are growing again," she said. "The budget takes the lead once again to ramp up the virtuous circle of investment and job creation." *Source : Financial Times -Feb1,2023* Read the report from the prominent newspapers and identify what type of expenditure mentioned in the two report and justification for the answer.	**3**
51	State three sources each of revenue receipts and capital receipts in government budget	**3**
52	How the government use its budgetary policy in reducing the inequality of income distribution in the country?	**3**

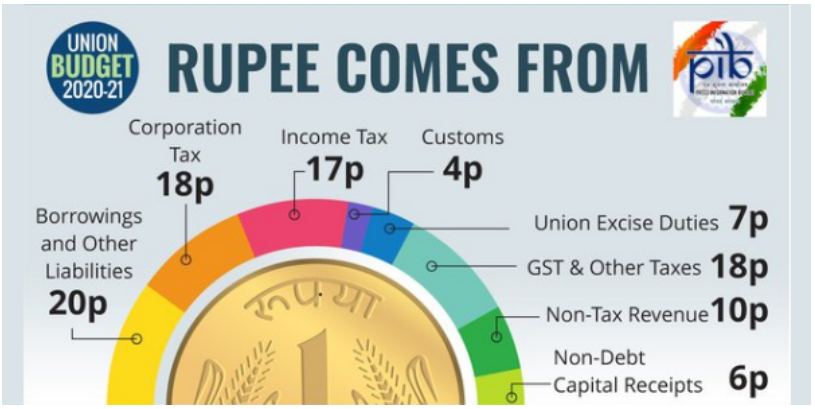
53	From the information given in the diagram, categorize the items into revenue receipts and capital receipts, stating valid reasons.  	**4**
54	Two friends, Deepak and Mohan were discussing the impact of increase in GST rates on luxury items, as recently undertaken by the Government. Mohan was of the 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. Identify and explain the objective of the Government budget Mohan is suggesting.	**4**
55	"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 by undertaken by the Government as suggested in the above statement.	**4**
56	Case Study : Read the following article and answer the questions given below: India has scaled back expenditure, including on productive assets that aid economic growth, as the govt. is confronted with the risk of its budget deficit blowing out. Capital expenditure-the money spent on creating, maintaining, or improving fixed assets like roads and factories-stood at 40 % of the budgeted amount in the six months to September, down from 55.5 % in the year-ago period, data from the government's controller General of Accounts show. The overall spending during the period was 49 % of the budget aim compared to 53 % last year. That's despite Prime Minister Narendra Modi's govt. outlining measures worth more than 21 trillion rupees (Dollar 281 billion) to counter the economic and social fallout of the Covid-19 outbreak. A closer look at the numbers shows the bulk of the spending was directed toward the poor and the farmers, with crucial sectors such as coal, power, shipping and steel receiving less than a third of their annual budget allocation. Spending on capital assets has so far trailed the so-called revenue expenditure that includes interest payments and overheads such as salaries, the data released last week showed. Modi's govt. placed spending curbs on some ministries from April through December to manage its cash flow.	**4**

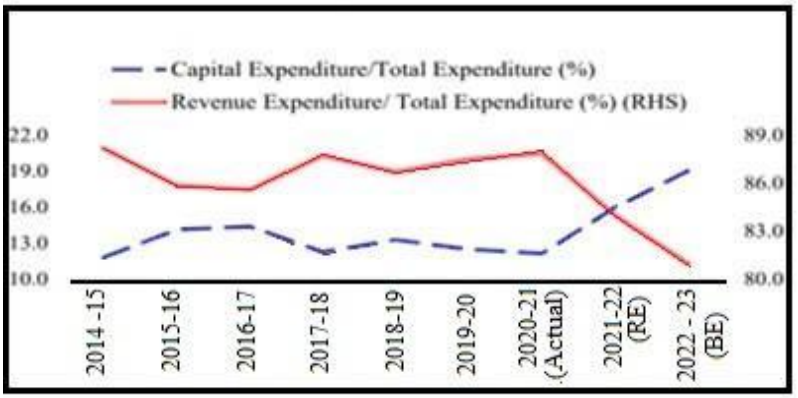
	1. A reduction in capital expenditure i.e., the money spent on creating, maintaining or improving fixed assets is done to reduce the risk of ------- deficit (revenue/budget).(Choose the correct alternative) 2. Allocation of resources in the budget in the six months to September 2020 is directed towards ---------(Choose the correct alternative) (a) Economic upliftment of the economy (b) Social upliftment of the economy (c) The poor and the farmers (d) All of these 3. Capital expenditure refers to the estimated expenditure of the govt. in a fiscal year which ----------(reduces / increases) liabilities of the govt. (Choose the correct alternative) 4. Identify which of the following statements is false (Choose the correct alternative) (a) The govt. can finance its budgetary deficit through borrowings, disinvestment and deficit financing (b) Fiscal deficit equals borrowings (c) Recovery of loans is a revenue receipt (d) Interest on loans is a non-tax revenue receipt	
57	Read the following News Report and answer 10 MAJOR HIGHLIGHTS OF BUDGET 2020 • Empowering people to create wealth and boost purchasing power • Fundamentals of the economy are strong • GST brings 60 lakh new taxpayers • Three pillars of Union Budget 2020- (i) Aspirational India (ii) Economic Development (iii) Caring society • Promoting education in India- Finance minister has allocated a total of Rs 99,300 crore to the education sector of India • National Infrastructure policy to spend Rs 100 lakh crore over the next 5 years • Building Data center parks and National Quantum Tech Plan • Developing the structure of tourism • Governance is key • Empowering the scheduled class and scheduled tribes- Government has allocated Rs 85k crore for the scheduled class and other backward classes for the year 2020-21 and Rs 53,700 crore for the scheduled tribes. 1. GST is a --------(direct/indirect) tax 2. GST brings 60 lakh new taxpayers. What will be its likely effect on revenue deficit in govt. budget? (a) Increase (b) Decrease (c) Constant (d) None of these 3. National Infrastructure policy to spend Rs 100 lakh crore over the next 5 years. Building infrastructure facilities is a ----------(revenue/capital) expenditure in a govt. budget. 4. Govt. has allocated Rs 85 k crore for the scheduled class and other backward classes for the year 2020-21 and Rs 53,700 crore for the scheduled tribes. What objective of govt. budget has been highlighted in the above lines? (a) Reallocation of resources (b) Reduction in income inequalities (c) Price stability (d) Economic growth	**4**

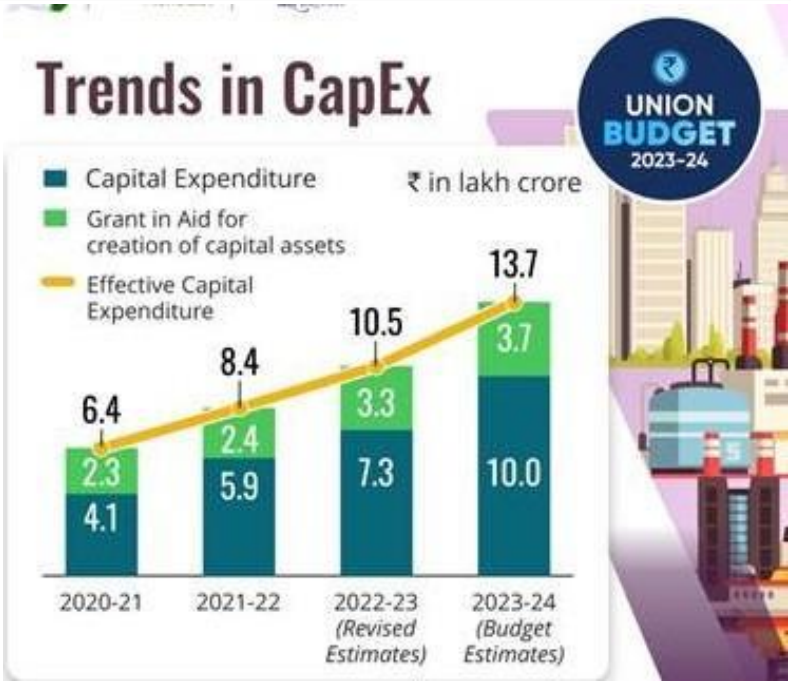
<table>
<tr><td>58</td><td>Read the following hypothetical text and answer the given questions: -
GDP growth is the central objective of government budgetary policy. It is achieved in two ways: (i) by making public investment expenditure, and (ii) by inducing private investment expenditure (through tax rebates and subsidies).
Allocation of Resources: Private enterprises will always desire to allocate resources to those areas of production where profits are high. However, it is possible that such areas of production (like production of alcohol) may not promote social welfare. Through its budgetary policy, the government of a country directs the allocation of resources in a manner such that there is a balance between the goals of profit maximisation and social welfare. Production of goods which are injurious to health (like Cigarettes and Whisky) is discouraged through heavy taxation. On the other hand, production of 'socially useful goods' (like, 'Khadi') is encouraged through subsidies

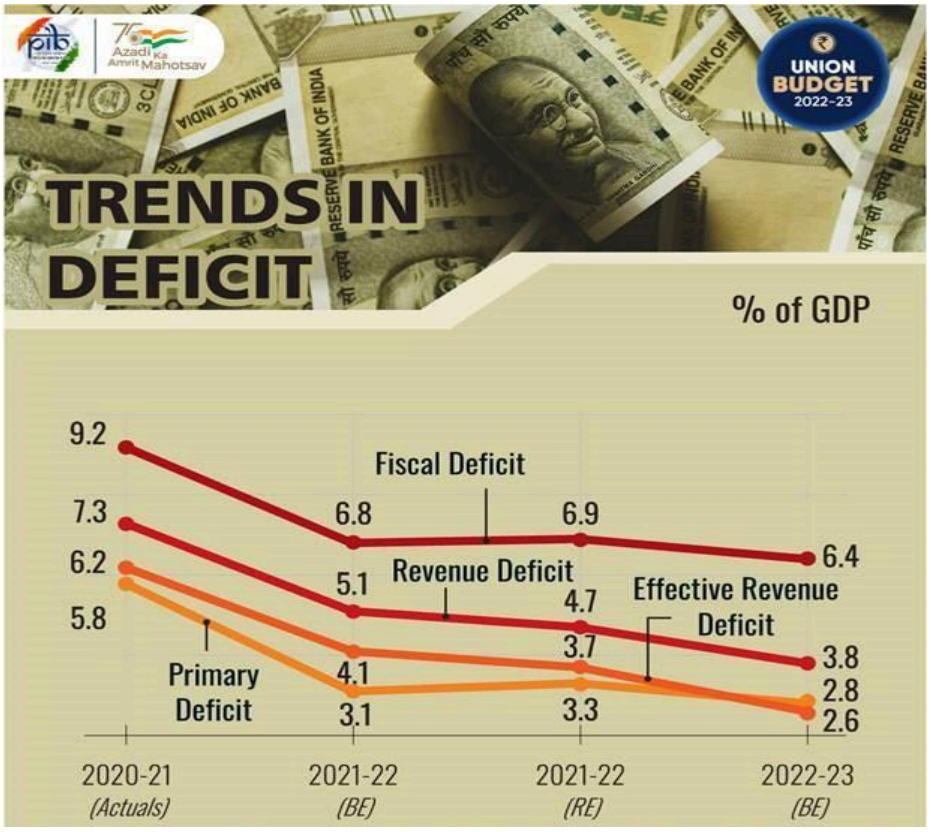
(A)Public enterprises will always desire to allocate resources to those areas of production, where: -
a. Profits are high
b. Cost is low
c. Social welfare is high
d. Revenue is high
(B). GDP growth is the central objective of government budgetary policy.
a. True
b. False
(C) Suitable title for the passage
a. GDP
b. Private enterprises
c. Subsidies
d. Government Budget
(D)In country like India, which sector is to be emphasised?
(a) Private
(b) Public
(c) both
(d) none</td><td>4</td></tr>
<tr><td>59</td><td>Write the difference between direct tax and Indirect tax</td><td>4</td></tr>
<tr><td>60</td><td>Difference between Revenue Expenditure and Capital Expenditure.</td><td>4</td></tr>
<tr><td>61</td><td>From the following data, calculate: (a) Revenue Deficit; (b) Fiscal Deficit.

<table><tr><td>Particulars</td><td>(₹ in crores)</td></tr><tr><td>(1) Tax Revenue
(ii) Revenue Expenditure
(ii) Non-tax Revenue
(iv) Recovery of Loans
(v) Capital Expenditure
(vi) Disinvestment
(vii) Interest Payments</td><td>1,000
3,821
2,000
135
574
100
1,013</td></tr></table></td><td>4</td></tr>
</table>

62	 a) Interpret the given image on source of revenue of government of India (as per union budget 2020-21) and write the inference. b) Distinguish between revenue receipts and capital receipts with examples.	**4**
63	Read the extract carefully and explain the relevant objective of government budget reflected in the extract. *"The year 2022 was marked by a return of high inflation in the advanced world after three to four decades, depending on the country. In India, the government and the central bank took decisive measures to cap the rise in prices. India's retail inflation rate peaked at 7.8 per cent in April 2022. The overshoot of inflation above the upper end of the target range in India was one of the lowest in the world. We are confident that authorities would remain vigilant and be as proactive as they were in 2022 should inflation pressures re-emerge in India in 2023."* ***ECONOMIC SURVEY 2023***	**4**
64	Read the following information carefully and answer the following questions **Receipts and Expenditure of Central Governemnet** **Items** / **2022-23 (Budget Estimates)** Revenue Receipts — 2204422 Tax revenue — 1934771 Non-tax revenue — 269651 Revnue Expenditure — 3194663 Capital reciepts — 1740487 Capital Expenditure — 750246 Non-Debt Receipts — 2283713 Recovery of loan — 14291 Borrowings and other liabilities — 1661196 Interest payments — 940651 Tax revenue — 317866 *Source: Economic survey 2022—2023* i) The value of Fiscal deficit for the given data is ……	**4**

	a) 1661196 b) 156788 c)114567 d)193456 ii) The value of primary deficit for the given data is …….. a)940651 b) 720545 c)720005 d) 820435 iii) The value of revenue deficit for the given data is …. a) 119024 b) 990241 c) 809000 d)457688 iv). Read carefully the statement choose the correct alternative among these given statement. **Statement 1:** *Fiscal deficit can exit without a revenue deficit.* **Statement 2:** *Fiscal deficit is worked out by accounting for both the revenue and capital receipts and expenditures of the government.* **<u>Alternatives</u>** a) Both the statement 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 is false	
65	Interpret the given two graph showing the trend of capital expenditure of Government of India .Also state the reason why government has relied on it after covid 19 disruption.  	**6**



66	 a) On the basis of given chart, interpret the trend of deficit as a percentage of GDP. b) Discuss briefly the major difference between fiscal deficit, revenue deficit and primary deficit.	**6**

67 | From the following data | **6**

Sl.No.	Items	Rupees (in 100 crore)
1	Tax revenue	47
2	Capital Receipts	34
3	Non-Tax revenue	10
4	Borrowings	32
5	Revenue Expenditure	80
6	Interest payment	20

a) Calculate revenue deficit, fiscal deficit and primary deficit

b) Difference between revenue deficit and fiscal deficit

68

A. "The Government Budget of a country cannot have fiscal deficit without the existence of revenue deficit." Defend or refute the given statement.

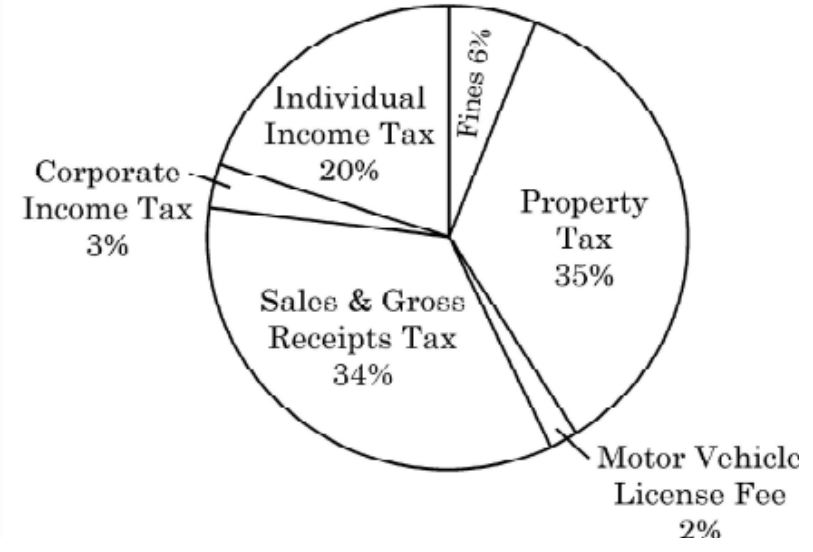
B. "Taxation" is an effective tool to reduce the inequalities of income: Justify the given statement with valid reasons.

6

69

Study the given picture carefully:

Sources of State and Local government tax revenues for a financial year 2023-24.



Answer the following questions based on common knowledge and picture:

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

(b) "Government has started spending more on providing free services like education and health to the poor." In the light of above statement, explain

6

	how the government can use. the budgetary policy in reducing inequalities of income.	
70	State whether the following statements are true or false, **with valid reasons:** (i) High tax on higher income groups aims to achieve the "reallocation of resources" objectives of government budget. (ii) "Borrowings" are a revenue receipt of the government. "Fiscal deficit is necessarily inflationary in nature".	**6**
71	Even if Capital receipts creates burden of the government, what is the need to collect revenue form it?	**6**
72	Fiscal deficit is inflationary in nature. Give your opinion in the context of Indian economy.	**6**
73	What is the effect of zero primary deficits on the economy?	**6**
74	Read the following text carefully and answer the questions that follow. Disinvestment or divestment, in this context, is when the government sells its assets or a subsidiary, such as a Central or State public sector enterprise. Minority disinvestment, majority disinvestment, and complete privatisation are the three main approaches to disinvestment. On fruition of minority disinvestment, the government retains a majority in the company, typically greater than 51%, thus ensuring management control. In the case of majority divestment, the government hands over control to the acquiring entity but retains some stake whereas in complete privatisation, 100% control of the company is passed on to the buyer. The Union Finance Ministry has a separate department for undertaking disinvestment related procedures called the Department of Investment and Public Asset Management (DIPAM).The government may disinvest in order to reduce the fiscal burden or bridge the revenue shortfall for that year. It also uses disinvestment proceeds to finance the fiscal deficit, to invest in the economy and development or social sector programmes, and to retire government debt. Disinvestment also encourages private ownershipof assets and trading in the open market. If successful, it also means that the government does not have to fund the losses of a loss making unit anymore. (a) Define disinvestment. What are the different approaches of disinvestment? (b) Explain why disinvestment route has been adopted by the government?	**6**
75	Which of the following is/are included in the capital budget of the government ? Give reasons for your answer. (a) Borrowings from the public. (b) Loans received from foreign government. (c) Expenditure on acquisition of assets like roads, buildings, machinery etc. (d) Loans and advances granted to the States Government.	**6**

ANSWER

1	a) capital, decrease in assets
2	(ii) only
3	(a) Both A and R are true and R is the correct explanation of A.
4	(a) Both A and R are true and R is the correct explanation of A.
5	(C) Create equitable distribution of income
6	(c) Statement 1 is false, but statement 2 is true.
7	Providing free covid vaccine to public-
8	(d) Excess of total expenditure over revenue receipts and non-debt creating capital receipts
9	(d) Revenue Nature Expenditure--- (iv) Revenue Receipts
10	(d) Reducing inequalities in income and wealth
11	A

12	A
13	D
14	C
15	B
16	D
17	A
18	D
19	B
20	D
21	b) Reducing distribution of income inequalities
22	(d)A-Government budget, B Revenue receipts, C-Capital receipts
23	(a) ₹ 32 billion
24	(d) Law and order
25	(c) Profits of LIC, a public enterprise
26	d) Fiscal deficit is the sum of primary deficit and interest payment.
27	(a)Capital Expenditure
28	(c) Economic stability
29	(a) Both the statement are true
30	(a) Both Assertion (A) and Reason (R) are true and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
31	a) Surplus budget
32	b) Revenue expenditure
33	a. Subsidies – Revenue expenditure b. Purchase of train coaches from South Korea. – Capital expenditure c. Amount borrowed from UK repaid - Capital expenditure d. Grants given to state government – Revenue expenditure
34	Value Added Tax (VAT) Central Sales Tax (CST) Central Excise Duty Entertainment Tax
35	c) It neither creates any liability nor reduces any assets of the government

36	c) ii and iii
37	a) Both assertion A and R are true, and R is the correct explanation of A
38	1. Growth of the economy 2. Economic stability 3. Generation of employment opportunities Reducing income inequality
39	d. A is false, but R is true.
40	c. Borrowing requirement
41	Measures to Control Revenue deficit: (a) To reduce government administrative expenses. (b) To reduce the burden of subsidy. (c) To increase taxation.
42	(i) Grants given to state government--- Revenue expenditure (ii) Repayment of loans----- capital expenditure (iii) Construction of school building---- capital expenditure
43	a. 12,000 b. 9,000 10,000
44	Ans: With the help of budget, government brings equality in the society. Through the budget government imposes more tax on the richer section of the society and on the other hand, government provides facilities like free education, health facilities and various allowances to the poor section of the society. This is one of the objectives of government budget.
45	Ans: (a) it is capital receipt because it reduces the asset of the government. (b)It is revenue receipt because it neither reduces asset nor increases the liability of the government. (C) It is revenue receipt because it neither reduces asset nor increases the liability of the government.
46	Revenue deficit= (2000 +300)- (1000+ 500) =800
47	Government's budget can help in reducing inequalities of income. This objective can be achieved by adopting two fiscal measures. (a) Government can levy higher rate of tax on the income and property of the rich and also on the luxurious goods consumed by them. This measure will reduce their disposable income. (b) Government can spend more amount on welfare maximization, like providing free services to the poor like free education, health facilities etc. By

	adopting these measures, government can try to narrow down the gap between the rich and the poor.
48	Primary deficit refers to difference between fiscal deficit of the current year and interest payments on the previous borrowings. Primary Deficit = Fiscal Deficit – Interest payments Implications: (i) It indicates , how much of the government borrowings are going to meet expenses than the interest payments. (ii)The difference between fiscal deficit and primary deficit shows the amount of interest payments on the borrowings made in past.
49	Measures to control revenue Deficit: (a) To reduce government administrative expenses. (b) To reduce the burden of subsidy. (c) To increase taxation
50	a) Report on the Hindu newspaper – revenue expenditure b) Report on the Financial times – capital expenditure Revenue expenditure The expenditures that neither help in the creation of assets nor in reducing the liabilities of a business. It is recurring in nature and very essential to maintain the daily operations of a business or an organisation. Capital expenditure. The expenditure which causes increase in the government assets and reduction in the liabilities. Expenditure incurred for acquiring assets, to enhance the capacity of an existing asset that results in increasing its lifespan. It is non-recurring in nature.
51	Three sources of revenue receipts in government budget are: Goods and services tax, income taxe, fees, escheat, fines etc Three sources of capital receipts in government budget are: recovery of loans, borrowing from RBI, disinvestment.
52	The government the budget can achieve to reduce inequalities in the distribution of income and wealth in two ways: (i) By imposing higher taxes on the income of rich and the goods consumed by the rich, which will reduce the disposable income of the rich. (ii) Increasing government expenditure by providing free services to the poor like education, medical facilities etc. This will raise the disposable income of the poor. Thus, the gap between rich and poor can be reduced. iii) public distribution system should be revamped so that only the poor could get foodgrains and other essential items at subsidized prices.
53	Revenue Receipt – Corporation tax, customs, GST and other taxes, income tax---- Neither Create Assets, Nor Reduce Liability Capital Receipts- Recovery of loan, borrowings ---- Either Create Assets, Or Reduce Liability
54	**Re-allocation of Resource:** - Through the budgetary policy, Government aims to reallocate resources in accordance with the economic (profit maximisation) and social

(public welfare) priorities of the country. Government can influence allocation of resources through:

- **Tax concessions or subsidies**: To encourage investment, government can give tax concession, subsidies etc to the producers. For example -Government discourages the production of harmful consumption goods (like liquor, cigarettes etc.) through heavy taxes and encourages the use of 'Khadi products by providing subsidies.

Directly produce goods and services: -There are many non-profitable economic activities, which are **not** undertaken by the private sector like, water supply, sanitation, law and order, national defence, etc.

55

(1) budget
(2) (d) All of these
(3) Reduces
(4) (c) Recovery of loans is a revenue receipt

56

(1) indirect
(2) (b) Decrease
(3) capital
(4) (b) Reduction in income inequalities

57

Government budget is used to achieve the following objectives.

1. Reallocation of resources
2. Redistribution of income
3. Reduction of inequality
4. Management of public enterprises.

58

(A)C (B) A (C) C (D) C

59

Basis	Direct Taxes	Indirect Taxes
Impact	Direct taxes are levied on individuals and companies.	Indirect taxes are levied on goods and services.
Shift of burden	The burden of a direct tax cannot be shifted, i.e. impact and incidence is on the same person.	The burden of an indirect tax can be shifted, i.e. impact and incidence is on different persons.
Nature	They are generally progressive in nature	They are generally proportional in nature.
Coverage	They have limited reach as they do not reach all the sections of the economy.	They have a wide coverage as they reach all the sections of the society.

60

Revenue Expenditure	Capital expenditure
(i)Revenue expenditure neither creates any asset nor reduces any liability of the government.	(i)Capital Expenditure either creates an asset or reduces a liability of the government.

	(ii) It is incurred for normal running of government departments and provision of various services (iii)It is recurring in nature as such expenditure is spent by government on day to day activities. (iv) Example: Salary, Pension, Interest etc	(ii) It is incurred mainly for acuistion of asssets and granting of loan and advances. (iii) It is non-recurring in nature. (iv)Example: Repayment of borrowing,Expenditure on acquisition of capital assets etc.

61

Solution: (a) Revenue Deficit = Revenue Expenditure - (Tax Revenue + Non Tax Revenue)
= 3,821- (1,000+ 2,000)
Revenue Deficit = 821 crores

(b)Fiscal Deficit = (Revenue Expenditure+ Capital Expenditure) - (Non-tax Revenue +Tax Revenue + Recovery of Loans + Disinvestment)
=(3,821+574)-(2,000+ 1,000+ 100+135)
= 4,395-3,235
Fiscal Deficit=1,160 crores

62

a) Tax and borrowings are the major sources of revenue of the government by which the government funds its expenditures. In 2020-21, while the net tax revenue of the government is 64 paise out of 1 rupee earning and borrowings and liabilities is 20 paise. Besides this, the government also generates revenue from non-tax sources and via capital receipts. Non-tax revenue is 10 paise. On debt capital receipts is 6 paise. Tax revenue constitute 64 % of its receipt, borrowing was the second-biggest source of revenue at 20%.

b)

Capital Receipt	**Revenue Receipt**
They either create liability or reduce the assets of the government	They neither create liability nor reduce the assets of the government
Non-Recurring in nature	Recurring in nature
Borrowings from public, Receipts from sale of shares of a public sector undertaking etc	GST, income tax, corporate tax, fees ,fines etc

63

The stabilization as an important objective of government budget is mentioned in the extract.
The government aims at insulating the economy from major fluctuations (like inflation. unemployment) and business cycles such as boom, recession, depression, and recovery. The government, through its budgetary policy, tries to combat such situations. The major concern of government is to achieve higher economic growth rates while maintaining price and employment stability. This state of economic growth with stability ensures a smooth and efficient functioning of an economy.

64	i. a) 1661196 ii. b) 720545 iii. b) 990241 iv. a) Both the statement are true
65	\ The share of revenue and capital expenditure in total expenditure is fluctuating as per the given graph. The share of capital expenditure was around 12% in 2014-15, around 14% in 2015-16 and around 14.5% in 2016-17 indicating rising trend in its share in total expenditure. The share of capital expenditure in the year 201 7-18 was about 12.9 and in the year 2018-19 was about 13% indicating decreasing trend as compared to previous years. The share of revenue expenditure was around 21 % in 2014-15. It decreases to 17% in 2016-17 next year it again escalated to 20%. After 2020-21 it continuously decreased to 12% and there after it shows a decreasing trend. Graph B shows the capital expenditure in absolute number (in lakh crores). The *direct capital investment* by the Centre is complemented by the provision made for *creation of capital assets through Grants-in-Aid to States*. So, the effective capital expenditure is 13.7 lakh crore. The capex is covering investment in sectors like roads, railways, airports, ports, mass transport, waterways, and logistics infrastructure, power, telecom, textiles, and affordable housing. The higher capital expenditure with a focus on infrastructures spending will have a ***multiplier effect*** on the ongoing economic recovery.
66	a) The actual fiscal deficit in 2020-21 stood at 9.2 % after that it shows a decreasing trend. The Fiscal Deficit in 2022-23 is estimated at 6.4 per cent of GDP. the Revised Fiscal Deficit in the current year is estimated at 6.9 per cent of GDP as against 6.8 per cent projected in the Budget Estimates. The revenue deficit and primary deficit also showing the similar decreasing trend. In 2022 -23 budget estimate it stood at 3.8% and 2.6% respectively. The decrease in the overall deficit in recent years is a good sign of fiscal discipline as mentioned in FRBMA 2003. b) i) Fiscal deficit is defined as the excess of total expenditures over the total receipts, excluding the borrowings in a year. In other words, this can be defined as the amount that the government needs to borrow to meet all expenses. The more the fiscal deficit, the more will be the amount borrowed. **Fiscal deficit = Total expenditures – Total receipts excluding borrowings** ii) Revenue Deficit is defined as the excess of total revenue expenditure over the total revenue receipts. In other words, the shortfall of revenue receipts as compared to that of the revenue expenditure is known as revenue deficit. **Revenue deficit = Total revenue expenditure – Total revenue receipts** iii) Primary deficit is said to be the fiscal deficit of the current year subtracted by the interest payments that are pending on previous borrowings. In other words, the primary deficit is the requirement of borrowing without the interest payment. **Primary deficit = Fiscal deficit – Interest payments**

67

a) Revenue deficit = Revenue expenditure -Revenue Receipt
= 80-(47+10)
= 23 arab
Fiscal deficit = borrowing
=32 arab
Primary deficit = Fiscal deficit-Interest payment
= 32-20
= 12 arab

b)

Revenue Deficit	Fiscal Deficit
It is the excess of total expenditure over total receipts/income, excluding borrowings, in a fiscal year.	It is the excess of revenue expenditure over revenue income in a financial year.
Fiscal Deficit measures the government's total borrowing requirements.	Revenue Deficit indicates government's inability to meet its recurring and regular expenditures.
Fiscal Deficit represents the additional financial resources required by the government to meet its expenditure.	Revenue Deficit represents government's dissaving.
Fiscal Deficit occurs when the government spends more than it earns or beyond its resources.	Revenue Deficit occurs in an economy when the realised income is less than the projected/expected income.
Fiscal Deficit = Total Expenditure – Total Receipts (except borrowings)	Revenue Deficit = Revenue Expenditure – Revenue Receipts

68

(A)

yes, it is possible in the following situations:

(1) When revenue budget is balanced and capital budget shows a deficit.

(2) When there is a surplus in the revenue budget but the deficit in capital budget is greater than this surplus.

(B)

The given statement is appropriate. The government may impose higher taxes (both direct and indirect taxes) on the richer class, reducing their purchasing power. Government may use the same tax revenue to provide goods and services (free or at subsidized price) to the poorer section of society to support them.

69

a. Tax receipts—corporate tax, income tax, property tax, sales tax

No tax receipts- fines , License fee

Spending on free services to the poor raises their standard of living and at the same time helps in reduction in income inequalities. It also helps in raising production potential of the country by raising the efficiency level of the working class among the poor.

70	A. This will reduce the inequalities of income as the difference between disposable incomes of higher income and lower income groups will fall. This will also provide more resource to the government for spending on welfare of the poor. B. Capital receipts refer to those money receipts which creates a liability for the government or cause reduction in assets of the government. Therefore, borrowing is a capital receipt as it creates a liability for the government. the term Fiscal Deficit' is the difference between the government's total expenditure and its total receipts (excluding borrowing). Such borrowings are generally financed by issuing new currency which may lead to inflation. However, if the borrowings are for infrastructural development, this may lead to capacity building and may not be inflationary.
71	The source of income of the government is both revenue receipts & capital receipts. The revenue receipt includes both revenue receipt & capital receipt. The revenue receipt is burden free where as the capital receipts create liability for the government. The revenue receipt is not sufficient to meet the expenditure of the government. The revenue receipt cannot balance both revenue & capital expenditure. So the government is collecting the revenue from capital receipts which included borrowings, disinvestment & recovery of loan.
72	Fiscal deficit is inflationary in nature. Fiscal deficit is the borrowing of the government. Due to fiscal deficit, additional money is injected into the economy Therefore the money supply increases in the economy and it creates additional pressure on inflation. But a low fiscal deficit is good for the economy and there will be development in the economy lke India.
73	Primary deficit is the difference between fiscal deficit and interest payment. Zero primary deficit represents equality between fiscal deficit and interest payment. Fiscal deficit is the borrowing of the government. So zero fiscal deficit indicates that the amount of borrowing taken by the government is used to pay the interest of the loan taken by the government.
74	Selling off part of the equity of central or state public sector enterprise to the public is known as disinvestment, The three main approaches of disinvestment are: (i) Minority disinvestment : When government retains a majority in the company, typically greater than 51%, thus ensuring management control. (ii) Majority disinvestment: When government hands over control to the acquiring but retains some stake with themselves. (iii) Complete privatization: When government hands over 100% control of the company to the buyer. The government may disinvest in order to reduce the fiscal burden or bridge the revenue shortfall for that year. It also uses disinvestment proceeds to finance the fiscal dsficit, to invest in the economy and development or social sector programmes, and to retire government debt. Disinvestment also encourages private ownership of assets and trading in the open market. If successful it also means that the government does not have to fund the losses of a lossmaking unit anymore.
75	a)Borrowing from the public, increases the liability of the government, thus it is a capital receipt. (b)Is a capital receipt, because by receiving loan from foreign government, it increases its liability to pay back (c) Expenditure on acquisition of assets like roads, buildings etc. are treated as capital expenditure as it leads to creation of above assets. (d) Loans and advances granted to the state government

	are treated as capital expenditure as it leads to creation of assets by the government.

Chapter 7 : The Balance of Payments & The Foreign Exchange rate

Q. NO	QUESTION	MARKS
1	Assertion (A): A country always tries to balance the BOP i.e., balance in current account equals to balance in capital account. Reason (R): Balanced BOP indicates stable economic relation with rest of the world. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	**1**
2	Assertion (A): Accommodating items of trade are undertaken to maintain the balance in the BOP account. Reason (R): Accommodating items are net consequences of autonomous transactions that are undertaken to correct disequilibrium in autonomous items of BOP. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true	**1**
3	Assertion (A): Purchase of second-hand machinery from abroad is not recorded in balance of payment. Reason (R): Sale and purchase of second-hand goods from abroad are not included in the estimation of national income. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true	**1**
4	Assertion (A): Increased lending abroad are recorded on the debit side of the capital account. Reason (R): Lending affect the assets and liabilities of the economy and involves outflow of income. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false.	**1**

	(D) Assertion is false, reason is true	
5	Assertion (A): All transactions recorded in Balance of Payment are autonomous transactions. Reason (R): Autonomous transactions are recorded in both current and capital account of BoP. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true	**1**
6	Assertion: When there is a trade deficit and current account deficit, there will always be BoP deficit. Reason: When there is a trade deficit and current account deficit but a capital account surplus(i.e.,net capital inflow),there may be Balanced BoP or BoP surplus. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true	**1**
7	Assertion(A). Difference between value of exports and imports of goods and services is called trade balance. Reason(R), Trade balance is the difference between value of exports of goods and imports of goods only. It does not include exports and imports of services. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true	**1**
8	Assertion(A):Inbalance of payments, repayment of loans by Indian Government to US Government will be recorded on the credit side of current accounts. Reason(R):Repayment of loans by Indian government to US Government will be recorded in the capital account on the debit side as it will lead to outflow of foreign exchange. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true	**1**
9	Assertion(A):Profits received from investments abroad is recorded in capital Account. Reason(R):Profits received from investments abroad is recorded in the current accounts as it is an investment income (factor income), It will be recorded on the credit side of the current account since it leads to inflow offoreign exchange (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true	**1**
10	Assertion(A):Import of machines is recorded in current account. Reason(R):All imports and exports of goods are recorded in the current account. Readthefollowingstatements-Assertion(A)andReason(R),andselectthecorrectalternative	**1**

	ineachcase. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true	
11	Which of the following statement is not true? a. Borrowing from the Asia development bank by the Government is an accommodating transaction. b. Loans given to Srilanka by the Government are an accommodating transaction. c. Buying of machinery from Japan is an accommodating transaction. d. Borrowing from the public is an accommodating transaction.	**1**
12	If Japanese import more goods from India? a. India's BoP will improve. b. Japan's BoP will deteriorate. c. India's BoP will deteriorate. d. Both a) and b)	**1**
13	Make in India will increase the balance of a. Debit side of BoP b. Credit side of BoP c. Both of these d. None of these	**1**
14	If trade deficit is Rs.1000 crores and the import of goods is Rs. 2000 crores, then the export of goods will be Rs. a. 2000 crores b. 1000 crores c. 1500 crores d. 500 crores	**1**
15	An Indian real estate company received rent from Google in New York. This transaction would be recorded on _____ side _____ account. a. Credit , Current b. Debit ,Current c. Credit , Capital d. Debit , Current	**1**
16	When the Government wants to strengthen the rupee, it _____ foreign currency and _____ domestic currency a. Buys, sells b. Sells , Sells c. Sells , Buys d. Buys , Sells	**1**
17	Other things remaining unchanged, when in a country, the price of foreign currency rises, national income is :- a. likely to rise b. likely to fall c. Likely to rise and fall both d. Not affected	**1**
18	The exchange rate is the price of currency expressed in terms of a. gold b. metal c. another currency d. None of these	**1**
19	What is the system in which the foreign currencies are bought and sold a. Foreign exchange Market b. Securities market	**1**

	c. Both d. None of the above	
20	Exports and inflow of currency increased in an economy. What can be the possible reason of this a. Result of Revaluation b. Result of appreciation c. Both a) and b) d. Result of depreciation	**1**
21	BOP is measured as: a) difference between visible items of exports and imports (b) difference between invisible items of exports and imports (c) difference between the external and internal flow of gold (d) difference between all receipts of foreign exchange and payments of foreign exchange	**1**
22	In which of the following categories are the transactions of the balance of trade recorded? (a) Visible items (b) Invisible items (c) Capital transfers (d) All of these ASSESSMENT OBJECTIVE	**1**
23	India has attracted a total FDI inflow of 22.53 billion US dollars between April 21 to June 2021. this transaction will be recorded on……side of……. account of BOP. (a) Debit, current (b) credit, current (c)Credit, Capital (d) Debit, Capital	**1**
24	Balance of payments is in disequilibrium when: (a) current account balance + capital account balance is not equal to zero (b) current account balance + capital account balance is some positive number (c) current account balance + capital account balance is some negative number (d) all of these	**1**
25	Direct foreign investment is a source of: (a) demand for foreign exchange (b) supply of foreign exchange (c) both (a) and (b) (d) none of these	**1**
26	ASSERTION (A): Managed Floating exchange rate system is also called as 'Dirty Floating' REASON (R): The Clean Floating rate is influenced by the intervention of the Central Bank in the Foreign Exchange Market. (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.	**1**
27	ASSERTION (A): Repayment of international loans is a component of foreign exchange demand REASON (R): Fixed Exchange Rate System refers to the system in which the rate of exchange is determined by govt. (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)	**1**

	(c) Assertion (A) is true but Reason (R) is false. (d) Assertion (A) is false but Reason (R) is true	
28	There is a ……relationship between the exchange rate and the supply of foreign exchange. (A) a direct (B) an inverse (C) no relation (D) both (i) and (ii)	**1**
29	An increase in the value of foreign currency is known as _____ (A) Appreciation (B) Devaluation (C) Inflation (D) None of these	**1**
30	Other things remaining unchanged, when in a country the price of foreign currency rises, national income is: (A) Likely to rise (B) Likely to fall (C) Likely to rise and fall both (D) Not affected	**1**
31	"Trade of school bags " is an example of - a) a)Invisible trade, b) b)Merchandise , c) c)Both(a) and (b) d) d)None of the above.	**1**
32	Write one example of Real assets.	**1**
33	When the foreigners invest in our financial or real assets then result will be - a) flow of foreign exchange from our country, b) flow of foreign exchange into the country, c) Both 'a'and 'b' are correct d) Neither 'a' nor 'b'	**1**
34	In BOP accounts , ……. are recorded as debit items . a) Receipts , b) Payments , c) c)Stocks, d) Bonds	**1**
35	An American named James bought a wrist watch from New Delhi Market then it will be treated as - a) export, b) import,	**1**

	c) Neither export nor import d) None of these	
36	A "C.A. "consider (i) goods , and ii) non-factor services . He is estimating- a) trade balance , b) invisibles balance , c) goods and services balance d) All of the above	**1**
37	What do you understand by the term " Portfolio Investment ?	**1**
38	If balance of trade is showing a deficit of ₹ 300 crore and value of imports is ₹ 800 crore , then find out the value of exports ?	**1**
39	Ramesh Chand ,a,NRI send money to their family in India .This money is to be recorded in ……..account of BoP.	**1**
40	Accommodating items are classified as ' above the line ' items of BOP . a) True b) False	**1**
41	Explain the effect of appreciation on exports and imports	**3**
42	Explain the effect of depreciation on exports and imports.	**3**
43	Distinguish between currency appreciation and currency depreciation	**3**
44	Why foreign currency /exchange is needed ?	**3**
45	What will be the value of import , if the net imports are Rs 160 crores and the value of exports are Rs 400 crores ?	**3**
46	Write some important terms related to Foreign Exchange Market ?	**3**
47	Foreign trade influences Indian aggregate demand in two ways. First, when Indians buy foreign goods, this spending i.e., imports escapes as a leakage from the circular flow of income decreasing aggregate demand. Second, our exports to foreigners enter as an injection into the circular flow, increasing aggregate demand for goods produced within the domestic economy. Balance of Payment records the transactions in goods, services, and financial assets between residents of a country with the rest of the world. There are two main accounts in the BOP - the Current Account and the Capital Account. The current account is the record of trade in goods and services and transfer payments. Capital account records all international transactions of assets, e.g.. Money, stocks, bonds, government debt, etc. Questions: 1. Which of the following is not a component of the current account of Balance of Payment? (a). Export and import of goods and services (b) Remittances given by private citizens living abroad (c) Net International income from the compensation of employees (d) None of the 2. Which of the following is not recorded in the Capital Account of Balance of Payments?	**3**

	(a) Equity capital (b) Gifts, remittances and grants (c) Government aid (d) Offshore funds 3. Which of the following items are included in the current account BOP? (a) Foreign investment (b) External borrowing (c) External assistance (d) Non factor Income	
48	Recently Government of India has doubled the import duty on gold. What impact is it likely to have on foreign exchange rates and how?	**3**
49	The balance of trade shows a deficit of Rs 5,000 crore and the value of imports are Rs 9,000 crore. What is the value of exports?	**3**
50	Do you think that ' poor-flow of foreign investment in the domestic economy,may point to hard tax laws in the domestic economy. Give reason in support of your answer .	**3**
51	The fiscal deficit target for2023-2024 has been set at 5.9% of GDP in Union budget . What major steps should be taken by government to achieve this target ?	**3**
52	Remittance help Indian economy. Explain .	**3**
53	Read the paragraphs & answer the questions : India's balance of payments position improved dramatically in 2013-14 particularly in the last three quarters. This moved in large part to measures taken by the government and the Reserve Bank of India (RBI) and ate some part to the overall macro-economic slowdown that fed into the external sector. Current account deficit (CAD) declined sharply from a record high of U.S. dollar 88.2 billion (4.7% of GDP) in 2012 -1/3 to U.S. dollars 32.4 billion (1.7% of GDP) in 2013 -14. After staying at perilously unsustainable levels of well over 4.0 percent of GDP in 2011 -12 and 2012 -13, the improvement in BOP position is a welcome relief, and there is a need to sustain the position going forward. This is because even as CAD came down, net capital flows moderated sharply from U.S. dollars 92.0 billion in 2012 -13 do U.S. dollar 47.9 billion in 2013-14, that two after a special swap window of The RBI under the non resident Indian (NRI) scheme / overseas borrowings of banks alone yielded U.S. dollar 3 4.0 billion. This led to some increase in the level of external debt, but it has remained at the manageable levels. The large depreciation of the rupee during the course of the year, note with standing sizable accretion to reserve in 2013 – 14, could partly be attributed to frictional forces and partly to the role of expectations in the forex market. the rupiah has stabilized the recently, reflecting an overall sense of confidence in the forex market as in the other financial markets of a change for better economic prospects there is a need to nurture and build upon this optimism through creation of an enabling environment for investment inflows so as to sustain the external position in an as yet uncertain global milieu. 1. External debt is recorded at : a) credit, capital account b) debit, capital account c) credit, current account d) debit, current account 2. Money sent by NRI to their families in India included in: a) credit, capital account	**4**

	b) debit, capital account c) credit, current account d) debit, current account 3. Which of the following is not a component of BOP? a) current account b) revenue account c) capital account d) official reserves 4. Positive balance of net capital flow shows: a) outward flow of foreign exchange b) inward flow of foreign exchange c) decrease in the level of external debt d) decrease in future claims	
54	Read the following paragraph and Answer the questions given below on the basis of the same : Venezuelan President Nicolas Maduro carried out one of the greatest currency devaluations in history over the weekend – a 95% plunge that will rest the capacity of an already beleaguered Population to stomach even more pain. The official rate for the currency we'll go from about 285, 000 per dollar to 6 million, a shock that officials tried to partly offset by raising the minimum wage 3, 500 per cent to the equivalent of just $30 a month. While Maduro boasted in Friday night's announcement that the International Monetary Fund wasn't involved in the policies, aspects of the moves bore a resemblance to a Classic orthodox economic adjustment albeit with Some confusing twists. -------- The Economic Times, August 20, 2018 1. As a result of devaluation: (a) exports from Venezuela will be increase (b) imports in Venezuela will be increase (c) exports from Venezuela will decrease (d) both (b) and (c) 2. Devaluation leads to: (a) increasing supply of foreign currency in the international money market (b) increase in supply of domestic currency in the international market (c) increase in demand of foreign currency in the international market (d) both (b) & (c) 3. Devaluation of currency is possible in: (a) managed to floating (b) fixed exchange rate regime (c) flexible exchange rate regime (d) both (a) and (b) 4. A substantial decrease in foreign reserves often leads to: (a) appreciation of foreign currency (b) depreciation of foreign currency (c) devaluation of domestic currency (d) devaluation of foreign currency	**4**
55	India's current balance (CAB) recorded a surplus of US$ 19.8 billion (3.9 per cent of GDP)in Q1 of 2020-21 on top of a surplus of US$ 0.6 billion(0.1 per cent of GDP)in the preceding quarter,i.e Q4 of 2019-20, a deficit of US$ 15.0 billion(2.1 per cent of GDP)was recorded a year ago(i.e in Q1 2019-20). The surplus in the current account in Q1 of 2020-21 was on account of a sharp contraction in the trade deficit to us$ 10.0 billion due to steeper decline in merchandise imports relative to exports on a year basis.	**4**

	Net services receipts remained stable, primarily on the back of net earnings from 1.What is current account of BOP? 2.In which account are the services recorded? 3.Reduction of trade surplus requires a. decrease in exports b. increase in exports c. decrease in imports d. both b&c 4.Balance of trade includes which of the followings items? a. invisible items b. visible items c capital trade d. all of these	
56	MrShaktikanta Das, the RBI governor, said that COVID -19 economic crisis has hit the Indian economy hard but has improved India's BOP situation. He further added that we ave benefitted from falling prices in te beginning of COID crisis plus a weak demand for imported goods. This was backed by a boom in export of technology focused services exootrs which led to a positive change in the current account balance."GDP growth is slowly turning the corner and a large capital expenditure announced by the government will support economic activity and investment", said RBI governor. 1.Large-scale export of technology focused service sector produce is a part of: a.merchandise account b. balance of trade c. unilateral transfer d. invisible items 2.Autonomous items in BOP accounting are a part of: a.current account b. capital account c. Both a & b d. none of these 3.Measures to improve the adverse BOP includes: a. currency devaluation b. import substitution	**4**

	c. exchange control d. all of these 4.Balance of payments is calculated as: a. it reveals the debt status of the country b. It includes the devaluation of country's currency c. It enables the government to decide on the fiscal and trade policies d. all of these	
57	Where will sale of machinery to abroad be recorded in the balance of payment accounts? Give reasons.	**4**
58	The balance of trade shows a deficit of Rs 5,000 crore and the value of imports are Rs 9,000 crore. What is the value of exports?	**4**
59	Q14.Foreign Exchange Rate is the price of one currency in terms of another. It links the currencies of different countries and enables comparison of international costs and prices. People demand foreign exchange because: (i) They want to purchase goods and services, (ii) They want to send gifts abroad (iii) They want to purchase financial assets Rise in the price of foreign exchange will increase the cost (in terms of rupees) of purchasing a foreign good. This reduces demand for imports and hence demand for foreign exchange also decreases, other things remaining constant. Q: 1. Which of the following is not a source of demand of foreign exchange? a . Export of goods and services b. Import of goods and services c. foreign travel d. Higher studies abroad Q2. Increase in exchange rate implies that the price of foreign currency in terms of domestic currency has increased. This is called _____(Depreciation/Appreciation) of domestic currency. Q3. (Fixed/Floating)_____ exchange rate is determined by the market forces of demand and supply. Q4. Flexible Exchange Rate System is also known as: (i)Pegged Exchange Rate System (ii) Dirty Floating (iii) Floating Exchange Rate (iv) Both (ii) and (iii)	**4**
60	If Balance of payment of a country is Rs (-)100 crores and total payment are Rs 500 crores. Find out its total receipts.	**6**
61	How are foreign exchange rates determined? Explain.	**6**
62	Where is 'borrowings from abroad' recorded in the Balance of Payments Accounts? Give reasons	**6**
63	Explain the determination of exchange rate in a flexible exchange rate market system with the help of diagram.	**6**
64	State whether the following transactions will be recorded on debit or credit side of India, (i)Imports of spices by US from India. (ii)Loan raised from World Bank to finance deficit in BOP.	**6**

	(iii)Repayment of loan by Indian government to IMF. (iv)Purchase of a firm by Reliance ltd. in Japan. (V)Sale of Indian jewellery in Europe. (VI)Purchase of shares of Nykaa by an American resident. (VII)Export of machinery to India. (VIII)Takeover of a foreign company by Reliance Ltd. (IX)Purchase of guns from Russia. (X)Receipt of unilateral transfers from ROW for pandemic affected areas. (XI)Export of computer software. (XII)Transfer of funds to relatives abroad.	
65	Read the following information carefully and answer the following: This is considered as one of the most important reasons for the falling value of the Indian Rupee. A trade deficit happens when a country imports more than it exports. As per the latest reports, India's trade deficit has hit S14.S8 billion since November 2014. The major imports include gold, crude oil etc. The Introduction of GST and demonetization also accounts for the depreciation of Indian rupee by disrupting the domestic supply chains which is derived from the increasing domestic demands. The US has the trade deficit of ST trillion than any other country. But they are exporting as much as they import. But being a county. which imports more than it exports, India loses the value of its currency (Rupee) as it uses a foreign currency for trade. A).Depreciation of Indian Rupee implies that a). Rupee depreciates in relation to a foreign currency. b)we need more rupees to buy a dollar. c)Rupee gains its value in relation to a foreign currency. d) both (a)and (b) B)An increase in demand for foreign currency leads to: a) increase in exchange rate and appreciation of the domestic currency b)fall in exchange rate and appreciation of the domestic currency c)rise in exchange rate and depreciation of the domestic currency d)fall in exchange rate and depreciation of the domestic currency C)In case of steep fall in the value of rupee, the _____ may sell foreign exchange and buy back rupee from the foreign exchange market. (a) Reserve Bank of India. (b) Commercial Banks (c)Ministry of Finance (d) Ministry of Commerce D)In case of _____of domestic currency, less rupees are needed to buy one U.S. dollar.	**6**

	a) depreciation b) appreciation c)devaluation d) all of these E) Read the following statement carefully and choose the correct alternatives Statement 1: Decrease in demand for foreign currency leads to a fall in exchange rate. Statement 2: Decrease in demand for foreign currency causes depreciations of the domestic currency. Alternatives: a)Both the statements are true. b)Both the statement are false c)Statement 1is true and statement 2 is false d)Statement 2is true and statement 1 is false. F) In case of _____ of currency, the government plays no role whatsoever. a) depreciation b) devaluation c) revaluation d) None of these	
66	Explain the distinction between autonomous and accommodating transaction in Balance of Payments. Also explain the concept of Balance of payments deficit in this context?	**6**
67	Read the following news report and answer the question given below: India's balance of payment this year is going to be "very strong" on the back of significant improvement in exports and a fall in imports, as stated by commerce and industry minister Piyush Goyal. "We are in July at about 91% export level of July 2019 figures. Imports are still at about 70-71% level of July 2019. So, broadly, our balance of payment this year is going to be very, very strong, which is why we feel confident that Indian industry will see opportunities for themselves, will see opportunities of growth", he said. Contry's trade turned surplus for the first time in 18 years as imports dropped by a steeper 47.59%. The country posted a trade surplus of$. 79 billion in June. It is because of government's efforts to support and promote domestic manufacturing and industry. Q.1 Strong balance of payment for India is due to excess of_____ (exports/ imports). Q. 2 Favourable balance of payment is due to: (A) restrictions on export (B) increase in imports (C) encouragement to domestic industries (D) None of these Q.3 _____ (Current/ Capital) account of balance of payment records all those transaction between the residents of a country and the rest of the world, which case change in the assets or liabilities of financial nature. Q.4 accommodating transaction in balance of payment: (A) are undertaken by both the private sector and government sector (B) are known as above the line items (C) take place on capital account (D) none of these	**6**
68	State whether the following transactions will be recorded on the debit or credit side of BOP. 1. Loan from IMF to cover deficit of BOP. 2. The Indian Government repays loans taken from the IMF. 3. Purchase of shares of Infosys by a Japanese resident. 4. Export of Jute to Sri Lanka. 5. Acquisition of a foreign company by Tata. 6. Purchase of toys from China	**6**
69	How will the following items be recorded in the BOP account of India? 1- Money received by an Indian family from their relatives residing in Dubai. 2 Purchase of machine by Indian from China-based company 3 NRI deposits 4- Sale of Software to China 5- Purchase of Shares of an American company by an Indian company	**6**

	6- Cost of an airline flight to an Indian resident from India to Singapore in a Singapore airline.	
70	Differentiate between the autonomous items and accommodating items of BOP. Why autonomous items are known as above-the-line items?	**6**
71	State whether the following transactions will be recorded on the debit or credit side of BOP. 1. Loan from IMF to cover the deficit of BOP 2. Indian Government repays loan taken from IMF. 3. Purchase of shares of Infosys by a Japanese resident. 4. Export of Jute to Sri Lanka. 5. Acquisition of a foreign company by Tata. Purchase of toys from China.	**6**

ANSWER

1	(A)
2	(A)
3	(D)
4	(A)
5	(D)
6	D
7	D
8	D
9	D
10	A
11	**c. Buying of machinery from Japan is an accommodating transaction.**
12	**d. Both a) and b)**
13	**c. Credit side of BOP**
14	**b. 1000 crores**
15	**a. Credit current**
16	**c. Sells, Buys**
17	**a. Likely to rise**
18	**c. another currency**
19	**a. Foreign exchange market**
20	**d. Result of depreciation**

21	d) difference between all receipts of foreign exchange and payments of foreign exchange
22	(a) Visible items
23	c)Credit, Capital
24	(d) all of these
25	(b) supply of foreign exchange
26	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
27	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
28	(A) a direct
29	A) Appreciation
30	(B) Likely to fall
31	b Merchandise
32	Land , Natural Resources
33	b flow of foreign exchange into the country
34	b Payments
35	c Neither export nor import
36	c goods and services balance
37	**(a)**
38	500 crore
39	current account
40	b False
41	Appreciation : Export decreases, Import increases
42	Depreciation : Export increases, Import decreases
43	Currency appreciation is an increase in the value of country's currency with respect to one or more foreign reference currencies, in a floating exchange rate system. Currency depreciation is the reduction in the value of a country's currency with respect to one or more foreign reference currencies, in a floating exchange rate system
44	**i)To purchase of goods and services from other countries** **ii) to send a gift abroad** **iii) to purchase financial assets in a particular country.** **iv) to speculate on the value of foreign currencies.**
45	**Balance of trade = Exports - Imports** **Imports= Exports- Balance of trade** **= 400 - (-160) = 560**

	OR Import = Export + net imports **= 400 + 160 = 560** **Ans = Rs 560 crores**
46	**i) Foreign exchange market:- it is that market where exchange of foreign currencies took place. The major participants in this market are commercial banks , brokers, other authorised dealers, etc** **ii) Forward market:- it refers to that market which covers sale and purchase of foreign exchange for future delivery, at a rate decided today.** **iii) Spot market :- The market which handles only spot transaction or current transactions of foreign exchange are termed as spot market or current market.**
47	1. (d) None of the above 2. (b) Gifts, remittances and grants 3. (d) Non-factor income
48	Ans. When the government increases the import duty of gold, the import of gold will fall. This reduces the demand for foreign currency. With the supply of foreign currency remaining the same, the foreign exchange rate would fall. This implies an appreciation of rupees
49	] Answer: Balance of Trade = -Rs 5,000 crore Value of Imports = Rs 9,000 crore Balance of trade (Deficit) = Value of Exports – Imports Value of Exports = Balance of trade (Deficit) + Imports = -Rs 5,000 crore + Rs 9,000=4000crore
50	Tax laws or tax rate decides the positive or negative effect of foreign investment in the domestic economy. If a country increased tax rates or having hard tax laws ,it reduces the rate of return and this result with lower level of foreign investment in flow. Countries which reduce their tax rates,attract higher level of FDI .
51	To achieve the decided target ,steps may be as: -Government should avoid unplanned expenditures. - Reduction in subsidies by the government will also help to achieve its target - Government must borrow from external and domestic sources . - A broadened tax base may also help in reducing government deficit.
52	We all know that 'Remittances are a critical economic stabilizer.' Remittances account for a significant chunk of nearly 3% of India's GDP. They are buffer to India's external sector,which has been stressed recently due to various global economic woes. When India's trade deficit widens,remittances provide a much needed cushion. Specially in India ,Remittances alleviate property,imrove nutritional outcomes, increased birth weight and higher enrollment rates for children in disadvantaged households.
53	1.(b) 2.(c) 3(b) 4.(d)
54	1.(a) 2.(d) 3.(b) 4.(a)
55	1.It is an account that records Trade of visible items, Trade of Invisible Items and unilateral transfers, current Account of BOP. 2.BOP Capital Account 3.decrease in export 4.visible items
56	1. Balance of trade 2. Both a& b 3. All of these

	4. All of these
57	Sale of machinery to abroad is a part of Current accounts. 1. Current account records imports and exports of goods and services and unilateral transfers. 2. Sale of machinery to abroad leads to inflow of foreign currency and receipt from exports is shown on the positive side (credit items).
58	Solution: Balance of Trade = -Rs 5,000 crore Value of Imports = Rs 9,000 crore Balance of trade (Deficit) = Value of Exports – Value of Imports Value of Exports = Balance of trade (Deficit) + Imports = -Rs 5,000 crore + Rs 9,000 crore = Rs 4,000 crore (Answer)
59	1. (i) Export of goods and services 2. Depreciation 3. Floating 4. (iii) Floating Exchange Rate
60	Balance of Payment = Total receipts –Total payments Total receipts = Total Payment + BOP = 500 + (-100) = 500-100=400 Rs 400 crores
61	In the foreign exchange market, the equilibrium exchange rate is determined by the intersection of the demand curve for foreign currency and the supply curve of the foreign currency. In the above diagram, DD is the demand curve for foreign currency and SS is the supply curve of foreign currency.
62	Borrowings from abroad' is recorded in the 'capital account' of BOP account because it increase international liability of the country. It is recorded on the credit side because it brings in foreign exchange into the country.
63	**Determination of Equilibrium Foreign Exchange Rate:** 1. Equilibrium FER is the rate at which demand for and supply of foreign exchange is equal. 2. Under a free market situation, it is determined by market forces i.e., demand for and supply of foreign exchange. 3. There is inverse relation between demand for foreign exchange and exchange rate. 4. There is direct relationship between supply of foreign exchange and exchange rate. Due to above reasons demand curve downward sloping and supply curve is upward sloping curve Graphically intersection of demand Curve and supply curve determines the equilibrium foreign exchange rate. (Diagram with explanation)
64	A Debit Side (iii), (iv), (vii), (viii), (ix), (xii) Credit Side. (i), (ii), (v), (vi), (x), (xi)
65	(A).d (B). c (C).a (D). b (E) .c (F). a
66	Autonomous items, also termed as 'above the line items' are those items, which are related to transactions which are determined by consideration of profit (economic motive). Autonomous transactions are that transaction between the residents of two countries which take

	place due to the considerations of profit. Autonomous items are not conditioned by the BOP status of the country, i.e. these are independent. Autonomous transactions are not done to establish identity of BOP . i.e. current account and capital account. Accommodating items, also termed as 'below the line items', are those items of BOP that are not determined by considerations of profit but to restore identity of BOP . These are undertaken to maintain balance in the BOP account. These transactions correct the disequilibrium in autonomous items of BOP account. Accommodating transactions are also known as ' below the line items' and include foreign exchange reserve and borrowings to meet BOP deficit. BOP DEFICIT When the payments of a country on account of autonomous transactions exceed the receipts of the country on account of autonomous transactions, this difference is termed as BOP deficit. Deficit in BOP = Receipts on account of autonomous transactions < payments on account of autonomous transactions Suppose , the receipts of the domestic country is r 200 crore. Where as payments are r 220 crore. then BOP deficit will be = 220 - 200 crore = Rs 20 crore increases.
67	1. Exports 2.(d)encouragement to domestic industries 3. Capital. 4. (c) take place on capital account
68	Transactions relating to inflow of foreign exchange will be recorded on the credit side and outflows of foreign exchange on the debit side. Debit Side: (2), (5), (6); Credit Side: (1), (3), (4).
69	

Credit/Debit Capital	Current account	Reason
1 Credit Item	Current Account	Unilateral transfer receipts
2 Debit item	Current account	Import of goods
3 Credit item Pvt	Pvt capital receipts	Private capital Transactions
4 Credit item	Current account	Export of invisible
5 Debit item	5 Debit item	Pvt capital transactions
6 Debit item	Current account	Import of invisible

70

Basis	Autonomous items	Accommodating items
MEANING	It refers to the international economic transaction that takes place due to some independent motive, may be an	It refers to the international economic transactions that take place in other activities in

		economic motive such as profit maximizing	BOP such as government finance
	PURPOSE	Independent motive may be economic like profit maximization	to correct the disequilibrium, arises in BOP
	RELATION WITH BOP	Independent with the statement of BOP	Transactions carried out to establish BOP identity
	ENTRIES IN ACCOUNT	Entered in both Current A/c and Capital A/c	Entered only in the Capital account
	ALTERNATIVE NAME	Above the Line	Below the Line
	EXAMPLE	Export, import by private individuals	Official settlement account
71	Answer: Transactions relating to the inflow of foreign exchange will be recorded on the credit side and outflows of foreign exchange on the debit side. Debit Side: (2), (5), (6); and Credit Side: (1), (3), (4).		

PART B: INDIAN ECONOMIC DEVELOPMENT

CHAPTER – 1(INDIAN ECONOMY ON THE EVE OF INDEPENDENCE)

Q. NO	QUESTION	MARKS
1	Indian handicrafts Industry India has seen a long and golden history of handicrafts. Years and years of evaluation and refinement have made it possible for India to retain a coveted spot in the handicrafts landscape of the world. Where the ancient were exemplary in their craft, the contemporary craftsmen are adept in using the knowledge of the ancients by adding modern craft techniques to them. They have carefully preserved this age – old art that represents dignity style and beauty of the Indian culture.	**1**

<table>
<tr><td></td><td>Q- The contemporary craftsmen have carefully preserved this age old _____ (handicrafts /landscape) art that represents dignity and style of the Indian culture.</td><td></td></tr>
<tr><td>2</td><td>Occupational Structure refers to :
(a) Nature of different occupations
(b) Size of working force in a country
(c) Distribution of working force among different occupations
(d) Number of people living in a country</td><td>1</td></tr>
<tr><td>3</td><td>Arrange the following events in chronological order and choose the correct alternative:
<table>
<tr><th>Column I</th><th>Column II</th></tr>
<tr><td>(a) First official Census</td><td>(i) 1869</td></tr>
<tr><td>(b) Year of Great Divide</td><td>(ii) 1853</td></tr>
<tr><td>(c) Opening of Suez Canal</td><td>(iii) 1921</td></tr>
<tr><td>(d) Introduction of Railways in India by the British</td><td>(iv) 1881</td></tr>
</table>
Alternatives:
(a) a-i , b-ii ,c-iii, d- iv (b) a- ii ,b- iv ,c- ii d- i
(c) a-iv ,b-iii, c-i ,d- ii (d) a- iii ,b- iv ,c- ii d- i</td><td>1</td></tr>
<tr><td>4</td><td>Match the statements given under A with the correct options given under B.
<table>
<tr><th>(A)</th><th>(B)</th></tr>
<tr><td rowspan="2">(i) Commercialization of Agriculture</td><td>(a) Involves shifting of crops from cash crops to food crops</td></tr>
<tr><td>(b) Involves shifting of crops from food crops to cash crops</td></tr>
</table>
Alternatives:
(a) i-a (b) i-b</td><td>1</td></tr>
<tr><td>5</td><td>Read the following statements-Assertion (A) and Reason (R) . Choose one of the correct alternatives given below.
Assertion (A) : The Britishers turned India a feeder economy for the industries in Britain .
Reason (R) :The Britishers wanted rapid industrialization in Britain.
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</td><td>1</td></tr>
<tr><td>6</td><td>Read the following statements-Assertion (A) and Reason (R) . Choose one of the correct alternatives given below.
Assertion (A) : The infant mortality rate was very high in India on the eve of independence.
Reason (R) :The Britishers did not develop medical facilities in India.</td><td>1</td></tr>
</table>

	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	
7	Read the following statements-Assertion (A) and Reason (R) . Choose one of the correct alternatives given below. Assertion (A) : The TISCO was incorporated in 1907. Reason (R) :The Britishers agreed to purchase steel from TISCO. 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	**1**
8	Read the following statement carefully and choose the correct alternative from the following: Statement 1: The infrastructure facilities during British rule were highly developed. Statement 2: The British Government developed infrastructure to serve their own colonial interest. Alternatives: (a) Both the statements are true (b) Both the statements are false (a) Statements 1 is true and Statement 2 is false (d) Statements 2 is true and Statement 1 is false	**1**
9	Which industry was adversely affected due to partition? (a) Silk (b) Cotton (c) Jute (d) Nylon	**1**
10	Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below: **Assertion (A):** India could not develop a sound industrial base under British Rule. **Reason (R):** The colonial government reduced India to the status of a mere exporter of raw materials to be used by upcoming modern industries in Britain. **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.	**1**
11	The main objective of zamindars during the land settlement system was to a) Improve the economic conditions of the cultivators	**1**

	b) Improve the crop yield by making significant contributions in technology and fertilizers uses c) Collection of rent with no interest in the economic condition of the cultivators Cooperating with colonial government to improve the condition of agriculture.	
12	During the first half of the 20th Century, the growth rate of National Income was: a) Less than 2% b) more than 2% c) 2% d)None of these	**1**
13	The opening of the Suez Canal in 1869 a) Raised the cost of transportation between Britain and India. b) Intensified British control over India's foreign trade. c) Reduced the cost of transportation and made access to the Indian market easier. d) Both (b) and (c)	**1**
14	Read the following statements carefully -Assertion (A) & Reason (R) and choose the correct alternative. Assertion (A): Farmers were forced to produce cash crops like cotton or jute instead of conventional crops like rice and wheat during the British rule. Reason (R): Agriculture was exploited through Zamindari System under the Colonial rule Alternatives: Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation for Assertion (A). Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation for Assertion (A. Assertion (A) is true but Reason (R) is false. Assertion (A) is false but Reason (R) is true.	**1**
15	During the British rule, the condition of India's foreign trade was:- a) Exporter of raw material b) Surplus on account of foreign trade was spent on war expenses c) Importer of finished goods produced in the British industries d) All of the above	**1**
16	Read the following statements-Assertion (A) and Reason (R) . Choose one of the correct alternatives given below. Assertion (A) : The British government established a monopoly control over India's foreign trade. Reason (R) :The opening of Suez canal did not act as a determinant to promote trade with Britain.	**1**

	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	
17	Read the following statements-Assertion (A) and Reason (R) . Choose one of the correct alternatives given below. Assertion (A) : Farmers in India were forced to take up the cultivation of indigo. Reason (R) : The dyeing and bleaching of textile in the textile industry of Btitain :required indigo. 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	**1**
18	Assertion(A):Year 1921 was called as year of Great Divide. Reason(R):Prior to 1921, there was increase in India's population growth rate whereas, it was after 1921, India experienced fluctuations in its population growth rate. 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.	**1**
19	Which of the following statements is not true about the foreign trade in context of Indian Economy during the British rule? a) India became exporter of primary products and an importer of finished consumer goods and capital goods from Britain b) India traded with many countries of the world despite discriminatory tariff policy pursued by the British Government c) India generated huge export surplus d) Britain had a monopoly control over India's Foreign Trade	**1**
20	Read the following statements carefully and choose the correct alternative from the following; Statement1: The two important industries which were adversely affected by partition were Paprt Industry and Cement industry.	**1**

	Statement 2: India faced problem of rehabilitation of large number of refugees from Pakistan. Alternatives: a) Both the statements are true. b) Both the statements are false. c) Statement 1 is true and statement 2 is false. d) Statement 2 is true and statement 1 is false.	
21	The British policy was to take away raw materials from India and sale the finished product in India. For this objective they wanted India to be a: a) Stagnant Economy b) Dependent Economy c) Feeder Economy d) All of the Above	**1**
22	The economic policies persuade by the colonial government in India were concerned with: a) Protection of India and promotion of Britan. b) Protection of Britan and Promotion of India. c) Promotion and Protection of Britan d) Promotion and Protection of India.	**1**
23	Distribution of work force among different producing sector of an economy refers to: a) Sectoral distribution b) Occupational Distribution c) Structural Distribution d) Workforce Distribution	**1**
24	Which of the following is (are) included in the demographic transition? a) High Birth rate and High Death rate b) High Birth rate and Low death rate c) Low birth rate and low death rate d) All of the above	**1**
25	Arrange the following in chronological order and choose the correct alternative: i) Year of great divide ii) Establishment of Tata Iron and steel company iii) Introduction of Railways in India by British iv) Opening of Suez Canal Alternatives: a) (iv), (ii), (i), (iii) b) (i), (iv), (iii), (ii) c) (ii), (iii), (iv), (i) d) (iii), (iv), (ii), (i)	**1**
26	The industries that produce machines and tools which produce consumer goods are: a) Consumer goods industry b) Capital goods industry c) both consumer and Capital goods industry d) none of these	**1**

27	In which stage of Demographic Transition did India enter after the year 1921?	**1**
28	Looking at the image, identify the route for trade. 	**1**
29	In the following questions, read the following statement I and Statement II. Choose the correct alternative among those given below: Statement I: Zamindars were very cruel in collecting land revenue from farmers during British Rule. Statement II: They had the fear to loose. Zamindari if revenue is not collected timely. Alternatives: a) Statement I and II are correct. b) Statement I is True but Statement II is false. c) Statement I is false and Statement II is True d) Both the statements are false	**1**
30	In the following questions, read the following statements: Assertion (A) and Reason (R). Choose the correct alternative among those given below: Assertion (A): The British introduced Railway system in 1850. Reason (R): British wanted the movement Indian from one place to another. 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.	**1**
31	What was the primary impact of British colonial policies on India's economy at the eve of independence? A) Rapid industrialization B) Agricultural modernization C) Deindustrialization and exploitation of resources D) Export-oriented growth	**1**
32	Assertion(A):Indian agriculture was the primary source of employment. Reason(R):There was under development in Indian Industries. 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.	**1**

	D)Assertion(A) is false but Reason(R) is true.	
33	Assertion(A):There was decay of Indian Handicrafts during the British Rule. Reason(R):India was the net exporter of raw material in the world. 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.	**1**
34	Assertion(A)Britishers introduced English as medium of language. Reason(R):Britishers wanted to create a class of Indians who would be Indians by blood by britishers in their lifestyle. 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.	**1**
35	What was the impact of British colonial policies on India's industrial development? A) Promotion of self-reliance through cottage industries B) Encouragement of heavy industries C) Suppression of Indian industries to protect British interests D) Support for indigenous innovation and technology	**1**
36	Which agrarian system prevailed in many parts of India before independence? A) Collective farming B) Subsistence farming C) Contract farming D) Organic farming	**1**
37	What was the impact of high birth rates on India's population before independence? A) Rapid urbanization B) Improved healthcare facilities C) Increased dependency ratio D) Declining fertility rates	**1**
38	Which industry experienced significant growth during pre-independence India due to British demand for raw materials? A) Information technology B) Textile industry C) Automobile industry D) Pharmaceutical industry	**1**

39	What were the prominent demographic features of India during the colonial period? A) High birth rate B) High death rate C) High infant mortality D) All of these	**1**
40	What contributed to high population growth rates in pre-independence India? A) Government policies promoting birth control B) Improved healthcare facilities C) Decline in fertility rates D) Lack of awareness about family planning	**1**
41	How Railways reduced the impact of famines during the colonial period?	**3**
42	Mention the state of the agricultural sector under British rule.	**3**
43	"Demand for Indian Handicrafts in the Indian market as well as foreign markets was systematically destroyed by Britishers." Defend or refute.	**3**
44	What was the focus of the economic policies pursued by the colonial government in India? What were the impacts of these policies?	**3**
45	Read the following case study and answer the questions given below- In the pre-British period, India was particularly well-known for its handicraft industries, in the fields of cotton and silk textiles, metal and precious stone works, etc. These products enjoyed a worldwide market based on the reputation of the fine quality of material used and the high standards of craftsmanship. But the Britishers followed a policy of systematic de-industrialisation by creating circumstances conducive to the decay of handicraft industry and not taking any steps to promote modern industry and reduced India to a mere exporter of raw material and importer of finished goods. I. Which industry suffered a major setback during the British rule? a)Cement b) Iron and steel c)Handicraft d) Paper II. Decline of handicraft industries Led to: a)Massive unemployment b) Import of Finished Goods c)Export of Finished Goods d) Both a. and b. III. The motive of British Government behind de-industrialization was (i)To get raw material from India at cheap rate. (ii)To sell British manufactured goods in Indian market at high prices. (iii)To focus on development of agriculture. (iv)To get finished products from India at cheaper rate. a) (i) and (ii) b) (ii) and (iv) c) Only (iii) d) Only (iv)	**3**
46	Were there any positive impacts of British rule in India? If, yes, then state any three of them.	**3**
47	What are the two-fold motive behind the systematic deindustrialisation affected by the British in Pre-independent India?	**3**

48	The traditional handicrafts industries were ruined under the British rule. Do you agree with this view? Give reason in support of your answer.	**3**
49	How the terms are used in international trade? Direction of trade and Composition of trade?	**3**
50	What was the two-fold motive behind the systematic deindustrialization effected by the British in per-independent India?	**3**
51	Enumerate the significant characteristics of the Indian economy during its transition to independence in 1947.	**3**
52	What were the main causes of India's agricultural stagnation during the colonial period?	**3**
53	Under the colonial dispensation, the economic policies were the protection and promotion of British economic interests, yet we still follow certain values learnt from British rule. Comment	**4**
54	'Composition of foreign trade of any country tells us about the nature of commodities that are exported and imported'. What can you state about the composition of foreign trade at the time of independence?	**4**
55	Read the following hypothetical text and answer the given questions: - Before colonial period, India was exporting manufactured goods which enjoyed worldwide demand. Under the colonial rule, India was reduced to a supplier of raw materials like jute, cotton, indigo, wool, sugar etc. and importer of finished consumer goods like silk and woolen clothes and light machinery manufactured in the factories of Britain. Additionally, the opening of Suez Canal intensified this control of Britishers over Indian foreign trade. The remaining volume of foreign trade was allowed with a handful of countries namely China, Ceylon (Sri Lanka) and Persia (Iran). Interestingly, even this trade was heavily monitored by the colonials. As a matter of fact, there was a large generation of export surplus under the British Raj. India was a large exporter in the colonial period. However, it did not affect the country's economy. Commodities like food grains, cloths, kerosene hit the country hard with its scarcity. Ironically, this export surplus never made its way to India. 1. The opening of Suez Canal served as a direct route for ship operating between: a) India and America b) India and Sri Lanka c) India and Pakistan d) India and Britain 2. "The export surplus was used for the welfare of Indian Industry." a) True b) False 3. (A): India became an exporter of primary products and an importer of finished consumer and capital goods produced in Britain.	**4**

	(R): Restrictive policies of commodity production, trade and tariff structure, composition and volume of India's foreign trade. 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. 4.Which country had the maximum control over India foreign trade during colonial period. a) America b) China c) Ceylon d) Britain	
56	Read the following hypothetical text and answer the given questions: - The various social development indicators were also not quite encouraging. The overall literacy level was less than 16 per cent. Out of this, the female literacy level was at a negligible low of about seven per cent. Public health facilities were either unavailable to large chunks of population or, when available, were highly inadequate. Consequently, water and air-borne diseases were rampant and took a huge toll on life. No wonder, the overall mortality rate was very high and in that, particularly, the infant mortality rate was quite alarming—about 218 per thousand in contrast to the present infant mortality rate of 63 per thousand. Life expectancy was also very low—44 years in contrast to the present 66 36 years. In the absence of reliable data, it is difficult to specify the extent of poverty at that time but there is no doubt that extensive poverty prevailed in India during the colonial period which contributed to the worsening profile of India's population 1. Which year is described as a "year of Great Divide"? a) 1931 b) 1921 c) 1941 d) 1911 2. What were the causes of higher infant motility rate during the British period? a) Poor health care b) Lack of education	**4**

	c) Traditional outlook of society d) All of above 3. During colonial period, India's demographic profile showed: a) High birth rate b) High death rate c) High infant mortality d) All of these	
57	Although India was a very independent economy before the British rule, towards the end, it was exhausted. The Indian economy on the eve of independence was struggling to find the path of development. The policies formulated by Britishers were only to promote their interests, India was diverging from the path of prosperity. We were mere raw-material suppliers to the British. They made use of our labour without treating them well. The 200 years of British rule also took away our will to gain knowledge and awareness. Since we were their slaves, we never got the right to proper education. And as a result of these actions, towards the end of their reign, we were illiterate. The Indian economy on the eve of independence was full of people who had absolutely no plan as how to help the nation. 1. Indian economy was……on the eve of Independence. A)Developed B)Underdeveloped C)Backward D)Both (B) and (C) 2. Which of the following stands true for India's Consumption of Trade? A)India was the net exporter of raw material. B)India was the easy market for finished goods. C)Both (A) and (B) D)Neither (A) nor (B) 3. Which of the following was the contribution of Britishers in case of Social Infrastructure in India? A)Telegraphs and posts were introduced. B)English was introduced as a medium of language. C)Hospitals and medical colleges were set up.	**4**

	D)New housing societies were constructed.	
58	India has seen a long and rich history of handicrafts. Years and years of evolution and refinement have made it possible for India to retain a coveted spot in the handicrafts landscape of the world. Where the ancients were exemplary in their craft, the contemporary craftsmen are adept in using the knowledge of the ancients by adding modern craft techniques to them. They have carefully preserved this age- old art that represents dignity, style and beauty of the Indian culture. Voyaging through the lanes of Indian handicrafts is a tempestuous affair. There are seen striking ups and downs throughout the late 2000s, had a grave impact on handicrafts industry. Despite the growth of handicraft industry in India and the measures taken by the government to promote handicrafts, the average earning of a craftsman when compared to that of other fields is very low. Hence, the younger generation is moving to other fields with only the elder craftsmen being left behind. The country needs younger generation of craftsmen to carry on the tradition of handicrafts, and this is possible by ensuring the assistance of craftsmen to improve their techniques, availability of quality raw materials, direct marketing channels, credit and better wages and providing them with socio- economic benefits. 1 India had a world wide reputation of…… A)Handicrafts B)Landscape C)Labour D) None of these 2.During British rule, Indian handicrafts were discouraged by ……on their exports. A)Higher tariff B)Nawabs C)Giving subsidies D)None of these 3.To preserve handicrafts industry and to promote it, the country should encourage younger generation of craftsmen helping them with: A)Availability of quality raw materials B)Better wages C)Direct marketing channels	**4**

	D)All of the above	
59	During the second half of the nineteenth century, modern industry began to take root in India but its progress remained very slow. Initially, this development was confined to the setting up of cotton and jute textile mills. The cotton textile mills, mainly dominated by Indians, were located in the western parts of the country, namely, Maharashtra and Gujarat, while the jute mills dominated by the foreigners were mainly concentrated in Bengal. Subsequently, the iron and steel industries began coming up in the beginning of the twentieth century. The Tata Iron and Steel Company (TISCO) was incorporated in 1907. A few other industries in the fields of sugar, cement, paper etc. came up after the Second World War. 1. When did the modern industry begin to take root in India? 2. Which country had command over cotton mills? 3. Who is the founder of TISCO and when was it come into existence? What was systematic by Britishers ?	**4**
60	In the second half of the 19th Century both the direct administration of India by the British crown and the technological change ushered in by the industrial revolution had the effect of closely intervening the Economics of India and the Great Britain in terms of trade. Britishers through their policy of tariff discrimination ensure that they maintain monopoly control over India's foreign trade also the British raj invested heavily in infrastructure including canal and irrigation systems in addition to Railway's telegraphy road and ports. However during the British raj the India experienced some of the major health challenges like Cholera typhoid tuberculosis etc. The British government of United India influenced Indian culture and social infrastructure noticeably. The most noticeable influence is the English language which emerged as the administrative and lingua franca of India. Based on the above passage answer the following questions: **1. Which of the following appropriately define the tariff discrimination policy of the British government of India:** a) Tariff free export of Indian Handicrafts. b) Tariff free export of raw materials to Britain. c) Tariff free imports of finished goods. d) Both B and C. 2. **Which of the following appropriately define the objective of Britishers for making heavy investment in Indian economic infrastructure**? a) They wanted to make India a developed Colony of Britain. b) They wanted to bring India on the path of growth and development. c) They wanted to strengthen their administrative control over India.	**4**

	d) None of the above	
61	Despite being the occupation of such a large population on the agricultural sector continued to experience stagnation and not infrequently unusual deterioration. Agricultural productivity became low though, in absolute terms the sector experienced some growth due to the expansion of the aggregate area under cultivation. This stagnation in the agricultural sector was caused mainly because of the various system of land settlement system that were introduced by the colonial government. Based on the passage above answer the following questions: **1. Which of the following describes the state of Indian agriculture on the eve of Independence?** a) lack of mechanised means of cultivation b) output produced per hectare of land was low c) division of land into small pieces d) all of the above 2.**Which of the following explains the concept of force the commercialization of agriculture** a) production was done for self-consumption b) farmers were paid to produce cash crops c) it referred to production of crops for the sale in the market d) farmers were forced to grow crops like wheat and rice	**4**
62	Basic infrastructures such as railways, ports, water transport, posts and telegraphs developed under the British rule. However, the intention was not to provide amenities to Indian population but to satisfy colonial interests. The infrastructural development during British rule and the motives behind them were, Roads were built primarily to serve the purposes of mobilising the army within India and drawing out raw materials from the countryside to the nearest railway station or the port for export. Railways were introduced in India in 1850 to assist British industries in widening the market for their finished goods. The aim of developing postal and telegraph was to enhance the efficiency of British administration. a) The measures taken for developing water and air transport were _____.(satisfactory/non satisfactory) b) The most important contribution of the British rule was to introduce_____. i) Roads ii)Railways iii) Air and water transport iv) Telegraph service c) Railways were introduced by the Britishers to provide a means of transportation for the population of India as well to connect villages for their development.(True/False) d) Introduction of telegraph served the purpose of maintaining law and order.(True/False)	**4**
63	Were there any positive contribution made by the British in India.	**4**
64	Can you quantify the demographic characteristics of India under colonial rule?	**4**
65	Identify the focus of the economic policies pursued by the colonial government in India and the impacts of these policies?	**6**

66	 Suez Canal is an artificial waterway. Explain its' significance in international trade during British rule.	**6**
67	Give a quantitative appraisal of India's demographic profile during the colonial period.	**6**
68	What was the condition of agriculture sector at the time of Independence?	**6**
69	"British rule adversely hampered the industrial sector of India." Do you agree with this view? Give reasons in support of your answer.	**6**
70	Give a quantitative appraisal of India's demographic profile during the colonial period.	**6**
71	The Indian Economy was experienced a lot of economic challenges at the time of Independence. Highlight on it.	**6**
72	What do you mean by demographic transition? Relate it with the year great divide and small divide. Throw a light on quantitative appraisal of India's demographic profile during Colonial period.	**6**
73	What was the condition of industrial sector on the eve of independence?	**6**
74	Briefly discuss the condition of agricultural sector at the time of independence.	**6**
75	'The railways affected the structure of the Indian economy positively, as well as negatively.' Do you agree?	**6**
76	The traditional handicrafts industries were ruined under the British rule. Do you agree with this view? Give reasons in support of your answer.	**6**

ANSWER

Q. No	ANSWER
1	Handicrafts
2	I Distribution of working force among different occupations
3	I a-iv , b-iii, c-I , d- ii
4	(b) i-b
5	A
6	A
7	B

8	(d) Statements 2 is true and Statement 1 is false
9	(a) Both Assertion (A) and Reason I are true and Reason I is the correct explanation of Assertion (A)
10	I Jute
11	c) Collection of rent with no interest in the economic condition of the cultivators
12	a) Less than 2%
13	d) Both (b) and (c)
14	b)Both Assertion (A) and Reason I are true and Reason I is not the correct explanation for Assertion (A.
15	d)All of the above
16	C
17	A
18	C
19	b) India traded with many countries of the world despite discriminatory tariff policy pursued by the British Government
20	d) Statement 2 is true and statement 1 is false.
21	c) Feeder Economy
22	4) Promotion and Protection of Britan
23	b) Occupational Distribution
24	d) All of the above
25	d) (iii), (iv), (ii), (i)
26	b) Capital goods industry
27	Second stage of demographic transition.
28	Suez canal
29	4) Statement I and II are correct.
30	4) Assertion (A) is true but Reason I is False
31	C) Deindustrialization and exploitation of resources
32	A
33	B
34	A
35	C) Suppression of Indian industries to protect British interests
36	B) Subsistence farming
37	C) Increased dependency ratio
38	B) Textile industry
39	D) All of these
40	D) Lack of awareness about family planning
41	Under the colonial period, Railways facilitated the movement of food grains from the surplus zones or from the government warehouses to areas afflicted with famines. Accordingly, the impact of famines was reduced.

42	The agricultural sector continued to experience stagnation and deterioration despite the fact that largest section of Indian population depended on it for subsistence.
43	The given statement is defended. (4) Demand in the foreign market was destroyed by imposing heavy duty on the exports of Indian Handicrafts. (ii) Demand in the Domestic Market (i.e. Indian Market) was destroyed by allowing duty-free import of British finished goods in the Indian Market.
44	The economic policies pursued by the colonial government in India were concerned more with the protection and promotion of the economic interests of their home country than with the development of the Indian economy. Impacts of these policies are as follow: India became supplier of raw material India became importer of finished products
45	Arranging series in ascending order- 4- I Handicraft II- d) Both a and b III-(a) (i) and (ii)
46	To provide transport facilities, largely in terms of railways. Development of ports. Provision of post and telegraph services. British Government set up administrative services which formed the basis of IAS. Political and economic integration of India. Evolution of banking and monetary system.
47	The two-fold motive behind the systematic de-industrialisation of India was: First, to reduce India to the status of a mere exporter of important raw materials for the upcoming modern industries in Britain. Second, to convert India into a big market for the finished products of those industries, in order to ensure the maximum advantage accruing to their home country, Britain.
48	India was particularly known for its traditional handicraft industries before the British came into India. They were found in every village and the craftsmanship was patronised world over. (a) The restrictive policies of the colonial government reduced India to an exporter of raw materials and cash crops to serve their interests. (b) The British destroyed the institution of Indian handicrafts but did not care to provide an alternate source of employment. The unemployed artisans and craftsmen shifted to agriculture. In the middle of 19th century, about 55 per cent of the population was dependent on agriculture. The proportion went up to over 70 per cent under the British. I The decay of these industries was a major cause of the poverty of rural people, who derived additional income from handicrafts. The artisans found it difficult to recover from the degenerated state caused by the colonial government
49	Direction of trade refers to the country with whom a country is trading. Volume of trade Composition of trade means a study of the goods and services of imports and exports of a country. In other words, it tells about the commodities of imports and the commodities of exports of a country
50	The two-fold motive behind the systematic deindustrialization by the British in pre-independent India was to protect and promote their own industries by suppressing Indian competition and to secure a ready market for their manufactured goods. This

	approach aimed to weaken India's economic autonomy and maintain British economic dominance.
51	1. Agrarian Economy: The Indian economy heavily relied on agriculture, with the majority engaged in subsistence farming using traditional methods. 2. Colonial Exploitation: British colonial rule led to resource drain and exploitation, hindering economic growth and self-sufficiency. 3. Limited Industrialization: Industrial sector was underdeveloped due to lack of investment and restrictive policies, stunting manufacturing growth. Any other relevant points.
52	India's agricultural stagnation during the colonial period resulted from: 1. Land Revenue Policies: Heavy land taxes led to reduced incentives for farmers, hindering investment and modernization. 2. Commercialization of Agriculture: Shift towards cash crops for export led to neglect of food crops, impacting food security. 3. Infrastructure Neglect: Lack of irrigation, transport, and storage facilities limited productivity and access to markets. Any other relevant points.
53	Some values we still follow, which we derived from their negative approach to achieve their objectives of colonial exploitation of Indian economy are: (4) Greater cultural affinity through spread of roadways and railways. (ii) Spirit of enquiry which changed the barter system into monetary system of exchange. We also learnt a valuable system of organisational skills and efficient administrative set up.
54	India's foreign trade under the British rule is described as below: (4) The British followed a typical colonial pattern of trade in India, where it was made to serve their interests. (ii)India exported raw materials to the home country of the British for their expanding industries. India was also developed as a market for the finished goods of the British industries. Thus, India was reduced to being a source of food.
55	1 (d) India and Britain 2 (b)False 3 (a) is correct answer 4. d) Britain
56	1. b) 1921 2. d) All of above 3. d) All of these
57	1.D)Both (B) and (C) 2. C)Both (A) and (B) 3. B)English was introduced as a medium of language.
58	1. A)Handicrafts 2. A)Higher tariff 3. D)All of the above

59	1. During the second half of the nineteenth century. 2. India 3. Jamshedji Tata, 1907 4. De-industrialization
60	1. D-Both B and C. 2.C
61	1. D 2.C
62	1. Non Satisfactory 2. Railways 3. False 4. True
63	While British colonial rule in India was marked by exploitation and hardships, a few positive contributions can be acknowledged: 4. Railway Network: The British established a vast railway network, facilitating transportation and trade across the subcontinent. 2. Legal and Administrative Reforms: They introduced legal and administrative systems that, despite their limitations, laid the groundwork for modern governance. 3. Education: The British promoted education, leading to the establishment of universities and institutions that later played a role in India's intellectual growth. 4. Communication Infrastructure: They improved communication through postal and telegraph services, connecting different regions.
64	The demographic condition on the eve of independence was as follows: 4. High birth rate and death rate: High birth rate and death rate are treated as index of backwardness of a country. Both birth rate and death rate were very high at 48 and 40 per thousand respectively. 2. High infant mortality rate: It was about 218 per 1000 live births. 3. Low life expectancy: Life expectancy means the number of years that a new born child on an average is expected to live. It was as low as 32 years. 4. Mass illiteracy: Literacy rate was around 17 percent, reflecting social backwardness as a reflection of economic backwardness.
65	The primary motive of the colonial government of systematically de industrialising India was two-fold. The intention was to reduce India to the status of a mere exporter of important raw materials for the upcoming modern industries in Britain.

	To turn India into a sprawling market for the finished products of their industries so that their continued expansion could be ensured to the maximum advantage of their home country Britain. The impact of these policies were *Decline of handicraft industry.* Indian market were full of manufactured goods from Britain which were priced low. Indian handicrafts could not face competition and thus the demand of handicrafts declined. *Massive unemployment.* Millions of craftsmen became unemployed due to decline in demand of handicrafts. *Low standard of living.* The per capita income of Indians were one of the lowest in the world indicating that the average Indian was extremely poor and could not afford even the basic necessities of life. The extent of poverty can be known by the fact that three million people died during Bengal famine of 1943.
66	Suez Canal is an artificial waterway running from north to south across the Isthmus of Suez in north-eastern Egypt. following were Its' significant during British rule: (i) The opening of Suez Canal in 1869 reduced the cost of transportation and made access to the Indian market easier. (ii) The canal provided a direct trade route for ships operating between 68Britain and India and avoided the need to sail around Africa. (iii) Strategically and economically, it is one of the most important waterways in the world.
67	The demographic condition on the eve of independence was as follows: (a) High Birth Rate and Death Rate: High birth rate and high death rate are treated as index of backwardness of a country. Both birth rate and death rate were very high at 48 and 40 per thousand of persons respectively. (b) High Infant Mortality Rate: If refers to death rate of children below the age of one year. It was about 18 per thousand live births. (c) Low Life Expectancy: Life expectancy means the number of years that a new born child on an average is expected to live. It was as low as 32 years. (d) Mass Illiteracy: Mass Illiteracy among the people of a country is taken as an indicator of its poverty and backwardness. The population census of 1941 (which was the last census under the British rule) estimated the literacy rate at 17 per cent. This means that 83 per cent of the total population was Illiterate. (e) Low Standard of Living: At the time of Independence, people used to spend between 80 to 90 percent of their Income on basic necessities, that is, on food, clothing and housing. Even then, people did not get adequate quantity of food or clothing or housing; and millions of people starved, went naked and lived in huts or in the open. Moreover, some parts of India came under severe famine conditions. The famines were so severe that millions died. One of the worst famines in India was the Bengal famine of 1943 when three million people died.
68	Land settlement system: Under this system, the zamindars were the owners of land. The profit accruing out of agriculture went to zamindars instead of cultivators. This lead to exploitation of peasants and they were in a very bad condition. High dependence on Monsoon: Agriculture sector was mainly dependent on monsoon. No effort was ever made under the British rule to develop permanent means of irrigation. Lack of Proper Input:Low level of technology, lack of irrigation facility and negligible use of fertilizers, added to aggravate the plight of the farmers and contributed to the dismal level of agricultural productivity. Commercialisation of agriculture: It means producing crops for sale in the market and not for self-consumption. Farmers were forced to cultivate commercial crops like Indigo which was required by the textile industry in Britain, this resulted in fall in the production of food crops and the farmers had to suffer famine frequently.

	Partition of the country: In 1947 the division of country between India-Pakistan affected India's agricultural production adversely. The areas which were rich in producing food crops like East Punjab and Sind went to Pakistan and it created food crisis in the country. The whole of the fertile land under jute production went to East Pakistan and the jute industry was severely affected.
69	British rule adversely affected industrial sector in India which can be understood through the following points- (i) Discriminatory Tariff Policy :- The British Government allowed tariff free export of raw materials from India and tariff free import of British industrial products into India. But a heavy duty on the export of Indian handicrafts products. It leads to decay of handicrafts industry in India. (ii) Competition from machine :- Industrial revolution in Britain gave a stiff competition to the handicraft industries in India. Due to low cost and better quality product produced by machine forced the Indian craftsmen to shut down the handicraft Industry in India. (iii) New Patterns of Demand :- Owing to British rule in India, a new class of people emerged in India. This changed the pattern of demand in India against the Indian products and in favour of British products. As a result, the Indian Industry tended to Perish (iv) More market for British Goods :- An introduction of railways facilitated the transportation of the British products to different parts of the country. As a result, the size of the market for the low cost British product expanded while it started shrinking for the high cost Indian products. This lead to decay of Industry in India.
70	India's demographic profile during colonial period can be summarised as below – High death rate and birth rate: Both death date and birth rate were very high at 40 and 48 per thousand of persons respectively. High infant mortality rate: Infant mortality rate refers to the number of deaths per 1,000live births of children under one year of age. It was about 218 per thousand of live births. Low life expectancy: Life expectancy refers to average number of years a person is expected to live. It was as low as 32 years. Low level of literacy: The overall literacy level was less than 16 percent. Out of this, the female literacy level was only 7 percent. Low standard of living: Even after spending 80 to 90% of income on basic necessities people were not able to get adequate quantity of food, shelter and clothing.
71	At the time of independence some of the most crucial challenges faced by India were: ● The agricultural sector experiencing stagnation and deterioration despite of the largest section of the population being dependant on it for sustenance. ● The British rule had led to the collapse of India's world-famous handicrafts industries, which culminated into massive unemployment rampant in India. ● Lack of adequate public health facilities, occurrence of frequent natural calamities like famines further pauperised the helpless Indian people and also resulted in high mortality rates ● Mass illiteracy, unemployment, poverty, hunger and death in starvation ● Drain of wealth where the raw material was taken away by the British at a very low price and even at no price. The British persuaded the farmers to grow indigo for which the most fertile land was used to grow indigo. This caused shortage of food grains and famine in major part of India.
72	Demographic transition refers to the population related to economic development. There are three stages of demographic transition:

	a) High birth rate and high death rate (STAGE I) b) High birth rate and low death rate (STAGE II) c) Low birth rate and low death rate (STAGE III) The population in India started increasing from the year 1921, for which it is called the year of Great Divide. But from the year 1951 onwards the population in India started increasing at an alarming rate. So, 1951 is other wise called the year of small divide. If we study the demographic profile during British period the following point are not worthy. ● Before 1921, India was in the first stage of demographic transition. ● The second stage of transition began after 1921. However, neither the total population growth nor the rate of population growth was high at this stage. ● Overall mortality rate was very high, especially the infant mortality rate about 218 per thousand, in contrast to present infant mortality rate of 33 per thousand. ● Life expectancy was also very low-32 years in contrast to the present 69 years. ● Prevalence of extensive poverty during the colonial period, contributed to the worsening profile of India's population of the time.
73	The scenario of industrial sector under the British colonial rule was under-developed. British policies transformed the Indian economy into a mere supplier of raw materials and consumer of the finished f industrial products from Britain. There was a lack of heavy, basic and capital goods industries and country was almost totally dependent upon foreign nations for supply of machines, engines spare parts, etc. Manufacturing capacity was also very limited Modern industry began to take root in India during the second half of the 19th century. The first Iron and steel company TISCO (Tata Iron and Steel Company) was established in Jamshedpur. This plant began production in 1912 Industries like sugar, Cernent and paper also came up after the Second World War However, there was an absence of capital goods industries at the time of Independence As a result contribution of industrial sector to the national GDP remained very low.
74	The condition of agricultural sector at the time of independence can be understood with the help of the following points ● Low level of productivity the productivity levels were very low, at about 660 kg per hectare for wheat and 665 kg per hectare for rice. ● High degree of vulnerability Agriculture was greatly affected by erratic rainfall. ● Rift and turmoil between owners and tillers The owners charged high rent from the tillers and demanded rent even when the crops failed. This demotivated the tillers and agricultural productivity was negatively affected. ● Uneconomic and fragmented landholdings The size of the landholdings was uneconomic and also the landholdings were scattered. This further affected the productivity of land adversely. ● Problem of unemployment and under employment the agricultural sector was plagued with the problem of unemployment and under employment. ● Use of primitive techniques of production The farmers used age old primitive techniques of production, which was a cause of low productivity.

75	Yes, I agree. The railways affected the structure of the Indian economy positively in the following ways ● It enabled people to undertake long distance travel and thereby break geographical and cultural barriers. ● It fostered commercialisation of Indian agriculture as agricultural produce could be sent to distant places. Farmers started viewing agriculture as a business rather than a way of subsistence. ● Railways enabled the government to supply foodgrains fastly to famine affected areas. The railways affected the Indian economy negatively in the following ways: ● It enabled the goods from British factories to be transported to various parts of the country, thereby expanding their market. ● It facilitated the transport of raw materials to the port cities and ensured their easy exportability. Commercialisation of agriculture affected the self-sufficiency of the rural areas.
76	The traditional handicrafts industries in India enjoyed worldwide reputation, but the British misrule in India led to the decline of Indian handicraft industry. The Britishers adopted the following policies to systematically destroy the handicraft industry (i) Discriminatory tariff policy of the state: The Britishers followed a discriminatory tariff policy by allowing tariff free exports of raw material from India (to provide for the requirements of their industries in Britain) and tariff free import of British industrial products (to promote British goods in India), but placed a heavy duty on the export of handicraft products. So, Indian handicraft products started loosing their foreign as well as domestic markets. (ii) Competition with machine-made products: Machine-made products from Britain were cheap and better in quality than the handicraft products. This competition forced many handicraftsmen to shut down their business. (iii) Introduction of railways in India: The Britishers introduced railways in India to expand the market of its low priced industrial products. Consequently, the demand of high-priced handicraft products started to fall, thus leading to the downfall of handicraft industry. (iv) Disappearance of princely courts prior to the British rule, Rajas, Nawabs and Shehenshahs ruled the different parts of our country and they were great patrons of the handicrafts. But, as the British Raj spread its tentacles, these princely courts declined and so did their patronage. This ultimately led to the decline of the handicrafts. (v) New patterns of demand As the British rule progressed in India, a new class emerged, which was keen to follow the British lifestyle. This changed the pattern of demand in favour of the British goods.

Chapter 2: Indian Economy 1950-1990

Q. NO	QUESTION	MARKS
1	Assertion: Capitalist economy has the motive of profit maximization. Reason: Capitalist economy has no intervention of Government. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	**1**
2	Assertion: Tax incentives are provided to foreign investors which further reduced the scope for raising tax revenues. Reason: This has a negative impact on developmental and welfare expenditures of the country. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	**1**
3	1. Assertion (A): Growth and social justice is the central objective of Indian plans. Reason (R): India opted for planning to utilize available resources efficiently and to establish social justice. 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 c) Assertion (A) is true but Reason (R) is false. d) Assertion (A) is false but Reason (R) is true.	**1**
4	Assertion (A): Subsidies were needed to encourage farmers. Reason (R): Any new technology is looked upon as being risky by farmers 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.	**1**
5	Assertion (A) : Industry provides employment which is more stable than the employment in agriculture. It promotes modernisation and overall prosperity. Reason(R): Economists have found that poor nations can progress only if they have a good industrial sector. 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.	**1**

6	Assertion: The government borrows only from banks to finance the deficit caused. Reason: Deficit is caused when expenditure is more than income. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	**1**
7	Assertion: Just a year after independence, efforts towards land reforms were introduced. Reason: Ownership of land would give incentives to the tillers to invest in making improvements. A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	**1**
8	Assertion: Industrial Policy Resolution of 1956 was adopted, in accordance with the goal of the state controlling the commanding heights of the economy Reason : System of licences was used for all the industries after the IPR 1956. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	**1**
9	Assertion: - India was considered as an agrarian economy on the eve of independence. Reason :- Around 30% people were depending on agriculture. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	**1**
10	Assertion: - As per Industrial policy-1956, the industries classified into 3 groups. Reason: - Directly or indirectly all the industries were under the control of the Government. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	**1**

11	Assertion: - In the first seven five year plans of India, the trade was commonly called an 'inward looking' trade strategy. Reason :- Imports were protected by the imposition of tariff and quotas which protect the domestic firms from foreign competition. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	**1**
12	Assertion:- The economic justification of subsidies in agriculture is, at present, a hotly debated question. Reason:-The zamindari system has not been abolished so far. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	**1**
13	Which of the following statements about the land ceiling policy is true? a) It lead to equity in agricultural sector. b) Many land lords were able to escape the legislation. c) The implementation of the legislation was challenged by some tenants. d) It was successful in West Bengal and Kerala because it met no resistance.	**1**
14	Which of the following is the limitation of Green Revolution in India? a) Un-even spread b) Change in farmers' outlook c) Self-sufficiency in food grain production d) Mechanisation of agriculture	**1**
15	Read the following statements - Assertion (A) and Reason (R): Assertion (A) – The goal of equitable distribution of land was fully served by abolition of intermediaries, in the post-independence India. Reason(R) – Big landlords challenged the land ceiling legislation, delaying the implementation and subsequently escaping from the legislation. from the given alternatives choose the correct one: Alternatives: a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).	**1**

	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.	
16	Read the following statements carefully and choose the correct alternatives given below: Statement 1 – Subsidies do not add any burden on the financial health of a nation. Statement 2 – Complete removal of subsidies may violate the aim of equitable distribution of income. Alternatives: a) Both the statements are true. b) Both the statements are false. c) Statement 1 is true and Statement 2 is false d) Statement 2 is true and Statement 1 is false	**1**
17	Before the advent of Green Revolution in 1960's, India was primarily dependent on _____for the supply of food grains. (Fill in the blank with correct alternative) a) United States of America (USA) b) Britain (United Kingdom) c) Mexico d) Union of Soviet Socialist Republics (USSR)	**1**
18	Industrial Policy Resolution (IPR) 1956 formed the basis of the_____ Five Year Plan. (Fill up the blank with correct alternative) a) First b) Fourth c) Second d) Third	**1**
19	_____committee was set up for the development and promotion of small-scale industries in India. a) Karve b) Tapas Majumdar c) Mahalanobis d) TRYSEM Or First Industrial Policy Resolution of Independent India was announced in the year_____ (Fill in the blank with the correct alternative) a) 1947 b) 1948 c) 1951 d) 1956	**1**
20	There are two statements given below marked as Assertion (A) and Reason (R). Read the statements and choose the correct option. Assertion (A): In a capitalist economy, private entities own resources, whereas, in a socialist economy, resources are owned by the state. Reason (R): In a socialist economy, it is assumed that the government knows the exact needs of the people.	**1**

	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.	
21	Read the following statements - Assertion (A) and Reason (R): Assertion (A) – The goal of equitable distribution of land was fully served by the abolition of intermediaries, in post-independence India. Reason(R) – Big landlords challenged the land ceiling legislation, delaying the implementation and subsequently escaping from the legislation. From the given alternatives choose the correct one: 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.	**1**
22	Identify the correct combination of the 'Goals of Indian Five-Year Plans': a. Growth, Equality, Modernisation, Self-Reliance b. Development, Equality, Modernisation, Sustainability c. Growth, Equity, Modernisation, Self-Reliance d.Good Health, Education, Modernisation, Sustainability	**1**
23	The shackles of agriculture during the colonial rule were permanently broken by the Green Revolution that resulted from the application of ___ 1. High Yielding Varieties (HYV) 2. Mechanization of Agriculture 3. Chemical Fertilizers and Pesticides 4. Organic Fertilizers and Pesticides Alternatives: a. 1, 2, 4 b. 1, 2, 3 c. 2, 3, 4 d. 1, 3, 4	**1**
24	Identify an argument that supports the agricultural subsidies in India. a. reduces the gap between the rich and poor farmers b. reduces government spending on agriculture c. unpopularity of the HYV seeds d. supports fertiliser industries	**1**
25	What kind of tariff policy was needed to protect domestic producers from foreign competition, after independence? a. low import tariffs, reduced import quota b. low import tariffs, increased import quota c. high import tariffs, reduced import quota d. high import tariffs, increased import quota	**1**
26	There are two statements given below, about the changes in India's structural composition in the period 1950-1990. 1.At the beginning of this period, the share of agriculture in the GDP was the highest.	**1**

<table>
<tr><td></td><td>2.The increase in agricultural productivity during this period led to a further increase in the share of agriculture in the GDP by the end of this period.
Which of these statements is/are true?
A. only 1
B. only 2
C. both 1 and 2
D. neither 1 nor 2</td><td></td></tr>
<tr><td>27</td><td>Match the following:

<table><tr><td>Column -A</td><td>Column –B</td></tr><tr><td>a- High Yeilding Varity of seeds</td><td>1- Zamindari system</td></tr><tr><td>b- Inter-mediaries</td><td>2- Ceiling on land holding</td></tr><tr><td>c- Maximum amount of land</td><td>3- Consolidation of land holding</td></tr><tr><td>d- Scattered land</td><td>4- Green Revolution</td></tr></table>
(A)- a-1, b-2, c-3, d-4
(B)- a-2, b-3, c-4, d-1
(C)- a-3, b-4, c-1, d-2
(D)- a-4, b-1, c-2, d-3</td><td>1</td></tr>
<tr><td>28</td><td>“Import substitution was imposed in India with the objective to save foreign exchange reserves & to be self-sufficient. “ Justify</td><td>3</td></tr>
<tr><td>29</td><td>CASE STUDY
Read the following case study paragraph carefully and answer the questions based on the
same.
The Green Revolution started in 1965 with the first introduction of HYV seeds in Indian agriculture. This was coupled with better and efficient irrigation and the correct use of fertilizers to boost the crop. The result of the Green Revolution was to make India self- sufficient when it came to food grains.

After 1947 India had to rebuild its economy. Over three-quarters of the population
depended on agriculture in some way. But agriculture in India was faced with several
problems. Firstly, the productivity of grains was very low, and Indian agriculture was still monsoon dependent because of lack of irrigation and other infrastructure.
There was also an absence of modern technology. And India had previously faced severe famines during the British Raj, who has only promoted cash crops instead of food crops. The idea was not to depend on any other country for food grains. So in 1965, the government with the help of Indian geneticists M.S.Swaminathan, known as the father of Green Revolution, launched the Green Revolution. The movement lasted from 1967 to 1978 and was a great success.
1. Green revolution is related with _____.
a) Modern technology. B) Better irrigation facilities c) HYV seeds
d) All of the above.
2. Britishers encouraged Indian farmers to grow food crops. (true/false)
3. The need for the green revolution was to make India _____
a) Sufficient production b) Modernisation c) Self- sufficient in food grains d) None of these.</td><td>3</td></tr>
</table>

30	Discuss briefly the rationale behind choosing 'Modernization' as a planning objective for the Indian economy.	**3**
31	"Subsidies put a huge burden on government's finances and are necessary for poor and marginal farmers." Do you agree that granting subsidies justify the objective of social justice?	**3**
32	Discuss briefly, the rationale behind "Equity with Growth" as planning objectives for Indian economy.	**3**
33	'Atmanirbhar Bharat' had been at the roots of Indian planning process in the form of 'self-reliance' as an objective of planning process. Do you agree with the given statement? Justify the rationale of the given statement.	**3**
34	Why was it necessary for a developing country like India to follow self-reliance as a planning objective?	**3**
35	"The world has experienced two primary types of economic systems along with a hybrid one." Elaborate on the given statement.	**3**
36	'Land ceiling promotes equity.' Support the given statement with a valid explanation.	**3**
37	Read the passage given below and answer the following questions In a command economy, the government determines what is produced, how it is produced and how it is distributed. Private enterprise does not exist in a command economy. The government employs all workers and unilaterally determines their wages and job duties. There are benefits and drawback to command economy structures. Command economy advantages include low levels of inequality and unemployment, and the common good replacing profit as the primary incentive of production. Command economy disadvantages include lack of competition and lack of efficiency. 1.Which among the following is a guiding force for the capitalist economy? A. social service B. private property C. competition D. profit motive 2.In which type of economy is government interference is limited? A. Socialist economy B. Market economy C. Mixed economy D. None of the above	4
38	Explain the objective of 'self- sufficiency' as adopted in Indian planning.	**4**
39	How do small scale industries promote rural development?	**4**
40	Explain how import substitution can protect domestic industry	**4**
41	Read the following hypothetical text and answer the given questions: The performance of Indian economy during the period of first seven five-year plans (1950-1990) was satisfactory if not very impressive. On the eve of independence, India was an industrially backward country, but during this period of first seven plans our industries became far more diversified, with the stress being laid on the public investments in the industrial sector. The policy of import substitution led to protection of the domestic industries against the foreign producers but we failed to promote a strong export surplus. Although public sector expanded to a large extent but it could not bring desired level of improvement in the secondary sector. Excessive government regulations prevented the natural trajectory of growth of entrepreneurship as there was no	**4**

	competition, no innovation and no modernization on the front of the industrial sector. Many Public Sector Undertakings (PSU's) incurred huge losses due to operational inefficiencies, red-tapism, poor technology and other similar reasons. These PSU's continued to function because it was difficult to close a government undertaking even it is a drain on country's limited resources. On the Agricultural front, due to the measures taken under the Green Revolution, India more or less became self-sufficient in the production of food grains. So the needs for reform of economic policy was widely felt in the context of changing global economic scenario to achieve desired growth in the country. i. Which of the following was not a reason for the public sector to play a major role in the initial phase of Indian Economic Planning? (Choose the correct alternative) a) Private entrepreneurs lacked sufficient capital for investment. b) Government aimed at social welfare. c) The market was big enough to encourage private industrialists for investment. d) The government wanted to protect the indigenous producers from the foreign competition. ii. Inward looking trade strategy aimed at _____ (fill up the blank with correct answer) iii. State whether the given statement is true or false: Mechanization of the Indian agriculture was one of the causes of Green Revolution in India. iv.Read the following statements - Assertion (A) and Reason (R) Assertion (A): Many public sector undertakings incurred huge losses due to operational inefficiencies. Reason (R): Red-tapism was one of the reasons for continuation of such enterprises. Select the correct alternative from the following: a) Both Assertion (A) and Reason (R) are true. Both Assertion (A) and Reason (R) are false.	
42	Does modernisation as a planning objective create contradiction in the light of employment generation? Explain.	**4**
43	"Import substitution is a good way of protecting the domestic industry." Justify the statement.	**4**
44	"In order to protect domestic industries, India followed the regime of restrictions on imports." Briefly outline and discuss such steps taken by the government to promote import substitution policy.	**4**
45	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.	**4**
46	Why and how was the private sector regulated under the IPR 1956?	**4**
47	How did the land reform create major development in agriculture?	**6**
48	Why and: how was the private sector regulated under the IPR 1956?	**6**
49	Why was public sector given a leading role in industrial development during the plan period ?	**6**
50	State the salient features of the of the Industrial Policy Resolution 1956.	**6**
51	Why do you think that there was a need to implement land reforms in the agricultural sector? Also state the types of land reforms implemented.	**6**
52	Read the following text carefully and answer the given questions on the basis of the same and common understanding:	**6**

	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 the introduction of the Green Revolution in India arose due to a shortage of food-grains in the post-independent period. The government in 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 Borlung 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. 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. The 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. 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. 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'.	
53	a. Why was the Green Revolution implemented and how did it benefit the farmers? b. Justify the following statement with a valid explanation: 'Green revolution enabled the government to procure sufficient food grains to build its stocks that could be used during the time of shortage'.	**6**
54	'Modernisation does not refer only to the use of new technology but also to changes in the social outlook.' Analyse the above statement with reference to the core ideas that the government aimed to promote in the newly independent India.	**6**
55	Read the passage given below and answer the questions that are followed. In the early 1980s, textile mills all over the country began to close down. In some places, such as Mumbai, the mills closed rapidly. In Ahmedabad, the process of closure was long drawn out and spread over 10 years. Over this period, approximately over 80,000 permanent workers and over 50,000 non-permanent workers lost their jobs and were driven to the informal sector. The city experienced an economic recession and public disturbances, especially communal riots. A whole class of workers was thrown back from the middle class into the informal sector, into poverty. There was widespread alcoholism and suicides, and children were withdrawn from school and sent to work. How did the primary goals listed in the five-year plans aim to deal with the given crisis?	**6**

ANSWER

1	B
2	B
3	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
4	a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
5	Ans:-a) Both Assertion (A) and Reasoning (R) are true and Reason (R) is the correct explanation of Assertion (A).
6	D
7	ABoth A and R are true and R is correct explanation of A
8	C
9	(C) Assertion is true, reason is false.
10	(A) Both Assertion and reason are true and reason is correct explanation of assertion.
11	(A) Both Assertion and reason are true and reason is correct explanation of assertion.
12	(C) Assertion is true, reason is false.
13	b
14	a
15	D
16	D
17	a
18	c
19	a) Karve Or b) 1948
20	B
21	D
22	C
23	B
24	A
25	C
26	A
27	D
28	True. Import restrictions in the form of tariffs & quotas helps in a) Savings of precious foreign exchange by reducing import & Achieving self – reliance by protecting domestic industries from international competition
29	1. (d) All of the above 2. False

	3. (c) Self-sufficient in food grains
30	Modernization refers to adoption of new technology, new methods of production and changes in social outlook. The purpose was to ensure growth and development of the economy through international competition & to bring Indian society out from traditional ideologies. For example – adoptionof HYV seeds, gender employment etc.
31	Yes, I agree with the given statement. Subsidies means that the farmer get inputs at prices lower than the market prices. Indian government has always provided massive subsidies to farmers. Subsidies are essential because: Majority of the farmers are very poor and will not able to afford the required inputs without the subsidies. Subsidies provide them the equality of opportunity to use the inputs as used by rich farmers. Subsidies help to reduce the income inequality gap between rich and poor farmers and help to achieve the ultimate goal of equity. So, the government should continue with agricultural subsidies as farming in India continues to be risky business.
32	Economic growth (in terms of GDP growth) would become a meaningless exercise if the benefits of it accrue to only a handful of people in the society. Benefits of growth must spread across larger sections of the society, so that the distribution of income becomes equitable. 'Equity' (in terms of equitable distribution of income) implies social justice, and economic growth must be combined with social justice. That is why, planning in India, focuses not merely on economic growth, but on 'growth with social justice'.]
33	The given statement is correct; in the early post-independence period the aim of the government's policy was to reduce the dependence on the foreign countries for goods, services, technology and capital. It stressed on the use of domestic resources to avoid foreign interference, as it was feared that the dependence on the imported food supplies, foreign technology and foreign capital may increase foreign interference in the policies of our country. Similarly, the main thrust of the 'Atmanirbhar Bharat' is also to make India an economy that is self-reliant and self-sufficient.
34	•This policy was considered a necessity in order to reduce our dependence on foreign countries, especially for food. •Further, it was feared that dependence on imported food supplies, foreign technology and foreign capital may make India's sovereignty vulnerable to foreign interference in our policies.
35	Capitalist system - This is a system dependent on market forces. Goods are produced based on demand and can be obtained only by those who have purchasing power. Socialist system - Goods and services are provided by the government based on the needs of the society and not on who can purchase them. There is strictly no private property and everything is owned by the state. India follows a mixed economy. The market will produce what it can, and market forces will be in play. But the government will provide what the market fails to do, and to those who cannot afford it.
36	Land ceiling means fixing the maximum size of land which could be owned by an individual, beyond which it would be taken over by the government and would be allotted to landless and small farmers. The purpose of the land ceiling was to reduce the concentration of land ownership in a few hands and promote equity.
37	1-D. profit motive 2. B. Market economy
38	Self – sufficiency refers to reducing dependence on imports of goods which can be produced within the country itself & on foreign aid. Every country wants to be self-reliant because dependence on foreign countries invites foreign interference in domestic policies. It's objectives are :-

	a) Self – sufficiency in food grains. b) Rise in exports. c) Fall in foreign aid and reduced dependence on imports which is possible when there is growth in domestic production. Rise in contribution of industries in GDP.
39	In 1955, the village and small- scale industries committee (Karve committee) recognized the possibility of using small scale industries to promote rural development. I) Small scale industries are more labour intensive, therefore, they generate more employment. After agriculture, small scale industries provide employment to the largest number of people in India. II) Setting up of SSI is location flexible & hence useful in balanced regional development III) SSI can easily be established with local resources & small investment Small scale industries cannot compete with the big industries. They can flourish only when they are protected from the large firms.
40	Policy of import substitution can help in protecting domestic industries in two ways : a) Heavy duty or tariff on imported goods make them more expensive & discourage their use b) Quotas i.e fixing maximum limit on imports of a commodity restricts level of import. As a result domestic firms can expand production & sale.
41	c) The market was big enough to encourage private industrialists for investment. ii protecting domestic industries from international competition. (or any other valid answer) iii.True iv a) Both Assertion (A) and Reason (R) are true.
42	No, modernisation as a planning objective does not create contradiction in the light of employment generation. In fact, both (modernisation and employment generation) as goals of planning are complementary, not contradictory to each other. Note the following observations in this regard: (i) Modernisation (in terms of adoption of new technology) implies increase in productivity. Implying lesser requirement of labour per unit of output. (ii) With increase in productivity, level of production activity and the level of income tend to rise. Rising income implies a rising demand for goods and services. (iii) In order to fulfil the rising demand, the producers plan for higher levels of output. Implying a rise in demand for inputs including labour. Thus, as growth progresses (based on increase in productivity), opportunities of employment tend to rise. Accordingly, a positive correlation between modernisation and employment generation.]
43	Import Substitution is a strategy to save foreign exchange by encouraging domestic production of such goods which the country has been importing from the rest of the world. Domestic industry is offered protection from foreign competition through import restriction and import duties.
44	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 more expensive and discourage their usage. ii. Quota: Quotas specify the quantity of goods that can be imported.
45	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.
46	This policy was used for promoting industry in backward regions. It was easier to obtain a license if the industrial unit was established in an economically backward area. The purpose of this policy was to promote regional equality. The private sector was kept under state control through a system of licenses. • No new industry was allowed unless a license was obtained from the government. • Even an existing industry had to obtain a license for expanding output or for diversifying production (producing a new variety of goods).
47	a) Land reforms were needed to achieve the objective of equity in agriculture. b) Land reforms resulted in abolition of zamindari system & giving ownership of land to the actual tiller of the soil c) It brings a systematic and complete changes to the agrarian structure of the country d) It's other main aim was to abolish the intermediaries of the semi-feudal landlordism system of India e) The land reforms would also prevent any exploitation of the tenant farmers by the hands of the landlords through regulation of rent In this way, land reform create a major development in agriculture.
48	This policy was used for promoting industry in backward regions. It was easier to obtain a license if the industrial unit was established in an economically backward area. The purpose of this policy was to promote regional equality. To regulate the private sector following steps were taken : (i) Industries were classified under IPR 1956 where most of the industries were under Public sector & Joint sector (ii) Industrial licencing policy was introduced where production & expansion of industries would require a prior permission from govt
49	a) Shortage of capital with private sector to undertake investment in industries required for the development of Indian Economy b) Lack of incentive for private sectors to undertake major industrial projects Objective of social welfare could be achieved only through direct participation of the govt in the process of industrialization
50	INDUSTRIAL POLICY RESOLUTION, 1956 (IPR, 1956) Three-fold classification of industries: It is exclusively owned by the state. It consisted of industries in which private sector could supplement the effort of the state sector, with the state taking the sole responsibility for starting new units' enterprises. all private sector enterprises other than category (i) and (ii) Industrial licensing: Industries in private sector could be established only through license from the government. The private sector was kept under state control through a system of licenses. No new industry was allowed unless a license was obtained from the government. An existing industry had to obtain license for expanding output. The basic idea was to encourage industry in backward region and to promote regional equalities. Industrial concessions with a view to promoting industrial establishments in the backward regions. Concessions are tax holiday and subsidized power supply.
51	AGRICULTURAL REFORMS (LAND REFORMS) At the time of independence, the land tenure system was characterised by intermediaries called zamindars, jagirdars, etc. They collected rent from the actual tiller without contributing to improvements on the farm. This demotivated the actual tillers and resulted in low productivity. Due to this reason, there was an urgent need for land reform policy.

	The agricultural sector in India adopted the following types of land-reform strategies: Abolition of intermediaries: Intermediaries (between the state and the actual tiller of the soil) known as Zamindars have been abolished. The ownership rights have been conferred upon those who actually cultivate the soil. Regulation of rent: To put an end to excessive and illegal extorsions from the cultivators, rents have been fixed. Generally these are not to exceed 1/3rd of the value of the crop Consolidation of land holdings: Consolidation is a practice to allot land to the farmer at one place as a replacement for his scattered holdings here and there.it saves the cost of cultivation. Cooperative farming: it is encouraged to enhance bargaining power of the small holders of land. Together they buy inputs at lower price and sell their produce at higher price. Land ceiling: Ceiling on holdings is the maximum size of cultivable land holding that an individual or a family can own. The surplus land has been resumed by the government and redistributed among small land holders or landless labourers
52	a) Green revolution was implemented in India to overcome the shortage of food-grain availability in the post-independence period. Green revolution has increased the production and productivity in the agriculture sector which was otherwise very low. It helped in improving the income of the farmers by creating marketable surplus, increased employment and output. b) The given statement is appropriate as the Green Revolution helped government to procure and preserve more food grains through agencies like Food Corporation of India. Increase in food grain production has been so substantial that India not only started maintaining buffer stocks of food grains but also became a dominant player in food grain exports market.
53	a. Green revolution was implemented in India to overcome the shortage of food-grain availability in the post-independence period. Green revolution has increased the production and productivity in the agriculture sector which was otherwise very low. It helped in improving the income of the farmers by creating a marketable surplus, and increased employment, and output. b. The given statement is appropriate as the Green Revolution helped the government to procure and preserve more food grains through agencies like the Food Corporation of India. The increase in food grain production has been so substantial that India not only started maintaining buffer stocks of food grains but also became a dominant player in the food grain export market.
54	The government wanted to increase the production of goods and services through new methods with the help of technology. But they also, through its various policies, simultaneously ensured that this progress in a socialist economy should be assessed in accordance with the – 1. Equality of opportunities between men and women. 2. Bridging the gap between the haves and have-nots. 3. Availability of basic infrastructural facilities to all. 4. Optimum utilization and distribution of resources.
55	The primary goals of the five-year plans were: • Modernization: encouraging new techniques, methodologies, social outlook, and policies. Example: modernization of informal sector enterprises and provision of social security, measures to informal sector workers. • Self-reliance: avoiding import of goods that could be produced in India itself, optimum utilization of nation's own resources, encouraging indigenous industries. • Equity: encouraging policies revolving around providing food, a decent house, education, and health care so that the inequality in the distribution of wealth could be reduced.

	• Growth: aiming to increase the country's capacity to produce the output of goods and services within the country by either stimulating a larger stock of productive capital, or a larger size of supporting services, etc.

Chapter 3: Liberalisation, Privatisation And Globalisation: An Appraisal

Q. NO	QUESTION	MARKS
1	Assertion (A) Fiscal deficit leads to price spiral. Reason (R) Often, the fiscal deficit is financed by the government by way of borrowing from the RBI. It leads to increase in the supply of money in the economy. Other things remaining constant, higher the supply of money, higher is the price spiral. 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) are is true.	1
2	3. Assertion (A) Disinvestment is a compulsion for the government to tackle budgetary deficit. Reason (R): Disinvestment is not a compulsion for the government to tackle budgetary deficit. The fact of the matter is that the government resorts to disinvestment (selling shares of public enterprises to private entrepreneurs) only when the public sector enterprises are found to be breeding centres of inefficiency and corruption. Of course, once disinvestment is done it helps the government to manage budgetary deficit. 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) are is true.	1
3	Assertion(A): New economic reforms are focussed on acceleration of GDP only, has not generated sufficient employment opportunities indeed jobless growth is an emerging challenge of the Indian economy.	1

	Reason®: Globalisation has increased the influx of foreign investment and foreign technology which emphasis in labour saving technology a) both assertion A and reason R are a true and reason are is the correct explanation of assertion b) both assertion A and reason R are true and reason is not the correct explanation of assertion c) assertion A is true but reason R is false d) assertion A is false but reason R is true	
4	Assertion (A): In India, financial sector is regulated and controlled by the Reserve Bank of India. Reason (R): Prior to liberalisation, tax structure was quite complex and tax rates were quite high. 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	1
5	.Read the following statements-Assertion (A) and Reason (R). Choose one of the correct alternative given below Assertion (A): Trade and investment policy underwent a substantial change in the wake of privatisation Reason (R): There has been a substantial jump in private foreign investment after the adoption of LPG policies. Alternatives: (a) Both Assertion (A) and Reason (R) Assertion (A)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	1
6	Assertion (A): Government decided to develop Navratnas as global players in their respective areas of industrialisation. Reason(R): Navratnas were highly efficient profit making PSUs and were revenue generators for the government 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 explanation of Assertion (A) (c) Assertion (A) is true but Reason (R) is false d) Assertion (A) is false but Reason (R) is true	1
7	Assertion (A): Following liberalisation, reduction in tax rates led to fall in tax evasion. Reason (R): Reduced tax rate paves way for tax compliance and therefore greater tax revenue for government. Alternatives:	1

<table>
<tr><td></td><td>(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</td><td></td></tr>
<tr><td>8</td><td>Assertion (A): New economic reforms paved way for increased consumer sovereignty.
Reason (R):Diverse global markets allowed a wide variety of goods and services to be available to the consumers.
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</td><td>1</td></tr>
<tr><td>9</td><td>Statement 1: The process of globalisation has produced only negative results for India.
Statement 2: Market-driven globalisation enhances the economic disparities among nations and people.
a) Both Statements are true.
b) Both Statements are false.
c) Statement 1 is true but Statement 2 is false
d) Statement 2 is true but Statement 1 is false.</td><td>1</td></tr>
<tr><td>10</td><td>Identify the correct pair from the following
<table><tr><th>Column 1</th><th>Column 2</th></tr><tr><td>A) New economic policy</td><td>i) It was initiated in 1989</td></tr><tr><td>B) Goods and services tax</td><td>ii)It is introduced in 2018</td></tr><tr><td>C) Demonetisation</td><td>iii) it was introduced in 2016</td></tr><tr><td>D) GATT</td><td>iv) It was established in 1950</td></tr></table>Alternative
a) A-i b) B-ii c) C-iii d)D-iv</td><td>1</td></tr>
<tr><td>11</td><td>Consider the following statements relating to Foreign Sector Reforms and mark the correct combination:
1. It falls under the category of Liberalisation.
2. Liberalisation of trade policy was a major reform undertaken.
3. Devaluation of Indian rupee was another major reform.
A.) Only 1
B. Only 1 and 2
C. All of the above
D. None of the above</td><td>1</td></tr>
<tr><td>12</td><td>Read the following statements and choose the correct alternatives:
Statement 1: Devaluation was adopted under fiscal reforms.
Statement-2: Determination of exchange value was left on free play under the reforms of 1991.
A. Both are correct
B. Both are incorrect</td><td>1</td></tr>
</table>

<table>
<tr><td></td><td>C. Statement 1 is correct and statement 2 is incorrect.
D. Statement 1 is incorrect and statement 2 is correct</td><td></td></tr>
<tr><td>13</td><td>Read the following statements given below and choose the correct alternatives:
Assertion: Various reforms called Tax Reforms were introduced by Government in 1991.
Reason: Government needed to reduce tax evasion and raise tax and non tax revenue under 1991 reforms.
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 the correct explanation of Assertion.
C. Assertion is true but Reason is not.
D. Reason is true but Assertion is not true</td><td>1</td></tr>
<tr><td>14</td><td>Read the following statements given below and choose the correct alternatives:
Assertion: Globalisation led to the jobless growth in India.
Reason: Disinvestment policy is ineffective and a negative effect of economic reforms.
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 the correct explanation of Assertion.
C. Assertion is true but Reason is not.
D. Reason is true but Assertion is not true</td><td>1</td></tr>
<tr><td>15</td><td>Match the following items given in column A with those in column B.
<table><tr><td>Column A</td><td>Column B</td></tr><tr><td>1. Abolition of industrial licensing</td><td>A. Financial sector reforms</td></tr><tr><td>2. Reduction in taxes</td><td>B.Foreign Exchange Reforms</td></tr><tr><td>3. Establishment of private sector banks</td><td>Tax reforms</td></tr><tr><td>4.Devaluation of Rupee</td><td>Industrial sector reforms</td></tr></table></td><td>1</td></tr>
<tr><td>16</td><td>Read the following statements given below and choose the correct alternatives:
Assertion: To overcome the economic crisis and accelerate the growth rate of the Indian economy, the New Economic Policy was adopted by the govt. In July 1991 with elements of Liberalisation, Privatisation, and Globalisation.
Reason: In 1991India met with an economic crisis relating to external de bt.The government was not able to make repayments on its borrowings from abroad. Foreign exchange reserves dropped to levels that were not sufficient for even a fortnight.
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 the correct explanation of Assertion.
C. Assertion is true but Reason is not.
Reason is true but Assertion is not true</td><td>1</td></tr>
<tr><td>17</td><td>Read the following statements given below and choose the correct alternatives:
Assertion: The objective of the goods and services tax is to reduce tax evasion and create one nation, one tax, and one market in India.</td><td>1</td></tr>
</table>

	Reason: The parliament passed a law, the goods and services tax act 2016 to simplify and introduce a unified direct tax system in India. 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 the correct explanation of Assertion. C.Assertion is true but Reason is not. D.Reason is true but Assertion is not true	
18	Read the following statements given below and choose the correct alternatives: Assertion: In order to manage the crisis, India approached the IMF and World Bank which granted $7 Billion as a loan. Reason: Foreign exchange reserves declined to its lowest level with a reluctance from other countries to lend to India. B. 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 the correct explanation of Assertion. C.Assertion is true but Reason is not. D.Reason is true but Assertion is not true	1
19	Read the following statements 1 and 2 and choose the correct alternatives: Statement 1: Under economic reforms of privatization, the business and production units were given freedom to import capital goods to upgrade their technology. Statement 2: Under economic reforms of liberalization, the need for licensing was abolished. (A) Both statements are true. (B) Both statements are false. (C) Only statement 1 is true. (D) Only statement 2 is true.	1
20	Read the following statements – Assertion (A) and Reason (R). Choose one of the correct alternatives given below: Assertion (A): Every year government fixes a target for disinvestment of Public Sector Enterprises (PSEs). Reason (R): Disinvestment is an excellent tool for discarding the loss incurring Public Sector Enterprises (PSEs). 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.	1
21	What is the aim of demonetization?	1
22	GST Council is a, what type of body? a) Constitutional body b) Autonomous body c) Federation body d) State body	1

23	Liberalization of the economy under the new economic policy (NEP) changed the role of RBI in the economy (A) From a 'regulator 'to a 'facilitator' of the financial sector (B) From a 'controller' to a 'manager' of the government debt (C) Both (A) and (B) (D) None of these	1
24	ASSERTION AND REASON (A) Assertion - Under the financial sector reforms financial sector was allowed to take decisions on after consulting RBI (R) Reason - The role of RBI was reduced from regulator to facilitator of financial sector ALTERNATIVE:- (a) Both the Assertion and Reason are true and Reason is the correct explanation of Assertion (b) Both Assertion and Reason are true but Reason is not the correct explanation of Assertion (c) Assertion is true but Reason is false (d) Assertion is false but Reason is true	1
25	Assertion (A). Indian economy has become a more vibrant economy. Reason (R): Overall level of economic activity has trended up as indicated by GDP growth .Post LPG policies, the growth of GDP shot up to as high as 8 per cent per annum a. Both Assertion (A) and Reason(R) are true, and Reason (R) is the correct explanation ofAssertion (A). b. Both Assertion (A) and Reason(R) are true, and Reason(R) is not the correct explanationof Assertion (A). c. Assertion (A) is true, but Reason (R) is false. d. Assertion (A) is false but Reason(R) are true.	1
26	How does increase in fiscal deficit creates the requirement of economic reforms?	1
27	Assertion (A): Government decided to develop Navratnas as global players in their respective areas of industrialisation. Reason(R): Navratnas were highly efficient profit making PSUs and were revenue generators for the government 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 explanation of Assertion (A) (c) Assertion (A) is true but Reason (R) is false d) Assertion (A) is false but Reason (R) is true	1
28	In the late 1980s, government expenditure began to exceed its revenue by such large borrowings became unsustainable. Prices of to pay margins that meeting the expenditure through many essential goods rose sharply. Imports grew at a very high rate without matching growth of exports. Foreign exchange reserves declined to a level that was not adequate to finance imports for more than two	1

	weeks. There was also not sufficient foreign exchange the interest that needs to be paid to international lenders. Also no country or international funder was willing to lend to India. India approached the World Bank and the International Monetary Fund (IMF) and received $7 billion as loan to manage the crisis. India agreed to the conditionality of World Bank and IMF and announced the New Economic Policy (NEP). This new set of policy measures changed the direction of our development strategies. 01)Which of the given reason is incorrect with regard to the introduction of economic reforms in 1991 in India? (a) a high level of fiscal deficit (b) inflationary pressures (c) persistent level of unemployment and poverty (d) Depletion of the foreign exchange reserves	
29	A system of hiring business services from the outside world is called a. FDI b. FII c. Outsourcing d. Trade agreement	1
30	Read following statements carefully and choose the correct option: 1. GST came into effect from 1st July 2017 in India. 2. The burden of indirect taxes cannot be shifted to the consumers. Choose the correct option: a. Only 1 is true b. Only 2 is true c. Both 1 and 2 are correct d. Neither 1 nor 2 is correct	1
31	'Globalization is the outcome of liberalisation and privatisation strategies.' Explain.	3
32	Explain the adverse impacts of economic reforms on social justice and welfare in India .	3
33	Mention three reasons for the public sector undertakings were sold off to the private sector after 1991.	3
34	'Amaazon.com, a vast internet based enterprise has been outsourcing to various customer support companies in India to accommodate more local and international buyers and sellers.' In light of the above statement, how has the process of globalisation impacted the Indian economy?	3
35	Economic policy of 1991 stressed on removing unnecessary restrictions and creating a more competitive environment to increase the interaction with the world economy.Which values in your opinion have been realised as per new economic policy?	3

36	Various fiscal reforms were initiated in the new economic policy of 1991. One fiscal measure taken was to reduce taxes. How in your viewsis it justifiable?	3
37	Define privatization. Mention the ways by which a government company is converted in to private company.	3
38	Define liberalization. Why liberalization was introduced in India?	3
39	Why India is a preferred destination for outsourcing?	3
40	What is meant by liberalisation? Mention any three steps taken by India in this direction.	4
41	Explain four positive impacts of New economic policy 1991	4
42	Explain briefly the reforms in the financial sector and reforms in the foreign trade sector under liberalisation policy.	4
43	The picture below depicts one of the outcomes of globalisation in Indian economy.  Why did multinational corporations choose India for this process in post-reform period?	4
44	Read the following passage and answer the following questions on the basis of the same: The opening up of the economy has led to rapid increase in foreign direct investment and foreign exchange reserves. The foreign investment, which includes foreign direct investment(FDI) and foreign institutional investment(FII), has increased from about US $ 100 million in 1990-91 to US $ 467 billion in 2012-13. There has been an increase in the foreign exchange reserves from about US $ 6 billion in 1990-91 to about US $ 304 billion in 2013-14. India is one of the largest foreign exchange reserve holders in the world. India is seen as a successful exporter of auto parts, engineering goods, IT software and textiles in the reform period. Rising prices have also been kept under control. On the other hand, the reform process has been widely criticised for not being able to address some of the basic problems facing our economy especially in the areas of employment, agriculture, industry, infrastructure development and fiscal management. 1. Foreign Investment includes:(1) A. Foreign Direct Investment. B. Foreign Institutional Investment. C. Both of the above D. None of the above. 2. Foreign exchange reserves of India in post-reform period:(1) A. Increased B. Decreased C. Remained constant D. None of the above Why was the reform(2) process criticised?	4
45	Read the following passage and answer the following questions on the basis of the same:	4

	Foreign Portfolio Investors(FPIs) have stepped up purchase of Indian stocks in the past six trading sessions following a meeting between Prime Minister Narendra Modi and top overseas funds on November 5. These investors have pumped in close to Rs. 30200 cr. since the meeting - where the govt. Showcased recent reforms-as againstRs.21826 cr. In the whole of October. In November so far , FPIs have invested Rs. 32777 cr. In domestic stocks, driving the Sensex and Nifty to record highs recently. "Lot of investors appreciated the reforms undertaken in agriculture and labour markets and appreciated the opportunities India offered." said a govt. Official. Modi told the fund managers in the interaction that he is open to any feedback the investors may have according to the official. Modi's pitch to global investors comes amidst loose monetary policy followed by global central banks that has led to a chunk of that liquidity entering emerging markets. 1. Reforms undertaken in agriculture and …….(industry/labour) markets have promoted foreign investments. 2. Inflow of liquidity in emerging markets is due to ……..(strict/loose) monetary policy. 3. Financial sector includes: A. Investment Banks B. Stock Exchange operations C. Foreign Exchange Markets D. All of these 4. Foreign Institutional Investors are: A. Merchant bankers B. Mutual Funds C. Pension Funds D. All of these	
46	Critically examine the consequences of implementing GST in India.	4
47	In the late 1980s, government expenditure began to exceed its revenue by such large borrowings became unsustainable. Prices of to pay margins that meeting the expenditure through many essential goods rose sharply. Imports grew at a very high rate without matching growth of exports. Foreign exchange reserves declined to a level that was not adequate to finance imports for more than two weeks. There was also not sufficient foreign exchange the interest that needs to be paid to international lenders. Also no country or international funder was willing to lend to India. India approached the World Bank and the International Monetary Fund (IMF) and received $7 billion as loan to manage the crisis. India agreed to the conditionalities of World Bank and IMF and announced the New Economic Policy (NEP). This new set of policy measures changed the direction of our development strategies. 01)Which of the given reason is incorrect with regard to the introduction of economic reforms in 1991 in India? (a) a high level of fiscal deficit (b) inflationary pressures (c) persistent level of unemployment and poverty	4

	(d) Depletion of the foreign exchange reserves 02)The new economic policy of 1991 in context of Indian economy implies (a) liberating trade and industry from controls and restrictions (b) greater role of private sector in the functioning of an economy (c) shifting from closed economy to an open economy model (d) All of the above 03)The other name of World Bank is ..... (a) Integrated Bank for Reconstruction and Development (IBRD) (b) International Bank for Resource and Development (IBRD) (c) International Bank for Reconstruction and Development (IBRD) (d) Integrated Bank for Resource and Development (IBRD) 04) IMF and World Bank granted $7 billion loan to India with a major restriction to follow a closed economy model. The given statement is (a) True (b) False (c) Partially true (d) Can't say, there were no such conditionalities Ans. a) True	
48	Explain the liberalization measures undertaken in the industrial sector of India in the post reform period.	4
49	  Interpret the above picture and given extract in terms of its role in the Indian economy. The central government has upgraded petroleum sector central public sector enterprise (CPSE) Oil India Ltd (OIL) to Maharatna, taking the number of Maharatnasto13. The move will impart enhanced powers to the OIL Board while taking financial decisions. OIL has annual turnover of Rs 41,039 crores and net profit of Rs 9,854 crores. India now has 13 Maharatna,14 Navratna and 74 Miniratna CPSEs. --The Economic Times -3 august 2023 i) Identify the image. With reference to the image choose the correct option: a) Public sector enterprises b) Maharatna companies c) both a) & b) d) neither a) nor b) ii) What status was granted to public sector enterprises to improve their efficiency? a) Maharatna	6

	b) Navratna c) Miniratna d) all of these iii) Do you think the navratna policy of the government helps in improving the performance of PSEs in India? iv) Some PSUs have been granted special status as navratnas and miniratnas by the Government. Why did the government declare them as navratnas?	
50	Case-Study Based Questions Read the following case study carefully and answer the questions with the below reference context: India, acclaimed for its technical expertise and an undying spirit of innovation, has emerged as a leader for global ecommerce giants aspiring to optimise, innovate, and ascend to greater heights. Be it intricate backend processes, cutting-edge data analytics, or AI-fuelled insights to enhance customer interactions, India's BPO sector is a true testament to capability and finesse. But ecommerce goes beyond just online transactions. It encompasses the crafting of an immersive user journey. As businesses lean into AI, VR, and myriad emerging technologies to redefine online retail, India's formidable IT talent repository stands as an essential ally. Yet, it's not solely about the tech. India's vast contingent of English-proficient professionals, enriched by a deep-seated grasp of global consumer behaviour, renders the nation uniquely equipped to deliver both backend efficacy and front-end consumer delight.--- Deccan Chronicle, 27 Aug 2023. Questions: i) Name any two services outsourced from India ii) Why outsourcing is good for India? iii) Mention advantages which make India a favourite outsourcing destination. iv) Statement 1: Outsourcing is an offshoot of globalisation. Statement 2: FDI leads to economic colonialism a) Both Statements are true. b) Both Statements are false c) Statement 1 is true but Statement 2 is false. d) Statement 2 is true but Statement 1 is false v) Statement 1: India is often called as the outsourcing hub of the world Statement 2: Availability of skilled manpower is one of the prime factors responsible for the status gained by India at the international platform	6

	a) Both Statements are true. b) Both Statements are false c) Statement 1 is true but Statement 2 is false. d) Statement 2 is true but Statement 1 is false.	
51	Explain any four negative impacts of liberalisation and globalisation.	6
52	In his July 1991 Budget speech, marked by remarkable clarity, Dr Manmohan Singh laid out his analysis of what was ailing the Indian economy at the time, and his strategy to revive it. His argument was that protection and state-supported industrialisation had outlived their utility. The protection granted to industry had made it uncompetitive in the global market. This had hurt export growth, contributing to the Balance of Payments crisis of 1991. The way out, as Dr Singh saw it, was to open up the Indian economy so that Indian manufacturers could compete with global players in local conditions. Once they succeeded in the domestic market they would be able to find a place in the global market as well. India would then move from being, primarily, an exporter of agricultural products to one that had a global presence in industrial products as well. Questions: 1. Economic reforms have (Increased /reduced) the role of public sector. 2. When was New Economic policy brought in India? Which are three main components of this new policy? 3. What was Economic reforms needed in Indian economy and write some advantage of this policy? (1+2+4)	6
53	Owing to globalisation, you might find many Indian companies have expanded their wings to many other countries. For example, ONGC Videsh, a subsidiary of the Indian public sector enterprise, Oil and Natural Gas Corporation engaged in oil and gas exploration and production has projects in 16 countries. Tata Steel, a private company established in 1907, is one of the top ten global steel companies in the world which have operations in 26 countries and sell its products in 50 countries. It employs nearly 50,000 persons in other countries. HCL Technologies, one of the top five IT companies in India has offices in 31 countries and employs about 15,000 persons abroad. Dr Reddy's Laboratories, initially was a small company supplying pharmaceutical goods to big Indian companies, today has manufacturing plants and research centres across the world. Questions:(3+3) Q.1. Define Globalization ? Which is the most important outcome of the process of Globalization ? What type of services are generally outsourced? Q.4. Write some positive arguments about globalisation.	6
54	Read the given excerpt and answer questions. (03+03) The economic liberalisation in India refers to the opening of the country's economy to the world with the goal of making the economy more market and service-oriented and expanding the role of private and foreign investment. Indian economic liberalisation was part of a general pattern of economic liberalisation occurring across the world in the late 20th century. Although	6

	some attempts at liberalisation were made in 1966 and the early 1980s, a more thorough liberalisation was initiated in 1991. The reform was prompted by a balance of payments crisis that had led to a severe recession and also as per structural adjustment programs for taking loans from IMF and World Bank. Through reform, India overcame its worst economic crisis in the remarkably short period of two years. Specific changes included reducing import tariffs, deregulating markets, and reducing taxes, which led to an increase in foreign investment and high economic growth in the 1990s and 2000s. From 1992 to 2005, foreign investment increased 316.9%, and India's gross domestic product (GDP) grew from $266 billion in 1991 to $2.3 trillion in 2018 According to one study, wages rose on the whole, as well as wages as the labor-to-capital relative share. As an effect of the liberalisation in 1991, Poverty reduced from 36 percent in 1993-94 to 24.1 percent in 1999-00. India also increasingly integrated its economy with the global economy. The ratio of total exports of goods and services to GDP in India approximately doubled from 7.3 percent in 1990 to 14 percent in 2000. This rise was less dramatic on the import side but was significant, from 9.9 percent in 1990 to 16.6 percent in 2000. Within 10 years, the ratio of total goods and services trade to GDP rose from 17.2 percent to 30.6 percent. Liberalisation policies of Indian government have been criticised for increasing inequality and concentration of wealth. The reforms have also been criticised for worsening rural living standards and unemployment and increasing farmer suicides. (Source: Wikipedia) a) State the meaning of liberalisation and what steps were taken to liberalized Indian economy? b) Justify the following statement with valid explanation: "liberalisation enabled sufficient economic development opportunities and world's fastest growing economy".	
55	Why was New Economic Policy introduced in India in the year 1991?	6
56	"We have everything by globalization, we have noting by globalization". Explain	6
57	Explain the merits and demerits of Privatization in India.	6

ANSWER

1	A
2	D
3	A
4	B
5	D
6	A
7	A
8	A
9	D
10	C
11	C.)All of the above
12	D.Statement 1 is incorrect and Statement 2 is correct.
13	Both assertion and reason are true and reason is the correct explanation of assertion.
14	D.Reason is true but Assertion is not true
15	1...--…D 2.…….C 3.…….A 4.…….B
16	Both assertion and reason are true and reason is the correct explanation of assertion.
17	C.Assertion is true but Reason is false
18	A.Both assertion and reason are true and reason is the correct explanation of assertion
19	(D) Only statement 2 is true.
20	(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
21	The aim is to stop the circulation of black money in the market. To help in reducing the interest rates of prevalent banking system. To help in creation of cashless economy.
22	Constitutional Body
23	(A) from a ‘regulator’ to a ‘facilitator’ of the financial sector
24	(d) Assertion is false but reason is true.

25	a. Both Assertion (A) and Reason(R) are true, and Reason (R) is the correct explanation ofAssertion (A).
26	Due to increasing fiscal deficit the interest paid by the Govt. for the borrowings become 36.4% of the Govt. expenditure. So economic reforms become essential for the Government.
27	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of assertion (A)
28	c) persistent level of unemployment and poverty
29	c. Outsourcing
30	A. Only 1 is true
31	Globalisation refers to the growing interdependence of countries worldwide through the increasing volume and variety of cross border transactions in goods and services and also through the more rapid widespread diffusion of technology. Globalization is the outcome of the policies of liberalization and privatization. One of the most important outcomes of the globalization process is the outsourcing of services. Globalization is an opportunity in terms of greater access to global markets, high technology and increased possibility for the large industries of developing countries to become international players. Skilled labour with cheaper rates of India's population is a big factor in making it a source of outsourcing. India has invested heavily in technical education and can provide a ready supply of bright people at relatively low cost.
32	New economic reforms 1991 in India introduced against the background of deep-rooted inequalities: ● Increase in inequality of income: This policy resulted more in the increase of the income and quality of consumption of the high-income groups. ● Variation in sector-growth: The growth mainly concentrated on certain selected areas in the service sectors like telecommunications IT finance entertainment travel etc. This has taken place at the cost of the vital sectors of the economy like agriculture and industry which is an important source of livelihood to the majority of people in our country. Thus, it would be correct to state that the reforms have compromised the welfare of the people. This has proven just contrary to the goal of equity.
33	Reasons for the public sector understandings were sold off to the private sector: ● the purpose was mainly to improve financial discipline and facilitate modernization ● it was also envisaged that private capital and managerial capabilities could be effectively utilised to improve the performance of the PSUs. ● The government envisaged that privatisation could provide strong impetus to the inflow of FDI
34	1. It generates more employment and job opportunities. 2. It raises the overall GDP of the country.

	It leads to formalisation of the employment sector.
35	Answer: 1. Liberalisation aims at liberating the trade and industry from unwanted restrictions and provides greater autonomy to investment enhancing spirit of competitiveness and open mindedness. 2. Privatization aims at introduction of private ownership in publicly owned and managed enterprises and thus promotes efficiency of the private sector. Globalisation aims at opening up the economy to the world market and thus motivating the developing economy like India to face the challenge of international discipline.
36	Before 1991, both direct and Indirect taxes were high . According to new economic policy of 1991, taxes were reduced to A. Discourage tax evasion. B. Provide incentive to honest tax payers Inculcate good values among the tax payers to cooperate with the govt. In meeting its public expenditure.
37	· Privatization implies shedding of ownership or management of a government owned enterprise Privatization is possible by three ways · By withdrawal of the government from ownership and management of public sector companies. and or · Selling off part of equity of PSEs to the public (Disinvestment) . and or · By outright sale of public sector companies
38	Liberalization is the lessening of government regulations and restrictions in an economy in exchange for greater participation by private entities. Liberalization was introduced in Indian economy due to the following reasons. · Most of the economic reforms were forced upon India as a part of the IMF bailout. · A Balance of Payments crisis in 1991 pushed the country to near bankruptcy. · In return for an IMF bailout, gold was transferred to London as collateral, the rupee devalued and economic reforms were forced upon India.
39	India is the best destination of outsourcing due to the following reasons: ✓ In India the outsourcing services (manpower) are available at a cheaper cost with reasonable degree of skill and accuracy. ✓ With India, you will not face any language or communication barriers as India is one of the largest English speaking nations in the world. Indian people are fluent in the English language and it encourages outsourcers to choose India as their outsourcing destination ✓ .Indians are computer/technology savvy ✓ Favourable government policies, fast-developing infrastructure and an immensely talented workforce. ✓ India is fully capable to handle complex turnkey projects effortlessly utilizing its skilled resources and state-of-the-art technology.
40	Liberalisation refers to the freedom of the economy from the direct controls imposed by the government. Steps: i) De-licensing of industries' new economic policy abolished the system of industrial licensing except for those industries which were of strategic concern. ii) Amendment of MRTP Act: The government removed the restrictions monopolies and restrictive trade practices act

	iii) Tariff and non-tariff barriers such as quantitative restrictions to trade were removed under liberalisation in trade and investment iv) Liberalisation in the financial sector led to reduced tax rates and more freedom to financial institution in their lending and deposit policies
41	Positive impacts of new economic reform 1991: ● Vibrant economy: overall level of economic activity has trended up as indicated by GDP growth. Post LPG policies the growth of GDP increased from 5.6% during 1980-91 to 8.2% during 2007-12 ● stimulant to industrial production: It is owing to these policies that IT industry in India has achieved global recognition ● increase in foreign exchange reserve: forex reserves of the country have now reached a comfortable level. While in 1990- 91 the forex was US $6 billion, in 2018-19 these reserves increased to US dollar 413 billion while at the end of December 2021 these rose to US $633.614 billion. Good amount of forex reserve enhances economic confidence of the global investors in the Indian markets ● Check on fiscal deficit: mounting fiscal deficit has been a serious threat to the process of investment in the Indian economy. From as high as 8.5% of GDP has been brought down to around 3.5% of GDP
42	● Main reforms in the financial sector were i) A reduced control of RBI and commercial banks be statutory deputy ratio and cash reserve ratio reduced see free determination of interest rate by the market forces of demand and supply ii) foreign investment limit in banks increased ● Main reforms in the foreign trade sector were: i) Dismantling of quantitative restriction on imports and exports ii) reduction of tariff rates iii) removal of licensing procedures from imports
43	They can avail at a cheaper cost with reasonable degree of skill and accuracy. The low wage rates and availability of skilled manpower in India have made it a destination for global outsourcing in the post-reform period.
44	1.C) Both of the above 2. A) Increased the reform process has been widely criticised for not being able to address some ofthe basic problems facing our economy esepecially in the areas of employment, agriculture, industry, infrastructure development and fiscal management.
45	1. Labour 2. Loose 3. All of these 4. All of these
46	The implementation of GST has both advantages and disadvantages in Indian economy. Advantages /Benefits of GST · Wider tax base , necessary for lowering the tax rates and eliminating classification disputes

	· Elimination of multiplicity of taxes and their cascading effects · Rationalization of tax structure and simplification of compliance procedures · Eliminates the multiplicity of taxation Disadvantages/demerits of GST · Businesses are required to register for GST in each state they operate in · New start-ups or small businesses who lack knowledge of GST may require hiring professionals for managing their taxes · Luxury items to get costly · Right after implementation of demonetization bill and now GST bill India's economy will take approximately 1-2 years to become stable
47	01)- c) Persistent level of unemployment and Poverty 02)-D) All of these 03)-. International Bank for Reconstruction and Development (IBRD) 04) - a) True
48	Answer: Industrial sector reforms · Industrial licensing was abolished for all projects except in 18 industries. (Alcohol, cigarettes, drugs & pharmaceuticals, hazardous chemicals, industrial explosives , electronics , aerospace etc.) · Areas reserved for the public sector were narrowed down and greater participation by private sector was permitted in core and basic industries. The new policy reduced the number of areas reserved from 17 to 8. These eight are mainly those involving strategic and security concerns. (Example, railways, atomic energy generation, defence equipments etc.) · The policy encouraged disinvestment of government holdings of equity share capital of public sector enterprises. · The public sector units were provided greater autonomy and professional management
49	i) C ii) D iii) Navratan policy of the government helps in improving the performance of PSU in India. In the liberalised global environments, the government gave greater managerial and operational autonomy in taking various important decisions to run the company efficiently and thus enhance their profits. At present India has 13 Maharatna,14 Navratna and 74MiniratnaCPSEs. iv. To improve efficiency, infuse professionalism and enable PSEs to compete more effectively in the liberalised global environment and the government declared 9 PSUs as navratnas in 1996
50	i. a) Voice based business processes like call centres, b) record keeping ii. Outsourcing is good for India as it provides employment to large number of unemployed Indians. iii. India has become a favourite outsourcing destination because in India, work can be performed at a cheaper cost with reasonable degree of skill and accuracy.

	iv)a v)a
51	The new economic reforms have been criticised on various grounds: ● Acute Inequality: A Biggest consequence is acute inequality. the new reforms 1991 have increased the income of only high-income groups and the poor have been left out of the benefits of the reforms. ● Variation in economic growth: It is among the Indian States and between the States and between the rural and urban areas. The growth has been concentrated only in some selected areas in the service sector such as telecommunication, travel, hospitality services etc. ● Jobless growth: Globalisation which brought about free movement of goods and services from rest of the world has had an adverse effect on the domestic industries and thereby employment opportunities. Job creation in the urban technology sector does little to create economic gains for India's rural poor which marks as jobless growth ● Decline in agricultural growth: This sector has suffered a serious neglect and its growth rate has slipped to a miserably low level due to lack public investment esp. in infrastructure, withdrawal of subsidies, cut in import duties, shift in cropping pattern ● Adverse situation for small farmers this reform forced the small farmers to compete in a global market where prices of agricultural goods have fallen. reduction of government subsidies has made farming more expensive ● Inadequate public investments in infrastructure: Rural areas are unable to invite massive private participation in its development due to lack of investment in roads and irrigation. Any four
52	Answer: 1. Reduced 2. In July 1991. Three components- Liberalisation, Privatization,Globalisation 3. Need: 1. Protection and state-supported industrialisation had outlived their utility. 2. The protection granted to industry had made it uncompetitive in the global market. 3.This had hurt export growth, contributing to the Balance of Payments crisis of 1991 Advantages: 1. To open up the Indian economy so that Indian manufacturers could compete with global players in local conditions. 2. India would then move from being, primarily, an exporter of agricultural products to one that had a global presence in industrial products as well.
53	Answer: 1.Globalisation refers to the integration of domestic economy with the global world. The most important outcome of the process of globalisation is outsourcing,greater access to global markets and access to advanced technology. Generally outsourced services are customer service,It management,accounting etc. 3. Some positive arguments about globalisation: A. Access to global markets. B. The spread of innovation and technology C. Lower cost of production. D. Exchange of culture etc.
54	Answer:

	1. It refers to the opening of the country's economy to the world with the goal of making the economy more market and service-oriented and expanding the role of private and foreign investment. Some of the steps taken for liberalisation are: A. reducing import tariffs B. deregulating markets C. reducing taxes etc. 2. 1. From 1992 to 2005, foreign investment increased 316.9%, and India's gross domestic product (GDP) grew from $266 billion in 1991 to $2.3 trillion in 2018 2. Poverty reduced from 36 percent in 1993-94 to 24.1 percent in 1999-00. 3. The ratio of total exports of goods and services to GDP in India approximately doubled from 7.3 percent in 1990 to 14 percent in 2000. Within 10 years, the ratio of total goods and services trade to GDP rose from 17.2 percent to 30.6 percent.
55	In the middle of 1991, need for major economic reforms were felt in the country. These were urgently needed to bring U-turn in the economy. It was mainly due to following reasons : · Excessive fiscal deficit: In our planned economic development, anticipated expenditure was always in excess of anticipated receipts resulting into fiscal deficit. It increased to 8.5% of GDP in 1991 as against 5% in 1981-82 · Balance of payment deficit: Deficit in balance of payment means when foreign payments are in excess of foreign receipts. In India, it mounted from Rs.2214 crores in 1980-81 to Rs.17367 crores in 1990- 91. · Rise in prices: After 1960-61, prices of all commodities continued to rise. The situation became serious when the rate of inflation arose from 6.7% to 16.7%. · Reduction in foreign exchange reserves: At one time, during 1990-91, foreign exchange reserves fell to a lower level of Rs. 2400 crores, which was just enough for the payments of three weeks imports. The crisis was so serious that government had to mortgage gold reserves with other countries to pay off interest and foreign debts. · Poor performance of public sector: Government of India expanded public sector in a j huge way during 1951-1991, but their return was negligible. So, it was the need of the hour to shift it to the private sector instead of public sector. India approached the International Bank for reconstruction and Development (IBRD), popularly known as World Bank and the International Monetary Fund (IMF), and received $7 billion as loan to manage the crisis. For availing the loan, these international agencies expected India to liberalise and open up the economy by removing restrictions on the private sector, reduce the role of the government in many areas and remove trade restrictions between India and other countries. India agreed to the conditionalities of World Bank and IMF and announced the New Economic Policy (NEP) in the year 1991.
56	There is sparkling prosperity, there is stinking poverty. “We have dazzling five star hotels side by side with darkened ill-starred hovels”. We have everything by globalization, we have noting by globalization. These critics imply that we have achieved many things by globalization and we have also lost many things due to globalization. Let’s discuss these. Achievements: · The opening of the economy has led to a rapid increase in foreign direct investment and foreign exchange reserves.

	· The foreign investment, which includes foreign direct investment (FDI) and foreign institutional investment (FII), has increased from about US $100 million in 1990-91 to US $ 30 billion in 2017- 18. · There has been an increase in the foreign exchange reserves from about US $ 6 billion in 1990- 91 to about US $ 413 billion in 2018-19. · India is one of the largest foreign exchange reserve holders in the world. India is seen as a successful exporter of auto parts, engineering goods, IT software and textiles in the reform period. · Rising prices have also been kept under control. Losses: • Loss of Domestic industries: - as a result of Globalization foreign competition has increased in India. Because of better quality and low cost of foreign goods, many Indian industrial units have failed to face competition and have been closed. • Problem of Unemployment: - as a result of globalization foreign companies or even some Indian companies use capital intensive technology. With the increasing use of capital intensive technology the employment opportunities are reduced and increase the problem of unemployment in Indian economy. • Exploitation of Labour: - Globalization is exploiting unskilled workers by giving lower wages, less job security long working hours and worse working condition. • Increase in Inequalities: - globalization has benefited MNCs and big industrial units but small and cottage industries are adversely hit by it. It has increased inequalities in India.
57	Positive Impacts • State owned enterprises usually are outdone by the private enterprises competitively. When compared the latter show better results in terms of revenues and efficiency and productivity. Hence, privatization can provide the necessary impetus to the underperforming PSUs. • Privatization has a positive impact on the financial health of the sector which was previously state dominated by way of reducing the deficits and debts • Privatized enterprises provide better and prompt services to the customers and help in improving the overall infrastructure of the country. Negative Impacts • Private sector focuses more on profit maximization and less on social objectives unlike public sector that initiates socially viable adjustments in case of emergencies and criticalities • Privatization loses the mission with which the enterprise was established and profit maximization agenda encourages malpractices like production of lower quality products, elevating the hidden indirect costs, price escalation etc. • Privatization results in high employee turnover and a lot of investment is required to train the lesser-qualified staff and even making the existing manpower of PSU abreast with the latest business practices

Chapter 4: Human Capital Formation In India

Q. NO	QUESTION	MARKS
1	Read the following statements - Assertion (A) and Reason (R): Assertion (A) –Expenditure on migration is a source of human capital formation. Reason(R) –Migration to other countries involves cost of transportation from one place to another and higher cost of living in the migrated places. From the given alternatives choose the correct one: Alternatives:	1

	a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation ofAssertion (A). b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanationof Assertion (A). c) Assertion (A) is true but Reason (R) is false. d) Assertion (A) is false but Reason (R) is true.	
2	Read the following statements - Assertion (A) and Reason (R): Assertion (A) – There is no depreciation of human capital like physical capital. Reason(R) – Investment is required to maintain efficiency of human capital. From the given alternatives choose the correct one: Alternatives: a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation ofAssertion (A). b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanationof Assertion (A). c) Assertion (A) is true but Reason (R) is false. d) Assertion (A) is false but Reason (R) is true.	1
3	Read the following statements - Assertion (A) and Reason (R): Assertion (A) – Education contributes to economic growth. Reason(R) - Education confers higher earning capacity on people. From the given alternatives choose the correct one: Alternatives: a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation ofAssertion (A). b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanationof Assertion (A). c) Assertion (A) is true but Reason (R) is false. d) Assertion (A) is false but Reason (R) is true.	1
4	Read the following statements - Assertion (A) and Reason (R): Assertion (A) – Spread of education is necessary to control the population growth rate. Reason(R) –Modernisation, gender equality and social awareness has deep impact on the mind set of people. From the given alternatives choose the correct one: Alternatives: a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation ofAssertion (A). b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanationof Assertion (A). c) Assertion (A) is true but Reason (R) is false. d) Assertion (A) is false but Reason (R) is true.	1
5	The improvement in skills and knowledge of employees through on-the-job training programs is an example of: (a)Continuous professional development (b) Inclusive economic growth (c) Fiscal policy reforms (d) Technological unemployment	1
6	Before introducing new technology, a firm provides the basic skills to the workers regarding its usage.This is which source of human capital formation? (a)Study programs for adults (b) On the job training	1

	(c) Expenditure on information (d) Investment in education	
7	The quality of education plays a pivotal role in human capital formation. What is the likely consequence of inadequate access to quality education? (a)Increased technological advancements and innovations (b) Improved labour productivity due to skill development (c) Reduced ability to adopt to changing market demand (d) increased dependency on foreign investment	1
8	The government of India has introduced policies to encourage entrepreneurship and innovation. What is a likely benefit of an entrepreneurial culture? (a)Reduced competition and monopoly formation (b) Deceased risk-taking behaviour among individuals (c) Increased job opportunities and skill diversification (d) Slower economic growth due to reduced stability.	1
9	Human capital and human development are: (a)Both mean the same (b) Both are opposite concepts (c) Both are different concepts (d) Both are related but not identical	1
10	Gender equality is essential for holistic human capital formation. What effect does gender equality have on human capital formation? (a)It has no significant impact on human capital formation\ (b)It leads to more diverse and skilled workforce (c) It primarily benefits male workers, neglecting female workers (d) It leads to increased competition and decreased workforce collaboration	1
11	Which of the following in Not a health indicator to assess the progress of human capital formation in a country? a) Crude Death Rate b) Life expectancy c) Infant mortality rate d) Literacy rate	1
12	Which cost is involved in Migration? a) Transportation cost b) Higher Living cost in migrated place c) Both a and b d) None of these	1
13	Who amongst the following has received the greatest investment in human capital formation? a) A nurse in a clinic who is frequently absent because of his ill health. b) A 12-year-old who helps her mother with construction work c) A 10th-pass girl who works as a store manager in a mall d) A computer science graduate who works at a call centre.	1

14	Which of the following is the CORRECT difference between physical and human capital? a) Physical capital can be sold but human capital cannot be sold. b) Physical capital cannot be separated from its owner while human capital can. c) Physical capital provides both private and social benefits while human capital provides only social benefits. d) The depreciation of physical capital can be arrested with more investment while human capital will continue to deplete.	1
15	Economists have stressed the need for expanding educational opportunities in a nation as it accelerates the development process. Which of the following factors justify the above findings? a) education confers higher earning capacity on people b) it gives one a better social standing and pride and enables one to make better choices in life c) it provides knowledge to understand the changes taking place in society; it also stimulates innovations. d) All of the above	1
16	Assertion (A):- the 12th Five Year Plan tried to raise India's Gross Enrolment ratio in higher education to 25.2 % by 2017-18. And by 30 % by 2020-21 Reason (R):- The quality of population ultimately decides the growth rate of the country.	1
17	Assertion (A):- Education is a productive resource that contributes to the process of growth in the economy. Reason (R):- Education is a source of knowledge and skill and hence a critical development of productivity.	1
18	The National Literacy Mission launched in 1988, was recast as "Saakshar Bharat" in September 2009. This programme aims at:- a) Imparting functional literacy to all girl children in the country. b) Imparting functional literacy to all non – literate adults in the age group of 15 and above with its primary focus on women. c) Free and compulsory education to all children in the age group of 6-14 years d) Both (a) and (c).	1
19	Demographic dividend means _____. a. The growth that can occur when a country's population has a large number of people in the working-age bracket b. The growth that can occur when a country's population has a large number of people not in the working-age bracket c. Both a and b are correct d. Both a and b are incorrect	1
20	Which of the following is the problem of human capital formation? a. Rising population is one of the main problems of human capital formation in India b. Brain drain is one of the main problems of human capital formation in India	1

	c. Low academic standards are one of the main problems of human capital formation in India d. All of the above	
21	how does education contribute to human capital formation?	3
22	Human capital formation increases the efficiency of physical capital. How?	3
23	Why do so many children dropout from different levels of education in India?	3
24	Discuss the need for promoting women's education in India.	3
25	"Recently the government of India has taken a few steps to reach the 6% growth goal as recommended by the Education Commission, 1964". Do you agree with the given statement? Give reasons in support of your answer.	3
26	In your view, is it essential for the government to regulate the fee structure in education and health care institutions? If so, why?	3
27	Human development and human capital are related but not exactly same. Give your arguments in support of this statement.	4
28	Is expenditure on migration a source of human capital formation?	4
29	Read the following passage and answer the questions based on it. Company XYZ is a technology firm, recognized the importance of human capital formation to stay competitive in the fast-paced industry. They decided to invest significantly in training programs for their employees. Over the course of a year, they provided various workshops and courses aimed at enhancing both technical and soft skills of their workforce. The results were impressive, with employees demonstrating improved productivity, better problem-solving abilities, and higher job satisfaction. This case study highlights the positive effects of human capital formation. This not only improves the company's overall performance but also contributes to employees' job satisfaction and professional growth. 1. What is human capital formation? A) The process of creating physical assets for a company. B) The development of skills, knowledge, and abilities in the workforce. C) The accumulation of financial resources in a business. D) The expansion of a company's infrastructure. 2. What benefit did the company XYZ experience after investing in employee's training? A) Decreased job satisfaction among employees. B)Increased employee turnover rates. C) Improved productivity and problem-solving skills. D) Reduced need for future training initiatives. 3. Why did the company XYZ invest in training? A) To decrease employee engagement. B) To maintain a slow-paced industry presence. C) To cut down on costs. D) To remain competitive and up-to-date in the industry. 4. Which of the following is not a component of human capital? A) Physical equipment. B) Knowledge. C) Skills. D) Abilities.	4
30	Human capital is a key factor for growth, development, and competitiveness. More so in recent times, within the modern context of development, human	4

	capital forms the base of economic growth. This link works through multiple pathways at the individual, firm and national level. Learning and skill building provide people with livelihoods, an opportunity to contribute to their societies. They also contribute vitally to the formation of one's meaning and identity in life. Technological and corporate innovation can only be fostered, in a decentralized manner, by a skilled talent pool. This puts an onus on many developing countries that, at the various levels, equality of opportunity in education and employment is necessary. Necessary as a skilled and educated population doesn't just contribute to economic development but also towards positive social and political outcomes. That is why developing human capital is often vital to develop countries with increasing working population. But before we delve further, it becomes important to define the human capital. 1.Economic growth of a country depends on___ a) Physical capital b) Human capital c) Both A and B d) Govt.political policies 2.What is the main centre idea emphasised in above case study. a) The growing importance of technical institutions. b) The growing importance of Human Capital c) The growing physical changes in World d)None of these 3.Why do we need to invest in human capital_____ a) Increase income b) Effective use of physical capital c) Increase productive capacity d) Both B and C 4.Before introducing to new technology, a firm provides basic skills to the workers for its usage. This source of Human capital is called____ a) Study programmes for workers b) On job training c) Expenditure on information d) Investment in education	
31	Read the following statements carefully. Write True / False with a reason. a) Vocationalisation of education is an essential ingredient of human capital formation. b) Rising population is a serious roadblock in the process of human capital formation in India, c) Migration facilitates utilisation of human capital. Human capital and human development are identical concepts.	4
32	Both the forms of capital formation- Physical and human - are outcomes of conscious investment decisions. Decision regarding investment in physical capital is taken on the basis of one's knowledge in this regard. The entrepreneur possesses knowledge to calculate the expected rates of return to a range of investments and then rationally decides which one of the investments should be made. The ownership of physical capital is the outcome of the conscious decision of the owner — the	4

physical capital formation is mainly an economic and technical process. A substantial part of the human capital formation takes place in one's life when she/he is unable to decide whether it would maximise her/his earnings. Children are given different types of school education and health care facilities by their parents and the society. The peers, educators and society influence the decisions
regarding human capital investments even at the tertiary level, that is, at the college level. Moreover, the human capital formation at this stage is dependent upon the already formed human capital at the school level. Human capital formation is partly a social process and partly a conscious decision of the possessor of the human capital.

You know that the owner of a physical capital, say a bus, need not be present in the place where it is used; whereas, a bus-driver, who possesses the knowledge and ability to drive the bus, should be present when the bus is used for transportation of
people and materials. Physical capital is tangible and can be easily sold in the market like any other commodity. Human capital is intangible; it is endogenously built in the
body and mind of its owner. Human capital is not sold in the market; only the services of the human capital are sold and, hence, there arises the necessity of the owner of the human capital to be present in the place of production. The physical capital is separable from its owner, whereas, human capital is inseparable from its owner. The two forms of capital differ in terms of mobility across space. Physical capital is completely mobile between countries except for some artificial trade restrictions. Human capital is not perfectly mobile between countries as movement is restricted by nationality and culture. Therefore, physical capital formation can be built even through imports, whereas human capital formation is to be done through conscious policy formulations in consonance with the nature of the society and economy and expenditure by the state and the individuals.

Both forms of capital depreciate with time but the nature of depreciation differs between the two. Continuous use of machine leads to depreciation and change of technology makes a machine obsolete. In the case of human capital, depreciation takes place with ageing but can be reduced, to a large extent, through continuous investment in education, health, etc. This investment also facilitates the human capital to cope with change in technology which is not the case with physical capital.

Nature of benefits flowing from human capital are different from that of physical capital. Human capital benefits not only the owner but also the society in general. This is called external benefit. An educated person can effectively take part in a democratic process and contribute to the socio-economic progress of a nation. A healthy person, by maintaining personal hygiene and sanitation, stops the spread of contagious diseases and epidemics. Human capital creates both private and social benefits, whereas physical capital creates only private benefit. That is, benefits from a capital good flow to those who pay the price for the product and services produced by it.

1.Which of the following is not the characteristics of physical capital?

(A) It can be sold in the market

(B) It is intangible

(C) It can be separated from the owner.

	(D) It depreciated over the period of time 2.Identify the statement which is correct in context of human capital. (A) Human capital has social benefits (B) Human Capital does not depreciate (C) Human Capital can be separated from the owner (D) All of the above 3.Read the statements – Assertion (A) and Reason (R) and choose the correct alternative from the following: Assertion (A) : Machines , buildings depreciate over a period of time whereas the knowledge of doctors , engineers does not depreciate. Reason (R) : Friction, Weather , natural calamities , normal wear tear lead to depreciation of physical capital . The depreciation of human capital take place in form of aging, death, diseases. (A) Both Assertion (A) & Reason (R) is true (B) Both Assertion (A) & Reason (R) is false (C) Assertion (A) is true & Reason (R) is False (D)Assertion (A) is False & reason (R)is true 4.Which of the following statement is true? (A) Physical and Human capital are complementary and supplementary to each other (B) Human capital and Human development aim at higher labour productivity (C) Education is the only source of human capital formation (D)Physical capital has external benefits?	
33	What do you mean by human capital formation? Explain the determinants of human capital formation.	6
34	Explain the problems facing human capital formation in India.	6
35	What should be the principal objectives of education in India? Give your opinion.	6
36	Explain the factors which contributes to the human capital formation in a country.	6
37	What is human capital? Explain the role of human capital in economic growth / development of a country.	6
38	Read the following case study carefully and answer questions below on the basis of the same.	6

	Who contributes more to national income – a worker in a factory or a software professional? We know that the labour skill of an educated person is more thatn that of an uneducated person and that the former generates more income than the latter. Economic growth means the increase in real national income of a country; naturally, the contribution of educated person to economic growth is more than that of an illiterate person. If a healthy person could provide uninterrupted labour supply for a longer period of time, then health is also an important factor for economic growth. Thus, both education and health, along with many other factors like on the job training, job market information and migration increase an individual's income generating capacity. This enhanced productivity of human beings or human capital contributes substantially not only towards increasing labour productivity but also stimulates innovations and creates ability to absorb new technologies. Education provides knowledge to understand changes in society and scientific advancements, thus facilitate inventions and innovations. Similarly, the availability of educated labour force facilitates adaptation to new technologies. i) Read the following statements carefully – Assertion (A) and Reason (R) and choose the correct alternative: Assertion (A):- Economists have stressed the need for expanding educational opportunities in India. Reason (R):- It accelerates the development process of the nation. 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) false d) Assertion (A) is false but Reason (R) true ii) Individual invest in education with the object of: a) Increasing their future income b) Accelerating the development process c) Facilitating adaptation of new technologies d) All the above iii) The enhanced productivity of human beings or human capital: a) Contributes substantially towards increasing labour productivity b) Stimulates innovations c) Creates ability to absorb new technologies d) All the above iv) In 2009 the government of India enacted _____ to make free education a fundamental right of all children in the age group of 6-14 years a) Right to information Act b) Right to Education Act c) Right to speak Act d) None of these.	

ANSWER

1	B
2	A
3	A
4	A
5	(a)Continuous professional development
6	(b) On the job training
7	(c) Reduced ability to adopt to changing market demand
8	(c) Increased job opportunities and skill diversification
9	(d) Both are related but not identical
10	(b)It leads to more diverse and skilled workforce
11	(d)
12	(c)
13	(d)
14	(a)
15	(d)
16	(a)
17	(a)
18	(b)
19	(a)
20	(d)
21	Education plays a crucial role in contributing to human capital formation. It empowers individuals with skills, knowledge, and abilities that enhance their overall potential and contribute to the betterment of society as a whole. Following points highlight the role of education in human capital formation: 1.It develops knowledge, skills and abilities of the people. 2. It supports science and technology. 3. It produces responsible citizens. 4. Education fosters active citizenship and civic participation.
22	a. Human capital formation leads to higher level of skill and expertise. Accordingly, labour force is better equipped to handle physical capital (plant and machinery). This raises the efficiency of physical capital by way of higher output per unit of input. b. Human capital formation leads to innovation. Which facilitates proper utilisation of available resources for economic development.
23	Many children dropout from different levels of education in India due to following reasons:

	1.Poverty- Because of absolute level of poverty there is crisis of bread, so the children start earning even before completing their education. 2. Lack of awareness- Many parents are not aware about the importance of education so they do not take serious efforts for the education of their children. 3. Lack of infrastructure- In rural areas there is lack of infrastructure which is also a hindrance in education.
24	Women Education Council has been set up to provide technical education to the women. It has set up many women polytechnics. It is essential to promote women's education in India to a) Improve women's economic independence and their social status. Make a favourable impact on fertility rate and health care of women and children
25	The given statement is correct to a considerable extent:- a) In 2009, the government of India enacted the Right to Education Act to make free education a fundamental right of all children in the age group of 6-14 years. b) Government of India has also been started levying a 2 percent education cess on all union taxes. The revenue from education taxes has been earmarked for spending on elementary education. The government also sanctions a large outlay for the promotion of higher education and new loan schemes for students to pursue higher education
26	Yes, government intervention is necessary in regulating the fee structure in education and health care institutions:- a) To maintain uniformity. b) To have accountability. People in poor country like ours cannot afford high price for education and health. So to help poorer people.
27	Human development and human capital are two related but distinct concepts. We can prove it as below: 1. Human development refers to the overall improvement in the quality of life and well-being of individuals and societies. Whereas human capital refers economic value of an individual's skills, knowledge, and abilities. 2. The success of human development is often measured by indicators such as life expectancy, education levels, healthcare access, gender equality, and poverty reduction. Whereas human capital's success is measured in terms of an individual's marketable skills, their capacity to contribute to economic growth, and their potential to enhance productivity and innovation. 3. Investments in healthcare, education, and social safety nets are crucial to achieving human development goals. On the other hand, the primary goal of human capital is to enhance economic productivity and competitiveness.
28	Migration contributes to human capital formation as it facilitates utilisation of inactive skills of the people, or it facilitates fuller utilisation of the people's skills. People migrate for better job opportunities. The gains of migrations are greater than cost of migration, so migration leads to human capital formation.
29	B) The development of skills, knowledge, and abilities in the workforce. C) Improved productivity and problem-solving skills. D) To remain competitive and up-to-date in the industry. A) Physical equipment.
30	1-C 2-B

	3-D 4-B
31	a) True. Because vocationalisation imparts skill and expertise to the potential workforce. b) True. Because it reduces the quality of life and capacities to acquire knowledge and specialised skills. c) True. Because it facilitates better utilisation of inactive skills of the people and hence leads to human capital formation. d) False. Human capital and human development are distinct though related concept. Human capital consists of know-how, abilities and expertise used as inputs in the production process. Human development refers to development of the individuals as distinct personality by acquiring good education and health.
32	1-B 2-D 3-A 4-A
33	Human capital formation is the process of developing human capital to the existing stock of human resource. Main determinants of human capital are explained as below: Expenditure on Education: Education increases the productive capacity and productivity of a nation's workforce by honing their skills. Further, education increases the acceptability of the modern techniques and also facilitates a primitive economy to break the shackles of tradition and backwardness. Therefore, investment in education must be accorded high priority in a country. Expenditure on Health: There is a saying "The greatest wealth is health". Investment in health sector increases efficiency, efficacy and productivity of a nation's workforce. In contrast to an unhealthy person, a healthy person can work better with more efficiency and, consequently, can contribute relatively more to the GDP of a country. Good health and medical facilities not only increase the life expectancy but also improve quality and standard of living. On-the-job-Training: Training refers to the act of acquiring skills, knowledge and competency required to perform a particular job efficiently and effectively. It helps the workers to sharpen their specialised skills. It enables them to raise their productivity and efficiency. Migration: Migration refers to the movement of people from underdeveloped or developing countries to developed countries in search of better avenues. Migrations contribute to human capital formation as it facilitates the utilisation of inactive or underdeveloped skills of an individual. People migrate in search of better job opportunities. Expenditure on Information: The degree of availability of jobs, salaries and admissions related information also play an important role in the determination of human capital. The availability of jobs and admissions related information not only helps the students to opt for the best choice according to their interest areas but also lead to the effective utilisation of human skills and knowledge. Similarly, the availability of medical information and health awareness determine the health of the people.
34	The main problems of human capital formation in India are as follows: Rising Population: Rapidly rising population adversely affects the quality of human capital in under developed and developing countries like India. It reduces per head

	availability of existing facilities like sanitation, employment, drainage, water system, housing, hospitals, education, food supply, nutrition, roads, electricity, etc. Brain Drain: Migration of highly skilled labour from a country to other country is termed as 'brain drain. This slow down the process of human capital formation in the domestic economy. Inefficient of Manpower Planning: There is inefficient manpower planning in India, no efforts have been made either to raise the standard of education at different stages to maintain the demand and supply of technical labour force. It is a sad reflection on the wastage of human power and human skill. Long-term Process: The process of human development is a long-term policy because skill formation takes time. The process which produces skilled manpower is thus, slow. This also lowers our competitiveness in the international market of human capital. High Poverty Levels: A large proportion of the population lives below poverty line and do not have access to basic health and educational facilities. A large section of society cannot afford to get higher education or expensive medical treatment for major disease.
35	In view of the present scenario, the following should be the objectives of education in India: Universal literacy: The first and foremost objective should be that of ensuring a hundred percent literacy in the country, as even after nearly 76 years of independence, around 26% of the population is illiterate. Vocationalisation of education: In India educated unemployment is emerging as a most harsh reality. That is a reflection of lack of vocational training in our education system. So we should focus on the vocationalisation of our education, it should not be only degree-oriented. Higher education: More focus on higher education is needed because gross enrolment in higher education is still very low. Especially in rural areas and among girls. Adult and female education: We should stress on adult and female education. Adult education and female education are important for proper utilisation of man power in India. Aims of the social order: Our education system must find its guiding principle in the aims of the social order for which it prepares. Unless we preserve the value of democracy, justice, liberty, equality and fraternity, we cannot Preserves our freedom. Wisdom and knowledge: Since education is both a training of minds and training of souls, it should give both knowledge and wisdom. No amount of factual information would take ordinarily into educated men unless something is awakened in them. Therefore, there should be inculcation of wisdom and knowledge. Love for higher values of life: The greatness of a country does not depend on the extent of its territory, the length of its communication or the amount of its wealth, but on the love for higher values of life. We must develop thought for the poor and sufferings, regards and respect for women, faith in brotherhood regardless of race, colour, religion etc.
36	a) Expenditure on education b) Expenditure on health c) Expenditure on on-the-job-training d) Expenditure on migration Expenditure on information.
37	Human capital refers to the skill, ability, expertise, education and knowledge in a nation at a point of time. So it is the stock of professionals and skilled people of all types who are engaged in the production process.

	Economic growth may be defined as the increase in the money value of all goods and services produced in the economy in an accounting year. So the role of human capital formation in increasing economic growth and development may be visualised as below:- 1. Human capital formation raises production 2. It raises efficiency and productivity 3. It brings positive changes in outlook and attitudes 4. It improves quality of life 5. It raises life expectancy 6. It raises social justice.
38	i) (a) ii) (a) iii) (d) iv) (b)

Chapter 5: Rural Development

Q. NO	QUESTION	MARKS
1	Assertion (A): NABARD was set up in 1982 to coordinate the activities of all institutions involved in rural financing system. Reason (R): Commercial banks and other financial institutions have failed to develop a culture of deposit mobilization. Choose the correct option for below given questions 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.	**1**
2	Assertion (A): IT can play a critical role in achieving sustainable development and food security in 21st century. Reason (R): Farmers are very keen to learn computer. Choose the correct option for below given questions 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	**1**

	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.	
3	Assertion (A): TheSHGs promote thrift in small proportions by a minimum contribution from each member. . Reason (R): Macro credit refers to credit and other financial services provided to the poor through SHG s. Choose the correct option for below given questions 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.	**1**
4	Assertion (A): The diversification has a positive impact on the agriculture sector. Reason (R): As it can disseminate formation regarding emerging Technologies and its applications, prices, weather and soil conditions for growing different crops etc. 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 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	**1**
5	Assertion (A): The yields from organic farming are more than modern agricultural farming. Reason (R): The yields from organic farming are less than modern agricultural farming in the initial years. 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 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	**1**
6	Assertion (A): Even today more than 10% of goods produced in farms are wasted. Reason (R): The current storage facilities are quite inadequate to meet the growing demands. Alternatives:	**1**

	(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 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.	
7	Statement I: The SHGs promote thrift in small proportions by a minimum contribution from each member. Statement II: From the pooled money, credit is given to the needy members to be repayable in small instalments at reasonable interest rates **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	**1**
8	Assertion (A): agriculture loan default rates have been chronically high. Reason (R): It is alleged that farmers are deliberately refusing to pay back loans. 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 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.	**1**
9	Assertion (A): The fishing community regards the water body as mother or provider. Reason (R): Because the water bodies (sea, Ocean, rivers, lakes, natural aquatic ponds etc.) are integral and life- giving source for the fishing community. 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 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	**1**
10	1. Assertion: Rural development is comprehensive term which essentially focuses on the action of overall development of rural areas. Reason: It is required to develop the standard of living of rural people.	**1**

	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 Assertion (A) is false but Reason (R) is true	
11	The Apex body which coordinates The functioning of different Financial Institutions working for the expansion of rural credit (A) NABARD (B) self-help groups (C) regional rural bank. (D) Commercial bank	**1**
12	The scheme of microfinance is extended through ---------- (A) self-help groups (B)Land Development Banks (C) NABARD (D) regional rural banks	**1**
13	----------comes under horticulture. (A) fish farming (B) poultry farming (C) flower cultivation (D) animal husbandry	**1**
14	Agriculture Marketing does not comprise of (A) transportation of product to the marketing place for sale (B) grading of products according to the quality (C) storage of the produce for sale in future D)credit is taken to meet expenditure on agriculture	**1**
15	Emerging Challenges of rural development includes: (A) Diversification of production activities (B) Organic farming (C) Both a and b (D)None of these	**1**
16	_____ once said that the real progress of India did not mean simply the growth and expansion of industrial urban centres but mainly the development of the villages. (Mahatma Gandhi/Jawahar lal Nehru)	**1**
17	The alternate marketing channels in Punjab, Haryana, and Rajasthan are known as------ (Apni mandi/Rythu Bazar)	**1**
18	Assertion (A) : The yields from organic farming are more than modern agricultural farming. Reason (R) :The yields from organic farming are less than modern	**1**

	agricultural farming in the initial years. Alternatives: a. Both Assertion (A) and Reason (R) are true and Reason (R) are is the correct explanation of Assertion (A) b. Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A) c. Assertion (A) is true but Reason (R) is false d)Assertion (A) is false but Reason (R) is true	
19	**Assertion** (A) : After the initiation of reforms the growth rate of Agricultural sector decelerated to about 3% per annum during 1991 -2012 ,which was lower than the earlier years. Reason (R) : Decline in public investment since 1991 a. Both Assertion (A) and Reason (R) are true and Reason (R) are is the correct explanation of Assertion (A) b. Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A) c. Assertion (A) is true but Reason (R) is false d)Assertion (A) is false but Reason (R) is true	**1**
20	NABARD was established in _____ year A)1956 B) 1986 C) 1991 D) 1982	**1**
21	**Read the following statements carefully and choose the correct alternative from the following**: Statement 1: Milk Cooperatives in Gujarat transformed the social and economic condition of Gujarat and some other parts of the country. Statement 2: The aim of cooperative marketing is to realise fair price for farmers' products. *Alternatives*: (a) Both the statements are true. (b) Both the statements are false. (c) Statement 1 is true and Statement 2 is false. (d) Statement 2 is true and Statement 1 is false	**1**
22	**Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives:** Assertion (A): Organic farming generates more employment opportunities than conventional farming. Reason (R): The produce of organic farming is pesticide-free.	**1**

	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.	
23	**At the time of independence, major source of credit was:** (a) Institutional Sources (b) Non-Institutional Sources (c) Both (a) and (b) (d) None of these	**1**
24	Read the following statements carefully and choose the correct alternative from the following: Statement 1: The various institutional sources used to exploit small farmers by lending them credit at high interest rates. Statement 2: National Bank for Agricultural and Rural Development is the Apex Bank which works for the expansion of rural credit. *Alternatives*: (a) Both the statements are true. (b) Both the statements are false. (c) Statement 1 is true and Statement 2 is false. (d) Statement 2 is true and Statement 1 is false.	**1**
25	**Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives:** Assertion (A): The focus of Self-Help Group (SHG) is largely on rural poor. Reason (R): Rural Poor have no sustainable access to the formal banking system. *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.	**1**
26	**Identify which of the following is not a step taken by the government to improve rural marketing:** (a) Maintenance of buffer stocks (b) Regulation of markets to create transparent marketing conditions (c) Promotion of cooperative marketing	**1**

	(d) Promoting trade by big rural merchants	
27	**Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives**. Assertion(A): India ranks first in the world in milk production. Reason (R): India's milk production increased due to Operation Flood. *Alternatives* (a) Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion. (b) Both Assertion (A) and Reason (R) are True and Reason (R) is not the correct explanation of Assertion (c) Assertion (A) is True but Reason (R) is False. (d) Assertion (A) is False but Reason (R) is True.	**1**
28	._____is the apex body which coordinates the functioning of different financial institutions, working for expansion of rural credit**:** a) NABARD b) Commercial banks c) Regional rural bank d) RBI	**1**
29	**Organic farming is beneficial because:** a) It generates income through international exports b) It is produced in an environmentally sustainable way c) It provides healthy food d) all of these	**1**
30	**Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives:** Assertion (A): Rural Banking has always given lesser attention on the credit requirements of small and marginal farmers. Reason (R): Marginal farmers enjoy better credit worthiness. *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.	**1**
31	What do you mean by the terms Rural Development ?" State any two challenge facing rural development in India	**3**
32	Mention briefly the problems related to agricultural finance in India	**3**

33	'Cooperative marketing is a measure to ensure a fair price to farmers.'Justify the statement with valid reason.	**3**
34	Discuss the importance of organic farming	**3**
35	Discuss any two steps taken by the government in the direction of improving agricultural marketing system in india since independence. .	**3**
36	Case study Diversification includes two aspects- one relates to change in cropping pattern and the other relates to shift of workforce from agriculture to other allied activities like livestock, poultry, fisheries ,etc. and non -agriculture sector. The need for diversification arises from the fact that there is greater risk in depending exclusively on farming for livelihood. Diversification towards new areas is necessary not only to reduce the risk from agriculture sector but also to provide sustainable livelihood options to rural people. Much of agricultural employment activities are concentrated in the kharif season. But during the Rabi season, in areas where there are inadequate irrigation facilities, it becomes difficult to find gainful employment. Therefore, expansion into other sectors is essential to provide supplementary gainful employment and in realising higher levels of income for rural people to overcome poverty and other tribulations. Questions 1_____relates to shift of workforce from agriculture to two other allied activities . (a) micro cropping (b) diversification (c) both A and B (d) none of these 2. Livestock comes under the category of activities. (a) diversification (b) allied (c) agriculture (d) commercial 3 .Diversification provides options to rural people.(Livelihood / irrigation)	**3**
37	What do you mean by rural development? Bring out the key issues in rural development.	**3**
38	Discuss the Different Policy Instruments' initiated by the government to improve Agricultural Marketing.	**3**
39	Explain the role of microcredit in meeting credit requirements of the poor. OR	**3**

	Discuss briefly the importance of micro-credit programmes in rural development.	
40	Agricultural diversification has two aspects - the first relating to a change in cropping pattern and the other relating to diversification of production activity involving a shift to other allied activities (livestock farming, dairying, poultry, fisheries etc.) and non-farm sector (agro processing industry, traditional handicrafts, cottage industry, pottery etc.). This not only provides productive sustainable livelihood options to rural people but also help in lowering the risk involved in depending exclusively on farming for livelihood. Agriculture is overcrowded and it fails to provide gainful employment throughout the year therefore, expansion into allied activities, non-farm employment and emerging alternatives of livelihood in sectors other than farming becomes essential to provide supplementary employment opportunities and raise the level of income for rural people. To cite an example, Tamil Nadu Women in Agriculture (TANWA) is one such project initiated in Tamil Nadu to train women in latest agricultural techniques and help them raise family income by engaging in other income generating activities like vermicomposting, mushroom cultivation, soap manufacture, doll making etc 1. A shift from mono cropping to multi cropping system is referred to as diversification of----------. (Crop production/production activity). 2.Which of the following types of unemployment is inherent in agriculture sector? (Choose the correct alternative) (a)Cyclical (b) Disguised (c) Seasonal (d) Both (b) and (c) above 3. Which of the following is not a benefit of diversification? (Choose the correct alternative) (a) It reduces the risk of price fluctuation and failure of monsoon (b) It helps in increasing the level of income of rural people (c) It helps in provision of credit at cheap rate and without collateral (d) It provides additional employment opportunities 4. Women who are a part of TANWA have diversified the cropping pattern to enhance their earnings. (State True or False)	**4**
41	'The challenge is to build cost effective IT based system to improve the living standard of Indian rural population .'Justify the statement	**4**
42		**4**

	At the time of independence, money lenders and traders exploited small and marginal farmers and landless labourers by lending to them on high interest rates and by manipulating the accounts to keep them in a debt-trap. A major change occurred after 1969 when India adopted social banking and multi agency approach to adequately meet the needs of rural credit. The institutional structure of rural banking today consists of a set of multi-agency institutions, namely, commercial banks, regional rural banks, cooperatives and land development banks. They are expected to dispense adequate credit at cheaper rates. Recently, self-help groups have emerged to fill the gap in the formal credit system. The SHGs promoter thrift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to the needy members to be repayable in small instalments at reasonable interest rates. By May 2019, nearly 6 crore women in India have become member in 54 lakh women SHGs. About Rs 10-15,000 per SHG as a community investment support fund are provided as part of renovating fund to take up self-employment for income generation 1. NABARD was set up in ---------- as an apex body to coordinate the activities of all institutions involved in the rural financing system 2 . The _____ was a harbinger of major changes in the credit system as it led to the diversification of the portfolio of rural credit towards production-oriented lending. (a) Green Revolution. (b) Golden Revolution. (c) White revolution. (d) None of these 3. Recently, Self Help Groups have emerged to fill the gap in the formal credit system. Such credit provisions are generally referred to as_____ 4. Which of the following part is not a part of the institutional structure of rural banking today? (a) Commercial banks. (b) Regional rural banks. c) Non- banking finance companies. (d) Land development	
43	Critically examine the role of the Rural Banking Sector in India.	**4**
44	The concept of integrated rural development addresses various rural problems like widespread poverty, unemployment, illiteracy, exploitation, inequitable distribution of land, poor health conditions etc. It signifies those various facts of rural development are integrally connected. The development of rural areas, often rural development, has meant the extension of irrigation facilities, expansion of electricity, improvement in the techniques of cultivation, construction of school buildings and provision of educational facilities, health care etc. Agricultural development constitutes the crucial aspect of rural development. Agricultural development is possible through the use of better seeds, adequate fertilisers, manures, and pesticides, adequate supply of water and effective implementation of land reform measures. 1.Most of the rural area is underdeveloped in India due to: a. Lack of basic infrastructure b. Lack of natural resources c. Exploitation of natural resources	**4**

	d. Poor health facilities 2.Rural development is integrated with the development of: a. Health and education b. Agriculture development c. Employment opportunities d. All of these 3. Agriculture development basically depends upon: a. Means of irrigation b. Better quality of seeds c. Modern technique of farming d. All of these 4.The Indian economy is considered as a rural economy due to: a. rural sector is creating more GDP rather than urban sector b. It is based on agriculture c. More than 50% of population is engaged in agriculture sector d. None of the above	
45	Since ages, farmers in India borrow to finance their debts. In the earlier times, it was done by informal sources but now with the help of the government, formal sector has actively come into picture. Farmers borrow not only to meet their investment needs but also to satisfy their personal needs. Farmers faced uncertainity of income due to factors like crop failure caused by irregular rainfall, reduction in ground water table, pest attack etc. These reasons push them into the clutches of the private moneylenders, who charde exorbitant rates of interest which add to their miseries. Various governments in India, at different times for different reasons, introduced debt waiver schemes. These schemes are used by governments as a quick means to extricate farmers from their indebtedness, helping to restore their capacity to invest and produce, in short to lessen the miseries of the farmers across India. The coast and benefits of such debt relief schemes are, however, a widely debated topic among the economists. Some economists argue that such schemes are extremely beneficial to the poor and marginalized farmers while others argue that these schemes add to the fiscal burden of the government, others believe that these schemes may may develop the expectation of repeated bailouts among farmers which may spoil the credit culture among farmers. 1.Uncertainty of farmers in India is majorly caused by……. a. Irregular rainfall b. Unavailability of loans c. Lack of skills d. None of the above 2.Some economists argue that debt waiver schemes are extremely beneficial to the poor and marginalized farmers, as these schemes reduce the burden of ….. a. Indebtedness b. Personal expenditure c. Debt of technical education & training d. All of the above	**4**

	3.The rural banking structure in India consists of a set of multi-agency institutions. Which of the following is expected to dispense credit at cheaper rates for agricultural purposes to farmers? a. SIDBI b. FICCI c. RRBs d. DEA 4.…… is the most prominent body responsible for providing loans for long-term land development. a. SIDBI b. FICCI c. RRBs d. Land Development Banks (LDBs)	
46	Mention some obstacles that hinder the mechanism of agricultural marketing.	**4**
47	Explain the role of non-farm employment in promoting rural diversification.	**4**
48	Information technology plays a very significant role in achieving sustainable development and food security-comment.	**4**
49	"Regulation of Agricultural Marketing is pre-requisite for rural development "Illustrate. OR What do you mean by Rural Credit system? Explain.	**6**
50	What do you mean by Organic Farming? Write its benefits. What are the limitations of Organic farming?	**6**
51	How sustainable development can be achieved in rural sector? Explain.	**6**
52	What is agriculture marketing? Explain problems of agriculture marketing in India.	**6**
53	Rural economic development is essential for Indian economic development? Do you agree with the given statement ? support your answer with valid reason?	**6**
54	Explain the role of non-farm employment in promoting Rural diversification?	**6**
55	Identify and explain the benefits and limitations of organic farming.	**6**
56	Bring out the importance of animal husbandry, fisheries and horticulture as a source of diversification	**6**
57	Jan Dhan Yojana helps in rural development." Do you agree with this statement? Comment	**6**

ANSWER

1	B- Assertion and reason both are true but reason is not the correct explanation of assertion.
2	C- Assertion is true, reason is false.
3	C- Assertion is true, reason is false.
4	A- Both Assertion and reason are true and reason is correct explanation of assertion.
5	D- Assertion is false, reason is true.
6	B- Assertion and reason both are true but reason is not the correct explanation of assertion.
7	Both the statements are true
8	A- Both Assertion and reason are true and reason is correct explanation of assertion.
9	A- Both Assertion and reason are true and reason is correct explanation of assertion.
10	A- Both Assertion and reason are true and reason is correct explanation of assertion.
11	(A) NABARD.
12	(A) self-help groups .
13	(C) flower cultivation.
14	D)credit is taken to meet expenditure on agriculture
15	(C) Both a and b

16	Mahatma Gandhi
17	Apni mandi
18	d. Assertion (A) is false but Reason (R) is true .
19	a. Both Assertion (A) and Reason (R) are true and Reason (R) are is the correct explanation of Assertion (A)
20	D) 1982
21	A=Both the statements are true.
22	A=Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion
23	B=Non-Institutional Sources
24	D=Statement 2 is true and Statement 1 is false.
25	A= Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion
26	D= Promoting trade by big rural merchants
27	A= Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion.
28	A=NABARD
29	D= all of these
30	B= Both Assertion (A) and Reason (R) are True and Reason (R) is not the correct explanation of Assertion (A.
31	The three challenges facing rural development in India are: a) Infrastructure development : Basic infrastructure requirements like electricity, irrigation,credit availability,transport facility,construction of village roads to nearby highways etc.are the areas which still need attention of the government so as to gain commanding heights. b) Alleviation of poverty: In rural areas of India should be taken as a mission for improvement in the living conditions of particular those living at the bottom of the pyramid. This problem may be tracked by emphasising or great access to productive employment opportunities. Development of human capital: Rural capital must be developed by taking sincere steps in the direction of education and health. It means enabling them better and more affordable access to healthcare, sanitation facilities at home and work place and education for all must be given top priority for rapid rural development.
32	Rural banking has expanded a great deal in India. but there are certain deficiencies which have led to the problems related to agricultural finance. these are; a) Credit has been linked with collateral because of which small and marginal farmers have not been the major beneficiary of it, b) The government has been very lenient on the recovery of loans from the farmers because of which there is a large number of overdue installments.

	c) Most financial institutions have failed to develop the culture of thrift among the farming families. d) Mobilization of deposits has never been encouraged.
33	Cooperative farming links rural credit, farming and marketing processes to the best advantage of the farmers. i) Member farmers sell their surplus to the cooperative society, which substitutes collective bargaining in place of individual bargaining. ii) It advances loans to member farmers and enables them to wait for better prices. iii) Through proper storage facilities, transport facilities, direct marketing and a control on the supply of agricultural goods it enables the member farmers to fetch a better price for their produce.
34	In organic farming we use only organic inputs for cultivation: like dung of animals as fertilizers and natural chemicals as pesticides. Importance of organic farming: 1. It is environmentally friendly. 2. It increases the employment level in the economy. 3. It is good for soil health. 4. It produces tasty and healthier food. 5.It is labour intensive
35	Two major steps taken by the government in the direction of improving agriculture marketing system in India since Independence are:(1) Regulation of markets: this step was necessary in the post-independence period so as to create an orderly and transparent marketing condition across India. This policy benefitted both farmers as well as consumers. 2) Physical infrastructure: This is another important aspect tackled by the government. Improvement of physical infrastructure facilities like roads, railways, warehouses, cold storage., processing units etc
36	1. b)diversification 2. (b)allied 3 . Livelihood
37	Rural Development refers to a continuous and comprehensive socio-economic process, attempting to improve all aspects of rural life. Some of the key issues in rural development include: ● Development of Human Resources: The quality of the human resource needs to be improved by giving proper attention to literacy and better Health facilities. ● Development of infrastructure; It involves improvement in electricity, irrigation, credit, marketing and transport facilities. ● Land Reforms: It includes: (i) Elimination of exploitation in land relations; (ii) Actualisation of the goal of land to the tiller: (i) Improvement of socio-economic conditions of rural poor by widening their land base; (iv) Increasing agricultural productivity and production.
38	Government initiated the following policies:

	(i) Minimum Support Prices (MSP): To safeguard the interest of farmers, the government fixes the minimum support prices of agricultural products, like wheat, rice, etc. Such a price may be regarded as an offer price, at which the Government is willing to buy any amount of grains from the farmers. (ii) Maintenance of Buffer Stocks: The Food Corporation of India (FCI) purchases wheat and rice at the procurement prices, to maintain buffer stock. It helps to ensure regularity in supply & stability in prices. (iii) Public Distribution System (PDS): PDS operates through a network of ration shops and fair price shops, which offer essential commodities at a price below the market price, to the weaker sections of the society.
39	Micro-credit or Self-Help Group (SHG) has emerged as the major micro finance programme in the country In recent years. ● Their focus is largely on those rural poor, who have no sustainable access to the formal banking system. So, their target groups are small and marginal farmers, agricultural and non-agricultural labourers, artisans, etc. ● SHS promotes thrift in small proportions by a minimum contribution from each member. ● From the pooled money, credit is given to the needy members at reasonable interest rates, which is to be repaid in small instalments.
40	1-Crop production 2-D 3-C 4-true
41	Use of IT in rural development in India: a) If farmers can plan their crop according to the need that is likely to generate in future then the gap between the demand and supply can be bridged.Information technology assists in making databases available to such farmers with regard to the returns, the market is likely to generate by the time the crops are ready. This would minimise the uncertainty of the farmer. b) The quality and quantity of crops can be increased manifold if the farmers are made aware of the latest equipment,technologies and resources.Internet is a friendly user-friendly medium,which provides a platform for easy exchange of information on a global level. c) Issues like weather forecast,crop treatment,fertiliser,.pesticides, storage condition etc. can be well administered, if expert opinion is made available to the farmer With the help of information technology, the crutches of the middlemen can be done away with and the farmers can get a clear vision about the market ,latest technologies and hence channelise their potential accordingly. This would make them self-sufficient and yield planned crops with a ready market.
42	1-1982 2-A 3-Mjcro credit 4-C
43	Ans: Importance: 1. Loan to farmers at low interest rate. 2. Immediate loan to farmers for purchasing of inputs for agriculture 3. Easy repayment of loans into instalments.

	4. Helpful to modernisation of agriculture. 5. Commercialisation of agriculture. Problems: 1. Needs securities for loans. 2. Not recovery of loans.
44	1-A 2-D 3-D 4-C
45	1-A 2-A 3-C 4-D
46	Some of the obstacles that hinder the mechanism of agricultural marketing are: ● Agricultural markets are still dominated by the private traders like moneylenders, rural political leaders. big merchants and rich farmers. ● The quantity of agricultural products, handled by the government agencies and consumer cooperatives.constitutes only 10%, while the rest is handled by the private sector. ● Lack of Storage Facility: The facilities available for storing the food grains and commercial crops are far from satisfactory. ● Lack of Transportation: Due to absence of proper road transportation facilities, they have to sell their produce at the village markets itself.
47	The following are the importance of non-farm employment opportunities in promoting rural diversification ● There is greater risk in depending exclusively on farming for livelihood. Non-farm employment provides productive sustainable livelihood options to rural people. ● Most of the agricultural employment activities are concentrated in the Kharif season. However during the Rabi season , it becomes difficult to find gainful employment in the areas where there are inadequate irrigation facilities. So, diversification into non-farm areas proves to be crucial. ● Non-farm Activities have several segments. Some segments of non-farm activities possess dynamic linkages that permit healthy growth. as an input for the large scale industries ● The output of non-farm sectors acts as an input for large scale industries. For eg: agro processing industries, leather industry, etc.
48	Information Technology (IT) has revolutionised many sectors in the Indian economy. It is widely accepted that IT will play a critical role in achieving sustainable development and food security in the 21 century. ● Through appropriate information and software tools, government has been able to predict areas of food insecurity and vulnerability, to prevent or reduce the likelihood of an emergency. ● IT also circulates information regarding emerging technologies and its applications, prices, weather and soil conditions for growing different crops, etc.

	● IT sector is also generating employment opportunities in the backward areas. For example info kiosks (ie. PCs with internet, scanner, etc.) have been started in the rural areas, to enable the kiosk owner ea a reasonable income by providing different services like e-mail, video-conferencing, etc. ● IT aims to make every village a knowledge centre, where it provides a sustainable option of employment.
49	Agricultural marketing refers to the entire system under which the farmers can dispose of their surplus produce. It includes all operations like, grading, storing, transporting and distribution of agricultural commodities, throughout the country. The first step was regulation of markets to create orderly and transparent marketing conditions. By and large, this policy benefited farmers as well as consumers. However, there is still a need to develop about 27,000 rural periodic markets as regulated market places to realise the full potential of rural markets. Second component is provision of physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages and processing units. The current infrastructure facilities are quite inadequate to meet the growing demand and need to be improved. Cooperative marketing, in realising fair prices for farmers' products, is the third aspect of government initiative. The success of milk cooperatives in transforming the social and economic landscape of Gujarat and some other parts of the country is testimony to the role of cooperatives. However cooperatives have received a setback during the recent past due to inadequate coverage of farmer members, lack of appropriate link between marketing and processing cooperatives and inefficient financial management. The fourth element is the policy instruments like (i) assurance of minimum support prices (MSP) for agricultural products (ii) maintenance of buffer stocks of wheat and rice by Food Corporation of India and (iii) distribution of food grains and sugar through PDS. These instruments are aimed at protecting the income of the farmers and providing food grains at a subsidised rate to the poor. However, despite government intervention, private trade (by moneylenders, rural political elites, big merchants and rich farmers) predominates agricultural markets OR Rural Credit System In order to provide credit or loan facilities to farmers for production needs, the government has set up a rural financing system. The National Bank for Agriculture and Rural Development(NABARD) was set up in 1982 as an apex body. The rural banking helps the farmers to avail services, credit facilities and variety of loans for various needs. The institutional structure of rural banking today consists of a set of multi-agency institutions, namely Commercial Banks, Regional Rural Banks(RRB), Cooperative Credit Societies and Land Development Banks. The major aim of designing this multi-agency system is to dispense adequate credit at cheaper rates. Micro credit Or Micro finance is a scheme extended to the poor through Self Help Group(SHGs) and Non Government Organisation (NGOs) .They promote thrift in small proportion by a minimum contribution from each member. From the pooled money, credit is given to needy members of SHGs.

50	Organic farming is a whole system of farming that restores, maintains and enhances the ecological balance. Benefits of organic farming i) It enhances soil structures, conserves water and ensures the conservation and sustainable use of natural resources. ii) It reduces damage to the environment by refraining from the use of synthetic fertilizers and pesticides, genetically modified organisms and pharmaceuticals. Pests and diseases are controlled with naturally occurring means and substances according to both traditional as well as modern scientific knowledge increasing both agricultural yields and disease resistance. iii) It adheres to globally accepted principles which are implemented to encourage sustainable development and protect the environment. Organic farming Limitations/Drawbacks of Organic farming: i. In the initial years the cost of production may be high due to lack of knowledge . ii. Organic farming needs to be popularized by creating awareness and willingness on the part of the farmers for adoption of new methods. iii. There is no proper infrastructure and marketing facilities for these products. iv. The yields from organic farming are less than modern agricultural farming. v. There is little scope for off season crops. vi. Organically produced food is more expensive and therefore the poor cannot afford it.
51	Organic Farming: In recent years, awareness of the harmful effect of chemical-based fertilisers and pesticides on our health is on a rise. Conventional agriculture relies heavily on chemical fertilisers and toxic pesticides etc., which enter the food supply, penetrate the water sources, harm the livestock, deplete the soil and devastate natural ecosystems. Efforts in evolving technologies which are eco-friendly are essential for sustainable development and one such technology which is eco-friendly is organic farming. In short, organic agriculture is a whole system of farming that restores, maintains and enhances the ecological balance. There is an increasing demand for organically grown food to enhance food safety throughout the world. Other Alternate Livelihood Options: IT has revolutionised many sectors in the Indian economy. There is broad consensus that IT can play a critical role in achieving sustainable development and food security in the twenty-first century. Governments can predict areas of food insecurity and vulnerability using appropriate information and software tools so that action can be taken to prevent or reduce the likelihood of an emergency. It also has a positive impact on the agriculture sector as it can disseminate information regarding emerging technologies and its applications, prices, weather and soil conditions for growing different crops etc. Though IT is, by itself, no catalyst of change, it can act as a tool for releasing the creative potential and knowledge embedded in the society. It also has potential for

	employment generation in rural areas. Experiments with IT and its application to rural development are carried out in different parts of India.
52	Ans Agriculture marketing is a process that involves the assembling , storage ,processing, transportation, packaging, grading and distribution of different agriculture commodities across the country. The present system of agriculture marketing suffers from a number of defects, inspite of the measures taken by government to improve the marketing system. These are:1) Predominance of private traders 2) lack of transport facilities. 3) lack of regulated markets 4) lack of infrastructural facilities. 5) long chain of intermediaries.
53	Ans Yes I,agree with the given statement. Mahatma Gandhi had always maintained that the real growth of India lies in the growth of villages. The importance of rural development in India lies in the fact that 2/3rd of the population still directly or indirectly depends on agriculture and around 1/3rd of the rural population still lives in abject poverty. Some of the prime areas for the development of the rural India may be quoted as follows: 1)Infrastructure development – is the key to any development process. Basic infrastructure requirement like electricity irrigation credit availability transport facilities construction of village roads and feeder roads to nearby highways etc. are the area which still need attention of the government so as to gain commanding heights. 2)Alleviation of poverty - poverty in rural India is an area that should be taken up as a mission for improvement in the living conditions of particularly those living at the bottom of pyramid. This problem may be tackled by emphasizing on greater access to productive employment opportunities. 3) Health & Education.
54	Ans) The following are the importance of non-farm employment opportunities in promoting rural diversification: 1. A substantial portion of Indian farming is dependent on the monsoon, making it a risky affair to rely upon solely. Hence, non-farm employment opportunities are to be explored to enable the farmers to earn from alternative non-farm occupations. This will lessen the excess burden on agriculture by reducing disguised unemployment. 2. The kharif season opens up ample opportunities for agricultural employment. However, due to lack of irrigation facilities, the farmers fail to get gainful employment opportunities during the Rabi season. Therefore, absence of opportunities in agriculture sector should be compensated in non-farm sectors. 3. Agriculture being over crowded cannot further generate employment opportunities to the farmers. Therefore, the prospects of the non-farm sectors should be opened up in the rural areas to provide job opportunities, thereby, diverting workforce from the already crowded agricultural sector. 4. The non-farming sector has several segments that have dynamic linkages. Such linkages enhance the healthy growth of the rural areas. 5. The non-farm sector provides employment opportunities for the whole year as compared to the farming occupation. So, it helps to eradicate poverty from the rural areas. 6. Most of the output of non-farm sectors acts as an input for the large scale industries. For example, agro-processing industries, food processing industries, leather industry, tourism,etc. This has two-fold benefits. First, the large scale industries can specialise in their final output by relying on the processed inputs from the non-farm sectors. Secondly, such dependence of the large scale industries provides impetus to the non-farm sectors reducing the urban-rural regional disparities
55	Ans. The benefits of organic farming are

	● Economical Farming: Organic Farming offers a means to substitute costlier agricultural inputs (such as HYV seeds, chemical fertilisers, pesticides, etc.) with locally produced cheaper organic inputs. ● Generates income through exports: It generates income through international exports as demand for organically grown crops is on a rise. ● Provides Healthy Food: It provides healthy food as organically grown food has more nutritional value than food grown through chemical farming. ● Source of Employment: Organic farming generates more employment opportunities as it requires more labour input than conventional farming. ● Safety of environment: the produce of organic farming is pesticide-free and is produced in an environmentally sustainable way. The limitations of organic farming are: ● Less Popular: Organic farming needs to be popularised by creating awareness and willingness on the part of farmers, for adoption of new technology. There is a serious need for an appropriate agriculture policy to promote organic farming. ● Lack of infrastructure and marketing facilities: Organic farming faces problems of inadequate infrastructure and marketing facilities. ● Low Yield: Organic farming has a lesser yield in the initial years as compared to modern agricultural farming. As a result, small and marginal farmers find it difficult to adapt to large-scale production. ● Shorter food life: Organic produce has a shorter shelf life as compared to sprayed produce. ● Limited choice of crops: The choice in production of off-season crops is quite limited in organic farming.
56	Ans: The importance of animal husbandry or livestock farming will be clear from the following points: ● Animal husbandry provides alternate livelihood options to over 70 million small and marginal farmers including landless labourers. ● It provides increased stability in income, food security, transport, fuel and nutrition for the family without disrupting other food producing activities. ● A significant number of women also find employment in the livestock sector. *Fisheries* sector plays an important role in the socio-economic development of the country. ● West Bengal, Andhra Pradesh, Kerala, Gujarat, Maharashtra and Tamil Nadu are major fish producing states. ● A significant number of women also find employment in fishing. 60% of the workforce in export marketing and 40% in internal marketing are women. ● Fish production contributes 0.9% to India's GDP. *Horticulture* is an important sector for potential diversification and value addition in agriculture. India has emerged as a world leader in producing a variety of fruits, vegetables and a number of spices.

	● Horticulture has improved economic condition of many farmers and has become a means of improving livelihood for many unprivileged classes too. ● Flower harvesting, nursery maintenance, etc. are highly remunerative employment options for women.
57	I totally agree with the given statement. The Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a financial inclusion scheme launched by the Indian Government. The term 'financial inclusion' means that more and more people should be included in the country's financial system and avail financial services. In a country like India, there are millions of individuals living in rural areas that do not have a bank account and cannot avail the benefits that a banking account can provide. The Jan-Dhan Yojana aims to help such persons and make sure they can get affordable financial products like bank accounts, remittances, credit services, pensions and insurance. Account holders under Jan-Dhan Yojana are entitled to get 1-2 lakh accidental insurance coverage and overdraft facilities upto 10,000 and get their wages, old age pension and other social security payments of the government transferred to bank accounts. There is no need to keep minimum bank balance it has indirectly promoted thrift habit and led to efficient allocation of financial resources in rural areas.

Chapter 6: Employment: Growth, Informalisation And Other Issues

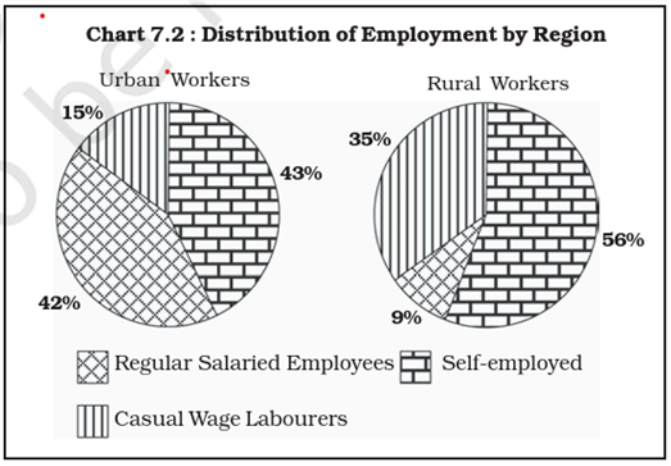
Q. NO	QUESTION	MARKS
1	Find the odd man out (i) Taxi driver who works under a company (ii) Agriculture labour (iii) Teachers who work in coaching institute (iv) owner of a garment shop	1
2	Read the news headline given below and answer the question that follows: “The Indian unemployment rate is hovering around 7-8% according to the centre for monitoring Indian Economy. This is because job growth has not kept with GDP growth.” (Source: timesofindia.com) The situation when growth of job is not sync with GDP growth is called_____.	1
3	Shital works in a factory. But she is temporarily abstaining from work due to her illness. Can she be considered as a worker? Why?	1

<table>
<tr><td>4</td><td>On the basis of the information given below, answer the following question
<table>
<tr><td>Employed</td><td>Frictional unemployed</td><td>Structurally unemployed</td><td>Cyclically unemployed</td><td>Not in labour force</td></tr>
<tr><td>1,70,000</td><td>10,000</td><td>5,000</td><td>5,000</td><td>1,00,000</td></tr>
</table>
The number of labour force in country X is_____.
a)1,80,000 b)1,90,000 c)1,95,000 d)2,00,000</td><td>1</td></tr>
<tr><td>5</td><td>A was working in an MNC, but she took two years of break from her job for child care after having a baby. Now that the boy is two years old, she is looking for a job again. However, until she gets a job, she will remain unemployed. Identify this type of unemployment.</td><td>1</td></tr>
<tr><td>6</td><td>High rate of participation of women in rural areas compared with urban areas happens because:
(A)Poverty compels women to avoid education and seek employment
(B) Need support the family, owing to low family income in rural India
(C) High productivity requirements in the available jobs in rural areas
(D)Both A and B</td><td>1</td></tr>
<tr><td>7</td><td>Some people look for jobs in newspapers, some look for a job through friends and relatives. In many cities, people standing in some areas looking for people to employ them for that day’s work.
Some go to factories and office and give bio-data and ask whether there is any vacancy in their factory or office. Some go to employment exchanges.
Which type of unemployment is discussed in this paragraph.</td><td>1</td></tr>
<tr><td>8</td><td>Assertion: Contractual workers are highly paid in India.
Reason: Lot of manufacturing sectors employ workers on contractual basis through “subcontracts" to work on temporary basis
(A) Both Assertion and reason are true and reason is correct explanation of assertion.
(B) Assertion and reason both are true but reason is not the correct explanation of assertion.
(C) Assertion is true, reason is false.
(D) Assertion is false, reason is true.</td><td>1</td></tr>
<tr><td>9</td><td>
Interpret the above picture on account of type of workers _____.
(a) self-employed or b) hired.</td><td>1</td></tr>
<tr><td>10</td><td>Assertion (A): lesser women are found in regular salaried employment.
Reason (R): Regular salaried employment do not require skills and high level of literacy.
A. 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.</td><td>1</td></tr>
</table>

	D. Assertion (A) is false but Reason (R) is true.	
11	Assertion (A): Madhya Pradesh govt. implemented 'Jeevan Shakti Yojana ' Reason (R): It is implemented to increase the employment opportunities of women entrepreneurs in urban areas of the state. A. 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.	1
12	Assertion(A): More proportion of male workforce employed in primary sector as compared to proportion of female workforce. Reason (R): Male workforce get opportunities in both secondary and service sector. A. 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.	1
13	Read the following statements - Assertion (A) and Reason (R) Assertion (A)- Urban unemployment is a spillover of rural unemployment. Reason (R) –Owning to the lack of opportunities of employment people in the rural areas are compelled to migrate to the urban areas in search of livelihood. From the given alternatives choose the correct one: 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.	1
14	Read the following statements - Assertion (A) and Reason (R) Assertion (A) –Economic activity implies only production activity. Reason (R) –Economic activity relates to the use of scarce resource. From the given alternatives choose the correct one: 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.	1
15	Read the following statements - Assertion (A) and Reason (R) Assertion (A)- There are several examples in the rural areas of India where there are more workers in the family but gross income of the family is low. Reason (R)- Disguised unemployment lowers efficient productivity. From the given alternatives choose the correct one: Alternatives:	1

	(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.	
16	When more persons are working in a job than actually required, it is known as: (a)Educated unemployment (b) Disguised unemployment (c) Seasonal unemployment (d) Open unemployment	1
17	What is a characteristic of a gig economy? (a)Long-term job security (b) Traditional 9 to 5 work schedule (c) Fixed monthly salary (d) Short- term, freelance or on-demand work	1
18	What does the term "employment participation rate" indicate? (a)The percentage of total population that is of working age. (b) The percentage of working -age population that is employed or actively seeking employment. (c) The percentage of employed individuals who are satisfied with their current job. (d) The percentage of job available in a specific industry within a region.	1
19	Which of the following factors would not contribute to an increase in the labour force participation rate? (a)An increase in the retirement age (b) More people choosing to pursue higher education (c) An increase in the number of discouraged workers (d) Policies that encourage individuals to enter or re-enter the workforce	1
20	What is the term for a situation where an individual is working a job that does not require his level of skills, education, or experience? (a)Overemployment (b) Underemployment (c) Unemployment (d) Redundancy	1
21	Who insisted upon education and training through a variety of works including craft is necessary ? (a) Swami Vivekananda (b) Mahatma Gandhi (c) Dada Bhai Naoroji (d) P.C Mahalanobis	1
22	Who among the following is a worker ? (a) Gambler (b) Cobbler (c) Thief (d) Social activist	1
23	The newly emerging jobs are mostly found in _____ sector ? (a) Agriculture	1

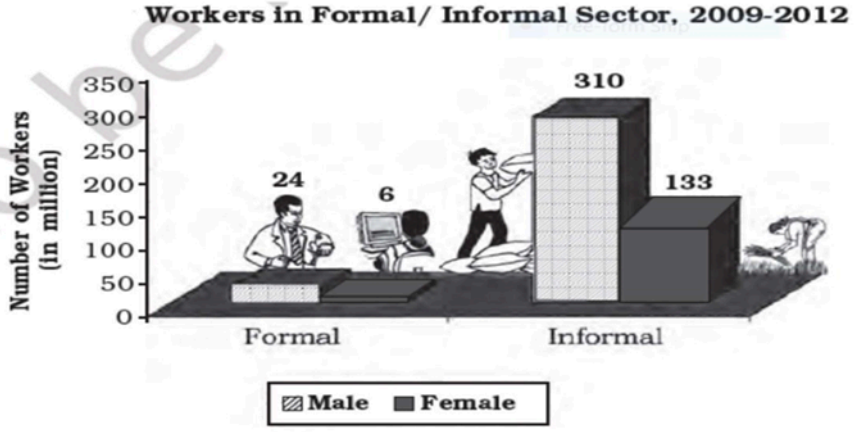
	(b) Manufacturing (c) Service (d) All of the above	
24	Which one of the following unemployment is a common form of unemployment in rural areas of India ? (a) Open (b) Seasonal (c) Disguised (d) Educational	1
25	Alok was making a survey on the employment status of women in rural and urban areas . Before survey he had one perception . But after the survey he found out that his survey result is contrasting with his perception. Which one of the following statement is true in the context of Indian economy ? (a) Compared to urban women , more rural women are found working. (b) Compared to rural women, more urban women are found working. (c) Both rural and urban women are equally working. (d) None of the above.	1
26	Rashmita is a house lady but knows the skill of tailoring. Her brother has a cloth shop. Customers buy cloth materials and get it stitched from Rashmita who is assisting her brother in the business. Can she be considered as a worker? (a) Yes (b) No (c) Both (a) and (b) (d) None of the above	1
27	During post economic reform period , India has been witnessing more employment opportunities in the service sector. But what is the nature of new jobs? (a) New jobs are found mostly in formal sector and the nature of the job is mostly regular. (b) New jobs are found mostly in informal sector and the nature of the job is mostly regular. (c) New jobs are found mostly in formal sector and nature of the job is mostly casual. (d) New jobs are found mostly in informal sector and the nature of the job is mostly casual.	1
28	Situn studied following categories of the workers of India. He found one of the major section of workplace in India. Who is it ? (a) Rural men (b) Rural women (c) Urban men (d) Urban Women	1
29	Kalpana while studying the employment status of India found the following conditions. Which one of the following is the most appropriate situation ? (a) Majority casual worker , minority self employed and regular salaried employees.	1

	(b) Majority self employed , minority casual worker and regular salaried employees. (c) Majority regular salaried employees , minority self employed and casual workers. (d) None of the above	
30	Sweety wanted to analyse the employment situation in the country. Which one of the following is a suitable indicator to analyse it. (a) Population – worker ratio (b) Worker – population ratio (c) Worker employment ratio (d) Employment worker ratio	1
31	What is the role of "Make in India" in employment?	3
32	 On the basis of the picture above, answer the following questions: a. Who are regular salaried employees? b. Why the percentage of workers of regular salaried employees are high in urban area? OR Why are self-employed workers more in rural area than urban area?	3
33	Read the following statement carefully. Write true or false with reason. - "In India, casualization of workforce has intended to rise over time."	3
34	Distinguish between self-employed workers and hired workers.	3
35	Differentiate between labour force and labour supply.	3
36	Who is a casual wage labourer?	3
37	Sajjan wondered that why do people work?	3
38	Though people are engaged in various activities, still some are called economic activities and some are non – economic activities. How are these two activities different from each other?	3
39	India is an agrarian nation and agriculture is the main source of livelihood. But the developmental strategies speaks about other angles. What are these aims?	3

40	A farmer has four acres of land and he actually needs only two workers and himself to carry out various operations on his farm in a year, but if he employs five workers and his family members such as his wife and children. a. This type of situation is known as _____. b. What will be the marginal productivity of the three extra people? Explain the different ways to tackle this type of problem.	4
41	Read the news headline given below and answer the question that follows: "Aatmanirbhar Bharat Rozgar Yojana (ABRY) was announced as a part of Aatmanirbhar Bharat 3.0 package to boost the economy, increase the employment generation in post recovery phase and to incentivize creation of new employment along with social security benefits and restoration of loss of employment during COVID-19 pandemic." Source: labour.gov.in a. What will happen when the rate of GDP growth is increased without employment generation? b. Do you think that in last 50 years, employment generated in the country is commensurate with the growth of GDP in India? How?	4
42	State giving valid reasons, whether the followings statements are true or false: 1. There is no difference between workforce and labour force. 2. Lower employment among women in India points to our economic and social backwardness.	4
43	The number of new entrants in the job market and at the same time the number of new jobs created has never been coterminous in our country. As a result, there has been a large vacuum as far as the employment scenario in the is concerned. What is meant by large vacuum as far as the employment scenario is concerned is meant that unemployment problem is quite grave in our country. Unemployment in our country is in various forms and type like – seasonal unemployment, educated unemployment, disguised unemployment etc. (a) In India people ----------(can't/can) remain completely unemployed for very long period of time due to their economics condition. (b) In India, seasonal unemployment is predominantly associated with ---------(Agriculture/industry). (c) ---------- (Work Force Participation Rate/Dependency Ratio) is an indicator which is used for analysing the employment situation of the country. (d) Education System in India is not job oriented. (True/False)	4
44	Labour Supply refers to the amount of the labour that the workers are willing to the offer corresponding to a particular wage rate. You may be able to work 10 hours a day, but willing to work only for 6 hours a day at a particular wage. Laboursupply , thus is measured in terms of man hours of work. It is always estimated in relation to wage rate. Labour force on the other hand, refers to the number of the workers actually working or willing to work. It is not related to wage rate. (a) The number of workers actually working – A.Labour force	4

	B.Work force C.Labour supply D.None of the above (b)Labour supply is always estimated in relation to wage rate. (True/False) (c)Labour force is----------(not related/related) to wage rate.	
45	Economic Survey:2020 The survey said the number of self-employed, regular wage earners and casual wage earners have come down by 17 lakh in six years till 2017018. Quoting various government sources, it pegged India's workforce at 47.12 crore in FY18 compared with 47.29 crore in FY12, even as employment was getting more formal in nature.There was also drop in female employment in the overall job space. From 12.91 crore in 2011-12, their number came down to 10.85 crore in 2017-18. Stressing on the need to set things right, the survey said," In an era of globalization, no country can develop and achive its full potential if half of its population is locked in non-remunerative, less productive and non-economic activities". The survey also found that the number of self-employed people too,came down during the period to 24.21 crore from 24.54 crore, but that is due to a significant drop in the number of unpaid family labourcategory.The share of regular salaries employed in the total employment landscape has, however, increased by five percentage points to 23% in 2017-18 from 18% in 2011-12. In absolute terms, the jump is significant, around 2.62 crore: 1.39 crore in urban areas 1.21 crore in rural India. On the otherhand, the distribution of workers in casual labour category decreased by 5 percentage points from 30% in 2011-12 to 25% in 2017-18, with the decline being in rural areas. a- A situation where percentage of workforce in the formal sector tends to decline and that in the informal sector tends to rise is known as: (A) Informalisation (B)Casualisation (C) Jobless growth (D)None of these b- An arrangement where a worker uses his own resources to make living is known as: (A)Wage employment (B)Regular employment (C) Casual employment (D)Self- emplyment c- Less employment of females in comparison to males is an indication of: (A)Economic Backwardness (B)Social Backwardness (C) Both (A) and (B) (D)None of these d-All non-farm casual wage labourers who work for more than one employer such as construction workers and head-load workers are_____(Formal/Informal) sector workers.	4
46	Apoorva noticed that the last 5 decades (1972-2018) there is a growing trend of " casualisation of workforce: What does this mean? Is it good for the economy.	4
47	Anmol and Abhijeet were discussing in different sector? How can they know whether a worker is working in informal sector ?	4

<table>
<tr><td></td><td></td><td></td></tr>
<tr><td>48</td><td>Data shows that rural sector is facing unemployment of different kind. Briefly explain at least 2 of them.</td><td>4</td></tr>
<tr><td>49</td><td>On the basis of the data, answer the following questions:
Data relating to employment (in crore)
<table>
<tr><th>Year</th><th>Population</th><th>Labour force</th><th>Employed</th></tr>
<tr><td>2001-02</td><td>102.90</td><td>37.82</td><td>34.34</td></tr>
<tr><td>2004-05</td><td>109.28</td><td>41.97</td><td>38.49</td></tr>
<tr><td>2009-10</td><td>117.00</td><td>42.89</td><td>40.09</td></tr>
</table>
(Source: NSSO Report, 2012 and Eleventh Five-year plan document)

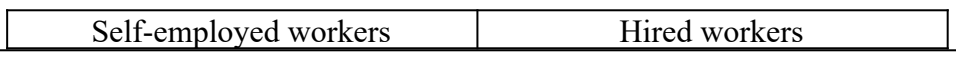
i. Define worker – population ratio. Calculate the worker- population ratio of the year 2004-05.
ii. What is the significance of worker – population ratio.
iii. Calculate the unemployment rate (%) of 2001-02 and 2009-10.</td><td>6</td></tr>
<tr><td>50</td><td>“Governments have played an important role in generating employment or creating opportunities for employment generation through their direct and indirect efforts.” Defend or refute the given statement with valid reason.</td><td>6</td></tr>
<tr><td>51</td><td>

On the basis of the above bar diagram, answer the following questions:
i. When the percentage of workforce in the formal sector tends to decline and that in the informal sector tends to rise is called_____.
ii. Write any two reasons behind the smaller number of workers working in formal sector.
How will you know whether a worker is working in the formal sector?</td><td>6</td></tr>
<tr><td>52</td><td>What do you mean by informalisation of workforce?
Distinguish between formal workers and informal workers.</td><td>6</td></tr>
<tr><td>53</td><td>What is meant by unemployment?
Explain the causes of unemployment in India.</td><td>6</td></tr>
<tr><td>54</td><td>Define the term “worker”. Explain some programs launched by the government to generate employment in India.</td><td>6</td></tr>
</table>

55	Around 100 workers of a factory demonstrated against their owner and demanded for fulfilment of some issues through their labour reunion. In which sector are these workers employed? Mention its basic features.	6
56	Employment generation is burning issues at present time in this country like India. What is the employment generation programmes adopted by the Govt.?	6
57	Read the following passage and give the answers to the following questions. For every 100 persons, about 35 (by rounding off 34.7) are workers in India. In urban areas, the proportion is about 34, whereas in rural India, the ratio is about 35. Why is there such a difference? People in rural areas have limited resources to earn a higher income and participate more in the employment market. Many do not go to schools, colleges and other training institutions. Even if some go, they discontinue in the middle to join the workforce in rural areas. People cannot stay at home as their economic condition may not allow them to do so. For every 100urban females, only about 14 are engaged in some economic activities. In rural areas, for every 100 rural women about 18 participate in the employment market. Why are women, in general, and urban women, in not particular, working? It is common to find that where men are able high to earn incomes, families discourage female from members taking up jobs. Going back to what has already mentioned been many above, household activities done by women are not recognised as productive work. This narrow definition of work leads to non-recognition of women's work and, therefore, to the underestimation of the number of women workers in the country. a. In which areas , you find more employment and why ? b. Why are women in urban areas are less employed? c. Why are the most works done by women and not recognised by as productive workers?	6

ANSWER

1	(i)owner of a garment shop
2	Jobless growth

3	All those who are engaged in economic activities, in whatever capacity — high or low, are workers. Even if some of them temporarily abstain from work due to illness, injury or other physical disability, bad weather, festivals, social or religious functions, they are also workers.
4	b)1,90,000
5	Frictional unemployment
6	(D)Both A and B
7	Open unemployment
8	(D) Assertion is false, reason is true
9	Hired workers
10	(C) Assertion is true, reason is false.
11	(A) Both Assertion and reason are true and reason is correct explanation of assertion.
12	(D) Assertion is false, reason is true.
13	(A) Both Assertion and reason are true and reason is correct explanation of assertion.
14	(D) Assertion is false, reason is true.
15	(B) Assertion and reason both are true but reason is not the correct explanation of assertion.
16	(b) Disguised unemployment
17	(d) Short- term, freelance or on-demand work
18	(b) The percentage of working -age population that is employed or actively seeking employment.
19	(c) An increase in the number of discouraged workers
20	(b) Underemployment
21	(b) Mahatma Gandhi
22	(d) Social activist
23	(c) Services
24	(c) Disguised
25	(a) Compared to urban women , more rural women are found working
26	(a) Yes
27	(d) New jobs are found mostly in informal sector and the nature of the job is mostly casual
28	(a) Rural men
29	(b) Majority self employed , minority casual worker and regular salaried employees
30	(b) worker population ratio
31	One of the benefits of the 'Make in India' campaign is that it will create jobs in the country, as the demand for employees will rise if manufacturing firms increase. A decrease in the unemployment rate will affect the government as lesser unemployment benefits will be given out than earlier.
32	A. When a worker is engaged by someone or an enterprise and paid his or her wages on a regular basis, they are known as regular salaried employees. B. ● Due to more factories and enterprises in urban areas Limited non- farm job opportunities in rural areas and other relevant points.
33	True, the lack of formal employment arrangements and the resulting ambiguity about the terms and conditions of employment are more widespread in the developing world. Self-employment is widespread as the main form of employment, especially during periods of economic downturn.
34	

	1.These are the workers, who are working in their own business or profession. 2. They earn profit as a reward for their services. 3. Example: A farmer working on his own farm.	1.These are the workers, who are hired by others. 2. They are paid wages or salaries as a reward for their services. 3. Example: A teacher working in a school.
35		

Labour Force	Labour Supply
1.It refers to the number of persons actually working or willing to work. 2. It is not related to wage rate. 3. It is measured in terms of the number of persons not in terms of person days. 4. It can increase or decrease only when the number of persons actually working or willing to work increases or decreases.	1.It refers to supply of labour corresponding to different wage rates. 2. It is always related to wage rate. 3. It is measured in terms of man-days or person-days. 4. It can increase or decrease even when the number of workers remains constant.

36	Casual workers refer to those workers, who do not earn regular wages and do not have regular employment throughout the year. They work tor few months or days and earn wages for the work done Casual workers are not hired by employers on a regular basis. They do not enjoy social security benefits like provident fund, gratuity, etc. They are generally unskilled workers, e.g., workers working at a construction site.
37	People work for earning their livelihood. Work gives a sense of self-worth and enables us to relates ourselves meaningfully with others. It will actively contribute to the natural income and hence development of the nation
38	(a) In economic activities, people get gainfully employed. (b) They are employed for monetary purposes (c) Their activities contribute to the gross national product But in non-economics activities, (a) People don't get gainfully employed (b) They are working for pleasure / compassion voluntary service (c) Their activities don't contribute to GNP.
39	The aims are : (a) Reduction of proportion of people depending on agriculture. (b) Substantial shift from farm work to non-farm work (c) Improving the production and productivity of primary sector with labour force
40	a. Disguised unemployment b. marginal productivity of the three extra people is zero.

	c. (i)Integrated rural development offering non- farm occupation in the villages. Development of urban industry that promotes rural- urban migration
41	a. Concentration of economic power b. During the recent past, India has witnessed jobless economic growth that raised the aggregate output level without the proportionate rise in the employment opportunities and, consequently, unemployment continued to exist. The reason is that the rise in GDP is caused by employing modern and improved technology that substituted labour for machines. This failed to generate new employment opportunities in the industrial and the tertiary sectors. Thus, the industrial and the tertiary sectors failed to absorb the excess labour from the agricultural sector. As a result, disguised unemployment in the agricultural sector continued along with low levels of productivity and massive poverty. In addition to this, MNCs that played an important role in Indian economic growth provided employment only to the educated and specialized workforce. These MNCs aimed at achieving higher output levels by employing better technology rather than generating greater employment opportunities. Thus, employment generated in the country does not commensurate with the growth of GDP in India.
42	1. False, labour force different from work force. Labour force refers to the number of people who are able to work and willing to work at the existing wage rate. Workforce on the other hand refers to the number of people who are actually engage in employment. True, lower employment among women in India points to our economic and social backwardness. It leads to economic backwardness because the economy fails to generate enough jobs. It leads to social backwardness because job work for the women is considered as a social taboo.
43	(a)-Can't (b)-Agriculture (c)-Work Force Participation Rate (d)-True
44	(a) B- Work force (b) True (c) Not related
45	a-(A) Informalisation b-(D)Self- emplyment c-(C) Both (A) and (B) d-Informal
46	The process of moving from self-employment and regular salaried employment to casual wage force. This is called casualisation of work. This takes place due to the non-availability of the jobs in regular employment sector and less self-employment opportunities. It is not a good indicator of development because the workers are highly vulnerable in casual work.
47	(a) workers don't get regular income (b)They don't have any protection or regulation from govt. (c) they can be dismissed from job shifts without compensations
48	(a) disguised unemployment : It is an unemployment situation where the farmer is employing more workers than needed . (b) In this type of unemployment workers are employed in agricultural season like sowing , transplantation and harvestmen season and unemployed in lean season.

49	a. It is defined as the percentage of population engaged in production activity in the economy. WPR = No. of employed persons /Total population *100 WPR (2004-05)= 35.22 b. This ratio is used to analysing the employment situation in the country. Higher the ratio for a country , greater is the involvement of people in economic activity and vice-versa . c. Unemployment rate: 2001-02- 9.21 2009-10- 6.60
50	Since Independence, the Union and State governments have played an important role in generating employment or creating opportunities for employment generation. Their efforts can be broadly categorised into two — direct and indirect. In the first category, the government employs people in various departments for administrative purposes. It also runs industries, hotels and transport companies, and hence, provides employment directly to workers. 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 and hence increase the number of employment opportunities in the economy. For example, when a government owned steel company increases its output, it will result in direct increase in employment in that government company. Simultaneously, private companies, which purchase steel from it, will also increase their output and thus employment. This is the indirect generation of employment opportunities by the government initiatives in the economy.
51	a. Informalisation of workforce b. Any two reason: ● Absence of Formal and Quality Job ● Social Factors ● Dominance of Agriculture ● Fall Small industries ● Limitations in Education System c. The following features help to recognise a worker working in the formal sector: i. A worker working in an enterprise (the public sector establishments and the private sector establishments) hiring 10 or more than 10 workers. ii. A worker working in formal sector enjoy social security benefits such as provident fund, gratuity, pension, etc. iii. The economic interest of the workers working in the formal sector is protected by Labour Laws. iv. These workers can form trade unions.

52

Informalisation of workforce is defined as a situation where percentage of workforce in the formal sector tends to decline and that in the informal sector tends to rise.
Informalisation of workforce leads to casualization of workforce. As a result labour market becomes more uncertain.

We can differentiate formal workers and informal workers as follows:

Formal Workers	Informal workers
1.They work in organised sector of the economy.	1.They work in unorganised sector of the economy.
2. They are entitled to social security benefits like provident fund, gratuity, pension etc.	2. They are not entitled to social security benefits.
3. They can form trade unions.	3. They cannot form trade unions.
4. They are protected by various labour laws against uncertainties of the market.	4. They are not protected by various labour laws against uncertainties of the market. Hence highly vulnerable.
5. Formal workers are like regular workers.	5. Informal workers are like daily-wagers.

53

Unemployment refers to a situation when capable and willing people are ready to work at the existing wage rate but are not getting work.
Causes of unemployment are explained below:
(i) Slow economic growth - In Indian economy, the rate of economic growth is very slow. This slow growth rate fails to provide enough employment opportunities to the rising population. Supply of labour is much more than the available employment opportunities.
(ii) Rapid growth of population - Constant increase in population has been a grave problem of India. It is one of the main causes of unemployment. The number of unemployed persons has actually increased instead of decreasing during the plan period.
(iii) Faulty employment planning - The Five Year Plans in India have not been designed for employment generation. A frontal attack to solve the problem of unemployment was missing. In the FYPs, it was assumed that economic growth will take care of unemployment problem.
(iv) Excessive use of foreign technology - There is lack of scientific and technical research in India due to its high cost. This has resulted in excessive use of foreign technology which has led to technical unemployment in our country.
(v) Lack of financial resources - The expansion and diversification programme of agriculture and small scale industries have suffered because of lack of financial resources.
(vi) Agriculture still a seasonal occupation - Even after approximately 70 years of Independence, agriculture in India, still does not have access to adequate irrigation facilities, rendering it to be a seasonal occupation. Because of this, the workforce engaged in farming activities remain unemployed for 3-4 months in a year.
(vii) Decay of cottage and small industries - The cottage and small industries are labour-intensive and generate a number of employment opportunities. But the British rule led to their decay and the government of independent India did not initiate adequate measures for their revival. This compounded the problem of unemployment.
(viii) Low savings and investment - In India, a low rate of capital formation prevails due to low savings and investment. Shortage of capital prevents a business to expand and grow, thus limiting their power to generate employment.
(ix) Immobility of labour - In India, mobility of labour is quite low. Because of family obligations, social constraints, language and cultural barriers, people are unwilling to move to a new place when offered a job there. This is also a cause for unemployment in India.

54	A worker is an individual who is in some employment to earn a living, and thus contributes to the GDP of a country. Some programs started by the government to generate employment opportunities are as below: Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA): MGNREGA is to provide at least 100 days of guaranteed wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work. Make in India: Make in India' initiative was launched on September 25, 2014 with the objective of facilitating investment, fostering innovation, building best in class manufacturing infrastructure, making it easy to do business and enhancing skill development. Start Up India: Start-up India is a flagship initiative of the Government of India, intended to catalyse start-up culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India. Stand up India: Stand-Up India Scheme for financing SC/ST and/or Women Entrepreneurs. The objective of the Stand-Up India scheme is to facilitate bank loans between 10 lakh and 1 Crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise. This enterprise may be in manufacturing, services, agri-allied activities or the trading sector. Pradhan Mantri Kaushal Vikas Yojana (PMKVY): Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is the flagship scheme of the Ministry of Skill Development and Entrepreneurship (MSDE) implemented by National Skill Development Corporation (NSDC). The objective of this Skill Certification scheme is to enable Indian youth to take up industry relevant skill training that will help them in securing a better livelihood. Pradhan Mantri MUDRA Yojana (PMMY): Pradhan Mantri MUDRA Yojana (PMMY) is a scheme launched by the Hon'ble Prime Minister on April 8, 2015 for providing loans up to 10 lakh to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY. These loans are given by Commercial Banks, RRBs, Small Finance Banks, MFIs and NBFCs. Prime Minister's Employment Generation Programme (PMEGP): Prime Minister's Employment Generation Programme (PMEGP), which is a major credit-linked subsidy programme aimed at generating self-employment opportunities through establishment of micro-enterprises in the non-farm sector by helping traditional artisans and unemployed youth.
55	a) employment in this sector is more than 10 workers. b) it may be public or private sector establishment. c) the labour law of govt. protect their employment d)The workers have social security measures. e) The workers form trade union, labour union, bargain with employer for better wages.
56	a) Launching of MGNREGA -2005 with guaranteed 100 days wage employment. b) Govt. runs industries, hotels, transportation, administrative offices etc. Which provide direct employment. c)Govt. has launched employment generation programmes like PMRY, PM Gram Sadak Yojana, PM Gram Swarojgar Yojana, etc.
57	a) In rural areas: ● They use limited resources to earn their livelihood. ● b) They get less education and training. So they join the job market immediately after leaving education.

	• c)People cannot stay at home as their economic condition do not allow them to do so. b) Urban women are less employed as compared to rural women as urban men are able to earn high income, family discourage women to take up jobs. c)They do more household/ domestic works for which they are not at all paid. Their service are not considered for estimation of national income.

Chapter 7: Environment and Sustainable Development

Q. NO	QUESTION	MARKS
1	Degraded environmental quality — decline in air and water quality (seventy per cent of water in India is polluted) have resulted in increased incidence of respiratory and water-borne diseases. How air pollution and water pollution can drastically affect people's health?	1
2	The concept of sustainable development was emphasised by the United Nations Conference on Environment and Development (UNCED), which defined it as: 'Development that meets the need of the present generation without compromising the ability of the future generation to meet their own needs'. _____ refers to the development that meets the needs of the present generation without compromising the ability of future generations to meet their needs. (Fill in the blank with the correct alternative). (a)Environmental impacts (b)Sustainable development (c)Global warming (d)None of the above	1
3	While all living elements—the Birds, animals and plants, forests, fisheries etc.—are biotic elements; abiotic elements include air, water, land etc. Rocks and sunlight are examples of abiotic elements of the environment. A study of the inter-relationship between biotic and abiotic components is called?	1
4	The per capita forest land in the country is only 0.06 hectare against the requirement of 0.47 hectare to meet basic needs, resulting in an excess felling of about 15 million cubic metre forests over the permissible limit. Which of the following is the reason for less availability of per capita forest land in India? (a) Large population size in India. (b) Hot climatic conditions of India. (c) Lack of awareness among people of India. (d) High pollution	1
5	Ms Roshani listed some of the activities observed in the forest region. Which of the following given activities can be harmful to the region? (i) Cutting of trees for industry. (ii) Collection latex from the rubber trees. (iii) People collecting the fallen berries and nuts. (iv) Cattle grazing. (a) (i) and (ii) (b) Only (i) (c) (i), (ii), (iii) and (iv)\ (d) Only (iii)	1

6	A UN Conference on Climate Change, held in _____ in 1997, resulted in an international agreement to fight global warming which called for reductions in emissions of greenhouse gases by industrialised nations. Chine USA Japan Brazil	1
7	Assertion: The use of CFC is banned throughout the world. Reason: CFC is the main reason for Ozone depletion. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and Reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. Assertion is false, reason is true.	1
8	Assertion: In India land suffers from different types of land degradation Reason: There are proper methods available in the country to check land degradation. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B)Assertion and Reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D)Assertion is false, reason is true.	1
9	Assertion: Affluence in living standards is causing land degradation. Reason: Increase in wealth increases the demand for goods and services. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and Reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	1
10	Assertion (A): Sustainable development is an important element of growth and development of nations. Reason (R): All the countries of the world are facing environmental issues like global warming. Climate change, ozone layer depletion etc. (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 reasons (R) is true.	1

<table>
<tr><td>11</td><td>Which of the following was started to save the evergreen tropical forest in the Palakkad district of Kerala, India from being flooded by a hydroelectric project?
(A) Chipko movement (B) Silent Valley Movement
(C) Appikko Movement (D) Jungle Bachao Movement</td><td>1</td></tr>
<tr><td>12</td><td>Identify the Correctly Matched pair from the items in Column A and by matching them with the items in column B
<table><tr><th>A</th><th>B</th></tr><tr><td>1-Sustainable Development</td><td>(a). The process where by the real percapita income of the counry increases over a long period of time</td></tr><tr><td>2-Economic Development</td><td>(b). Development that means the need of the present generation without compromising the ability of the future generation to meet their own needs.</td></tr><tr><td>3-Economic Growth</td><td>(c) Comprehensive concepts including increasing real percapita income of a country over a long period of time along with reduction in poverty, inequality and unemployment.</td></tr><tr><td>4-Environment</td><td>(d) The total planetary inheritance and the totality of all resources.</td></tr></table>(A) 1- (a)
(B) 2-(b)
(C) 3- (c)
(D) 4- (d)</td><td>1</td></tr>
<tr><td>13</td><td>The government set up the Central Pollution Control Board to control _
(A) noise pollution (B) air pollution
(C) deforestation (D) land pollution</td><td>1</td></tr>
<tr><td>14</td><td>Montreal Protocol is associated with the banning of the use of:
(A) CFC (B) Halons
(C) Both (a) and (b) (D) None of these</td><td>1</td></tr>
<tr><td>15</td><td>Brutland commission in 1987 defined sustainable development as:
(A) A type of development which put the interest of developing countries ahead of the interest of the rich nations.
(B) Development which meets the needs of present generation without compromising the ability of the future generation to meet their own needs.
(C) Development that protects the future generation even at the expenses of present generation.</td><td>1</td></tr>
</table>

	(D) None of the Above	
16	Absorptive Capacity is defined as: (A) Ability of the environment to absorb degradations (B) Recourse generation within the assimilating capacity of the environment. (C) Average number of organisms living in a given environment (D) The Minimum population surviving in the world as a whole.	1
17	Assertion (A): The environmental degradation in India points to a paradoxical situation in the country. Reason (R): It is occurring and expanding owing to its staggering poverty as well as rapid growth of production activity. (A) Both Assertion and reason are true and reason is the correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	1
18	Assertion: Non- renewable resources are scarce in nature. Reason: Non-renewable resources can be replenished over a period of time. (A) Both Assertion and reason are true and reason is correct explanation of assertion. (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.	1
19	Statement-1: Deforestation is continuous and substantial decrease in forest cover. Statement-2: If there is loss to forest cover, it fails to act as a good indicator of quality of land. A- Both the statements are true B- Both the statements are false C- Statement-1 is ture but statement-2 is false D- Statement 2 is true but statement-1 is false	1
20	Statement-1: The Kyoto Protocol has banned the use of CFC Compound. Statement-2: Depletion of ozone layer allows greater ultraviolet radiations to reach the earths surface and is in turn a danger to living organisms. A- Both the statements are true B- Both the statements are false C- Statement-1 is ture but statement-2 is false D- Statement 2 is true but statement-1 is false	1
21	What do we mean when we say “think globally, act locally” in relation to environmental problems? I)Global environmental problems are essential issues ii)Environmental problems have to be thought about at a global level iii)Extensive research and thinking has been carried out by global level iv)Think about global impact of local activities	1
22	How global warming can affect the migration patterns of wildlife ?	1
23	Which of the following is not used as a strategy for sustainable development? i)Use of bio gas ii) Use of solar power	1

	iii) Use of thermal power iv) Use of hydel power	
24	How can the implementation of the "polluter pays principle" help address environmental degradation?	1
25	_____ is the principal cause of environmental degradation in rural areas.(Poverty/Conventional wisdom)	1
26	How can mini-hydel plants sustain environment ?	1
27	Read the following statements- Assertion (A) and Reason (R) Assertion (A):Households in rural areas are dependent on non-commercial sources of energy as fuel. Reason (R):Use of non-commercial sources of energy leads to problems of deforestation, reduction in green cover, wastage of cattle dung and air pollution. Select the correct alternative from the following: (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.	1
28	Study the image given below and suggest which of the following bin should be used for the disposal of biodegradable waste ? i)Red ii) Green iii) Blue iv) Yellow 	1
29	Study the image given below and suggest which of the following will not contribute towards maintenance of sustainable development? i) Conservation of resource ii) Traffic congestion iii) Reduction in Co2 emissions iv) Recycling of waste 	1

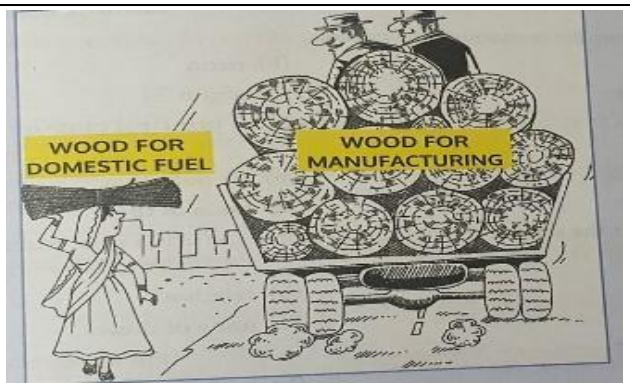
30	A company aims to reduce its carbon footprint. Provide two steps it can take to achieve this goal.	1
31	Which of the following is a causes of ozone depletion? A .Noise pollution B. water pollution C. Air pollution D. None of these	1
32	Which of these is included in the physical environment? A. Land B. Water C. Air D. All of those	1
33	'Green GNP' Concept is related to…….. A. Economic Development B. Sustainable development C. Green Colour D. None of thes	1
34	Structural changes are related to…… A. Economic development B. Quality of life C. Economic growth D. Sustainable development	1
35	…… development meet the needs of the present generation without compromising the ability of future generations to meet their needs. (a) Economic (b) Political (c) Sustainable (d) None of these	1
36	Assertion (A): Kyoto Protocol focuses on reduction in emissions of greenhouse gases by industrialized nations. Reason(R): Global warming has led to impairment of ecological balance. Alternatives: (a) Both Assertion (A) and Reason are true and Reason is the correct explanation of Assertion (A) (b)Both Assertion (A) and Reason are true and Reason is not the correct explanation of Assertion (A) (c)Assertion (A) is true but Reason is false. (d)Assertion (A) is false but Reason is true	1
37	Which of the following statements is correct about achieving sustainable development? A. Sustainable development can be achieved by restricting the usage of renewable resources B. Sustainable development can be achieved by controlling the growth rate of world's population C. Sustainable development can be achieved by controlling the menace of pollution D. All of the above	1

38	Which of the following statements is true? A. Economic growth is the modern concept for development B. Political growth is the modern concept for development C. Sustainable growth is the modern concept for development D. Social growth is the modern concept for development	1
39	Which of the following statements gives the correct meaning of absorptive capacity? A. Absorptive capacity is defined as the ability of our environment to absorb degradation B. Absorptive capacity is defined as the method of resource generation that is within the assimilating capacity of our environment C. Absorptive capacity is defined as the average number of organisms that are living within a given environment D. Absorptive capacity is defined as the minimum population that is currently surviving in the world	1
40	Which of the following is not used as a strategy for sustainable development? A. Use of bio gas B. use of solar power C. use of thermal power D. use of hydel power	1
41	'Pesticides are chemical compounds designed to kill pests. Many pesticides can also pose health risks to people even if exposed to nominal quantities.' In the light of the above statement, suggest any two traditional methods for replacement of the chemical pesticides.	3
42	"If 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.	3
43	"Recently India have drifted away from the traditional knowledge and practices and caused large scale damage t environment." Explain how adopting the traditional practices can be helpful in achieving the objective of sustainable development?	3
44	What are the functions of environment?	3
45	What do you mean by carrying capacity of the environment?	3
46	What is environmental Crisis? What are the factors responsible for the Crisis?	3
47	A company aims to reduce its carbon footprint. Provide two steps it can take to achieve this goal.	3
48	Provide an example of how increasing affluence can lead to environmental challenges. Suggest two policy measures that governments can adopt to prevent falling into the affluence trap and promote more sustainable consumption pattern.	3
49	Interpret the situation of earth as depicted in the given picture, with reference to current environment challenges 	3
50	What are the two major environmental issues facing the world today? Explain each.	3
51	What are functions of Central Pollution Control Board?	3
52	What are the four vital functions of the environment?	3

53	Explain how the opportunity costs of negative environmental impact are high.	4
54	Explain the relevance of inter-generational equity in the definition of sustainable development.	4
55	"It is our moral and social responsibility to work hard for sustainable development." If yes, what should be done to achieve the objective of sustainable development?	4
56	Environmental degradation owes a great deal to supply-demand reversal of resources over a period of time. Prior to industrialization, when the pace of life was slow, demand for natural resources did not exceed their supply. Man lived as a component of nature, never as its commander or its exploiter. As industrialization progressed, there was a surge in human wants. Accordingly, there has been an exponential growth in demand for natural resources, leading to their overuse as well as misuse. Supply of resources has suffered a reversal from abundance to paucity. Demand, on the other hand, has reversed from manageable to unmanageable limits. The pressure on the absorptive capacity of the environment increased tremendously. Environmental crises occur when carrying capacity of the environment is challenged through excessive exploitation of natural resources and/or through excessive generation of wastes. (a). Which of the following is/are the main cause/s of supply-demand reversal of resources? (A) Industrialization (B) Population explosion (C) Increased consumerism (D) All of these (b). Due to rapid industrialization, human wants became limited but it led to overuse of resources. (True/False) (c). When the resource extraction is above the rate of regeneration of the resources and wastes generated are not within the assimilative capacity of the environment which of the following viral function of the environment fails to perform, which results in an environmental crisis? 1- It supplies renewable and non-renewable resources 2-It assimilates waste 3- It sustains life by providing genetic and biodiversity 4- It provides aesthetic services like scenery etc (d). Environmental crises will occur when (A) Exploitation of natural resources takes place (B) Excessive generation of resources. (C) Carrying capacity is low (D) Exploitation exceeds regeneration of resources	4
57	The heavy rainfall on Wednesday combined with the consecutive lockdowns has significantly brought down the pollution level in Delhi. Delhi received record amounts of rainfall on Wednesday in the impact of Cyclone Tauktae. On Thursday, the air quality index (AQI) in parts of East Delhi hovered below the 100-mark that falls in 'moderate' category while parts of North, South and West Delhi recorded AQI reading below 100.	4

	"The consecutive lockdowns, followed by a spell of rain has brought down the pollutants in the air. The present situation is likely to continue for a couple of days. After that, the pollution level will rise but due to no civil construction activities and smoke producing chimneys of industries are also shut due to the lockdown, air quality will not degrade to hazardous levels," said a weather department official. During the lockdown last year, the air quality had improved to the 'good' category across the national capital region. With minimal vehicular movement on the roads and the industries and construction work shut, Delhi residents could breathe fresh air after a long time. India today, May 20, 2021 1. Which of the following led to a drop in the pollution level in Delhi? (A) Heavy rainfall (B) Lockdowns (C) Both of these (D) None of these 2. Which of the following is the main cause of wide-spread air pollution in urban areas? (A) Scanty rainfall (B) Lockdowns (C) Vehicular emissions (D) None of these 3. The use of ……as fuel in the public transport system may reduce air pollution. (A) CNG (B) LPG (C) Gobar gas (D) All of these 4. Which of the following is not a major cause of Air pollution? (A) Vehicular emissions (B) Domestic sewerage (C) Chemical treatments in industries (D) Emission of gases	
58	Environmental degradation owes a great deal to supply-demand reversal of resources over a period of time. Prior to industrialization, when the pace of life	4

	was slow, demand for natural resources did not exceed their supply. Man lived as a component of nature, never as its commander or its exploiter. As industrialization progressed, there was a surge in human wants. Accordingly, there has been an exponential growth in demand for natural resources, leading to their overuse as well as misuse. Supply of resources has suffered a reversal from abundance to paucity. Demand, on the other hand, has reversed from manageable to unmanageable limits. The pressure on the absorptive capacity of the environment increased tremendously. Environmental crises occur when carrying capacity of the environment is challenged through excessive exploitation of natural resources and/or through excessive generation of wastes. 1. Which of the following is/are the main cause/s of supply-demand reversal of resources? (A) Industrialization (B) Population explosion (C) Increased consumerism (D) All of these 2. Due to rapid industrialization, human wants became limited but it led to overuse of resources. (True/False) 3. When the resource extraction is above the rate of regeneration of the resources and wastes generated are not within the assimilative capacity of the environment which of the following viral function of the environment fails to perform, which results in an environmental crisis? (A) It supplies renewable and non-renewable resources (B) It assimilates waste (C) It sustains life by providing genetic and biodiversity (D) It provides aesthetic services like scenery etc 4. Environmental crises will occur when …… (A) Exploitation of natural resources takes place (B) Excessive generation of resources. (C) Carrying capacity is low (D) Exploitation exceeds regeneration of resources	
59	Pesticides are chemical compounds designed to kill pests. Many pesticides can also pose health risks to people even if exposed to nominal quantities. In the light of above statements, suggest any two traditional methods for replacement of the chemical pesticides.	4
60	Interpret the above picture on account of the dichotomy of environmental degradation in India.	4

		
61	Do you agree with a view that environmental degradation is an avoidable opportunity cost of development? Write your observations as a student of economics.	4
62	Keeping in view your locality, describe any four strategies of sustainable development.	4
63	Explain how the opportunity costs of negative environmental impact are high.	4
64	"It is our moral obligation to hand over the planet earth in good order to future Generation" do you agree?	4
65	Speaking virtually at the Climate Adaptation Summit, PM Narender Modi said "our lifestyle must change to adapt to climate change", holding that this sentiment should guide the world. India's target is to have 450 GW renewable energy capacity by 2030 and its use of LED lights leading to saving 32 million tonnes of carbon dioxide emission annually, he said. The country is going to restore 26 million hectares of degraded land by 2030, he said, noting that it is providing clean cooking fuel to 80 million rural households and is connecting 64 million households to the piped water supply. Also, Three Indian enterprises are among 34, awarded by the United Nations for their contribution in promoting sustainable development. India Ranked 117th in SDG Index 2020, Sweden tops Sustainable Development Report 2020. (a) Define Sustainable Development. (b) State the major environmental issues faced by India. (c) Suggest some measures to promote sustainable development in the economy.	6
66	"India's environmental problems are both poverty induced as well as the consequence of affluence" Comment.	6
67	"Man-made factors are factors responsible for land degradation". Give argument in support of your answer.	6
68	Explain How the opportunity costs of Negative environment impacts are High.	6
69	Explain how the supply demand reversal of environmental resources account for the current environmental crisis.	6
70	Define Sustainable Development. Outline the steps involved in attaining sustainable development in India.	6
71	Discuss the role of international agreements and cooperation in addressing global environmental challenges. Choose one global environmental agreement and explain how it aims to achieve its objectives. Highlight the significance of multilateral efforts in addressing transboundary environmental issues	6
72	How do the following factors contribute to the environmental crisis in India? What problem do they pose for the government? i) Affluent Consumption Standards ii) Illiteracy	6

73	Examine the concept of "sustainable development" in the context of urbanization. Discuss three challenges that rapidly urbanizing areas may face in achieving sustainable development. Provide examples of policy interventions that can address these challenges and promote a more sustainable urban environment	6
74	On December 20, 2021, the following news was printed in Hindustan times and Hindu “Delhi air quality turns hazardous and government has imposed restriction on construction activities”. Under this context define what is air pollution? What possible steps can be taken to control air pollution?	6
75	Highlight any two serious adverse environmental consequences of development in India. India’s environmental problems pose a dichotomy-they are poverty induced and, at the same time, due to affluence in living standards. Is this true? Explain	6
76	“Recently Indians have drifted away from the traditional knowledge and practices that cause large scale damage to environment.” Explain how, adopting the traditional practices can be helpful in achieving the objectives of sustainable development.	6

ANSWER

1	Air pollution and water pollution resulted in increased incidence of respiratory and water-borne diseases
2	(b)Sustainable development
3	Environment.
4	(a) Large population size in India.
5	(b) Only (i)
6	(c) Japan
7	A
8	C
9	A
10	a) Both assertion (A) and reason (R) are true and Reason (R) is the not correct explanation of assertion (A).
11	(B) Silent Valley Movement
12	(D) 4- (d)
13	(B) air pollution
14	**(C)** Both (a) and (b)

15	(C) Development that protects the future generation even at the expenses of present generation
16	(A) Ability of the environment to absorb degradations
17	A) Both (A) and (R) are True and (R) is the correct explanation of (A)
18	(C) Assertion is true, reason is false.
19	A-Both the statements are true
20	D-Statement 2 is true but statement-1 is false
21	iv)Think about global impact of local activities
22	Rising temperatures and changing habitats can force some species to migrate in search of suitable conditions. This can disrupt ecosystems, as well as impact the survival of both migrating and resident species.
23	iii) Use of thermal power
24	The polluter pays principle ensures that those who cause pollution or environmental damage bear the costs of mitigation and cleanup. This incentivizes companies to adopt cleaner production practices.
25	Poverty
26	Mini-hydel plants generate electricity with the help of water of a stream flowing in the mountainous region. Mini-hydel plants are environment friendly as they do not change the land use pattern in areas where they are located. Also, they generate enough power to meet local demands.
27	**(a)**
28	ii) Green
29	a)Traffic congestion
30	Energy Efficiency: The company can conduct energy audits to identify areas of inefficiency and upgrade equipment with energy-efficient alternatives. This includes using LED lighting, energy-efficient appliances, and optimizing HVAC systems. Renewable Energy Adoption: Invest in renewable energy sources like solar panels or wind turbines to power operations. This reduces reliance on fossil fuels and decreases carbon emissions.
31	C .Air pollution
32	D. All of those
33	B. Sustainable development
34	A. Economic development
35	C. sustainable
36	(b)Both Assertion (A) and Reason are true and Reason is not the correct explanation of Assertion (A)
37	D. All of the above
38	C. Sustainable growth is the modern concept for development
39	A. Absorptive capacity is defined as the ability of our environment to absorb degradation .
40	C. use of thermal power
41	The traditional practices can help in controlling contamination without the use of chemical fertilizers, as follows:

	(i) Neem trees and its by products are a natural pest-controller, which has been used since ages in India. Recently, the government promoted the sale Neem coated urea as a measure of natural pest control. (ii) Large variety of birds should be allowed to dwell around the agricultural areas, they can clear large varieties of pests including
42	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.
43	The given statement is quite appropriate. Indian traditional practices were environment friendly and worked as complementary to the system and not its controller. The traditional agriculture system, healthcare system, housing, transport, etc. were intrinsically environment friendly. The traditional practices and natural products and processes which are more or less free from side effects. For example, by adopting medicinal plants/products, we can conserve the resources and achieve the objective of sustainable development
44	Functions of Environment - 1.It provides resources for production: - Resources such as renewable and non- renewable are supplied by the environment. 2. Environment assimilates wastes. 3. It sustains life by providing essential elements like sun, soil, air, water etc. 4. It provides aesthetic services: - It includes land, forest, water bodies, rainfall, mountain etc. with this people enjoy the beauty of hill station and to improve the quality of life.
45	Carrying capacity implies two thing s :- Capacity of the environment to assimilate waste and withstand the extraction of resources. i) Resource extraction should remain below the rate of resource regeneration. Generation of wastes should remain within the absorption capacity of the environment.
46	Environmental Crisis:- When the rate of resources extraction exceeds that of their re-generation then environment fails to perform its vital function of life substance and it lead to the situation of Environmental Crisis. The various reasons f or environmental crisis are as under:- i) Population explosion and advent of industrial revolution. ii) The intensive and extensive extraction of both renewable and non-renewable resources. The affluent consumption and production standards of developed countries
47	The "affluence trap" refers to a situation where increasing affluence and economic growth result in higher consumption and resource use, leading to environmental degradation and unsustainable practices. Example: As a country's economy grows, there is often a rise in consumerism and energy-intensive industries. Increased affluence can lead to higher levels of waste generation, air pollution, and greenhouse gas emissions, thereby contributing to environmental challenges Policy measures to prevent the affluence trap: Green Taxation: Governments can impose taxes on resource-intensive products or activities, discouraging excessive consumption and promoting sustainable alternatives.

	Circular Economy Promotion: Encouraging the adoption of circular economy principles, such as recycling, reuse, and repair, reduces the demand for new resources and products.
48	With reference to current environmental challenges the situation of earth as depicted I the given picture is global warming. The gradual. increase in the average temperature of earth's lower atmosphere is called global warming. Different effects of global warming are : i. Melting of polar ice resulted in increase in sea level. ii. Extinction of species Increased incidence of tropical diseases.
49	The traditional practices can help in controlling contamination without the use of chemical fertilizers, as follows i) Neem trees and its by products are a natural pest controller, which has been used since ages in India. Recently the government promoted the sale Neem coated urea as a measure of natural pest control. Large variety of birds should be allowed to dwell around the agricultural areas, they can clear large varieties of pests including insects.
50	(a) Global warming. Global warming refers to gradual increase in the average temperature of earth's atmosphere and ocean. It is caused by the emission of Green House Gases, particularly, carbon dioxide. The increase in the level of carbon dioxide raises the temperature of the earth surface, accelerating the melting of polar ice. This leads to the rise in the sea level. Thus, the disturbed ecological balance leads to increasing natural calamities, posing a threat to human survival. (b) Ozone depletion Ozone acts as a cover for the earth surface that is very essential for the sustenance of life. It prevents the harmful ultra violet radiations from penetrating the earth surface. But its depletion is becoming a global concern these days. This is due to the excessive use of cooling substances in the air conditioners and the refrigerators. As ozone gets depleted, the possibility of ultra violet radiations penetrating to the earth surface increases posing a threat to the life on earth.
51	The government set up central pollution control board (CPCB) in 1974. The main functions are as follows: a) The board investigates, collects and disseminates information relating to pollution. b) They provide technical assistance to the government in implementing the rules related to pollution control. c) They carry out awareness program through mass media. d) They prepare code and guidelines related to the control of pollution. e) They assess air quality through regulation of industries.
52	(a.) Environment Supplies Resources- Resources include both renewable and non renewable. Renewable resources are those which can be used without the possibility of the resource becoming depleted or exhausted. In other words, a continuous supply of the resource remains available. Examples of renewable resources are trees in the forest and fish in the ocean. Non-renewable resources are those which get exhausted with extraction and use, E.g. fossil fuels. (b). Environment Sustains Life- Environment includes sun, soil, water and air which are essential elements for the sustenance of human life. The carrying capacity of the environment implies that the resource extraction is not above the rate of regeneration of the resources and the waste generated are within the assimilating capacity of the environment. Carrying capacity of the environment helps to sustain life. Absence of carrying capacity of environments means absence of life.

	(c) Environment Assimilates Waste-Production and consumption activities generate waste. This occurs mostly in the form of garbage. Environment absorbs garbage (d) Environment Enhances Quality of Life and it provides aesthetic services. Environment includes oceans, mountains, deserts, etc. Man enjoys these surroundings, adding to the quality of life.
53	The intensive and extensive extraction of both renewable and non-renewable resources has exhausted some of these vital resources and we are compelled to spend huge amounts on technology and research to explore new resources. The expenditure on health is also rising. To make matters worse, global environmental issues such as global warming and ozone depletion also contribute to increased financial commitments for the government. Thus, it is clear that the opportunity costs of negative environmental impacts are high.
54	The Brundtland Commission emphasises on protecting the future generations. This is in line with the argument of the environmentalists who emphasise that we have a moral obligation to hand over the planet earth in good order to the future generations, i,e., the present generation should give better environment to the future generations, no less than what we have inherited. According to the United Nations Conference on Environment and Development (UNCED) sustained developing is, "Development that meets the needs of the present generation without compromising the ability of the future generation to meet their own needs.
55	Yes, I fully agree with the contention that it is the collective moral and social responsibility to work for a sustained development. The causal factors must be addressed in the light of worsening conditions which have wreaked havoc on our environment. Awareness must be created on the probable fall outs of exploiting the environment incessantly. Usage of environmentally harmful substances must be gradually phased out after identifying less harmful alternatives for sustained growth. If the need arises, products can be banned and penalties levied to serve as a deterrent.
56	A- D-all of these B- False C- C- It sustains life by providing genetic and biodiversity D- Exploitation exceeds regeneration of resources
57	1-(C) Both of these 2-(C) Vehicular emissions 3-(A) CNG 4-(B) Domestic sewerage
58	1-(D) All of these 2- False 3- (C) It sustains life by providing genetic and biodiversity 4- (D) Exploitation exceeds regeneration of resources
59	Environmental degradation points to a paradoxical situation in India, and it is evident from the above image. It is occurring and expanding owing to its staggering poverty and at the same time accelerating owing to its affluence in the form of rapidly expanding production activity. i) Poverty is the principal cause of Environmental degradation in rural areas. ii) Expanding production activity is the principal cause of Environmental degradation in urban areas.

	iii) Industrial smoke is polluting the air and industrial waste is polluting the water. Expansion of vehicular traffic is generating noise pollution, besides contributing to air pollution and global warming .
60	Opportunity cost is the sacrifice made for enjoying an opportunity. I agree with a view that that environmental degradation is an avoidable opportunity cost of development. Example of avoidable opportunity cost are : i) Deforestation occurring due to illegal tree-felling. ii) Water pollution and loss of aquatic life due to drainage of industrial waste into the rivers. iii) Illegal construction of residential houses. Illegal mining leading to extinction of waterbodies.
61	HYV technology induces environmental pollution as it is based on the extensive application of chemical fertilizers, insecticides ad pesticides. This technology is crop friendly, but not soil friendly. It erodes fertility of the soil and pollutes groundwater. Organic farming is recommended as an alternative which is soil friendly. We should shift to organic farming, keeping in mind the fact that the loss of productivity does not lead to food scarcity in the country.
62	(a) Global warming. Global warming refers to gradual increase in the average temperature of earth's atmosphere and ocean. It is caused by the emission of Green House Gases, particularly, carbon dioxide. The increase in the level of carbon dioxide raises the temperature of the earth surface, accelerating the melting of polar ice. This leads to the rise in the sea level. Thus, the disturbed ecological balance leads to increasing natural calamities, posing a threat to human survival. (b) Ozone depletion Ozone acts as a cover for the earth surface that is very essential for the sustenance of life. It prevents the harmful ultra violet radiations from penetrating the earth surface. But its depletion is becoming a global concern these days. This is due to the excessive use of cooling substances in the air conditioners and the refrigerators. As ozone gets depleted, the possibility of ultra violet radiations penetrating to the earth surface increases posing a threat to the life on earth.
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64	(a.) Environment Supplies Resources- Resources include both renewable and non renewable. Renewable resources are those which can be used without the possibility of the resource becoming depleted or exhausted. In other words, a continuous supply of the resource remains available. Examples of renewable resources are trees in the forest and fish in the ocean. Non-renewable resources are those which get exhausted with extraction and use, E.g. fossil fuels. (b). Environment Sustains Life- Environment includes sun, soil, water and air which are essential elements for the sustenance of human life. The carrying capacity of the environment implies that the resource extraction is not above the rate of regeneration of

	the resources and the waste generated are within the assimilating capacity of the environment. Carrying capacity of the environment helps to sustain life. Absence of carrying capacity of environments means absence of life. (c) Environment Assimilates Waste-Production and consumption activities generate waste. This occurs mostly in the form of garbage. Environment absorbs garbage (d) Environment Enhances Quality of Life and it provides aesthetic services. Environment includes oceans, mountains, deserts, etc. Man enjoys these surroundings, adding to the quality of life.
65	(a) Sustainable Development is a process of economic development which aims at raising the quality of life of people of both present and future generations. (b) Environmental Issues faced in India are: (i) Land Degradation (ii) Pollution (c) Measures to promote sustainable development are: (i) Use public transport. (ii) Opt for car/cab pools (iii) Use of input efficient technology (iv) Use of environment friendly sources of energy (v) Focus on integrated rural development
66	1. Environmental degradation is caused by poverty as people are cutting trees, overgrazing their animals and polluting the water bodies as to fulfil their basic requirements. 2. Affluence in living standard is also causing environmental degradation as due to increase in wealth people are demanding more goods for their luxury and because of which new industries are setting up, producing and usage of vehicle is also increased which is ultimately reducing the quality of environment.
67	Some of the man-made factors responsible for land degradation are (i) loss of vegetation occurring due to deforestation (ii) unsustainable fuel wood and fodder extraction (iii) shifting cultivation (iv) encroachment into forest lands (v) forest fires and over grazing (vi) non-adoption of adequate soil conservation measures (vii) improper crop rotation (viii) indiscriminate use of agro-chemicals such as fertilisers and pesticides (ix) improper planning and management of irrigation systems (x) extraction of ground water in the competing uses of land for forestry, agriculture, pastures, human settlements and industries exert an enormous pressure on the country's finite land resources.
68	**Opportunity cost of Negative Environmental** Impacts refers to the cost we have to pay due to harm caused to the environment. ● **The past development** has polluted and dried up rivers and other aquifers making wate an economic good. The intensive and extensive extraction of resources has exhausted some of these environmental resources and we have to spend huge amounts on technology and research to explore new resources. ● **We do have to incur a lot on health costs** of degraded environmental quality, i.e- Decline in air and water quality has resulted in increased incidence of respiratory and water borne diseases. ● **Global environmental issues** such as global warming and ozone depletion also contribute to increased financial commitments for the Govts. **The rising temperature** of our environment has increased our power consumption on Fans and Air Conditioners leading to additional cost on power consumption.
69	In the initial level of development, the demand for environmental resources was less than that of supply. **D < S.** Now the world is faces with increased demand for environmental resources but their supply turns out to be limited due to overuse and misuse such as petrol and water. So , there is a reversal trend of environmental resources.

	D > S **While accounting for current environmental crisis, we find that in India:** 1- There is a threat of poverty induced environmental degradation. 2- Threat of pollution from affluence and a rapidly growing industrial sector. Air Pollution, water contamination, soil erosion, deforestation and wildlife extinction are considered to be the most pressing environmental concerns.
70	**Sustainable development** is the development that meets the needs of the present generation without compromising the needs of the future generation so that future generation would not be deprived of. **The steps involved in attaining sustainable development in India are:** → Use of non-conventional sources of energy: This will help in reducing our dependency on thermal power and hydel power. Thus, use of non-conventional sources of energy will help in ensuring sustainable development. → LPG, Gobar gas in rural areas: Use of LPG and gobar gas in rural areas will help in reducing the extraction of firewood for fuel. Thus, it will help in reducing air pollution and felling of trees. → CNG in urban areas: As the example of Delhi shows, increased use of CNG in urban areas can help in improving air quality. → Wind power: Wind power is a renewable source of energy and can be harnessed with available technology. Many wind farms are already operational in India. → Solar power through photovoltaic cells: Solar panels are being used for powering traffic lights and hoardings in many cities. Solar cells are also being used in water heaters and for lightning purposes. → Mini-hydel plants: Mini hydel plants can be ideal for hilly areas which have large number of streams. Mini hydel plants can help in supplying electricity to remote areas and also in preventing transmission losses. → Traditional Knowledge and Practices (AYUSH) →Biocomputing → Bio pest control →Organic Farming
71	International agreements and cooperation play a critical role in addressing global environmental challenges that transcend national boundaries. The "Paris Agreement" is a notable example of a global environmental agreement. The Paris Agreement aims to combat climate change by limiting global temperature rise to well below 2 degrees Celsius above pre-industrial levels, with efforts to limit it to 1.5 degrees Celsius. Countries pledge to submit nationally determined contributions (NDCs) outlining their climate action plans. Significance of multilateral efforts: Transboundary Impact: Environmental challenges like climate change and air pollution affect multiple countries. Multilateral agreements facilitate collaboration in addressing shared problems. Collective Action: Global agreements ensure that countries work collectively towards common goals, maximizing the impact of efforts and sharing knowledge and resources.
72	Affluent Consumption Standards

	Affluent Consumption Standards have placed a huge stress on the environment in terms of resources supply and assimilation of waste. The resources have become extinct and wastes generated are beyond the absorptive capacity of the environment leading to environmental crises. The government is compelled to spend huge amounts on research and development to explore alternative environment friendly resources. Also, upgradation of environmental quality entails huge cost Illiteracy Man, if illiterate will not use the resources judiciously that will ultimately lead to overuse or misuse of the scarce resources. The resources can be judiciously and efficiently exploited (with minimum waste) only when people are aware of and skilful in utilising the resources. Otherwise lack of knowledge and skills may lead to excessive extraction of resources and, thereby, its misuse. Thus, the government should take measures to create awareness and spread technical knowledge among people about various efficient and economising methods
73	Sustainable development in urban areas involves meeting the needs of the present without compromising the ability of future generations to meet their own needs. Rapid urbanization presents several challenges for achieving sustainability. Challenges of rapid urbanization: Increased Pollution: Urban areas often experience higher pollution levels due to increased industrialization and traffic congestion, negatively impacting air and water quality. Resource Depletion: Urbanization leads to higher resource consumption, including water and energy, straining limited resources. Infrastructure Pressure: Expanding infrastructure to accommodate a growing population can lead to deforestation, land degradation, and loss of biodiversity. Policy interventions: Green Infrastructure: Implement policies that promote the creation of green spaces, parks, and urban forests. These areas can mitigate pollution, provide recreational spaces, and improve air quality. Public Transportation: Invest in efficient and affordable public transportation systems to reduce congestion, minimize emissions, and promote sustainable mobility. Waste Management: Establish comprehensive waste management programs that include recycling, composting, and waste-to-energy systems to reduce landfill usage.
74	Air pollution is the polluting of natural air by the presence of various pollutants such as toxic gases and chemicals. This form of contamination can be created by burning materials, gases emitted by vehicles, or hazardous fumes emitted as a by product of industry. According to experts, one of the most serious side effects of air pollution is global warming. Because of the high degree of industrialization, air pollution is a major concern throughout the world, particularly in large cities like Delhi. The release of such air pollutants in high quantities, such as smog, particles, solid materials, and so on, is settling over the city, generating air pollution and posing health risks to the population. The following are some methods for reducing air pollution: 1) Promotion of public transport instead of private vehicles like use of Delhi metro 2) Promotion of cleaner fuels in vehicles like use of CNG instead of petrol and diesel 3) Industrial estates should be located away from residential areas.

	4) Poisonous gases should be removed by running the vapors through a water tower scrubber 5) Control construction activities. 6) Attempts should be undertaken to produce pollution-free automotive fuels, such as alcohol, hydrogen, and battery power. Automobiles should have exhaust emission controls 7) Growing plants that can metabolize nitrogen oxides and other gaseous pollutants, 8) Research and development of non-combustible energy sources, such as nuclear power, geothermal power, solar power, tidal power, wind power, and so on. 9. In nations such as India, traditional fuel sources such as wood, coal, and so on should be reconsidered in favour of newly developed smoke-free furnaces. Filtering, settling, dissolving, absorption, and other methods of mitigating air pollution are examples. 10) Burning of leaves, plastic, trash etc., and burning of crackers should be avoided as much as possible. 11) Practicing recycling and reuse.
75	Some of the serious adverse environmental issues or consequences of development in India are land degradation, deforestation and air pollution etc . The developmental activities in India exerted tremendous pressure on the natural resources and also affected human health and wellbeing. • Land Degradation: The gradual but consistent loss of fertility of land is referred to as degradation of land. This is emerging as a serious concern in the context of environmental issues in India. The following are the factors that contribute to land degradation in India: Unsustainable fuel wood and fodder extraction. Shifting cultivation, Encroachment into forest lands, Forest fires and over grazing etc. • Air pollution: in India, air pollution is wide spread in urban areas where vehicles are the main contributors. Air pollution leads to health issues and causes serious damage s to the eco system. Air pollution is the polluting of natural air by the presence of various pollutants such as toxic gases and chemicals. This form of contamination can be created by burning materials, gases emitted by vehicles, or hazardous fumes emitted as a by product of industry. The environmental problems point to the paradoxical situation or dichotomy (contrast between two things are called dichotomy) in the country. (a) Poverty: is causing environmental degradation through cutting down of trees, over grazing of animals, Deforestation in India is a rapid consequence of population explosion and widespread poverty. The poor people in the rural areas are compelled to fell trees for earning their livelihood (b) Affluence: in living standard is causing environmental degradation because with affluence, the demand for goods and service increase like anything. Higher demand necessitates the need for increase in production. For increasing the production, the demand for natural resources increases. The growing demand for natural resources to carry out production activity in the urban areas is also equally responsible for the present environmental degradation.
76	Yes, recently we have drifted away from the traditional knowledge and practices and cause large scale damage to environment. Our developmental activities have resulted on environmental crisis. We were ignoring our traditional systems and practices in the name of development. the concept of sustainable development aiming at development without damaging the environment. No doubt, by adopting our traditional practices the objectives of sustainable developments can be achieved. Traditionally Indians have been close to

	their environment. If we look back at our agriculture system, health care system, housing, transport etc., we find all that practices have been eco-friendly. It is time to go back. In India we have 15000 species of plants which have medicinal properties. About 8000 of these are in regular use in various systems of treatment. With the sudden onslaught of the western system of treatment we were ignoring our traditional health care systems like Ayurveda, Unani. These healthcare systems are in great demand for treating chronic health problems. Nowadays most of the cosmetic products are herbal in composition. These products are eco friendly and are relatively free from side effect and do not involve large scale industrial and chemical processing. Traditional farm practices relied on the use of organic manures. No doubt we have achieved in increasing productivity. But we should not forget that there has been a serious damage to the environment in terms of depletion of water table and pollution of water. etc. Hence, it's high time that we revert back to our traditional practices, reduce environmental degradation and achieve sustainable development

Chapter 8: Comparative Development Experiences Of India And Its Neighbours

Q. NO	QUESTION	MARKS

1	Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below : 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. 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.	1
2	Assertion (A): - The aim of Great Leap Forward Campaign initiated in China was to transform agrarian economy into a modern economy through rapid industrialisation. Reason (R): - Under Great Leap Forward Campaign, students and professionals were sent to work and learn from the countryside. (A) Both Assertion and Reason are true and reason is correct explanation of Assertion. (B) Both Assertion and Reason are true and reason is not correct explanation of Assertion. (C) Assertion is true, Reason is false. (D) Assertion is false, Reason is true.	1
3	Assertion (A): - Dual Pricing policy was initiated in the reform process of China. Reason (R): - In order to attract foreign investors, SEZ was set up. (A) Both Assertion and Reason are true and reason is correct explanation of Assertion. (B) Both Assertion and Reason are true and reason is not correct explanation of Assertion. (C) Assertion is true, Reason is false. (D) Assertion is false, Reason is true.	1
4	Assertion (A): - Pakistan economy is much slower or slowdown for a long period of time. Reason (R): - Pakistan faces political instability, over-dependence on remittances along with volatile performance of agricultural sector. (A) Both Assertion and Reason are true and reason is correct explanation of Assertion. (B) Both Assertion and Reason are true and reason is not correct explanation of Assertion. (C) Assertion is true, Reason is false. (D) Assertion is false, Reason is true.	1
5	Assertion (A): - China emerged a leading country of the world in manufacturing. Reason (R): - In 1958, a programme named 'The Great Leap Forward (GLF)' campaign was initiated by Mao to modernise China's economy. (A) Both Assertion and Reason are true and reason is correct explanation of Assertion. (B) Both Assertion and Reason are true and reason is not correct explanation of Assertion.	1

<table>
<tr><td></td><td>(C) Assertion is true, Reason is false.
(D) Assertion is false, Reason is true.</td><td></td></tr>
<tr><td>6</td><td>Assertion and Reason :
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.
Alternatives –
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 the correct explanation of assertion.
c. Assertion is true but Reason is false.
d. Assertion is false but Reason is true.</td><td>1</td></tr>
<tr><td>7</td><td>1. From the set of events given in column I and corresponding facts given in column II choose the correct pair of statement.
<table><tr><th>Col I</th><th>Col II</th></tr><tr><td>(i)Human development index</td><td>A.Highest in China</td></tr><tr><td>(ii)Fertility rate</td><td>B. Highest in China</td></tr><tr><td>(iii)Density of population</td><td>C. Highest in China</td></tr><tr><td>Growth rate of population</td><td>D. Highest in China</td></tr></table>Alternatives –
a. (i) --- A
b. (ii) --- B
c. (iii) --- C
d. (iv) --- D</td><td>1</td></tr>
<tr><td>8</td><td>Choose the correct alternative showing chronological order of the following events.
1. One child policy
2. Economic reforms in Pakistan
3. New economic policy in India
4. Commune system in agriculture in China
Alternatives –
A. 2, 4, 3, 1
B. 4, 2, 1, 3
C. 3, 4, 1, 2
D. 4, 1, 2, 3</td><td>1</td></tr>
<tr><td>9</td><td>‘’Between 1966-76 , Mao introduced this movement under which professionals and students were asked to work and learn from real life situations in the countryside of China”. Identify the correct alternative for the statement .
(i) Commune system
(ii) Great Leap Forward
(iii) Open door policy
(iv) Great Proletarian Cultural Revolution</td><td>1</td></tr>
<tr><td>10</td><td>Special economic zone was set up in China to attract domestic investors. (True/False)</td><td>1</td></tr>
<tr><td>11</td><td>“In 1990,India’s and China’s manufacturing sector were comparable and significantly India was slightly ahead in manufacturing and capital goods during that times.”
From the above statement choose production in which goods India was ahead as compared to China:</td><td>1</td></tr>
</table>

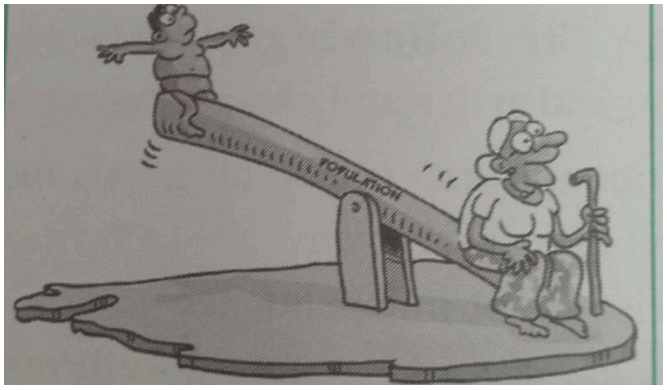
	a) Consumption goods c) Capital goods Machinery products d) Both (b) and (c)	
12	"Low skill services and agriculture, which have been providing many jobs so far, have limited potential for high wages." India must create job opportunities in _____ sector to enable wage levels to rise. (choose the correct option) a) Agriculture c) Manufacturing Service sector d) Low skill services sector	1
13	"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)	1
14	"Multiple reasons for economic slowdown and re-emergence of poverty in Pakistan may be enumerated." Identify which of the following might not be one of them. i)Rising dependence of foreign loans ii)Stable macroeconomic indicators iii)Unstable agricultural growth Alternatives a) (i),(ii),(iii) c) (i) and (iii) b)(ii) and (iii) d) Only (ii)	1
15	Identify the correct alternatives for the statement given below. "Between 1966-76, Mao introduced this movement under which professional and students were asked to work and learn from real life situations in the countryside of China. a) Commune system c) Open door policy b)Great Leap Forward d) Great Proletarian cultural revolution	1
16	India had ranked 130 in 2018 in Human Development Index (HDI) and dropped one spot in 2020 according to the report released by UNDP. India's HDI ranked in 2020 was(Choose the correct option) a) 128 c) 130 b)129 d) 131	1
17	"Despite a lower fertility rate, India's population is still growing. Yet, calls for a 'One Child Policy' in India are misguided at best and dangerous at worst." Which of the following country first adopted One Child Policy norm to curb population growth: a) India c) Pakistan b)China d) Bangladesh	1
18	"Leaders from the BRICS economic alliance are gathering in Johannesberg's financial district of Sandton for a 3 day summit."	1

	Which of the following country is not the member of BRICS alliance. a) India c) Pakistan b)China d) Russia	
19	"The current situation in India is that the growth rate of services has overtaken both agriculture and Industry and is now contributing to more than 50% of GDP." The contribution of service sector to GDP (in%) is the highest in: a) India c) Pakistan b)China d) Russia	1
20	"The combination of the world's factory and the world's back office will produce the most competitive production base." Which countries are referring to by this statement: a) India and Pakistan b) India and China c) Pakistan and China d) China and USA	1
21	Under the Great Leap Forward (GLF) campaign in China initiated in 1958, people were encouraged to set up industries in their backyards. Identify the primary goods these backyard industries would have produced. (a) perishable food items (b) small car parts (c) plastic toys (d) textiles	1
22	Identify the developmental initiatives oriented by Pakistan during the 1970s and 80s that helped the country in stimulating economic growth. (a) agrarian reforms (b) de-nationalisation (c) import substitution (d) investment in education and health	1
23	__ and _____ are the reasons for the slowdown of the Pakistan economy since independence. I. political instability II. over-dependence on remittances from abroad III. stable performance of agriculture sector IV. growth of service sector Alternatives: a) I and II b) II and III c) III and IV d) I and IV	1
24	'China has performed exceedingly well in various health and economic indicators Identify which of the following is not a health indicator? a) Infant Mortality Rate (per 1000 live births) b) Life Expectancy at Birth (years) c) Percentage of people below poverty line (National) d) Maternal Mortality Rate (per 1 lakh births)	1
25	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	1

<table>
<tr><td></td><td>d) Great Proletarian Cultural Revolution</td><td></td></tr>
<tr><td>26</td><td>_____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</td><td>1</td></tr>
<tr><td>27</td><td>There are two statements given below, marked as Statement (1) and Statement (R). 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</td><td>1</td></tr>
<tr><td>28</td><td>From the set of the events given in column I and corresponding facts given in Column II, choose the correct pair of statements:
<table>
<tr><td colspan="2">Column I</td><td colspan="2">Column II</td></tr>
<tr><td>A.</td><td>Adoption of mixed economic system</td><td>I</td><td>The common development policy of India and China</td></tr>
<tr><td>B.</td><td>Introduction of economic reforms in China</td><td>II</td><td>Imposed by World Bank</td></tr>
<tr><td>C.</td><td>Great Leap Forward Campaign</td><td>III</td><td>Focussed on massive industrialization</td></tr>
<tr><td>D.</td><td>First Five Year Plan of Pakistan</td><td>IV</td><td>Announced in 1953</td></tr>
</table>
Alternatives: a) A-I
b) B-II
c) C-III
d) D-IV</td><td>1</td></tr>
<tr><td>29</td><td>India is not a member of which of the following regional / global economic groups? 1
(a) European Union
(b) BRICS
(c) G20
(d) SAARC</td><td>1</td></tr>
<tr><td>30</td><td>Identify the correct alternative with reference to the following statement:
“Between 1966 – 76, Mao introduced this movement under which professionals and students were asked to work and learn from real life situations prevailing in the countryside of China”.
(a) Commune System
(b) Great Leap Forward
(c) Open Door Policy
(d) Great Proletarian Cultural Revolution</td><td>1</td></tr>
<tr><td>31</td><td>In 1965, Mao introduced the ----------under which students and professionals were sent to work and learn from countryside.</td><td>1</td></tr>
</table>

<table>
<tr><td></td><td>(a)Economic reforms
(b) Great Leap Forward campaign
(c) Great Proletarian Cultural Revolution
(d) Special Economic Zones</td><td></td></tr>
<tr><td>32</td><td>Arrange the following events of China in Chronological order and choose the correct alternatives:
(i) Special Economic Zones
(ii) Great Proletarian Cultural Revolution
(iii)Commune System
(iv) Establishment of People‘s Republic of China
Choose the Correct Alternatives:
(a) (ii),(iv),(iii),(i)
(b) (iv),(iii),(ii),(i)
(c) (ii),(iv),(i),(iii)

(iv),(i),(ii),(iii)</td><td>1</td></tr>
<tr><td>33</td><td>A campaign in China in 1958 where people were encouraged to set up industries in their backyard was named as :
(a) Great Leap Forward
(b) Great Proletarian cultural Revolution
(c) Anti-Rightist movement
(d) Four Pests Campaign</td><td>1</td></tr>
<tr><td>34</td><td>Which of the following countries adopted” One Child Policy”?
(a) India
(b) China
(c) Pakistan
(d) None of these</td><td>1</td></tr>
<tr><td>35</td><td>Match the correct sequence of options in Column I by matching them with options given in Column II and choose the correct alternative:
<table>
<tr><th>Column I</th><th>Column II</th></tr>
<tr><td>A. Establishment of peoples Republic of China</td><td>(i) 1979</td></tr>
<tr><td>B. Adoption of One Child Policy</td><td>(ii) 1993</td></tr>
<tr><td>C. Introduction of Economic Reforms in India</td><td>(iii) 1949</td></tr>
<tr><td>D. Foundation of European Union</td><td>(iv) 1991</td></tr>
</table>
Alternatives:
(a) A-(iii), B-(i), C-(iv) D-(ii)
(b) A-(ii), B-(iv), C-(i), D-(iii)
(c) A-(iv), B-(iii), C-(i), D-(ii)
(d) A-(iv), B-(i),C-(ii), D-(iii)</td><td>1</td></tr>
<tr><td>36</td><td>In China, commune system is related -------- sector.
(a) agriculture
(b) industry
(c) service
(d) informal</td><td>1</td></tr>
<tr><td>37</td><td>Study the following information and fill in the blank by choosing the correct alternative:
<table>
<tr><th></th><th>Country A</th><th>Country B</th><th>Country c</th></tr>
<tr><td>Human Development Index (HDI)Value</td><td>0.648</td><td>0.759</td><td>0.562</td></tr>
</table>
Country ---------- can be termed as the best on the HDI indicator.</td><td>1</td></tr>
</table>

	(a) A (b) B (c) C (d) D	
38	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. 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	1
39	Statement1: Special Economic Zones (SEZs) policy has led to huge Foreign Direct Investment (FDI) flow to China. Statement2: 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.	1
40	Identify the issue depicted in the given image.  (a) Demographic dividend (b) Exponential population growth (c) Aging of population (d) None of these	1
41	Discuss the great "proletarian cultural revolution" introduced in China.	3
42	Explain the concept of 'dual pricing' adopted by China	3
43	Which factors help China to attract more FDI as compared to India and Pakistan?	3
44	Discuss the concept of Dual pricing in the reform process of China	3
45	Do you agree with the statement that India has failed as fast as China because it has failed to check the growth rate of its population? Write your view in brief.	3
46	China's rapid industrial growth can be traced back to its reform in 1978. Do you agree? Elucidate	3
47	Why did China introduce structural reforms in 1978? Explain.	3
48	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

<table>
<tr><td>49</td><td>Compare and analyse the following information related to Imports and Exports of the three neighbouring nations:

<table><tr><td rowspan="2">Country</td><td colspan="3">Exports from India (in ₹ Crore)</td><td colspan="3">Imports to India (in ₹ Crore)</td></tr><tr><td>2004-05</td><td>2018-19</td><td>Annual rate of growth (%)</td><td>2004-05</td><td>2018-19</td><td>Annual rate of growth (%)</td></tr><tr><td>Pakistan</td><td>2,341</td><td>14,426</td><td>3.7</td><td>427</td><td>3,476</td><td>5.1</td></tr><tr><td>China</td><td>25,232</td><td>1,17,289</td><td>2.6</td><td>31,892</td><td>4,92,079</td><td>10.3</td></tr></table></td><td>3</td></tr>
<tr><td>50</td><td>What similar developmental strategies have India and Pakistan followed for their respective developmental path?</td><td>3</td></tr>
<tr><td>51</td><td>What is the important implication of the “One child norm” in China?</td><td>3</td></tr>
<tr><td>52</td><td>On the basis of the following data answer the following questions.
<table><tr><td>Country</td><td>Urbanization</td><td>Infant mortality rate(per 1,000 live births)</td></tr><tr><td>India

Pakistan</td><td>33

39</td><td>38

66</td></tr></table>(a) Comment on the infant mortality rate among India and Pakistan.

“Pakistan is more urbanized than India.” Do you agree?</td><td>3</td></tr>
<tr><td>53</td><td>Compare and contrast India and China’s sectoral contribution towards GDP in 2003. Give the indications.
<table><tr><td></td><td colspan="2">Contribution to GDP (in %) 2003</td></tr><tr><td>Sectors</td><td>INDIA</td><td>CHINA</td></tr><tr><td>Primary</td><td>23</td><td>15</td></tr><tr><td>Secondary</td><td>26</td><td>53</td></tr><tr><td>Tertiary</td><td>51</td><td>32</td></tr></table></td><td>4</td></tr>
<tr><td>54</td><td>Give reason for the slow growth and re-emergence of poverty in Pakistan</td><td>4</td></tr>
<tr><td>55</td><td>Discuss the various means by which countries are trying to strengthen their own domestic economies ?</td><td>4</td></tr>
<tr><td>56</td><td>Compare and analyze the given data of India and China with valid arguments
Annual Growth of Gross Domestic Product(%),1980-2017

<table><tr><td>Country</td><td>1980-90</td><td>2015-2017</td></tr><tr><td>India</td><td>5.7%</td><td>7.3%</td></tr><tr><td>China</td><td>10.3%</td><td>6.8%</td></tr></table></td><td>4</td></tr>
<tr><td>57</td><td>“India, China and Pakistan have travelled more than seven decades of developmental path with varied results.” Explain the given statement with valid arguments.</td><td>4</td></tr>
<tr><td>58</td><td>Compare and analyze the given data of distribution of workforce (in 2018-19) with valid reasons:</td><td>4</td></tr>
</table>

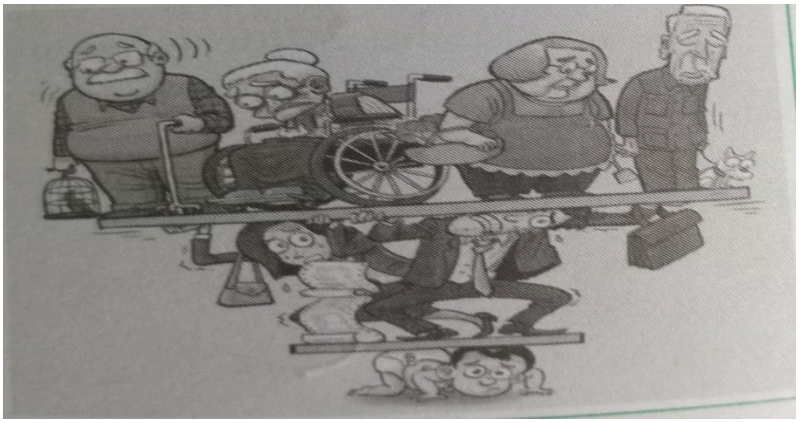
	<table><tr><td>Country</td><td>Agriculture (%)</td><td>Industry (%)</td><td>Services (%)</td></tr><tr><td>India China Pakistan</td><td>43 26 41</td><td>25 28 24</td><td>32 46 35</td></tr></table>	
59	Given below are some statistics related to India, China and Pakistan. <table><tr><td>Country</td><td>Population (in millions)</td><td>Fertility Rate</td><td>Urbanisation (%)</td></tr><tr><td>India</td><td>1352</td><td>2.2</td><td>34</td></tr><tr><td>China</td><td>1392</td><td>1.7</td><td>59</td></tr><tr><td>Pakistan</td><td>212</td><td>3.6</td><td>37</td></tr></table> Compare and contrast China's demographic statistics with its neighbours.	4
60	"In the late 1970s, China introduced the One-Child norm policy that led to arrest in the population coupled with skewed sex ratio." Justify the given statement with valid arguments in support of your answer.	4
61	Read the following schedule carefully: Trends in Output Growth in Different Sectors, 1980 – 2015 <table><tr><td rowspan="2">Country</td><td colspan="3">1980-90</td><td colspan="3">2011-2015</td></tr><tr><td>Agriculture</td><td>Industry</td><td>Service</td><td>Agriculture</td><td>Industry</td><td>Service</td></tr><tr><td>India</td><td>3.1</td><td>7.4</td><td>6.9</td><td>2.3</td><td>5</td><td>8.4</td></tr><tr><td>China</td><td>5.9</td><td>10.8</td><td>13.5</td><td>4.1</td><td>8.1</td><td>8.4</td></tr><tr><td>Pakistan</td><td>4</td><td>7.7</td><td>6.8</td><td>2.7</td><td>3.4</td><td>4.4</td></tr></table> Analyse the output growth trend in the three sectors over the given years between India and Pakistan.	4
62	The comparison of China's and India's economic trajectory over the last four decades reveals the massive potential of economic growth in these countries. Both the countries started off their journey on the path of development at the same time and today are among the fastest rising economies of the world, although still having different growth standing. At present, most of the economic development indicators are the n China's favour. It is the second largest economy behind the US, when measured by normal GDP. China's nominal GDP, once almost equal to India's is now $14.1 trillion, compared to $2.9 trillion for India. This was because Deng Xiaoping initiated economic reforms in 1978, freeing up the economy, starting with agriculture and land reforms, much before India did. China's reform and opening-up policies introduced private business and market incentives to what was a state-led communist system urbanisation and massive influx	4

	of FDI in China also contributed to the industrial modernization and improved competitiveness. No region in China better encapsulates the success of this strategy than Shenzhen, which was at the forefront of reform and transformed from a tiny fishing village into one of the most dynamics cities 1 China introduced the reforms in the year ---------- (1978/1987) whereas, India introduced economic reform in the year ---------- (1981/1991). 2 In comparison to India, urbanisation is high in China with more than 56 percentage of people living in urban areas. (state true or false). 3 Shenzhen is one of the largest ---------- (time zone /special economic zone) in China which was set up in order to attract foreign investors. 4 ---------- was one of the industrial sector reforms initiated in China after 1978. (a) great leap forward (b) dual pricing modal (c) great proletarian culture (d) commune system	
63	China and Pakistan have more people living in cities than those in India. One of the reason for it is that in China, the area of cultivation is relatively small due to various climate and topographic conditions. It is only about 10% of the total land mass. If we compare its cultivable area with that in India, we shall find that China's is only 40% of that available in India. But the people dependent on agriculture in China were 80% of the total population in the 1980's. So, the government in China encouraged people to follow occupation other than farming; these included handicrafts, commerce and transport. 1 Among India, China and Pakistan, ---------- has the lowest urbanisation. 2 In China, till 1980's, most of the population were engaged in ---------- (Primary/Secondary) sector. 3 The climate and topographical conditions in China is much favourable for agriculture. (True/False) 4 China's growth was mainly led by the ---------- (Manufacturing/Service) sector whereas India and Pakistan's by ---------- (Agriculture/ Service) sector.	4
64	Read the following case study carefully and answer the questions that follow. 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 Shenzen , 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 zones 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 are within the Shanghai	4

<table>
<tr><td></td><td>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.

When were economic reforms initiated in China? What autonomy was given to local government for motivating foreign investors in China under special Economic Zones?</td><td></td></tr>
<tr><td>65</td><td>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.
Write three observations pointing through common failures of India and Pakistan.</td><td>6</td></tr>
<tr><td>66</td><td>Evaluate the various factors that led to the rapid growth in China.</td><td>6</td></tr>
<tr><td>67</td><td>Compare and analyze the given data on the distribution of workforce(in 2018-19) with valid reason.
<table>
<tr><td>Country ⬇</td><td>Agriculture (%)</td><td>Industry (%)</td><td>Service (%)</td></tr>
<tr><td>India</td><td>43</td><td>25</td><td>32</td></tr>
<tr><td>China</td><td>26</td><td>28</td><td>46</td></tr>
<tr><td>Pakistan</td><td>41</td><td>24</td><td>35</td></tr>
</table>
Source : NCERT</td><td>6</td></tr>
<tr><td>68</td><td>Give an appraisal of development strategies adopted by China.</td><td>6</td></tr>
<tr><td>69</td><td>Explain briefly any six indicators of human development in India, China and Pakistan.</td><td>6</td></tr>
<tr><td>70</td><td>Do you agree with the opinion that structure of Growth is more complementary with the GDP growth in China than India?</td><td>6</td></tr>
<tr><td>71</td><td>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.</td><td>6</td></tr>
<tr><td>72</td><td>(a) Compare and contrast the development of India, China and Pakistan with respect to some salient human development indicators.

What does the liberty indicator measure?</td><td>6</td></tr>
<tr><td>73</td><td>(a) What similar developmental strategies have India and Pakistan followed for their respective developmental paths?</td><td>6</td></tr>
</table>

	Describe the path of developmental initiatives taken by Pakistan for its economic development.	
74	Interpret the given image on account of population policy and resultant effects in China. 	6
75	Evaluate the various factors that led to the rapid growth in Economic development of China.	6
76	Group the following features pertaining to the economies of India China and Pakistan under three heads: a)One Child Norm b) Low literacy rate c) high degree of urbanization d) Mixed economy e) Very high literacy rate f) Large population g) High density of population h) Growth due to manufacturing sector i) Growth due to service sector	6

ANSWER

1	a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
2	(C) Assertion is true, Reason is false.
3	(B) Both Assertion and Reason are true and reason is not correct explanation of Assertion.
4	(A) Both Assertion and Reason are true and reason is correct explanation of Assertion.
5	(A) Both Assertion and Reason are true and reason is correct explanation of Assertion.
6	(a) both assertion and reasoning are true and reason is the correct explanation of assertion.
7	(a) i --- (A)
8	(d) 4 , 1 , 2 , 3
9	(iv) Great Proletarian Cultural Revolution
10	False. Special Economics zone was set up in China to attract foreign investor.
11	d) both (b) and (c)
12	c) manufacturing sector
13	d) both (a) and (b)
14	d) only (ii)
15	d) Great proletarian cultural revolution
16	d) 131
17	b) China
18	c) Pakistan
19	c) Pakistan
20	b) India and China
21	A. perishable food items
22	A. agrarian reforms
23	a) I and II
24	c) Percentage of people below poverty line (National)
25	c) Dual Pricing
26	b) Liberty indicator
27	B. Statement 1 is false and Statement 2 is true.
28	c) C-III
29	(a) European Union
30	(d) Great Proletarian Cultural Revolution
31	C)-Great Proletarian Cultural Revolution
32	b) -(iv),(iii),(ii),(i)
33	a) -Great Leap Forward
34	b)-China
35	a)-A-(iii),B-(i), C-(iv), D-(ii)

36	a)-Agriculture
37	b)-B
38	c)-Assertion(a) is true and Reason(R) is false
39	a)-Statement 1 is true ,Statement2 is false
40	c)-Aging of population
41	Great proletarian cultural revolution- in 1965, Mau Seng introduced the great proletarian cultural revolution (1966-67) , under which students and professionals were sent to work and learn from the countryside.
42	The system of dual pricing was introduced. Farmers and industrial units were required to make sale and purchase on the basis of price structure as fixed by the government. Market prices (prices determine by the supply and demand forces) were allowed to operate for all other transactions in the economy.
43	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.
44	The reform process in China involved dual pricing that means fixing the prices in two ways. Farmers and industrial units required to buy and sell fixed quantity of input and output on the basis of prices fixed by the government. For other transactions, the inputs and outputs were purchased and sold at market prices.
45	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 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.
46	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. In agriculture, commune lands were divided into small plots which were allocated (only for use and not as ownership) to the individual households. They were allowed to keep all the income from the land after paying stipulated taxes. 2. In the later phase, reforms were initiated in the industrial sector. Private sector firms and township and village enterprises (enterprises which were owned and operated by local collectives) were allowed to produce goods. At this stage, enterprises owned by government (known as state owned Enterprises or SOEs) , were made to face competition. 3. The reform processes also involved dual pricing. This means fixing the prices in two ways: (a) 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; (b) For other transactions, the inputs and outputs were purchased and sold and market prices. In order to attract foreign investors, special economic zones were set up.
47	The new leadership at that time in China was not happy with the slow pace of growth and lack of modernisation in the Chinese economy under the Maoist rule. Maoist vision of economic development based on decentralisation, self-sufficiency and shunning of foreign technology, goods and capital had failed. Despite extensive land reforms, collectivisation, the Great Leap Forward and other initiatives, the per capita grain output in 1978 was the same as it was in the mid-1950s.

48	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.
49	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.
50	Ans : - (i) Pakistan like India followed mixed economy model, with the co-existence of public and private sector. (ii) Pakistan's and India's shift has been directly from agriculture to service sector. (iii)Pakistan's and India's manufacturing sector show a decline in the growth rate.
51	Ans.:- The important implication of the one child norm in China is the low population growth. This also led to the decline in the sex ratio. After a few decades in China there will be more elderly people in proportion to young people. As a result China will be forced to take step to provide social security measures with fewer workers.
52	Ans :- (a) Infant mortality rate is very high in Pakistan(66) as compared to India (38) This is because of large sized families and leading to more undernourished children and poor health of the mothers. (b) Indeed Pakistan is more urbanized as 39% of the people living in urban areas in India.
53	Contribution of primary sector: the contribution of agriculture to GDP was 15% in case of China whereas, it was 23% in case of India. Contribution of secondary sector: the secondary sector contributed the highest to China's GDP at 53% .Whereas, in India the share was only 26%. Contribution of service sector : the service sector contributed highest to India's GDP at 51%, whereas in China, the share was 32%.
54	The reasons for the slow growth and re-emergence of poverty in Pakistan's economy are--- i) agriculture growth and food supply situation was based on good harvest and not on a good institutionalized process of technical change.. ii) foreign exchange is an essential component for any country and it is always preferred to build foreign exchange reserves through exports of manufactured goods. However, in Pakistan most of the foreign exchange earnings came from remittances from Pakistani workers in the middle-East and the exports of highly volatile agricultural products. iii) there were growing dependents on foreign loans on the one hand and increasing difficulty in paying back the loans on the other.
55	Undertaking various economic reforms, analyzing their strengths and weakness, forming regional and global economic groupings etc..
56	The given data shown that China has gained economic strength over the years. When many developed countries finding it difficult to maintain the growth rate of even 5%, China was able to maintain near of 6.8%, over the period 2015-17. In the recent past, India has posted a decent rise in the growth rate. While India had maintained a reasonable growth rate of 5.7% in the decade of 1980s, it has shown the great caliber an character in the period 2015-17 by registering an average of 7.3%, over the period 2015-17. Nevertheless Indian elephant has to travel a long distance before it could present itself as a real threat to the growth story of Chinese dragon.

57	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 $1/4^{th}$ of its population live 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.
58	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 are 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.
59	• 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.
60	• One of the stringent measures to control population in China is one-child norm. • The one-child norm introduced in China in the late 1970s as the major reason for low population growth. This measure led to a decline in the sex ratio, the proportion of females per 1000 males. • The implications of this policy is after a few decades, in China, there will be more elderly people in proportion to young people. This led China to allow couples to have two children.
61	• It is seen from the table that in both India and Pakistan, the service sector is emerging as a major player of development. • In the last four decades, the growth of agriculture sector, which employs the largest proportion of workforce in all the three countries, has declined. • In the industrial sector, China has maintained a near double-digit growth rate whereas for India and Pakistan growth rate has declined. In case of service sector, China was able to raise its rate of growth during 1980–2015, while India and Pakistan stagnated with its service sector growth.
62	1-1978, 1991 2- True

	3- Special Economic Zone 4- Dual Pricing Policy
63	1- India 2- Primary 3- False 4- Manufacturing, Service
64	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 favorable 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 Shenzen , 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.
65	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 deficients in both the countries which are a big hurdle in their processes of growth and development.
66	Great Leap Forward1958,Commune system, Great Proletarian Cultural Revolution, Economic Reform, Dual Pricing and SEZ etc with brief explanation of each.
67	As evident from the table, the percentage of workforce engaged in the agriculture sector is highest in India, which stands at 43%. The corresponding rates for China and Pakistan are 26% and 41% respectively. The percentage of workforce engaged in industry is the highest in China which stands at 28%. The corresponding rates for India and Pakistan are 25% and 24% respectively. The percentage of workforce engaged in the service sector is again highest in China, which stands at 46%. The corresponding rates for India and Pakistan are 32% and 35% 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 the workforce in the service 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 the service sector; this points to rapid urbanization in Pakistan.
68	Pre-Reform Period ● The new leadership in China was not happy with slow growth rate and lack of modernization in the Chinese economy. ● Despite the land reforms,collectivization, the GLF campaign etc.,the per capita grain output in 1978 was the same as it was in mid 1950s ● There was already massive extension of basic health services in rural areas. ● Commune system of farming allowed equitable distribution of foodgrains

	Post Reform Period ● It was observed that establishment of infrastructure in the areas of education and health had helped positively in improving the social and income indicators. ● Reforms in agriculture created conditions for the growth in rural industries. ● There was exponential increase in the rate of economic growth
69	1. Life Expectancy: ● China has the highest life expectancy of 76.9 years among the 3 countries. ● Life expectancy for both India and Pakistan is 69.7 years and 67.3 years respectively. 2. Mean year of schooling: This data is 6.5% for India, 5.2% for Pakistan and 8.1% in China 3. GNP per capita(PPPUS$): In 2018, China's GNP per capita is estimated at US$16057 while for India and Pakistan it is US $6681 and US $ 5005 respectively. 4. People below poverty line: 21.9% people in India (2011), 1.7% people in China(2015) and 24.3% people in Pakistan (2011) were below poverty line. 5. Infant mortality rate: IMR is lowest in China with 7.4 infants dying before attaining one year of age per 1000 live births. The corresponding figures for India and Pakistan are 29.9 infants and 57.2 infants respectively. 6. Maternal mortality rate: For 1 lakh births ,29 women die in China whereas in India and in Pakistan this rate is 133 and 140 respectively.
70	It is true that the structure of growth is more complementary with the GDP growth in China than India. Historically,the structure of growth has shown a shift from the predominance of agriculture to the predominance of Industry in GDP growth of the country.This process of transformation has seen a very effective absorption of the surplus labor force(in agricultural sector) by the industrial sector of the economy. China's growth story reveals a similar process of transformation. On the contrary,Indian growth story reveals that predominance of agricultural sector(In GDP growth) has given way to the predominance of tertiary sector, rather than the Industrial sector. While the % share of agriculture in GDP has tended to fall, the % share of tertiary sector risen more significantly than the % share of Industrial sector. Thus, the structure of growth has been less complementary with the GDP growth in India (compared with China).
71	• 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.
72	(a) • China is moving ahead of India and Pakistan in respect of human development indicators such as: GDP per capita, or proportion of population below poverty line or health indicators such as mortality rates, access to sanitation, literacy, life expectancy or malnourishment. • Pakistan is ahead of India in reducing proportion of people below the poverty line and also its performance in sanitation.

	• But neither of these two countries have been able to save women from maternal mortality. In China, for one lakh births, only 27 women die whereas in India and Pakistan, about 178 and 174 women die respectively. • Surprisingly all the three countries report providing improved drinking water sources for most of its population. • For the proportion of people below the international poverty rate of $ 3.20 a day, India has the largest share of poor among the three countries. (b) Liberty indicator measures '*the* extent of Constitutional protection given to rights of citizens' or 'the extent of constitutional protection of the Independence of the Judiciary and the Rule of Law'.
73	(a) India and Pakistan became independent nations in 1947. India and Pakistan adopted similar strategies, such as creating a large public sector and raising public expenditure on social development. Both India and Pakistan introduced five year plans. Pakistan follows the mixed economy model with co-existence of public and private sectors. (b) In the late 1950s and 1960s, Pakistan introduced a variety of regulated policy framework (for import substitution-based industrialisation). The policy combined tariff protection for manufacturing of consumer goods together with direct import controls on competing imports. The introduction of Green Revolution led to mechanisation and increase in public investment in infrastructure in select areas, which finally led to a rise in the production of foodgrains. In the 1970s, nationalisation of capital goods industries took place. Pakistan then shifted its policy orientation in the late 1970s and 1980s when the major thrust areas were denationalisation and encouragement of private sector. During this period, Pakistan received financial support from western nations and remittances from continuously increasing outflow of emigrants to the Middle-east.
74	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).
75	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. Under this system, land was divided into small plots that were allocated to the individual households. These households were allowed to keep the remaining income from land after paying the taxes to the government. 3. In the later phase, reforms were initiated in the industrial sector. During this phase, the private firms, village and township enterprises were allowed to produce goods and services and to compete with the State Owned Enterprises. 4. The dual pricing were implemented. This implies that the farmers and the industrial units were required to buy and sell a fixed quantity of inputs and output at the price fixed by the government and the remaining quantities were traded at

	the market price. Gradually, with rapid increase in aggregate production in the later years, the quantities traded in the market increased by many folds. 5. The reforms also included 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.
76	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

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