

MARKING SCHEME


Senior School Certificate Examination (Supplementary), July 2024

ECONOMICS (Subject Code–030)**[Paper Code: 58/S/1]****Maximum Marks: 80**

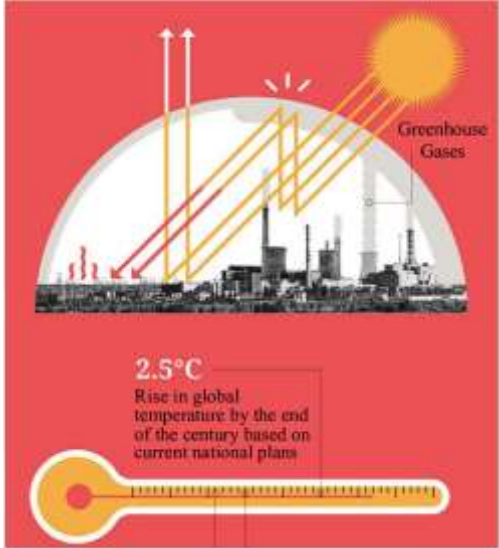
Q. No.	EXPECTED ANSWER / VALUE POINTS	Marks
SECTION -A (Macro Economics)		
1.	<p>Under _____ exchange rate system, the Central Bank and Government of the country do not have any authority to interfere in the exchange rate determination. (Choose the correct alternative to fill in the blank)</p> <p>(A) fixed (B) floating (C) managed floating (D) gold standard</p> <p>Ans. (B) floating</p>	1
2.	<p>_____ is the total volume of money held by the public, for the purpose of disposing off, at a particular point of time. (Choose the correct alternative to fill in the blank)</p> <p>(A) Term deposits (B) Demand for money (C) Money supply (D) Credit creation</p> <p>Ans. (C) Money supply</p>	1
3.	<p>Read the following statements carefully: <i>Statement 1:</i> Gross National Product (GNP) can be greater than Gross Domestic Product (GDP) in a two-sector economy. <i>Statement 2:</i> Net factor income from abroad is zero in a two-sector economy. In the light of the given statements, choose the correct alternative from the following:</p> <p>(A) Statement 1 is true and Statement 2 is false. (B) Statement 1 is false and Statement 2 is true. (C) Both Statements 1 and 2 are true. (D) Both Statements 1 and 2 are false.</p> <p>Ans. (B) Statement 1 is false and Statement 2 is true.</p>	1
4.	<p>Keeping all other factors constant, trade surplus may arise in the Balance of Payments of a nation because of _____. (Choose the correct alternative to fill in the blank)</p> <p>(A) rise in export of coffee to Japan (B) fall in import of banking services (C) fall in exports of cereals (D) rise in remittances to abroad</p> <p>Ans. (A) rise in export of coffee to Japan</p>	1
5.	<p>Suppose in a hypothetical economy, the Central Bank increases the reserve ratio from 10% to 25%. Keeping the amount of initial deposits constant at ₹ 1,000 crore, the amount of total money creation would be ₹ _____ crore. (Choose the correct alternative to fill in the blank)</p> <p>(A) 10,000 (B) 4,000 (C) 6,000 (D) 5,000</p> <p>Ans. (B) 4,000</p>	1
6.	<p>Identify, which of the following options exhibits the proportional relation between consumption and disposable income.</p> <p>(A) Marginal Propensity to Consume (MPC) / Average Propensity to Consume (APC) (B) Marginal Propensity to Consume (MPC) < Average Propensity to Consume (APC) (C) Marginal Propensity to Consume (MPC) = Average Propensity to Consume (APC) (D) Marginal Propensity to Consume = 1</p>	

	Ans.(C) Marginal Propensity to Consume (MPC)=Average Propensity to Consume (APC)	1																					
7.	<p>In an economy, break-even level of income can be determined, when _____.</p> <p>(i) Marginal Propensity to Consume (MPC) = Marginal Propensity to Save (MPS) (ii) Income (Y) = Consumption (C) (iii) Savings (S) = 0 (iv) Average Propensity to Consume (APC) = Average Propensity to Save (APS)</p> <p>(Choose the correct alternative to fill in the blank)</p> <p>Alternatives: (A) Only (i) (B) (i) and (ii) (C) (ii) and (iii) (D) (i) and (iv)</p> <p>Ans. (C) (ii) and (iii)</p>	1																					
8.	<p>The _____ account of Balance of Payments reflects the net changes in financial claims on the Rest of the World (ROW). (Choose the correct alternative to fill in the blank)</p> <p>(A) Trade (B) Capital (C) Current (D) Visible</p> <p>Ans. (B) Capital</p>	1																					
9.	<p>For a hypothetical economy, it is known that: Average Propensity to Save (APS) = 0.4 Income (Y) = ₹100 crore Autonomous Consumption (\bar{C}) = ₹ 10 crore The value of investment multiplier would be _____.</p> <p>(Choose the correct alternative to fill in the blank)</p> <p>(A) 5 (B) 2 (C) 4 (D) 10</p> <p>Ans. (B) 2</p>	1																					
10.	<p>Read the following statements carefully: <i>Statement 1:</i> Average Propensity to Consume (APC) represents the change in total income with respect to a given change in total consumption. <i>Statement 2:</i> When income changes, change in consumption (ΔC) can never exceed the change in income (ΔY).</p> <p>In the light of the given statements, choose the correct alternative from the following: (A) Statement 1 is true and Statement 2 is false. (B) Statement 1 is false and Statement 2 is true. (C) Both Statements 1 and 2 are true. (D) Both Statements 1 and 2 are false.</p> <p>Ans. (B) Statement 1 is false and Statement 2 is true.</p>	1																					
11.	<p>On the basis of the given data, estimate the value of Net Value Added at Factor Cost (NVA_{FC}):</p> <table border="1"> <thead> <tr> <th>S. No.</th> <th>Items</th> <th>Amount (in ₹ crore)</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Sales</td> <td>1,000</td> </tr> <tr> <td>(ii)</td> <td>Change in stock</td> <td>150</td> </tr> <tr> <td>(iii)</td> <td>Purchase of raw material</td> <td>300</td> </tr> <tr> <td>(iv)</td> <td>Gross Investment</td> <td>100</td> </tr> <tr> <td>(v)</td> <td>Net Investment</td> <td>80</td> </tr> <tr> <td>(vi)</td> <td>Net Indirect Taxes</td> <td>20</td> </tr> </tbody> </table> <p>Ans.</p>	S. No.	Items	Amount (in ₹ crore)	(i)	Sales	1,000	(ii)	Change in stock	150	(iii)	Purchase of raw material	300	(iv)	Gross Investment	100	(v)	Net Investment	80	(vi)	Net Indirect Taxes	20	
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(vi)	Net Indirect Taxes	20																					

	<p>Net Value Added at Factor Cost (NVA_{FC}) = (i) + (ii) – (iii) – [(iv) – (v)] – (vi) = 1,000 + 150 – 300 – [100 – 80] – 20 = ₹ 810 crore</p>	<p>1 ½ 1 ½</p>
		3
12.	<p>“Devaluation of currency and depreciation of currency have the same implications, but they originate from divergent sources.”</p> <p>Do you agree with the given statement? Give valid reason in support of your answer.</p> <p>Ans. Yes, devaluation and depreciation of currency may lead to fall in the value of domestic currency in relation to foreign currency. This may result in promotion/reduction of exports/imports, as the domestic/foreign goods become relatively cheaper/costlier. Hence, both devaluation and depreciation of currency have the same implications. However, devaluation of currency originates due to the actions taken by the government while depreciation of currency is caused by the market forces of demand and supply.</p> <p style="text-align: right;">(To be marked as a whole)</p> <p style="text-align: center;">OR</p> <p>(b) Outline the meaning and reasons behind narrowing down of Current Account Deficit.</p> <p>Ans. Current Account Deficit (CAD) arises when receipts from exports of goods & services and unilateral transfers are less than the payments for imports of goods & services and unilateral transfers.</p> <p>CAD may narrow down when either receipts from exports of goods and services and unilateral transfers increase or payments for imports of goods and services and unilateral transfers decrease.</p>	<p>3</p> <p>1</p> <p>2</p>
		3
13.	<p>Assume the following for a hypothetical economy:</p> <p>(a) (i) Autonomous Consumption Expenditure (\bar{C}) = ₹ 25 crore (ii) Marginal Propensity to Save (MPS) = 0.1 (iii) Level of Income (Y) = ₹ 2,000 crore (iv) Autonomous Investment (I) = ₹ 25 crore</p> <p>Is the economy in equilibrium situation? Justify your answer with valid calculations.</p> <p>Ans. Given, Autonomous Consumption Expenditure (\bar{C}) = ₹ 25 crore Marginal Propensity to Save (MPS) = 0.1 Level of Income (Y) = ₹ 2,000 crore Autonomous Investment (I) = ₹ 25 crore Marginal Propensity to Consume (MPC) = 1 - MPS $\Rightarrow 1 - 0.1 = 0.9$</p> <p style="text-align: center;">At equilibrium level of income, Y = C + I</p> <p>Substituting the value of Y in (C + I) C + I = \bar{C} + (MPC)Y + I = 25 + 0.9 x 2000 + 25 = ₹ 1,850 crore</p> <p>Y > C + I at an income level of ₹ 2,000 crore. Thus, the economy is not in equilibrium at an income level of ₹ 2,000 crore.</p> <p><u>Alternative answer:</u> At equilibrium level of income, S = I Substituting the value of Y in S S = $-\bar{C}$ + (MPS)Y = -25 + 0.1 x 2000 = ₹ 175 crore</p> <p>S > I at an income level of ₹ 2,000 crore. Thus, the economy is not in equilibrium at an income level of ₹ 2,000 crore.</p> <p style="text-align: center;">OR</p>	<p>1</p> <p>1</p> <p>½</p> <p>½</p> <p>½</p> <p>½</p> <p>1</p> <p>½</p> <p>½</p> <p>½</p> <p>½</p> <p>4</p>

(b)	<p>“When ex-ante Aggregate Demand (AD) falls short of ex-ante Aggregate Supply (AS) it results in fall in unintended inventories.”</p> <p>Defend or refute the given statement, giving valid arguments.</p> <p>Ans. The given statement is refuted.</p> <p>If ex-ante Aggregate Demand falls short of ex-ante Aggregate Supply, it implies that households and firms are planning to buy less than what the firms expected them to. As a result, inventories will be piled up with the producers, which may lead to unintended accumulation of inventories.</p> <p style="text-align: right;">(To be marked as a whole)</p>	4
14.	<p>“The Reserve Bank of India (RBI) performs the same function for the government as the commercial banks perform for the general public.”</p> <p>Discuss briefly any two such functions performed by the Central Bank for the Government of India.</p> <p>Ans. The Reserve Bank of India (RBI) as the banker to the government maintains account, accepts receipts and makes payments, carries out exchange, remittance, and other banking operations.</p> <p>The Reserve Bank of India advances loans to the government to meet its requirements, in case of financial crisis. Thus, the Reserve Bank of India facilitates the same banking functions for the government just as the commercial banks do for the general public.</p> <p style="text-align: right;">(To be marked as a whole)</p>	4
15.	<p>Study the following image:</p> <div style="text-align: center;">  <pre> graph TD RBI[Reserve Bank of India] --> A[Increase Repo Rate] RBI --> B[Sell government securities in the open market] RBI --> C[Increase Reverse Repo Rate] </pre> </div> <p>(i) Identify the indicated situation.</p> <p>(ii) Explain any two steps which may be taken by RBI to correct the situation.</p> <p>Ans.</p> <p>(i) The above image indicates the situation of inflation.</p> <p>(ii) To combat the situation of inflation, the two steps taken by the Reserve Bank of India (RBI) may be:</p> <ul style="list-style-type: none"> • The Government Securities are sold by the RBI in the open market. It will reduce the availability of funds with commercial banks, which in turn curtails their lending capacity. Consequently, the money supply in the economy falls. Thereby, decreasing Aggregate Demand and thus reducing inflation in the economy. • The increase in the Bank Rate by the RBI, leads to an increase in the lending rates by the commercial banks. This makes borrowing costlier for the general public. Thereby, discouraging them from borrowing more. As a result, Aggregate Demand in the economy falls, consequently reducing inflation. <p style="text-align: right;">(Any other valid step to be awarded marks)</p>	<p>1</p> <p>1 ½</p> <p>1 ½</p> <p>4</p>
16. (a)	<p>Differentiate between stock variables and flow variables with suitable example.</p> <p>Ans. Stock variables are the variables which are measured at a particular point of time. For example: National Wealth</p> <p style="text-align: center;">Whereas;</p> <p>Flow variables are the variables which are measured over a period of time. For instance: National Income</p>	<p>1 + ½</p> <p>1 + ½</p>

19.	<p>In 1965, Mao introduced the _____ under which students and professionals were sent to work and learn from the countryside. (Choose the correct alternative to fill in the blank)</p> <p>(A) Great Leap Forward Campaign (B) Commune System (C) Great Proletarian Cultural Revolution (D) Medium Term Development Plan</p> <p>Ans. (C) Great Proletarian Cultural Revolution</p>	1
20.	<p>Identify the alternate marketing channel that operates majorly in Punjab, Haryana and Rajasthan. (Choose the correct alternative)</p> <p>(A) Apni Mandi (B) Hadapsar Mandi (C) Rythu Bazars (D) Uzhavar Sandies</p> <p>Ans. (A) Apni Mandi</p>	1
21.	<p>Identify the correct statement from the following:</p> <p>(A) India adopted the socialistic economic system after Independence. (B) Indian economic planning was implemented through Five Year Plans. (C) Land reforms under industrial sector were implemented by the Government of India. (D) Policy initiatives in the industrial sector were responsible for decline in Gross Domestic Product (GDP) in India.</p> <p>Ans. (B) Indian economic planning was implemented through Five Year Plans.</p>	1
22.	<p>Under the economic reforms introduced in China in 1978, _____ were set up to attract foreign investors. (Choose the correct alternative to fill in the blank)</p> <p>(A) Remittance Zones (B) Land Zones (C) Special Commune Zones (D) Special Economic Zones</p> <p>Ans. (D) Special Economic Zones</p>	1
23.	<p>_____ is geographically the largest nation among India, China and Pakistan and its density is _____ among the three nations. (Choose the correct alternative to fill in the blanks)</p> <p>(A) China, highest (B) Pakistan, lowest (C) India, lowest (D) China, lowest</p> <p>Ans. (D) China, lowest</p>	1
24.	<p>Read the following statements carefully :</p> <p><i>Statement 1:</i> The commercialisation of Indian agriculture was coercively introduced by the colonial government. <i>Statement 2:</i> Britishers had a two-fold motive behind the enforcement of food crops production.</p> <p>In the light of the given statements, choose the correct alternative from the following:</p> <p>(A) Statement 1 is true and Statement 2 is false. (B) Statement 1 is false and Statement 2 is true. (C) Both Statements 1 and 2 are true. (D) Both Statements 1 and 2 are false.</p> <p>Ans. (A) Statement 1 is true and Statement 2 is false.</p>	1
25.	<p>Read the following statements – Assertion (A) and Reason (R). Choose the correct alternative given below:</p> <p><i>Assertion (A):</i> Human capital cannot be traded in the market, whereas its services can be traded. <i>Reason (R):</i> Human capital is intangible in nature.</p> <p>Alternatives:</p> <p>(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). (C) Assertion (A) is true, but Reason (R) is false.</p>	

	(D) Assertion (A) is false, but Reason (R) is true. Ans. (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).	1
26.	_____ can be classified as one of the alternative sources of diversification from farm output. (Choose the correct alternative to fill in the blank) (A) Green Revolution (B) Horticulture (C) Organic Farming (D) Conventional Farming Ans. (B) Horticulture	1
27.	_____ measure introduced in China led to the decline in its population as well as sex ratio. (Choose the correct alternative to fill in the blank) (A) Nationalisation of capital goods (B) Denationalisation of capital goods (C) One-child norm (D) Two-child norm Ans. (C) One-child norm	1
28.	<p>(a) “Green Revolution made India self-sufficient in food grains, but was criticized on ecological grounds.” Do you agree with the given statement? Present valid reasons in support of your answer. Ans. Yes, Green Revolution in India increased agricultural production and productivity leading to self-sufficiency of food grains through the use of HYV seeds, chemical fertilisers, pesticides, etc. These chemical fertilisers and pesticides led to soil degradation/contamination of food products and various water bodies. Thus, although Green Revolution made India self-sufficient in food grain production but was criticised on ecological grounds. (To be marked as a whole)</p> <p style="text-align: center;">OR</p> <p>(b) Enumerate any three infrastructural development activities undertaken by the colonial government in India. Ans. Three infrastructural development activities undertaken by the colonial government in India were as follows:</p> <ul style="list-style-type: none"> • Introduction of railways • Development of inland trade and sea lanes • Introduction of electric telegraph <p style="text-align: right;">(Any other valid point to be awarded marks)</p>	3
29.	<p>Identify the situation depicted in the given figure and explain any one strategy to effectively overcome the problem.</p> <div style="text-align: center;">  <p>The diagram illustrates the greenhouse effect. Sunlight rays (represented by yellow arrows) hit the Earth's surface, which is shown with industrial buildings and smokestacks. Some rays are reflected away, while others are absorbed by the ground and buildings. These rays then bounce back up towards the Earth's surface, labeled as 'Greenhouse Gases'. Below the diagram, a thermometer shows a temperature rise of 2.5°C, with text stating '2.5°C Rise in global temperature by the end of the century based on current national plans'.</p> </div>	1

	<p>One of the strategies to effectively overcome the problem of Global Warming is the usage of wind energy. Wind power is a popular source of sustainable renewable energy. In the areas where speed of wind is usually high, wind mills can provide electricity without any adverse impact on environment.</p> <p style="text-align: center;">(Any other valid strategy to be awarded marks)</p> <p><i>Note : The following question is for the Visually Impaired Candidates only in lieu of Q. No. 29.</i></p> <p>Explain any one strategy to effectively overcome the problem of global warming.</p> <p>Ans. One of the strategies to effectively overcome the problem of Global Warming is the usage of wind energy. Wind power is a popular source of sustainable renewable energy. In the areas where speed of wind is usually high, windmills can provide electricity without any adverse impact on the environment.</p> <p style="text-align: center;">(Any other valid strategy to be awarded marks)</p>	<p>2</p> <p>3</p> <p>3</p>																																									
<p>30. (a)</p>	<p>“A sound agricultural marketing system works as the backbone of any agro-system of any nation.”</p> <p>Justify the above statement by listing any two steps taken by the Indian government in this direction.</p> <p>Ans. Two steps taken by the Indian government to improve agricultural marketing are:</p> <ul style="list-style-type: none"> • Regulation of markets by the government to create orderly and transparent marketing conditions. • Provision of physical infrastructure facilities like roads, railways, warehouses etc. <p style="text-align: center;">(Any other valid step to be awarded marks)</p> <p style="text-align: center;">OR</p>	<p>2</p> <p>2</p> <p>4</p>																																									
<p>(b)</p>	<p>“Over the past few years, India has witnessed a shift from traditional conventional farming to natural/organic farming.”</p> <p>Discuss briefly any two reasons behind this shift towards organic produce.</p> <p>Ans. Two reasons behind the shift from traditional conventional farming to organic farming:</p> <ul style="list-style-type: none"> • Organically grown food has more nutritional value than the food produced through conventional farming. • Organic farming in comparison to traditional conventional farming is pesticide-free and environmentally sustainable. <p style="text-align: center;">(Any other valid reason to be awarded marks)</p>	<p>2</p> <p>2</p> <p>4</p>																																									
<p>31.</p>	<p>On the basis of the data given below, outline and discuss the shift in employment and output for India and China.</p> <p style="text-align: center;">Sectoral Share of Employment and GVA (%) in 2018 –2019</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2">Sector</th> <th colspan="3">Contribution to GVA</th> <th colspan="3">Distribution of workforce</th> </tr> <tr> <th>India</th> <th>China</th> <th>Pakistan</th> <th>India</th> <th>China</th> <th>Pakistan</th> </tr> </thead> <tbody> <tr> <td>Agriculture</td> <td>16</td> <td>7</td> <td>24</td> <td>43</td> <td>26</td> <td>41</td> </tr> <tr> <td>Industry</td> <td>30</td> <td>41</td> <td>19</td> <td>25</td> <td>28</td> <td>24</td> </tr> <tr> <td>Services</td> <td>54</td> <td>52</td> <td>57</td> <td>32</td> <td>46</td> <td>35</td> </tr> <tr> <td>Total</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> </tr> </tbody> </table> <p>Source: Human Development Report 2019: Key Indicators of Asia and Pacific 2019.</p> <p>Ans. The given data pertains to the sectoral share of employment and Gross Value Added (GVA). Due to topographic and climatic conditions, the cultivable area in China is relatively smaller than that of India. Hence, the contribution of the agricultural sector to the GVA in China is 7% employing 26% of its workforce, whereas in India it is 16% employing 43% of its workforce. Owing to rapid industrialisation in China, the</p>	Sector	Contribution to GVA			Distribution of workforce			India	China	Pakistan	India	China	Pakistan	Agriculture	16	7	24	43	26	41	Industry	30	41	19	25	28	24	Services	54	52	57	32	46	35	Total	100	100	100	100	100	100	<p>4</p>
Sector	Contribution to GVA			Distribution of workforce																																							
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	<p>contribution of the industrial sector to GVA stands at 41% with 28% of the workforce as against corresponding figures of 30% and 25% in India.</p> <p>Both the nations have similar contribution of the Service sector to GVA standing at 54% and 52% with corresponding 32% and 46% to the workforce, respectively in India and China.</p> <p style="text-align: right;">(To be marked as a whole)</p>	
32.	<p>“Expenditure on different levels of education in India is in the same proportion.”</p> <p>Defend or refute the given statement, giving valid reasons.</p> <p>Ans. The given statement is refuted. In India, elementary education takes a major share of total education expenditure and the share of the higher/tertiary education is the least. Though, on an average, the government spends less on tertiary education, ‘expenditure per student’ in tertiary education is higher than that of elementary. Moreover, the revenues from education cess have been earmarked for spending on elementary education. In addition to this, the government sanctions a large outlay for the promotion of higher education and new loan schemes for students to pursue higher education.</p> <p style="text-align: right;">(To be marked as a whole)</p>	4
33.	<p>“As an economy grows, the number of employed persons in an economy also increases; however, since 1991 India has come up as an exception to this.”</p> <p>(a)</p> <p>(i) Do you agree with the given statement? Give valid arguments in support of your answer.</p> <p>Ans. Yes, after the introduction of economic reforms, in the late 1990s, the Indian economy experienced a rapid rise in the GDP growth rate. However, employment growth started declining, in spite of rising GDP i.e., India started experiencing the problem of Jobless Growth. The Indian economy was able to produce more goods and services without a corresponding rise in the number of employed persons.</p> <p>(ii) Define disguised unemployment with a suitable example.</p> <p>Ans. Disguised unemployment refers to a situation when the person seems to be employed but is not contributing to the output i.e., his marginal productivity is zero. For example, suppose a farmer with four acres of land and two workers can produce 100 quintals of wheat. Even if he employs one more worker, the total output remains unchanged. Hence, the contribution made by the additional worker to the total output is zero and thus can be said to be in a situation of disguised unemployment.</p> <p style="text-align: center;">OR</p> <p>(b)</p> <p>(i) “Neha has been working in a multinational corporation since the past five years on the payroll of the company”.</p> <p>Identify and briefly explain the type of employment indicated in the above statement.</p> <p>Ans. Neha is a regular salaried employee.</p> <p>When a worker is engaged by someone or an enterprise and paid his or her wages on a regular basis, they can be categorized as regular salaried employees. Such employees are entitled to receive regular compensation from their employer along with other social security benefits.</p> <p>(ii) Name the indicator that is generally used for analysing the employment situation in a country. Also discuss its importance.</p> <p>Worker-population ratio is an indicator which is used for analysing the employment situation in the country.</p> <p>This ratio is useful in knowing the proportion of population that is actively contributing to the production of goods and services of a country. Higher the worker population ratio, higher the engagement of people in economic activities and vice versa.</p>	<p>4</p> <p>1</p> <p>1</p> <hr/> <p>6</p> <p>1</p> <p>2</p> <p>1</p> <p>2</p> <hr/> <p>6</p>

<p>34.</p>	<p>Read the following text carefully: With the July 1991 budget, there was a clear switch in favour of a move towards an outward-oriented, market-based economy. The liberalisation steps initiated in the budget were very comprehensive although the pace remained gradual and there were occasional hiccups.</p> <p>The 1991 reforms did away with import licensing on all but a handful of intermediate inputs and capital goods.</p> <p>Consumer goods, accounting for approximately 30% of tariff lines, remained under licensing, only a decade later, after a successful challenge by India’s trading partners at the World Trade Organisation (WTO), were these goods freed of licensing.</p> <p>Today, except for a handful of goods that are disallowed on environmental/health/safety grounds, all goods may be imported without a license or other restrictions.</p> <p>With the removal of licensing, the tariff rates became effective restrictions on imports. Therefore, a major task of the reforms has been to lower the tariff rates. Tariff reductions have been mainly confined to non-agricultural, industrial goods.</p> <p>Therefore, the liberalization applies strictly to these goods. The reduction in tariffs has been achieved through a gradual compression of the tariff rates. A simultaneous rationalization of the tariff structure through a reduction in the number of tariff bands helped in this direction.</p> <p>On the basis of the given text and common understanding, answer the following questions:</p> <p>(i) “The trade liberalization reforms initiated in 1991 budget were very comprehensive.” Justify the given statement explaining any two trade reforms introduced in 1991. Ans. The comprehensive trade liberalization reforms were initiated in 1991 budget to promote the efficiency of local industries and adoption of modern technologies. Two trade reforms introduced in 1991 were:</p> <ul style="list-style-type: none"> • dismantling of quantitative restrictions on imports and exports. • removal of licensing procedures for imports. <p style="text-align: right;">(To be marked as a whole) (Any other valid point to be awarded marks)</p> <p>(ii) State any two areas in which tariff reductions were introduced. Ans. Two areas in which tariff reductions were introduced:</p> <ul style="list-style-type: none"> • non-agricultural goods • industrial goods <p style="text-align: right;">(Any other valid point to be awarded marks)</p>	<p style="text-align: center;">4</p> <p style="text-align: center;">1 1</p> <hr/> <p style="text-align: center;">6</p>
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