

MARKING SCHEME
Senior School Certificate Examination 2025
ECONOMICS (Subject Code–030)
[Paper Code: 58/4/1]

Maximum Marks: 80

Q. No.	EXPECTED ANSWER / VALUE POINTS	Marks
SECTION -A (Macro Economics)		
1.	<p>Read the following statements carefully: <i>Statement 1:</i> The government may reduce the repo rate, to control deflationary gap prevailing in the economy. <i>Statement 2:</i> The government may reduce the deflationary gap, by selling off government securities (G-Sec) in the open market. In the light of the given statements, choose the correct option from the following: (A) Statement 1 is true and Statement 2 is false. (B) Statement 1 is false and Statement 2 is true. (C) Both Statements 1 and 2 are true. (D) Both Statements 1 and 2 are false. Ans. (D) Both Statements 1 and 2 are false.</p>	1
2.	<p>To arrive at the value of Gross Value Added at Factor Cost (GVA_{FC}), _____ must be _____ to/from Gross Value Added at Market Price (GVA_{MP}). (Choose the correct option to fill in the blanks) (A) depreciation, added (B) depreciation, subtracted (C) Net Indirect Taxes, added (D) Net Indirect Taxes, subtracted Ans. (D) Net Indirect Taxes, subtracted</p>	1
3.	<p>Read the following statements carefully: <i>Statement 1:</i> Public goods are those goods for which the payments are made by all the entities in the country. <i>Statement 2:</i> Private goods are those goods which are provided by the government of a country at subsidised rates. In the light of the given statements, choose the correct option from the following: (A) Statement 1 is true and Statement 2 is false. (B) Statement 1 is false and Statement 2 is true. (C) Both Statements 1 and 2 are true. (D) Both Statements 1 and 2 are false. Ans. (D) Both Statements 1 and 2 are false.</p>	1
4.	<p>Under the _____ Exchange Rate System, the Central Bank can control the foreign exchange rate in a range bound manner. (Choose the correct option to fill in the blank) (A) Fixed (B) Flexible (C) Managed floating (D) Gold standard Ans. (C) Managed floating</p>	1
5.	<p>Read the following statements- Assertion (A) and Reason (R). Choose the correct alternative from the options given below:</p>	

	<p><i>Assertion (A):</i> Direct taxes are imposed on income/profits of individuals/companies. <i>Reason (R):</i> The burden of payment of direct taxes cannot be shifted to any other entity. Options: (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is <i>not</i> the correct explanation of Assertion (A). (C) Assertion (A) is true, but Reason (R) is false. (D) Assertion (A) is false, but Reason (R) is true. Ans. (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p>	1
6.	<p>Under the Keynesian theory, 'Reference Line' is a straight line passing through the origin drawn at an angle of _____. (Choose the correct option to fill in the blank) (A) 25° (B) 40° (C) 45° (D) 70° Ans. (C) 45°</p>	1
7.	<p>Read the following statements carefully: <i>Statement 1:</i> Marginal Propensity to Consume (MPC) refers to the consumption per unit of income. <i>Statement 2:</i> As the income increases, the proportionate increase in the level of consumption is always more than the increase in the level of income. In the light of the given statements, choose the correct option from the following: (A) Statement 1 is true and Statement 2 is false. (B) Statement 1 is false and Statement 2 is true. (C) Both Statements 1 and 2 are true. (D) Both Statements 1 and 2 are false. Ans. (D) Both Statements 1 and 2 are false.</p>	1
8.	<p>The main objective of measuring the primary deficit is to highlight present _____. (Choose the correct option to fill in the blank) (A) fiscal imbalances (B) fiscal balances (C) recovery of loans (D) cash grant-in-aid Ans. (A) fiscal imbalances</p>	1
9.	<p>Read the following statements carefully: <i>Statement 1:</i> Import of heavy machinery from Japan is a source of demand for foreign exchange. <i>Statement 2:</i> Financial aid by International Bank for Reconstruction and Development (IBRD) for landslide in Wayanad (Kerala) is a source of supply of foreign exchange. In the light of the given statements, choose the correct option from the following: (A) Statement 1 is true and Statement 2 is false. (B) Statement 1 is false and Statement 2 is true. (C) Both Statements 1 and 2 are true. (D) Both Statements 1 and 2 are false. Ans. (C) Both Statements 1 and 2 are true.</p>	1
10.	<p>In a two-sector economy, the Aggregate Demand can be determined by adding _____ and _____. (Choose the correct option to fill in the blanks) (A) consumption, investments (B) investments, savings (C) consumption, savings (D) savings, exports Ans. (A) consumption, investments</p>	1

11. (a)	<p>Explain any two precautions pertaining to the Expenditure Method of estimation of National Income in a country.</p> <p>Ans. Two precautions to be taken while estimating National Income by Expenditure Method are:</p> <ul style="list-style-type: none"> • Expenditure on intermediate goods should not be included as it will lead to the problem of double counting. • Expenditure on purchase of second-hand goods should not be included as it does not add to the flow of goods and services in the current year. <p style="text-align: center;">(Any other valid precaution to be awarded marks)</p>	1½ 1½									
OR		3									
(b)	<p>On the basis of the following hypothetical data: (in ₹ crore)</p> <table border="1" data-bbox="379 517 1262 685"> <thead> <tr> <th>Year</th> <th>Nominal GDP</th> <th>Nominal GDP (adjusted to base year prices)</th> </tr> </thead> <tbody> <tr> <td>2020-21</td> <td>3,000</td> <td>5,000</td> </tr> <tr> <td>2022-23</td> <td>4,000</td> <td>6,000</td> </tr> </tbody> </table> <p>Calculate the percentage change in Real Gross Domestic Product (GDP) in the year 2022 – 23 using 2020 – 21 as the base year.</p> <p>Ans. Percentage change in Real Gross Domestic Product (GDP) in the year 2022-23</p> $= \frac{\text{Change in Real GDP}}{\text{Real GDP}} \times 100$ $= \frac{6000 - 5000}{5000} \times 100$ $= 20\%$	Year	Nominal GDP	Nominal GDP (adjusted to base year prices)	2020-21	3,000	5,000	2022-23	4,000	6,000	1 ½ 1 ½ 3
Year	Nominal GDP	Nominal GDP (adjusted to base year prices)									
2020-21	3,000	5,000									
2022-23	4,000	6,000									
12.	<p>“Taxation is an effective tool to reduce the inequalities of income.” Justify the given statement with valid reasons.</p> <p>Ans. Government can use taxation as an effective tool to reduce inequalities of income, as it affects the disposable income of people. It may impose higher taxes on the rich and may provide subsidies to the economically weaker sections of the society on education, health services etc. By adopting these measures, the government may try to bridge the gap between the rich and the poor.</p> <p style="text-align: right;">(To be marked as a whole)</p>	3									
13. (a)	<p>Elaborate any two components of the Capital Account under the Balance of Payments Account.</p> <p>Ans. The two components of the Capital Account under the Balance of Payments Account are:</p> <ul style="list-style-type: none"> • External Borrowings which include borrowings/lending from/to abroad by the private sector and government. Such transactions are recorded in the Capital Account as they affect the assets and liabilities of the nation. • Investments to/from abroad are recorded in the Capital Account as they affect the assets of the nation. <p style="text-align: center;">(Any other valid component to be awarded marks)</p>	2 2									
OR		4									
(b)	<p>Distinguish between Autonomous transactions and Accommodating transactions.</p> <p>Ans. Autonomous transactions are those international economic transactions which are independent of the state of Balance of Payments (BoP). These transactions are generally undertaken with an ‘economic motive’. Such transactions are called ‘above the line’ items in the BoP account.</p> <p style="text-align: center;">Whereas;</p> <p>Accommodating transactions are those international economic transactions which are undertaken (by competent authorities) to cover the surplus or deficit in Balance of</p>	2 2									

	Payments (BoP). These transactions are independent of any economic motive. Such transactions are called ‘below the line’ items in the BoP account.	4
14.	<p>Assuming for a hypothetical economy: (i) Autonomous Consumption Expenditure (\bar{c}) = ₹ 250 crore (ii) Marginal Propensity to Save (MPS) = 0.2 (iii) Autonomous Investments (I_0) = ₹ 200 crore Estimate the Break-even level of Income and Equilibrium level of Income, on the basis of information given above.</p> <p>Ans. Given, Autonomous Consumption Expenditure (\bar{c}) = ₹ 250 crore Marginal Propensity to Save (MPS) = 0.2 Autonomous Investments (I_0) = ₹ 200 crore Marginal Propensity to Consume (MPC) = 1 – MPS = 1 - 0.20 = 0.80</p> <p>As we know, at Break-even level of income; $Y = C$ $Y = \bar{c} + (MPC) Y$ $Y = 250 + 0.80 Y$ $Y = ₹ 1,250 \text{ crore}$</p> <p>At equilibrium level of income; $Y = C + I$ $Y = (250 + 0.80Y) + 200$ $Y = ₹ 2,250 \text{ crore}$</p> <p><u>Alternate Solution</u> As we know, at Break-even level of income; $S = 0$ $S = -\bar{c} + (MPS) Y$ $0 = -250 + 0.20 Y$ $Y = ₹ 1,250 \text{ crore}$</p> <p>As we know, at equilibrium; $S = I$ $-250 + 0.20 Y = 200$ $Y = ₹ 2,250 \text{ crore}$ (Any other alternate solution to be awarded marks)</p>	<p>1</p> <p>1/2</p> <p>1/2</p> <p>1</p> <p>1/2</p> <p>1/2</p> <p>4</p> <p>1</p> <p>1/2</p> <p>1/2</p> <p>4</p>
15.	<p>Read the following text carefully: According to a report issued by a research organisation, there is a sharp decline in the overall demand in the economy, particularly in the private consumption segment. This dip in the macro economic variables, highlights the urgent need for strategic actions to stimulate economic activities. On the basis of the given text and common understanding, explain the measure which the government may take to solve the indicated problem.</p> <p>Ans. The highlighted issue is deflation. To control deflation, the government may:</p> <ul style="list-style-type: none"> • decrease the tax rates which may increase the disposable income (purchasing power) in the hands of the general public. Consequently, it may lead to a rise in Aggregate Demand, thereby correcting the situation of deflation. • increase the public expenditure which may increase the level of income in the economy. Consequently, it may lead to a rise in Aggregate Demand, thereby correcting the situation of deflation. 	<p>2</p> <p>2</p> <p>4</p>
16. (a)	<p>(i) Suppose there are only three firms in an imaginary economy, viz. X, Y and Z. During a year, the following transactions took place in the economy: (I) Firm X sold goods worth ₹ 20,000 to Firm Y and ₹ 12,000 to Firm Z.</p>	

(II) Firm Y sold goods worth ₹ 11,000 to Firm X and ₹ 35,000 to Firm Z.
 (III) Firm Z sold goods worth ₹ 57,000 to households for final consumption.
 On the basis of the given transactions, calculate the value of Gross Domestic Product at Market Price (GDP_{MP}) in the economy.

Ans.

Firms	Value of Output (in ₹) (i)	Intermediate Consumption (in ₹) (ii)	Value Added (in ₹) {(i) – (ii)}
X	20,000 + 12,000	11,000	21,000
Y	11,000 + 35,000	20,000	26,000
Z	57,000	12,000 + 35,000	10,000
	1,35,000	78,000	57,000
Gross Domestic Product at Market Price (GDP_{MP})			

1
1
1
1

(Any other valid method to be awarded marks)

(ii) Elaborate the likely impact of construction of two new Express Highways on the Gross Domestic Product (GDP) and Welfare in an economy.

Ans. The construction of two new Express Highways may impact the Gross Domestic Product (GDP) positively as improved infrastructure generally attracts higher investments in an economy and may lead to an increase in employment opportunities. It may also reduce travel time and average transportation costs. Consequently, increasing the well-being of citizens. (To be marked as a whole)

2

OR

6

(b) (i) On the basis of the following data, estimate the value of National Income (NNP_{FC}):

S.No.	Items	Amount (in ₹ crore)
(i)	Household Consumption Expenditure	800
(ii)	Gross Business Fixed Capital Formation	150
(iii)	Gross Residential Construction Investment	120
(iv)	Government Final Consumption Expenditure	270
(v)	Excess of Imports over Exports	20
(vi)	Inventory Investments	50
(vii)	Gross Public Investments	130
(viii)	Net Indirect Taxes	20
(ix)	Net Factor Income from Abroad	(-) 25
(x)	Consumption of Fixed Capital	40

Ans. National Income (NNP_{FC}) = (i) + (iv) + (ii) + (iii) + (vii) + (vi) - (v) - (x) + (ix) - (viii)
 $= 800 + 270 + 150 + 120 + 130 + 50 - 20 - 40 + (-25) - 20$
 $= ₹ 1,415 \text{ crore}$

1½
1
½

(ii) “All producer goods are essentially capital goods.”

Defend or refute the given statement, with the help of a suitable example.

Ans. The given statement is refuted. Producer goods can be categorized as single-use producer goods (intermediate goods) and durable producer goods (capital goods). These goods are used for further production of goods and services. Intermediate goods are completely used up in the production process during the same year. Whereas, capital goods are used for more than one year. Thus, all producer goods are not essentially capital goods. (To be marked as a whole)

3

6

17. (a) Elaborate the process of Credit Creation using a suitable numerical example.

The process of credit creation is based on the assumptions that:

- **entire banking system is a single unit.**
- **all transactions are routed through the bank only.**

Rounds	Deposits	Loans	Reserves (20%)
I	1,000	800	200
II	800	640	160
III	640	512	128
...
Total	5,000	4,000	1,000

When a commercial bank receives primary deposits (say ₹ 1,000), it has to maintain some statutory reserves (say 20%). The remaining amount is made available for loans. The lent sum of money is received back in the next round of deposits as secondary deposits.

$$\begin{aligned} \text{Total Deposits} &= \text{Primary Deposits} \times \frac{1}{\text{Reserve Ratio}} \\ &= 1000 \times \frac{1}{0.2} \\ &= ₹ 5,000 \end{aligned}$$

This process continues till sum total of reserves becomes equal to primary deposits.
(To be marked as a whole)

(b) Read the following text carefully:

"This function of money provides different items to be evaluated against a common standard. It allows comparison of prices and keeping financial records."

- (i) On the basis of the given text, identify the indicated function of money.
(ii) List any other two functions of money.

Ans. (i) The indicated function of money is 'Unit of account'.

(ii) Two other functions of money are:

- **Medium of exchange.**
- **Standard of deferred payments.** (Any other valid function to be awarded marks)

4

1

1/2

1/2

6

SECTION – B
(Indian Economic Development)

18. Read the following statements carefully:
Statement 1: The British policies were accountable for commercialisation of Indian agriculture.
Statement 2: In the larger interest of Indians, the British rulers focused on the infrastructural growth of India.
In the light of the given statements, choose the correct option from the following:
(A) Statement 1 is true and Statement 2 is false.
(B) Statement 1 is false and Statement 2 is true.
(C) Both Statements 1 and 2 are true.
(D) Both Statements 1 and 2 are false.
Ans. (A) Statement 1 is true and Statement 2 is false.

1

19. Read the following statements – Assertion (A) and Reason (R).
Choose the correct alternative from the options given below:
Assertion (A): Information plays a crucial role in judicious decision-making about investing in human capital.
Reason (R): Individuals invest to acquire information about the labour market and other areas such as education and healthcare.
Options:

	<p>(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).</p> <p>(C) Assertion (A) is true, but Reason (R) is false.</p> <p>(D) Assertion (A) is false, but Reason (R) is true.</p> <p>Ans. (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p>	1
20.	<p>Identify, which of the following does not indicate the similarities in the policies of India and Pakistan in the post 1947 period.</p> <p>(A) Dual pricing policy (B) Green revolution</p> <p>(C) Import substitution (D) Mixed economic system</p> <p>Ans. (A) Dual pricing policy</p>	1
21.	<p>Identify, which of the following statements is incorrect about the Rural Banking system in India. (Choose the correct option)</p> <p>(A) In the post-independence period, a well-structured Rural Banking system was formulated in India.</p> <p>(B) Rural Banking system in India consists of a set of multi-agency institutions.</p> <p>(C) Regional Rural Banks, Cooperative and Land Development Banks are few important components of Rural Banking system in India.</p> <p>(D) Rural Banking system in India works under the guidance, instruction and supervision of the State Bank of India.</p> <p>Ans.(D) Rural Banking system in India works under the guidance, instruction and supervision of the State Bank of India.</p>	1
22.	<p>In the post-independence era, the policy makers of India pushed for 'self-reliance' for the first _____ Five Year Plans. (Choose the correct option to fill in the blank)</p> <p>(A) 8</p> <p>(B) 7</p> <p>(C) 6</p> <p>(D) 5</p> <p>Ans. (B) 7</p>	1
23.	<p>Production of diverse varieties of crops rather than one specialized crop is known as diversification of _____. (Choose the correct option to fill in the blank)</p> <p>(A) crops</p> <p>(B) agricultural production</p> <p>(C) sectoral composition</p> <p>(D) employment</p> <p>Ans. (A) crops</p>	1
24.	<p>Identify, which of the following statements is incorrect about the functions of environment. (Choose the correct option)</p> <p>(A) Provides resources</p> <p>(B) Absorbs wastage</p> <p>(C) Sustains life</p> <p>(D) Deteriorates quality of life</p> <p>Ans. (D) Deteriorates quality of life</p>	1
25.	<p>Read the following statements carefully:</p> <p><i>Statement 1:</i> The Food Corporation of India maintains buffer stocks of wheat and rice as a measure to improve market mechanism.</p>	

	<p><i>Statement 2:</i> Minimum Support Price (MSP) is imposed by the government to safeguard the interest of farmers.</p> <p>In the light of the given statements, choose the correct option 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. (C) Both Statements 1 and 2 are true.</p>	1
26.	<p>Suppose an economy is experiencing a situation of rise in Real Gross Domestic Product (GDP), without any corresponding rise in the employment opportunities.</p> <p>In economic parlance, such a situation is termed as _____ growth. (Choose the correct option to fill in the blank)</p> <p>(A) casual (B) informal (C) formal (D) jobless</p> <p>Ans. (D) jobless</p>	1
27.	<p>Read the following statements – Assertion (A) and Reason (R). Choose the correct alternative from the options given below:</p> <p><i>Assertion (A):</i> Excessive regulation of permit license raj prevented certain private firms from becoming more efficient.</p> <p><i>Reason (R):</i> Private sector wasted a significant time in obtaining licenses rather than enhancing product quality and international competitiveness.</p> <p>Options:</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 <i>not</i> the correct explanation of Assertion (A). (C) Assertion (A) is true, but Reason (R) is false. (D) Assertion (A) is false, but Reason (R) is true.</p> <p>Ans. (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p>	1
28.	<p>Elaborate the economic reforms in agriculture sector undertaken by China.</p> <p>Ans. Under the economic reforms initiated by China in agriculture sector, commune lands were divided into small plots, which were allocated to individual households, for use and not ownership. They were allowed to keep all income from the land after paying stipulated taxes.</p> <p style="text-align: right;">(To be marked as a whole)</p>	3
29. (a)	<p>“Under the British rule, India underwent systematic economic exploitation with its resources and wealth being diverted to Britain.”</p> <p>Justify the given statement with valid explanation.</p> <p>Ans. During the colonial period, India's resources and wealth were exploited and diverted to Britain by transforming the country into exporter of raw materials and importer of finished industrial products from Britain. Moreover, the export surplus did not result in any flow of gold or silver into India. Rather, this was used to make payments for the expenses incurred by an office set up by the colonial government in Britain, expenses on war, fought by the British government, and the import of invisible items, all of which led to the drain of Indian wealth to Britain.</p> <p style="text-align: right;">(To be marked as a whole)</p>	3
OR		

(b)	<p>Appraise the Navratan policy adopted by the Government of India in the reforms of 1991.</p> <p>Ans. In order to improve efficiency, infuse professionalism and enable them to compete more effectively in the liberalised global environment, the government identified a few Public Sector Enterprises and declared them as ‘Navratnas’. They were given greater managerial and operational autonomy, in taking various decisions to run the company efficiently and thus increase their profits. The granting of Navratan status resulted in better performance of these companies.</p> <p style="text-align: right;">(To be marked as a whole)</p>	3
30.	(i) Distinguish between human capital and physical capital.	1
	<p>Ans. Human capital refers to the stock of knowledge, skill and ability imbibed in the owner of the same, i.e., human capital is inseparable from its owner. It cannot be sold in the market, only its services can be sold in the market.</p> <p style="text-align: center;">Whereas;</p> <p>Physical capital are the assets (plant and machinery, building etc.), which are tangible in nature. It is separable from its owner. It can be transacted in the market.</p>	1
	<p>(ii) Describe ‘LPG’ and ‘Gobar Gas’ as strategies used to achieve sustainable development in rural areas.</p> <p>Ans. Liquefied Petroleum Gas (LPG) is a clean fuel that reduces household fuel pollution to a large extent and minimises energy wastage. For the gobar gas plant to function, cattle dung is fed to the plant and gas is produced which is used as fuel while the slurry which is left over is a very good organic manure and soil conditioner.</p> <p style="text-align: right;">(To be marked as a whole)</p>	2
	OR	4
(b)	<p>(i) Critically appraise the micro-credit programmes in rural India.</p> <p>Ans. Micro-credit programmes fill the gaps in the formal credit system. Due to non-availability of collateral a vast proportion of rural households go out of the credit network. Micro-credit system has brought these poor households in the ambit of formal credit system by providing them loans at a concessional rate of interest. However, it is alleged that the borrowings are mainly confined to consumption purposes.</p> <p style="text-align: right;">(To be marked as a whole)</p>	3
	<p>(ii) State the meaning of sustainable development.</p> <p>Ans. Sustainable Development is the development that meets the need of the present generation without compromising the ability of the future generation to meet their own needs.</p>	1
		4
31.	<p>Read the given text carefully and answer the following questions:</p> <p>In response to the problem of rapidly rising population, China introduced the ‘One Child Policy’. The policy restricted couples to having only one child. This policy helped China to limit the population growth.</p> <p>This policy led to significant consequences, such as an increase ageing population, gender imbalances due to male child preference, and social challenges for single children, etc.</p> <p>This policy was relaxed in 2015, allowing all couples to have two children and further relaxed to three children in 2021.</p> <p>Overall, while the One Child Policy achieved its primary goal of controlling population growth, it also created a complex set of demographic and social challenges that China continues to address today.</p> <p>(a) Explain the consequences of implementation of the One Child Policy in China.</p>	

	<p>Ans. Implementation of the One Child Policy in China led to a drastic fall in population growth rate in China. Besides, it had various adverse effects like a higher proportion of elderly population, gender imbalances due to male child preference and various social challenges for single child, etc. (To be marked as a whole)</p> <p>(b) State any one reason for the implementation of the One Child Policy in China. Ans. One Child Policy in China was implemented to curb the rapidly rising population.</p>	<p>3</p> <p>1</p> <p>4</p>
32.	<p>State and elaborate whether the following statements are true/false, with valid arguments:</p> <p>(a) In the Indian rural landscape, agricultural diversification has emerged as a solution for a lot of farmers' problems. Ans. True. There is a greater risk in depending exclusively on farming for livelihood. Diversification has reduced the risk from uncertainties in the agriculture sector and has provided productive sustainable livelihood options to rural people.</p> <p>(b) Informalisation of workforce in India, has increased various concerns on the front of employment generation among the youth of the country. Ans. True. Informalisation of workforce has increased concerns regarding job security amongst the youth. There is a problem of lower earning and lack of social security benefits.</p>	<p>2</p> <p>2</p> <p>4</p>
33.	<p>(i) Discuss briefly, causes and consequences of tax reforms taken by the Indian Government during economic reforms. Ans. The causes of the tax reforms initiated during economic reforms in India were to curb tax evasion, encourage savings and voluntary disclosure of income. Additionally, indirect tax reforms were necessitated to facilitate the establishment of a common national market for commodities. The tax rate rationalisation during the reform period, aimed at yielding larger tax revenue but did not result in an increase in the tax revenue. Moreover, tax incentives provided to foreign investors further reduced the scope for raising tax revenues which adversely impacted developmental and welfare expenditures. (Any other valid cause or consequence to be awarded marks)</p> <p>(ii) Distinguish between Multilateral Trade and Bilateral Trade. Ans. Multilateral trade is the trade by a country with more than two nations to exchange goods and services.</p> <p style="text-align: center;">Whereas;</p> <p>Bilateral trade refers to the exchange of goods or services between two countries.</p> <p style="text-align: center;">OR</p> <p>(b) (i) "Import substitution policy, if not applied carefully, can prove to be a double-edged sword for any economy." Do you agree with the given statement? Justify your answer with valid arguments. Ans. Yes. Import-substitution policy aimed at replacing imports with domestic production to protect domestic industries from foreign competition and to save foreign exchange. However, protection from foreign competition may do more harm than good. The domestic producers in the absence of a competitive market won't have any incentive to improve the quality of their goods. In turn, consumers may have to purchase low quality</p>	<p>2</p> <p>2</p> <p>1</p> <p>1</p> <p>6</p> <p>3</p>

	<p>items at a higher price. Hence, import substitution policy, if not applied carefully, can prove to be a double-edged sword for any economy. (To be marked as a whole)</p> <p>(ii) Distinguish between stabilising measures and structural measures, as taken up by the Government of India in 1991.</p> <p>Ans. Stabilisation measures are short-term measures, intended to correct some of the weaknesses that have developed in the balance of payments and to bring inflation under control.</p> <p style="text-align: center;">Whereas;</p> <p>Structural measures are long-term measures, aimed at improving the efficiency of the economy and increasing its international competitiveness by removing the rigidities in various segments of the Indian economy.</p>	<p style="text-align: right;">1 ½</p> <p style="text-align: right;">1 ½</p> <hr/> <p style="text-align: right;">6</p>
<p>34.</p>	<p>Read the following text carefully:</p> <p>Indian labour market indicators have improved in the last six years, as per the Periodic Labour Force Survey Data. The unemployment rate has fallen to 3.2% in 2022–23. Rising youth and female participation in the workforce present an opportunity to tap the demographic and gender dividend. The factory employment data exhibits the bounce back of the organised manufacturing sector in FY 2022–23 with rise in employment and the upscaling of factories.</p> <p>The net payroll additions under EPFO have more than doubled in the past five years, signalling healthy growth in formal employment.</p> <p>To generate and sustain quality employment, agro-processing and care economy are two promising candidates.</p> <p>On the basis of the given text and common understanding, answer the following questions:</p> <p>(a) State any one significance of rising youth and female participation in the Indian workforce.</p> <p>Ans. Rising youth and female participation in the Indian workforce can provide an opportunity to tap the demographic and gender dividend.</p> <p>(b) Identify any two sectors which may be highlighted as promising for generating quality employment in India.</p> <p>Ans. The two sectors which may be highlighted as promising for generating quality employment in India are:</p> <ul style="list-style-type: none"> • agro-processing • care economy. <p>(c) Elaborate the meaning of disguised unemployment with the help of 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: right;">(To be marked as a whole)</p>	<p style="text-align: right;">1</p> <p style="text-align: right;">1</p> <p style="text-align: right;">3</p> <hr/> <p style="text-align: right;">6</p>

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