


	<p>(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
5.	<p>Commercial banks are regarded as money creators because: (Choose the correct option) (A) they purchase securities from the Central Bank. (B) loans provided by them create deposits. (C) they act as a banker to the government. (D) they regulate the lending rate in the economy Ans. (B) loans provided by them create deposits.</p>	1
6.	<p>Suppose, the consumption function is given as: $C = 205 + 0.9 Y$ (where C = Total Consumption and Y = National Income) The value of Investment Multiplier (K) would be _____. (Choose the correct option to fill in the blank) (A) 0.09 (B) 10.0 (C) 0.9 (D) 9.0 Ans. (B) 10.0</p>	1
7.	<p>Marginal Propensity to Consume (MPC) exhibits the slope of _____ function. (Choose the correct option to fill in the blank) (A) Saving (B) Consumption (C) Production (D) Cost Ans. (B) Consumption</p>	1
8.	<p>Read the following statements carefully: <i>Statement 1:</i> Open Market Operations refers to purchase/sale of Government Securities (G-Sec) by the Central Bank. <i>Statement 2:</i> To decrease money supply, Central Bank will sell the Government Securities to commercial banks. 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
9.	<p>Aggregate expenditure in the economy during an accounting year is also known as _____. (Choose the correct option to fill in the blank) (A) Autonomous investment (B) Aggregate supply (C) Aggregate demand (D) Induced investment Ans. (C) Aggregate demand</p>	1
10.	<p>The 45° line in Keynesian economics indicates _____. (Choose the correct option to fill in the blank) (A) Income > Consumption (B) Savings > Investments (C) Consumption > Income (D) Income = Consumption Ans. (D) Income = Consumption</p>	1

<p>11.</p> <p>(a)</p>	<p>Calculate the value of 'Sales' from the following data:</p> <table border="1" data-bbox="347 123 1189 504"> <thead> <tr> <th>S. No.</th> <th>Particulars</th> <th>Amount (in ₹ lakh)</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Subsidies</td> <td>200</td> </tr> <tr> <td>(ii)</td> <td>Operating surplus</td> <td>500</td> </tr> <tr> <td>(iii)</td> <td>Opening stock</td> <td>100</td> </tr> <tr> <td>(iv)</td> <td>Closing stock</td> <td>600</td> </tr> <tr> <td>(v)</td> <td>Intermediate consumption</td> <td>3,000</td> </tr> <tr> <td>(vi)</td> <td>Consumption of fixed capital</td> <td>700</td> </tr> <tr> <td>(vii)</td> <td>Profits</td> <td>750</td> </tr> <tr> <td>(viii)</td> <td>Net Value Added at Factor Cost (NVA_{FC})</td> <td>2,000</td> </tr> </tbody> </table> <p>Ans. Value of Sales = (viii) – {(iv) – (iii)} + (v) – (i) + (vi) = 2,000 – (600 – 100) + 3,000 – 200 + 700 = ₹ 5,000 lakh</p> <p style="text-align: center;">OR</p> <p>(b) State and explain any two precautions that must be taken while estimating national income by the income method.</p> <p>Ans. Two precautions to be taken while estimating National Income by Income method are:</p> <ul style="list-style-type: none"> • Transfer Income should not be included as they are unilateral in nature. • Income from sale of second-hand goods should not be included as it does not add to the flow of goods and services in the economy in the current year. <p style="text-align: center;">(Any other valid precaution to be awarded marks)</p>	S. No.	Particulars	Amount (in ₹ lakh)	(i)	Subsidies	200	(ii)	Operating surplus	500	(iii)	Opening stock	100	(iv)	Closing stock	600	(v)	Intermediate consumption	3,000	(vi)	Consumption of fixed capital	700	(vii)	Profits	750	(viii)	Net Value Added at Factor Cost (NVA _{FC})	2,000	<p style="text-align: right;">1 ½</p> <p style="text-align: right;">1</p> <p style="text-align: right;">½</p> <hr/> <p style="text-align: right;">3</p> <hr/> <p style="text-align: right;">1 ½</p> <p style="text-align: right;">1 ½</p> <hr/> <p style="text-align: right;">3</p>
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<p>12.</p>	<p>Identify and explain any one function of the Central Bank as indicated in the image given below:</p> <div style="text-align: center;">  </div> <p>Ans. One of the indicated functions of the Central Bank i.e. Reserve Bank of India (RBI) is the Banker's Bank and Supervisor.</p> <p>RBI accepts deposits from commercial banks and also advances loans to them as and when required. It maintains reserves of all commercial banks and utilizes it to settle inter-bank claims. Being the supreme authority of the banking system, it acts as the financier of last recourse to the commercial banks. RBI supervises, regulates and controls the commercial banks. (Any other valid function to be awarded marks)</p> <p><i>Note: The following question is for the Visually Impaired Candidates only in lieu of Q. No. 12.</i></p> <p>Explain any one function of the Central Bank.</p> <p>Ans. Central Bank acts as the Banker's Bank and Supervisor. Central Bank accepts deposits from commercial banks and also advances loans to them as and when</p>	<p style="text-align: right;">1</p> <hr/> <p style="text-align: right;">2</p> <hr/> <p style="text-align: right;">3</p>																											

	required. It maintains reserves of all commercial banks and utilizes it to settle inter-bank claims. Being the supreme authority of the banking system, it acts as the financier of last recourse to the commercial banks. Central Bank supervises, regulates and controls the commercial banks. (Any other valid function to be awarded marks)	
13.	(i) "In an economy, ex-ante investment (I) exceeds ex-ante savings (S)." Explain the likely impact of the given situation on output, employment and income. Ans. When ex-ante investment (I) exceeds ex-ante savings (S) it means households are planning to consume more than what the firms expected them to consume. This will lead to unintended decumulation of inventories. To restore the desired/intended level of inventories, producers may expand production in the economy which may increase the output, employment and income level. (To be marked as a whole)	3
	(ii) Define excess demand. Ans. Excess demand refers to a situation when Aggregate Demand (AD) exceeds Aggregate Supply (AS) corresponding to the full employment level of output.	1
		4
14.	(i) Distinguish between Balance of Payments and Balance of Trade. Ans. Balance of Payments (BoP) is an accounting statement that provides a systematic record of all economic transactions between residents of a country and the rest of the world over a given period of time. It includes transactions in goods, services and assets.	1 ½
	Whereas,	
	Balance of Trade (BOT) is the difference between the value of exports and value of imports of goods of a country over a given period of time. It includes transactions in goods only.	1 ½
	(ii) Define Current Account Surplus. Ans. Current Account Surplus (CAS) arises when receipts from exports of goods & services and unilateral transfers are greater than the payments for imports of goods & services and unilateral transfers.	1
	OR	4
(b)	(i) Using suitable example, distinguish between Foreign Direct Investments (FDI) and Foreign Institutional Investments (FII). Ans. Foreign Direct Investment (FDI) refers to direct investments from abroad in physical assets with a considerable degree of influence and control over the firm.	1 ½
	Whereas;	
	Foreign Institutional Investment (FII) refers to investments from abroad in stocks, bonds or other financial assets and do not entail active management or control over the firm.	1 ½
	(ii) State one example of External Assistance as a component of capital account. Ans. Bilateral loans (Any other valid example to be awarded marks)	1
		4
15.	"Margin requirements are extremely helpful in correcting the situation of deflationary gap in an economy". Justify the given statement with valid arguments.	

	<p>Ans. Margin requirement refers to the difference between the amount of the loan and the value of the security offered by the borrower against the loan. To correct the situation of the deflationary gap, the Central Bank may reduce the margin requirement. It may lead to an increase in the amount of loan available on the security offered. This will increase the availability of credit and consequently, the Aggregate Demand in the economy will increase. Thus, by altering the margin requirements, the Central Bank can alter the amount of loans made against securities by the banks.</p> <p style="text-align: right;">(To be marked as a whole)</p>	4
<p>16. (a)</p>	<p>(i) “Domestic income is always less than national income.” Do you agree with the given statement? Support your answer with valid arguments. Ans. No. Net Factor Income from Abroad (NFIA) needs to be added to Domestic Income to arrive at the value of National Income. Domestic Income will be less than National Income, when NFIA is positive, i.e. factor income from abroad is greater than factor income to abroad. Whereas, Domestic Income will be more than National Income, when NFIA is negative i.e. factor income from abroad is less than factor income to abroad. On the other hand, if NFIA is zero, Domestic income will be equal to National Income.</p> <p style="text-align: right;">(To be marked as a whole)</p> <p>(ii) Distinguish between positive externalities and negative externalities with suitable examples. Ans. Positive externalities refer to benefits caused by one entity to another without being paid for it. Example: Newly developed public park.</p> <p style="text-align: center;">Whereas;</p> <p>Negative externalities refer to harms caused by one entity to another, without being penalised for it. Example: Smoke emitted by a factory.</p> <p style="text-align: center;">(Any other suitable example to be awarded marks)</p>	<p>3</p> <p>1</p> <p>½</p> <p>1</p> <p>½</p>
<p>(b)</p>	<p style="text-align: center;">OR</p> <p>(i) “In a two-sector economy, consumption expenditure by households is always equal to aggregate expenditure on goods and services produced by the firms.” Do you agree with the given statement ? Support your answer with a valid explanation. Ans. Yes. In a two-sector economy model, households are the owners of factors of production (Land, Labour, Capital, Entrepreneur). Firms combine these factors of production to produce goods and services. They make factor payments (Rent, Wages, Interest, Profits) to households, which in turn, are completely spent by the households on the consumption of final goods and services. Thus, the income earned by the factors of production flows back to the production units in the form of aggregate consumption expenditure. (To be marked as a whole)</p> <p>(ii) “Problem of Double Counting leads to overestimation of output in an economy.” Justify the given statement with the help of suitable example. Ans. Problem of double counting refers to counting the value of goods and services more than once. This leads to an overestimation of the output in the economy. Example: A farmer had produced ₹ 100 worth of wheat for which no inputs were required. The baker had to buy ₹ 50 worth of wheat to produce bread worth ₹ 200. To estimate the net contribution of the baker, the value of wheat (₹ 50) needs to be subtracted from the value of bread. Otherwise, ₹ 50 worth of wheat will be counted twice leading to the problem of double counting.</p>	<p>6</p> <p>3</p> <p>1½</p> <p>1½</p> <p>6</p>

	<p><i>Statement 1:</i> In order to address the problem of water and air pollution in India, the Government of India had established the Central Pollution Control Board (CPCB).</p> <p><i>Statement 2:</i> Deforestation leads to the permanent destruction of indigenous forests.</p> <p>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.</p> <p>Ans. (A) Statement 1 is true and Statement 2 is false.</p>	1
22.	<p>Modernization is an important economic planning objective that focuses on _____. (Choose the correct option to fill in the blank)</p> <p>(i) Adoption of innovative technology (ii) Bringing positive change in social outlook (iii) Equal distribution of income and wealth (iv) Abolition of intermediaries</p> <p>Options : (A) (i) and (iv) (B) (i) and (iii) (C) (i), (iii) and (iv) (D) (i) and (ii)</p> <p>Ans. (D) (i) and (ii)</p>	1
23.	<p>Recently, India hosted and chaired the summit of _____ one of the regional and economic groupings. (Choose the correct option to fill in the blank)</p> <p>(A) SAARC (B) G8 (C) ASEAN (D) G20</p> <p>Ans. (D) G20</p>	1
24.	<p>Under _____ unemployment the marginal productivity of a worker is equal to zero. (Choose the correct option to fill in the blank)</p> <p>(A) Seasonal (B) Structural (C) Involuntary (D) Disguised</p> <p>Ans. (D) Disguised</p>	1
25.	<p>_____ is one of the demographic indicators in which Pakistan is ahead of India and China. (Choose the correct option to fill in the blank)</p> <p>(A) Urbanisation (B) Fertility rate (C) Population density (D) Sex ratio</p> <p>Ans. (B) Fertility rate</p>	1
26.	<p>Outsourcing from India has become more intensified in recent times due to the expansion of the _____ sector. (Choose the correct option to fill in the blank)</p> <p>(A) Agriculture (B) Manufacturing (C) Information Technology (D) Construction</p> <p>Ans. (C) Information Technology</p>	1
27.	<p>Suppose the percentage of casual workers rises in an economy as compared to the regular workers. This situation may be known as _____ of workforce. (Choose the correct option to fill in the blank)</p> <p>(i) Formalisation (ii) Casualisation (iii) Unemployment</p> <p>Options: (A) (i) and (ii) (B) (ii) and (iii) (C) only (ii) (D) only (i)</p> <p>Ans. (C) only (ii)</p>	1
28.	<p>“Many economists believe that India paid a very heavy price for the British industrialisation, by becoming their feeder economy.”</p>	

<p>(a)</p>	<p>Justify the given statement with any one valid argument. Ans. During British rule, India was transformed into a mere exporter of raw materials for British industries, leading to a large export surplus. However, this came at a significant cost to India's economy, with essential commodities like food grains, clothes etc. becoming scarce in the domestic market. Policies like the commercialization of agriculture ensured maximum benefit for Britain. While India's exports grew, the benefits rarely reached the Indian population. (Any other valid argument to be awarded marks) OR</p>	<p>3</p>												
<p>(b)</p>	<p>Critically appraise, infrastructural development in India during the British rule. Ans. Under colonial rule, basic infrastructure facilities were developed in India. It enabled people to travel long distances thereby breaking geographical and cultural barriers. Moreover, it fostered commercialisation of Indian agriculture which adversely affected the self-sufficiency of the village economies in India. Furthermore, the colonial dispensation also took measures for developing the inland trade and sea lanes. Nevertheless, these measures were far from satisfactory. (To be marked as a whole) (Any other valid explanation to be awarded marks)</p>	<p>3</p>												
<p>29.</p>	<p>Some economists argue that : "Post-1991 economic reforms, globalisation played a major role in poor performance of the industrial sector." Present your arguments to justify the given statement. Ans. With the onset of globalisation post-1991 economic reforms, developing countries are compelled to open up their economies to the greater flow of goods and capital from developed countries. Cheaper imports have, thus, replaced the demand for domestic goods. Domestic manufacturers are facing competition from foreign producers leading to a slowdown of industrial growth. Hence, Globalisation adversely affected the performance of the industrial sector. (To be marked as a whole)</p>	<p>3</p>												
<p>30.</p>	<p>Compare and analyse the following information related to distribution of employment in India :</p> <div style="text-align: center;"> <p>Distribution of Employment (Male-Female) in Different Sectors</p> <table border="1"> <thead> <tr> <th>Worker Category</th> <th>Primary Sector (%)</th> <th>Secondary Sector (%)</th> <th>Tertiary Sector (%)</th> </tr> </thead> <tbody> <tr> <td>Male Workers</td> <td>40.7%</td> <td>26.5%</td> <td>32.8%</td> </tr> <tr> <td>Female Workers</td> <td>57.1%</td> <td>17.7%</td> <td>25.2%</td> </tr> </tbody> </table> </div> <p>Ans. In India, the Primary sector has emerged as a major source of employment with a greater concentration of female workers (57.1%) as compared to males (40.7%). The secondary sector accommodates 17.7% of female workers and 26.5% of male workers. The service sector consists of 32.8% of male and 25.2% of female workers. Thus, it can be concluded that men get more opportunities in both secondary and service sectors whereas females are mainly found working in the primary sector. (To be marked as a whole)</p> <p><i>Note : The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 30.</i> "Compared to urban women, more rural women are found working." Justify the given statement with valid explanation. Ans. Women in rural areas are more actively engaged in the economic activities as compared to their urban counterparts due to a paucity of resources. In rural areas,</p>	Worker Category	Primary Sector (%)	Secondary Sector (%)	Tertiary Sector (%)	Male Workers	40.7%	26.5%	32.8%	Female Workers	57.1%	17.7%	25.2%	<p>4</p>
Worker Category	Primary Sector (%)	Secondary Sector (%)	Tertiary Sector (%)											
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	women are compelled to work as their economic condition may force them to do so. Moreover, in urban areas, where men are able to earn high incomes, families discourage female members from taking up jobs. (To be marked as a whole)	
31.	State and explain any two steps undertaken by the Government of India for the protection and promotion of Small-scale Industries between 1950 – 1990. Ans. The steps initiated by Government of India for the protection and promotion of Small-scale Industries between 1950 – 1990 are:	
(a)	<ul style="list-style-type: none"> • Reservation of products: The production of several products was reserved for SSIs, depending upon their ability to manufacture these goods. • Financial Incentives: They were given concession such as lower excise duty and bank loans at lower interest rates. <p style="text-align: center;">OR</p>	<p style="text-align: right;">1/2+1½</p> <p style="text-align: right;">1/2+1½</p> <p style="text-align: center;">4</p>
(b)	Elaborate the role of land ceiling as an institutional reform in agricultural sector during the planning period of India. Ans. After India attained independence, institutional reforms such as land ceiling were introduced to promote equity in the agricultural sector. Land ceiling refers to fixing the maximum size of agricultural land that could be owned by an individual. The purpose of the land ceiling was to reduce the concentration of land ownership in a few hands. By ensuring a more equitable distribution of land, the land ceiling was seen as a crucial measure to enhance agricultural productivity and contribute to overall growth in the sector. (To be marked as a whole)	4
32.	Argue in favour of the need for different forms of government intervention in the education and health sectors. Ans. Education and healthcare services play a vital role in socio-economic welfare for the masses. Government intervention is essential as spending on these sectors has long-term, irreversible impacts. Moreover, consumers often lack complete information about service quality and costs, leading to monopoly power and potential exploitation by private providers. To avoid this, the government must regulate these services, ensuring adherence to standards and fair pricing. Hence, it is imperative for the government to make these essential services accessible to all sections of society. (To be marked as a whole)	4
33.	(i) Explain any two similar developmental strategies followed by India and Pakistan in the post 1947 era. Ans. Similar developmental strategies were adopted by India and Pakistan for their respective development paths as:	
(a)	<ul style="list-style-type: none"> • Both the nations have followed the path of mixed economic system involving the public as well as the private sector. • Both India and Pakistan adopted import substitution policy in order to protect their domestic industries from foreign competition. <p style="text-align: center;">(Any other valid strategy to be awarded marks)</p>	<p style="text-align: right;">1 ½</p> <p style="text-align: right;">1 ½</p>
	(ii) State and discuss any two reasons for slow economic growth in Pakistan. Ans. The reasons for the slow growth in Pakistan are:	
	<ul style="list-style-type: none"> • Volatile performance of agriculture sector: Pakistan experienced uneven agricultural growth, food supply situation which were dependent on good harvest and not on the institutional process of technical change. • Increasing dependence on foreign funds: Pakistan faced the problems of overdependence on remittances, rising foreign loans and increased difficulty in paying back the loans. <p style="text-align: center;">(Any other valid reason to be awarded marks)</p> <p style="text-align: center;">OR</p>	<p style="text-align: right;">½ + 1</p> <p style="text-align: right;">½ + 1</p> <p style="text-align: center;">6</p>

(b)	<p>(i) “China used the tool of Special Economic Zones for its economic development very effectively.” Justify the given statement with valid explanation. Ans. The setting up of Special Economic Zones (SEZs) in China led to a substantial increase in Foreign Direct Investment (FDI) in the economy. With the massive inflow of foreign capital and technology, the productive capacity increased manifold, thereby contributing to the rapid economic development of China.</p> <p>(ii) Mention and discuss any two indicators of human development, where China has performed well. Ans. The two indicators of human development, where China has performed well are:</p> <ul style="list-style-type: none"> • Maternal Mortality Rate: The Maternal Mortality Rate in China is low due to better public health facilities. • Poverty: The proportion of the population below the poverty line in China has reduced over time. (Any other valid indicator to be awarded marks) 	<p style="text-align: center;">3</p> <p style="text-align: center;">$\frac{1}{2}+1$</p> <p style="text-align: center;">$\frac{1}{2}+1$</p> <hr/> <p style="text-align: center;">6</p>
34.	<p>Read the following text carefully: The National-Level Multi-State Cooperative Society recently approved by the Union Cabinet for promoting organic production and exports, will help the farmers to increase their income manifold. The arrangements for testing of land and selection of natural form of products will be set up in each district in the coming five years. Government has also decided to set up a cooperative society in all Panchayats, which will ensure that the Central Government’s schemes reach the farmers. Wide use of urea has spoiled farmland, and lakhs of farmers have moved towards organic farming. To get better prices, there is a need for marketing and certification of such produce. Furthermore, steps must be taken to ensure that fake organic products do not hit the market.</p> <p>On the basis of the given text and common understanding, answer the following questions: (a) Define organic farming. Ans. Organic farming is a whole system of farming that restores, maintains and enhances the ecological balance.</p> <p>(b) State any two benefits of organic farming. Ans. Advantages of Organic farming are:</p> <ul style="list-style-type: none"> • Soil conservation. • Nutritional food. (Any other valid benefit to be awarded marks) <p>(c) Explain the steps taken by the government to promote organic products. Ans. The steps taken by the government to promote organic products are:</p> <ul style="list-style-type: none"> • Testing of land and selection of natural form of products will be set up in each district in the coming five years. • Set up a cooperative society in all Panchayats, which will ensure that the Central Government’s schemes reach the farmers. (Any other valid step to be awarded marks) 	<p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">$1\frac{1}{2}$</p> <p style="text-align: center;">$1\frac{1}{2}$</p> <hr/> <p style="text-align: center;">6</p>

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