CBSE EXAMINATION PAPER-2024

ECONOMICS

(Solved)

Time allowed : 3 hours | Maximum Marks : 96

General Instructions :

Read the following instructions carefully and follow them :

i. This question paper contains **42 questions.** All questions are **compulsory.**

ii. This question paper is divided into **5 sections.**

iii. **Section A** – questions number **1 to 1** are case based questions

iv. **Section B** – questions number **2 to 22** are multiple choice questions

v. **Section C** – questions number **23 to 31** are short answer type i

vi. **Section D** – questions number **32 to 38** are short answer type ii

vii. **Section E** – questions number **39 to 42** are long answer

viii. There is no overall choice given in the question paper. However, an internal choice has been provided in few questions.

ix. Use of calculator is NOT allowed.

Section A

Question 1.

Read the following text carefully :

India has aimed to reduce the country's carbon intensity by approximately 45% by 2030. To achieve this 'Green finance' plays a vital role. At the initial stages, green finance needs a big push from the government. The Indian government has identified projects worth 25,000 crore that will be financed by proceeds from Sovereign Green Bonds.

According to the framework approved by finance ministry, the sovereign green bonds will focus on financing public projects including renewable energy, climate change, clean transportation, sustainable water and waste management and pollution control.

Businesses that take green finance can get benefit in various ways. It can help them follow different environmental norms and regulations and thus avoid possible fines. Adopting sustainable developmental practices enhances brand value of businesses. Customers tend to prefer brands that adopt clear sustainable development practices. The energy-efficient and other sustainable development practices promoted by green finance also often help in saving cost, boosting profitability of businesses etc.

— The Economic Times, April 22, 2023 (Modified)

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

(a) Define sustainable development.

(b) State the public project areas, where Sovereign Green Bond are focussed.

(c) How can businesses get benefit from green finance ?

(1)

Define sustainable development.

[1 Marks]

Answer: Sustainable development is the process of meeting the needs of the present without compromising the ability of future generations to meet their own needs. It integrates economic growth, social inclusion, and environmental protection.

Key Points: meets present needs; does not compromise future generations; integrates economic growth, social inclusion, environmental protection

(2)

State the public project areas, where Sovereign Green Bond are focussed.

[2 Marks]

Answer: Sovereign Green Bonds in India are focused on financing various public projects. These include renewable energy, climate change, clean transportation, sustainable water and waste management, and pollution control.

Key Points: renewable energy-climate change-clean transportation-sustainable water management-waste management-pollution control

(3)

How can businesses get benefit from green finance ?

[3 Marks]

Answer: Businesses can benefit from green finance in several ways. Firstly, it helps them comply with environmental norms and regulations, thereby avoiding potential fines. Secondly, by adopting sustainable development practices, businesses can enhance their brand value, as consumers increasingly prefer brands committed to sustainability. Finally, the implementation of energy-efficient practices supported by green finance can lead to cost savings and increased profitability, contributing to the overall financial health of the business.

Key Points: Compliance with environmental regulations-Enhanced brand value-Cost savings and increased profitability

Section B

Question 2.

Read the following statements carefully :

Statement 1 : Ex-post savings and Ex-post investments are equal at all levels of income.

Statement 2 : Under the effective demand principle, the equilibrium O output is equal to ex-ante Aggregate Demand (AD).

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

[1 Marks]

(A) Both Statements 1 and 2 are true.

(B) Both Statements 1 and 2 are false.

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

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

Explanation: Statement 1 is true because, in macroeconomic equilibrium, total savings are equal to total investments at all levels of income. Statement 2 is true as well, since under the effective demand principle, equilibrium output is determined where aggregate demand (AD) equals aggregate supply (or output), implying that equilibrium output matches ex-ante AD. Thus, the correct choice is 'Both Statements 1 and 2 are true.'

Question 3.

Identify, which of the following is not considered as a Normal Resident of India?

[1 Marks]

(A) An Indian diplomat visiting Canada for a summit.

(B) An Indian official working in Indian embassy in China.

(C) An Indian working in an American Company located in New York for a period of more than 1 year.

(D) An Indian citizen working in U.S.A. embassy located at New Delhi

Explanation: An Indian diplomat visiting Canada for a summit is not considered a Normal Resident of India, as they are temporarily residing in another country for official duties. Normal Residents are individuals who reside in India and are not on a temporary assignment abroad.

Question 4.

In a hypothetical economy, if all income is consumed, the value of investment multiplier would be ——————?

[1 Marks]

(A) Between zero (0) and one (1)

(B) One (1)

(C) Zero (0)

(D) Infinity (∞)

Explanation: The investment multiplier measures the change in income resulting from an investment change. If all income is consumed, there is no saving, which means the marginal propensity to save is zero. Consequently, the investment multiplier approaches infinity (∞) because any increase in investment would lead to an infinite increase in income, as there are no savings reducing the impact of that investment.

Question 5.

If in an economy the Balance of Trade is showing a deficit of ₹ 200 crore and the value of import is ₹ 900 crore, then the value of exports would be ———— ₹ crore. (Fill up the blank with correct alternative.)

[1 Marks]

(A) 20 crore

(B) 1100 crore

(C) 700 crore

(D) 900 crore

Explanation: The Balance of Trade is calculated as Exports - Imports. Given that the Balance of Trade is a deficit of ₹ 200 crore and Imports are ₹ 900 crore, we can formulate the equation: Exports - 900 crore = -200 crore. Solving for exports gives us Exports = 900 crore - 200 crore, which equals ₹ 700 crore.

Question 6.

Mr. Sahotra borrowed funds from the bank for purchasing a new house. Identify the indicated function of money:

[1 Marks]

(A) Standard of deferred payments

(B) Store of value

(C) Medium of exchange

(D) Unit of account

Explanation: The correct option is 'Medium of exchange' because Mr. Sahotra is using borrowed money to facilitate the purchase of a house, allowing him to exchange money for the property directly.

Question 7.

From the given table, identify that level of income, where Average Propensity to Save (APS) becomes zero :

(Choose the correct alternative.)

[1 Marks]

Income (₹ crore)	0	50	100	200	300	400
Consumption (₹ crore)	50	75	100	150	200	250

(A) 0

(B) 100

(C) 50

(D) 200

Explanation: The Average Propensity to Save (APS) becomes zero when all income is consumed and no savings are made. In the options provided, 0 is the level of income at which there are no savings. Therefore, when income is zero, the APS also becomes zero.

Question 8.

If in an economy the initial deposits are ₹ 4,000 crore and Reserve Ratio (RR) is 10%. The value of total deposit created would be ———— ₹ crore.

(Fill up the blank with correct alternative.)

[1 Marks]

(A) 4,000

(B) 20,000

(C) 2,000

(D) 40,000

Explanation: The total deposit created can be calculated using the formula: Total Deposits = Initial Deposits / Reserve Ratio. Here, Total Deposits = ₹ 4,000 crore / 0.10 = ₹ 40,000 crore. Therefore, the correct option is 40,000.

Question 9.

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

I. Purchase of land in England by an Indian

II. Foreign tourists visiting Taj Mahal

III. Donation of $ 500 million from Microsoft

IV. Indian students going to Australia for studies

Alternatives :

[1 Marks]

(A) I and IV

(B) II and IV

(C) II and III

(D) I and II

Explanation: The correct options are II and III. Foreign tourists visiting the Taj Mahal (II) generates foreign exchange as they spend money in India, while the donation of $ 500 million from Microsoft (III) also contributes to the foreign exchange supply in the economy. The purchase of land in England by an Indian (I) and Indian students going to Australia for studies (IV) would result in outflow of foreign exchange, not an increase in supply.

Question 10.

Identify, what does the shaded area (AEFG), in the given figure indicate ?

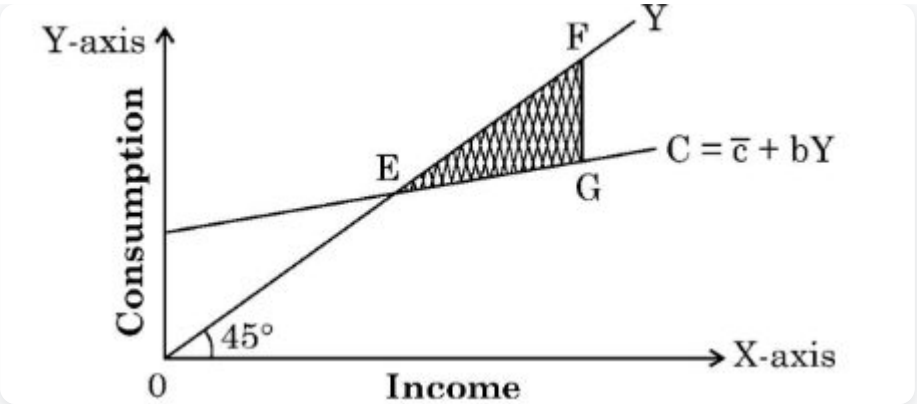
I. Consumption > Income

II. Saving = Zero (0)

III. Consumption < Income

IV. Saving < Zero (0)

[1 Marks]



(A) II and III

(B) I and IV

(C) I and II

(D) III and IV

Explanation: The shaded area (AEFG) indicates that consumption is greater than income, which means that individuals are consuming more than they are earning. This leads to the situation where saving is less than zero, as people often draw on savings or borrow to maintain their consumption levels. Hence, options I (Consumption > Income) and IV (Saving < Zero (0)) are correct.

Question 11.

For Visually Impaired Candidates

Marginal Propensity to Save (MPS) is the slope of ———— function. (Choose the correct alternative.)

[1 Marks]

(A) Investment

(B) Saving

(C) Cost

(D) Consumption

Explanation: The correct option is 'Saving'. The Marginal Propensity to Save (MPS) is defined as the change in savings resulting from a change in income. Therefore, it represents the slope of the saving function, indicating how much savings increase as income increases.

Question 12.

The measurement of Balance of Payments deficit is based on ———— transactions. (Fill up the blank with correct alternative.)

[1 Marks]

(A) Autonomous

(B) Accommodating

(C) Capital account

(D) Current account

Explanation: The correct option is 'Current account' because the Balance of Payments deficit refers specifically to the difference between a country's total payments to other countries and its total receipts from other countries in the current account, which includes trade in goods and services, income, and current transfers.

Question 13.

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

Assertion (A) : India could not develop a sound Industrial-base during the British rule.

Reason (R) : Britishers followed restrictive trade policies, which strengthened Indian handicraft industries.

Alternatives :

[-1 Marks]

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

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

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

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

Explanation: Assertion (A) is true because India did not develop a robust industrial base under British rule due to exploitation and systematic neglect of local industries. However, Reason (R) is false; British restrictive trade policies actually harmed Indian handicraft industries, leading to their decline

rather than strengthening them. Thus, the correct alternative is: Assertion (A) is true, but Reason (R) is false.

Question 14.

From the events given in Column-I and facts given in Column-II about China, choose the correct pair :

[1 Marks]

	Column – I		Column – II
(a)	Structural transformation	(i)	Limited Urbanisation
(b)	Great leap forward campaign	(ii)	Reduced global demand for Chinese products
(c)	Less stress of usage on natural resources	(iii)	Low density of population
(d)	Slowdown in GDP, since 2014	(iv)	Aimed at massive industrialisation

(A) (a) — (i)

(B) (c) — (iii)

(C) (d) — (iv)

(D) (b) — (ii)

Explanation: The correct answer is 'To mitigate the risk of loan default.' Lenders require collateral as a security measure to ensure that they can recover their money in case the borrower fails to repay the loan. This helps minimize their risk associated with lending.

Question 15.

After independence, the rationale behind choosing Modernization as a planning objectives for the Indian economy were———— .

I. To bring positive changes in the social outlook

II. Equitable distribution of income

III. Technological Upgradation

IV. Increase in Economic Divide

Alternatives :

[1 Marks]

(A) I and II

(B) II and III

(C) I and III

(D) I and IV

Explanation: The correct options are I, II, and III. After independence, India aimed to modernize its economy to achieve social justice (I), promote equitable distribution of income (II), and enhance technological capabilities (III). IV is incorrect because increasing economic divide contradicts the goals of modernization.

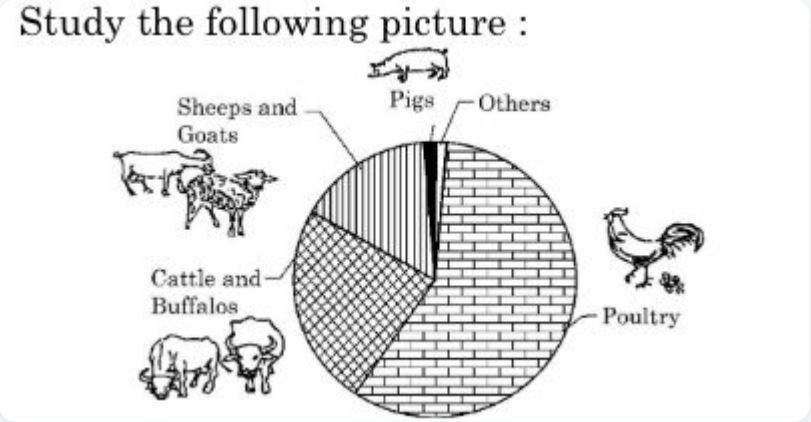
Question 16.

Study the following picture :

Identify the kind of activities, which may be envisaged under ———— as diversification activity.

(Fill up the blank with correct alternative.)

[1 Marks]



(A) Animal Husbandry

(B) Fisheries

(C) Organic farming

(D) Horticulture

Explanation: The correct option is 'Horticulture'. Horticulture involves the cultivation of fruits, vegetables, flowers, and ornamental plants, which can be seen as a diversification activity in agriculture, allowing farmers to expand their production and income sources.

Question 17.

Read the following statements carefully :

Statement 1 : Outsourcing is one of the important outcome of globalization process.

Statement 2 : Owing to globalization, many Indian companies have expanded their operation abroad.

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

[1 Marks]

(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

Question 18.

Introduction of Economic Reforms in Pakistan took place in year ———— .

(Fill up the blank with correct alternative.)

[1 Marks]

(A) 1980

(B) 1991

(C) 1988

(D) 1978

Explanation: The correct answer is 1991. The economic reforms in Pakistan were introduced as part of an adjustment program initiated with the support of the International Monetary Fund (IMF) in 1991, aimed at stabilizing the economy and promoting structural changes.

Question 19.

Read the following statements carefully :

Statement 1 : China has used Market system mechanism without loosing political commitment to create additional social and economic opportunities.

Statement 2 India, Pakistan and China have similar physical endowments but totally different Political systems.

[1 Marks]

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

(B) Both Statements 1 and 2 are false.

(C) Both Statements 1 and 2 are true.

(D) Statement 1 is true and Statement 2 is false

Explanation: Statement 1 is true because China has successfully implemented market mechanisms while maintaining its political structure, leading to economic growth. Statement 2 is also true, as these countries do have analogous geographic and resource endowments but differ significantly in their political systems.

Question 20.

———— indicator may be defined as the measure of the extent of demographic participation in Social and Political decision making in a Country.
(Fill up the blank with correct alternative.)

[1 Marks]

(A) Economic

(B) Demographic

(C) Liberty

(D) Health

Explanation: The correct option is 'Demographic', as it directly relates to the population characteristics and participation levels in political and social processes. The context implies that the indicator measures how much people from various demographics are involved in decision-making.

Question 21.

Read the following statements carefully :

Statement 1 : Casual workers are hired on a permanent basis and also get social security benefits.

Statement 2 : Workforce comprises, both employed and unemployed person.

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

[-1 Marks]

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

(B) Both Statements 1 and 2 are true.

(C) Both Statements 1 and 2 are false.

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

Explanation: Statement 1 is false because casual workers are typically hired on a temporary basis and do not usually receive social security benefits. Statement 2 is true as the workforce includes both those who are employed and those who are unemployed.

Question 22.

The scheme of 'Micro Finance' is extended through ———— credit provlslon.

(Fill up the blank with correct alternative.)

[1 Marks]

(A) Self help groups

(B) Land Development Banks

(C) Regional Rural Banks

(D) Commercial Banks

Explanation: The correct option is 'Self help groups' because microfinance schemes are primarily implemented through self-help groups (SHGs) which are community-based organizations that provide small loans and financial services to their members, often targeting low-income individuals who lack access to traditional banking services.

Section C

Question 23.

Calculate Net Value Added at Factor Cost (NVAFO) from the following data :

[3 Marks]

S. No.	Particulars	Amount (in ₹ lakh)
(i)	Fixed capital goods (expected life span – 5 years)	15
(ii)	Domestic Sales	200
(iii)	Change in stock	(–) 10
(iv)	Exports	10
(v)	Single use producer goods	120
(vi)	Net indirect taxes	20

Answer: To calculate the Net Value Added at Factor Cost (NVAFO), it is essential to first determine the Gross Value Added (GVA) by taking the total output value and subtracting the value of intermediate goods used in production. After obtaining GVA, we subtract the depreciation to find NVA. This result represents the value generated by the production process after accounting for the costs of inputs and capital. Finally, factor cost is used to ensure that the NVA reflects the income generated from production activities before taxes. Thus, the equation used is: NVAFO = GVA - Depreciation.

Key Points: 1. Define GVA and its calculation. 2. Mention the significance of depreciation in finding NVA. 3. Explain the importance of factor cost in the context of NVAFO.

Question 24.

From the following data, estimate the value of Net Indirect Taxes (NIT) :

[3 Marks]

S. No.	Particulars	Amount (₹ in crore)
(i)	Net National Product at Market Price (NNP_{MP})	1,400
(ii)	Net Factor Income from abroad	(–) 20
(iii)	Gross National Product at Factor Cost (GNP_{FC})	1,300
(iv)	Consumption of fixed capital	100

Answer: To estimate the value of Net Indirect Taxes (NIT), we start by identifying the total indirect taxes collected by the government. This includes revenue from goods and services taxes, excise duties, and customs duties. Next, we need to deduct any subsidies granted by the government on these goods and services. The formula for calculating NIT is: NIT = Total Indirect Taxes - Subsidies. Accurate calculation requires precise data for both total taxes and subsidies.

Key Points: Total Indirect Taxes - Subsidies = NIT; Include types of indirect taxes; Importance of accurate data

Question 25.

"Trade Deficit must exist, if a country is facing situation of Current Account Deficit (CAD)."

Defend or refute the above mentioned statement with valid arguments.

[3 Marks]

Answer: The statement that a trade deficit must exist if a country is facing a Current Account Deficit (CAD) is not entirely accurate. While a trade deficit is a significant component of CAD, it is not the only factor. CAD encompasses both the trade balance and other factors such as net income from abroad and current transfers. A country can have a CAD even with a trade surplus if it has substantial outflows in other accounts, such as dividends or remittances. In essence, although a trade deficit often contributes to CAD, it does not solely determine it. Therefore, while the two are related, a trade deficit is not a strict requirement for a CAD to exist.

Key Points: Trade Deficit as a component of CAD - Other factors affecting CAD - Possible scenarios with a trade surplus and CAD

Question 26.

As per The Economic Times report, dated April 11, 2023

"Electric Vehicle sales cross 10 Lakh mark in financial year 2022-23." Analyse the likely impacts of this news on Gross Domestic Product (GDP) and Welfare.

[3 Marks]

Answer: The surge in electric vehicle (EV) sales to over 10 lakh units in the financial year 2022-23 has significant implications for India's Gross Domestic Product (GDP) and overall welfare. Firstly, increased EV sales contribute directly to GDP through higher production and sales in the automotive sector, thereby boosting economic activity. The transition to electric vehicles also represents a shift towards sustainable energy, potentially reducing dependence on fossil fuels. This shift can lead to lower air pollution levels, enhancing public health and welfare. Economically, as the demand for EVs rises, it can lead to job creation in manufacturing, sales, and maintenance of electric vehicles. The promotion of electric vehicles aligns with governmental policy efforts to combat climate change, making it a pivotal driver for economic growth while promoting environmental sustainability. Overall, the growth in the EV sector is likely to spur economic progress and improve quality of life.

Key Points: Impact on GDP driven by increased production and sales-Job creation in the EV sector-Environmental benefits leading to improved public health-Alignment with

climate change policies

Question 27.

Discuss briefly, the circular flow of income in a two sector economy model.

[3 Marks]

Answer: In a two-sector economy, the circular flow of income model illustrates the interaction between households and firms. Households provide factors of production—land, labor, and capital—to firms. In return, firms pay wages, rent, and profits, which constitute household income. Households then use this income to purchase goods and services produced by firms. This flow of resources and money is continuous. Any change in spending or income levels affects both sectors. The model emphasizes the dependency of households on firms for employment and income, while firms rely on households for essential factors of production.

Key Points: Households provide factors of production-Firms pay households wages, rent, and profits-Households purchase goods and services from firms-Circular nature of income and expenditure-Impacts of changes in income and spending

Question 28.

"Opening up of Suez Canal helped in establishing the British monopoly control over India's foreign trade".

Justify the given statement with valid arguments.

[3 Marks]

Answer: The opening of the Suez Canal in 1869 significantly transformed British maritime trade routes, drastically reducing travel time between Britain and India. Prior to its establishment, ships had to navigate around the Cape of Good Hope, a journey that was long and fraught with challenges. This efficient route allowed the British to enhance their trade relations, bringing Indian goods like cotton, tea, and spices to European markets more quickly. Additionally, the canal facilitated the consolidation of British control over trade policies in India, allowing them to dominate foreign commerce. By controlling this crucial maritime access point, the British Empire could better manage the flow of goods and resources, further cementing their economic hold on India. Thus, the Suez Canal served as a catalyst for British monopoly over India's foreign trade, enabling them to outperform competitors and exert economic dominance.

Key Points: Reduction in travel time-reinforced British economic dominance-control over Indian trade policies

Question 29.

"Development of Railways during British rule encouraged colonial exploitation of the Indian resources."

Justify the given statement with valid arguments.

[3 Marks]

Answer: The development of railways during British rule was instrumental in the exploitation of India's resources. Primarily, the railway network facilitated the quick movement of raw materials from inland areas to ports, ensuring efficient transportation of resources like cotton, jute, and minerals. Additionally, the railways were used to transport finished goods from British factories back to Indian markets, stifling local industries. This led to economic dependency on British goods and a drain of wealth from India. Furthermore, the railway system strategically connected resource-rich regions while ignoring rural development, furthering socio-economic inequalities.

> **Key Points: Facilitation of raw material transport-Rapid exploitation of resources-Decline of local industries-Economic dependency on British goods-Strategic railway development ignoring rural areas**

Question 30.

Explain the role of affordable healthcare facilities in promoting human capital in a country.

[3 Marks]

Answer: Affordable healthcare facilities play a significant role in promoting human capital by ensuring that all individuals have access to essential health services. This access enhances the overall health of the population, leading to increased productivity as healthier individuals can work more effectively and consistently. Moreover, when healthcare is affordable, families can invest more in education and skills development rather than being burdened by high medical costs. This, in turn, fosters a more skilled workforce, which is vital for economic growth and development. Additionally, affordable healthcare reduces health disparities, ensuring equity in health access, which is crucial for building an inclusive society. Ultimately, reliable healthcare services empower citizens to contribute to the nation's progress, enhancing overall human capital.

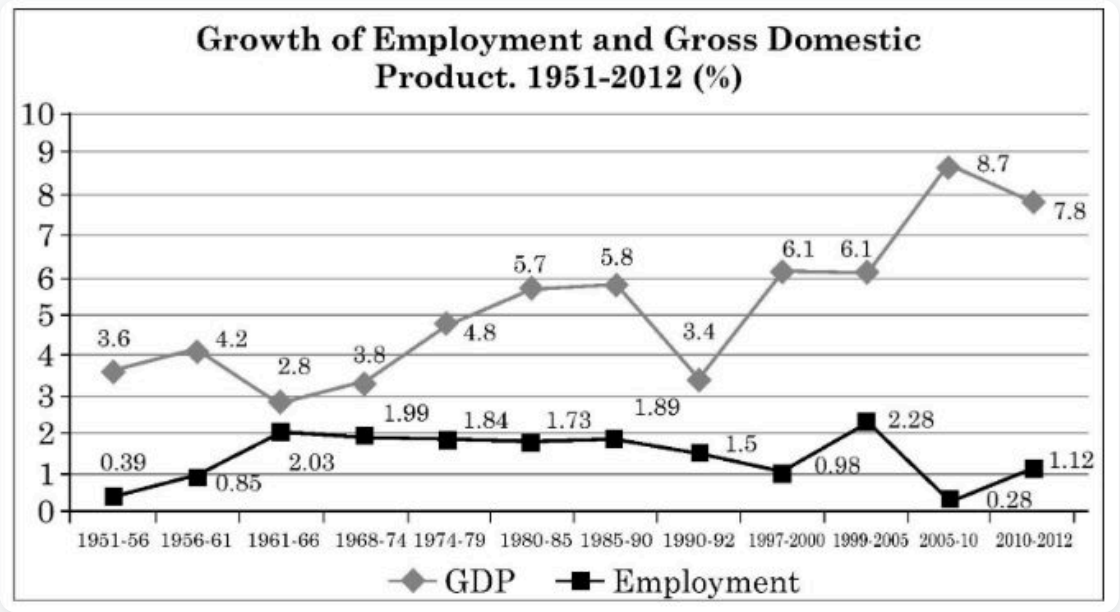
> **Key Points: Access to essential health services-Increased productivity-Investment in education-Reduction of health disparities-Equity in health access-Empowerment of citizens**

Question 31.

Study the following chart of Employment and Gross Domestic

Product. Analyse the trend of the two variables between 1990-2012.

[3 Marks]



Answer: Between 1990 and 2012, the chart indicates a declining trend in employment levels alongside a steady increase in Gross Domestic Product (GDP). Initially, employment rates were significantly high; however, from the late 1990s, there was a noticeable drop in employment opportunities owing to technological advancements and shifts in industrial practices. In contrast, GDP showed a consistent upward trajectory, suggesting that while the economy was growing, the job market was becoming less labor-intensive. This divergence implies that economic growth during this period occurred without a proportional increase in employment, raising concerns regarding underemployment and job quality. Moreover, external factors such as globalization and economic policies could have influenced both employment and GDP trends, resulting in a complex interplay that reveals getting more GDP did not equate to better employment prospects. Overall, the trends from 1990 to 2012 reflect the changing dynamics of the workforce relative to economic growth, indicating a structural shift in the economy.

Key Points: Declining employment rates; Steady GDP growth; Impact of technology; Structural changes in the economy; Economic policies and globalization effects.

Section D

Question 32.

"Open Market Operation by the Reserve Bank of India (RBI) helps in regulating money supply in the economy."

Justify the given statement.

[4 Marks]

Answer: Open Market Operations (OMO) are a crucial tool used by the Reserve Bank of India (RBI) to regulate the money supply in the economy. By buying or selling government securities in the open market, the RBI can influence the liquidity in the banking system. When the RBI purchases securities, it injects liquidity, thereby increasing the money supply, which can stimulate economic activity. Conversely, by selling securities, the RBI absorbs excess liquidity, which can help control inflation. This two-way mechanism allows the central bank to maintain economic stability and control inflationary pressures, thereby ensuring sustainable growth in the economy. OMOs thus play a pivotal role in maintaining the equilibrium between demand and supply of money, supporting monetary policy objectives.

Key Points: Definition of Open Market Operations-Impact on liquidity in banking system-Influence on money supply-Economic stability and control of inflation

Question 33.

Suppose, an economy is in equilibrium. From the following data, calculate investment expenditure in the economy :

(a) National Income (Y) = ₹10,000 crore

(b) Marginal Propensity to Consume (MPC) = 0.8

(c) Autonomous Consumption (C) = ₹100 crore

[4 Marks]

Answer: To calculate investment expenditure in the economy, we can use the income-expenditure model. First, we determine the level of consumption (C) using the formula C = C + MPC * (Y - C). Rearranging this gives us C = Autonomous Consumption + (MPC * Y). Substituting in the values: C = ₹100 crore + 0.8 * (₹10,000 crore - C). Solving this leads us to find that C is ₹8,100 crore. Now, since in equilibrium, Y = C + I where I is the investment, we can rearrange to find investment: I = Y - C. This gives us I = ₹10,000 crore - ₹8,100 crore = ₹1,900 crore. Thus, the investment expenditure is ₹1,900 crore.

Key Points: Use the equilibrium condition Y = C + I; Calculate consumption using MPC and Autonomous Consumption; Rearranging yields the investment expenditure.

Question 34.

(i) "With an objective to reduce inflation, government may reduce public Expenditure."

Discuss the rationale behind such a step which may be taken by the Government.

(ii) Define Effective Demand Principle.

[4 Marks]

Answer: Reducing public expenditure is a common fiscal policy tool used by governments to combat inflation. When public spending decreases, it leads to a drop in overall demand in the economy. This can help in curbing inflationary pressures, as less money in circulation means fewer consumer purchases and lower demand-pull inflation. Additionally, it allows the government to control deficit spending, stabilize prices, and restore financial or economic balance. A reduction in public expenditure also encourages savings and can lower interest rates over time, further stabilizing the economy. Furthermore, it sends a signal to the market about the government's commitment to maintaining economic stability. The effective demand principle defines the level of demand that is sufficient to ensure economic output aligns with the potential output of an economy, considering consumer willingness to spend. Effective demand emphasizes that demand for goods and services must be complemented by actual spending to stimulate production and economic growth.

> **Key Points: Government reduces spending to control inflation; decrease in demand helps stabilize prices; encourages savings and can lower interest rates; signals commitment to economic stability; effective demand includes sufficient spending to match production capacity.**

Question 35.

(i) State the meaning of 'unintended accumulation of inventories'.

(ii) "In an economy, Aggregate Demand (AD) is more than Aggregate Supply (AS)."

Elaborate the possible impacts of the same, on the level of output, income and employment.

[4 Marks]

Answer: Unintended accumulation of inventories refers to the situation where businesses experience a surplus of unsold goods due to lower than expected consumer demand. This situation may arise when production exceeds sales, leading to an increase in stored inventory levels. When Aggregate Demand exceeds Aggregate Supply, it puts upward pressure on prices, prompting firms to increase production to meet demand. In the short term, this can boost output and income levels as firms hire more employees to ramp up production, decreasing unemployment. However, if this condition persists, it may lead to inflation and eventual corrections in the market, impacting both employment and income negatively. Overall, the relationship between AD and AS affects business investment decisions, consumption patterns, and economic stability.

Key Points: Meaning of unintended accumulation of inventories - surplus of unsold goods due to low demand; AD > AS leads to increased production; short-term benefits: higher output and income; potential long-term issues: inflation and corrections; effects on employment and economic stability.

Question 36.

From the given data compare and analyse the Population Density and Fertility Rate of China and Pakistan, with valid reasons :

[4 Marks]

Demographic Indicators, 2017-18

Country	Estimated Population (in million)	Annual Growth of Population	Population Density (per sq. km)	Sex Ratio	Fertility Rate	Urbanisation
India	1352	1.03	455	924	2.2	34
China	1393	0.46	148	949	1.7	59
Pakistan	212	2.05	275	943	3.6	37

Answer: China and Pakistan exhibit significant differences in population density and fertility rates. As of recent data, China's population density is approximately 153 people per square kilometer, while Pakistan's is about 287 people per square kilometer, indicating a much higher concentration of people in Pakistan. Fertility rates also differ, with China's at around 1.7 births per woman compared to Pakistan's 3.6. The high fertility rate in Pakistan can be attributed to cultural factors and lower access to family planning. In contrast, China's declining fertility rate is influenced by government policies such as the former one-child policy, as well as urbanization and increased female education and employment. This demographic variation has significant implications for resource allocation, economic development, and policies in both countries.

Key Points: China's population density is lower compared to Pakistan; Pakistan has a higher fertility rate; China's fertility rate is influenced by government policies; cultural influences affect Pakistan's fertility; implications for resource allocation and economic development.

Question 37.

"In a nation like India, self employment provides an important avenue for employment generation."

Defend or refute the given statement with valid arguments.

[4 Marks]

Answer: Self-employment plays a critical role in India's economy, acting as a vital avenue for employment generation. With a vast population and a high unemployment rate, self-employment offers a practical solution to job scarcity. It empowers individuals to utilize their skills and talents to create business opportunities, fostering innovation and entrepreneurship. Furthermore, self-employment promotes economic self-sufficiency, particularly in rural areas where formal job opportunities may be limited. Government programs supporting microfinance and skill development have further encouraged this trend, enabling individuals to start small enterprises. In conclusion, self-employment is not only beneficial for individual empowerment but also essential for economic growth and job creation in India.

Key Points: Self-employment addresses unemployment issues; it promotes entrepreneurship and innovation; economic self-sufficiency in rural areas; government support through microfinance and skill development; contributes to overall economic growth.

Question 38.

(i) "Infrastructural development is an essential element to obtain the full potential of the rural sector in India".

Justify the given statement with valid arguments.

(ii) State the meaning of 'Human Development'.

[4 Marks]

Answer: Infrastructural development is critical for unleashing the full potential of the rural sector in India because it facilitates improved access to markets, healthcare, and education. Good roads enable farmers to transport their produce efficiently, while electricity boosts productivity in industries and homes. Additionally, access to clean water and sanitation promotes better health, leading to enhanced workforce productivity. Human development refers to the process of improving people's overall well-being by enhancing their capabilities, empowering them to lead fulfilling lives.

Key Points: Importance of roads for market access; Role of electricity in productivity; Impact of clean water and sanitation on health; Definition of Human Development; Focus on enhancing capabilities and well-being

---

Section E

Question 39.

(i) Explain the need and type of land reforms implemented in the agriculture sector.

(ii) "Industrial sector performed poorly in the economic reform period." Elucidate the given statement.

[6 Marks]

Answer: Land reforms are crucial for enhancing agricultural productivity and ensuring social equity in rural areas. The need for land reforms arose from historical inequalities, with a concentration of land ownership among a few landlords, which hindered the economic empowerment of the peasantry. Key types of land reforms implemented include the abolition of zamindari, which eliminated intermediary landlords, and ceiling laws that limit landholding sizes to promote equitable distribution. These reforms aimed to empower farmers, increase crop yields, and boost rural economies. On the other hand, the industrial sector's performance during the economic reform period was subdued due to several factors. The liberalization policies, while intended to boost competitiveness, highlighted the inefficiencies within state-owned enterprises that were slow to adapt to market demands. The sudden exposure to international competition led to a struggle for many industries that were not prepared to innovate or improve efficiency. Additionally, infrastructural bottlenecks and fluctuating investment levels were significant barriers. This context often meant that while some industries did thrive, many others faced decline, thus leading to overall poor performance in the sector during this crucial transitional period.

Key Points: Need for land reforms; historical inequalities in land ownership; types of reforms: abolition of zamindari, ceiling laws; empowerment of farmers; aim to increase productivity; industrial sector struggles post-liberalization; inefficiencies in state-owned enterprises; sudden competition; infrastructural issues; fluctuating investments

Question 40.

(i) "Indian economy has certain advantages, which have made it a favourite outsourcing destination."

Do you agree with the given statement ? Give valid reasons in support of your answer.

(ii) "In the post-reform period the government of India decided to privatise profit making Public Sector Undertakings (PSUs). Do you agree with the given statement ? Give valid arguments in support of your answer.

[6 Marks]

Answer: I agree that the Indian economy has several advantages that make it a preferred destination for outsourcing. Firstly, India boasts a large, skilled workforce that is proficient in English, making communication effective for international clients. Secondly, the cost of labor in India is significantly lower than in developed countries, which attracts businesses looking to minimize operational costs. Additionally, India has a robust information technology infrastructure and continues to invest in technology and innovation, further enhancing its appeal for outsourcing. Foreign companies benefit from tax incentives and liberalized policies that encourage investment. Regarding the privatization of profit-making PSUs, it's evident that the move aimed to enhance efficiency and competitiveness by allowing the private sector to manage these enterprises. This shift allowed for better resource

allocation and improved service delivery, as private companies often show greater agility and responsiveness to market demands. Furthermore, privatization attracts foreign investment, contributing to economic growth. Overall, both statements reflect significant trends in India's economic landscape, indicating a shift towards a market-oriented approach and an emphasis on global competitiveness.

Key Points: Skilled workforce and English proficiency; Lower labor costs; Advanced IT infrastructure; Tax incentives and liberalized policies; Privatization for efficiency; Enhanced competitiveness; Attraction of foreign investment; Market-oriented economic approach.

Question 41.

(i) Distinguish between Revenue Expenditure and Capital Expenditure of a government, with suitable example.

(ii) "Under the 'Production Linked Incentive' scheme, the Government of India offers various benefits like reduced import-export duties, incentives to investors, tax-rebates etc." In the light of above statement, identify and explain the Budget objective and its likely consequences.

[6 Marks]

Answer: Revenue Expenditure refers to the government's expenses that do not create any assets and are intended to maintain current operations and services. Examples include salaries of government employees and interest payments on debt. In contrast, Capital Expenditure involves investments that lead to the creation of assets and infrastructure, like building roads or hospitals. The Production Linked Incentive (PLI) scheme aims to boost domestic production, enhance the manufacturing sector, and become self-reliant in exports. Budget objectives include stimulating economic growth and job creation. By providing fiscal incentives, the government expects increased investments, improved competitiveness in manufacturing, and reduced dependency on imports, potentially leading to a robust economy. However, such incentives could burden the budget if not carefully monitored, leading to government debt if revenues do not rise accordingly. Long-term impacts might include reshaping industrial policies and fostering sustainable economic development, vital in post-pandemic recovery efforts.

Key Points: Distinction between revenue and capital expenditures; definitions and examples for both; objectives of the PLI scheme; benefits of reduced duties and incentives; consequences of budget objectives; implications for economic growth and sustainability; potential risks and monitoring needs.

Question 42.

(ii) "Under 'Zero Defect, Zero Effect' (ZED) scheme, the government of India provides up to 80% subsidy to Mini, Small and Medium Enterprises (MSMEs)."

Identify and explain the objective of government budget, highlighted in the above text.

(ii) Distinguish between Direct tax and Indirect tax with suitable examples.

[6 Marks]

Answer: The government budget aims to promote economic growth and support the sector struggling for competitive advantage, especially the MSMEs. The 'Zero Defect, Zero Effect' (ZED) scheme signifies the government's approach to enhance the quality of manufacturing while minimizing environmental impact. By providing substantial subsidies—up to 80%—to MSMEs, the government encourages these enterprises to adopt high-quality production techniques and environmentally friendly practices. This not only bolsters their growth but also contributes to the national economy by creating jobs and promoting sustainable development. Additionally, addressing the distinction between direct and indirect taxes shows a holistic understanding of government revenue structure. Direct taxes, such as income tax, are imposed directly on individuals or organizations, while indirect taxes, like Goods and Services Tax (GST), are levied on goods and services, affecting consumers indirectly. Both types are crucial for funding government initiatives and services.

Key Points: Objective of government budget promoting economic growth- Subsidies for MSMEs under ZED scheme- Focus on quality and environment- Direct tax definition and example (income tax)- Indirect tax definition and example (GST)- Importance of tax for government revenue