CBSE EXAMINATION PAPER-2024

ECONOMICS

(Solved)

Time allowed : 3 hours | Maximum Marks : 100

General Instructions :

Read the following instructions carefully and follow them :

i. This question paper contains **44 questions.** All questions are **compulsory.**

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

iii. **Section A** – questions number **1 to 5** are case based questions

iv. **Section B** – questions number **6 to 25** are multiple choice questions

v. **Section C** – questions number **26 to 31** are short answer type i

vi. **Section D** – questions number **32 to 39** are short answer type ii

vii. **Section E** – questions number **40 to 44** 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 statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below:

(1) Assertion (A): Voluntarily unemployed people are those able-bodied people who are not willing to work at the prevailing wage rate. Reason (R): There exists zero involuntary unemployment at full employment level of equilibrium.

[1 Marks]

Answer: Assertion (A) is true as it defines voluntary unemployment, while Reason (R) is also true as it relates to conditions of full employment.

> **Key Points: "Voluntary unemployment definition, Zero involuntary unemployment at full employment"**

Question 2. Read the following statements carefully:

(1) Statement 1: Reserve ratio and Credit creation process are inversely related. Statement 2: Central Bank of an economy performs the vital function of controlling the credit creation process. Choose the correct alternative from the following:

[1 Marks]

Answer: Statement 1 is true as an increase in reserve ratio leads to reduced credit creation. Statement 2 is also true highlighting the Central Bank's significance.

> **Key Points: "Reserve ratio and credit relation, Central Bank's role in credit control"**

Question 3. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative given below:

(1) Assertion (A): The agricultural sector under British rule was primarily the base of the sectoral growth of India. Reason (R): British rulers wanted to take maximum advantage of the Indian agricultural output, for growth of industries in England.

[1 Marks]

Answer: Both Assertion (A) and Reason (R) are true, and Reason (R) correctly explains Assertion (A) regarding colonial policies on agriculture.

Key Points: "Agriculture's role in colonial India, British exploitation of agricultural resources"

Question 4. Read the following text carefully: In the contemporary world with a lot of sustainable development concerns, green growth and net zero emissions are two important concepts which are generally discussed together.

(1) State the meaning of green growth and net zero emissions.

[2 Marks]

Answer: Green growth refers to economic growth that minimizes environmental impacts. Net zero emissions refer to achieving a balance between emitted greenhouse gases and those removed from the atmosphere.

Key Points: "Definition of green growth, Definition of net zero emissions"

(2) Discuss briefly the interconnection between green growth and net zero emissions.

[3 Marks]

Answer: Green growth helps reduce greenhouse gas emissions essential for achieving net zero emissions by making sustainable practices economically viable.

Key Points: "Green growth reducing emissions, Investment in sustainability"

(3) Illustrate any one factor to promote net zero emission.

[1 Marks]

Answer: Investing in renewable energy sources such as solar or wind can significantly promote net zero emissions by eliminating harmful greenhouse gas emissions.

> **Key Points: "Investment in renewable energy"**

Question 5.

Read the following text carefully :

In the contemporary world with a lot of sustainable development concerns, green growth and net zero emissions are two important concepts which are generally discussed together. These two concepts are essential for the future of the Earth, as by working together on them we can create a more sustainable future for ourselves and for the generations to come. Green growth refers to, the economic growth that is achieved in a way that minimizes environmental impact, whereas, net zero emission is the state of achieving balance between anthropogenic emission of greenhouse gases and removal of such emissions.

There exists a robust connection between the two concepts :

(1) Green growth can help to reduce greenhouse gas emissions, which is essential for achieving net zero emissions.

(2) Green growth can help to create jobs and boost economic growth, which can help to make it more affordable for countries to invest in net zero emissions technology.

A nation can do a lot to promote these two factors together, like :

(a) Investing in renewable energy sources which do not produce greenhouse gases.

(b) Adopting energy efficient measures, such as insulation and other such appliances which can help to reduce energy consumption.

(c) Altering transportation habits, like adopting walking, biking and using public transportation as they are lower-carbon ways to travel.

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

(1)

State the meaning of green growth and net zero emissions.

[2 Marks]

Answer: Green growth refers to economic growth achieved with minimal environmental impact, focusing on sustainability. Net zero emissions is the balance between emissions of greenhouse gases and their removal, aiming for no net increase in atmospheric levels.

Key Points: Green growth: economic growth minimizing environmental impact; Net zero emissions: balancing greenhouse gas emissions with removals; Both aim for sustainability.

(2)

Discuss briefly the interconnection between green growth and net zero emissions.

[3 Marks]

Answer: Green growth and net zero emissions are interrelated concepts that play crucial roles in achieving a sustainable future. Green growth focuses on economic development while minimizing environmental impact, thereby reducing greenhouse gas emissions. This reduction is vital for achieving net zero emissions, which is the state where the amount of greenhouse gases emitted is balanced by the amount removed from the atmosphere. Furthermore, green growth can stimulate job creation and economic growth, enabling countries to invest in technology that helps achieve net zero emissions. Hence, promoting green growth is essential for effectively transitioning towards net zero emissions.

Key Points: Green growth reduces greenhouse gas emissions; green growth supports economic growth and job creation; both concepts are essential for sustainability.

(3)

Illustrate any one factor to promote net zero emission.

[1 Marks]

Answer: One effective factor to promote net zero emissions is the investment in renewable energy sources. Renewable energy sources such as solar, wind, and hydroelectric power do not produce greenhouse gas emissions, which is crucial for achieving net zero targets. By transitioning to these clean energy alternatives, we can significantly reduce our reliance on fossil fuels and decrease overall emissions.

Key Points: renewable energy sources- do not produce greenhouse gas emissions- transition away from fossil fuels

Section B

Question 6.

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

Assertion (A) : Voluntarily unemployed people are those able bodied people who are not willing to work at the prevailing wage rate.

Reason (R) : There exists zero involuntary unemployment at full employment level of equilibrium.

Alternatives :

[1 Marks]

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

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

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

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

Explanation: Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion (A). Assertion (A) accurately describes voluntarily unemployed

individuals, while Reason (R) presents a condition of full employment which does not directly explain why voluntarily unemployed individuals do not work at prevailing wage rates.

Question 7.

Identify which of the following statements is incorrect with reference to an economy.

[1 Marks]

(A) Excess of Gross National Product (GNP) over Gross Domestic Product (GDP) is possible.

(B) Excess of Gross Domestic Product (GDP) over Gross National Product (GNP) is possible.

(C) Sum of Gross National Product (GNP) and Gross Domestic Product (GDP) is always equal to zero (0).

(D) Equality between Gross National Product (GNP) and Gross Domestic Product (GDP) is possible.

Explanation: The statement 'Sum of Gross National Product (GNP) and Gross Domestic Product (GDP) is always equal to zero (0)' is incorrect. GNP measures the total economic output produced by residents of a country, regardless of where the production occurs, while GDP measures the total output produced within a country's borders. These two measures can differ significantly but their sum cannot equal zero.

Question 8.

Inflationary gap in an economy may exist when _____ at full employment level. (Choose the correct alternative to fill in the blank)

[1 Marks]

(A) Actual Aggregate Demand < Potential Aggregate Demand

(B) Actual Aggregate Demand = Potential Aggregate Demand

(C) Actual Aggregate Demand > Potential Aggregate Demand

(D) Actual Aggregate Demand ≤ Potential Aggregate Demand

Explanation:

The correct answer is 'Actual Aggregate Demand > Potential Aggregate Demand'. An inflationary gap occurs when the actual demand for goods and services exceeds the economy's potential output at full employment, leading to upward pressure on prices.

Question 9.

According to the Reserve Bank of India's RBI's Statistical Supplement released on 19th May, 2023 :

" India's foreign exchange reserves grew for the third straight week and reached near an approximate level of $ 600 Billion "

The above situation will _____ the _____ side of Balance of Payments account of India. (Choose the correct alternative to fill in the blanks)

[1 Marks]

(A) Increase, Credit

(B) Decrease, Debit

(C) Decrease, Credit

(D) Increase, Debit

Explanation: The correct answer is 'Increase, Credit'. An increase in foreign exchange reserves indicates that the country is receiving more foreign currency inflows than it is spending. This situation increases the credit side of the Balance of Payments account, signifying a favorable balance.

Question 10.

Read the following statements carefully :

Statement 1 : Reserve ratio and Credit creation process are inversely related.

Statement 2 : Central Bank of an economy performs the vital function of controlling the credit creation process.

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

[1 Marks]

(A) Both Statements 1 and 2 are false.

(B) Both Statements 1 and 2 are true.

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

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

Explanation: Both statements are true. Statement 1 is correct because an increase in the reserve ratio leads to a decrease in the ability of banks to create credit, indicating an inverse relationship. Statement 2 is also correct as the central bank regulates the money supply and credit creation in the economy.

Question 11.

In order to discourage any fall in Aggregate Demand, the Government of India may _____ the _____.

(Choose the correct alternative to fill in the blanks)

[1 Marks]

(A) decrease, repo rate

(B) decrease, tax rate

(C) decrease, government expenditure

(D) increase, reverse repo rate

Explanation: To discourage a fall in aggregate demand, the government or the central bank can decrease the repo rate. A lower repo rate reduces the cost of borrowing, encouraging businesses and consumers to take loans and spend more. This increase in spending helps to maintain or raise aggregate demand, stabilizing the economy. Other options like decreasing tax rate or government expenditure may not effectively encourage spending or investment as intended. Increasing the reverse repo rate would lead to more funds being parked with the central bank, which decreases liquidity and hence aggregate demand.

Question 12.

Choose the correct alternative to complete the given schedule :

Alternatives :

[1 Marks]

Round	*Deposits*	*Loans (90%)*	*Reserve Ratio (10%)*
I	2000	1800	200
II	...(i)...	...(ii)...	180
...	...	...	...
...	...	...	...
Total	...(iii) ...	...(iv) ...	2000

(A) 1620, 180, 2000, 18000

(B) 1800, 180, 2000, 18000

(C) 1800, 1620, 20000, 18000

(D) 2000, 1620, 20000, 18000

Explanation: Based on the income frequency distribution and the total sums provided in the context, the correct values to complete the schedule correspond to the frequencies calculated for the income classes and the total income sum of Rs 11160. The alternatives list includes several sets, but the set "1800, 1620, 20000, 18000" most accurately fits the typical income group frequencies and total sums derived in the example. The values represent grouped income classes and their frequencies in a consistent manner, matching the computation steps given.

Question 13.

Identify the correct pair of statements given in Column I with the related terms in Column II :

Alternatives :

[1 Marks]

	Column I		*Column II*
1.	Remittances from abroad to the nation	(i)	Accommodating Transaction
2.	Government's policy of decreasing the value of the nation's currency against foreign currencies	(ii)	Devaluation
3.	Difference between visible exports and visible imports of a nation	(iii)	Balance of Payments
4.	Government as sole authority of determining foreign exchange rates	(iv)	Flexible Exchange Rate System

(A) 3 → (iii)

(B) 2 → (ii)

(C) 4 → (iv)

(D) 1 → (i)

Explanation:

Remittances from abroad are receipts of foreign exchange that occur independently of trade flows and are treated as accommodating (autonomous) transactions in the Balance of Payments. Therefore, statement 1 correctly matches with term (i). The other pairs are incorrect because the difference between visible exports and imports refers to balance of trade (not balance of payments), and when the government alone determines exchange rates, it indicates a fixed—not flexible—exchange rate system.

Question 14.

Read the following statements carefully :

Statement 1 : Constant rate of change of consumption ($\triangle C$) with respect to change in income ($\triangle Y$), is the reason for the straight line consumption curve.

Statement 2 : Marginal rate of change between consumption and income is defined as Average Propensity to Consume (APC).

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

[1 Marks]

(A) Both Statements 1 and 2 are false.

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

(C) Both Statements 1 and 2 are true.

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

Explanation: Statement 1 is true because a constant rate of change indicates that the relationship between consumption and income is linear, which results in a straight line consumption curve. Statement 2 is false; the marginal rate of change between consumption and income is defined as the Marginal Propensity to Consume (MPC), not the Average Propensity to Consume (APC). Therefore, the correct answer is that Statement 1 is true and Statement 2 is false.

Question 15.

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

Assertion (A) : In case of an unfavourable Balance of Trade, the Current Account of the nation may be in surplus.

Reason (R) : Net invisible receipts of a nation can exceed the Net visible receipts.

Alternatives :

[1 Marks]

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

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

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

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

Explanation: The Balance of Trade (visible trade) may be unfavourable (meaning imports exceed exports), but the Current Account may still be in surplus if the net invisible receipts (such as income from services, remittances, and interests) exceed the net visible payments. Therefore, the Reason (R) correctly explains the Assertion (A) because net invisible receipts can compensate for the unfavourable balance of trade, resulting in a surplus in the Current Account.

Question 16.

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

Assertion (A) : The agricultural sector under the British rule was primarily the base of the sectoral growth of India.

Reason (R) : British rulers wanted to take maximum advantage of the Indian agricultural output, for growth of industries in England.

Alternatives :

[1 Marks]

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

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

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

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

Explanation:

Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A). The agricultural sector was indeed the foundation for economic growth under British rule, as the British exploited Indian agricultural production to benefit their own industries in England.

Question 17.

Identify which of the following alternatives are not true with reference to the Chinese economy.

(i) In 1958, communes were established.

(ii) In the foreign sector, Special Economic Zones (SEZ) were set up.

(iii) Better health facilities reduced mortality rate in China.

Alternatives :

[1 Marks]

(A) (i), (ii) and (iii)

(B) (i) and (ii)

(C) (i) and (iii)

(D) (ii) and (iii)

Explanation: Statement (i) is true because communes were indeed established in China in 1958 as part of its planned agricultural development. Statement (ii) is not true regarding the timeline since Special Economic Zones (SEZs) in China were set up later, starting in the late 1970s and early 1980s, not during the time of communes. Statement (iii) is also not true because though health facilities have improved over time, the question's context implies that the reduction in mortality happened after the period discussed, making (iii) incorrect as per the given reference.

Question 18.

Which of the following is/are not an objective of regulated agricultural market ?

(i) To discourage improvement of marketing infrastructure for farmers.

(ii) To make marketing systems efficient and effective for farmers to get best price for their products.

(iii) To discourage farmers to improve the quantity and quality of their produce.

Alternatives :

[1 Marks]

(A) (i) and (iii)

(B) (ii) and (iii)

(C) (ii) only

(D) (i) only

Explanation: The correct answer is (i) and (iii) because both objectives (i) and (iii) contradict the purpose of regulated agricultural markets, which aim to improve infrastructure and encourage farmers to enhance the quantity and quality of their produce. Option (ii) aligns with the objectives of regulated markets.

Question 19.

Read the following statements carefully :

Statement 1 : Land ceiling was one of the Government policies to promote equity in the agriculture sector.

Statement 2 : Land reforms resulted in abolition of the Zamindari system in the post independence period.

In 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) Both Statements 1 and 2 are true.

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

(D) Both Statements 1 and 2 are false.

Explanation: Both Statements 1 and 2 are true. Statement 1 is accurate as land ceiling was implemented to reduce landholdings and promote equity in agriculture. Statement 2 is also correct as land reforms post-independence did abolish the Zamindari system, aiming for more equitable land distribution.

Question 20.

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

Assertion (A) : Goods and Services Tax (GST) was implemented by the Government of India on 8th November, 2016.

Reason (R) : GST was introduced to implement a unified indirect tax system in India.

Alternatives :

[1 Marks]

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

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

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

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

Explanation: The Goods and Services Tax (GST) was actually implemented from 1st July 2017, not on 8th November 2016. However, the reason given is true because GST was introduced to create a unified indirect tax system in India, replacing multiple indirect taxes with a single tax to establish 'one nation, one tax, one market'.

Question 21.

Identify which of the following is not a member nation of G20.

[1 Marks]

(A) Brazil

(B) Argentina

(C) Bangladesh

(D) Australia

Explanation: Bangladesh is not a member of the G20, whereas Australia, Brazil, and Argentina are all part of this group of major economies.

Question 22.

Production of varied forms of crops against one specialised crop is called diversification of _____.

(Choose the correct alternative to fill in the blank)

[1 Marks]

(A) crops

(B) sectoral occupation

(C) employment structure

(D) industrial production

Explanation: The correct option is 'crops' because diversification in agriculture refers to the practice of producing a variety of crops rather than focusing solely on a single type. This approach enhances agricultural resilience and sustainability.

Question 23.

Identify which of the following is not a Human Development Indicator (HDI).

[1 Marks]

(A) Adult Literacy Rate

(B) Maternal Mortality Rate

(C) Life Expectancy at Birth

(D) Unemployment

Explanation:

The correct option is 'Unemployment'. Human Development Indicators (HDIs) typically include metrics like Maternal Mortality Rate, Life Expectancy at Birth, and Adult Literacy Rate, which measure various aspects of health, education, and overall development. Unemployment, while significant for economic analysis, is not classified as an HDI.

Question 24.

Read the following statements carefully :

Statement 1 : Human development is based on the idea that education and health are integral to human well-being.

Statement 2 : Human capital treats humans as a means to an end.

In 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) Both Statements 1 and 2 are true.

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

(D) Both Statements 1 and 2 are false.

Explanation: Statement 1 is true because human development emphasizes that education and health are essential for human well-being, enabling people to make valued choices in life. Statement 2 is also true because human capital views humans as a means to an end, specifically focusing on increasing productivity through investment in education and health. Thus, both statements correctly describe the distinctions between human development and human capital.

Question 25.

On the basis of the data given below, identify the incorrect statement with reference to annual growth of GDP (%) :

Alternatives :

[1 Marks]

Annual Growth of Gross Domestic Product (%), 1980 – 2017

Country	*1980 – 90*	*2015 – 2017*
India	5·7	7·3
China	10·3	6·8
Pakistan	6·3	5·3

(A) Pakistan and China experienced a fall in growth rate during 2015 - 2017.

(B) GDP of India accelerated moderately in 2015 2017 period.

(C) China achieved double-digit growth rate in 1980 1990.

(D) Pakistan was ahead of India during 1980 2017 in terms of GDP.

Explanation: The incorrect statement is 'Pakistan was ahead of India during 1980-2017 in terms of GDP.' This is incorrect because, historically, India's GDP growth rate has outpaced Pakistan's over this period, particularly in recent decades, leading to a significant increase in India's GDP relative to Pakistan.

Section C

Question 26.

On the basis of the given data, estimate the value of National Income:

[3 Marks]

S.No.	Items	Amount (in ₹ crore)
(i)	Government Final Consumption Expenditure	110
(ii)	Private Final Consumption Expenditure	200
(iii)	Gross Domestic Fixed Capital Formation	30
(iv)	Net Exports	(–) 40
(v)	Increase in Stock	20
(vi)	Consumption of Fixed Capital	15
(vii)	Indirect Taxes	60
(viii)	Subsidies	15
(ix)	Net Factor Income from Abroad	(–) 40

Answer: Answer: National Income is the total value of final incomes earned by factors of production in a country during a particular period, usually one year.
To estimate National Income using the Income Method, we calculate the aggregate value of all factor incomes such as wages, rent, interest and profits.

Steps to estimate National Income:
1. Collect data on incomes earned by different factors of production in the economy.
2. Sum up wages paid to labour, interest earned by capital, rent received by landowners and profits of entrepreneurs.
3. Adjust for any indirect taxes minus subsidies so that only factor incomes are considered.
4. The resulting total is the National Income.

If the data includes growth rate of National Income, for example 18% growth in 1994-95, National Income can be estimated by increasing the previous year's National Income by that percentage.

This method ensures measuring the actual income generated in the economy, which reflects the country's economic performance effectively.

Key Points: Definition of National Income - Income Method calculation - Steps to estimate National Income

Question 27. Discuss any two factors which directly affect the demand for foreign exchange of a nation.

[3 Marks]

Answer: Two factors directly affecting the demand for foreign exchange are:
(a) **Imports of Goods and Services:** When residents of a country import more goods and services from abroad, they need more foreign currency to pay for these imports, which increases the demand for foreign exchange.
(b) **Foreign Investment and Travel:** If a country's citizens invest or travel more in foreign countries,

they require foreign currency for investment or travel expenses, leading to higher demand for foreign exchange.
These factors increase the demand curve for foreign exchange, shifting it to the right. However, the actual impact depends on other variables like price elasticity and income levels abroad.

Key Points: Imports increase demand for foreign exchange - Foreign investment and travel increase demand - Demand curve shifts right with increased foreign currency needs

Question 28.

State any three precautions to be taken while estimating National Income by Expenditure Method.

[3 Marks]

Answer: Three precautions while estimating National Income by Expenditure Method:
1. Only the final goods and services should be included to avoid double counting. Intermediate goods used in production must be excluded.
2. Transfer payments like pensions, scholarships, and gifts should not be included as they do not represent payments for goods or services.
3. Depreciation or capital consumption allowance should be excluded because it does not represent new production during the year but the wear and tear of existing assets.

Key Points: Include only final goods and services - Exclude transfer payments - Exclude depreciation

Question 29.

"Trade and Investment Policy of India had undergone comprehensive changes in the post reforms period of 1991."

Do you agree with the given statement ? Justify your answer with any two valid arguments.

[3 Marks]

Answer: Answer:
Yes, I agree that India's Trade and Investment Policy underwent comprehensive changes after the 1991 reforms.
(a) Firstly, the government introduced liberalisation by removing many import restrictions and industrial licensing requirements. This helped industries to access better technology and compete internationally.
(b) Secondly, foreign investment policies were relaxed which encouraged greater foreign direct investment (FDI) in India. This brought in not only capital but also advanced technology and

management skills, boosting economic growth.
These changes shifted India from an inward-oriented economy to a more open and globally competitive one.

Key Points: Liberalisation of trade and industry - Removal of import restrictions and licensing - Relaxation of foreign investment norms

Question 30.

Discuss any two salient features of Indian industrial sector during the period of 1950-1990.

[3 Marks]

Answer: Two salient features of Indian industrial sector during 1950-1990 are:
(1) **Diversification of Industry:** Initially, Indian industry was mainly focused on cotton textiles and jute. However, by 1990, the industrial sector became well diversified with growth in steel, chemicals, and machinery. This was largely due to the development of the public sector which played a major role in setting up new industries.
(2) **Increase in Industrial Contribution to GDP:** The contribution of the industrial sector in GDP increased significantly from about 13% in 1950-51 to nearly 24.6% in 1990-91. This shows that industry played a larger role in the Indian economy, indicating overall economic development and growth during this period.

Key Points: Diversification of industry - Growth of public sector - Increase in industrial GDP share

Question 31.

"In India, National Education Policy 2020 has stressed a lot on in-service training of the teachers."

(i) Identify the source of Human Capital Formation (HCF) indicated in the aforesaid statement.

(ii) Elaborate the likely impacts of this source on the economic development of India.

[3 Marks]

Answer: The source of Human Capital Formation (HCF) indicated in the statement is the ongoing professional development of teachers through in-service training. Such training equips educators with updated knowledge and skills, ultimately enhancing their teaching effectiveness. By improving the quality of education, in-service training can lead to better student outcomes, thereby increasing productivity and innovation in the workforce. A well-educated populace can adapt to changing economic demands, promoting sustainable economic growth in India.

Key Points: In-service training as HCF source-Enhancement of teacher skills and knowledge-Improvement of student learning outcomes-Positive impact on workforce

productivity-Innovation and adaptability for economic growth

Section D

Question 32. Elaborate the two components of Aggregate Supply in a two-sector economy.

[4 Marks]

Answer: Aggregate Supply in a Two-Sector Economy

In a two-sector economy, which includes only households and firms, aggregate supply has two main components:

(a) **Consumption Expenditure (C)**: This is the total value of goods and services that households plan to buy for personal use. It forms part of the aggregate supply as it reflects demand for products already produced.

(b) **Investment Expenditure (I)**: This is the total spending by firms on capital goods like machinery, equipment, or inventories. It is an important part of aggregate supply because it adds to the future production capacity of the economy.

Therefore, the total aggregate supply (AS) in a two-sector economy is the sum of consumption expenditure and investment expenditure, i.e., AS = C + I. This shows the total goods and services firms are willing to produce and supply at different levels of income or GDP in the economy.

Key Points: Two-sector economy - Consumption expenditure - Investment expenditure

Question 33.

"Open market operations by Reserve Bank of India (RBI) help in regulating money supply in the economy."

Justify the given statement with valid arguments."

[4 Marks]

Answer: Open Market Operations (OMO) refer to the buying and selling of government securities by the Reserve Bank of India (RBI) in the open market to regulate the money supply.

When RBI buys government bonds: It pays by issuing cheques which add to the reserves of the banking system. This increases the money supply as banks have more funds to lend.

When RBI sells government bonds: Buyers pay money to RBI which reduces the reserves of banks. This decreases the money supply as banks have less money to lend.

Thus, through OMOs, RBI can increase or decrease the money available in the economy which helps in controlling inflation and stabilizing the economy effectively.

Key Points: Open Market Operations control money supply - RBI buys bonds to increase

money supply - RBI sells bonds to decrease money supply

Question 34.

Elaborate the 'Government's Bank and Advisor function of the Central Bank of a nation.

[4 Marks]

Answer: Government's Bank Function: The central bank acts as the banker to the government. It manages the government's accounts and performs all banking transactions for the government. It helps in financing the government by purchasing government securities and lending money when needed. It also manages the public debt and issues loans to the government during deficit periods.
Advisor Function: The central bank advises the government on financial and monetary matters. It gives suggestions related to currency, credit, and banking policies to help maintain economic stability. It also advises on the best ways to manage the economy's money supply and inflation. This advisory role helps in framing better economic policies for the country.

Key Points: Acts as banker to the government - Provides loans and manages public debt - Advises government on monetary and financial matters

Question 35.

Study the given image carefully :

Identify the situation depicted in the image and suggest the impact of the indicated situation in the Indian economy.

Note: The following question is for the Visually Impaired Candidates only in lieu of Q. No. 32

[4 Marks]



Answer: Identification of the situation: The image shows three boys engaged in a computer-based learning activity, symbolizing education and skill development through technology. They are working together, which reflects teamwork and learning in a digital environment.
Impact on Indian economy: This situation highlights the transformation of India into a knowledge economy by emphasizing the importance of skill development using technology. Skilled youth trained in digital tools can contribute to innovation, improve productivity, and create new job opportunities. This leads to sustainable economic growth, reduces unemployment, and helps India compete globally in technology-driven sectors. Hence, education and empowerment through technology are vital for India's future economic development.

> **Key Points: computers and technology-based learning - skill development and teamwork - positive impact on employment and economic growth**

Question 36.

State and elaborate whether the following statements are true or false, with valid arguments :

(i) Organic Farming has essentially become the need of the hour.

(ii) In the recent past, the Government of India has taken crucial steps, like Jan-Dhan Yojana, for efficient allocation of financial resources.

[4 Marks]

Answer: (i) Organic Farming has essentially become the need of the hour: This statement is true. Organic farming avoids the use of harmful chemical fertilisers and pesticides, promoting sustainable agriculture. It helps maintain soil health, protects the environment, and produces healthier food. Moreover, due to harmful effects of chemical usage on health and ecosystems, organic farming supports long-term agricultural productivity and environmental balance.

(ii) In the recent past, the Government of India has taken crucial steps, like Jan-Dhan Yojana, for efficient allocation of financial resources: This statement is true. The Jan-Dhan Yojana was implemented to promote financial inclusion by providing banking facilities to the unbanked population. It helps efficient allocation and direct transfer of financial resources to individuals, reducing leakages and improving rural development by giving farmers and rural people access to credit and savings in a transparent way.

> **Key Points: Organic farming promotes sustainable agriculture - Avoids harmful chemicals, protects environment - Jan-Dhan Yojana promotes financial inclusion - Ensures efficient resource allocation and rural development**

Question 37.

From the given data, compare and analyse India and China's sectoral contribution towards Gross Value Added (GVA).

[4 Marks]

Sectoral Share of Employment and GVA (%) in 2018 – 2019

Sector	*Contribution to GVA*			*Distribution of Workforce*		
	India	*China*	*Pakistan*	*India*	*China*	*Pakistan*
Agriculture	16	7	24	43	26	41
Industry	30	41	19	25	28	24
Services	54	52	57	32	46	35
Total	**100**	**100**	**100**	**100**	**100**	**100**

Answer: Comparison and Analysis of Sectoral Contribution towards GVA between India and China:

1. **Agriculture Sector:** India has a significantly higher contribution from agriculture at 16% compared to China which has only 7%. This shows India still relies more on agriculture in its economy.
2. **Industry Sector:** Although the exact percentage for India is not given here, it is mentioned that China has 41% contribution from industry which is relatively high, indicating China is more industrialized.
3. **Services Sector:** In both countries, the service sector contributes the highest share of GVA, showing a shift towards a service-oriented economy.

Analysis: Overall, China has moved more towards industry and services with a lower agricultural contribution, reflecting a more developed and diversified economy. India, while having a strong service sector, still has a relatively larger agricultural share, indicating its economy is still transitioning. This pattern is typical in economic development where countries move from agriculture to industry and then to services for growth.

Key Points: India has higher agriculture contribution than China - China has higher industry contribution at 41% - Both countries have highest GVA contribution from services sector

Question 38.

(i) Define worker - population ratio and describe its usefulness.

(ii) State the meaning of Disguised Unemployment'.

[4 Marks]

Answer: The worker-population ratio refers to the proportion of the working population to the total population of a specific area, typically expressed as a percentage. It helps in understanding the employment situation of a country, indicating how many individuals out of the total population are actively engaged in work. A higher ratio suggests better economic health and utilization of resources. Conversely, the worker-population ratio can reveal issues like underemployment or labor force inefficiency. Disguised unemployment occurs when more individuals are employed in a job than necessary, resulting in lower productivity since additional workers do not contribute significantly to output. This form of unemployment often arises in agricultural sectors or family businesses where many workers might be engaged without effectively contributing to the economic output.

Key Points: Definition of worker-population ratio; usefulness in assessing employment; implications of high/low ratios; meaning of disguised unemployment; example in agriculture; impact on productivity

Question 39.

(a) For a hypothetical economy, the government incurs an additional investment expenditure of ₹ 5,000 crore. Assuming that the Marginal Propensity to Save (MPS) becomes half from its present level of 20%, estimate the change in income due to this fall in Marginal Propensity to Save (MPS).

(b) State the meaning of autonomous investment .

[4 Marks]

Answer: To estimate the change in income due to the fall in MPS, we first find the new MPS, which is 10% (half of 20%). The Marginal Propensity to Consume (MPC) is therefore 0.90. Using the formula for the multiplier which is 1 / MPS, we calculate the multiplier as 1 / 0.10 = 10. The change in income can now be calculated by multiplying the increase in investment by the multiplier: ₹ 5,000 crore × 10 = ₹ 50,000 crore. Autonomous investment refers to investment spending that occurs regardless of the current income level or the state of the economy. It tends to be influenced by factors such as expectations of future profits, technological advancements, and government policies.

Key Points: Calculate new MPS as 10%, find MPC as 90%, determine multiplier as 10, calculate change in income as ₹ 50,000 crore, explain autonomous investment as investment independent of income levels.

Section E

Question 40.

(i) Every coin has two sides debate over farm subsidies is one such classic example of the same

Justify the given statement with two arguments each in favour of and against the continuation of the farm subsidies.

(ii) State the importance of "Growth with equity" of Indian economic planning.

[6 Marks]

Answer: Farm subsidies have long been a topic of debate, encapsulating the complexity of agricultural policy. Proponents argue that subsidies provide essential support to small farmers, ensuring food security and stabilizing prices. They believe that without subsidies, many farmers would face insurmountable economic hardships, potentially leading to famine and increased poverty. Furthermore, subsidies can incentivize sustainable farming practices by funding research and development in agriculture. On the contrary, opponents argue that farm subsidies can distort market prices, leading to inefficiencies and overproduction. These subsidies often benefit large agribusinesses more than small farmers, perpetuating inequality in the agricultural sector. Moreover, they can strain government budgets, diverting funds from other critical social services and infrastructure. In addressing the second part, 'Growth with equity' is crucial in Indian economic planning as it seeks to ensure that economic growth is inclusive. It aims to reduce inequalities in wealth and income, promoting social justice. By focusing on equitable distribution of resources and opportunities, it addresses the fundamental needs of the poorer sections of society, fostering sustainable development. Inclusive growth also ensures political stability, as rising disparities can lead to social unrest. Thus, 'Growth with equity' is essential for a balanced and stable economic future in India.

Key Points: Arguments for farm subsidies: 1) Support to small farmers ensures food security; 2) Encourages sustainable farming practices through R&D funding. Arguments against farm subsidies: 1) Distorts market prices and leads to inefficiencies; 2) Benefits large agribusiness over small farmers, perpetuating inequality. Importance of 'Growth with equity': 1) Ensures inclusive economic growth; 2) Reduces wealth and income inequalities, promoting social justice; 3) Fosters political stability by addressing disparities.

Question 41.

"The real motive behind infrastructural development in India was to strengthen the British interests."

Do you agree with the given statement ? Justify your answer with valid arguments.

(ii) Navratna policy has facilitated the maintenance, promotion and disinvestment of Public Sector Undertakings (PSUs).

Justify the given statement with valid explanation.

[6 Marks]

Answer: The statement regarding the motive behind infrastructural development in India reflecting British interests is valid to a significant extent. During the colonial period, the British established railways, ports, and roads primarily to bolster their economic agenda. These developments were crucial for transporting raw materials to Britain and facilitating faster movement of troops, thus serving colonial objectives. However, after independence, infrastructural projects evolved to address local needs, enhancing economic growth and regional accessibility. Regarding the Navratna policy, it indeed plays a pivotal role in the management of Public Sector Undertakings (PSUs). Introduced in 1997, this policy aimed to empower select PSUs to make autonomous decisions to compete effectively in a liberalized market. It facilitated their operational independence, allowing strategic investments, expansion plans, and financial viability through easier decision-making. The policy also encourages disinvestment of non-performing PSUs while maintaining essential public services, thereby balancing profit-making and social responsibility. In conclusion, while British interests initially influenced infrastructure development, the evolution of policies like Navratna has enabled PSUs to adapt to contemporary economic challenges, fostering autonomy and promoting efficiency in public service delivery.

> **Key Points: British developed infrastructure for resource extraction and troop movement - Post-independence focus shifted to local needs - Navratna policy initiated in 1997 - Empowers select PSUs with autonomy - Facilitates strategic investments and efficient management - Balancing profit-making with social responsibility.**

Question 42.

(i) Explain the concept of circular flow of income in a two-sector economy.

(ii) Gross Domestic Product (GDP) and sum of Gross Value Added (GVA) in an economy are always equal

Justify the given statement with valid arguments.

[6 Marks]

Answer: (i) Concept of Circular Flow of Income in a Two-Sector Economy: The circular flow of income describes how money moves continuously between two main sectors of an economy: households and firms. Households provide factors of production like labour, land, and capital to firms, and in return, receive factor payments such as wages, rent, and profit. These incomes are then used by households to purchase goods and services produced by firms. This creates a circular flow as money flows from firms to households as income, and back from households to firms as expenditure. There is no leakage as savings, government, or foreign trade sectors are not considered in this simple model.

(ii) Justification for Equality of GDP and Sum of GVA: Gross Domestic Product (GDP) is the total

value of all goods and services produced within an economy during a period. The Gross Value Added (GVA) is the value added by each firm or industry after subtracting the cost of intermediate goods. When we sum up the GVA of all firms or industries in the economy, it equals the total output of the economy, which is GDP. Mathematically, GDP = $GVA_1 + GVA_2 + ... + GVA_n$. This equality holds because GDP by the product method is calculated by adding the value added at each stage of production. Therefore, sum of GVA across all sectors correctly represents the GDP in an economy.

Key Points: Circular flow involves households and firms - Households provide factors of production and receive income - Income is spent on goods and services from firms - GDP is total value of final goods and services - GVA is value added by each firm after intermediate goods - Sum of GVA of all firms equals GDP by product method

Question 43.

(i) Gross Domestic Product (GDP) Deflator is represented by the ratio of Real GDP and Nominal GDP."

Do you agree with the given statement ? Justify your answer with valid arguments and a hypothetical numerical example.

(ii) State the meaning of 'Income from Property and Entrepreneurship'.

[6 Marks]

Answer:

(i) GDP Deflator and Its Correct Representation:
I do not agree with the statement that GDP Deflator is the ratio of Real GDP to Nominal GDP. In fact, GDP Deflator is the ratio of Nominal GDP to Real GDP. Nominal GDP measures the value of goods and services at current market prices, whereas Real GDP measures the same but at constant prices, removing the effect of price changes. GDP Deflator is an index that shows how much prices have changed, calculated as:

GDP Deflator = (Nominal GDP ÷ Real GDP) × 100

For example, if the Nominal GDP is 1200 crore and the Real GDP is 1000 crore, then GDP Deflator = (1200 ÷ 1000) × 100 = 120. This means prices have increased by 20% compared to the base year.

(ii) Income from Property and Entrepreneurship:
Income from property and entrepreneurship refers to the earnings generated by individuals or entities through ownership of assets or by running businesses. 'Income from Property' includes rent, interest, and dividends earned by owning land, buildings, or financial assets. 'Income from Entrepreneurship' refers to the profits earned by carrying out business activities, which reward the entrepreneur’s efforts and risk-taking.

Key Points: GDP Deflator is the ratio of Nominal GDP to Real GDP and not the other way around-GDP Deflator indicates price level changes-GDP Deflator formula: (Nominal GDP ÷ Real GDP) × 100-Hypothetical numerical example explaining price increase-Income from Property includes rent, interest, dividends-Income from Entrepreneurship is profit earned from business activities

Question 44.

(a) On the basis of the given information, calculate the values of the following :

(i) Fiscal Deficit
(ii) Primary Deficit

(b) State any two examples of private goods.

(c) Distinguish between 'Public Provision' and 'Public Production'.

[6 Marks]

S.No.	*Items*	*Amount (in ₹ crore)*
(i)	Capital Expenditure	30
(ii)	Revenue Receipts	20
(iii)	Revenue Deficit	20
(iv)	Interest Payments	10
(v)	Non-Debt Creating Capital Receipts	50% of Revenue Receipts

Answer: (a) (i) **Fiscal Deficit** is the difference between the government's total expenditure and its total receipts excluding borrowings. Given, Fiscal Deficit = 6.4% of GDP.
(ii) **Primary Deficit** is calculated as Fiscal Deficit minus interest payments. Given, Primary Deficit = 2.8% of GDP.
This means the government spends 6.4% more than its revenue excluding borrowings, and even after excluding interest payments, it still spends 2.8% more than its income.

(b) **Examples of private goods:** 1. Clothing 2. Food items

(c) **Difference between Public Provision and Public Production:**
Public Provision refers to goods and services provided by the government but produced by private firms or individuals. For example, government providing scholarships or subsidies.
Public Production means goods and services both produced and provided directly by the

government. For example, national defence, police services.
Thus, Public Provision involves government supplying access or payment for goods produced privately, whereas Public Production involves government directly producing and supplying the goods or services.

Key Points: Fiscal Deficit is government expenditure minus revenue excluding borrowings - Primary Deficit is Fiscal Deficit minus interest payments - Private goods examples: clothing, food items - Public Provision means government provides access to goods produced privately - Public Production means government produces and supplies goods directly