CBSE EXAMINATION PAPER-2023

ECONOMICS

(Solved)

Time allowed : 3 hours | Maximum Marks : 105

General Instructions :

Read the following instructions carefully and follow them :

i. This question paper contains **46 questions.** All questions are **compulsory.**

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

iii. **Section A** – questions number **1 to 2** are case based questions

iv. **Section B** – questions number **3 to 27** are multiple choice questions

v. **Section C** – questions number **28 to 33** are short answer type i

vi. **Section D** – questions number **34 to 41** are short answer type ii

vii. **Section E** – questions number **42 to 46** 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 and answer the given questions on the basis of the same and common understanding :

India urged the World Trade Organisation (WTO) to relax rules to allow the country to export food grains from its public stocks to the nations facing food crises. India can help, reduce food insecurity but there is hesitation on the part of the WTO, in relaxing its rules. India's Finance Minister said food, fuel and fertilizers are global public goods and ensuring access of these for developing and emerging

economies is critical. She also shared India's experiences, including robust gains in agriculture production, citizen centric food security programmes and innovative delivery mechanisms such as the 'One Nation one Ration Card' Scheme.

(Source : The Economic Times; July 16, 2022)

(1)

State and discuss any two objectives of World Trade Organisation.

[4 Marks]

Answer: The World Trade Organisation (WTO) has several key objectives that facilitate global trade. Firstly, one of its primary objectives is to promote free trade by reducing trade barriers and tariffs among nations. This encourages a more open and competitive international market and allows countries to engage in trade more freely. Secondly, the WTO aims to provide a platform for negotiating trade agreements and resolving disputes. By offering a structured process for addressing trade issues, it helps maintain stability and predictability in international trade relations. These objectives play a crucial role in fostering economic growth and development globally.

Key Points: Promote free trade by reducing trade barriers-Tariff reduction for competitive markets-Provide a platform for negotiating agreements and resolving disputes

(2)

Name any two steps taken by India to strengthen the food security.

[2 Marks]

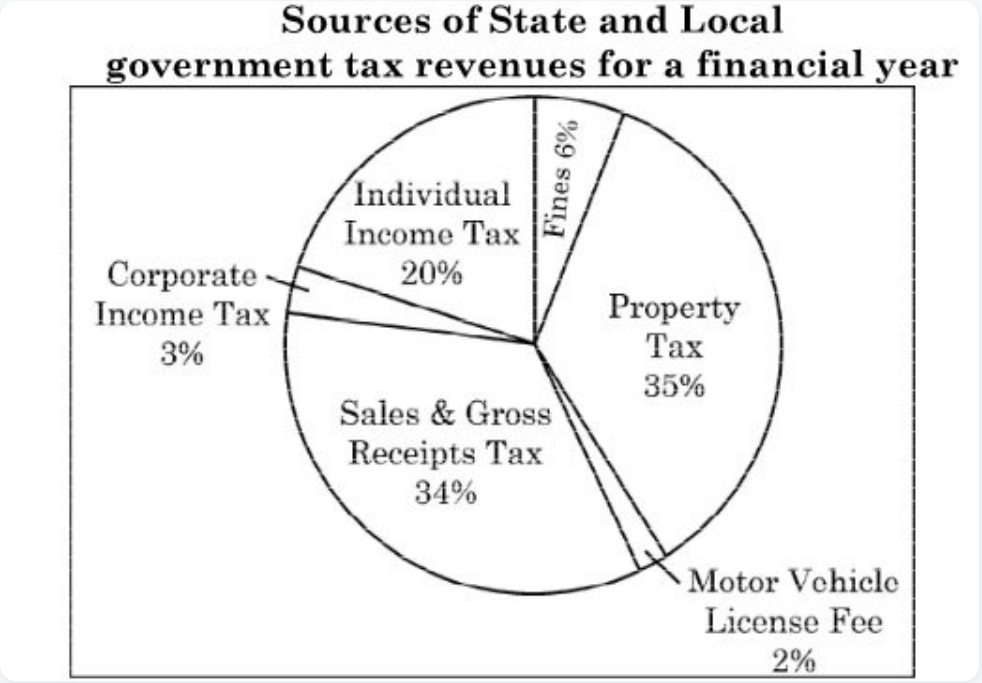
Answer: India has implemented several measures to strengthen food security, including the introduction of robust citizen-centric food security programmes and the 'One Nation One Ration Card' scheme, which ensures that beneficiaries can access food grains from any fair price shop across the country.

Key Points: citizen-centric food security programmes-One Nation One Ration Card scheme

Question 2.

Study the given picture carefully :

Answer the following questions based on common knowledge and picture :



(1)

Categorise the given items in the picture into tax /non-tax receipts.

[3 Marks]

Answer: The items in the picture can be categorized into tax receipts and non-tax receipts based on their nature and purpose. Tax receipts include items such as income tax returns, property tax bills, and value-added tax (VAT) receipts, which represent payments made to the government as a form of taxation. Non-tax receipts include items such as fees for services, fines, and miscellaneous income that the government collects which are not derived from taxes. Categorizing these items correctly helps in understanding the revenue generation mechanism of the government.

Key Points: Tax receipts include income tax, property tax; Non-tax receipts include fees, fines, miscellaneous income; Categorization helps in understanding government revenue.

(2)

"Government has started spending more on providing free services like education and health to the poor."

In the light of above statement, explain how the government can use the budgetary policy in reducing 'inequalities of income'.

[3 Marks]

Answer: The government can utilize its budgetary policy to reduce income inequalities by increasing its expenditure on public services such as education and healthcare specifically targeted at the poor. By allocating more funds to these essential services, the government ensures that lower-income groups have access to quality education and health facilities, which are crucial for breaking the cycle of poverty. Furthermore, the provision of free or subsidized education helps in enhancing the skills and employability of the poor, thus allowing them to earn a better income. Additionally, improving healthcare services prevents the poor from incurring high medical expenses, which can lead to financial distress. Overall, a focus on these areas fosters equal opportunities and promotes social equity.

Key Points: increased public spending on education-increased public spending on healthcare-improved access to quality services for the poor

Section B

Question 3.

'Money is an asset which can be stored for use in future.'

In the light of given statement, identify the function of money.

(Choose the correct alternative)

[1 Marks]

(A) A medium of Exchange

(B) A store Of value

(C) A standard of deferred payment

(D) A measure of value

Explanation: The statement highlights that money can be stored for future use, which corresponds to the function of money known as 'store of value.' This function means that money can retain value over time and be saved or stored to be used later. The context explains that wealth can be stored in the form of money for future use, defining the store of value function of money.

Question 4.

"Considering the depreciation of Indian Currency (e) in the international market, the Reserve Bank of India (RBI) has decided to purchase Indian currency (₹) in the open market."

This represents ———————— exchange rate system.

(Fill up the blank with correct alternative)

[1 Marks]

(A) managed floating

(B) fixed

(C) flexible

(D) manipulated

Explanation: This represents a managed floating exchange rate system. In a managed floating system, the central bank intervenes in the foreign exchange market to stabilize or influence the value of the national currency, which is evident as the RBI is purchasing Indian currency to counteract its depreciation.

Question 5.

Read the following statements carefully :

Statement I : In a two sector economy, consumption expenditure and investment expenditure are the two components of Aggregate Demand.

Statement 2 : Aggregate demand curve always start from point of origin with positive slope.

In the light of 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 false.

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

(D) Both statements 1 and 2 are true.

Explanation: Statement I is true because in a two-sector economy, the two main components of Aggregate Demand are indeed consumption and investment. Statement II is false; the aggregate demand curve generally slopes downward, indicating that as the price level decreases, the quantity of output demanded increases. Therefore, the correct answer is that Statement 1 is true and Statement 2 is false.

Question 6.

'Deficit' in Balance of Payment (BOP) refers to the excess of ——————— .

(Choose the correct alternative)

[1 Marks]

(A) Autonomous payments over Autonomous receipts

(B) Current account payments over current account receipts.

(C) Capital account payments over Capital account receipts

(D) Accommodating payments over Accommodating receipts

Explanation: The correct answer is 'Current account payments over current account receipts.' A deficit in the balance of payments occurs when the total payments made by a country exceed the total receipts, particularly in the current account which includes trade in goods and services, income, and current transfers.

Question 7.

From the statements given in Column I and Column II, choose the correct pair.

Alternatives :

[1 Marks]

	Column – I		Column – II
A.	Vegetables grown in the Personal garden	(i)	Non marketing activity
B.	A car used as a taxi	(ii)	Consumer good
C.	An air-conditioner used by household	(iii)	Capital good
D.	Scholarship given to students by government	(iv)	Factor income

(A) B- (ii)

(B) C - (iii)

(C) D -(iv)

(D) A - (i)

Explanation:

Vegetables grown in a personal garden are not sold in the market and are therefore considered a non-marketing activity. Hence, the correct match is A–(i).

Question 8.

Complete the table:

Alternativees :

[1 Marks]

Complete the table :

Producer	Value of output	Intermediate Consumption	Value Added
Farmer	2000	–	2000
Baker	.....(i).....	2000	2000
Retail Seller	4,400	.....(iii).....	400
Total	.....(ii).....	6,000	.....(iv).....

(A) 4000, 10400, 6000, 4000

(B) 4000, 10400, 4000, 4000

(C) 4000, 10400, 4000, 4400

(D) 2000, 6000, 6000, 4400

Explanation:

Value added is calculated by subtracting intermediate consumption from the value of output. Using this relation, the missing values are obtained as 4000 for baker's output, 4000 for retailer's intermediate consumption, total output as 10400, and total value added as 4400.

Question 9.

If in an economy, the Investment Multiplier is 4 and Autonomous Consumption is 30 crore, the relevant consumption function would be ———————— .

(Fill up the blank with correct alternative)

[1 Marks]

(A) C(-)30-0.25 Y

(B) C=30+ 0.25 Y

(C) C=30+0.75 Y

(D) C(-) 30+ 0.25 Y

Explanation: The correct option is C = 30 + 0.75Y. Given that the Investment Multiplier is the reciprocal of the marginal propensity to save (MPS), we can find the marginal propensity to consume (MPC) since MPC + MPS = 1. With an Investment Multiplier of 4, MPS is 1/4, thus MPC is 0.75. Hence, the consumption function which includes autonomous consumption of 30 crore is C = 30 + 0.75Y.

Question 10.

If increase in National Income is equal to increase in Savings, the value of Marginal propensity to Consume would be ——————————.

(Fill up the blank with correct alternative)

[1 Marks]

(A) greater than one

(B) equal to unity

(C) equal to zero

(D) less than one

Explanation: The marginal propensity to consume (MPC) is the fraction of additional income that is spent on consumption. If the increase in national income is equal to the increase in savings, it means that all additional income is being saved and none is being spent on consumption. Therefore, the MPC would be equal to zero, as there is no increase in consumption with the increase in income.

Question 11.

Read the following statements carefully:

Statement 1: Money supply (M) in India does not include 'demand deposits' with commercial banka.

Statement 2: Money supply (M) refers to, assets available with the Commercial Banks during a particular period of time.

In the light of the given statements, choose the correct alternative.

[1 Marks]

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

(B) Both statements 1 and 2 are false.

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

(D) Both statements 1 and 2 are true.

Explanation:

Statement 1 is false because demand deposits are included in the money supply (M) as they represent money that can be withdrawn on demand. Statement 2 is also false since money supply encompasses all liquid assets available in the economy, not just those held by commercial banks at a specific time.

Question 12.

Suppose, Country X, has more inflation than Country Y. Which of the following is most likely situation to happen in such a case, assuming other factors being constant?

(Choose the correct alternative)

[1 Marks]

(A) devalued A deficit trade b alance for Country Y

(B) A deficit trade balance for Country X

(C) appreciated A surplus trade balance in Country X

(D) revalued A rise in exports from Country X to Country Y

Explanation: When Country X has higher inflation than Country Y, the prices of Country X's goods become relatively more expensive compared to Country Y. This tends to reduce exports from Country X and increase imports into Country X because foreign goods become relatively cheaper. As a result, Country X is likely to import more than it exports leading to a deficit trade balance. The context explains that when aggregate demand (and inflation) grows faster in one country, its currency usually depreciates due to increasing imports, affecting the trade balance negatively.

Question 13.

Suppose, the price of one UK Pound (f) has increased from ₹ 70 to ₹ 80, owing to market forces.

This means that value Of Indian Currency (₹) has ——————— .

(Choose the correct alternative)

[1 Marks]

(A) depreciated

(B) revalued

(C) devalued

(D) appreciated

Explanation: An increase in the price of one unit of foreign currency in terms of the domestic currency (from ₹70 to ₹80 per UK Pound) means more rupees are needed to buy the same amount of foreign currency. This indicates that the Indian rupee has weakened against the UK Pound, or in other words, the Indian currency has depreciated.

Question 14.

Read the following statements — Assertion(A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : Full employment refers to, absence Of involuntary unemployment.

Reason (R) : Under full employment situation, all willing and able bodied people get employment at prevailing wage rate.

Alternatives :

[1 Marks]

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

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

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

(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 Assertion (A). Full employment indeed refers to the absence of involuntary unemployment, meaning that all individuals who are willing and able to work can find employment at the prevailing wage rate.

Question 15.

In an economy, the value of Marginal Propensity to Save (MPS) is 0.25, what will be the value of increase in income, if investments increased by ₹ 200 crores ?

[1 Marks]

(A) ₹ 800 crores

(B) ₹ 150 crores

(C) ₹ 200 crores

(D) ₹ 1, 000 crores

Explanation: To calculate the increase in income, we use the formula: Increase in Income = Change in Investment / MPS. Here, Change in Investment is ₹ 200 crores and MPS is 0.25. Therefore, Increase in Income = 200/0.25 = ₹ 800 crores.

Question 16.

During the British rule in India, Indian agricultural output witnessed stagnation due to _____.

(Choose the correct alternative)

[1 Marks]

(A) Decline in handicrafts

(B) Introduction Of railways

(C) Land settlement

(D) Drain of Indian wealth

Explanation: The correct option is 'Drain of Indian wealth'. During British rule, a significant portion of India's wealth was extracted and sent to Britain, leading to economic exploitation and stagnation in various sectors, including agriculture. This drain reduced investment in agricultural advancement and support for farmers.

Question 17.

In the first phase of Green Revolution, output was restricted mainly to _____ .

(Choose the correct alternative)

[1 Marks]

(A) Cereals and Pulses

(B) Wheat and Rice

(C) Jowar and Bajra

(D) Cotton and Jute

Explanation: The correct answer is 'Wheat and Rice'. During the first phase of the Green Revolution in India, the focus was primarily on enhancing the production of these two staple crops through the introduction of high-yielding varieties and improved agricultural practices.

Question 18.

———————— is known as the architect Of Indian Planning.

[1 Marks]

(A) Dr. Rajendra Prasad

(B) Jaw aharlal Nehru

(C) Dr. Manmohan Singh

(D) P.C. Mahalanobis

Explanation: The correct answer is P.C. Mahalanobis. He is recognized as the architect of Indian planning due to his significant contributions to the formulation of India's first Five-Year Plan and his role in establishing the planning process in post-independence India.

Question 19.

Read the following statements carefully

Statement 1 : Great Proletarian Cultural Revolution was introduced in China in 1950's.

Statement 2 : China's growth is mainly contributed by the manufacturing sector.

In the light of 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 false because the Great Proletarian Cultural Revolution was launched in China in 1966, not in the 1950s. Statement 2 is true as China's rapid economic growth has indeed been significantly driven by its manufacturing sector. Therefore, the correct alternative is 'Statement 1 is false and Statement 2 is true.'

Question 20.

Identify the incorrect statement from the following :

(Choose the correct alternative)

[1 Marks]

(A) Pakistan is behind India in HDI ranking.

(B) In 1991, India adopted New Economic Reforms.

(C) China's Economic growth rate is better than that of Pakistan.

(D) One Child Policy norm was adopted in Pakistan

Explanation:

The incorrect statement is 'One Child Policy norm was adopted in Pakistan.' This is incorrect because the One Child Policy was implemented in China, not Pakistan. Pakistan has not adopted such a population control policy.

Question 21.

_____ is the apex institution which plans and evaluates policies related to rural credit needs.

[1 Marks]

(A) NABARD

(B) Regional Rural Banks

(C) Self Help Groups

(D) Cooperative Credit Societies

Explanation: The correct answer is NABARD. NABARD (National Bank for Agriculture and Rural Development) is the apex institution responsible for providing credit and development support for rural areas in India. It plans and evaluates various policies related to rural credit needs, making it the most suitable option.

Question 22.

Read the following statements — Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : During 1980's, economic growth rate of Pakistan was more than that of India.

Reason (R) : Pakistan followed the path of mixed economic structure with equal participation of the public and the private sector.

Alternatives :

[1 Marks]

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

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

Explanation: Assertion (A) is true as historical data indicates that Pakistan did indeed have a higher economic growth rate compared to India during the 1980s. However, Reason (R) is false because although Pakistan adopted a mixed economic structure, the claim that there was equal participation of the public and private sectors does not accurately reflect the economic realities of that period. Therefore, the correct option is that Assertion (A) is true, but Reason (R) is false.

Question 23.

Identify, which Of the following are associated with the problem Of human capital formation in India ?

(i) Brain drain

(ii) Low academic standards

(iii) Rising population

(iv) Changes in social outlook

Alternatives :

[1 Marks]

(A) (ii) and (iii)

(B) (i) and (iv)

(C) (i), (ii) and (iii)

(D) (i) and (ii)

Explanation: Human capital formation refers to the development of the skills, knowledge, and health that people accumulate throughout their lives, which contributes to economic productivity. Problems affecting human capital formation in India include brain drain, where skilled individuals migrate to other countries reducing the skilled workforce; low academic standards that result in inadequate skill development; and rising population which strains resources and makes it difficult to provide quality education and health services to all. Changes in social outlook may impact human capital but are not directly identified as a problem here. Therefore, options (i), (ii), and (iii) are associated with problems of human capital formation in India.

Question 24.

Read the following statements carefully :

Statement 1 : Special Economic Zones (SEZ's) policy has led to huge Foreign Direct Investment (FDI) flow to China.

Statement 2 : China's rapid industrial growth was the result of its economic reform in 1981.

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

[1 Marks]

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

(B) Both statements 1 and 2 are true.

(C) Both statements 1 and 2 are false.

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

Explanation: Statement 1 is correct because the establishment of Special Economic Zones (SEZs) in China helped attract significant Foreign Direct Investment (FDI), which contributed to China's rapid industrial growth. Statement 2 is incorrect as China's economic reforms began in 1978, not 1981. These reforms, introduced on its own initiative, led to rapid industrial and economic growth.

Question 25.

Identify, which of the following is an incorrect function of environment ?

[1 Marks]

(A) Assimilates waste

(B) Land degradation

(C) Supplies resources

(D) Provides aesthetic services

Explanation: Land degradation is an incorrect function of the environment as it refers to the deterioration of the land's quality and productivity, while the other options (providing aesthetic services, supplying resources, and assimilating waste) are positive functions of the environment.

Question 26.

Identify, which of the following IS the correct formula for calculating 'Worker-Population Ratio' ?

(Choose the correct alternative)

[1 Marks]

(A) Total Population / Total Workers *100

(B) Total Workers / Total Population *100

(C) Total Population / Total Labour Force *100

(D) Total Labour Force /Total Population *100

Explanation: The correct formula for calculating the 'Worker-Population Ratio' is 'Total Workers / Total Population * 100'. This ratio indicates the proportion of the population that is engaged in work, thus

reflecting the labor market participation.

Question 27.

Read the following statements carefully :

Statement 1 : First Five Year Plan of China commenced in the year 1956.

Statement 2 : Both India and China adopted Socialist Economy model, following USSR.

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

[1 Marks]

(A) Both statements 1 and 2 are true.

(B) Both statements 1 and 2 are false.

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

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

Explanation: Statement 1 is false because China's First Five-Year Plan actually began in 1953, not 1956. Statement 2 is true as both India and China adopted a Socialist Economy model influenced by the USSR.

Section C

Question 28.

Suppose only one Good 'X' is produced in the country. Output of Good X during year 2018 and 2019 were 100 units and 110 units respectively. The market price of the product during the two years was 50 and 55 per unit respectively.

Calculate the percentage change in Real Gross Domestic Product (GDP) in year 2019 using 2018 as the base year.

[3 Marks]

Answer: Step 1: Calculate Real GDP for 2018 and 2019 using 2018 as the base year price.
Real GDP 2018 = Quantity in 2018 * Price in 2018 = 100 * 50 = Rs 5,000
Real GDP 2019 = Quantity in 2019 * Price in 2018 (base year price) = 110 * 50 = Rs 5,500
Step 2: Calculate the percentage change in Real GDP from 2018 to 2019.
Percentage change = ((Real GDP 2019 - Real GDP 2018) / Real GDP 2018) * 100
= ((5,500 - 5,000) / 5,000) * 100 = (500 / 5,000) * 100 = 10%
Conclusion: The Real GDP increased by 10 percent in 2019 compared to 2018 using 2018 as the base year price.

Key Points: Real GDP is calculated using base year prices - Quantity of goods in respective years - Percentage change formula for growth rate

Question 29.

Giving valid reasons, state whether the following statements are true or false:

(i) Dividend received from investment abroad is recorded on the credit side of the capital account.

(ii) Depreciation of the Indian Currency will lead to promotion of Indian exports.

[3 Marks]

Answer: (i) The statement is **false**. Dividend received from investment abroad is recorded on the **credit side of the current account** under income from investments, not on the capital account. The capital account records transactions related to capital transfers and acquisition/disposal of non-produced, non-financial assets.
(ii) The statement is **true**. Depreciation of the Indian currency means the domestic currency becomes cheaper relative to foreign currencies. This makes Indian goods cheaper for foreigners, increasing demand for Indian exports and thus promoting exports.

Key Points: Dividend from abroad is recorded on credit side of current account - Capital account records capital transfers, not income - Currency depreciation makes exports cheaper and promotes exports

Question 30.

Distinguish between Autonomous transactions and Accommodating transactions.

[3 Marks]

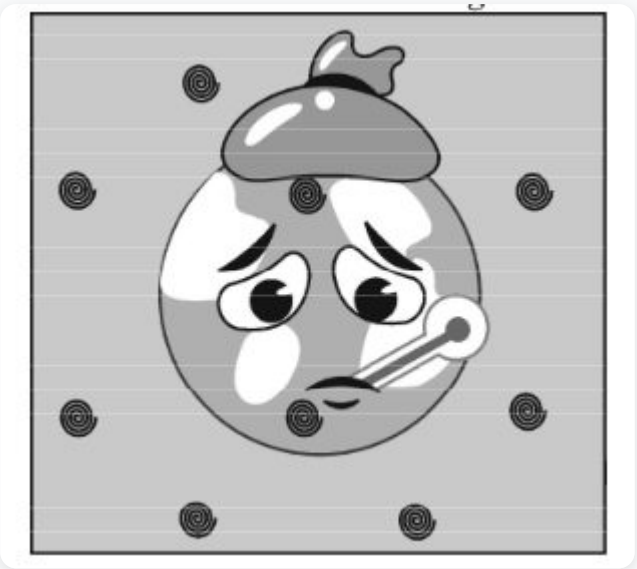
Answer: Autonomous transactions are independent transactions that do not affect the main transaction, while accommodating transactions directly respond to the needs and specifications of the primary transaction. In autonomous transactions, the operation can occur independently, such as an employee making a direct payment without altering the overall accounting system. In contrast, accommodating transactions support the main transaction by ensuring it meets pre-defined parameters, often involving collaboration or adjustment to fit the main transaction's requirements. Thus, the key difference lies in independence versus interdependence.

Key Points: Independence of transactions, direct impact on main transaction, autonomous transactions operate separately, accommodating transactions adjust parameters, collaboration in accommodating transactions

Question 31.

Interpret the situation of earth as depicted in the given picture, with reference to current environmental challenges :

[3 Marks]



Answer: The picture likely illustrates the precarious state of the Earth, reflecting various environmental challenges we face today. Issues such as climate change, deforestation, and pollution directly threaten our ecosystems and biodiversity. Climate change has resulted in unpredictable weather patterns, rising sea levels, and extreme weather events. Deforestation leads to habitat loss for countless species and contributes to carbon emissions. Pollution, both in air and water, poses serious health risks to living organisms. Urgent action is needed to mitigate these issues through sustainable practices, conservation efforts, and increased awareness.

> **Key Points: Climate change impacts, Deforestation and habitat loss, Pollution effects on health, Need for sustainable practices, Urgency of conservation efforts**

Question 32.

"In rural areas of India, more members of a family are engaged in work, yet the gross income of the family is generally low."

Identify the type of unemployment indicated in the above statement and explain the paradox associated with it.

[3 Marks]

Answer: The type of unemployment indicated in the statement is disguised unemployment. This occurs when more individuals are employed than necessary for sustaining productivity. In rural areas, many family members may engage in agricultural work, but the lack of modern techniques and resources means that their efforts do not translate into proportional income gains. The paradox lies in the fact that even though the family has multiple workers, their collective income remains low,

highlighting inefficiencies in labor utilization. This situation points towards the need for better agricultural practices, diversification of income sources, and skill development to improve economic conditions.

Key Points: Disguised unemployment; more workers than necessary; low family income; inefficiency in labor; need for better practices; diversification of income; importance of skill development

Question 33.

Explain the role of micro-credit system in meeting credit requirements of poor.

[3 Marks]

Answer: The micro-credit system plays a vital role in meeting the credit requirements of the poor by providing small loans to individuals who lack access to traditional banking services. This system empowers low-income individuals to start or expand small businesses, ultimately fostering self-sufficiency and economic development. Micro-credit promotes entrepreneurship amongst the poor, alleviating poverty levels by offering financial resources without demanding collateral. Furthermore, it encourages financial literacy and community lending practices, enhancing social cohesion among borrowers.

Key Points: Access to credit for the poor- Empowerment through small loans- Promotion of entrepreneurship- Alleviation of poverty- Financial literacy and community support

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Section D

Question 34. If planned savings exceed planned investments in an economy, explain the likely impact on income, output, and employment.

[4 Marks]

Answer: When planned savings exceed planned investments, it leads to a decrease in aggregate demand. As households save more, less money is being spent on goods and services, causing businesses to experience lower sales. In response, businesses may reduce their output to match the decreased demand, which can lead to layoffs or reduced hiring. Consequently, this situation can increase unemployment rates as firms cut back on production and workforce. Over time, reduced income and employment levels can perpetuate a cycle of low demand and low growth in the economy, further impacting overall economic activity.

Key Points: Decrease in aggregate demand-Reduction in business output-Increase in unemployment

Question 35.

As per the following news published in 'The Hindu' on 6th August, 2022 : 'The Monetary Policy Committee (MPC) of the Reserve Bank of India raised the Repo Rate by 50 basis points.'
Identify and explain the likely cause and consequences behind this type Of action taken by the Reserve Bank of India.

[4 Marks]

Answer: The Reserve Bank of India's decision to raise the Repo Rate by 50 basis points is primarily aimed at combating inflation. When inflation rates rise, purchasing power declines, prompting the central bank to increase interest rates to narrow consumer spending and borrowing. Higher rates discourage borrowing, which can ultimately slow economic growth but is necessary to stabilize prices. The consequences of this action include increased loan costs for consumers and businesses, potential cooling of the housing market, and altered investment decisions. In the long run, these measures aim to ensure sustainable economic health and keep inflation within target levels.

> **Key Points: Increased Repo Rate targets inflation control - Discourages borrowing - Impacts economic growth - Higher loan costs for consumers and businesses - Potential housing market cooling - Alters investment decisions - Aims for sustainable economic health**

Question 36. Explain the role of the Central Bank as the Government's agent and adviser.

[4 Marks]

Answer: The Central Bank acts as the government's financial agent in several critical ways. Firstly, it manages the government's accounts, facilitating transactions and maintaining records. Secondly, it advises the government on monetary policy, suggesting measures to control inflation and stabilize the currency. Additionally, the Central Bank is responsible for issuing currency, ensuring a stable money supply. This role extends to being the government's bank, providing loans and facilitating funding for various public initiatives. It also plays a vital part in managing foreign exchange reserves and advising on international financial matters, thus ensuring economic stability and growth.

> **Key Points: Management of government's accounts - Advising on monetary policy - Issuing currency - Providing loans to the government - Managing foreign exchange reserves - Ensuring economic stability**

Question 37. Define Reverse Repo Rate. Discuss briefly how this instrument helps in controlling money supply by commercial banks.

[4 Marks]

Answer: The Reverse Repo Rate is the rate at which the Reserve Bank of India (RBI) borrows money from commercial banks, thereby providing banks an avenue to park their funds with the RBI. This mechanism is crucial in regulating the money supply in the economy. When the RBI raises the reverse

repo rate, it encourages banks to deposit more funds with it rather than lending them out, thereby reducing the amount of money available in the economy. Conversely, a lower reverse repo rate incentivizes banks to lend more. This tool of liquidity management ensures that inflation is kept in check while stabilizing the banking system's liquidity. Hence, the reverse repo rate is a vital instrument for monetary policy.

Key Points: Definition of Reverse Repo Rate-Role in managing liquidity-Control of money supply-Impact on inflation and lending

Question 38.

Compare and analyse the following information related to Annual Growth of Gross Domestic Product (GDP) of India and China :

(Source : Asian Development Bank, Philippines, World Development indicator — 2018)

[4 Marks]

Annual Growth of Gross Domestic Product

Country	1980 – 90	2015 – 17
India	5.7	7.3
China	10.3	6.8

Answer: The annual growth of GDP is a crucial indicator of a country's economic performance. According to the Asian Development Bank and World Development Indicators, China has consistently outpaced India's GDP growth rate over the past two decades. While China experienced rapid industrialization, leading to an average growth rate above 6-7%, India has seen an annual growth rate of around 5-6%. The difference can be attributed to higher investment in infrastructure and technology in China. Additionally, China's export-driven economy has bolstered its GDP growth, whereas India relies more on domestic consumption. However, India's service sector has shown remarkable growth potential, suggesting future improvements. Policymakers in India need to focus on enhancing healthcare, education, and infrastructure to sustain higher growth rates like those of China.

Key Points: China's higher GDP growth rates; India's reliance on domestic consumption; significance of service sector growth; investment in infrastructure; need for policy improvements

Question 39.

(i) State the meaning of 'Privatisation'.

(ii) 'Agriculture sector has been adversely affected by the Economic reform process.' Comment.

[4 Marks]

Answer: Privatisation refers to the transfer of ownership and management of an enterprise or public service from the government to private individuals or organizations. It aims to enhance efficiency, reduce fiscal burdens, and stimulate competition within the sector. In the context of agriculture, the economic reform process, particularly liberalization and deregulation, has posed challenges. Farmers have faced issues like reduced subsidies and increased dependence on global markets, leading to income instability and a decline in traditional agricultural practices. This has adversely impacted food security and farmers' livelihoods, necessitating a reevaluation of policies to support sustainable agricultural development.

Key Points: Definition of privatization; Objectives of privatization; Impact of economic reforms on agriculture; Challenges faced by farmers; Consequences on food security; Need for supportive policies.

Question 40.

State and explain any two main causes behind infrastructural development by British rule.

[4 Marks]

Answer: During the British rule in India, infrastructural development was driven primarily by economic interests and administrative efficiency. Firstly, the British sought to exploit India's resources for their own economic gain. They built railways, roads, and ports to facilitate the transportation of raw materials from the interior to the coastal areas for export to Britain. Secondly, the need for efficient governance and control over vast territories led to the establishment of a comprehensive communication network. Telegraph systems and roads were developed to enhance communication between colonial authorities and their outposts, ensuring quicker administrative responses. These developments, while primarily beneficial to the British, also laid the groundwork for India's future infrastructure.

Key Points: Economic exploitation; transport of raw materials; administrative efficiency; communication network; telegraphs and roads.

Question 41.

(a) State, with valid reasons whether, the following statements are true or false :

"Higher productivity and production are the outcome of investment in human resources."

(b) Rising population is not the cause for quality of human capital formation.

[4 Marks]

Answer: The statement that "Higher productivity and production are the outcome of investment in human resources" is true. Investing in human resources through education and training improves skills and knowledge, which enhances worker efficiency and productivity. Skilled labor is more

innovative and capable of adopting new technologies, leading to increased production levels. In contrast, the claim that rising population is not a cause of quality human capital formation is false. A growing population without adequate education and healthcare may lead to a lower quality of human capital due to the inability to effectively train and utilize individuals' potential.

Key Points: 1. Investment in human resources leads to improved skills and productivity. 2. Skilled workers are essential for innovation and technology adoption. 3. Growing population needs adequate resources for education and healthcare.

Section E

Question 42.

(i) Define Agricultural diversification.

(ii) State the meaning of organic farming. Discuss how does it help in promoting sustainable development.

[6 Marks]

Answer: Agricultural diversification refers to the process of increasingly adding different crops, livestock, and agricultural products to the existing farm operations. It aims to reduce risk, improve soil health, and enhance farm income through varied production. Conversely, organic farming is an agricultural practice that avoids synthetic fertilizers, pesticides, and genetically modified organisms. Instead, it relies on natural processes and materials, ensuring sustainable productivity. Organic farming promotes sustainable development by conserving biodiversity, improving soil health, reducing pollution, and enhancing food security. It encourages practices that lead to renewable resources and ecosystem integrity, thus ensuring that natural resources are available for future generations. By embracing organic farming, ecosystems can thrive, contributing to a more balanced and sustainable agricultural system.

Key Points: Definition of agricultural diversification; Benefits of diversification (risk reduction, income enhancement, soil health); Meaning of organic farming (natural practices, no chemicals); Importance of sustainable development; Contributions of organic farming to biodiversity, soil health, and pollution reduction; Link between organic practices and future resource availability.

Question 43.

(i) Discuss the need for promoting women's education in India.

(ii) Explain absorptive capacity of environment with example.

[6 Marks]

Answer: Promoting women's education in India is crucial for several reasons. First, it empowers women, enabling them to make informed choices about their lives, health, and careers, thus contributing to the overall development of society. An educated woman is more likely to ensure education for her children, creating a cycle of education that can elevate entire communities. Furthermore, women's education directly correlates to economic growth; as more women join the workforce, productivity increases. Gender equality in education can reduce poverty, social inequalities, and health-related issues. Women with higher levels of education tend to have fewer children, improving family health and economic conditions. Overall, investing in women's education is vital for sustainable development and can break the cycle of discrimination and disadvantage faced by women in society. Regarding the absorptive capacity of the environment, it refers to the ability of an ecosystem to absorb and process incoming materials and energies, while maintaining stability. For example, a forest has a high absorptive capacity as it takes in carbon dioxide, water, and nutrients from the soil while providing oxygen and regulating the ecosystem. This capacity is crucial for environmental sustainability, as it ensures ecosystems can withstand and recover from disturbances, such as pollution or climate change. A resilient environment, with effective absorptive capacity, promotes biodiversity and ecological balance, showcasing the interconnectedness of education and environmental stewardship.

Key Points: Empowerment of women-Education's impact on health and family welfare-Economic growth and workforce participation-Gender equality reducing poverty-Absorptive capacity defined-Examples of ecosystem stability-Importance of environmental sustainability

Question 44.

(I) How should the following be treated in estimating National Income of a Country ? Give valid reasons.

(i) Profits earned by Foreign Banks in India.

(ii) Expenditure on upgradation of fixed asset by a firm.

(II) Suppose in a financial year, the Gross Domestic Product (GDP) at market price of a country was = 1,100 crore. Net factor income from Abroad was ¢ 100 crore, the net indirect taxes was = 150 crore and National income was = 850 crore. Calculate the value of depreciation, on the basis of above information.

[6 Marks]

Answer: In estimating National Income (NI), profits earned by foreign banks in India are not included, as they are part of Gross Foreign Income and do not contribute to domestic factor income. Instead, NI focuses on income generated by domestic factors of production. Expenditure on the upgradation of fixed assets should be included as it increases productive capacity. For depreciation calculation, we can derive it from the relationship NI = GDP + NFI - Indirect Taxes. Here, GDP is 1100 crore, NFI is 100 crore, and indirect taxes is 150 crore. Rearranging gives us NI = 1100 + 100 - 150 - Depreciation, resulting in Depreciation = 1100 + 100 - 150 - 850 = 200 crore.

> **Key Points: 1. Profits from foreign banks are excluded as they do not contribute to domestic income. 2. Upgrading fixed assets increases future productivity, hence considered in NI. 3. National Income is derived from GDP, factoring in net income and indirect taxes. 4. Depreciation calculation involves the adjustment of NI with GDP and taxes.**

Question 45.

(I)"While estimating Gross Domestic Product (GDP) by expenditure method, entire focus is on expenditures incurred by

the residents of the country."

Do you agree with the given statement ? Give valid reason in

support of your answer.

(II) Calculate the value of Domestic Income from the following data :

[6 Marks]

S. No.	Particulars	Amount in (₹ crores)
(i)	Rent and Royalties	1,300
(ii)	Net Indirect Taxes	200
(iii)	Wages & Salaries (in cash & in kind)	1,700
(iv)	Corporate Tax	400
(v)	Depreciation	400
(vi)	Retained Earnings	300
(vii)	Dividends	400
(viii)	Net Factor Income from Abroad	(–) 120
(ix)	Mixed Income of Self Employed	1,400
(x)	Change in Stock	(–) 200

Answer: I partially agree with the statement that the focus is solely on expenditures incurred by residents. The expenditure method for estimating GDP includes all final expenditures regardless of

whether they are incurred by residents or non-residents within the economy. The formula GDP = C + I + G + X - M accounts for consumption, investment, government spending, exports, and imports, indicating that transactions involving foreign entities are crucial stakeholders in the economy's total expenditure. Thus, while resident expenditures are significant, the overall focus also incorporates non-residents' spending, which underlines the interconnectedness of global economies. This broader approach gives a comprehensive view of economic activity, supporting the inclusion of all expenditures.

Key Points: Focus on total final expenditures; GDP includes expenditures by both residents and non-residents; Formula of GDP (C + I + G + X - M) encompasses all economic transactions; Emphasizes the interconnectedness of local and global economies.

Question 46.

Study the given picture carefully :

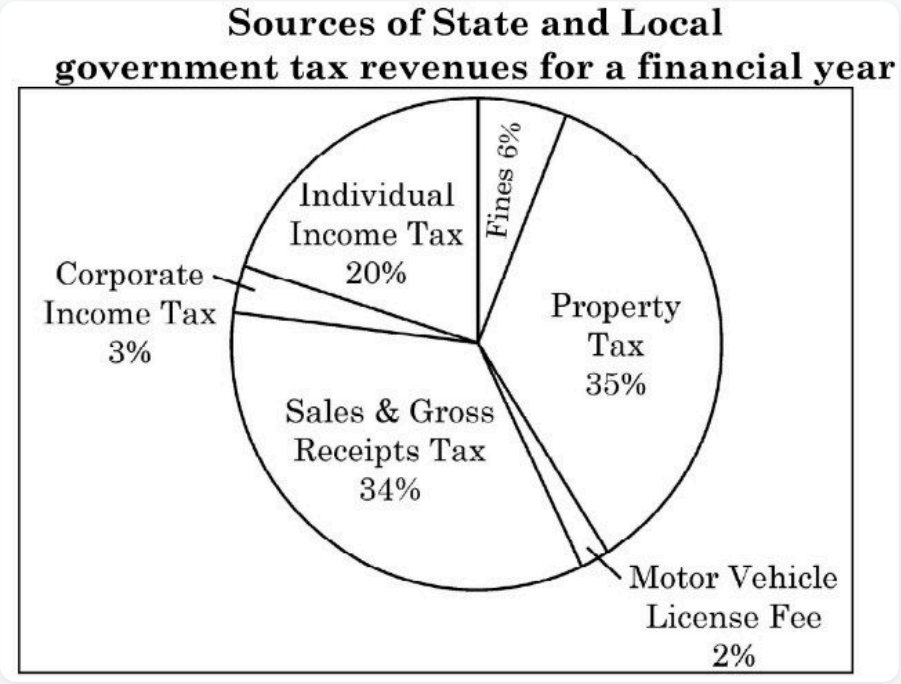
Answer the following questions based on common knowledge and picture :

(a) Categorise the given items in the picture into tax /non-tax receipts.

(b) "Government has started spending more on providing free services like education and health to the poor."

In the light of above statement, explain how the government can use the budgetary policy in reducing 'inequalities of income'.

[6 Marks]



Answer: The government uses its budgetary policy to address income inequalities through targeted expenditure on essential services like education and health. By classifying expenditures into tax and non-tax receipts, the government can identify where investments are most needed. Tax receipts, mainly from progressive taxation, help fund these services, ensuring that lower-income groups benefit more from government spending. Additionally, by raising tax revenues from those who can afford it, the government can reinvest in services that enhance social equity, thus reducing income disparities effectively.

Key Points: Categorization of receipts into tax (direct taxes) and non-tax (fees, dividends) - Government budget policy aims at reducing income inequality - Increased expenditure on social services such as education and health - Use of progressive taxation to redistribute wealth - Reinvestment of tax revenues into essential services benefiting lower-income groups.