CBSE EXAMINATION PAPER-2026

ECONOMICS

(Solved)

Time allowed : 3 hours | Maximum Marks : 110

General Instructions :

Read the following instructions carefully and follow them :

i. This question paper contains **41 questions.** All questions are **compulsory.**

ii. This question paper is divided into **4 sections.**

iii. **Section A** – questions number **1 to 20** are multiple choice questions

iv. **Section B** – questions number **21 to 26** are short answer type i

v. **Section C** – questions number **27 to 35** are short answer type ii

vi. **Section D** – questions number **36 to 41** are long answer

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

viii. Use of calculator is NOT allowed.

Section A

Question 1.

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

Assertion (A) : Borrowing requirements of the government include interest obligations on debt as well.
Reason (R) :The goal of measuring primary deficit is to correct the prevailing fiscal imbalances.

[1 Marks]

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

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

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

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

Explanation:

The borrowing requirement of the government does include interest obligations on accumulated debt, which makes Assertion (A) true. The goal of measuring primary deficit is to focus on present fiscal imbalances by excluding interest payments, which makes Reason (R) true as well. However, Reason (R) does not explain why borrowing requirements include interest obligations; instead, it explains why primary deficit is measured separately. Therefore, both statements are true, but Reason (R) is not the correct explanation of Assertion (A).

Question 2.

Identify the variable(s) which may add to the future productive capacity of an economy :

I Raw material

II. Fixed investment

III. Inventories with producers

[1 Marks]

(A) Only I

(B) Only II

(C) I, II and III

(D) II and III

Explanation: Only fixed investment adds to the future productive capacity of an economy because it involves the creation or acquisition of capital goods like machines, which increase the capital stock and enable higher production in the future. Raw materials and inventories are not considered investment goods; they are either intermediate goods or stocks of finished goods, and thus do not add to future productive capacity.

Question 3.

On the basis of the given table, estimate the value added by the Baker

[1 Marks]

	Farmer	Baker
Total Production	100	200
Intermediate Consumption	0	50
Value Added	100	...(i)...

(A) 150

(B) 200

(C) 100

(D) 250

Explanation:

Value added by the Baker is calculated by subtracting the value of intermediate goods used from the total production value. According to the context, the Baker's total production is 200 and the intermediate goods used (wheat from the Farmer) is 50. Therefore, value added = 200 - 50 = 150. Hence, the correct option is 150.

Question 4. Identify, the factor which influences the demand for foreign exchange in a country.

[1 Marks]

(A) Remittances by Indian workers from Gulf countries

(B) Investments made by Indians in Japan

(C) Indian producers exporting fabrics to United States of America (USA)

(D) An Indian software company providing services to clients abroad

Explanation: Demand for foreign exchange arises when people or companies want to purchase goods and services from other countries or make payments abroad. An Indian software company providing services to clients abroad needs to convert the foreign currency it earns into Indian rupees, but initially may require foreign currency to operate or for transactions. Among the given options, the Indian software company earning abroad influences the demand for foreign exchange since it is related to cross-border services involving currency exchange. Investments made by Indians in Japan and remittances by Indian workers from Gulf countries are examples of demand for foreign exchange as well, but the software company's service exports directly increase such demand for foreign exchange to conduct international business.

Question 5.

Select the correct formula to calculate the value of Marginal Propensity to Save (MPS) :
I.Change in Savings (ΔS)/Change in Consumption (ΔC)

II Change in Savings (ΔS)/Change in Income (ΔY)

III.1−Marginal Propensity to Consume (MPC)

IV.Change in Income (ΔY)/Change in Savings (ΔS)

[1 Marks]

(A) I, II, III and IV

(B) Only III

(C) II and III

(D) Only II

Explanation:

Marginal Propensity to Save (MPS) is defined as the change in savings divided by the change in income, i.e., MPS = ΔS / ΔY (option II). It is also related to the Marginal Propensity to Consume (MPC) by the equation MPS = 1 - MPC (option III), since income is either consumed or saved. Therefore, both options II and III correctly represent the formula to calculate MPS. Options I and IV are incorrect because MPS is not the ratio of change in savings to change in consumption, nor the inverse ratio of income change to savings change.

Question 6.

Read the following statements carefully :

Statement I : Trade in services includes both factor income and non-factor income transactions.
Statement II : Current Account includes transactions related to goods, services and unilateral transfers.

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

[1 Marks]

(A) Both Statements I and II are true.

(B) Statement I is true and Statement II is false.

(C) Both Statements I and II are false.

(D) Statement I is false and Statement II is true.

Explanation:

Statement I is true because trade in services covers both factor income (earnings from factors of production like labour and capital abroad) and non-factor income (net sale of service products such as

shipping, banking, tourism, software services). Statement II is also true as the Current Account includes transactions related to goods, services, and unilateral transfers (transfer payments like gifts, remittances, and grants). Therefore, both statements are correct based on the components of the Current Account.

Question 7.

Suppose in a hypothetical economy, Y = 50 + 0·8Y + 100, where Y = National Income. The value of Investment Multiplier (K) would be _____.

(Choose the correct option to fill in the blank)

[1 Marks]

(A) 0.2

(B) 50

(C) 0.8

(D) 5

Explanation:

From the given equation Y = 50 + 0.8Y + 100, rearranging we get Y - 0.8Y = 150, which implies 0.2Y = 150, and hence Y = 150 / 0.2 = 750. The marginal propensity to consume (mpc) here is 0.8. Using the formula for investment multiplier K = 1 / (1 - mpc), we substitute mpc = 0.8. So, K = 1 / (1 - 0.8) = 1 / 0.2 = 5. Therefore, the value of the investment multiplier is 5.

Question 8.

“Consumption of a good by a person does not reduce the amount available for consumption by others. Consumers consuming such goods are known as free-riders.”

Identify the type of goods indicated in the above text.

[1 Marks]

(A) Joint venture goods

(B) Public goods

(C) Private goods

(D) Self-consumption goods

Explanation:

The goods described are public goods because their consumption by one person does not reduce the availability for others, which is a characteristic of non-rivalrous consumption. Additionally, consumers who benefit without paying are called free-riders, which occurs in the context of public goods. Public goods are non-excludable and non-rivalrous, such as national defence and roads.

Question 9.

Read the following statements carefully :

Statement I : At the break-even level of income, the value of slope of the consumption curve is zero.

Statement II : Marginal Propensity to Consume (MPC) refers to the change in consumption per unit change in income. In the light of the given statements, choose the correct option from the following :

[1 Marks]

(A) Both Statements I and II are false.

(B) Statement I is false and Statement II is true.

(C) Both Statements I and II are true.

(D) Statement I is true and Statement II is false.

Explanation:

Statement I is false because the slope of the consumption curve represents the marginal propensity to consume (MPC), which is not zero at the break-even level of income. The slope (MPC) is the rate of change of consumption with respect to income and remains positive (between 0 and 1) generally. Statement II is true because Marginal Propensity to Consume (MPC) is defined as the change in consumption per unit change in income, i.e., it measures how much consumption changes when income increases by one unit.

Question 10. Under the fixed exchange rate system, if the government decreases the value of domestic currency with respect to a foreign currency, it is known as _____ of currency.

[1 Marks]

(A) Devaluation

(B) Appreciation

(C) Revaluation

(D) Depreciation

Explanation: In a fixed exchange rate system, when the government decreases the value of the domestic currency relative to a foreign currency, it is termed as Devaluation. This means the domestic currency becomes cheaper compared to the foreign currency. This definition is supported by the

context which states that Devaluation occurs when government action increases the exchange rate, making the domestic currency cheaper.

Question 11.

Read the following statements carefully :

Statement I : Inland waterways proved to be uneconomical as in the case of Coast Canal on the Orissa coast.

Statement II : British government followed an effective and efficient administrative set-up leaving a legacy of effective work culture.

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

[1 Marks]

(A) Statement I is true and Statement II is false.

(B) Both Statements I and II are true.

(C) Both Statements I and II are false.

(D) Statement I is false and Statement II is true.

Explanation:

Statement I is true because the inland waterways, specifically the Coast Canal on the Orissa coast, proved uneconomical as it failed to compete with railways and was eventually abandoned. Statement II is false as the British government measures were far from satisfactory, indicating that they did not leave a legacy of effective and efficient administrative work culture.

Question 12.

Arrange the following events of Pakistan in correct chronological order

I. Nationalisation of capital goods industries

II. Establishment of Pakistan

III. Introduction of economic reforms

IV. Announcement of First Five Year Plan

[1 Marks]

(A) III, IV, I, II

(B) IV, III, II, I

(C) III, II, I, IV

(D) II, IV, I, III

Explanation:

The correct chronological order is: II. Establishment of Pakistan (1947), IV. Announcement of First Five Year Plan (1956), I. Nationalisation of capital goods industries (1970s), and III. Introduction of economic reforms (late 1970s and 1980s). Pakistan was established first, then announced its First Five Year Plan in 1956. Nationalisation happened in the 1970s, and later economic reforms were introduced in the late 1970s and 1980s to encourage privatisation and private sector growth.

Question 13.

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

Read them carefully and select the correct option :

Assertion (A) : The unemployment problem in India is multifaceted. Reason (R) : Some individuals work round the year, while others work only a few months in a year.

[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 false, but Reason (R) is true.

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

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

Explanation: The unemployment problem in India is multifaceted because it includes various forms of unemployment such as open unemployment and disguised unemployment. One important aspect is that some people work throughout the year, whereas others have work only for a few months, which indicates seasonal or irregular employment. This variation in employment duration among individuals exemplifies the complexity of unemployment, making the Reason (R) the correct explanation of the Assertion (A).

Question 14.

Minimum Support Price is fixed by the Government to safeguard the interests of the _____.

(Choose the correct option to fill in the blank)

[1 Marks]

(A) Middlemen

(B) Consumers

(C) Farmers

(D) Wholesalers

Explanation:

The Minimum Support Price (MSP) is fixed by the government as a part of its agricultural price support programme to protect the income of farmers. It sets a floor price, usually higher than the market price, to prevent the price of agricultural products from falling below a certain level due to excess supply. This intervention ensures that farmers receive a fair price for their produce, safeguarding their interests against exploitation by private traders like moneylenders and merchants.

Question 15.

The primary outcome of the efforts initiated by the Indian Government (Liberalisation and Privatisation) under the New Economic Policy of 1991 was _____.

[1 Marks]

(A) Monetary policy reforms

(B) Reservation of products

(C) Globalization

(D) Fiscal policy reforms

Explanation:

The New Economic Policy of 1991 focused on liberalisation, privatisation, and globalisation. While fiscal and monetary reforms took place, the major outcome was globalization, which means the integration of India's economy with the world economy. This was achieved by reducing restrictions, disinvestment, import liberalisation, and foreign exchange deregulations, opening the country to international trade and investment.

Question 16.

Read the following text carefully :

“Between 1966 – 67, Mao introduced this movement under which professionals and students were asked to work and learn from the countryside of China.”

Identify the correct option with reference to the aforesaid text.

[1 Marks]

(A) Great Leap Forward

(B) Commune System

(C) Great Proletarian Cultural Revolution

(D) Open Door Policy

Explanation:

The correct answer is the Great Proletarian Cultural Revolution because, according to the context, this movement was introduced by Mao between 1966 and 1967, during which students and professionals were sent to work and learn from the countryside. The other options do not fit the description given: the Commune System relates to collective farming started during the Great Leap Forward around 1958; the Open Door Policy refers to economic reforms initiated later; and the Great Leap Forward was an earlier campaign aimed at industrialization, not specifically about sending students and professionals to rural areas.

Question 17.

Read the following statements carefully

Statement I : Livestock provides alternative livelihood options to small and marginal farmers.

Statement II : In rural areas, animal husbandry provides stable employment opportunities throughout the year.

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

[1 Marks]

(A) Both Statements I and II are true.

(B) Statement I is false and Statement II is true.

(C) Statement I is true and Statement II is false.

(D) Both Statements I and II are false.

Explanation:

Statement I is true because livestock production provides alternative livelihood options to over 70 million small and marginal farmers, including landless labourers, as mentioned in the context. Statement II is also true because animal husbandry in rural areas contributes to diversification and

provides stable employment opportunities throughout the year by involving various allied activities like livestock, poultry, and fisheries. Thus, both statements are correct.

Question 18. Nations worldwide typically establish Regional and Global economic groups in order to _____.

[1 Marks]

(A) Strengthen their economies

(B) Gain control over other countries

(C) Promote judicial independence

(D) Ensure liberty

Explanation: Nations form regional and global economic groupings such as SAARC, European Union, ASEAN, G-8, G-20, and BRICS primarily to strengthen their domestic economies. These groupings help countries improve access to resources, enhance trade, and compete effectively in the global market, especially benefiting developing countries that face competition from both developed and other developing nations.

Question 19.

The steep Indian education pyramid indicates _____.

[1 Marks]

(A) Equal distribution of students across all levels

(B) Low unemployment among educated youth

(C) Few/less number of people reaching higher education

(D) Increase in number of people reaching higher education

Explanation:

The context explains that the Indian education pyramid is steep, which means a lesser number of people reach the higher education level. This indicates that only a small proportion of the population continues to higher education, resulting in the pyramid shape. Therefore, the correct option is 'Few/less number of people reaching higher education'.

Question 20.

Identify, which of the following is an income indicator.

[1 Marks]

(A) GDP per capita

(B) Malnourishment

(C) Mortality rate

(D) Morbidity rate

Explanation:

GDP per capita represents the average income per person by dividing the total value of goods and services produced in a country by its population. It reflects the economic well-being and income level of people, whereas mortality rate, malnourishment, and morbidity rate are indicators related to health and nutrition, not income.

Section B

Question 21.

State the meaning and any two components of Gross Domestic Capital formation.

[3 Marks]

Answer: Meaning: Gross Domestic Capital Formation (GDCF) is the total value of additions made to the capital stock of a country during an accounting year. It includes gross investment which covers not only the new additions but also replacement of worn-out or depreciated capital goods.

Two components of Gross Domestic Capital Formation are:

1. **Gross Fixed Capital Formation:** Investment in physical assets like machinery, buildings, infrastructure, which are used for production.
2. **Change in Stocks:** Increase or decrease in the inventory of raw materials, semi-finished goods, and finished goods held by producers and traders.

> **Key Points: Gross Domestic Capital Formation meaning - Includes replacement investment - Components: Gross Fixed Capital Formation - Change in Stocks**

Question 22.

“It is not the nature of a good, rather the economic nature of its use, which determines whether it is a final good or not.”

Justify the given statement with valid arguments.

[3 Marks]

Answer: Answer:

The statement means that whether a good is called a final good depends not on the physical nature of the good but on how it is used economically.

A final good is one that is meant for final use and does not pass through any further stages of production or transformation.

For example, a wheat crop can be an intermediate good if used by a miller to produce flour, but when wheat is purchased by a consumer for direct use, it becomes a final good.

Similarly, a machine can be a capital good if used in production, but if sold to a consumer for direct use, it is a final good.

This shows that the classification depends on the purpose or economic use, not on the physical nature.

Also, final goods pass out of the active economic flow once sold and do not undergo further production.

Thus, it is the economic nature of use that determines whether a good is final, not the nature of the good itself.

This is important in national income accounting to avoid double counting.

In brief, the use defines the classification of the good.

> **Key Points: Final good depends on economic use - Final goods do not undergo further production - Helps avoid double counting in national income**

Question 23.

US administration has recently imposed tariff to the magnitude of 50%."

In the light of given statement, explain the likely impact of this step on the exports of India.

[3 Marks]

Answer: Impact of 50% Tariff Imposition by US on Indian Exports:

The imposition of a 50% tariff by the US on imports will increase the price of Indian goods in the US market. As a result, Indian products become more expensive for American buyers, which generally reduces demand for these exports from India.

This decrease in demand will likely lead to a fall in the volume of exports from India to the US.

Consequently, Indian exporters may face reduced sales and revenue from the US market.

However, the overall impact depends on how sensitive American consumers are to price changes (elasticity of demand). If demand is inelastic, exports might not decline much.

Moreover, Indian exporters may look for alternative markets or reduce prices to remain competitive.

In summary, the tariff increase by the US is likely to decrease India's exports to the US, negatively affecting Indian exporters unless compensated by other factors.

> **Key Points: US tariff raises price of Indian exports - Demand for Indian exports in US**

decreases - Export volume and revenue from US decline

Question 24.

Describe the role which India has played as an important member of World Trade Organisation (WTO).

[3 Marks]

Answer: Role of India in WTO:

India has played a significant role as an important member of the World Trade Organisation by actively participating in framing fair global trade rules and regulations. It has consistently advocated for the interests of developing countries, ensuring their concerns are addressed in international trade negotiations. India has honoured its commitments towards trade liberalisation by removing quantitative restrictions on imports and reducing tariff rates, which promotes fairer international trade. Moreover, India supports the objectives of WTO to enlarge production and trade of goods and services, ensure optimum utilisation of world resources, and protect the environment. Its participation has helped balance trade relations between developed and developing nations by seeking greater market access and removing trade barriers. Overall, India's role in WTO strengthens global trade fairness and represents the voice of developing economies effectively.

Key Points: Active participation in fair global trade rules - Advocacy for developing countries - Commitment to trade liberalisation by reducing import restrictions and tariffs - Support for WTO objectives on production, trade, resource use, and environment - Representation of developing nations' interests

Question 25.

Critically appraise the Industrial Licensing policy initiated by the government during the planning period of India.

[3 Marks]

Answer: Industrial Licensing Policy in India

The Industrial Licensing Policy required entrepreneurs to obtain government permission before starting, closing, or expanding production of industrial units. This was aimed to regulate industrial growth and ensure balanced regional development.

Positive Aspects: It helped the government control key industries and avoid concentration of economic power in few hands. It promoted industrialization in backward regions by making licenses easier to get there. This policy ensured planned and balanced industrial growth aligned with national economic goals.

Negative Aspects: The policy led to excessive red tape and bureaucratic delays, discouraging private enterprise. It restricted entrepreneurial freedom and slowed industrial progress. Many entrepreneurs faced difficulties due to stringent licensing norms, which hampered innovation and

efficiency.
Conclusion: While the policy helped in protecting nascent industries and achieving regional balance, it also created obstacles for vibrant private sector growth, leading to calls for liberalization in later years.

> **Key Points: Regulated industrial growth - Promoted backward region development - Caused bureaucratic delays and limited private sector freedom**

Question 26.

"Some economists argue that once a technology proves to be profitable and becomes widely adopted, subsidies should be gradually withdrawn."

Defend or refute the given statement with valid arguments.

[3 Marks]

Answer: Defence of the statement: Subsidies are often introduced to encourage the adoption of new technologies by reducing initial costs and risks, especially when the benefits are uncertain. Once the technology becomes profitable and widely accepted, continuing subsidies may cause unnecessary fiscal burden and distort market prices. Removing subsidies can promote efficient resource use and competition.
Refutation of the statement: In some cases, technology adoption still requires support due to risks, externalities, or market failures. Subsidies can help small farmers or disadvantaged groups continue using the technology safely. Sudden removal may cause hardship and reduce innovation incentives.
Conclusion: Subsidies should be gradually reduced and targeted, ensuring they support those who still need assistance while encouraging market efficiency and innovation.

> **Key Points: Subsidies encourage initial adoption - Remove subsidies after technology is profitable to reduce fiscal burden - Subsidies may still be needed for small farmers or risks - Gradual and targeted withdrawal is best**

Section C

Question 27.

Distinguish between Revenue Expenditure and Capital Expenditure with the help of suitable examples.

[4 Marks]

Answer: Revenue Expenditure: It is the expenditure incurred for the day-to-day running of the business or government and does not create any long-term asset. It is spent on items that are

consumed within a year. Examples include salaries, rent, utilities, and repairs.
Capital Expenditure: It is the expenditure incurred to acquire or improve long-term assets that will benefit the business or government for many years. It creates assets or increases their value. Examples include purchase of machinery, buildings, and land.
Summary: Revenue Expenditure is for current expenses and does not create assets, whereas Capital Expenditure is for buying or improving fixed assets and benefits are received for the long term.

Key Points: Revenue Expenditure is for day-to-day expenses - Capital Expenditure is for acquiring or improving fixed assets - Revenue Expenditure does not create assets but Capital Expenditure does

Question 28.

Using suitable examples, distinguish between Revenue Receipts and Capital Receipts.

[4 Marks]

Answer: Revenue Receipts: These are the receipts which do not create any liability and are earned regularly by the government. They include tax revenues such as income tax, sales tax, and customs duty, and non-tax revenues like fees, fines, and dividends from public sector enterprises.
Capital Receipts: These receipts either create liability or reduce assets of the government. They include loans raised by the government, recoveries of loans given out earlier, and money received from the sale of government assets or disinvestment in Public Sector Undertakings.
Example of Revenue Receipt: Income tax collected from citizens.
Example of Capital Receipt: Loan taken from the Reserve Bank of India or sale of government land.

Difference: Revenue receipts are recurring and do not create liability, whereas capital receipts are non-recurring and either create liability or reduce assets.

Key Points: Revenue receipts are recurring income that do not create liability - Capital receipts are funds raised through borrowing or asset sales that create liability or reduce assets - Examples of revenue receipts include taxes and fees; examples of capital receipts include loans and sale of government property

Question 29.

Estimate the value of incremental investment if, equilibrium level of income increases by ₹ 50,000 crore and half of additional income is always saved in the economy.

[4 Marks]

Answer: Given: Increase in equilibrium income (ΔY) = 50,000 crore, Saving rate = 0.5 (since half of additional income is saved).
Step 1: Calculate Marginal Propensity to Consume (MPC). MPC = 1 - Saving rate = 1 - 0.5 = 0.5.

Step 2: Calculate the investment multiplier (k). Multiplier k = 1 / (1 - MPC) = 1 / (1 - 0.5) = 1 / 0.5 = 2.
Step 3: Use the multiplier formula ΔY = k * ΔI to find the incremental investment (ΔI).
Rearranged: ΔI = ΔY / k = 50,000 / 2 = 25,000 crore.
Answer: The value of incremental investment required for the given increase in equilibrium income is ₹ 25,000 crore.

> **Key Points: Equilibrium income increase - Marginal Propensity to Consume calculation - Investment multiplier formula - Incremental investment calculation**

Question 30.

The Reserve Bank of India (RBI) has decided to increase the loan amount to 90% of the security value, from the prior rate of 80%."

In the light of above statement, identify the type of monetary measure exercised by the Reserve Bank of India (RBI) and its likely impacts on the Aggregate Demand of the economy.

[4 Marks]

Answer: Type of Monetary Measure: The RBI's decision to increase the loan amount to 90% of the security value is an example of an expansionary monetary measure, specifically a quantitative credit control policy.
Impact on Aggregate Demand: By allowing banks to lend more against security, more credit becomes available in the economy, encouraging investment and consumption. This increase in credit availability leads to higher aggregate demand as businesses and consumers have greater access to funds for spending and investment. Therefore, aggregate demand in the economy is likely to increase, which can stimulate economic growth.
Conclusion: The RBI's measure helps to increase money supply and credit flow, thereby increasing aggregate demand and promoting economic activity.

> **Key Points: Expansionary monetary measure - Increased loan to value ratio - Higher credit availability - Increased aggregate demand - Stimulated economic growth**

Question 31.

Describe the role of government in improving the efficiency of human capital formation in India.

[4 Marks]

Answer: Role of government in improving human capital formation in India:
The government plays a crucial role in enhancing human capital formation by investing in key areas such as education and health, which are essential for people's all-round development. It allocates substantial financial resources to develop schools, colleges, universities, and healthcare facilities across the country. The government also implements policies to ensure equal access to quality

education and healthcare for all sections of society, promoting economic growth and social equity. It runs various schemes for skill development, vocational training, and literacy programs to improve the skills and productivity of the workforce. Moreover, the government collaborates with state and local governments to reach remote and underprivileged areas, thus expanding the reach of human capital development. By focusing on scientific and technical education, the government helps build a skilled labor force that can contribute effectively to the economy. Despite a reduction in direct economic roles recently, the government continues to facilitate capacity building through planning and support services, ensuring sustainable development and improved quality of life.

Key Points: Investment in education and health - Ensuring equal access to services - Promoting skill development and vocational training - Collaboration with state and local governments - Focus on scientific and technical education

Question 32.

“Traditional knowledge and practices are still applicable in ensuring sustainable development.”

Do you agree with the given statement ? Support your answer with valid reasons.

[4 Marks]

Answer: Answer:

Yes, I agree that traditional knowledge and practices are still applicable in ensuring sustainable development.

Firstly, traditional practices are based on local natural resources and have been developed over centuries to conserve the environment. They promote the sustainable use of resources without harming nature.

Secondly, such practices often emphasize balance and harmony between humans and nature, helping maintain biodiversity and ecological stability.

Thirdly, many traditional agricultural techniques focus on soil fertility, water conservation, and crop diversity which reduce dependency on chemical fertilizers and pesticides, leading to environmental protection.

Finally, using traditional knowledge can help avoid environmental risks and ensure resources are available for future generations.

Therefore, integrating traditional knowledge with modern technology can lead to eco-friendly and sustainable development, benefiting both present and future society.

Key Points: Traditional knowledge conserves environment - Emphasizes harmony between humans and nature - Promotes sustainable use of resources - Supports biodiversity and ecological balance - Encourages soil and water conservation - Helps avoid environmental risks for future generations

Question 33.

On the basis of the given data, comment on trends of output growth in different sectors (1980 – 2018), between India and Pakistan.

[4 Marks]

Country	1980 – 90			2014 – 18		
	Agriculture	Industry	Services	Agriculture	Industry	Services
India	3·1	7·4	6·9	3·1	6·9	7·6
Pakistan	4	7·7	6·8	1·7	4·8	5·0

Answer: The table provides yearly growth rates of Agriculture, Industry, and Service sectors for India and Pakistan during 1980–90 and 2014–18. In Agriculture, India showed a growth of about 3.1% per year in the 1980s, reflecting steady production, while Pakistan's growth was lower and less stable. In Industry, both countries experienced a decline in growth rates over time, with India starting higher but reducing later, indicating slower industrial development recently. The Service sector in India showed a positive and increasing growth trend, becoming a major contributor to GDP, whereas Pakistan's service growth was lower and less consistent. Overall, India has shown better performance in output growth across all sectors especially services compared to Pakistan from 1980 to 2018.

Key Points: India's higher agricultural growth - Declining industrial growth in both countries - Strong service sector growth in India

Question 34.

Study the given image carefully and answer the questions that follow

(i) Identify the artificial waterway during colonial rule that served as a highway between India and Britain.

(ii) In which year was this artificial maritime route officially opened for international navigation ?

(iii) Describe the economic significance of artificial waterways between the Mediterranean and the Red Sea.

[4 Marks]



Answer: (i) The artificial waterway that served as a highway between India and Britain during colonial rule is the **Suez Canal**.
(ii) The Suez Canal was officially opened for international navigation in **1869**.
(iii) The economic significance of these artificial waterways, especially the Suez Canal, lies in providing a **direct sea route** between the Mediterranean Sea and the Red Sea. This route greatly shortened the travel distance for ships sailing between Europe and South Asia, avoiding the long and dangerous journey around the southern tip of Africa. It facilitated faster and cheaper trade, boosting economic exchanges between continents. This canal also enhanced the strategic and commercial importance of the regions it connected and increased global trade efficiency.

Key Points: Suez Canal - Opened in 1869 - Shortened trade route between Europe and Asia - Boosted economic and strategic importance - Facilitated faster international trade

Question 35.

"The real motive behind infrastructural development under the British rule was not to provide basic amenities to the people of India, but to subserve various colonial interests."

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

[4 Marks]

Answer: Yes, I agree with the statement. The British built roads, railways, and ports mainly to serve their own economic and military interests, not to improve the living conditions of Indians. The infrastructure was designed to transport raw materials from Indian villages to ports for export to Britain. Railways helped British troops move quickly to suppress any rebellion. Little attention was paid to connecting rural areas or promoting Indian industries. These developments helped Britain exploit India's resources and strengthen its control rather than provide basic amenities to Indians.
Reasons: (1) Roads and railways linked production centers to ports for export, not to improve local

connectivity.
(2) Railways helped in mobilizing British troops rapidly.
(3) Infrastructure developments boosted colonial profits by facilitating resource extraction.
(4) Indian industries suffered due to focus on raw material exports. Thus, infrastructural development was selfish and served colonial interests rather than public welfare.

Key Points: British infrastructure served colonial economic interests - Roads and railways were for resource extraction and military control - Little focus on Indian welfare or local connectivity

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Section D

Question 36.

(i) Distinguish between Real Gross Domestic Product and Nominal Gross Domestic Product using a numerical example.

(ii) Define the concept of 'Externalities'.

[6 Marks]

Answer: (i) **Distinction between Real GDP and Nominal GDP:**
Nominal GDP is the value of all final goods and services produced within a country in a given year measured at current prices, whereas Real GDP is the value of all final goods and services produced within a country measured at constant prices (base year prices), which removes the effect of inflation.

Example:
Suppose a country produces 100 units of a product priced at 10 in base year and 12 in current year.
Nominal GDP = 100 units * 12 = 1200
Real GDP = 100 units * 10 (base year price) = 1000
This shows that Nominal GDP can increase due to price rise even if production remains the same, whereas Real GDP reflects the actual production change.

(ii) **Definition of Externalities:**
Externalities are the positive or negative effects of economic activities on third parties who are not directly involved in the transaction. For example, pollution from a factory causes negative externalities affecting the health of nearby residents, while education creates positive externalities by benefiting society as a whole beyond the individual learner.

Key Points: Nominal GDP uses current prices - Real GDP uses constant base year prices - Real GDP adjusts for inflation - Externalities affect third parties not involved in the

transaction - Externalities can be positive or negative

Question 37.

Calculate the values of Operating Surplus and Gross Domestic Product at Market Price (GDP_ MP) from the following data :

[6 Marks]

S. No.	*Particulars*	*Amount (in ₹ crore)*
(i)	Rent	120
(ii)	Profits	200
(iii)	Domestic Income	720
(iv)	Mixed Income	70
(v)	Wages and Salaries	300
(vi)	Indirect Taxes	150
(vii)	Subsidies	50
(viii)	Consumption of fixed capital	200
(ix)	Interest	30
(x)	Dividend	120
(xi)	Net factor income from abroad	20

Answer: Answer:

Let us assume the given data includes figures such as Net Domestic Product at Market Prices (NDP_{MP}) and Depreciation (DeP) or any other required components to calculate Operating Surplus and GDP_{MP}. To calculate Operating Surplus and GDP_{MP}, follow these steps:

(a) **Calculate Gross Domestic Product at Market Prices (GDP_{MP}):**

$GDP_{MP} = NDP_{MP}$ + Depreciation

This is because NDP_{MP} is the net value which excludes depreciation, so adding depreciation back will give GDP_{MP}.

(b) **Calculate Operating Surplus:**

Operating Surplus is the part of GDP which remains after paying wages and taxes less subsidies. It can be calculated as:

Operating Surplus = GDP_{MP} - Compensation of Employees - Net Indirect Taxes

In summary,

1. Find GDP_{MP} by adding depreciation to NDP_{MP}.
2. Subtract wages and net indirect taxes from GDP_{MP} to get the Operating Surplus.

These calculations help determine the income generated from production activities including profits, rents, and interests, represented by Operating Surplus, and the total value of goods and services produced within the country, represented by GDP at Market Prices.

Key Points: GDP_MP calculation involves adding depreciation to NDP_MP - Operating Surplus equals GDP_MP minus wages and net indirect taxes - Understanding these concepts helps in measuring economic performance

Question 38.

Read the following passage carefully :

Any institution which accepts deposits from the public and advances loans is a bank. Banks are broadly categorised into :

• Commercial Banks, and

• Central Bank.

Commercial banks accept deposits from public and use these deposits for giving loans. Banks keep a fraction of deposits as reserves. Generally, all depositors do not demand their money at the same time. The Central Bank of a country is responsible for controlling credit creation. The Reserve Bank of India (RBI) regulates the money supply in India through its monetary policy.

On the basis of the above passage and common understanding, answer the following questions :

(i) State the meaning of a Bank.

(ii) Mention any two traits that distinguish Central Bank from Commercial Banks.

(iii) “Open market operation is the tool used by Reserve Bank of India (RBI) to regulate money supply in the economy.”

Justify the given statement with valid arguments.

[6 Marks]

Answer: (i) A bank is any institution which accepts deposits from the public and advances loans to them. It acts as a financial intermediary between depositors and borrowers.
(ii) Two traits that distinguish Central Bank from Commercial Banks are:
1. The Central Bank issues currency notes and controls the money supply in the country, while Commercial Banks do not issue currency.
2. The Central Bank regulates and supervises Commercial Banks and acts as a banker to the government, whereas Commercial Banks deal mainly with the public and businesses.
(iii) Open Market Operation (OMO) is a tool used by RBI to regulate the money supply in the economy. OMO involves the buying and selling of government securities in the open market by the

RBI. When RBI buys government bonds, it pays money to the sellers, increasing the money supply in the economy. Conversely, when RBI sells government bonds, it takes money out of circulation, reducing the money supply. This way, RBI can either encourage spending and investment by increasing money supply or control inflation by reducing money supply through OMO. Thus, OMO is an effective method used by RBI to maintain economic stability.

Key Points: Bank accepts deposits and advances loans - Central Bank issues currency and regulates other banks - RBI uses Open Market Operations to control money supply

Question 39.

(i) “Information Technology plays a very significant role in achieving sustainable development and food security.”

Justify the given statement with valid arguments.

(ii) State the meaning of ‘self-employed worker’ with suitable example.

[6 Marks]

Answer: (i) Information Technology (IT) helps achieve sustainable development and food security by providing timely and accurate information to farmers and policymakers. IT tools can predict areas of food scarcity and help take preventive actions. IT also supports e-governance, improving service delivery and transparency in agricultural schemes. Access to weather updates, soil condition data, and market prices through mobile apps helps farmers make informed decisions, improving crop yield and reducing losses. This results in sustainable use of resources and ensures food security.
(ii) A 'self-employed worker' is a person who works for themselves and does not work as an employee for any employer. They run their own business or trade and earn income directly from their activities. For example, a tailor who makes and sells clothes independently is a self-employed worker. They are responsible for their own work and income without any fixed salary from an employer.

Key Points: IT predicts food scarcity - IT supports e-governance and service delivery - IT provides farmers market and weather information - Self-employed worker works independently - Example: tailor who runs own business

Question 40.

(i) Distinguish between formal and informal sector with suitable examples.

(ii) Define worker population ratio with its significance.

[6 Marks]

Answer: (i) Difference between Formal and Informal Sector:
The formal sector consists of all public sector establishments and private sector enterprises that

employ 10 or more hired workers. These establishments are registered and follow government rules and regulations. Workers in this sector get job security, regular wages, and social benefits like provident fund and pension. Example: Government offices, large factories.

The informal sector includes all other enterprises and workers that are not covered under the formal sector. These are mostly small, unregistered businesses and home-based industries. Workers here do not have job security or social benefits. Example: Street vendors, domestic workers.

(ii) Worker Population Ratio:
The worker population ratio is defined as the percentage of the total workers to the total population aged 15 and above. It is calculated as: (Total Workers / Total Population aged 15+) * 100. This ratio indicates the proportion of working people in the population and helps in understanding the economic activity and employment level in a country. Higher worker population ratio means more people are engaged in productive work which is good for economic growth.

> **Key Points: Formal sector has large, registered enterprises with job security - Informal sector has small, unregistered enterprises without job security - Worker population ratio measures percentage of working population indicating employment level**

Question 41.

Read the following passage carefully :

In the present times, green investment and sustainability are priorities in public policy. India has emerged as a global leader at the front of the climate change.

India has pledged to seek solutions for the future. The government has contributed to maintain economic growth by implementing various policies and measures relating to sustainable development. Pradhan Mantri Ujjwala Scheme has actively contributed to cleaner air. The Jal Jeevan Mission was launched with the objective of achieving water security.

The greenhouse effect is a natural process that warms the Earth's surface, where certain atmospheric gases, known as greenhouse gases, trap heat from the sun and re-emit it, keeping the planet warm enough to support life. In the present times, the issue of greenhouse gases and rising temperature of the Earth are a global concern.

On basis of the above passage and common understanding, answer the following questions :

(a) Discuss any two steps involved in attaining sustainable development in India.

(b) Mention any two factors which challenged the carrying capacity of the environment.

(c) Define Greenhouse effect.

[6 Marks]

Answer: (a) Two important steps involved in attaining sustainable development in India are:
1. Pradhan Mantri Ujjwala Scheme: This scheme aims to provide clean cooking fuel like LPG to women in poor households, which helps in reducing indoor air pollution and contributes to cleaner air.
2. Jal Jeevan Mission: This mission focuses on providing safe and adequate drinking water through individual household tap connections by 2024, which ensures water security in rural areas and promotes sustainable water management.

(b) Two factors that have challenged the carrying capacity of the environment are:
1. Increased population pressure which leads to over-consumption of natural resources causing resource depletion.
2. Pollution from industrialisation and urbanisation which degrades air, water and soil quality, affecting environmental health.

(c) Greenhouse effect is a natural process by which certain atmospheric gases called greenhouse gases trap the heat radiated from the Earth's surface and re-radiate it back, keeping the planet warm enough to support life. However, excessive greenhouse gases due to human activities increase the Earth's temperature leading to global warming and climate change.

> **Key Points: Pradhan Mantri Ujjwala Scheme - Jal Jeevan Mission - Population growth and pollution - Definition of Greenhouse effect**