

CBSE Board Examination – 2025

ECONOMICS

Solved Paper

Class– 12th

(All Sets of Delhi & Outside Delhi)

Maximum Marks: 80

Time allowed: 3 hours

GENERAL INSTRUCTIONS:

Read the following instructions carefully and follow them:

- This question paper contains **34** questions. All questions are **compulsory**.
- This question paper contains **two** sections:
Section A: Macro Economics
Section-B: Indian Economic Development
- This Question paper contains **20** Multiple Choice type questions. Each question carries **1** mark.
- This Question paper contains **4** Short Answer Type-I questions. Each question carries **3** marks. Answer these questions in **60** to **80** words.
- This Question paper contains **6** Short Answer Type-II questions. Each question carries **4** marks. Answer these questions in **80** to **100** words.
- This Question paper contains **4** Long Answer type questions. Each question carries **6** marks. Answer these questions in **100** to **150** words.
- Attempt **all** parts of a question together.
- In addition to this, NOTE that a separate question has been provided for Visually Impaired candidates in lieu of questions having visual inputs, map etc. Such questions are to be attempted by Visually Impaired candidates only.
- There is no overall choice in the question paper. However, an internal choice has been provided in few questions. Only one of the choices in such questions has to be attempted.

Delhi Set– 1

66/1/1

SECTION-A (Macro Economics)

1. In the context of Current Account transactions of Balance of Payment, identify the incorrect statement from the following: (Choose the correct option)

Options:

- (A) Export of goods and services are recorded as credit items.
(B) Import of goods and services are recorded as debit items.
(C) All transfer payments are recorded as debit items.
(D) All transfer receipts are recorded as debit items.
2. From the items given in Column-I and Column-II, choose the correct pair.

	Column-I		Column-II
(a)	Income from Property	(i)	Old age pension
(b)	Income from Entrepreneurship	(ii)	Profit
(c)	Mixed Income	(iii)	Rent free accommodation from an employer
(d)	Compensation of Employees	(iv)	Interest from capital

Options:

- (A) (a) - (i) (B) (b) - (ii)
(C) (c) - (iii) (D) (d) - (iv)

3. Read the following statements carefully:

Statement-1: Managed floating exchange rate system is an amalgamation of fixed and flexible exchange rate system.

Statement-2: Managed floating exchange rate system is also known as 'hybrid system'.

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

- (A) Statement 1 is true and Statement 2 is false.
(B) Statement 1 is false and Statement 2 is true.
(C) Both Statements 1 and 2 are true.
(D) Both Statements 1 and 2 are false.
4. "Irfaan (a student) borrows ₹80,000 to finance his college fee. He plans to begin repaying the loan six months after his graduation, making payments over a span of ten years."

Based on the above text, identify the indicated function of money. (Choose the correct option)

Options:

- (A) Medium of Exchange
(B) Unit of Account
(C) Standard of Deferred Payments
(D) Store of Value
5. Suppose, the saving curve of an economy makes an intercept at a negative value of ₹ 50 crores. In the economy, 20% of an income increase is saved.

In the light of above context, identify the value of investment multiplier (K).

Options:

- (A) 2 (B) 5
(C) 10 (D) ∞ (infinite)

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

Assertion (A): Public goods are those goods that are collectively consumed by the public.

Reason (R): Public goods are excludable and rivalrous in nature.

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
 (C) Assertion (A) is true, but Reason (R) is false.
 (D) Assertion (A) is false, but Reason (R) is true.
7. Suppose, the value of Average Propensity to Consume (APC) is 0.8 and National Income is ₹4,000 crores, the value of saving would be ₹ _____ crores. (Choose the correct option to fill up the blank)

Options:

- (A) 100 (B) 200
 (C) 500 (D) 800
8. In the context of the Commercial Banks, which of the following statements are correct? (Choose the correct option)
- (I) Deposits received are liabilities for Commercial Banks.
 (II) They are creator of credit in the economy.
 (III) They accept deposits from general public.
 (IV) They accept deposits on behalf of Reserve Bank of India.
- Options:**
- (A) (I), (II) and (III) (B) (II) and (III)
 (C) (I) and (II) (D) (I) and (IV)
9. If a country exports goods worth of ₹600 crores and imports goods worth of ₹450 crores, the value of Balance of Trade of the country would be _____ of ₹ _____ crores.
- (A) deficit, 150 (B) surplus, 150
 (C) deficit, 1,050 (D) surplus, 1,050
10. From the set of terms given in Column-I and Column-II, choose the correct pair:

	Column-I		Column-II
(a)	Non-tax Revenue	(i)	Goods and Services Tax
(b)	Indirect Tax	(ii)	Free-rider
(c)	Capital expenditure	(iii)	Borrowings
(d)	Private goods	(iv)	Rivalrous in nature

Options:

- (A) (a) - (i) (B) (b) - (ii)
 (C) (c) - (iii) (D) (d) - (iv)
11. (a) Calculate the value of Net Value Added at Factor Cost (NVA_{FC}):

S. No.	Particulars	Amount (In ₹ crore)
(i)	Operating surplus	3,740
(ii)	Increase in unsold stock	600

(iii)	Sales	10,625
(iv)	Purchase of raw materials	2,625
(v)	Consumption of fixed capital	500
(vi)	Subsidies	400
(vii)	Indirect taxes	1,200

OR

- (b) Distinguish between Net Factor Income from Abroad (NFIA) and Net Exports (X-M).
12. "The Government had launched Incredible India Campaign to promote tourism in various parts of the country." Elaborate the impact of this campaign on foreign exchange reserves and Balance of Payment of India.
13. "Under the Ayushman Bharat Scheme, the government provides free medical treatment to the poorer section of the society." Identify and explain the nature of budget expenditure and its objective, indicated in the given statement.
14. Suppose in an economy, primary deposits are ₹500, if the Reserve Ratio is 25%. Estimate the total deposits created and the total lending by the banking system.
15. (a) In an economy; $C = 200 + 0.75 Y$ (where C is consumption expenditure and Y is National Income). Investment expenditure is ₹4,000 crore. Calculate the following:
 (i) Equilibrium level of income.
 (ii) Total consumption expenditure at equilibrium income level.

OR

- (b) Explain the adjustment mechanism in case ex-ante savings are greater than ex-ante investments.
16. Read the following text carefully:
 Union Food and Consumer Affairs Minister said that the Central Government has taken many proactive steps in the past few years to control retail prices of food items. He said that the government aims to keep inflation under control without compromising the country's economic growth. Retail inflation inched up to a three-month high of 5.55% in November 2023 driven by higher food prices. Inflation has been declining since August 2023, when it touched 6.83%. 140 new price monitoring centres had been set up by the Central Government to keep a close watch on wholesale and retail prices of essential commodities. The Government has banned the export of many food items like wheat, broken rice, non-basmati white rice, onions, etc. It has also reduced import duties on edible oils and pulses to boost domestic supply and control price rise.
 On the basis of the given text and common understanding, answer the following questions:
 (a) Mention the number of new price monitoring centres set up by government.
 (b) State any two proactive measures taken by government to boost domestic supply and reduction in prices.
 (c) Explain any one monetary measure used to control inflation.
17. (a) (i) Explain any two precautions to be adopted while estimating National Income by Expenditure method.
 (ii) "Higher Gross Domestic Product (GDP) always means higher (per capita availability of goods in the economy." Defend or refute the given statement as the index of welfare of the people of that country.

OR

- (b) (i) Distinguish between Stock and flow variables, using suitable examples.
- (ii) Explain the components of 'Profit' as per Income Method of estimating National Income (NNP_{FC}).

SECTION-B**(Indian Economic Development)**

18. _____ sector was the primary focus of the Great Leap Forward in China. (Fill up the blank with correct option)

Options:

- (A) Tax (B) Industrial
(C) Financial (D) Educational

19. Study the following picture:



Identify and select, the recent phenomenon in which demand for resources surpasses their supply.

Options:

- (A) Economic growth
(B) Environmental crisis
(C) Technological advancement
(D) Cultural evolution

Note: The following question is for the visual impaired candidates only, in lieu of Q. No. 19.

Identify, which of the following is NOT one of the strategies for Sustainable Development.

- (A) Use of non-conventional sources of energy
(B) Use of fossil fuel for transportation
(C) Use of traditional knowledge
(D) Use of organic compost manure

20. Read the following statements carefully:

Statement-1: Hired workers may be regular salaried workers or casual workers.

Statement-2: Regular salaried employment is a major source of employment in rural areas in India.

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

- (A) Statement 1 is true and Statement 2 is false.
(B) Statement 1 is false and Statement 2 is true.
(C) Both Statements 1 and 2 are true.
(D) Both Statements 1 and 2 are false.

21. From the terms given below in Column-I and Column-II, choose the correct pair of statements:

	Column-I		Column-II
(a)	Subsidies	(i)	Maximum quantity of goods that can be imported

(b)	Land ceiling	(ii)	Element of IPR 1956
(c)	Small Scale Industries	(iii)	Land to the tiller
(d)	Modernisation as a goal of five year plan	(iv)	Change in social outlook

Options:

- (A) (a) - (i) (B) (b) - (ii)
(C) (c) - (iii) (D) (d) - (iv)

22. "It is short-term unemployment occurring, as people transit between jobs."

On the basis of given definition, identify the type of unemployment indicated. (Choose the correct option)

Options:

- (A) Disguised Unemployment
(B) Seasonal Unemployment
(C) Open Unemployment
(D) Frictional Unemployment

23. Read the following statements carefully: Assertion (A) and Reason (R).

Choose the correct option from the given below:

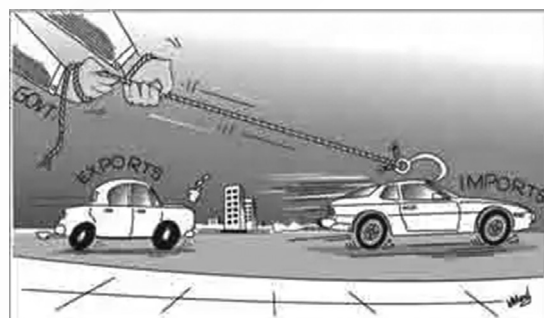
Assertion (A): Prior to economic reforms, public investment in social infrastructure by China resulted in better Human Development Indicators (HDI).

Reason (R): China is ahead of India and Pakistan on many Human Development Indicators (HDI).

Options:

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

24. Study the following image carefully:



Identify, the trade practice that has successfully replaced foreign goods with domestic production.

Options:

- (A) Export Promotion
(B) Export Substitution
(C) Import Proliferation
(D) Import Substitution

Note: The following question is for the visually impaired candidates only, in lieu of Q. No. 24.

_____ refers to a trade policy aimed at reducing reliance on imported goods by encouraging domestic production.

Options:

- (A) Export Promotion
(B) Export Substitution
(C) Import Substitution
(D) Import Proliferation

25. From the following terms given in Column-I, match the correct pair of meaning given in Column-II:

	Column-I		Column-II
(a)	Human Development Indicator	(i)	Rule of Law
(b)	Demographic Indicator	(ii)	Constitutional Protection
(c)	Special Economic Zone	(iii)	Generation of additional economic activities
(d)	Commune System	(iv)	Collective industrialisation

Options:

- (A) (a) - (i) (B) (b) - (ii)
(C) (c) - (iii) (D) (d) - (iv)

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

Assertion (A): Human capital formation increases the rate of participation of population to economic activities and leads to economic growth.

Reason (R): Rate of participation of people refers to the percentage of people engaged in production process of a country.

Options:

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

27. India is NOT a member of which of the following regional/global economic grouping?

- (A) BRICS (B) SAARC
(C) G-20 (D) G-7

28. (a) "Cooperatives have received a setback during the recent past." Justify the given statement with valid explanation.

OR

- (b) Explain the reasons behind less number of regular salaried employees in rural areas as compared to urban areas.

29. Trace the relationship between Human capital and Economic growth.

30. (a) "Bio-pesticides help to reduce the ill-impacts of green revolution on soil and water bodies while promoting sustainable development." Justify the given statement with valid explanation.

- (b) Define Absorptive capacity.

31. (a) Describe briefly a rationale behind choosing 'Self-reliance' as a planning objective for the Indian economy.

OR

- (b) Explain how, Goods and Services Tax (GST) has simplified the multiplicity of taxes on goods and services.

32. Describe the path of developmental initiatives taken by Pakistan for its economic development.

33. (a) Giving valid reasons, state whether the following statements are true or false.

- (i) India followed unbalanced growth during the colonial rule.
(ii) The economic policies implemented in India between 1950-1990's sought to promote regional equality.
(iii) India has become a favourable destination of outsourcing, in post 1991 period.

OR

- (b) (i) Distinguish between:

- (1) Tariff and non-tariff barriers
(2) Bilateral and multilateral trade

- (ii) "Small-Scale Industries require a shield against large scale industries."

In the light of given statement, elaborate the steps initiated by the government in this direction.

34. Read the following text carefully:

Agro-startups and rural enterprises are becoming increasingly vital for rural development in India. They address the critical challenges faced by rural sector in India. These ventures bring in technological innovations such as precision farming, IT-based monitoring system and data-driven decision making tools that enhance productivity and resource efficiency. By streamlining supply chains and creating direct market linkages, they ensure better pricing for farmers and reduce dependency on traditional intermediaries. Such enterprises contribute actively to employment generation in the rural areas. The government has demonstrated a continuous policy and financial support for agri-startups and entrepreneurs through various programs like RKVY-RAFTAAR, the Agri-infrastructure fund and Agri-SURE.

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

- (a) Explain, how agro-startups address the critical challenges faced by the agricultural sector.
(b) Comment on the role of government in supporting agro-startups and entrepreneurs in India.

Except these, all other questions have been given in Delhi Set-1

12. (a) "Saksham owns a manufacturing facility where microchips are utilised in the production of electronic devices, including computers and smartphones."

From the above text, identify whether the given statement refers to an intermediate goods or final goods. Give valid reason in support of your answer.

13. "A significant proportion of subsidies on fertilizer was a key component of the fiscal statement of the Central Government for year 2023-24."
Identify the nature of government expenditure and its objective.

17. (i) Explain any two precautions to be adopted while estimating National income by Income method.

OR

- (b) (i) Distinguish between factor income and transfer income with suitable examples.

31. (a) "In the mountainous regions, mini-hydel plants prove to be cost effective as well as eco-friendly."
Justify above statement with valid arguments.

- (b) Define absorptive capacity.

34. (a) Giving valid reasons, state whether the following statements are true or false.

- (i) There was growth in agricultural sector due to expansion of aggregate area under cultivation, during the colonial era.

- (ii) The objective of World Trade Organisation (WTO) is to establish a rule based regime, in the world trade.

- (iii) Economic growth with regional disparity was the main goal of planning in India.

Delhi Set- 3

66/1/3

Except these, all other questions have been given in Delhi Set-1

12. "All consumption goods are durable in nature."

Defend or refute the given statement with the help of a suitable example.

13. "In the recent Budget, the Government allocated funds for construction of new metro lines in smart cities to improve public transportation and reduce pollution."

Identify the nature of government expenditure and

its objective.

17. (a) (i) Explain any two precautions to be adopted while estimating National Income by Value-added method.

28. Distinguish between Physical Capital and Human Capital.

31. (v) Define Carrying Capacity.

Outside Delhi Set- 1

66/2/1

Note: Follow the same General Instructions as given in Delhi Set-1

SECTION-A

(Macro Economics)

1. The monetary policy is formulated by the in the Indian economy. (Choose the correct option to fill up the blanks)

- (A) Central Government
(B) State Governments
(C) Reserve Bank of India
(D) World Bank

2. Identify, which of the following is not to be considered while estimating Revenue Deficit of a country. (Choose the correct option)

- (A) Wages and salaries paid by the government
(B) Interest payments made by the Central Government
(C) Direct Tax Collection
(D) Expenditure incurred on construction of flyover

3. In the Keynesian Economics, _____ starts from the origin and is always drawn at an angle of 45°. (Choose the correct option to fill up the blank)

- (A) Consumption curve
(B) Aggregate demand curve
(C) Reference line
(D) Investment curve

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

Assertion (A): In case of public goods no one can be excluded from enjoying the benefits.

Reason (R): Public goods are non-rivalrous and non-excludable in nature.

Options:

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

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

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

5. Value Addition = _____ - Value of Intermediate Consumption.

(Choose the correct option(s) to complete the stated formula.)

- (i) Domestic sales
(ii) Sales-change in stock
(iii) Value of output
(iv) (Number of units produced) × (Price per unit)

- (A) (i) and (ii) (B) (ii) and (iii)
(C) (ii), (iii) and (iv) (D) (iii) and (iv)

6. Suppose for an economy, autonomous consumption stands as ₹100 crore and total consumption is ₹130 crores. The value of induced consumption would be ₹ _____ crore. (Choose the correct option to fill up the blanks)

Options:

- (A) 30 (B) 80
(C) 100 (D) 130

7. As the Banker to the bank, Reserve bank of India performs all functions except _____. (Choose the correct option to fill up the blanks)

- (A) Purchase and sale of securities on behalf of general public
(B) Maintaining current account for Commercial Banks
(C) Clearing and settlement of Interbank transactions
(D) Facilitating governmental transactions

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

Assertion (A): If the value of Marginal Propensity to Save is 0.5, Marginal Propensity to Consume will be equal to Marginal Propensity to Save.

Reason (R): Sum of Marginal Propensity to Consume and Marginal Propensity to Save always equals to unity.

Options:

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
 (C) Assertion (A) is true, but Reason (R) is false.
 (D) Assertion (A) is false, but Reason (R) is true.
9. The budget under, which the government may spend an amount equal to the revenue it collects is referred as _____ Budget. (Choose the correct option to fill up the blanks)

Options:

- (A) Surplus (B) Deficit
 (C) Balanced (D) Deflationary
10. To arrive at the value of equilibrium level of income, there must exist an equality between ex-ante _____ and _____ ex-ante. (Choose the correct option to fill up the blanks)
- (i) Aggregate Demand, Aggregate Supply
 (ii) Aggregate Demand, Savings
 (iii) Aggregate Demand, Investment
 (iv) Savings, Investment
- (A) (i) and (ii) (B) (i) and (iv)
 (C) (ii) and (iii) (D) (iii) and (iv)
11. State the meaning and significance of Gross Domestic Product (GDP) deflator.
12. (a) "The government generally levies higher Goods and Services Tax (GST) on socially undesirable products like cigarettes, tobacco, liquor etc." Identify and explain the indicated government budget objective in the above statement.

OR

- (b) Two friends Ramesh (a software engineer) and Pihu (a bakery owner) are discussing their contribution to the nation's economy through tax payments. Ramesh earns ₹8,00,000 per year, which makes him liable to pay income tax. Pihu pays Goods and Service Tax (GST) on the sale of cakes and pastries.
- On the basis of the given text, identify whether Ramesh is paying a direct tax or an indirect tax. Explain valid differences between two types of taxes.
13. (A) On the basis of the given image, explain the steps which may be taken by the Government of India to control the indicated macro-economic issue.



- (B) Define 'Open Market Operations'.

Note: The following questions are for the Visually Impaired Candidates only in lieu of Q. No. 13.

- (A) Explain any one fiscal policy measure that can be taken up by the Government to control the situation of inflation prevailing in an economy.

- (B) Define 'Open Market Operations'.

14. (a) Justify the following statements with valid arguments:

- (i) Money supply in an economy is an example of a stock variable.
 (ii) The Central Bank provides several Banking services to the government.

OR

- (b) Assuming for a hypothetical economy, Central Bank increases the Reserve Ratio from 20% to 25% and the total primary deposits stand at ₹ 1,000.

Explain the effect of rise in Reserve Ratio on credit creation by commercial banks.

15. Suppose for an economy, government proposes project for construction of expressways with an incremental investment of ₹1200 crore. Assuming, 80% of increase in income is spent on consumption.

Estimate the following on the basis of above information:

- (a) Change in income (AY).
 (b) Change in consumption (AC).

16. (a) (i) On the basis of the data given below, estimate the value of National Income (NNP_{FC})

S. No.	Items	Amount (in crore)
(1)	Private final consumption expenditure	2,000
(2)	Government final consumption expenditure	1,500
(3)	Gross domestic fixed capital formation	1,000
(4)	Addition to stock	400
(5)	Consumption of fixed capital	50
(6)	Net factor income from abroad	100
(7)	Net indirect Taxes	200
(8)	Net Exports	700

- (ii) Differentiate between Real flow and Money flow.

OR

- (b) (i) Gauhar, has recently completed her fashion designing studies and started a boutique. To produce dresses for sale, she purchased various materials, including a sewing machine, fabric, buttons and thread. These items are essential for producing the dresses.

Classify the material purchased by Gauhar as Final or Intermediate goods, giving valid reasons in support of the classifications.

- (ii) "National Income is always equal to Domestic income in a two sector economy."

Defend or refute the given statement with valid reasons.

17. Read the following text carefully:

Balance of Payments (BoP) systematically summarise, the economic transactions of an economy with the rest of the world, over a given period of time.

The BoP can be broadly divided into two accounts namely:

- current account
- capital account

The current account measures the transfer of goods, services, income and transfers between an economy and rest of the world. The current account may be sub-divided into merchandise account and invisible account. Merchandise account consists of transactions related to export and import of goods.

In the invisible account, there are three broad categories:

- Non-factor services such as travel, transportation, insurance, etc.
- Transfer which do not involve any value in exchange.
- Income which includes compensation of employees and investment income.

The capital account reflects the net changes in financial claims on rest of the world.

The capital account can be broadly broken up into two categories:

- Non-debt flows such as direct and portfolio investments.
- Debt flows such as external assistance, commercial borrowings, non-resident deposits, etc.

The sum of the two accounts indicates the overall balance, which could be either be in surplus or deficit. The movement in overall balance is reflected in changes in international reserves of the country.

Source: <https://mospi.gov.in/109-balance-payments>
(adopted and modified)

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

- Define Balance of Payments.
- Differentiate between the two accounts of Balance of Payments.
- Give the meaning of Balance of Payments deficit with formula.

SECTION - B

(Indian Economic Development)

18. _____ of agriculture refers to production of crops for sale in the open market rather than for self consumption purpose.

- (A) Commercialisation (B) Diversification
(C) Digitisation (D) Modernisation

19. Read the following statements carefully:

Statement 1: In 1978, commune lands were divided into small plots to the individual households for cultivation.

Statement 2: Under commune system, professionals were sent to work and learn from the country side.

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

- (A) Statement 1 is true and Statement 2 is false.
(B) Statement 1 is false and Statement 2 is true.
(C) Both statements 1 and 2 are true.

- (D) Both statements 1 and 2 are false.

20. Identify, the options that emphasise the role of information and technology.

- (i) Achieving sustainable development
(ii) Attainment of food security
(iii) Disseminates information regarding emerging technologies.

Options:

- (A) Only (i) (B) Only (ii)
(C) (i) and (ii) (D) (i), (ii) and (iii)

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

Assertion (A): Under the land reforms, Indian government fixed the minimum land size which could be owned by an individual.

Reason (R): The purpose of land ceiling was to avoid the concentration of land ownership in a few hands.

Options:

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

22. _____ are the people who operate their own farms / enterprises. (Choose the correct option to fill up the blanks)

- (A) Hired Workers
(B) Casual Wage Workers
(C) Regular Salaried Employees
(D) Self-Employed

23. Agricultural marketing is a process that involves the _____ of agricultural commodities. (Choose the correct option to fill up the blanks)

- (i) Privatisation (ii) Processing
(iii) Assembling (iv) Grading

Options:

- (A) (i) and (ii) (B) (ii) and (iii)
(C) (i), (ii) and (iii) (D) (ii), (iii) and (iv)

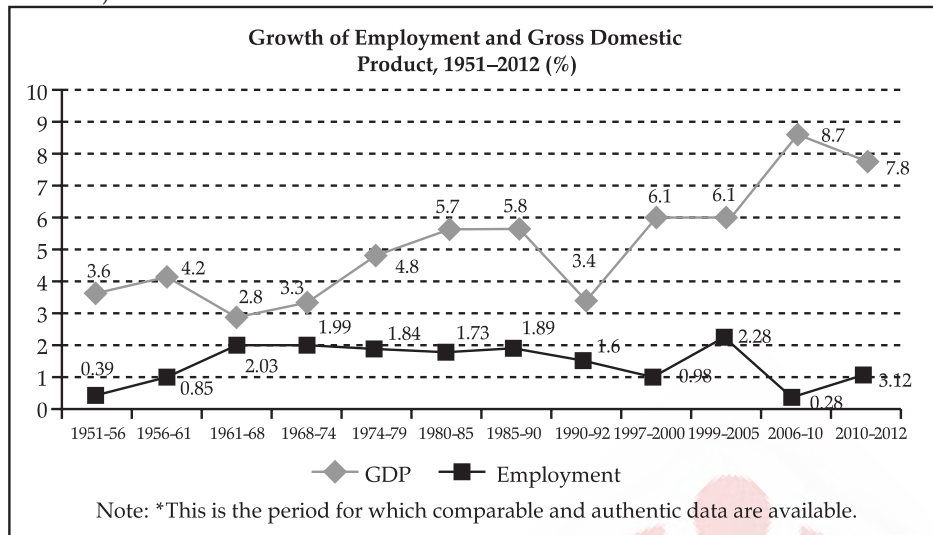
24. _____ is based on the idea that education and health are integral to human well-being. (Choose the correct option to fill up the blanks)

- (A) Human Resource
(C) Human Capital
(B) Human Development
(D) Economic Development

25. In recent years, all the adults are encouraged to open bank accounts as a part of a scheme known as _____. (Choose the correct option to fill up the blanks)

- (A) Jan-Dhan Yojana (B) Jan-Aushadhi Yojana
(C) Jan-Soochna Yojana (D) Jan-Arogya Yojana

26. The given chart indicates the problem _____ in the Indian Economy, of post 1990–92. (Choose the correct option to fill up the blanks)



Options:

- (A) Informalisation of Workforce
(B) Casualisation of Workforce
(C) Jobless Growth
(D) Formalisation of Workforce

Note: The following question is for the Visually Impaired Candidates only in lieu of Q. No. 26.

The situation under which an economy attains economic growth without corresponding rise in employment is known as _____. (Fill up the blank with correct option)

Options:

- (A) Informalisation of Workforce
(B) Casualisation of Workforce
(C) Jobless Growth
(D) Formalisation of Workforce

27. Read the following statements carefully:

Statement 1: Environmental concerns of waste generation and pollution have become critical, due to reversal of demand and supply relationship.

Statement 2: Environmental crisis happens, when the rate of resource extraction is less than that of regeneration of resource.

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

- (A) Statement 1 is true and Statement 2 is false.
(B) Statement 1 is false and Statement 2 is true.
(C) Both statements 1 and 2 are true.
(D) Both statements 1 and 2 are false.

28. (a) Define liberty indicator.

- (b) State any two liberty indicators.

29. (a) Medhya and Danish both had their own farms.

32. On the basis of the given data, compare and analyse the Distribution of workforce and its contribution to Gross Value added in India and China.

Medhya invested in a few agricultural courses, learnt modern farming techniques and trained her labourers on best practices related to soil fertility, crop management, pest control, etc.

Whereas, Danish invested heavily in, by purchasing advanced farming machinery, irrigation systems and high quality seeds.

Do you agree that, Danish had made investment in human capital?

Give valid reason in support of your answer.

OR

- (b) "Expenditure on preventive medicine, curative medicine and social medicine helps in building human capital and economic development." Do you agree with the given statement? Give valid arguments in support of your answer.

30. "The British introduced many infrastructural development project, which was largely driven by its own self-serving interest".

Briefly explain any two main causes behind the infrastructural development undertaken by the colonial government.

31. (a) "In the recent times through various schemes and policies, the Government of India has taken vital initiatives to generate employment directly / indirectly." Justify the statement giving valid arguments.

OR

- (b) "Micro credit programmes have been very helpful in supporting rural development and improving livelihoods in India."

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

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

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

Source: Human Development Report 2019: Key Indicators of Asia and Pacific 2019.

33. (a) (i) "To promote green revolution, the Indian government provided fertiliser subsidies to the farmers."
- Briefly explain any two arguments in favour of such subsidies.

- (ii) As per a news report dated 8th Oct. 2021, the Government of India sold its entire 100% stake in Air India. Tata sons, the original founder of Air India won the bid and purchased the airline for ₹18,000 crore.

- (1) Identify the step taken by the Government of India.
- (2) State any two ways in which identified step can be executed by the government.

OR

- (b) (i) "After 1991, reforms in external sector led to an increase in foreign exchange inflows".

Justify the given statement with valid argument.

- (ii) "During the planning period, public sector was given a dominant role in Indian Economy."

Justify the rationale behind this step taken by the Government of India.

34. Read the following text carefully:

Climate change and sustainability of environment are two pressing issues that have captured global attention. In recent years, the world has witnessed a surge in extreme weather events including severe droughts, cloud bursts, floods, land slides, receding coastlines and the alarming melting of arctic ice and Himalayan Glaciers. Wildfires have become more frequent and intense.

In this context, sustainable agriculture emerges as a crucial solution.

This refers to those farming practices that meet today's requirements while preserving resources for the future generation. This means adopting methods that protect the environment, reduce dependence on chemical inputs, efficiently using water and land and ensuring socio-economic equity for farmers.

On one hand sustainable agricultural practices are necessary, on the other, they are often more expensive to implement compared to conventional methods. (Sustainable practices like organic farming, climate smart technologies, modern irrigation system may seem costly upfront, but they offer long-term benefits by improving productivity, and environmental stewardship. Without accessible and affordable financing options, the much needed shift to sustainable farming practices will remain a distant dream for many.)

Therefore, sustainable finance should not only promote eco-friendly practices but also ensure that financial resources are available to the farmers who need it.

Source: <https://website.vbi.org.in/web/rbi/-/speeches-interview/financing-for-sustainable-agriculture> (adopted and modified)

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

- (a) Define Sustainable Agriculture.
- (b) "Sustainable Agriculture practices, like organic farming may seem costly initially, but offer long term benefits."
- Discuss the long term benefits these practices can offer.
- (c) State any two strategies to promote sustainable development in a developing country like India.

Outside Delhi Set-2

58/2/2

Except these, all other questions have been given in Outside Delhi Set-1

SECTION-A

12. Define Real Gross Domestic Product. How is it different from Nominal Gross Domestic Product?
15. Suppose for an economy, government proposes investment projects for construction of expressways with an incremental investment of ₹ 2,400 crore. Assuming, 80% of an income increase is spent on consumption. Estimate the following on the basis of above information:
- (a) Change in income (ΔY).
- (b) Change in consumption (ΔC).
16. (a) (i) On the basis of the data given below, estimate the value of Domestic Income (NDP_{FC}).

S. No.	Items	Amount (₹ in crore)
(1)	Private final consumption expenditure	2,000
(2)	Government final consumption expenditure	1,500
(3)	Gross domestic fixed capital formation	1,000
(4)	Addition to stock	400
(5)	Consumption of fixed capital	50
(6)	Net factor income from abroad	100
(7)	Net indirect taxes	200
(8)	Net exports	700

- (ii) Differentiate between factor income and transfer income.

OR

- (b) (i) "In a two sector economy, National Income is always less than Domestic Income."
- Defend or refute the given statement with valid reasons.

29. Briefly explain the dual pricing policy adopted by China.

30. Explain, the volume and direction of foreign trade during the British rule.

34. Read the following text carefully:

Climate change and sustainability of environment are two pressing issues that have captured global attention. In recent years, the world has witnessed a surge in extreme weather events including severe droughts, cloud bursts, floods, land slides, receding coastlines and the alarming melting of arctic ice and Himalayan Glaciers. Wildfires have become more frequent and intense.

In this context, sustainable agriculture emerges as a crucial solution.

This refers to those farming practices that meet today's requirements while preserving resources for the future generation. This means adopting methods that protect the environment, reduce dependence on chemical inputs, efficiently using water and land and ensuring socio-economic equity for farmers.

On one hand sustainable agricultural practices are necessary, on the other, they are often more expensive to implement compared to conventional methods. Sustainable practices like organic farming,

climate - smart technologies, modern irrigation system may seem costly upfront, but they offer long-term benefits by improving productivity, and environmental stewardship. Without accessible and affordable financing options, the much needed shift to sustainable farming practices will remain a distant dream for many.

Therefore, sustainable finance should not only promote eco-friendly practices but also ensure that financial resources are available to the farmers who need it.

Source : [https://website.vbi.org.in/web/rbi/-/speech-](https://website.vbi.org.in/web/rbi/-/speeches-interview/financingfor-sustainable-agriculture)

es - interview/financingfor-sustainable-agriculture (adopted and modified)

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

- Give the meaning of Sustainable Agriculture. 1
- "Sustainable Agriculture emerges as a crucial solution to the problem of climate change."
Do you agree with the given statement ? Give valid explanation in support of your answer. 3
- State any two ways to achieve sustainable development.

Outside Delhi Set- 3

58/2/3

Except these, all other questions have been given in Outside Delhi Set-1

SECTION-A

- Define Nominal Gross Domestic Product. How is it different from Real Gross Domestic Product ?
- Suppose for an economy, government proposes two investment projects for construction of expressways with an additional investment of ₹ 2000 crore. Assuming, 80% of increase in income is spent on consumption.
Estimate the following on the basis of above information:
 - Change in income (AY).
 - Change in consumption (AC).
- (a) (i) On the basis of the data given below, estimate the value of Gross National Product at Factor Cost (GNP_{FC}):

S. No.	Items	Amount (₹ in crore)
(1)	Private final consumption expenditure	2,000
(2)	Government final consumption expenditure	1,500
(3)	Gross domestic fixed capital formation	1,000
(4)	Addition to stock	400
(5)	Consumption of fixed capital	50
(6)	Net factor income from abroad	100
(7)	Net indirect taxes	200
(8)	Net exports	700

- Differentiate between positive externalities and negative externalities.

SECTION-B

- Read the following text carefully:

Climate change and sustainability of environment are two pressing issues that have captured global attention. In recent years, the world has witnessed

a surge in extreme weather events including severe droughts, cloud bursts, floods, land slides, receding coastlines and the alarming melting of arctic ice and Himalayan Glaciers. Wildfires have become more frequent and intense.

In this context, sustainable agriculture emerges as a crucial solution.

This refers to those farming practices that meet today's requirements while preserving resources for the future generation. This means adopting methods that protect the environment, reduce dependence on chemical inputs, efficiently using water and land and ensuring socio-economic equity for farmers.

On one hand sustainable agricultural practices are necessary, on the other, they are often more expensive to implement compared to conventional methods. Sustainable practices like organic farming, climate-smart technologies, modern irrigation system may seem costly upfront, but they offer long-term benefits by improving productivity, and environmental stewardship. Without accessible and affordable financing options, the much needed shift to sustainable farming practices will remain distant dream for many.

Therefore, sustainable finance should not only promote eco-friendly practices but also ensure that financial resources are available to the farmers who need it.

Source: <https://website.vbi.org.in/web/rbi/-/speeches-interview/financingfor-sustainable-agriculture> (adopted and modified)

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

- Define: Sustainable Development.
- "Sustainable Agriculture emerges as a crucial solution to the environmental concerns."
Do you agree with the given statement ? Give valid reasons in support of your answer.
- List any two sustainable practices that can be adopted to safeguard environment.



ANSWERS

Delhi Set- 1

58/1/1

SECTION – A

1. Option (D) is correct.

Explanation: Transfer receipts are the receipts that are not made in exchange of the goods and services. It can be termed as gifts, donations, etc. Such receipts are recorded in the credit side of the balance of payments as it involves the inflow of goods or cash.

2. Option (B) is correct.

Explanation: Old age pension is a transfer receipt from the government. Rent free accommodation from an employer forms part of the compensation of employees. Interest from capital is a type of factor payment and not compensation of employees. Thus, only profit earned by an entrepreneur is the income from the entrepreneurial activity done by the entrepreneur.

3. Option (C) is correct.

Explanation: Statement 1 and 2 are correct as Managed floating exchange rate system is also known as hybrid system of exchange rate determination as it combines the features of both fixed and flexible exchange rate system, that is, the exchange rate is determined by the market forces of demand and supply and also the government through the central bank controls the exchange rate by increasing or decreasing the supply of foreign currency to regulate the exchange rate.

4. Option (C) is correct.

Explanation: As Irfaan is taking a student loan to repay it after his graduation, thus, it shows that money acts as a standard of deferred payment.

5. Option (B) is correct.

Explanation: $MPS = 20\% = 0.2$

$$K = \frac{1}{MPS} = \frac{1}{0.2} = 5$$

6. Option (C) is correct.

Explanation: Reason is false as Public goods are non-excludable in nature as anyone can use the good without any objection. It is also non-rivalrous in nature as the consumption of public goods does not diminish its availability for others.

7. Option (D) is correct.

Explanation: $APC = 0.8$ $Y = ₹4,000$

$$APC = \frac{C}{Y}$$

$$0.8 = \frac{C}{4,000}$$

$$C = ₹3,200$$

$$S = Y - C$$

$$S = 4,000 - 3,200 = ₹800 \text{ crores}$$

8. Option (A) is correct.

Explanation: Statement I is correct as the deposits received by the commercial banks are liabilities for them as they have to be repaid back to the depositor either on demand or at maturity as the case maybe.

Statement II is correct as the commercial banks create credit with the help of the deposits that they receive.

Statement III is correct as accepting deposits from the general public is the primary function of the commercial bank. The deposits accepted by the commercial banks are savings, current, fixed and recurring.

9. Option (B) is correct.

Explanation: Balance of Trade = Exports – Imports
 $= ₹600 - ₹450 = ₹150 \text{ surplus.}$

10. Option (D) is correct.

Explanation: Goods and service tax is a tax revenue, as it is a type of indirect tax levied on the people. So, option A is incorrect. Indirect tax is not free rider as they are the tax charged on the purchase of goods and services. Thus, option B is incorrect. Borrowings are capital receipts as they are received from the lender, making option C incorrect. Private good is rivalrous in nature as its consumption by one person reduces its availability for others. Thus, option (D) is correct.

11. (a) **VALUE ADDED METHOD:**

$GVA_{MP} = \text{Sales} + \text{Change in Stock} - \text{Purchase of Raw Material}$

$$GVA_{MP} = 10,625 + 600 - 2,625$$

$$GVA_{MP} = ₹8,600 \text{ crores}$$

$NVA_{FC} = GVA_{MP} - \text{Depreciation} - \text{Indirect Tax} + \text{Subsidies}$

$$= 8,600 - 500 - 1,200 + 400 = ₹7,300 \text{ crores}$$

OR

- (b) The difference between Net factor income from abroad and net exports are:

Sl. No.	Basis of distinction	Net factor income from abroad	Net Exports
(i)	Meaning	It is the difference between the factor incomes earned by the residents of a country from abroad & factor incomes earned by non-residents with in the country.	It is the difference between country total exports & total imports.

(ii)	Formula	NFIA = Factor Income from Abroad – Factor income to abroad	Net Exports = Exports - Imports
(iii)	Treatment in National Income Calculation	It is added.	It is subtracted.

12. Due to this initiative by the government, there will be inflow of foreign currency into the domestic economy. This will increase the foreign exchange reserves. As it will be recorded in the credit side of the balance of payments it will lead to either increase in the surplus or decrease in the deficit of the balance of payments.

13. Providing medical treatment under AYUSHMAN BHARAT Scheme is a revenue expenditure as it involves recurring cost of health care services, providing free medicines to the poorer section and also will not create any asset or reduce the liability of the government.

The objective indicated here is Redistribution of income and wealth.

When the free medical treatment is provided to the poor, it leads them to have a better standard of living. These services are provided from the tax money so collected by the government. Thus the tax collected from the rich, is used to provide the facility to the poor, leading to the redistribution of income and wealth in the economy.

14. Reserve Ratio = 25% = 0.25

Primary Deposits = ₹500

Total Deposits = $\frac{1}{\text{LRR}} \times \text{Initial Deposits}$

Total Deposits = $\frac{1}{0.25} \times 500$

Total Deposits Creation = ₹2,000

Total Lending Rate

= Total Deposits – Primary Deposits

= 2,000 – 500

= ₹1,500

15. (a) (i) $C = 200 + 0.75 Y$

$I = ₹4,000$ crore

$Y = C + I$

$Y = 200 + 0.75Y + 4,000$

$Y - 0.75Y = 4,200$

$0.25Y = 4,200$

$Y = \frac{₹4,200}{0.25}$

Or $Y = ₹16,800$ crores

(ii) Consumption Expenditure:

$C = 200 + 0.75 \times 16,800$

$C = 12,600 + 200$

$C = ₹12,800$ crores

OR

(b) When the planned (ex-ante) saving (S) exceeds planned (ex-ante) investment (I), it implies that households are not consuming as much as the

businesses expected, which results in an increase in the inventory level above the desired level. Therefore, to get rid of the unwanted increase in inventory, until saving and investment become equal to each other, companies would plan to reduce production. This leads to the decrease in the inventories. The equilibrium income will have a tendency to reduce till the Savings are equal to the Investment in the economy.

16. (a) 140

(b) (i) Banned the export of many food items like wheat, broken-rice, non-basmati white rice, onions, etc.

(ii) Reduced import duties on edible oils and pulses

(c) The monetary measure to control inflation is:

(i) **Increase in Cash Reserve Ratio:** An increase in Cash Reserve Ratio (CRR) may reduce the credit creation capacity of the commercial banks in the economy. This may lead to a fall in the borrowings from banks causing a fall in Aggregate Demand in the economy and helps to correct the inflationary gap in the economy.

(ii) **Increase in Repo Rate:** Repo rate is the rate at which the Central Bank lends money to the Commercial Banks. To correct the situation of Inflationary Gap, Repo Rate is increased. As a follow-up action, Commercial Banks raise the market rate of interest (the rate at which the Commercial Banks lends money to the consumers and the investors). This reduces demand for credit. Consequently, consumption expenditure and investment expenditure get reduced. Implying a reduction in Aggregate Demand, as required to correct Inflationary Gap.

(iii) **Open Market Operations:** Sale of Government Securities in the open market by the Central Bank will adversely affect the ability of the Commercial Banks to create credit in the economy as the cash with commercial banks would be spent on purchasing government securities. As a result Aggregate Demand in the economy may fall and correct the inflationary gap in the economy. **[Any 1]**

17. (a) (i) The precautions for calculating national income by expenditure method are:

(1) Expenditure on intermediate goods will not be included in the national income as it is already included in the value of final expenditure. If it is included again, it will lead to double counting of expenditures.

(2) Transfer payments are not included as such payments are not connected with any productive activity and there is no value addition.

(3) Purchase of second-hand goods will not be included as such expenditure has already been

included when they were originally purchased. Such goods do not affect the current flow of goods and services. However, any commission or brokerage on such goods is included as it is a payment made for productive services.

- (4) Purchase of financial assets (shares, debentures, bonds, etc.) will not be included as such transactions do not contribute to current flow of goods and services. These financial assets are mere paper claims and involve a change of title only. However, any commission or brokerage on such financial assets is included as it is a productive service.
- (5) Expenditure on own account production (like production for self-consumption, imputed value of owner occupied houses, free services from general government and private non-profit making institutions serving households) will be included in the national income since these are productive services.

[Any 2]

(ii) The given statement is refuted as higher GDP does not always means higher per capita availability of goods in the economy because of the following reasons:

- (1) **Externalities:** Externalities refer to benefits or harms of an activity caused by a firm or an individual, for which they are not paid or penalized. For example, environmental pollution caused by industrial plants is a negative externality and building a flyover is a positive externality.
- (2) **Composition of GDP:** Composition of GDP may not be welfare oriented. Even when the level of GDP tends to rise there is no direct increase in the welfare of the masses if GDP has risen owing largely to the increase in the production of defence goods.
- (3) **Distribution of GDP:** If with every increase in the level of GDP, distribution of GDP is getting more unequal, welfare level of the society may not rise. In this situation, the bulk of the population may have even lesser goods than before (even when the overall level of GDP has tended to rise)
- (4) **Non-monetary exchanges:** Non-Monetary Exchanges are those activities in an economy which cannot be evaluated in terms of money due to non-availability of data, e.g. domestic services provided by family members at home, barter exchanges etc. Although these activities contribute to welfare, they are a major cause of underestimation of GDP in the economy. Therefore, GDP may not give the true picture of welfare of a country.

OR

- (b) (i) A stock represents the amount or quantity of something that exists at a particular point of time e.g., wealth. Whereas, A flow represents the rate of change or movement of something over a period of time e.g., income earned over a month or year.

(ii) **Components of profit**

- **Dividends:** Dividends are part of the profit given to the shareholders as per the shares held by them on the basis of the profit earned.
- **Retained earnings:** The part of profits that is kept aside for future use during the happening of uncertain events.
- **Corporate tax:** The tax paid by the corporate to the Government for the profits earned by them for a particular period.

SECTION – B

18. Option (B) is correct.

Explanation: Great Leap Forward Campaign was initiated in 1958 to adopt industrialization on a large scale. People were encouraged to set up industries in their background. People collectively cultivated lands. In 1958 there were about 26,000 communes. However, GLF met with many problems-mainly a severe drought and conflict with Russia.

19. Option (B) is correct.

Explanation: The image shows air pollution and industrialization, which means that it is an environmental crisis which is shown in the image.

20. Option (A) is correct.

Explanation: Statement 2 is false as employment in the rural areas is mostly casual.

21. Option (D) is correct.

Explanation: Maximum quantity of goods that can be imported is called quota and not subsidies. Land ceiling was a way of redistribution of land. Small Scale industries play a very important role in the industrialization and employment in India. Modernization involves a shift in social outlook by fostering new values and perspectives, such as greater emphasis on individual rights, equality, and progress. So only option D is correct.

22. Option (D) is correct.

Explanation: Frictional unemployment refers to the temporary period of unemployment that occurs when individuals are transitioning between jobs or entering the workforce for the first time. It's often caused by factors like job search time, relocation, or a mismatch between skills and job openings.

23. Option (B) is correct.

Explanation: China has ensured social security in rural areas through public intervention in social infrastructure, even before economic reforms. This proactive approach has led to significant improvements in human development indicators, such as education, healthcare, and poverty reduction, contributing to China's overall growth and development. China leads India and Pakistan on many development indicators, including healthcare, education, and poverty reduction, due to early investments in social infrastructure.

24. Option (D) is correct.

Explanation: Import substitution is the policy of the government where the goods which are imported are manufactured in the country itself so as to substitute them, thus replacing the foreign goods with domestic production.

25. Option (C) is correct.

Explanation: Special Economic zones were created to help in the investment in the least developed area of the country by giving incentives to the industrialists to set up industries in the country leading to the generation of additional economic activities.

26. Option (B) is correct.

Explanation: Assertion is true as Human Capital Formation increases the rate of participation of workforce as it makes them more capable of working. Reason is true as rate of participation means the number of people in the workforce. But the two are not related to each other so Reason does not explain Assertion.

27. Option (D) is correct.

Explanation: The G-7 members are USA, UK, Canada, France, Germany, Italy and Japan. Even though India attends the summits, it is not a member of the G-7.

28. (a) Cooperatives have experienced setbacks in recent years primarily due to inadequate coverage of farmer members, which limits their reach and effectiveness. Additionally, the lack of a proper link between marketing and processing cooperatives has weakened their ability to create value for farmers. Inefficient financial management further exacerbates these issues, reducing the overall impact of cooperatives on agricultural development.

OR

- (b) Regular salaried employees are more common in urban areas than in rural areas due to several factors. Urban areas offer more formal job opportunities in sectors like services, manufacturing, and government, which typically provide salaried positions. Rural areas, on the other hand, are often more reliant on agriculture and informal work, where jobs tend to be seasonal, self-employed, or based on daily wages. Additionally, urban areas have better access to education and skills development, leading to a higher concentration of workers with qualifications for salaried jobs.
29. Human capital, which refers to the skills, knowledge, and health of a population, plays a crucial role in driving economic growth. A well-educated and healthy workforce is more productive, innovative, and capable of adapting to technological advancements, boosting overall economic output. Investment in human capital through education, training, and healthcare can lead to higher productivity, greater efficiency, and, ultimately, sustainable economic development.

30. (a) Biopesticides help to reduce the ill-impacts of green revolution on soil and water bodies while promoting sustainable development because it provides following benefits:

- (i) **Environmental Safety:** Biopesticides, derived from natural sources like plants, bacteria, and animals, pose minimal risks to humans and the environment compared to synthetic pesticides.
- (ii) **Sustainable Agriculture:** By reducing reliance on synthetic pesticides, biopesticides contribute to more sustainable agricultural practices, promoting healthy ecosystems and food security.
- (iii) **Biodegradability:** Biopesticides are biodegradable, meaning they break down naturally in the environment, reducing the risk of long-term pollution.

- (b) The absorptive capacity of an environment refers to its ability to absorb and process waste and pollutants without causing harm to the ecosystem, crucial for maintaining ecological balance and supporting life.

31. (a) **The main rationale behind choosing "self-reliance" as a planning objective for the Indian economy were:**

- (i) **To reduce foreign dependence:** Planning objective of "self-reliance" targeted to promote economic growth and modernisation. The Indian five year plans in the early years of post-independence era stressed on the use of domestic resources in order to reduce our dependence on foreign countries.
- (ii) **To avoid foreign interference:** In the post-independence era it was feared that the dependence on the imported food supplies, foreign technology and foreign capital may increase foreign interference in the policies of our country.

OR

- (b) GST (Goods and Services Tax) has simplified the multiplicity of taxes on goods and services by replacing numerous indirect taxes, such as sales tax, VAT, excise duty, and service tax, with a single, unified tax structure. This has streamlined tax compliance, reduced the cascading effect of taxes (tax on tax), and created a more transparent system. By implementing a single tax rate across states and industries, GST has made it easier for businesses to operate across regions, improving efficiency and reducing administrative complexities.

32. **Development initiatives taken by Pakistan:**

- **Mixed Economy Model:** Pakistan adopted a mixed economy model, where both private and public sectors coexist, aiming for economic development.
- **Import Substitution and Industrialization:** During the 1950s and 1960s, Pakistan implemented policies for import substitution and industrialization, encouraging domestic production to replace imports.
- **Green Revolution:** The introduction of the Green Revolution, aimed at mechanizing agriculture, led to increased food grain production.

- **Nationalization and Denationalization:** In the 1970s, Pakistan nationalized capital goods industries, followed by denationalization in the late 1970s and early 1980s to promote private sector growth.

33. (a) (i) The given statement is true.

During colonial rule, unbalanced growth manifested as a focus on exporting raw materials and importing manufactured goods, leading to de-industrialization and a decline in traditional industries, while also creating disparities in wealth and development across regions.

(ii) The given statement is true.

The primary motive behind India's Five-Year

Plans, including addressing regional inequality, was to promote balanced economic growth, reduce poverty, and modernize key sectors like agriculture, industry, and infrastructure, ultimately aiming for a more equitable and self-reliant nation. Addressing regional disparities and promoting balanced regional development was a significant objective, aiming to ensure that all regions benefit from the economic growth and development efforts.

(iii) The statement is true.

Outsourcing has certain advantages:

- India is having skilled & talented labour
- Cheap remuneration packages
- Favourable government policies

OR

(B) (i) (1) The difference between Tariff Barrier and Non-Tariff Barrier are:

S. No.	Tariff Barriers	Non-tariff Barriers
(i)	It refers to the taxes imposed on the imports by a country for providing protection to its domestic industries.	It refers to the restrictions other than taxes, imposed on imports by a country for providing protection to its domestic industries.
(ii)	Tariff barriers are allowed by world trade organisation to be imposed by its member countries though at reasonable rates.	Non-tariff barriers like import quotas and voluntary export restraints are now abolished under WTO regime.
(iii)	Tariff barriers are more explicit.	Non-tariff barriers such as sanitary, conditions and labour issue are not that explicit.

(2) The difference between Bilateral and Multi-lateral Trade are:

S. No.	Bilateral Trade	Multilateral Trade
(i)	It is a trade agreement between two countries.	It is a trade agreement among more than two countries.
(ii)	Separate negotiations required to be done with different countries on one to one basis.	Negotiations done with many countries together which saves time.
(iii)	Encourages economic cooperation between two countries.	Encourages globalisation integrating any countries of the world.

(ii) Steps Initiated by the Government to Shield Small-Scale Industries:

1. **Product Reservation:** The government reserved the production of certain goods exclusively for small-scale industries. This was done to protect them from the competition posed by large-scale industries and allow them to grow and thrive in a niche market.
2. **Tax Concessions:** Small-scale industries were provided with various financial benefits, such as lower excise duties, to reduce their tax burden and enhance their competitiveness against larger firms.
3. **Financial Support:** The government facilitated easier access to credit by offering bank loans at lower interest rates, which helped small industries invest in their operations, improve productivity, and compete effectively with larger enterprises.

34. (a) The critical challenges faced by the agricultural sector are addressed by the agro-startups by the following ways:

- Technological Innovations:** The required amount of technological innovations are done by the agro startups so as to increase the production and improve the income of the farmers.
- Generation of Employment:** The agro startups need a lot of employees to work with them. This solves the problem of unemployment especially disguised and seasonal, in the case of rural areas.
- Developing Supply Chain:** The agro-start ups are being able to develop a good supply chain and improve the profitability of agricultural farms.
- Agricultural Marketing:** The agro startups have led the farmers to be able to sell their produce directly to the consumers, leading them to earn better and reduce their dependency on marketing intermediaries and middlemen.

- (b) The government plays a crucial role in supporting agro-startups and entrepreneurs in India through programs like **RKVY-RAFTAAR**, the **Agri-Infrastructure Fund**, and **Agri-SURE**. These initiatives provide financial assistance, foster innovation, and develop necessary

agricultural infrastructure, helping startups scale and improve market access. Such efforts not only encourage entrepreneurship but also contribute to rural development by generating employment and enhancing productivity in the agricultural sector.

Delhi Set- 2

58/1/2

SECTION – A

12. Microchips utilized in the production of electronic devices are intermediate goods.

Intermediate goods are products that are used to make other goods, which are then sold to consumers. They are also known as producer goods or intermediate inputs.

Intermediate goods will go into the further production boundary.

13. Subsidies on fertilizer is a revenue expenditure. Revenue expenditure refers to the costs a business incurs for its day-to-day operations and to maintain its revenue-generating activities.

The objective referred here in this case will be redistribution of resources. The government plays a crucial role in increasing people's welfare through its budget by reallocating resources to balance profit maximization and social welfare. It influences resource distribution through tax concessions, subsidies, and imposing taxes on harmful goods like cigarettes, while promoting beneficial ones like khadi. Additionally, the government directly provides essential goods and services, such as water supply and sanitation, that the private sector may not find profitable, ensuring they are accessible to all.

17. (a) **Precautions to be taken while measuring income method:**

- (i) Transfer incomes like scholarships, donations, charity, old age pensions, etc. are not included in the National income because such receipts are not connected with any productive activity and there is no value addition.
- (ii) Income from sale of second-hand goods will not be included in national income as their original sale has already been counted. If they are included again, it would lead to double counting. However, any brokerage or commission received by brokers or commission agents on sale of such goods will be included as it is an income received for rendering productive service.
- (iii) Income from sale of shares, bonds and debentures will not be included as such transactions do not contribute to current flow of goods and services. These financial assets are mere paper claims and involve a change of title only. However, any commission or brokerage on such financial assets is included as it is a productive service.
- (iv) Windfall gains like income from lotteries, horse race, etc. are not included as there is no productive activity connected with them.

[Any 2]

OR

- (b) (i) **The difference between factor income and transfer income are:**

	Factor income		Transfer income
1	Received for rendering productive service	1	Received without rendering any service
2	Comprises rent, wages, interest and profit	2	Comprises gifts, subsidies, donations, scholarships, etc.
3	Earned income	3	Unearned income
4	Included in national income	4	Not included in national income.

[Any 3]

SECTION – B

31. **Reasons why Mini Hydel Plants are Cost-Effective and Eco-Friendly in Mountainous Regions:**

1. **Abundant Water Resources:** Mountainous regions naturally have flowing water sources, which mini hydel plants can efficiently harness for electricity generation, reducing the need for complex infrastructure.
 2. **Lower Costs:** Mini hydel plants are more affordable to install and maintain compared to large-scale hydroelectric projects, making them suitable for remote and rural areas with limited financial resources.
 3. **Environmental Benefits:** These plants produce clean, renewable energy with minimal environmental impact, as they generate electricity without harmful emissions, preserving the local ecosystem while meeting energy needs.
34. (a) (i) The given statement is false. Under the colonial rule agriculture was deeply exploited. There was low production & productivity. Agriculture was backward & stagnant under colonial rule and no effort was made by the colonial government to help the growth of agriculture in India.
- (ii) The given statement is true. WTO established in 1995 with the motive of establishing trade relationship with all countries in a cohesive manner. It promotes rules, regulations, trade agreements between countries.
- (iii) The given statement is false. The main goal of planning in India was indeed economic growth with equity and social justice, focusing on reducing regional disparities. The objective was to ensure balanced development across the country, with special attention to underdeveloped regions, and to promote social justice by improving the living standards of marginalized communities.

SECTION – A

12. The statement is refuted because consumption goods can be categorized into durable and non-durable goods. Durable goods are items that have a long lifespan, such as cars, appliances, and furniture. Non-durable goods, on the other hand, are used up quickly and have a short lifespan, like food, toiletries, and clothing.
13. Construction of metro line in smart cities is a capital expenditure as it creates an asset for the economy.
- The objective of government provision of public goods is primarily the allocation of resources to ensure that essential goods and services, which are non-excludable and non-rivalrous, are available to all members of society. Since private markets cannot efficiently provide such goods (due to issues like free-riding), the government steps in to allocate resources for their production and distribution. Public goods, such as national defense, public parks, and air quality measures, are provided by the government to ensure equitable access, improve social welfare, and achieve overall societal benefit.
17. (a) (i) **Precautions to be taken while calculating value added method**
- Intermediate Goods are not to be included in the national income since such goods are already included in the value of final goods. If they are included again, it will lead to double counting.
 - Sale and purchase of second-hand goods is not included as they were included in the year in which they were produced and do not add to current flow of goods and services. However, any commission or brokerage on sale or purchase of such goods will be included in the national income as it is a productive service.
 - Production of services for self-consumption or

domestic services are not included. Domestic services like services of a housewife, kitchen gardening, etc. are not included in the national income since it is difficult to measure their market value. These services are produced and consumed at home and never enter the market place and are termed as non-market transactions.

- Production of goods for self-consumption will be included in the national income as they contribute to the current output. Their value is to be estimated or imputed as they are not sold in the market.
- Imputed value of owner-occupied houses should be included. People who live in their own houses, do not pay any rent. But, they enjoy housing services similar to those people who stay in rented houses. Therefore, value of such housing services is estimated according to market rent of similar accommodation. Such an estimated rent is known as imputed rent.
- Change in stock of goods will be included. Net increase in the stock of inventories will be included in the national income as it is a part of capital formation. **[Any 2]**

SECTION – B

28. **The difference between Physical and Human capital are:**

S.No.	Physical Capital	Human Capital
1	Physical capital is tangible (e.g., machinery, buildings).	Human capital is intangible (skills, knowledge).
2	Physical capital can be sold in the market.	Human capital cannot be sold in the market.
3	Physical capital is separable from its owner.	Human capital is not separable from its owner.

SECTION – A

1. Option (C) is correct
Explanation: The Reserve Bank of India (RBI), being the central bank of India, formulates and implements the monetary policy in India. The primary objective of monetary policy is to regulate the money supply, interest rates and inflation to ensure economic stability and growth.
2. Option (D) is correct
Explanation: Revenue deficit is the difference between the government's revenue expenditure and revenue receipts. It includes expenditures that do not create assets, such as wages, salaries and interest payments (options (A) and (B)). It also considers direct tax collection as part of revenue receipts (option (C)). However, expenditure on the construction of a flyover

(option (D)) is classified as capital expenditure, as it leads to asset creation. Since revenue deficit accounts only for revenue expenditures, capital expenditures are not considered while estimating it.

3. Option (C) is correct
Explanation: In Keynesian economics, the 45-degree reference line is drawn from the origin at a 45° angle. This line represents points where aggregate output (GDP) is equal to aggregate expenditure, meaning no excess demand or supply in the economy. It helps in determining equilibrium in the Keynesian cross model.
4. Option (A) is correct
Explanation: Public goods are characterised by non-excludability, meaning that no individual can be prevented from using them, and non-rivalry,

meaning that one person's consumption does not reduce their availability for others. Since public goods, such as street lighting or national defence, do not allow for exclusion, everyone benefits from them regardless of individual contribution. The reason given—public goods being non-rivalrous and non-excludable—directly supports and explains why no one can be excluded from enjoying their benefits, making it the correct explanation for the assertion.

5. Option (D) is correct

Explanation: The correct answer is option (D), which includes (iii) value of output and (iv) (number of units produced) \times (price per unit). Value addition is calculated as the value of output minus the value of intermediate consumption. The value of output represents the total worth of goods and services produced in an economy, which can be derived either from the aggregate sales adjusted for inventory changes or by multiplying the number of units produced by their respective prices. Both statements (iii) and (iv) correctly describe the total output value, making them the appropriate choices for completing the formula.

6. Option (A) is correct

Explanation: Induced consumption is calculated as:
Induced Consumption = Total Consumption – Autonomous Consumption

Given:

Autonomous Consumption = ₹100 crore

Total Consumption = ₹130 crore

Thus,

Induced Consumption = $130 - 100 = ₹30$ crore

7. Option (A) is correct

Explanation: The Reserve Bank of India (RBI), as the bank to banks, performs various functions, including maintaining current accounts for commercial banks, clearing and settling interbank transactions and facilitating governmental transactions. However, the RBI does not engage in the purchase and sale of securities on behalf of the general public; this function is typically performed by commercial banks, stockbrokers and financial institutions through the stock market and other investment platforms.

8. Option (A) is correct

Explanation: In Keynesian economics, the Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) always sum up to 1. This is mathematically represented as:

$$MPC + MPS = 1$$

If $MPS = 0.5$, then:

$$MPC = 1 - MPS = 1 - 0.5 = 0.5$$

Thus, Assertion (A) is correct, as MPC is equal to MPS when MPS is 0.5. Reason (R) is also correct, as the sum of MPC and MPS always equals unity. Moreover, Reason (R) correctly explains Assertion (A), making option (A) the right choice.

9. Option (C) is correct

Explanation: A balanced budget occurs when the government's total expenditure equals its total revenue. This means that the government neither spends more than it earns through taxation and other revenue sources nor saves any surplus.

10. Option (B) is correct

Explanation: To arrive at the equilibrium level of income, there must be an equality between planned (ex-ante) aggregate demand and aggregate supply, as well as between planned savings and planned investment. The first condition ensures that total spending in the economy matches total output, preventing unplanned inventory accumulation or depletion.

The second condition ensures that the portion of income not spent on consumption (savings) is fully utilised for investment, maintaining stability in the circular flow of income.

Therefore, the correct answer is option (B), which includes (i) Aggregate Demand and Aggregate Supply and (iv) Savings and Investment.

11. The Gross Domestic Product (GDP) deflator is an economic measure that reflects the level of price changes in an economy. It is the ratio of Nominal GDP to Real GDP, expressed as an index. It helps in converting nominal GDP into real GDP by adjusting for inflation. The formula for GDP deflator is:

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

Significance of GDP Deflator:

1. **Measures Inflation:** It indicates the overall price level changes in the economy and helps policymakers track inflation trends.
 2. **Comprehensive Price Index:** Unlike the Consumer Price Index (CPI) or Wholesale Price Index (WPI), the GDP deflator covers all goods and services included in GDP.
 3. **Real GDP Adjustment:** It is used to distinguish between actual economic growth and changes due to inflation.
 4. **Dynamic Weighting:** Unlike fixed-weight indices, the GDP deflator accounts for changes in consumption patterns over time.
12. (a) **Objective:** Re-allocation of resources. Re-allocation of resources refers to re-distribution of resources from one use to another. The government re-allocates resources with a view to balance the goals of profit maximisation (by firms) and social welfare (by government). Production of goods which are injurious to health is discouraged through taxation. On the contrary, production of socially useful goods is encouraged through subsidies. If the private sector does not take initiative in certain activities, government directly controls them like water supply, sanitation, etc.

OR

(b) Identification:

- Ramesh is paying a Direct Tax because income tax is levied directly on his earnings.
- Pihu is paying an Indirect Tax because GST is collected on the sale of goods and passed on to the government.

Difference between Direct tax and Indirect tax:

Basis	Direct Tax	Indirect tax
Definition	Tax where the impact and incidence of taxation falls on the same person.	Tax where the impact and incidence of taxation falls on different individuals.
Example	Income Tax, Corporate Tax	GST, Excise Duty, Custom Duty
Burden of Tax	Cannot be shifted to another person.	Can be shifted to consumers by businesses.
Collection Method	Collected based on income earned by individuals or companies.	Collected at the point of sale of goods/services.
Progressiveness	Generally progressive (higher income, higher tax).	Generally regressive (same tax rate for all consumers).

13. (a) To tackle inflation, governments use a combination of fiscal and monetary policies, adjusting spending, taxes, and money supply. These measures aim to reduce overall demand in the economy and stabilize prices.

1. Changes in Government Spending:

Governments may reduce public spending to curb demand, such as cutting public sector wages or delaying infrastructure projects. This helps lower the overall demand for goods and services, easing inflationary pressures.

2. Changes in Taxes:

By increasing taxes, governments reduce disposable income, limiting consumer spending and business investments. This can cool down an overheated economy and help reduce inflation by decreasing overall demand.

3. Changes in Money Supply (Monetary Policy):

Central banks may raise interest rates to make borrowing more expensive, thereby reducing spending and investment. They can also decrease the money supply by selling government bonds or increasing reserve requirements for banks. Various tools are used by the government to control money supply such as CRR, Repo Rate, Bank Rate, Reverse Repo Rate, Margin requirements, open market operations, etc.

- (b) Open market operations refer to the sale and purchase of securities in the open market by the Central Bank. By selling the securities (like, National Saving Certificates—NSCs), the Central Bank soaks liquidity (cash) from the economy. And, by buying the securities, the Central Bank releases liquidity.

14. (a) (i) Money supply in an economy is an example of a stock variable.

Justification: A stock variable is measured at a particular point in time and does not depend on a time duration. The money supply refers to the total amount of money available in the economy at a given moment, including cash, demand deposits and other liquid assets. Since it represents a static value at a specific time, it is classified as a stock variable rather

than a flow variable, which is measured over a period of time.

- (ii) The Central Bank acts as a banker to the government by providing various financial services, including:

- Managing Public Debt:** The Central Bank issues and manages government bonds and treasury bills.
- Handling Government Accounts:** It maintains accounts for the central and state governments.
- Monetary Policy Implementation:** It controls the money supply and interest rates to stabilise the economy.
- Foreign Exchange and Reserves Management:** The Central Bank manages foreign currency reserves and exchange rate stability.

These functions highlight the Central Bank's critical role in supporting the government's financial operations and maintaining economic stability.

OR

- (b) The Reserve Ratio refers to the percentage of total deposits that commercial banks are required to keep as reserves with the Central Bank.

When the Central Bank increases the Reserve Ratio from 20% to 25%, it means that banks must keep a larger portion of their deposits as reserves and can lend out a smaller portion.

This directly affects the credit creation capacity of banks.

Numerical Demonstration

Given:

- Initial Reserve Ratio (R_1) = 20% or 0.20
- New Reserve Ratio (R_2) = 25% or 0.25
- Total Primary Deposits (D) = ₹1,000
- Credit Multiplier = $1/\text{Reserve Ratio}$

1. Before the Increase (at 20% Reserve Ratio):

- Credit Multiplier = $1/0.20 = 5$
- Total Credit Creation = $₹1,000 \times 5 = ₹5,000$

2. After the Increase (at 25% Reserve Ratio):

- Credit Multiplier = $1/0.25 = 4$
- Total Credit Creation = $₹1,000 \times 4 = ₹4,000$

With the increase in the Reserve Ratio from 20% to 25%, the credit creation falls from ₹5,000 to ₹4,000.

This means commercial banks can lend ₹1,000 less, thereby reducing money supply and controlling inflationary pressures in the economy.

15. To estimate the change in income (ΔY) and change in consumption (ΔC), we use the multiplier formula:

$$\text{Multiplier (k)} = \frac{1}{1 - \text{MPC}}$$

where MPC (Marginal Propensity to Consume) = 0.80.

Incremental investment (ΔI) = ₹1,200 crore

- (a) Change in Income (ΔY)

The formula for the change in income is:

$$\Delta Y = K \times \Delta I$$

$$K = \frac{1}{1 - 0.80} = \frac{1}{0.20} = 5$$

Now, calculate ΔY :

$$\Delta Y = 5 \times 1200 = ₹6,000 \text{ crore}$$

- (ii) Difference between Real Flow and Money Flow:

Basis of difference	Real Flow	Money Flow
Meaning	It refers to the physical movement of goods and services between different sectors of the economy.	It refers to the flow of money in the form of factor payments (wages, rent, interest, profit) and expenditure.
Nature	Involves the exchange of tangible goods and services.	Involves the exchange of money as a medium of transaction.
Examples	– Flow of raw materials from firms to households. – Supply of labour from households to firms.	– Payment of wages to workers. – Households spending money on goods and services.
Representation in Circular Flow Model	Represents the movement of economic resources and goods.	Represents the monetary transactions associated with economic activities.
Dependency	It facilitates production and consumption.	It facilitates economic transactions and market activities.

[Any 3]

OR

- (b) (i) Sewing Machine: Final Good Final goods are referred to as those goods that do not require further processing. These goods are produced for the direct consumption either by a consumer for final consumption or by a producer for investment or capital formation.

(ii) Fabric, Button, and Thread: Intermediate goods Fabric, buttons, and thread are considered intermediate goods. Intermediate goods are those that are used in the production process to create other goods or services, and they are not ready for final consumption. These goods require further processing or transformation before they can be sold to the final consumer.

- (ii) In a two-sector economy, which consists only of households and firms, national income is always equal to domestic income because there are no

- (b) Change in Consumption (ΔC)

The change in consumption is calculated as:

$$\Delta C = \text{MPC} \times \Delta Y$$

$$\Delta C = 0.80 \times 6,000 = ₹4,800 \text{ crore}$$

16. (a) (i) To estimate National Income (NNP at Factor Cost, NNP_{FC}), we follow these steps:

Formula for NNP at FC:

$$\text{NNP}_{\text{FC}} = \text{GDP}_{\text{MP}} + \text{Net Factor Income from Abroad} - \text{Depreciation} - \text{Net Indirect Taxes}$$

$$\text{GDP}_{\text{MP}} = (1) + (2) + (3) + (4) + (8)$$

$$\text{GDP}_{\text{MP}} = 2,000 + 1,500 + 1,400 + 700 = ₹5,600 \text{ crore}$$

$$\text{NNP}_{\text{FC}} = \text{GDP}_{\text{MP}} + \text{NFIA} - \text{Depreciation} - \text{Net Indirect Taxes}$$

$$\text{NNP}_{\text{FC}} = 5,600 + 100 - 50 - 200$$

$$\text{NNP}_{\text{FC}} = 5,450 \text{ crore}$$

$$\text{National Income (NNP}_{\text{FC}}) = ₹5,450 \text{ crore}$$

external economic interactions. National income (NNP at FC) refers to the total income earned by the residents of a country, including net factor income from abroad (NFIA), whereas domestic income (NDP at FC) represents the income generated within the country's domestic territory, excluding NFIA. Since a two-sector economy does not involve foreign trade, foreign investments, or income from abroad, NFIA is always zero. As a result, the equation National Income = Domestic Income + NFIA simplifies to National Income = Domestic Income. This ensures that both measures of income remain identical in a two-sector economy. Therefore, the given statement is correct and can be defended.

17. (a) Balance of Payments (BoP) is a systematic summary of all economic transactions of an economy with the rest of the world over a specific period. It records trade in goods, services, income, transfers and financial flows.

(b) Difference between Current Account and Capital Account:

Basis of Difference	Current Account	Capital Account
Nature of Transactions	Records trade in goods, services, income and transfers.	Records financial transactions related to assets and liabilities.
Sub-divisions	Merchandise account (exports and imports of goods) and Invisible account (services, income and transfers).	Non-debt flows (direct and portfolio investment) and Debt flows (external borrowing, NRI deposits, etc.).
Impact on Economy	Reflects a country's trade surplus or deficit.	Reflects changes in financial claims on the rest of the world.

- (c) Balance of Payment deficit is a situation when autonomous receipts are less than autonomous payments.

$$\text{BOP deficit} = [\text{Current A/c} + \text{Capital A/c Receipts}] - [\text{Current A/c} + \text{Capital A/c Payments}]$$

SECTION – B

18. Option (A) is correct

Explanation: Commercialisation of agriculture refers to the shift from subsistence farming (growing crops for self-consumption) to market-oriented production, where crops are cultivated primarily for sale in the open market to generate profit.

19. Option (A) is correct

Explanation: Under the Commune system, people collectively cultivated lands. In 1958, there were 26,000 communes covering almost all the farm population. In 1965, Mao introduced the Great Proletarian Cultural Revolution (1966–76) under which students and professionals were sent to work and learn from the countryside.

20. Option (D) is correct

Explanation: Information and technology play a crucial role in all three aspects mentioned:

- Achieving sustainable development:** Information technology helps in monitoring environmental changes, managing resources efficiently and implementing sustainable agricultural and industrial practices.
- Attainment of food security:** Technological advancements in agriculture, such as precision farming, genetically modified crops and efficient supply chain management, contribute to food security.
- Disseminate information regarding emerging technologies:** The primary function of information technology is to share and distribute knowledge about new and emerging technologies, ensuring better adoption and innovation.

21. Option (D) is correct

Explanation: Under land reforms, the Indian government introduced land ceiling laws to impose a maximum limit on the land that an individual or family could own, rather than a minimum limit as mentioned in Assertion (A). The purpose of these laws was to redistribute excess land to landless

farmers and promote social equity.

22. Option (D) is correct

Explanation: Self-employed individuals are those who run their own farms, businesses, or enterprises instead of working as employees under an employer. They take financial risks and manage operations independently, earning profits from their ventures.

23. Option (D) is correct

Explanation: Agricultural marketing is a process that involves multiple steps to ensure the efficient distribution of agricultural commodities. Processing refers to the conversion of raw agricultural products into consumable goods. Assembling involves collecting and grouping produce for sale or distribution. Grading ensures that agricultural products are sorted based on quality standards, making them suitable for market demands. Privatisation is not a direct function of agricultural marketing, as it refers to transferring ownership from the public to the private sector.

24. Option (B) is correct

Explanation: Human development is based on the idea that education and health are fundamental to human well-being. It emphasises improving people's quality of life by ensuring access to education, healthcare and opportunities for a decent standard of living. Unlike economic development, which primarily focuses on economic growth and wealth accumulation, human development prioritises people's overall well-being, capabilities and freedom of choice.

25. Option (A) is correct

Explanation: Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a financial inclusion initiative launched by the Government of India in 2014. It aims to provide universal access to banking facilities, ensuring that every adult, especially those from economically weaker sections, has a bank account. This scheme promotes financial literacy, facilitates direct benefit transfers (DBT), and encourages savings, insurance and credit access, thereby enhancing financial inclusion in the country.

26. Option (C) is correct

Explanation: The given chart shows that post-1990–92, the GDP growth rate increased significantly,

but employment growth remained relatively low. This indicates jobless growth, a situation where the economy expands but does not generate sufficient employment opportunities.

27. Option (A) is correct

Explanation: Statement 1 is correct because environmental concerns related to waste generation and pollution have become critical due to the increasing imbalance between demand and supply, where excessive exploitation of resources leads to ecological damage. However, Statement 2 is incorrect because an environmental crisis occurs when the rate of resource extraction exceeds the rate of regeneration, leading to resource depletion and environmental degradation.

28. (a) Liberty Indicator refers to a measure that assesses the extent of freedom individuals have in a country, particularly in terms of political and economic choices. It is an essential component of human development as it reflects the ability of people to exercise their rights and participate in decision-making processes.

(b) Two key liberty indicators are:

1. **Political Freedom:** This includes the right to participate in governance, freedom of speech and the existence of democratic institutions.
2. **Freedom of Economic Choices:** This refers to individuals' ability to make economic decisions, such as choosing their occupation, starting a business and participating in trade without excessive government restrictions.

29. (a) No, Danish has not made an investment in human capital. Human capital refers to the improvement of workforce skills, knowledge and abilities through education, training and healthcare. Medhya's investment in agricultural courses, modern farming techniques and training labourers is an example of human capital investment. However, Danish's investment in farming machinery, irrigation systems and high-quality seeds represents an investment in physical capital, not human capital.

OR

(b) Yes, I agree with the given statement.

Arguments in Support:

1. **Health as Human Capital:** Investment in preventive medicine (vaccinations, hygiene), curative medicine (treatment of diseases) and social medicine (public healthcare initiatives) enhances the productivity and efficiency of individuals, contributing to human capital formation.
2. **Higher Productivity:** A healthy workforce is more efficient, has better cognitive abilities and experiences fewer absences due to illness, leading to higher economic output.
3. **Economic Development:** Improved health outcomes reduce healthcare costs, enhance life expectancy and increase labour force participation, ultimately driving economic growth.

4. **Interconnection with Education:** Healthy individuals can actively engage in education and skill development, further strengthening human capital and fostering sustainable economic progress.

Thus, investment in healthcare plays a crucial role in both human capital formation and economic development.

30. Causes behind the infrastructural development undertaken by the colonial government:

1. **Effective Control and Administration:** The British constructed railways to establish better control over India's vast territory. By linking key administrative and military centers, they could ensure swift communication and deployment of troops and resources, helping maintain law and order across the region.
2. **Earning Profits through Foreign Trade:** Railways were strategically built to connect major ports with interior regions, facilitating the transportation of raw materials like cotton, jute, and coal. This allowed British traders to quickly export goods, boosting profits for the British economy through trade with their colonies.
3. **Profitable Investment of British Funds:** The British government and private investors viewed infrastructure projects like railways as lucrative opportunities for investment. By channeling British capital into railway development in India, they created a system that not only benefited colonial control but also provided financial returns for investors in Britain.
4. **Mobilizing Army and Transportation of Raw Materials:** Railways played a crucial role in quickly mobilizing British troops and transporting raw materials from the interior of India to ports. The infrastructure allowed efficient movement of the military within India, and the transport of raw materials to ports for export, supporting Britain's industrial needs.

(Any two)

31. (a) The Government of India has launched various schemes and policies to generate employment both directly and indirectly, contributing to economic growth.

1. **Direct Employment Generation:**

- (i) **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA):** Provides 100 days of guaranteed wage employment in rural areas.
- (ii) **Public Sector Initiatives:** Expansion of government infrastructure projects such as road construction, smart cities and railways creates jobs.

2. **Indirect Employment Generation:**

- (i) **Skill Development Programs (PMKVY):** Pradhan Mantri Kaushal Vikas Yojana enhances youth employability by providing skill training.
- (ii) **Start-up India and Stand-up India:** Encourages entrepreneurship, leading to job creation in new businesses.

(iii) **Make in India:** Attracts investments in manufacturing and production, leading to industrial growth and employment.

Thus, the government's initiatives contribute significantly to employment generation and economic development.

OR

(b) Yes, microcredit programmes have been very helpful in supporting rural development and improving livelihoods in India.

1. Access to Finance for the Poor:

- (i) Microcredit provides small loans to rural entrepreneurs, farmers and self-help groups (SHGs) who lack access to traditional banking.
- (ii) Helps in starting small businesses and expanding income-generating activities.

2. Women Empowerment:

- (i) Many microfinance programmes, such as those run by SHGs, empower rural women by providing them with financial independence.

3. Poverty Reduction:

- (i) By creating employment opportunities, microcredit helps in reducing rural poverty.
- (ii) Enables rural households to invest in better education and healthcare.

4. Promotes Rural Development:

- (i) Facilitates agricultural growth by financing farm inputs and equipment.
- (ii) Encourages non-farm activities, such as handicrafts and dairy farming, diversifying rural incomes.

32. The comparison and analysis of the distribution of the workforce and its contribution to Gross Value Added (GVA) in India and China reveal significant structural differences between the two economies. In India, a large proportion of the workforce (43%) is engaged in agriculture, but its contribution to GVA is only 16%, indicating low productivity in the sector. In contrast, China has a much smaller agricultural workforce (26%), and agriculture contributes only 7% to its GVA, reflecting higher productivity due to mechanisation and modernisation.

In the industrial sector, China's workforce participation (28%) is slightly higher than India's (25%), but its contribution to GVA is significantly greater (41% in China compared to 30% in India). This suggests that China's industrial sector is more productive, technologically advanced and capital-intensive.

The services sector in both countries contributes the most to GVA (54% in India and 52% in China). However, while India has 32% of its workforce in services, China has a higher proportion (46%), implying better employment opportunities and higher productivity in the Chinese service sector.

Overall, the data suggests that China has a more balanced workforce distribution with higher productivity across all sectors, while India's economy still relies heavily on agriculture with relatively low productivity. This highlights the need for India to enhance industrialisation and modernise agriculture to improve overall economic efficiency.

33. (a) (i) Two arguments in favour of fertiliser subsidies:

- 1. **Increased Agricultural Productivity:** Fertiliser subsidies help farmers afford essential nutrients for their crops, leading to higher yields and improved food security. This supports the Green Revolution's goal of boosting agricultural output.
- 2. **Support for Small and Marginal Farmers:** Many farmers in India have limited financial resources. Subsidies help reduce input costs, making farming more profitable and ensuring economic stability for them.

(ii) (1) **Step taken by the Government of India:** The Government of India undertook privatisation by selling its entire stake in Air India.

(2) **Two ways in which privatisation can be executed:**

- 1. **Strategic Disinvestment:** The government sells a majority stake in a public sector enterprise to private entities, transferring management control, as seen in the Air India case.
- 2. **Public Offering:** The government can divest its shareholding by offering shares to the public through an Initial Public Offering (IPO) or Follow-on Public Offering (FPO) in stock markets.

OR

(b) (i) The 1991 economic reforms, particularly the liberalisation of trade and investment policies and globalisation played a crucial role in boosting foreign exchange inflows. The government allowed Foreign Direct Investment (FDI) in various sectors, leading to increased capital inflows from multinational companies. Additionally, the relaxation of restrictions on Foreign Institutional Investors (FIIs) enabled greater foreign investments in the stock market. The rupee was also made partially convertible, attracting more foreign remittances and boosting India's foreign exchange reserves. As a result, these reforms significantly increased the inflow of foreign capital, strengthening India's external sector.

(ii) During India's planning period, the government prioritised the public sector to achieve economic self-reliance and promote social welfare. The private sector lacked adequate capital to invest in large-scale infrastructure and heavy industries, making state intervention necessary. Public sector enterprises were established in key industries like steel, power and transport to ensure balanced regional development, generate employment and prevent the concentration of wealth in a few hands. Additionally, the state played a dominant role to reduce dependency on

foreign countries and build a strong industrial base essential for economic growth.

34. (a) Sustainable agriculture refers to farming practices that meet present agricultural needs while ensuring the preservation of natural resources for future generations. It involves methods that protect the environment, reduce chemical usage, optimise water and land use and promote socio-economic equity for farmers.

(b) **Long-term benefits of sustainable agricultural practices:**

Though sustainable agricultural practices like organic farming, climate-smart technologies and modern irrigation systems may seem expensive initially, they offer several long-term benefits:

1. **Improved Soil Health:** Reduced use of chemical fertilisers and pesticides maintains soil fertility and enhances productivity over time.
2. **Environmental Conservation:** Reduced water pollution, lower carbon emissions and better

biodiversity preservation contribute to a healthier ecosystem.

3. **Economic Benefits:** Over time, higher yields, reduced input costs and premium pricing for organic products improve farmers' income.

4. **Climate Resilience:** Adoption of sustainable methods helps mitigate climate change effects and ensures food security.

(Any three)

(c) **Two strategies to promote sustainable development in a developing country like India:**

1. **Government Support and Incentives:** Providing subsidies, low-interest loans and financial assistance for eco-friendly farming techniques can encourage more farmers to adopt sustainable practices.
2. **Technology and Awareness Programs:** Promoting the use of advanced climate-resilient technologies, precision farming and educating farmers on sustainable practices through training and extension services can accelerate adoption.

Outside Delhi Set-2

58/2/2

SECTION – A

12. Real Gross Domestic Product (Real GDP) is the total value of all goods and services produced in a country

within a specific period, adjusted for inflation. It reflects the economy's true growth by eliminating the effects of price changes.

Basis	Real GDP	Nominal GDP
Adjustment for Inflation	Real GDP is adjusted for inflation using a base year's prices.	Nominal GDP is calculated using current market prices, without adjusting for inflation.
Comparison Over Time	Real GDP provides an accurate measure of economic growth over time.	Nominal GDP may overstate or understate growth due to price fluctuations.
Use in Policy Decisions	Real GDP is used for analysing long-term economic performance.	Nominal GDP is useful for short-term analysis, such as government revenue projections.

15. Given:

- Incremental Investment (ΔI) = ₹2,400 crore
- Marginal Propensity to Consume (MPC) = 80% = 0.8

(a) Change in Income (ΔY)

We use the investment multiplier formula:

$$\text{Multiplier } (K) = \frac{1}{1 - \text{MPC}}$$

$$K = \frac{1}{1 - 0.8} = \frac{1}{0.2} = 5$$

$$\Delta Y = K \times \Delta I$$

$$\Delta Y = 5 \times 2,400 = ₹12,000 \text{ crore}$$

(b) Change in Consumption (ΔC)

Consumption change is calculated as:

$$\Delta C = \text{MPC} \times \Delta Y$$

$$\Delta C = 0.8 \times 1,2000 = ₹9,600 \text{ crore}$$

16. (a) (i) Estimating Domestic Income (NDP at Factor Cost)

Domestic income, or Net Domestic Product at Factor Cost (NDP_{FC}), is calculated using the expenditure method with the formula:

$$\text{NDP}_{\text{FC}} = \text{GDP}_{\text{MP}} - \text{Depreciation} - \text{Net Indirect Taxes}$$

$$\text{GDP}_{\text{MP}} = C + G + I + \text{Net Exports}$$

where:

$$C \text{ (Consumption Expenditure)} = ₹2,000 \text{ crore (Private)} + ₹1,500 \text{ crore (Government)} = ₹3,500 \text{ crore}$$

$$I \text{ (Investment Expenditure)} = ₹1,000 \text{ crore (Fixed Capital Formation)} + ₹400 \text{ crore (Addition to Stock)} = ₹1,400 \text{ crore}$$

$$\text{Net Exports} = ₹700 \text{ crore}$$

$$\text{GDP}_{\text{MP}} = 3,500 + 1,400 + 700 = 5,600 \text{ crore}$$

$$\text{NDP}_{\text{FC}} = \text{GDP}_{\text{MP}} - \text{Depreciation} - \text{Net Indirect Taxes}$$

$$\text{NDP}_{\text{FC}} = 5,600 - 50 - 200$$

$$\text{NDP}_{\text{FC}} = 5,350 \text{ crore}$$

$$\text{Net Domestic Product at Factor Cost (NDPFC)} = ₹5,350 \text{ crore}$$

(ii) Difference between Factor income and Transfer income are:

Basis	Factor Income	Transfer Income
Definition	Income earned by factors of production (land, labour, capital and entrepreneurship) for their productive services.	Income received without providing any productive service.
Source	Arises from participation in the production process.	Arises from redistribution of income.
Examples	Wages, rent, interest and profit.	Pensions, scholarships, unemployment benefits and donations.
Inclusion in National Income	Included in national income as it contributes to production.	Not included in national income since it does not involve production.

[Any 2]

OR

- (b) (i) The given statement, "In a two-sector economy, National Income is always less than Domestic Income", is refuted. In a two-sector economy, which consists of only households and firms, there is no involvement of the foreign sector. National Income (NNP_{FC}) is calculated as Domestic Income (NDP_{FC}) plus Net Factor Income from Abroad (NFIA). Since a two-sector economy does not engage in foreign transactions, NFIA is typically zero. As a result, National Income and Domestic Income remain equal. Hence, the claim that National Income is always less than Domestic Income in a two-sector economy is incorrect.

SECTION – B

29. As part of its economic reforms in the latter half of the 20th century, China implemented a dual pricing policy. Under this system, the government set the prices of goods and services for state-owned businesses, while the market determined the prices for private and non-state businesses. This strategy promoted efficiency and competition while preserving stability in key sectors, enabling China to gradually transition from a centrally planned economy to a more market-oriented one. China's economic growth was greatly aided by the dual pricing system, which attracted investment and encouraged industrial expansion.
30. India's international trade was set up to support British economic interests while it was a British colony. Although trade increased in volume, it was extremely exploitative. India started importing finished goods, mostly textiles, from Britain and exporting raw materials like cotton, jute and indigo. India was highly reliant on British markets because trade was mainly limited to Britain and its colonies. Due to competition from British manufactured goods, India's indigenous industries declined, resulting in a deindustrialisation of the country. Furthermore,

India had a steady trade surplus, but the advantages were lost due to the "drain of wealth", which left the economy undeveloped and stagnant.

34. (a) Sustainable agriculture refers to farming practices that meet present needs while preserving resources for future generations. It involves protecting the environment, reducing dependence on chemical inputs, using water and land efficiently and ensuring socio-economic equity for farmers.
- (b) Yes, I agree with the statement. Sustainable agriculture plays a key role in addressing climate changes due to the following reasons:
1. Reduces greenhouse gas emissions by minimizing the use of chemical fertilizers and pesticides. It promotes organic farming, agro-forestry and soil conservation, which enhance carbon retention in soil and plants.
 2. Crop rotation and diversification increase soil fertility and reduce vulnerability to pests and diseases. Adoption of climate-smart technologies helps in dealing with extreme weather conditions like droughts and floods.
 3. Encourages water conservation through modern irrigation systems and prevents land degradation promoting long-term productivity.
- (c) The ways to achieve sustainable development are:
1. Promoting renewable energy: Encouraging solar, wind and hydro energy to reduce dependence on fossil fuels and lower carbon emissions.
 2. Conservation of natural resources: Implementing afforestation, water conservation and waste management practices to protect biodiversity and ecosystems.

Outside Delhi Set– 3

58/2/3

SECTION – A

12. **Nominal Gross Domestic Product (Nominal GDP)** is the total monetary value of all final goods and services produced within a country's borders in a given year, measured at current market prices. It does not account for inflation or changes in price levels over time.

Difference between Nominal GDP and Real GDP: Nominal GDP is measured using the prevailing prices of goods and services in the year of calculation,

whereas real GDP is adjusted for inflation, using constant prices from a base year. Real GDP provides a more accurate representation of economic growth by eliminating the effects of price changes. Real GDP represents the actual increase in output, whereas nominal GDP may rise even in the absence of real production growth if prices rise as a result of inflation.

13. To estimate the change in income (ΔY) and change in consumption (ΔC), we use the investment multiplier formula:

$$\text{Multiplier } (k) = \frac{1}{1 - \text{MPC}}$$

where MPC (Marginal Propensity to Consume) = 0.8 (given).

(a) Change in Income (ΔY):

$$\Delta Y = k \times \Delta I$$

$$\Delta Y = \frac{1}{1 - 0.8} \times 2,000$$

$$\Delta Y = \frac{1}{0.2} \times 2,000 = 5 \times 2,000 = 10,000 \text{ crore}$$

(b) Change in Consumption (ΔC):

$$\Delta C = \text{MPC} \times \Delta Y$$

$$\Delta C = 0.8 \times 10,000 = ₹8,000 \text{ crore}$$

17. (a) (i) Estimating Gross National Product (GNP at Factor Cost) Gross National Product at Factor Cost (GNPFC), is calculated using the expenditure method with the formula:

GNPFC = GDPMP – Net Indirect Taxes + Net Factor Income from Abroad
 GDPMP = C + G + I + Net Exports where:

C (Consumption Expenditure) = ₹2,000 crore (Private) + ₹1,500 crore (Government) = ₹3,500 crore

I (Investment Expenditure) = ₹1,000 crore (Fixed Capital Formation) + ₹400 crore (Addition to Stock) = ₹1,400 crore

Net Exports = ₹700 crore

GDPMP = 3,500 + 1,400 + 700 = ₹5,600 crore

GNPFC = GDPMP – Net Indirect Taxes + Net Factor Income from Abroad

GNPFC = 5,600 – 200 + 100

NDPFC = ₹5,500 crore

Gross National Product at Factor Cost (GNPFC) = ₹5,500 crore

- (ii) The difference between positive externalities and negative externalities are:

Basis	Positive externalities	Negative externalities
Meaning	Benefits enjoyed by third parties without paying for them.	Costs imposed on third parties without compensation.
Impact on society	Increases social welfare and overall economic efficiency.	Reduces social welfare and creates economic inefficiencies.
Example	Free public parks improve community well-being.	Air pollution from factories harms public health.

SECTION – B

34. (a) Sustainable development refers to a mode of economic growth that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. It emphasises environmental protection, social equity and economic viability to ensure long-term sustainability.

(c) Two Sustainable Practices to Safeguard the Environment:

- 1. Organic Farming:** It reduces the use of synthetic chemicals and fertilisers, maintaining soil fertility and preventing water pollution.
- 2. Modern Irrigation Techniques:** Methods such as drip irrigation and rainwater harvesting help in water conservation, ensuring efficient utilisation of resources while minimising wastage.