

# CBSE

## Solved Paper 2023

### Economics

#### Class-12<sup>th</sup>

(Delhi & Outside Delhi Sets)

Time : 3 Hours

Max. Marks : 80

#### General Instructions:

Read the following instructions carefully and follow them:

- (i) This Question paper contains 34 questions. All questions are compulsory.
- (ii) This Question Paper contains **two** sections:  
Section A – Macro Economics  
Section B – Indian Economics Development
- (iii) This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
- (iv) This paper contains 4 Short Answer Questions type-I questions of 3 marks each to be answered in 60 to 80 words.
- (v) This paper contains 6 Short Answer Questions type-II questions of 4 marks each to be answered in 80 to 100 words.
- (vi) This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.
- (vii) Attempt all parts of a question together.

Delhi Set-I

58/5/1

#### SECTION - A

##### (Macro Economics)

1. 'Money is an asset which can be stored for use in future.'  
In the light of given statement, identify the function of money. (Choose the correct alternative)
  - (a) A measure of value
  - (b) A standard of deferred payment
  - (c) A store of value
  - (d) A medium of exchange 1
2. "Considering the depreciation of Indian currency (₹) in the international market. The Reserve Bank of India (RBI) has decided to purchase Indian currency (₹) in the open market."  
This represents .....exchange rate system. (Fill in the blank with correct alternative).
  - (a) fixed
  - (b) flexible
  - (c) managed floating
  - (d) manipulated 1
3. Read the following statements carefully:  
**Statement 1:** In a two sector economy, consumption expenditure and investment expenditure are the two components of Aggregate Demand.  
**Statement 2:** Aggregate Demand curve always starts from point of origin with positive slope.  
In the light of given statements, choose the correct alternative 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. 1
4. 'Deficit' in Balance of Payment (BOP) refers to the excess of ..... . (Choose the correct alternative)
  - (a) current account payments over current account receipts.
  - (b) capital account payments over capital account receipts
  - (c) autonomous payments over autonomous receipts
  - (d) accommodating payments over accommodating receipts 1
5. (A) From the statements given in Column I and Column II, choose the correct pair.

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

**Alternatives:**

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

1

(B) Complete the tables:

Producer	Value of Output	Intermediate Consumption	Value Added
Farmer	2,000	–	2,000
Baker	(i)	2,000	2,000
Retail Seller	4,400	(iii)	400
Total	(ii)	6,000	(iv)

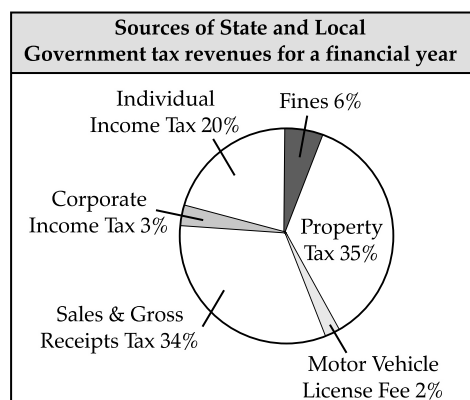
**Alternatives:**

- (a) 4,000, 10,400, 4,000, 4,000 (b) 4000, 10,400, 4,000, 4,400  
 (c) 2,000, 6,000, 6,000, 4,400 (d) 4,000, 10,400, 6,000, 4,000 1
6. (A) If in an economy, the Investment Multiplier is 4 and Autonomous Consumption is ₹30 crore, the relevant consumption function would be ..... (Fill in the blank with correct alternative)  
 (a)  $C = 30 + 0.75 Y$  (b)  $C = (-) 30 - 0.25 Y$   
 (c)  $C = 30 + 0.25 T$  (d)  $C = (-) 30 - 0.25 Y$  1  
**OR**
- (B) If increase in National Income is equal to increase in Savings, the value of Marginal Propensity to Consume would be ..... (Fill up the blank with correct alternative)  
 (a) equal to unity (b) greater than one  
 (c) less than one (d) equal to zero 1
7. Read the following statements carefully:  
**Statement 1:** Money supply ( $M_1$ ) in Indian does not include 'demand deposits' with commercial banks.  
**Statement 2:** Money supply ( $M_1$ ) refers to assets available with the commercial banks during a particular period of time.  
 In the light of given statements, choose the correct alternative:  
 (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. 1
8. (A) Suppose, the price of one UK Pound (£) has increased from ₹7 to ₹80, owing to market forces. This means that value of Indian currency (₹) has ..... (Choose the correct alternative)  
 (a) appreciated (b) depreciated  
 (c) revalued (d) devalued 1  
**OR**
- (B) Suppose, Country X, has more inflation than Country Y. Which of the following is most likely situation to happen in such a case, assuming other factors being constant? (Choose the correct alternative)  
 (a) A surplus trade balance in Country X  
 (b) A deficit trade balance for Country X  
 (c) A rise in exports from Country X to Country Y  
 (d) A deficit trade balance for Country Y 1
9. Read the following statements – Assertion (A) and Reason (R). Choose one of the correct alternatives given below:  
**Assertion (A):** Full employment refers to absence of involuntary unemployment.  
**Reason (R):** Under full employment situation, all willing and able bodied people get employment at prevailing wage rate.  
**Alternatives:**  
 (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. 1
10. In an economy, the value of Marginal Propensity to Save (MPS) is 0.25, what will be the value of increase in income, if investments increased by ₹200 crores?  
 (a) ₹200 crores (b) ₹150 crores  
 (c) ₹1,000 crores (d) ₹800 crores 1
11. Suppose only one Goods 'X' is produced in the country. Output of Goods X during year 2018 and 2019 were 100 units and 110 units, respectively. The market price of the product during the two years was ₹50 and ₹55 per unit, respectively.  
 Calculate the percentage change in Real Gross Domestic Product (GDP) in year 2019 using 2018 as the base year.

12. (a) Giving valid reasons, state whether the following statements are true or false:
- Dividend received from investment abroad is recorded on the credit side of the capital account. 3
  - Depreciation of the Indian currency will lead to promotion of Indian exports. 3
- OR**
- (b) Distinguish between Autonomous transactions and Accommodating Transactions. 3
13. If planned savings exceeds planned investments in an economy, explain its likely impact on income, output and employment.
14. As per the following news published in 'The Hindu' on 6th August 2022, The Monetary Policy Committee (MPC) of the Reserve Bank of India raised the Repo Rate by 50 basis points.  
Identify and explain the likely cause and consequences behind this type of action taken by the Reserve Bank of India.
15. (a) Explain the role of Central Bank as Government's agent and advisor. 4
- OR**
- (b) Define Reverse Repo Rate. Discuss briefly, how this instrument helps in controlling credit creation by commercial banks. 4
16. (a) (I) How should the following be treated in estimating National Income of a country? Give valid reasons. 3
- Profits earned by Foreign Banks in India.
  - Expenditure on up gradation of fixed asset by a firm.
- (II) Suppose in a financial year, the Gross Domestic Product (GDP) at market price of a country was ₹1,100 crore. Net factor income from Abroad was ₹100 crore, the net indirect taxes was ₹150 crore and National Income was ₹850 crore.  
Calculate the value of depreciation, on the basis of above information.
- OR**
- (b) (I) "While estimating Gross Domestic Product (GDP) by expenditure method, entire focus is on expenditures incurred by the residents of the country."  
Do you agree with the given statement? Give valid reason in support of your answer. 3
- (II) Calculate the value of Domestic Income from the following data:

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

17. Study the given picture carefully:



Answer the following questions based on common knowledge and picture:

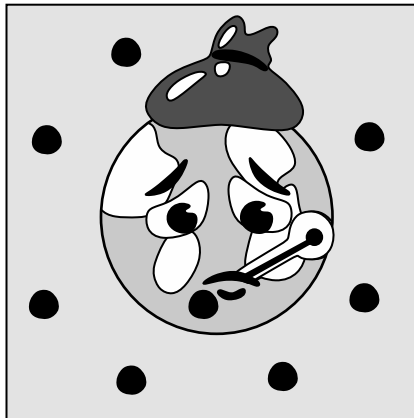
- (a) Categorise the given items in the picture into tax/non-tax receipts.  
 (b) "Government has started spending more on providing free services like education and health to the poor." In the light of above statement, explain how the government can use the budgetary policy in reducing 'inequalities of income'.

## SECTION - B

### (Indian Economic Development)

18. During the British rule in India, Indian agricultural output witnessed stagnation due to ..... .  
 (Choose the correct alternative)
- (a) decline in handicrafts (b) drain of Indian wealth  
 (c) land settlement (d) introduction of railways 1
19. (A) In the first phase of Green Revolution, output was restricted mainly to ..... .  
 (Choose the correct alternative)
- (a) Cereals and Pulses (b) Wheat and Rice  
 (c) Cotton and Jute (d) Jowar and Bajra 1
- OR**
- (B) ..... is known as the architect of Indian Planning.  
 (a) Jawaharlal Nehru (b) P.C. Mahalanobis  
 (c) Dr. Manmohan Singh (d) Dr. Rajendra Prasad 1
20. (A) Read the following statements carefully:  
**Statement 1:** Great Proletarian Cultural Revolution was introduced in China in 1950's.  
**Statement 2:** China's growth is mainly contributed by the manufacturing sector.  
 In the light of given statements' choose the correct alternative from the following:
- (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. 1
- OR**
- (B) Identify the incorrect statement from the following: (Choose the correct alternative)
- (a) China's economic growth rate is better than that of Pakistan.  
 (b) Pakistan is behind India in HDI ranking.  
 (c) One Child Policy norm was adopted in Pakistan.  
 (d) In 1991, India adopted New Economic Reforms. 1
21. .... is the apex institution which plans and evaluates policies related to rural credit needs.
- (a) Cooperative Credit Societies (b) Regional Rural Banks  
 (c) Self Help Groups (d) NABARD 1
22. Read the following statements – Assertion (A) and Reason (R). Choose one of the correct alternatives given below:  
**Assertion (A):** During 1980's economic growth rate of Pakistan was more than that of India.  
**Reason (R):** Pakistan followed the path of mixed economic structure with equal participation of the public and the private sector.  
**Alternatives:**
- (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.
23. Identify, which of the following are associated with the problem of human capital formation in India?
- (i) Brain drain (ii) Low academic standards  
 (iii) Rising population (iv) Change in social outlook
- (a) (i) and (ii) (b) (ii) and (iii)  
 (c) (i), (ii) and (iii) (d) (i) and (iv) 1
24. Read the following statements carefully:  
**Statement 1:** Special Economic Zones (SEZ's) policy has led to huge Foreign Direct Investment (FDI) flow to China.  
**Statement 2:** China's rapid industrial growth was the result of its economic reform in 1981.  
 In the light of given statements, choose the correct alternative:

- (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. 1
25. Identify, which of the following is an incorrect function of environment?  
 (a) Supplies resources (b) Assimilates waste  
 (c) Land degradation (d) Provides aesthetic services 1
26. Identify, which of the following is the correct formula for calculating 'Worker-Population Ratio'?  
 (Choose the correct alternative)
- (a)  $\frac{\text{Total Labour Force}}{\text{Total Population}} \times 100$  (b)  $\frac{\text{Total Workers}}{\text{Total Population}} \times 100$   
 (c)  $\frac{\text{Total Population}}{\text{Total Labour Force}} \times 100$  (d)  $\frac{\text{Total Population}}{\text{Total Workers}} \times 100$  1
27. Read the following statements carefully:  
**Statement 1:** First Five Year Plan of China commenced in the year 1956.  
**Statement 2:** Both India and China adopted Socialist Economy model following USSR.  
 In the light of given statements, choose the correct alternative:  
 (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. 1
28. Interpret the situation of Earth as depicted in the given picture, with reference to current environmental challenges:



29. (a) "In rural areas of India, more members of a family are engaged in work, yet the gross income of the family is generally low."  
 Identify the type of unemployment indicated in the above statement and explain the paradox associated with it. 3
- OR
- (b) Explain the role of micro-credit system in meeting credit requirements of poor. 3
30. Compare and analyse the following information related to annual growth of Gross Domestic Product (GDP) of India and China: 4

**Annual Growth of Gross Domestic Product**

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

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

31. (a) (i) State the meaning of 'Privatisation'.  
 (ii) 'Agriculture sector has been adversely affected by the economic reform process.' Comment. 3
- OR
- (b) State and explain any two main causes behind infrastructural development by British rule. 4
32. State with valid reasons whether the following statements are true or false:  
 (a) "Higher productivity and production are the outcome of investment in human resources." 2  
 (b) Rising population is not the cause for quality of human capital formation. 2
33. (a) (i) Define agricultural diversification.  
 (ii) State the meaning of organic farming. Discuss how does it help in promoting sustainable development.

OR

- (b) (i) Discuss the need for promoting women's education in India 3  
(ii) Explain absorptive capacity of environment with example. 3
34. Read the following text carefully and answer the given questions on the basis of the same and common understanding.  
India urged the World Trade Organisation (WTO) to relax rules to allow the country to export food grains from its public stocks to the nations facing food crises. India can help, reduce food insecurity but there is hesitation on the part of the WTO in relaxing its rules. India's Finance Minister said food, fuel and fertilisers are global public goods and ensuring access of these for developing and emerging economics is critical. She also shared India's experiences, including robust gains in agriculture production, citizen centric food security programmes and innovative delivery mechanism such as the 'One Nation one Ration Card' Scheme.  
(Source The Economic Times July 16, 2022)
- (a) State and discuss any two objectives of World Trade Organisation. 4  
(b) Name any two steps taken by India to strengthen the food security. 2

Delhi Set-II

58/5/2

Note: Except these, all other questions are from Delhi Set-I

**SECTION - A**

12. Suppose only one Goods 'X' is produced in the country. Output of 'Goods X' during 2018 and 2019 were 100 units and 120 units, respectively. The market price of the product during the two years was ₹50 & ₹60 per unit, respectively.  
Calculate the percentage change in real Gross Domestic Product (GDP) in year 2019, using 2018 as the base year. 3

**SECTION - B**

23. (a) State with valid reason whether the following statement is true or false:  
'Self employed workers are different from hired workers'. 3
- OR
- (b) Explain the importance of credit availability to farmers in rural development. 3

Delhi Set-III

58/5/3

Note: Except these, all other questions are from Delhi Set-I and Set-II.

**SECTION - A**

10. If a linear consumption curve takes a parallel shift downwards, the value of investment multiplier will .....  
(a) fall (b) rise  
(c) be doubled (d) not change 1

Outside Delhi Set-I

58/2/1

**SECTION - A****(Micro Economics)**

1. "In the Annual Budget 2022–23, the Government of India set up disinvestment targets of ₹65,000 crore".  
Such proceeds from disinvestment can be classified as ..... receipts in the Government Budget as it leads to ..... of the Government. (Choose the correct alternative)  
(a) capital, decrease in assets (b) revenue, increase in assets  
(c) capital, increase in liabilities (d) revenue, decrease in liabilities 1
2. Read the following statements – Assertion (A) and Reason (R). Choose one of the correct alternatives given below:  
**Assertion (A):** The Balance of Payments is in surplus, if autonomous receipts are greater than autonomous payments.  
**Reason (R):** Autonomous transactions are determined by the difference in the Balance of Payments.  
**Alternatives:**  
(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 and 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. 1

3. Read the following statements carefully:

**Statement 1:** The induced consumption shows the direct relation between consumption and income.

**Statement 2:** With a certain increase in income, induced consumption also increases.

In the light of the given statements, choose the correct alternative from the of 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. **1**
4. Ms. Iqra Ansari, a teacher, was explaining in her class about various types of deposits with the commercial banks. She quoted that–

"These deposits form a part of  $M_1$  measure of money supply and are payable on demand by the commercial banks."

Identify the type of deposits she was explaining about and choose the correct alternative:

- (i) Demand Deposits  
 (ii) Time Deposits  
 (iii) Post Office Deposits

**Alternatives:**

- (a) Only (i) (b) Only (ii)  
 (c) (i) and (ii) (d) (i), (ii) and (iii) **1**
5. As per the Reserve Bank of India (RBI) press report, dated 22<sup>nd</sup> June 2022:  
 "Net Foreign Portfolio Investment (FPI) recorded an outflow of US \$15.2 billion mainly from the equality market."  
 The above transaction will be recorded in the ..... account on ..... side of Balance of Payments account of India. (Choose the correct alternative)
- (a) current, credit (b) current, debit  
 (c) capital, credit (d) capital, debit **1**

6. (A) Read the following statements carefully:

**Statement 1:** Gross Domestic Product (GDP) is the sum total of the gross market value of all the final goods and services added by all the sectors in the economy during a fiscal year.

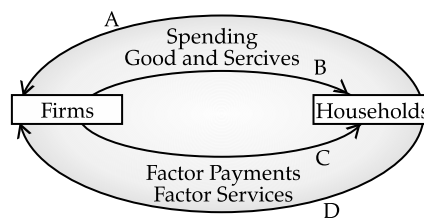
**Statement 2:** Gross Value Added at Market Price ( $GVA_{MP}$ ) is equal to the excess of value of output over intermediate consumption. In the light of the given statements, choose the correct alternative from the following:

- (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. **1**

**OR**

- (B) On the basis of the figure given below, identify the type of flow indicated by B and D:

(Choose the correct alternative)



**Alternatives:**

- (a) Real flow (b) Money flow  
 (c) Nominal flow (d) National flow **1**
7. Assuming that, the following data is given for an imaginary economy:

Year \ Items	2020 (₹ in Cr.)	2021 (₹ in Cr.)
Exports of visbles	1,000	1,100
Imports of visibles	800	850

The balance of trade from 2020 to 2021 ..... by ₹ ..... core.

(Choose the correct alternative)

- (a) increased, 200 (b) decreased, 200  
 (c) increased, 50 (d) decreased, 50 **1**
8. In order to tackle the problem of rising general price level in an economy, government may come up with a surplus budget to achieve the budget objective of .....  
 (i) reallocation of resources

- (ii) price stability  
(iii) redistribution of income

**Alternatives:**

- (a) (i) only (b) (ii) only  
(c) (iii) only (d) (i) and (iii) 1

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

**Assertion (A):** At the break-even level of income, the value of Average Propensity to Consume (APC) is zero.

**Reason (R):** Sum of Average Propensity of Consume (APC) and Average Propensity to Save (APS) is always equal to one.

**Alternatives:**

- (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 and 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. 1

**OR**

- (B) ..... refers to that level of Aggregate Demand which can be met by the corresponding supply in the economy. (Fill up the blank with correct alternative)

- (a) Autonomous Consumption (b) Effective Demand  
(c) Excess Demand (d) Deficient Demand 1

10. (A) In the Indian economy, ..... are issued by the Reserve Bank of India and acts as legal tender money.

- (i) coins of all denomination  
(ii) currency notes of various denominations, except one rupee note  
(iii) demand deposits

**Alternatives:**

- (a) Only (i) (b) Only (ii)  
(c) Only (iii) (d) (i) and (ii) 1

**OR**

- (B) ..... formulates the Monetary Policy in the economy. (Fill in the blank with correct alternative)

- (a) Commercial Banks (b) International Monetary Fund  
(c) Central Bank (d) Central Government 1

11. On the basis of the data given below for an imaginary economy, estimate the value of Net Domestic Product at factor cost ( $NDP_{FC}$ ):

S.No.	Items	Amount (₹ in crores)
(i)	Household Consumption Expenditure	2,000
(ii)	Government Final Consumption Expenditure	1,500
(iii)	Gross Domestic Fixed Capital Formation	1,000
(iv)	Net Additions to Stock	300
(v)	Exports	700
(vi)	Net Indirect Taxes	350
(vii)	Imports	200
(viii)	Consumption of Fixed Capital	250

12. (a) "Under the flexible exchange rate system, the Central Bank does not intervene in the foreign exchange market." Justify the statement, giving valid arguments. 3

**OR**

- (b) Explain the impact of home currency depreciation on the exports of a nation. 3

13. "The process of credit creation by commercial banks comes to an end when the total of required reserves become equal to the initial deposits."

With the help of a numerical example, prove that the given statement is true. 4

14. (a) "In an economy ex-ante Aggregate Demand is more than ex-ante Aggregate Supply." Explain its impact on the level of output, income and employment. 4



OR

(b) For a hypothetical economy, assuming there is an increase in the Marginal Propensity to Consume (MPC) from 75% to 90% and change in investment to be ₹1,000 crore.

Using the concept of investment multiplier, calculate the increase in income due to change in Marginal Propensity to Consume (MPC). 4

15. With suitable examples, distinguish between Direct taxes and Indirect taxes. 4

16. (a) (i) "Many goods and services which may contribute to welfare, but are not included in estimating gross Domestic Product (GDP)." Do you agree with the given statement? Give valid reason in support of your answer. 3

(ii) With suitable examples, distinguish between final goods and intermediate goods. 3

OR

(b) (i) Using a suitable numerical example, distinguish between Real Gross Domestic Product (GDP) and Nominal Gross Domestic Product (GDP). 4

(ii) State the meaning of 'normal resident' of a country. 2

17. Read the following text carefully. Answer the given questions on the basis of the same and common understanding: On 30<sup>th</sup> September 2022, the Reserve Bank of India (RBI) raised Repo Rate for the fourth time in a row. The Monetary

Policy Committee (MPC) decided to raise the policy rate by 50 basis points  $\left(1 \text{ basis point} = \frac{1}{100} \text{ of a per cent}\right)$ . After

rate stands at 5.9%, while the Reverse Repo Rate continues to stand at 3.35%.

Commercial banks borrow money from the Central Bank, when there is a shortage of funds. With the surge in the Repo Rate, borrowings by general public will become costlier. This is because, as RBI hikes its Repo Rate, it becomes costly for the banks to borrow short term funds from the Central Bank.

As a result, the banks hike the rates at which customers borrow money from them to compensate for the hike in the Repo Rate. This happens because banks offer loans to retail consumers at an interest rate which is generally, directly proportional to the Repo Rate.

The increase of 0.50 per cent in Repo Rate will lead to a higher interest rates on loans for borrowers, implying that the Equated Monthly Instalments (EMIs) for repaying the existing loans will also increase.

**Source:** <https://www.businessstandard.com/article/economicpolicy/rbi-monetary-policy-repo-rate-up-by-50bps-here-s-how-it-will-impact-you-122093000267> (Edited)

(a) Define 'Repo Rate'. 1

(b) Outline the recent change made by the Monetary Policy Committee of Reserve Bank of India in the Repo Rate. 1

(c) "Increase in Repo Rate is an important tool used by Monetary Policy Committee to combat the situation of inflation in the Economy." Justify the given statement. 1

## SECTION - B

### (Indian Economic Development)

18. Which of the following is NOT true about foreign trade during the colonial rule?

(Choose the correct alternative) 1

(a) India suffered from large trade deficit.

(b) Restrictive policies of commodity productions were followed.

(c) Britain maintained a monopoly control over India's exports and imports.

(d) India became an exporter of primary products and an importer of finished consumer goods.

19. (A) ..... is a process, which includes all the activities from sowing till sale of the final produce in the market. (Fill up the blank with correct alternative) 1

(a) Rural Development

(b) Agricultural Diversification

(c) Organic Farming

(d) Agricultural Marketing

OR

(B) ..... have emerged as an important micro finance system and led to women empowerment.

(Fill up the blank with correct alternative) 1

(a) NABARD

(b) Self-Help Groups

(c) Commercial Banks

(d) Land Development Banks

20. (A) Read the following statements – Assertion (A) and Reason (R). Choose one of the correct alternatives given below: 1

**Assertion (A):** Human capital is not traded in the market; however its services are traded.

**Reason (R):** Human capital is intangible in nature.

**Alternatives:**

- (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 and 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.

- (B) Benefits of physical capital accrue only to private entities, whereas human capital provides private as well as ..... benefits.

(Fill up the blank with correct alternative)

- (a) profitable (b) social  
 (c) fiscal (d) monetary

21. Read the following statement carefully: 1

**Statement 1:** China introduced structural economic reforms on its own, without any pressure.

**Statement 2:** Scholars argue that in India, the economic reforms process led to the worsening of all the economic indicators.

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

22. Which of the following was **NOT** the benefit accruing from 'Golden Revolution'?

(Choose the correct alternative)

- (a) Increase in the income of farmers. 1  
 (b) Increase in production of milk and related products.  
 (c) Increase in production and exports of fruits and vegetables.  
 (d) Employment for women in rural areas.

23. From the set of the events given in Column- I and the corresponding year in column-II, choose the incorrect pair:

	Column - I		Column - II
A.	Introduction of Railways in India	(i)	1850
B.	Incorporation of TISCO	(ii)	1807
C.	First Official Census of India	(iii)	1881
D.	Opening of Suez Canal	(iv)	1869

**Alternatives :**

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

24. (A) China initiated ..... in 1958, that aimed at industrializing the country on a massive scale.

(Fill up the blank with correct alternative)

- (a) the Great Proletarian Cultural Revolution (b) setting up of Special Economic Zones  
 (c) introduction of Economic Reforms (d) the great Leap Forward Campaign

**OR**

- (B) ..... acts as a measure of 'the extent of democratic participation in social and political decision-making.'

(Fill up the blank with correct alternative)

- (a) Human Development Index (b) Liberty Indicator  
 (c) Economic Growth (d) Poverty Index

25. In an economy, when the rate of resource extraction is lower than the rate of regeneration of the resource, the environment may operate .....

(Fill up the blank with correct alternative)

- (a) within its carrying capacity.  
 (b) beyond its absorptive capacity.  
 (c) beyond its carrying capacity.  
 (d) beyond its aesthetic capacity.

26. Read the following statement carefully: 1

**Statement 1:** Amongst India, China and Pakistan, China is the largest nation and has the highest population density.

**Statement 2:** One-child policy introduced in the late 1970s in China led to a considerable decline in the population growth rate.

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

27. On the basis of the data given below, identify the **incorrect** statement in terms of annual growth of GDP (%):  
(Choose the correct alternative)

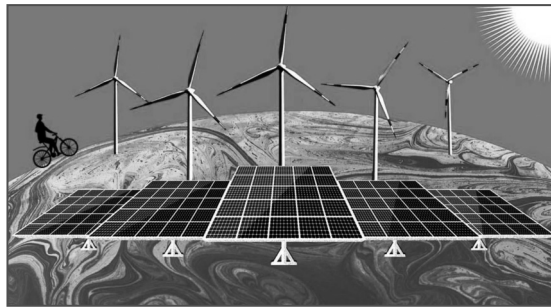
**Annual Growth of Gross Domestic Product (%), 1980–2017**

Country	1980–90	2015–2017
India	5.7	7.3
China	10.3	6.8
Pakistan	6.3	5.3

**Source:** Key indicators for Asia and Pacific 2016. Asian Development Bank.

Philippines: World Development Indicators 2018.

- (a) China was able to maintain near double-digit growth during the 1980s.
  - (b) Pakistan was ahead of India during 1980-2017.
  - (c) India experienced a rapid rise in Gross Domestic Product during 2015–2017.
  - (d) Both China and Pakistan experienced a decline in growth rate during 2015–17.
28. "Serious concerns over the climate change is taking over the attention of the world." 3



In the light of the above statement and image, discuss any two strategies to tackle this global concern of Environmental degradation.

29. (a) "Recently the Government of India has taken numerous steps towards increasing the farmer's income agricultural diversification"  
In light of the above statement, explain any two advantages of diversification in agriculture. 3

**OR**

- (b) "Active Government intervention is essential in education and health sectors in India.?"

Do you agree with the given statement? Give reasons in support of your answer. 3

30. Discuss any two merits and demerits of the Green Revolution in the agricultural sector in the Indian economy. 4

31. On the basis of the given data:

Some Selected Indicators of Human Development, 2017–2019

Item	India	China	Pakistan
Human Development Index (Value)	0.645	0.761	0.557
Rank (based on HDI)	130	87	154
Life Expectancy at Birth (years)	69.7	76.9	67.3
Mean years of Schooling (% aged 15 and above)	6.5	8.1	5.2
Gross National Income per capita (PPP US\$)	6.681	16.057	5.005
Percentage of People living Below Poverty Line (National)	21.9*	1.7**	24.3*
Infant Mortality Rate (per 1000 live births)	29.9	7.4	57.2
Maternal Mortality Rate (per 1 lakh births)	133	29	140
Population using at least basic Sanitation (%)	60	75	60
Population using at least basic Drinking Water Source (%)	93	96	91
Percentage of Undernourished Children	37.9	8.1	97.6

**Note:** for the year 2011: for the years 2015.

**Sources:** Human Development Report 2019 and 2020.

- (i) Identify one income indicator and one health indicator each. 2  
 (ii) Compare India and China on the basis of any one of the indicator identified above in part (i). 2  
 32. (a) "Expenditure on on-the-job training is an important means of human capital formation in an economy." 4  
 Give valid reasons to justify the given statement.

**OR**

- (b) "Organic farming is the need of the hour to promote sustainable development but, has its own limitations." 4  
 Elaborate any two advantages and limitations each of organic farming in the light of the above statement.  
 33. (a) (i) Define Worker Population Ratio. Discuss its usefulness. 3  
 (ii) 'Mr. Rishi, after completing his education has joined his family business but his marginal productivity is zero.'  
 Comment upon the employment status of Mr. Rishi. Give valid reasons in support of your answer. 3

**OR**

- (b) (i) 'Kavya works on her family farm and is neither paid in cash nor in the form of grains.'  
 Can she be categorised as a worker? Give valid reasons in support of your answer. 3  
 (ii) "In the late 1990's India experienced a widening gap between the growth of GDP and employment generation". Discuss. 3

34. Read the following text carefully and answer the given questions on the basis of the same and common understanding.

The stabilisation and structural adjustment measures initiated under the 1991 "Economic Reforms" mark a watershed moment in India's economic policies. For almost three decades since independence, India's development strategy and economic policies were guided by the objectives of accelerating the growth of output and employment with social justice and equity.

Ever since the 1970s, it was realised that many of the regulations on economic activities have outlived their usefulness and were in fact hampering economic growth and development. In response to this, the government initiated some milder liberalisation reforms for almost a decade since the early 1980's.

However, the Indian economy soon had to face the Gulf crisis and consequently:

- (i) The uncertainties about the oil prices;  
 (ii) The external payment problems;  
 (iii) The serious inflationary pressures;  
 (iv) The scarcities of essential commodities;  
 (v) The deterioration of fiscal discipline, etc.

These led to the Indian economy on the verge of economic crisis.

In response to this emerging crisis, the Government initiated a set of stabilisation and structural reforms like:

- (i) Reduction in fiscal deficit;  
 (ii) Containment of growth in money supply;  
 (iii) An exchange rate adjustment system etc.

The key objective of stabilisation policy was to bring the growth of aggregate demand in line with long term growth path of the economy.

In conjunction, the structural adjustment measures like;

- (i) industrial delicensing  
 (ii) liberalisation of policy regime governing international trade  
 (iii) deregulation of financial sector

were taken to improve the supply side of the economy. This shifted the long-term growth path of the economy itself completely.

(Adapted and modified)

Source:

- (a) Briefly outline any two reasons for the initiation of Economic Reforms in 1991. 2  
 (b) Government introduced a set of stabilisation and structural reforms to solve the economic crisis. State the key initiatives and objectives of these policies adopted by the Government of India. 2



## Outside Delhi Set-II

58/2/2

Note: Except these, all other questions are from Out side Delhi Set-I.

## SECTION - A

11. On the basis of the data given below for an imaginary economy, estimate the Net Domestic Product at Factor Cost ( $NDP_{PC}$ ):

S.No.	Items	Amount (₹ in crore)
(i)	Household Consumption Expenditure	3,000
(ii)	Government Final Consumption Expenditure	1,000
(iii)	Net Domestic Fixed Capital Formation	1,000
(iv)	Change in Stock	200
(v)	Exports	500
(vi)	Indirect Taxes	350
(vii)	Imports	300
(viii)	Subsidies	50

13. (b) For a hypothetical economy, assuming there is an increase in the Marginal Propensity to Consume (MPC) from 80% to 90% and change in investment to be ₹1,000 crore.  
Using the concept of investment multiplier, calculate the increase in income due to change in Marginal Propensity to Consume. 4
30. "The debate over farm subsidies in India is engaged at different platforms."  
Discuss any two arguments in favour of continuing farm subsidies. 4

## Outside Delhi Set-III

58/2/3

Note: Except these, all other questions are from Out side Delhi Set-I & II.

## SECTION - A

12. On the basis of the data given below for an imaginary economy, estimate the value of Gross National Product at Market Price ( $GNP_{MP}$ ):

S.No.	Items	Amount (₹ in crore)
(i)	Household Consumption Expenditure	2,000
(ii)	Government Final Consumption Expenditure	1,000
(iii)	Gross Fixed Capital Formation	1,100
(iv)	Net Additions to Stock	200
(v)	Exports	600
(vi)	Net Factor Income from Abroad	150
(vii)	Imports	400

15. (b) For a hypothetical economy, assuming there is an increase in the Marginal Propensity to Consume (MPC) from 80% to 90% and change in investment to be ₹2,000 crore.  
Using the concept of investment multiplier, calculate the increase in income due to change in Marginal Propensity to Consume.



# Solutions

Delhi Set-I

58/5/1

## SECTION - A

1. **Option (c) is correct.**

2. **Option (c) is correct.**

*Explanation:* In managed floating exchange rate system with the help of market forces of demand and supply, exchange rate is determined and competent authority, i.e., country's Central Bank intervenes so as to maintain the exchange rate within a specific range. Central Bank also keeps reserves of foreign exchange within the targeted value. Managed floating exchange rate is also called as 'dirty floating'.

3. **Option (a) is correct.**

*Explanation:* In a two sector economy there is only firms and households making them only consumption expenditure from the household and investment expenditure from the firms to form a part of the Aggregate Demand. This makes statement 1 true.

Statement 2 is false as the Aggregate Demand curve has a negative slope.

4. **Option (c) is correct.**

5. **(A) Option (a) is correct.**

*Explanation:* Vegetable grown on personal garden is for personal use and so will not be marketed. Thus, it is a non-marketing activity.

OR

**(B) Option (b) is correct.**

*Explanation:* (i) Value of output = Intermediate consumption + Value Added

$$\Rightarrow 2,000 + 2,000 = 4,000$$

$$(ii) 2,000 + 4,000 + 4,400 = 10,400$$

$$(iii) 4,400 - 400 = 4,000$$

$$(iv) 2,000 + 2,000 + 400 = 4,400$$

6. **(A) Option (a) is correct.**

*Explanation:*  $\bar{K} = 4$   
 $\bar{C} = ₹30 \text{ crore}$

$$K = \frac{1}{1 - MPC}$$

$$\Rightarrow 4 = \frac{1}{1 - MPC}$$

$$\Rightarrow 1 - MPC = 0.25$$

$$\Rightarrow MPC = 1 - 0.25 = 0.75$$

$$C = \bar{C} + bY$$

$$C = 30 + 0.75Y$$

OR

**(B) Option (d) is correct.**

*Explanation:* As increase in National Income is equal to the increase in Saving,  $MPS = 1$

$$MPC = 1 - MPS$$

$$= 1 - 1 = 0$$

7. **Option (d) is correct.**

*Explanation:* Statement 1 is false as  $M_1$  does include the demand deposit with the banks. Statement 2 is false as  $M_1$  include:

(a) Currency notes and coins with the public (excluding cash in hand of all commercial banks) [C]

(b) Demand deposits of all commercial and co-operative banks excluding inter-bank deposits.

(DD), where demand deposits are those deposits which can be withdrawn by the depositor at any time by means of cheque. No interest is paid on such deposits.

(c) Other deposits with RBI [O.D.] where, other deposits are the deposits held by the RBI of all economic units except the government and banks. OD includes demand deposits of semi-government public financial institutions (like IDBI, IFCI, etc.), foreign central banks and governments, the International Monetary Fund, the World Bank, etc. Thus,  $M_1 = C + DD + OD$ .

8. **(A) Option (b) is correct.**

*Explanation:* As the value of pound increased from ₹70 to ₹80, the value of rupee has gone down as against pound, and we can purchase less of pound from the rupees. This is called depreciation of the value of Indian currency.

OR

**(B) Option (b) is correct.**

9. **Option (a) is correct.**

10. **Option (d) is correct.**

*Explanation:*  $MPS = 0.25$

$$\Delta I = ₹200 \text{ crore}$$

$$K = \frac{1}{1.25} = 4$$

$$K = \frac{\Delta Y}{\Delta I}$$

$$\Rightarrow 4 = \frac{\Delta Y}{200}$$

$$\Rightarrow \Delta Y = ₹800 \text{ crore}$$

11.  $\text{Read GDP}_{2019} = \text{Current output} \times \text{Base year price}$

$$= 110 \times 50 = 5,500$$

$$\text{Real GDP}_{2018} = 100 \times 50 = 5,000$$

$$\text{Change} = 5,500 - 5,000 = 500$$

$$\text{Percentage change} = \frac{500}{5,000} \times 100 = 10\%$$

12. **(a) (i)** The statement is false. The dividend received from the investment abroad is recorded in the current account and not capital account as it is a revenue income and does not affect the asset or liability of the government.

**(ii)** The statement is true. The depreciation of Indian currency will make exports more

profitable as the goods will become cheaper in the foreign market.

OR

- (b) **Autonomous Transactions:** These are independent in all other transactions in the BOP. These transactions are not influenced by the foreign exchange position of the country. Exports, imports, etc., are some examples.

**Accommodating Transactions:** These are undertaken to cover deficit or surplus in the autonomous transactions. Therefore, their magnitude is determined by the Autonomous Transactions.

13. When planned savings are more than the planned investment, ( $S > I$ ) the consumers are consuming less, leading the producers to reduce the production. This leads to the decrease in the inventories. The equilibrium income will have a tendency to reduce till the  $S = I$ .
14. Repo Rate is the rate at which the Central Bank lends money to the commercial banks. In this situation the Repo Rate is increased by the Central Bank. This is done to correct the situation of Inflationary Gap. 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.
15. (a) The Central Bank acts as a banker to both Central as well as State Governments. The Central Bank accepts receipts and makes payments for the government and carries out exchange, remittance and other banking operations. It advances credit/loan to the government to meet its requirements in case of crisis. It also acts as an agent to buy and sell government securities and advises the government on various financial matters such as economic and money matters, e.g., controlling inflation or deflation, devaluation or revaluation of the currency, deficit financing, balance of payments, etc.

OR

- (b) Reverse Repo Rate refers to the rate of interest paid by the Central Bank on deposits made by the commercial banks. When it is raised, commercial banks are encouraged to make more deposits with Central Bank. As a result, funds available for lending with the commercial banks decrease. Their capacity of lending declines and credit creation is less.
16. (a) (I) (i) Profits earned by Foreign Bank in India is the factor income to abroad, so it will not be added to the national income.  
(ii) Expenditure on the up gradation of fixed asset by a firm will be added to the national income as it forms the part of fixed capital formation.

(II)  $GDP_{MP} = ₹1,100$  crore  
 $NFIA = ₹100$  crore  
 $NIT = ₹150$  crore  
 $NNP_{FC} = ₹850$  crore  
 Depreciation = ?  
 $NNP_{FC} = GDP_{MP} - \text{Depreciation} + NFIA - NIT$   
 $850 = 1100 - \text{Depreciation} + 100 - 150$   
 $850 = 1,050 - \text{Depreciation}$   
 Depreciation =  $1,050 - 850 = ₹200$  crore

OR

- (b) (I) The statement is defended. To calculate  $GDP_{mp}$  by the expenditure method, we add up final expenditures on the goods and services produced by all the economic sectors of an economy. Expenditures incurred on consumption and investment are final expenditures. These are classified into: (i) Private final consumption expenditure, (ii) Government final consumption expenditure, (iii) Gross domestic capital formation, (iv) Net exports = Exports less imports the sum total of these expenditures is  $GDP_{MP}$ .
- (II) Domestic Income ( $NDP_{FC}$ ) = (i) + (iii) + (iv) + (vi) + (vii) + (ix)  
 $= 1,300 + 1,700 + 400 + 300 + 400 + 1,400$   
 $= ₹5,500$  crore

17. (a) Individual Income Tax – Tax Receipts  
 Fines – Non-Tax Receipts  
 Property Tax – Tax Receipt  
 Motor Vehicle License Fee – Non-Tax Receipt  
 Sales and Gross Receipts Tax – Tax Receipt  
 Corporate Income Tax – Tax Receipt

OR

- (b) Government budget can be used as a great tool to influence the distribution of income in the economy. The government can follow the progressive tax system wherein the government can tax the rich at a higher rate. Also, more taxes such as wealth tax, property tax, etc. can be imposed on the rich. This will bring down the personal disposable income of the rich class and the amount so collected could be used to provide free or subsidised services to the poor, like education, food, health facilities, etc. This will help to reduce the income disparity between the rich and the poor.

## SECTION - B

18. Option (c) is correct.

**Explanation:** According to Zamindari system, the Zamindars were recognised as “permanent owners of the land”. The profit accruing out of the agriculture sector went to the Zamindars instead of cultivators. However, both Zamindars and colonial government did nothing to improve the condition of agriculture. Zamindars were to pay a fixed sum

to the government as land revenue and they were absolutely free to extract as much from the tillers of the soil as they could.

19. (A) Option (b) is correct.

OR

(B) Option (b) is correct.

20. (A) Option (c) is correct.

OR

(B) Option (c) is correct.

*Explanation:* One Child Policy norm was adopted in China.

21. Option (d) is correct.

22. Option (b) is correct.

*Explanation:* The reason for Pakistan having more economic growth rate than India in 1980s was not because they adopted the mixed economic system, but it was because India was a closed economy.

23. Option (c) is correct.

24. Option (a) is correct.

*Explanation:* China's economic reforms took place in 1978.

25. Option (c) is correct.

26. Option (a) is correct.

27. Option (d) is correct.

*Explanation:* Statement 1 is false as first five year plan in China started in the year 1953.

Statement 2 is false as India adopted the mixed economic model whereas China adopted the socialist model.

28. The picture shows the Earth is degrading and is facing problems due to the economic development. Following are the contributing factors to the environment crisis:

(i) **Rising population:** Rising population creates the demand for resources for both production and consumption which put pressure on the environment. Rising population has resulted in the problems of food, housing and transport facilities.

(ii) **Air pollution:** Air pollution lowers the quality of air. Air pollution causes a serious damage to public health. Air pollution has increased the burden of heavy expenditure on public health.

(iii) **Water contamination:** Water becomes contaminated primarily from dumping of chemicals and industrial wastes into river, streams, lakes, etc. The consequence of water contamination is spread of water borne diseases and damage to human life as well as animal life. Water contamination has increased the burden of heavy expenditure on drinking water, public health and protection of animal life.

(iv) **Affluent consumption standard:** Affluent consumption standards have created demand for resources and put pressure on the environment. These have resulted in the increase in government expenditure on the protection of environment.

(v) **Industrialisation:** Industrialisation has made it impossible to meet the growing needs of the society. There is a heavy demand for resources for production. Industrialisation has created the problems of air pollution, water pollution and noise pollution.

(vi) **Urbanisation:** Urbanisation has created the problems of misuse and overuse of resources. There is a threat of pollution due to deforestation and pressure on land. The government has to create social infrastructure in the urban areas.

(vii) **Poaching:** Poaching is a serious threat to animal world.

(viii) **Global warming:** Global warming is a gradual increase in the average temperature of the Earth's atmosphere, as a result of the increase in the Greenhouse gases since Industrial Revolution.

29. (a) This is the case of hidden or Disguised unemployment. It does not necessarily mean that more people earning in a family will lead to more income, as it can be possible when more people are working in the same piece of land which could have been handled by fewer members. Thus, this engages extra members unnecessarily. Instead, the extra members could do some other jobs leading to an increase in the income.

OR

(b) Micro-credit plays an important role in meeting the credit requirements of the poor. Under micro-credit programmes, farmers get adequate credit at cheaper rates. Micro-credit programme promotes thrift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to the needy members which is repayable in small instalments at reasonable interest rates. Microcredit programme abandons the need of any kind of collateral. It also helps in women empowerment.

30. The given data shows that China has gained economic strength over the years. When many developed countries were finding it difficult to maintain a growth rate of even 5%, China was able to maintain near double-digit growth during the decade of 1980s. The growth rate of China has decelerated to an average of 6.8% over the period 2015-17. In the recent past India has posted a decent rise in the growth rate. While India had maintained a reasonable growth rate of 5.7% in the decade of 1980s it has shown great caliber and character in the period 2015-17 by registering an average of 7.3%, over the period 2015-17. Nevertheless, Indian elephant has to travel a long distance before it could present itself as a real threat to the growth story of the Chinese dragon.

31. (a) (i) Transfer of ownership from government to private sector of organisations which are presently run and controlled by government.



(ii) Economic reforms did not benefit the agriculture and the agricultural growth rate has been decelerating.

(i) Public investment in agriculture sector has been reduced in the reform period due to which irrigation, power, roads, market linkages and agricultural research have suffered.

(ii) Further, the removal of fertiliser subsidy has led to increase in the cost of production which has severely affected the small and marginal farmers.

(iii) Globalisation and membership of WTO have resulted in policy changes such as reduction in import duties on agricultural products, removal of minimum support price and lifting of quantitative restrictions on agricultural products which have increased international competition for Indian farmers making their condition more miserable.

(iv) There has been a shift from production for the domestic market towards production for the export market because of export oriented policy strategies in agriculture. This has shifted the focus on cash crops in place of production of food grains which have led to a fall in supply of food grains thereby creating pressure on prices of food grains. (Any Three)

OR

(b) The two main causes behind the infrastructural development by British rule are:

(i) **Transportation:** The British built the road and railway network not to help Indians but to actually mobilise troops to suppress the revolts. Not only that, but the railways also supported as the transport of raw materials from India cities to be transported easily to the factories of Britain through the Indian Ports.

(ii) **Communication:** The communication facility like telegrams were also not developed for the benefit of Indians. It was basically used as a tool to suppress the Indian revolutionaries.

32. (a) This statement is true. Investment in education helps to develop a more skilled manpower. This leads to higher productivity and production from the employees. With better health care facilities, the sick can be tended at the earliest, increasing their productivity.

OR

(b) This statement is true. Rising population puts pressure on the rate of human capital formation in the country. It becomes difficult to provide education and health care facilities to all.

33. (a) (i) Diversification of agricultural activities means basically to grow multiple crops and extension of activities subsidiary to agriculture.

(ii) Organic farming is a system of farming that, enhances and maintains ecological balance with the help of techniques such as crop rotation, green manure, compost and biological pest control, etc.

Organic farming is needed to achieve sustainable agricultural development. Sustainable agriculture is necessary to attain the goal of sustainable development. Sustainable agriculture requires that the quality of environment should be maintained and natural resources should be conserved. Organic farming is one of the ways of meeting the objective of sustainable agriculture as organic farming is environment friendly.

OR

(b) (i) Women have always been neglected when it comes to education in India. The access to education has always been biased towards male population due to our social system which is patriarchal. The lack of education has caused exploitation of women and has resulted in a lower social status of women in India. There is an imminent need for promoting female education in India, because of the following reasons:

(i) Women education is essential for providing them economic independence and empowering them to save them from exploitation and domestic violence.

(ii) Women education is essential in order to raise the social status of women so that the quality of life of women can be improved.

(iii) Educating woman helps in promoting family welfare programmes and thus, in population control.

(iv) Educated woman are aware of the importance of health care and thus, take proper care of the family members contributing in human capital formation.

(v) Educating a woman means educating a family. An educated woman can inculcate moral values in her children and can facilitate their education.

(II) Absorptive capacity of the environment may be defined as the quantity of natural resources which can be drawn from it and the maximum amount of pollutants that can be discharged without damaging it seriously. For example, crude petroleum, the source of petrol and diesel used in motor vehicles is available in limited supply. It cannot be reproduced again. With the present rate of use of these resources, it will lead to the depletion of these resources within less than half a century. Similarly, air pollution has created a problem of ozone depletion. Air pollution has developed a hole exposing human life to die dangerous ultraviolet rays of Sun. Hence, industrial

development must be in accordance with the carrying capacity of environment.

34. (a) **The objectives of World Trade Organisation are:**

- (i) **To raise the standard of living in member countries:** With the proper trade practices, the WTO aims to have a border free or duty free trade among its member nations. This enables the citizens of less developed countries to get what is advanced technology from the more developed nations, leading the people to raise their standard of living.

- (ii) **Development of a multilateral trade system:** The WTO aims at not allowing just a single country to be benefitted from the trade, but all the members have some benefit derived from it. This is only possible by the development of a multilateral trade system.

(b) The steps taken by India to strengthen the food security are:

- (i) Green Revolution  
(ii) Modernisation of Agriculture



Delhi Set-II

58/5/2

**SECTION - A**

12. Read  $GDP_{2019} = \text{Current output} \times \text{Base year price}$   
 $= 120 \times 50 = 5,500$   
 Real  $GDP_{2019} = 120 \times 50 = 6,000$   
 Change =  $6,000 - 5,000 = 1,000$   
 Percentage change =  $\frac{1,000}{5,000} \times 100 = 20\%$

**SECTION - B**

23. (a) An arrangement in which a worker uses his own resources to make a living is known as self-employed. He owns and operates an enterprise to earn his livelihood. On the other hand, hired-workers are those people who

are hired by others on paid wages or salaries as a reward for their services are called hired workers. Thus, self-employed workers are different from hired workers.

OR

- (b) Growth of rural economy depends primarily on infusion of capital, from time to time, to realise higher productivity in agriculture and non-agriculture sectors. As the gestation gap between crop sowing and realisation of income after production is quite long, farmers borrow from various sources (formal and informal) to meet their requirements on seeds, fertilisers, etc. and other family expenses of marriage, religious ceremonies, etc. (to be marked as a whole).



Delhi Set-III

58/5/3

**SECTION - A**

10. Option (d) is correct.

*Explanation:* There is no change in the multiplier as the shift in the consumption curve will not lead to the change in the marginal propensity to consume.



Outside Delhi Set-I

58/2/1

**SECTION - A**

1. **Option (a) is correct.**  
*Explanation:* Disinvestment means when government sells part of its share in PSU's. Since these receipts reduce the assets of the government it is known as capital receipts.
2. **Option (c) is correct.**  
*Explanation:* Autonomous items are determined by profit or economic motive.
3. **Option (c) is correct.**  
*Explanation:* Induced consumption is the product of MPC(b) and Income (Y) i.e., bY. So, it increases only with the increase in income. And hence directly related.
4. **Option (a) is correct.**

*Explanation:*  $M1 = C + DD + OD.$

DD refers to demand deposits which form the part of money supply in the economy. These deposits can be withdrawn by the depositors on demand by the depositors.

5. **Option (d) is correct.**

*Explanation:* Capital account records all the transactions that affects the assets and liabilities of the country.

Since there is an outflow of net portfolio investment which reduces the assets and it will be recorded on the debit side of BOP.

6. **Option (c) is correct.**

*Explanation:* GDP is the production added by all the sectors within the domestic territory of the country in a fiscal year.  $GVA = \text{Value of output} - \text{Intermediate consumption by a particular sector.}$

OR

**Option (a) is correct.**

**Explanation:** Real flow means flow of goods and services between the two sectors.

7. **Option (c) is correct.**

**Explanation:** Balance of trade = Export of goods – Imports of goods

For 2020, BOT = 1,000 – 800 = 200

For 2021, BOT = 1,100 – 850 = 250

Increase in BOT = 250 – 200 = 50

8. **Option (b) is correct.**

**Explanation:** When government targets the rise in general price level through its budget, its main objective is to maintain price stability.

9. (A) **Option (d) is correct.**

**Explanation:** Break even point is where Income is equal to income.

$$APC = C/Y$$

Hence at break even point, APC is 1.

$$\text{And, } APC + APS = 1$$

$$\text{Because, } Y = C + S,$$

Dividing both sides by y,

$$Y/Y = C + S/Y$$

$$1 = C/Y + S/Y$$

$$1 = APC + APS$$

OR

(B) **Option (b) is correct.**

**Explanation:** The level of AD, where AD=AS is known as effective demand.

10. (A) **Option (b) is correct.**

**Explanation:** RBI has the authority to issue only currency notes except one rupee note. Coins and one rupee note is issued by finance ministry and demand deposits are created by commercial Banks.

OR

(B) **Option (c) is correct.**

**Explanation:** Monetary policy is the policy to control money supply in the economy in order to regulate supervise and monitor the financial structure of the country.

11. According to expenditure method,

$$GDP \text{ at MP} = i + ii + iii + iv + v - vii$$

$$= 2,000 + 1,500 + 1,000 + 300 + 700 - 200$$

$$= 5,300 \text{ Crore}$$

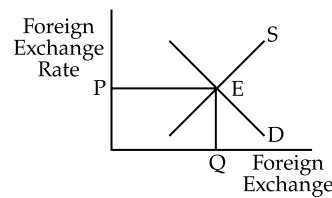
$$NDP \text{ at FC} = GDP \text{ at mp} - \text{dep} - \text{NIT}$$

$$= 5,300 - 250 - 350 = 4,700 \text{ Crore}$$

12. Under Flexible exchange market, foreign exchange rate is determined by the forces of demand and supply.

The rate is determined at a point where demand and supply intersects. In the diagram below, e is the equilibrium point and OP is foreign exchange rate.

Central Bank does not intervene in flexible exchange rate, because demand and supply can adjust the deficit and surplus in foreign exchange by changing the foreign exchange rate.



OR

Depreciation of home currency means fall in the value of domestic currency in terms of foreign currency due to the changes in demand and supply.

For example, 1 \$ = ₹ 70 changes to 1\$ = ₹ 75.

This means that more units of domestic currency are available to foreigners by spending same unit of foreign currency. This will make domestic goods cheaper in the foreign market. Demand for domestic goods will rise. **Exports will also rise.**

13. Credit Creation process

Assume – Initial deposits = ₹ 1,000 and LRR= 10 Per cent

Initial Deposits	Reserve Deposits	Loans
1,000	100	900
900	90	810
810	81	729
10,000	1,000	9,000

$$\text{Credit Multiplier} = \frac{1}{\text{LRR}} = \frac{1}{10}\% = 10$$

Total credit creation

$$= \text{Initial deposits} \times \text{Credit Multiplier}$$

$$= 1,000 \times 10 = 10,000$$

The above table shows that with an initial deposit of ₹ 1,000, ( Assuming LRR = 10 %). The commercial banks will keep a portion of LRR aside (10 % of 1,000), ₹ 100 and will give rest of the amount as a loan. (₹ 900). Every time the total deposit reserves is 10 % of the deposit received by the bank.

This process will end when total deposit reserve will become equal to initial deposits received by the banks.

14. (a) When exante aggregate demand is more than exante aggregate supply.

It takes place before the equilibrium point.

At the income level below the equilibrium level of income, Planned AD > Planned AS,

This indicates that households are planning to consume more than what firms are expecting. This extra demand will get fulfilled by fall in inventory. As the stock will fall below a desired level, firms will start the production. This will increase employment and income.

OR

(b) Given – MPC changes from 0.75 to 0.9

$$\text{Change in investment} = ₹ 1,000$$

$$\text{when MPC} = 0.75$$

$$K = \text{Change in income} / \text{change in investment}$$

$$K = 1/1 - MPC = 1/1 - 0.75 = 4$$

$$\text{Change in income} = 1,000 \times 4 = ₹ 4,000 \text{ cr}$$

when  $MPC = 0.9$

$$K = 1/1 - 0.9 = 10$$

$$\text{Change in income} = 1,000 \times 10 = ₹ 1,000$$

$$\text{Net increase income} = 4,000 - 1,000 = ₹ 3,000$$

15.

Direct Tax	Indirect Tax
When the impact and incidence of tax falls on the same person it is called direct tax	When the impact and incidence of tax falls on different persons it is called indirect tax
Its is non shiftable tax	It is shiftable.
It is progressive in nature	It is regressive in nature
e.g., Income tax and wealth tax	e.g., GST
10,000	1,000

16. (i) Yes, I agree with the statement. Many goods that are produced in leisure activities and services generated by family members to each other out of love and affection are not included in national income. Like, cooking food for family, teacher teaching his son, kitchen garden as a leisure activity. These activities adds to welfare but these are not included in GDP of the nations. Because
- These are not meant for market transactions.
  - It is difficult to estimate its monetary value.
- (ii) Final goods are those goods are which are meant for direct satisfaction of human wants or investment in business. These goods are included while calculating national income. For Example, Milk purchased by a family is a final good as it is purchased for direct satisfaction of wants. Intermediate goods are those which help in further production of goods and services and losses its identity in the process of production. Its also includes the goods for resale purpose. The value of such goods is not added in national income as their value is already added in the value of final goods. For example, Machine purchased by a machine dealer.

OR

- (i) Real and nominal GDP

Real GDP	Nominal GDP
1. It refers to money value of final goods and services produced in a domestic territory of a country calculated at base year prices.	1. It refers to money value of final goods and services produced in a domestic territory of a country calculated at current year prices.

2. It is affected by change in output over the years	2. It is affected by changes in prices and output over the years.
3. It is a true indication of economic growth.	3. It is a not a true indication of economic growth.

Numerical example

Commodity	Production in 2022	Prices in 2018	Prices in 2022	Real GDO	Nominal GDP
A	20	4	5	80	100
B	30	5	9	150	270
C	10	7	10	70	100
D	15	8	12	120	180
				420	650

Real and nominal GDP for the year 2022 is different because of difference the prices from base year to current year.

- (ii) Normal residents refer to the one who ordinarily resides within the country and whose economic interest also lies within the country.

The income earned by the normal residents of the country added together, earned inside and outside the domestic territory of a country is called national income of the country.

17. (a) Repo Rate refers to the rate at which Central Bank Lends money to commercial bank for a short period of time.
- (b) RBI has increased the Repo Rate
- (c) When RBI increases the Repo Rate during inflation, the interest rate on loans also increases. This makes loans expensive and reduces the lending capacity of the commercial banks. Credit creation reduces and money supply also falls. As the money supply falls, AD levels also falls and it helps in reducing the inflation rate in the country.

## SECTION - B

18. **Option (a) is correct.**  
*Explanation:* India witnessed an export surplus which was used by Britishers for their war expenses and developing their on-development base.
19. **(A) Option (d) is correct.**  
OR  
**(B) Option (b) is correct.**
20. **(A) Option (a) is correct.**  
OR  
**(B) Option (b) is correct.**
21. **Option (a) is correct.**  
*Explanation:* China introduced structural reforms just because the Prime minister of China, Mao was not happy with the stable growth of China. Economic reforms of India. Occurred in 1991 improved GDP per capita income, industrial growth and foreign exchange reserves so the statement is false.

22. **Option (b) is correct.**

*Explanation:* This is a benefit of white revolution.

23. **Option (b) is correct.**

24. **(A) Option (d) is correct.**

**OR**

**(B) Option (b) is correct.**

25. **Option (a) is correct.**

*Explanation:* An environment goes beyond its carrying capacity when extraction of resources is more than the resource regeneration. It is unable to absorb waste.

26. **Option (b) is correct.**

*Explanation:* China is the largest country. Because its large area and its density of population is lowest among the two nations.

27. **Option (b) is correct.**

*Explanation:* It is evident from the table that Pakistan GDP rate is lower than India in 2017. Only in 1980, Pakistan was ahead of India.

28. Two strategies that can be used to tackle the environmental concerns are

(a) Use of CNG in urban areas: In Delhi, the use of Compressed Natural Gas (CNG) as fuel in public transport system has significantly lowered air pollution and the air has become cleaner in the last few years.

(b) Use of wind mills for the generation of electricity: In areas where speed of wind is usually high, wind mills can provide electricity without any adverse impact on the environment. Wind turbines move with the wind and electricity is generated. No doubt, the initial cost is high. But the benefits are such that the high cost gets easily absorbed

29. **(A)** Diversification includes two aspects: one relates to change in cropping pattern and the other relates to a shift of workforce from agriculture to other allied activities

(i) Diversification towards new areas is necessary to reduce the risk from agriculture sector

(ii) To be able to provide productive sustainable livelihood options to rural people, much of the agricultural employment activities are concentrated in the Kharif season.

**OR**

**(B) (i)** Education and health care services create both private and social benefits and this is the reason for the existence of both private and public institutions in the education and health service markets.

(ii) Government intervention is required in education and health because expenditures on education and health make substantial long-term impact and they cannot be easily reversed; hence, government intervention is essential.

(iii) Individual consumers of these services do not have complete information about the quality of services and their costs. In this situation, the providers of education and health services acquire monopoly power

and are involved in exploitation. The role of government in this situation is to ensure that the private providers of these services adhere to the standards stipulated by the government and charge the correct price.

30. **Merits / Positive effects of Green Revolution**

- self-sufficiency in food grains
- increased in production of the rice and wheat
- increased in income of the farmers
- price of food grains declined
- low-income groups, who spent a large percentage of their income on food, benefited from this decline in relative prices procure enough food grains to build buffer stocks which could be used in times of food shortage.

**Negative effects of green revolution**

- increased in income disparities
- increased in regional disparities
- effective only on wheat and rice
- over utilisation of chemical in agriculture

31. **(i)** Gross national income per capita is an income indicator and infant mortality rate is a health indicator.

**(ii)** As per the table, in 2017–19, infant mortality rate of India is higher in comparison to China i.e., 29.9 and 7.9. This indicates more children below the age of 1 year are dying in India. This is because of lack of health care facilities in India in comparison to China.

32. **(A)** Firms spend on giving on-the-job-training to their workers. This may take different forms: one, the workers may be trained in the firm itself under the supervision of a skilled worker; two, the workers may be sent for off-campus training. In both cases firms incur some expenses. Firms will, thus, insist that the workers should work for a specific period of time, after their on-the-job training, during which it can recover the benefits of the enhanced productivity owing to the training. Expenditure regarding on-the-job training is a source of human capital formation as the return of such expenditure in the form of enhanced labour productivity is more than the cost of it.

**(B)** Advantages and limitations of organic farming: Organic farming is the farming without the use of chemicals.

**Advantages**

1. It helps in increasing by the increase in exports as the demand for organically produced goods is high.
2. Organically grown food has more nutritional value than chemical farming thus providing us with healthy foods.

**Limitations**

1. Inadequate infrastructure and the problem of marketing the products are major concerns which need to be addressed apart from an appropriate agriculture policy to promote organic farming.

2. It has been observed that the yields from organic farming are less than modern agricultural farming in the initial years
33. (A) (i) The proportion of population that is actually contributing to the production of goods and services.  
It is used for analysing the employment situation in the country.  
If this ratio is high, it shows more engagement of population in work.  
If this ratio is low, it means that high proportion of population is not engaged in economic activities.
- (ii) Mr Rishi has joined his family business but he is not contributing anything to the business as his marginal productivity is zero. He is a disguised unemployed.  
Disguised unemployment is a situation where a person seems to be engaged in a work but does not contribute anything to the production process. If he is removed from the work, the work will not be affected.
- OR**
- (B) (i) Yes, Kavya is considered as a worker.  
Worker is someone who is involved in any productive (economic activity) and contributes to the generation of GNP.
- (ii) The widening gap between growth of GDP and employment generation is known as **JOBLESS** growth. It indicates that without generating employment, an economy is able to produce goods and services.
34. (a) Actors responsible for economic reforms.
- Fall in foreign exchange reserve
  - Adverse balance of payments
  - Mounting fiscal deficit
  - Rise in prices
  - Failure of public enterprises
  - Gulf crisis
- (b) Structural reforms are long-run policies. The goal of structural reforms is to abolish controls, eliminate bureaucratic hurdles and red tapism and make the decision-making process efficient and transparent.
- In the new economic policy 1991, structural reforms can be seen with respect to:
    1. Liberalisation
    2. Privatisation
    3. Globalisation
1. **Liberalisation:** Liberalisation means removing all unnecessary control and restriction like permits licenses, protectionist duties, quotas etc.
- Economic reforms under liberalisation:**
- Industrial sector reforms
  - Financial sector reforms
  - Fiscal reforms: Fiscal reforms relate to revenue and expenditure of the government. Tax reforms are the principal component of fiscal reforms. Broadly, taxes are classified as:
    - (a) **Direct taxes:** Direct taxes are those taxes, the burden of which cannot be shifted onto others. (Examples: income tax, wealth tax.)
    - (b) **Indirect taxes:** Indirect taxes (levied on goods and services) are those taxes, the burden of which can be shifted onto others. [Examples: GST (Goods and Services Tax), custom duty.]
- Foreign exchange reforms: External sector reforms include:
    - (i) foreign exchange reforms, and
    - (ii) foreign trade policy reforms.
2. **Privatisation:** Privatisation is the general process of involving the private sector in the ownership or operation of state-owned enterprises.
- Policies adopted for privatisation:
  - Contraction of public sector.
  - Abolish the ownership of Govt. in the management of public enterprises.
  - Sale of shares of public enterprises
3. **Globalisation:** Globalisation may be defined as a process associated with increasing openness growing economic interdependence and deepening economic integration in the world economy.
- Policy promoting globalisation:
  - Increase in equity limit of foreign investment.
  - Partial convertibility.
  - Long term trade policy.
  - Reduction in tariff.

**Outside Delhi Set-II**

58/5/2

11.  $NDP_{MP} = \text{Household consumption expenditure} + \text{Government final consumption expenditure} + \text{Net domestic fixed capital formation} + \text{Change in stock} + \text{Net exports (Export - Import)}$   
 $= 3,000 + 1,000 + 1,000 + 200 + (500 - 300)$   
 $= 5,400$   
 $NDP_{FC} = NDP_{MP} - \text{Indirect Taxes} + \text{Subsidy}$   
 $= 5,400 - 350 + 50$   
 $= ₹5,100 \text{ crore}$
13. (b) MPC Income from 80% to 90%  
 Change in Investment = 1,000 crore  
 (i) When MPC is 80%
- $$K = \frac{1}{1 - MPC}$$
- $$K = \frac{1}{1 - 0.8}$$
- $$= \frac{1}{0.2} = 5$$

(ii) When MPC is 90%

$$K = \frac{1}{1 - \text{MPC}}$$

$$K = \frac{1}{1 - 0.9}$$

$$= \frac{1}{0.1} = 10$$

**Income:**

(i)  $K = \frac{\Delta Y}{\Delta I}$

$$5 = \frac{\Delta Y}{2,000 \text{ crore}}$$

$$\Delta Y = 5,000 \text{ Crore}$$

(ii)  $K = \frac{\Delta Y}{\Delta I}$

$$10 = \frac{\Delta Y}{2,000 \text{ crore}}$$

$$\Delta Y = 10,000 \text{ Crore}$$

$$\text{Net Increase in Income} = 10,000 - 5,000 = 5,000 \text{ Crore}$$

30. Subsidy in agriculture means providing some important inputs to farmers at concessional rates that is much lower than its market rate. During 1960s, in order to adopt new technology, HYV seeds and use of modern fertilisers and insecticides; farmers were provided inputs at subsidised rates. The following arguments are given to prove the usefulness of subsidies:

- (i) It was necessary to use subsidies to provide an incentive for adoption of the new HYV technology by farmers, especially the small farmers.
- (ii) Any new technology is considered as being risky by farmers. Subsidies were, therefore, needed to encourage farmers to adopt the new technology initially.
- (iii) Farming in India is still a risky business and subsidies provide hedging against the risk of climatic conditions.
- (iv) Most farmers are very poor and they will not be able to afford the required inputs without subsidies.
- (v) Subsidies bring about equity between rich and poor farmers by enabling the poor farmers to use modern technology and inputs.

■ ■

#### Outside Delhi Set-III

58/6/3

12.  $\text{GDP}_{\text{MP}} = (\text{i}) + (\text{ii}) + (\text{iii}) + (\text{iv}) + (\text{v}) - (\text{vii})$   
 $= 2,000 + 1,000 + 1,100 + 200 + 600 - 400$   
 $= 4,500$   
 $\text{GNP}_{\text{MP}} = \text{GDP}_{\text{MP}} + (\text{vi})$   
 $= 4,500 + 150$   
 $= ₹4,650 \text{ crore}$

15. (b) MPC income from 80% to 90%  
 Change in investment = 2,000 Crore

(i) When MPC is 80%

$$K = \frac{1}{1 - \text{MPC}}$$

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

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

(ii) When MPC is 90%

$$K = \frac{1}{1 - \text{MPC}}$$

$$K = \frac{1}{1 - 0.9}$$

$$= \frac{1}{0.1} = 10$$

**Income:**

(i)  $K = \frac{\Delta Y}{\Delta I}$

$$5 = \frac{\Delta Y}{2,000 \text{ crore}}$$

$$\Delta Y = 10,000 \text{ Crore}$$

(ii)  $K = \frac{\Delta Y}{\Delta I}$

$$10 = \frac{\Delta Y}{2,000 \text{ crore}}$$

$$\Delta Y = 20,000 \text{ Crore}$$

$$\text{Net increase in income} = 20,000 - 10,000$$

$$= 10,000 \text{ crore}$$

■ ■