

**CLASS-XII (2022-23)**

**SAMPLE QUESTION PAPER - 1**

**TIME: 3 HOURS**

**ECONOMICS (030)**

**M.M. – 80**

**GENERAL INSTRUCTIONS:**

1. This question paper contains two sections:  
Section A – Macro Economics  
Section B – Indian Economic Development
2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

**SECTION A – MACRO ECONOMICS**

1. Which of the following statement is not true for a worker? [1]  

a) Those who help the main workers are also workers.	b) Workers may temporarily abstain from work due to illness.
c) A worker contributes to the GDP.	d) Self-employed are not workers.
2. The equation of saving function is: [1]  

a) $S = -a + (1 - b)Y$	b) $C = -a + by$
c) $S = -a + (1 - b)$	d) $S = f(Y)$
3. Exports = ₹ 1,000 lakh, imports = ₹ 1,650 lakh, balance of trade shows: [1]  

a) deficit of ₹ 650 lakh	b) None of these
c) surplus of ₹ 650 lakh	d) balance of ₹ 2,650 lakh
4. Stock is a [1]  

a) Static concept	b) Hypothetical concept
c) Non economic concept	d) Dynamic concept
5. The value of the investment multiplier lies between: [1]  

a) 0 and 1	b) 1 and $\infty$
c) -1 and 1	d) 0 and $\infty$

OR

In an economy as per Keynesian Economics desired output will be equal to desired expenditure if

- a) Savings > Investments
- b) Aggregate Demand < Aggregate Supply
- c) Aggregate Demand > Aggregate Supply
- d) Aggregate Demand = Aggregate Supply

6. The savings function derived from the consumption function  $c = a + bY$  is [1]

- a)  $S = Y + (a + bY)$
- b)  $S = -a + (1 - b)Y$
- c)  $S = Y - (a + b)Y$
- d)  $S = Y - (a + bY)$

OR

When Autonomous Consumption = ₹ 75 crore, Marginal Propensity to Consume = 0.65 and income level is ₹ 1,500 crore then the total, consumption will be

- a) ₹ 1,050 crore
- b) None of these
- c) ₹ 900 crore
- d) ₹ 925 crore

7. Autonomous Items are also called [1]

- a) Above the line items
- b) None of these
- c) On the line items
- d) Below the line items

OR

Invisibles balance refers to:

- a) Balance of non-factor services + Balance of income + Balance of transfers
- b) Trade balance + Balance of non-factor services
- c) Exports-Imports
- d) Exports - Imports + Balance of factor services

8. Desired saving in an economy during a fiscal year is known as [1]

- a) ex-post Investments
- b) ex-post savings
- c) ex-ante savings
- d) ex-ante Investments

9. **Assertion (A):** Due to rise in demand for foreign exchange rupee is depreciating. [1]  
**Reason (R):** Government devalues its own currency sometimes.

- a) Both A and R are true and R is the correct explanation of A.
- b) Both A and R are true but R is not the correct explanation of A.
- c) A is true but R is false.
- d) A is false but R is true.

10. **Assertion (A):** Money held by the government is not a part of the stock of money held by the people. [1]

**Reason (R):** The government and the banking system of a country are suppliers of money or are the producers of money.

- a) Both A and R are true and R is the correct explanation of A.      b) Both A and R are true but R is not the correct explanation of A.
- c) A is true but R is false.      d) A is false but R is true.
11. Classify whether the following transactions are to be accounted in the current account or capital accounts of India's BOP. [3]
- a. Purchase of TISCO shares by a foreign resident
- b. Sale of Indian Skirts in Germany
- c. Infosys borrowing from a US Bank
- d. Money sent by an Indian to her friend in Canada
- e. Purchase of Land in England
- f. Gifts received from a relative in USA.

OR

Visits to foreign countries for sightseeing etc by the people of India is on the rise. What will be its likely impact on foreign exchange rate and how?

12. Differentiate between National Income at constant price and national income at the current price? [3]
13. Distinguish between excess demand and deficient demand. [4]
14. Explain the role of reverse repo rate in controlling money supply. [4]

OR

Explain how the repo rate can be helpful in controlling credit creation.

15. Explain the role of Bank rate in influencing the availability of credit in an economy. [4]
16. Answer the following questions: [6]
- (i) Find out
- a. Gross National Product at Market price
- b. Net current Transfers from abroad:

Items	(Rs.in Crore)
Net indirect tax	35
Private final consumption expenditure	500
Net national disposable income	750
Closing stock	10
Government final consumption expenditure	150



Net domestic fixed capital formation	100
Net factor income to abroad	(-) 15
Net imports	20
Opening stock	10
Consumption of fixed capital	50

- (ii) On the basis of the following data about an economy which consists of only two firms, find out:

a. Value Added by firm A and B

b. Gross Value Added or Gross Domestic Product at Factor Cost.

Items	(₹ in lakh)
(i) Sales by firm A	100
(ii) Purchases from firm B by firm A	40
(iii) Purchases from firm A by firm B	60
(iv) Sales by firm B	200
(v) Closing stock of firm A	20
(vi) Closing stock of firm B	35
(vii) Opening stock of firm A	25
(viii) Opening stock of firm B	45
(ix) Indirect taxes paid by both firms	30

17. Answer questions (i) & (ii) OR questions (iii) & (iv).

[6]

- (i) Read the given highlights of India budget 2010-11 and answer the following questions:

India plans to borrow \$100 billion from the World Bank to Finance the Fiscal deficit.

There is expected increase in the tax collection by 5%.

The defense expenditure has increased from 12 to 14% of the total budget.

The spending on social sector has increased and is now 37% of total plan outlay.

Plan allocation for school education increased by 16%.

- What is fiscal deficit ? Mention any two implications of fiscal deficit ?
- How we as a good citizen can help in reducing the fiscal deficit ?
- Basic objective of the government budget is social welfare. Identify any two expenditure which will lead to social welfare.
- Whether borrowing from the World Bank is a revenue expenditure or a capital expenditure. Justify.

- (ii) Government raises its expenditure on producing public goods. Which economic value does it reflect? Explain.

- (iii) On what basis is government expenditure classified into capital expenditure and revenue expenditure? Give an example of each.
- (iv) From the following data about a government budget, find out the following:
- Revenue deficit
  - Fiscal deficit
  - Primary deficit

S.no.	Contents	(Rs. in arab)
(a)	Capital Receipts Net of Borrowings	95
(b)	Revenue Expenditure	100
(c)	Interest Payments	10
(d)	Revenue Receipts	80
(e)	Capital Expenditure	110

### SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. The creation of \_\_\_\_\_ is called credit creation. [1]
- None of these
  - Secondary deposits
  - Primary deposits
  - Time deposits

19. Which of the following was not the objective of economic plans? [1]
- Increase in national income
  - Increase in employment
  - Spread of education
  - Social justice

OR

Who takes the decisions regarding the production and distribution of commodities in a socialist economy?

- Government
- Investor
- Market forces of demand and supply
- Both government and market force

20. When was NABARD set up? [1]
- 1991
  - 1965
  - 1981
  - 1982

21. When a country has sufficient foreign exchange reserves to pay for its imports it implies [1]
- Self reservation
  - Self production
  - Self reliance
  - None

OR

In India exports are encouraged through

- a) Subsidies
- b) Any one of these
- c) Relief in taxes
- d) Concessional bank credit

22. Which of the following statements is true? [1]

- a) Physical capital and human capital both can be built by imports
- b) Physical capital and human capital both are mobile
- c) Physical capital and human capital both can be separated from their owners
- d) Physical capital and human capital both can be created through efforts

23. How many PSUs were given status of mini ratnas? [1]

- a) 9
- b) 78
- c) 21
- d) 108

24. The GDP of a country is not derived from the following sectors of the economy, namely: [1]

- a) Foreign sector
- b) Primary sector
- c) Secondary sector
- d) Service sector

25. **Assertion (A):** Farmers were forced to shift to commercial crops from conventional subsistence crops. [1]

**Reason (R):** Indigo was required by the textile industry in Britain for bleaching of the textile.

- a) Both A and R are true and R is the correct explanation of A.
- b) Both A and R are true but R is not the correct explanation of A.
- c) A is true but R is false.
- d) A is false but R is true.

26. Example of misuse of environmental resource [1]

- a) Ozone depletion and Global warming
- b) Reforestation and Land up gradation
- c) None
- d) Deforestation and Land degradation

OR

Which of the following are renewable resources (i) Trees (ii) Coal (iii) Water (iv) Fish. Options are

- a) I, II
- b) I, IV



c) I,III

d) II,III

27. **Assertion (A):** The concept of economic planning for the country's growth and development was first conceived by the Soviet Union in 1928. [1]

**Reason (R):** There was no difference in the nature of the planning model adopted by India compared with the Soviet Union.

- a) Both A and R are true and R is the correct explanation of A.      b) Both A and R are true but R is not the correct explanation of A.  
c) A is true but R is false.      d) A is false but R is true.

28. It is reported that plastic bags are only 5% of our garbage. Should it be banned? [3]

29. Compare India and China in the context of various social indicators by studying the following data. [4]

**Social sector indicators 2012-15**

Description	India	China
Gross enrolment ratio in primary school 2013(%)	100.1	116
Expenditure on research and development as % of GDP (2005-12)	0.8	2
adult literacy ratio 2013 (%)	62.8	95.1
Health expenditure (%GDP) (2014)	5.05	10.43
Doctor after one thousand population (2017)	0.7	1.6

30. You are residing in a village. If you are asked to advise the village panchayat, what kinds of activities would you suggest for the improvement of your village which would also generate employment? [3]

OR

What role do trade unions play in protection of workforce?

31. Answer first two questions (i & ii) OR answer the last question (iii): [4]

- (i) Mention any three causes, which were responsible for economic reforms.  
(ii) Do you think India has scope in handloom and handicrafts exports?  
(iii) The objective of new economic policy was privatisation. Discuss.

32. Answer first 3 questions (i, ii, iii) OR last 2 questions (iv, v): [6]

- (i) Why do people seek employment in non-farm sectors?  
(ii) Name the apex institution for rural financing in India.  
(iii) State any one limitation of organic farming.  
(iv) Explain the role of micro-credit in meeting credit requirements of the poor.

- (v) To solve the various problems associated with rural credit, enumerate the objectives which should be followed by the cooperative credit societies.

33. Read the following text carefully and answer the questions given below:

[6]

### **Strong fundamentals of China-India trade**

It is the nature of China-India bilateral trade as a confidence-building measure that must be underlined to appreciate its interface with their political relations which remains so critical for its long-term prospects. Therefore, more than being measured in terms of statistics and profits, it is the political impact of trade that remains the barometer of their economic engagement. Both sides clearly display that understanding at least in their more recent initiatives. Moreover, with the inclusion of India's trade with Hong Kong and Macao (as also India's rising trade with Taiwan, and the possibility of eventual unification of Taiwan), Greater China has already emerged as India's largest trading partner and one of its kind.

Major items of export from India to China remain iron and chrome ore, plastic and linoleum, marine products, cotton yarn and fabrics, organic and inorganic chemicals, dye intermediates, bulk drugs and pharmaceuticals, construction quality wire rods, tobacco and tea, while China's exports to India include items like raw silk and silk yarn, coking coal, some types of chemicals, pulses, mercury and antimony, freshwater pearls, pig iron, newsprint and several low-technology consumer items. Gradually, many new sectors—like border trade or high-tech trade—are being also explored while information technology and infrastructure development are already emerging as major areas for cooperation.

Thirdly, it is the dynamism of their economies and societies, especially their young populations and increasingly skilled manpower, that are going to be their critical asset. In absolute terms, as a proportion of their total trade or even in terms of per capita trade this may present a dismal picture, yet trends in the growth rate of China-India trade show strong potential and have important political implications. However, even in terms of its share in their total foreign trade, while India accounts for little more than 1% in China's total foreign trade, China now accounts for over 5% of India's total foreign trade which creates substantial stakes for mutual co-operation.

Finally, their foreign exchange reserves provide perhaps the easiest layman's indicator of their international economic standing. China's foreign exchange reserves, which stood at a mere USD1.6 billion for 1978, had exceeded USD659 billion by March 2005. These may not be huge figures compared to those of Japan at USD843 billion yet they are when compared to India's USD142 billion. The same also remains true of their foreign direct investment (FDI) inflows where China and India are often projected as either poles apart or competing against each other. However, both have again continued to sustain growth simultaneously without any major friction. Their FDI remains perhaps the strongest mover of their foreign trade and especially in the case of China, it has come to be known as the main locomotive for their economic success.

(Source: <https://journals.openedition.org/chinaperspectives/2853>)

### **Questions:**

- i. What reinforced China's position as India's largest trading partner? Compare the share of India and China to each other's total foreign trade.



ii. Identify the simplest indicator of the international economic position of a country. Also, name the strongest factor of the foreign trade in India and China.

34. State whether the following statements are true/false, with valid arguments: [4]

- (i) Brain-drain from India to USA is a serious bottleneck in human capital formation in India.
- (ii) A teacher's salary is higher than a rickshaw puller because of education.

## SOLUTION

### SECTION A – MACRO ECONOMICS

1. (d) Self-employed are not workers.

**Explanation:** Self-employed are not workers.

2. (a)  $S = -a + (1 - b)Y$

**Explanation:**  $S = -a + (1 - b)Y$

3. (a) deficit of ₹ 650 lakh

**Explanation:** balance of trade shows a deficit of ₹ 650 lakh because export is less than imports of that country.

4. (a) Static concept

**Explanation:** Stocks donot pertain to changes like flows do.

5. (b) 1 and  $\infty$

**Explanation:** 1 and  $\infty$

OR

(d) Aggregate Demand = Aggregate Supply

**Explanation:** Aggregate Demand = Aggregate Supply

6. (b)  $S = -a + (1 - b)Y$

**Explanation:**  $S = -b + (1 - b)Y$ , where  $1 - b$  implies marginal propensity to save.

OR

(a) ₹ 1,050 crore

**Explanation:** ₹ 1,050 crore

7. (a) Above the line items

**Explanation:** Because these items are recorded in BOP as first items before calculating deficit or surplus.

OR

(a) Balance of non-factor services + Balance of income + Balance of transfers

**Explanation:** Invisibles balance refers to Balance of non-factor services + Balance of income + Balance of transfers

8. (c) ex-ante savings

**Explanation:** ex-ante savings

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

**Explanation:** Both A and R are true but R is not the correct explanation of A.

10. (a) Both A and R are true and R is the correct explanation of A.

**Explanation:** Money held by the government is not a part of the stock of money held by the people. The government and the banking system of a country are suppliers of money or are the producers of money.

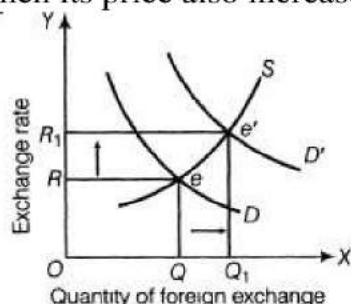
11. a, c and e are to be accounted in capital account of India's BOP.

b, d and f are to be accounted in the current account of India's BOP.

OR

- o The demand for foreign currency increases when there is a rise in the number of visits to foreign countries by the residents of India.
- o With the supply of foreign currency remaining the same, the foreign exchange rate rises, implying a depreciation of rupee.

The given graph clearly shows that when the demand for foreign exchange increases, then its price also increases.



12.	<b>National income at constant price</b>	<b>National income at the current price</b>
	National income is calculated on the basis of the base year price index.	National income is calculated on the basis of a current year price index.
	Fluctuates due to the fluctuation in the flow of goods and services but price remains constant.	Fluctuates due to the fluctuation in the flow of goods and services along with the price.
	It's a real indicator of economic growth.	It's not a real indicator of economic growth.

13. Deficient demand and excess demand can be distinguished from each other in the following manner:

- (i) Deficient demand is a situation, which occurs due to excess of aggregate supply of output over the aggregate demand for output at the level of full employment. On the other hand, excess demand is a situation, which occurs due to the excess of aggregate demand for output over the supply of output at the level of full employment.
- (ii) Deficient demand generates a deflationary gap. But excess demand generates an inflationary gap.
- (iii) Deficient demand leads to a fall in output, employment, and price level. But excess demand leads only to an increase in the price level. Between the two – excess demand and deficient demand, the latter is worse.

14. Reverse repo rate is the rate of interest offered by RBI when banks deposit their surplus funds with the RBI for short periods. When banks have surplus funds but have no lending (or) investment options, they deposit such funds with RBI. Banks earn interest on such funds. It is a monetary policy instrument which can be used to control the money supply in the country. If the Central Bank wants to increase the money supply in the economy, then it reduces the reverse repo rate. With fall in reverse repo rate, the commercial banks reduce the deposits of surplus funds with the Central Bank, thereby increasing the money supply. On the other hand, if the Central Bank wants to decrease the money supply, then it increases the reverse repo rate. With the rise in reverse repo rate, the commercial banks increase the deposits of surplus funds with the Central Bank, thereby decreasing the money supply. Thus, reverse repo rate plays an important role in controlling money supply.

OR

Repo rate is the rate at which commercial banks can borrow money from RBI to overcome the shortage of money. By varying the repo rates, the RBI can increase or decrease the supply of money. This rate relates to the loan offered by RBI with



securities and only short term borrowings by the commercial banks. It is quite an effective quantitative tool for controlling credit creation. If the RBI wants to decrease the level of credit creation in the country, then it increases the Repo Rate which makes the credit dearer. As the cost of borrowings increase, the people's demand for credit goes down. This also leads to a fall in liquidity. All this leads to falling in the rate of credit creation. On the other hand, if the RBI wants to increase the level of credit creation in the economy then it decreases the repo rate which makes the credit cheaper. As the cost of borrowings falls, people's demand for credit goes up. This leads to an increase in the rate of credit creation. Thus RBI uses Repo rate to control credit creation.

15. 1. Bank rate is the rate at which central bank lend money to commercial banks to meet their long term needs.

2. RBI actively uses bank rate to control credit creations.

3. **EFFECT:**

4. In case of inflation, Central Bank increases Bank Rate.

5. This results in increased rate of interest recovered by commercial banks, which discourages borrowing.

6. As a result Consumption and AD falls and there is reduction in inflationary gap.

7. In case of deflation, Central Bank decreases Bank Rate.

8. This results in decrease in rate of interest, which encourages borrowing.

9. As a result Consumption and then AD rises and there is reduction in deflationary gap.

16. Answer the following questions:

(i) **EXPENDITURE METHOD**

1.  $GDP_{MP} = \text{Private final consumption expenditure} + \text{Government final consumption expenditure} + \text{Gross domestic capital formation} \{ \text{Net domestic fixed capital formation} + \text{Change in stocks (Closing stock - Opening stock)} + \text{Consumption of fixed capital} \} - \text{Net imports}$   
 $= 500 + 150 + 100 + 10 - 10 + 50 - 20$   
 $= \text{Rs.780 crore}$

$GNP_{MP} = GDP_{MP} + \text{Net factor income from abroad}$   
 $= 780 - (-15)$   
 $= 795 \text{ crore}$

2. **Net Current Transfer from Abroad**

$NNDI = NNP_{FC} + NIT + \text{Net current transfer from rest of the world} \dots (i)$

$NNP_{FC} = GNP_{MP} - \text{Depreciation} - NIT$   
 $= 795 - 50 - 35$   
 $= \text{Rs.710 ,putting in } \dots (i)$

$750 = 710 + 35 + \text{Net current transfer from Rest of the world}$

$\text{Rs.5 crore} = \text{Net current transfer from rest of the world.}$

(ii) By value-added method,

$GDP \text{ at } MP = \text{value of output} - \text{intermediate consumption}$

$\text{Value of output} = \text{Sales} + \text{change in stock}$

a. Value Added by firm A

$= \text{Sales by firm A} - \text{Purchases from firm B} + \text{Change in stock}$

(Closing stock - Opening stock)

= ₹100 lakh - ₹40 lakh + (₹20 lakh - ₹25 lakh)

= ₹100 lakh - ₹40 lakh - ₹5 lakh

= ₹55 lakh

Value Added by firm B

= Sales by firm B - Purchases from firm A + Change in stock

(Closing stock - Opening stock)

= ₹200 lakh - ₹60 lakh + (₹35 lakh - ₹45 lakh)

= ₹200 lakh - ₹60 lakh - ₹10 lakh

= ₹130 lakh

Ans. Value Added by firm A = ₹55 lakh.

Value Added by firm B = ₹130 lakh.

b. Gross Value Added or Gross Domestic Product at Factor Cost

= Value added by firm A + Value added by firm B - Indirect taxes

= ₹55 lakh + ₹130 lakh - ₹30 lakh

= ₹185 lakh - ₹30 lakh

= ₹155 lakh

Ans. Gross domestic product at factor cost = ₹155 lakh.

[Note: Value added by firm A and firm B here implies gross value added at market price.]

17. Answer questions (i) & (ii) OR questions (iii) & (iv).

(i) Fiscal deficit refers to the excess of total expenditure over total receipts. During the given fiscal year. Implications : 1. Debt Trap : Fiscal deficit indicates the total borrowing requirements of the government. Borrowings not only involve repayment of principal amount, but also require payment of interest. Interest payments increase the revenue expenditure, which leads to revenue deficit. It creates a vicious circle of fiscal deficit and revenue deficit, wherein government takes more loans to repay the earlier loans. As a result, country is caught in a debt trap. 2. Inflation : Government mainly borrows from Reserve Bank of India (RBI) to meet its fiscal deficit. RBI prints new currency to meet the deficit requirements. It increases the money supply in the economy and creates inflationary pressure. (ii) By paying our taxes regularly. (iii) Expenditure on education and social sector. (iv) It is a capital expenditure as it will cause a reduction in the liabilities of the government.

(ii) The economic value that is reflected in the rise in the production of public goods is 'Social Welfare'. The main objective of the budgetary policy of the government is to enhance the welfare of society as a whole.

For this, it performs the allocative function. The allocative function is concerned with allocating the resources between private and public sectors. As the public goods cannot be provided by the private sectors through a market mechanism, hence, the need for providing such goods is to be fulfilled by the government. No one can exclude people from consuming the public good. So, everyone in society can use it. Thus, leading to social welfare. Moreover, the quantity of public goods is not reduced when consumed by anyone. So, it continues to provide social welfare. In addition to this, private goods cannot be afforded by all, i.e. only those



who can pay for these goods can avail the benefits of such goods. In case, public goods are produced by the private sector, private welfare is achieved. But, as public goods are required by all and are essential from welfare point of view, thus, the government provides these goods.

(iii) Government expenditures are aimed at providing benefits to people and enhancing the development of the country. On the basis of causing a change in the assets and liabilities position of the country, these expenditures can be classified as:

i. **Capital expenditure:** The expenditure of the government which leads to an increase in government assets or reduction in government liabilities is termed as capital expenditure, e.g. expenses on the construction of national highways, dams and re-payment of loans etc.

ii. **Revenue expenditure:** The expenditure of the government which neither cause an increase in the government assets nor cause any reduction in government liabilities are termed as revenue expenditures, e.g. salaries of government employees, interest payment on loans taken by the government, pensions, subsidies, grants, rural development, education and health services, etc. The purpose of such expenditure is not to build up any capital asset, but to ensure normal functioning of government machinery. These expenditures are financed out of revenue receipts.

(iv) i. We know that Revenue Deficit = Revenue Expenditure - Revenue Receipts =  $100 - 80 = \text{Rs. } 20 \text{ Arab.}$

ii. Fiscal Deficit = (Revenue Expenditure + Capital Expenditure) - (Revenue Receipt + Capital Receipt Net of Borrowing) =  $(100 + 110) - (80 + 95) = 210 - 175 = \text{Rs. } 35 \text{ Arab.}$

iii. Primary Deficit = Fiscal Deficit - Interest Payments. Here Fiscal Deficit is equal to 35 Arab and Interest Payments are equal to 10, therefore Primary Deficit =  $35 - 10 = 15 \text{ Arab.}$

## SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. (b) Secondary deposits

**Explanation:** Secondary deposits

19. (c) Spread of education

**Explanation:** The spread of education not the objective of economic plans.

OR

(a) Government

**Explanation:** Socialism is an economic system where everyone in society equally owns the factors of production. The ownership is acquired through a democratically elected government.

20. (d) 1982

**Explanation:** National Bank for Agricultural and Rural Development (NABARD) was set up in 1982 as an apex body to coordinate the activities of all the institutions involved in the rural financing system.

21. (c) Self reliance

**Explanation:** Self reliance refers to the ability of the country for not being dependent on foreign countries. When the domestic country is easily able to pay its imports then it is known as self-reliance.



OR

(b) Any one of these

**Explanation:** Increasing exports ranks among the highest priorities of any government wishing to stimulate economic growth. An export subsidy reduces the price paid by foreign importers, which means domestic consumers pay more than foreign consumers. An Export Tax Relief would *encourage* more firms to export because eligible foreign companies would pay a competitive tax rate. Concessional bank credit also increases exports the companies get loans at a cheaper rate which induces them to increase the investment.

22. (d) Physical capital and human capital both can be created through efforts

**Explanation:** Both physical and human capital are forms of capital formation. Both are the outcomes of conscious investment decisions and can be created through efforts.

23. (b) 78

**Explanation:** Greater operational, financial and managerial autonomy had been granted to 78 other profit-making enterprises referred to as mini ratnas. The Miniratna companies in India have increased a lot in number since its establishment. The first category of Miniratna PSU includes 60 companies. And Miniratna Category II includes 18 companies.

24. (a) Foreign sector

**Explanation:** Foreign sector

25. (a) Both A and R are true and R is the correct explanation of A.

**Explanation:** The farmers were forced to accept advance payments for the cultivation of Indigo. Because Indigo was required by the textile industry in Britain for bleaching of the textile.

26. (d) Deforestation and Land degradation

**Explanation:** **Deforestation** is the clearing of trees, transforming a forest into cleared land.

Land degradation refers to decline in the overall quality of soil, water or vegetation condition, commonly caused by human activities.

OR

(b) I,IV

**Explanation:** Renewable resources are those which can be used without possibility of the resource becoming depleted or exhausted. There is a continuous supply of resource available eg:

1. tress in forest
2. fish in oceans

27. (c) A is true but R is false.

**Explanation:** The concept of economic planning for the country's growth and development was first conceived by the Soviet Union in 1928. In the Soviet Union, it was a model of economic planning with the state as the owner of the means of production. While in India, it was based on the principle of a mixed economy. At the same time, planning in India was not simply directive planning as under capitalism. Instead, it was comprehensive planning covering both economic as well as social areas of planning.

28. Yes, plastic bags result in serious environmental problems. Because plastic bags can not be recycled.
29. With impressive achievements in the economic sphere, China has also fared better in terms of the social sector. The table shows that the enrolment ratio in primary school is higher in China than that of India. So, the adult literacy ratio is far greater in China as compared to India. Moreover, health expenditure in China is double in comparison to India. Education has been given special importance in the social indicator. The level of education is known by the comparison of the mean year of schooling of both the countries i.e, India and China. It indicates that the position of China (7.8) is better in comparison to India (6.4).
30. I would suggest the following activities generate employment in village
- There should be multiple cropping in the village.
  - Cottage industry should be encouraged.
  - More and more facilities of education, health services, roads, etc should be created in the village.
  - Other activities related to agriculture such as plantation, horticulture, dairying, animal husbandry should be encouraged.

OR

Trade unions are voluntary organisations of workers formed to promote and protect the interests of workers through collective action. Workers use trade unions as their representative voice to demand their rights and improve their living and working conditions.

Aims of the formation of Trade Unions :

- To fight against the injustice and mal-practices in the Industrialists.
- To fight for regulating the hours of work for the workers and labourers.
- To fight for the higher wages for workers.
- To demand better service facilities and working conditions.
- These were formed for maintaining the harmonious relations between the employers and the employees.

Thus, the role of trade unions is to fight against the poverty of workers, exploitation and the violation of their basic human dignity and to promote social justice in the global economy.

31. Answer first two questions (i & ii) OR answer the last question (iii):

- Poor performance of public sector.
  - Adverse in balance of payment.
  - Huge burden of debts.
  - Fall in foreign exchange reserves.
- (ii) Yes, I think that India has scope for the handicraft and handloom exports. Following a rise in spending on personal decoration products and home decor items, handicraft exports from developing nations have gone up in recent times. This rise is also attributable to the retailers in the developing countries who are now focusing on direct sourcing of handicraft items. Moreover, during the last fiscal, India exported handicraft items worth Rs. 105.34 billion, 21 percent more than the amount earned during 2009-10. Shawls as art wares, embroidered and crocheted hand-printed textiles and scarves were the items included in the list of items that showed high export growth.



(iii) When we analyse, we find that privatisation is common to liberalisation and globalization. Without privatisation, an economy can neither be globalized nor liberalised. Findings of many studies demonstrated that privatization did not contribute to growth but helped to reduce income inequality, inflation contributed negatively to both economic growth and income equalization.

The New Economic Policy was introduced with the objective to deregulate the economy and ensure economic development. So, privatisation was crucial for the success of this policy as it ensures high productivity, a competitive environment which promotes innovation and efficiency, diversification of activities and consumer sovereignty.

In order to encourage private sector, the following measures have been adopted:

- i. The government through its economic policy reduced the number of industries reserved for public sector from 17 to 3 at present.
- ii. It has now been planned to reduce the share of public sector investment to 45%. It increases the share of private sector to 55%.
- iii. Financial corporations cannot force the industries for conversion of their loans into equity shares.
- iv. It has now been decided to increase the participation of the general public and workers by selling them the shares of public enterprises.

32. Answer first 3 questions (i, ii, iii) OR last 2 questions (iv, v):

(i) As agriculture is already overcrowded and cannot offer additional employment, people seek employment in non-farm sectors. It provides supplementary gainful employment opportunities, especially during the slack season.

(ii) NABARD

(iii) Organic products have a shorter shelf life and prices of such products are several times higher.

(iv) 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 installments at reasonable interest rates. The target group, therefore broadly comprises small and marginal farmers, agricultural and non-agricultural labourers, artisans and craftsmen and other poor engaged in a small business like vending and hawking. Micro-credit programme removes the need for any kind of collateral. It also helps in women empowerment.

(v) To solve the various problems associated with rural credit, cooperative credit societies should pursue the following objectives:

- i. They should provide adequate credit support, covering all areas of needs of farmers.
- ii. They should ensure the timely flow of credit to the farmers.

33. i. The inclusion of India's trade with Hong Kong and Macao (as also India's rising trade with Taiwan, and the possibility of eventual unification of Taiwan) has made Greater China emerge as India's largest trading partner and one of its kind. In terms of its share in their total foreign trade, while India accounts for little more



than 1% of China's total foreign trade, China now accounts for over 5% of India's total foreign trade which creates substantial stakes for mutual cooperation.

- ii. The foreign exchange reserves provide perhaps the easiest layman's indicator of the international economic position of a country. The foreign direct investment (FDI) inflows of a country, too, indicate its economic standing. China and India have often been projected as strong competitors. However, both have again continued to sustain growth simultaneously without any major friction. Their FDI remains perhaps the strongest mover/factor of their foreign trade and especially in the case of China, it has come to be known as the main locomotive for their economic success.

34. State whether the following statements are true/false, with valid arguments:

- (i) **(a)** True

**Explanation:** True. Brain-drain is a serious bottleneck in human capital formation.

- (ii) **(a)** True

**Explanation:** True