

ECONOMICS (030)
CLASS XII (2024-25)
SAMPLE QUESTION PAPER

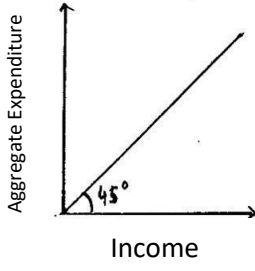
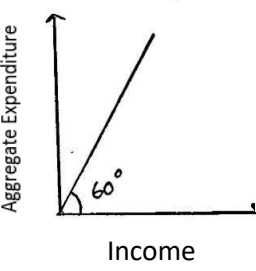
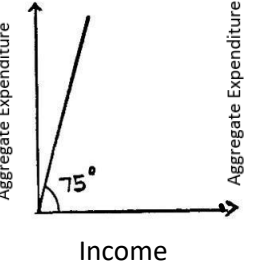
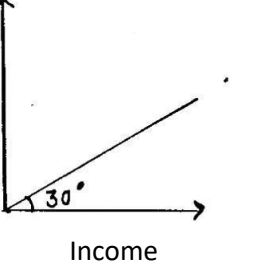
TIME: 3 HOURS

M.M. – 80

GENERAL INSTRUCTIONS:

- I. This question paper contains two sections:
Section A – Macro Economics
Section B – Indian Economic Development
- II. This paper contains 20 Multiple Choice Type Questions of 1 mark each.
- III. This paper contains 4 Short Answer Type Questions of 3 marks each to be answered in 60 to 80 words.
- IV. This paper contains 6 Short Answer Type Questions of 4 marks each to be answered in 80 to 100 words.
- V. This paper contains 4 Long Answer Type Questions of 6 marks each to be answered in 100 to 150 words.

Q.NO.	SECTION A – MACRO ECONOMICS	MARKS
1.	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:</p> <p>Assertion (A): The government can reduce the deflationary gap by purchasing government securities in the open market.</p> <p>Reason (R): The Central Bank purchases government securities in the open market to increase the lending capacity of commercial banks.</p> <p>Options:</p> <p>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.</p>	1
2.	<p>“The Cabinet led by Prime Minister has decided that the Central Government will provide free food grains to 81.35 crore (approx.) beneficiaries under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) for a period of five years with effect from 1st January, 2024.”</p> <p>Source: https://pib.gov.in/PressReleaselframePage.aspx?PRID=1980689</p> <p>Based on the aforesaid statement, identify the budgetary objective the government is trying to achieve and choose the correct option:</p> <p>A. Reallocation of resources B. Economic stability C. Redistribution of income D. Economic instability</p>	1
3.	<p>To arrive at the value of Gross Value Added at Market Price (GVA_{MP}) _____ must be added to Gross Value Added (GVA) at Basic Prices.</p> <p>(Choose the correct option to fill up the blank)</p> <p>A. Product Taxes B. Net Product Taxes C. Production Taxes D. Net Production Taxes</p>	1
4.	<p>Under the _____ exchange rate system, market forces automatically adjust the surplus and deficit in the Balance of Payments account.</p> <p>(Choose the correct option to fill up the blank)</p>	1

	<p>A. fixed C. managed floating</p> <p>B. flexible D. dirty floating</p>	
5.	<p>From the given diagrams, identify the correct option that indicates the 'Reference Line' passing through the origin drawn at a particular angle.</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>(i)</p>  </div> <div style="text-align: center;"> <p>(ii)</p>  </div> <div style="text-align: center;"> <p>(iii)</p>  </div> <div style="text-align: center;"> <p>(iv)</p>  </div> </div> <p>A. (i) B. (ii) C. (iii) D. (iv)</p> <p>For Visually Impaired Candidates: Under the Keynesian theory, 'Reference Line' is a straight line passing through the origin drawn at an angle of _____. (Choose the correct option to fill up the blank) A. 25° B. 45° C. 55° D. 75°</p>	<p>1</p> <p>1</p>
6.	<p>As per the data presented in the Union Budget 2023-24, the total receipts of the government other than borrowings and the total expenditure are estimated at ₹ 27.2 lakh crore and ₹ 45 lakh crore respectively. The value of the _____ deficit would be ₹ 17.8 lakh crore. (Choose the correct option to fill up the blank)</p> <p>A. revenue B. fiscal C. budgetary D. primary</p>	1
7.	<p>Read the following statements carefully: Statement 1: The maximum value of Marginal Propensity to Consume (MPC) can be unity. Statement 2: As the income of an economy increases, the proportionate increase in the level of consumption is always more than the increase in the level of income. In light of the given statements, choose the correct option from the following:</p> <p>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.</p>	1
8.	<p>In a two-sector economy, Aggregate Demand can be determined by adding _____. (Choose the correct option to fill up the blank)</p> <p>A. Autonomous Consumption, Induced Consumption and Induced Investment B. Autonomous Consumption, Autonomous Investment and Induced Investment C. Autonomous Consumption and Autonomous Investment D. Autonomous Consumption, Induced Consumption and Autonomous Investment</p>	1
9.	<p>Read the following statements carefully: Statement 1: Foreign grants-in-aid receipts do not lead to any claim on the government.</p>	1

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.

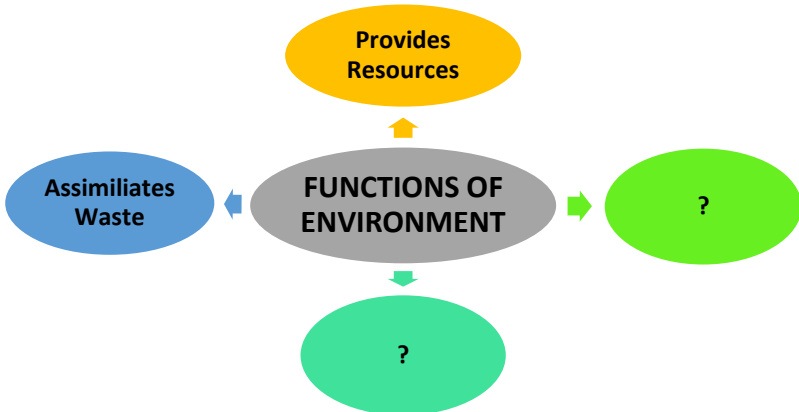
A. Receipts > Payments on current account
B. Receipts = Payments on current account
C. Receipts < Payments on current account
D. Receipts < Payments on capital account

3

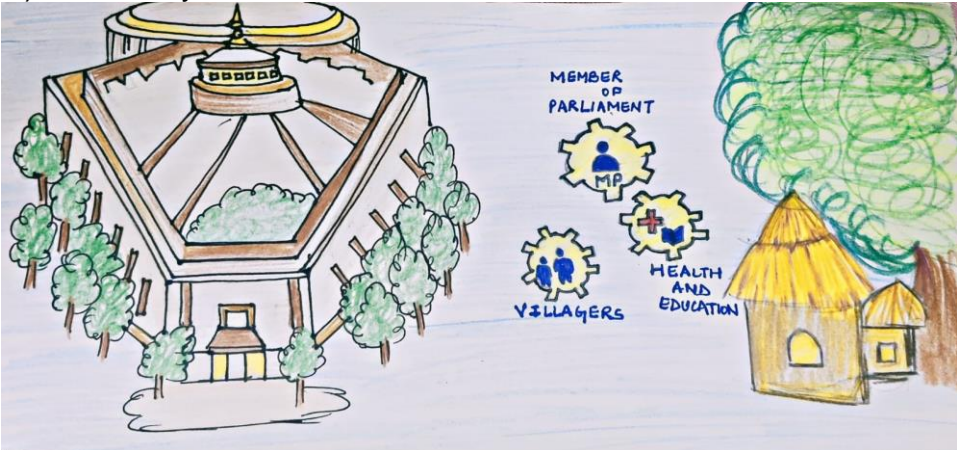
12.	<p>“Tax revenue collection of the government may be categorized under two heads.”</p> <p>State and explain the two heads of tax revenue.</p>	3
13.	<p>(I) ‘Foreign Portfolio Investment (FPI) witnessed a sharp turnaround during 2023-24 with net FPI inflows of US\$ 32.4 billion.’</p> <p>In which sub-account and on which side of the Balance of Payments account the above transaction will be recorded? Give reasons in support of your answer.</p> <p>(II) State the meaning of ‘Balance of Payments Deficit’.</p>	<p>3</p> <p>1</p>
14. (A)	<p>“Saving curve can be derived from the consumption curve”</p> <p>Justify the statement, citing valid steps with the help of a well-labelled diagram.</p> <p>For Visually Impaired Candidates:</p> <p>“Saving curve can be derived from the consumption curve”</p> <p>Justify the statement, citing valid steps.</p> <p style="text-align: center;">OR</p>	4
14. (B)	<p>For two hypothetical economies A and B, the value of Marginal Propensity to Consume (MPC) stands at 0.6 and 0.8 respectively. Assuming for both the economies, Autonomous Consumption (\bar{c}) to be ₹ 40 crore and Investment Expenditure (I) to be ₹ 100 crore.</p> <p>Calculate:</p> <p>(I) Break-even level of income for Economy A</p> <p>(II) Equilibrium level of income for Economy B</p>	<p>2</p> <p>2</p>
15.	<p>Read the following text carefully:</p> <p>“Union Finance Minister stated, that investments in infrastructure and productive capacity have a large multiplier impact on growth and employment and in view of this, capital investment outlay is being proposed to increase steeply in the Budget 2023-24 by 1,000 crore.”</p> <p>Based on the given text and common understanding, explain the working process of the increase in investment on the National Income, assuming the Marginal Propensity to Save (MPS) as 20%.</p>	4
16.	<p>Read the following text carefully:</p> <p>As societies developed from hunters and gatherers, the material needs of human beings increased – to build a house, wear clothes, make weapons and implements etc. Since these needs could not be produced individually, people had to purchase them from others. These purchases, for example, were paid initially by barter – a leather skin cloak for a spear. As barter had its limits – how many cloaks for a spear – barter got standardized in terms of metals or cowrie shells. Now people knew the value of both the cloak and the spear in terms of bronze or cowrie shells. This was still barter, as both bronze and shells had intrinsic value (shells were desired for their beauty). This system evolved over time into metal currencies. Gold and silver coinage were the offshoot of this system where they had features of barter (both gold and silver had intrinsic value) as well as money (they were standardized representation of value).</p> <p>In respect of money two facts emerge historically:</p> <ul style="list-style-type: none"> • Money has taken the form of either commodities (which have intrinsic value) or in terms of debt instruments. 	

	<ul style="list-style-type: none"> • Money is usually issued by a sovereign (or a Central Bank as its representative). <p>In modern economies, currency is a form of money that is issued exclusively by some competent authority (Central Bank). It is a liability of the issuing Central Bank and an asset of the holding public. Currency is usually issued in paper (or polymer) form, but the form of currency is not its defining characteristic.</p> <p>In the recent past, the Reserve Bank of India, issued Central Bank Digital Currency (CBDC). A CBDC is the currency issued by a central bank in a digital form. It serves all the purposes of a paper currency in a different form.</p> <p>The introduction of CBDC has the potential to provide significant benefits, such as reduced dependency on cash, lower transaction costs, reduced settlement risk. Introduction of CBDC would possibly lead to a more robust, efficient, trusted, regulated payments option. There are associated risks such as cyber-attacks and technology preparedness, but they need to be carefully evaluated against the potential benefits.</p> <p>Source: https://website.rbi.org.in/web/rbi/-/speeches-interview/central-bank-digital-currency-is-this-the-future-of-money-1111 (adapted and modified)</p> <p>On the basis of the given text and common understanding, answer the following questions:</p> <p>(I) "Over the centuries, money has evolved in various forms." In the light of the given statement, state and discuss briefly any two forms of money.</p> <p>(II) "Various economists have formed a strong opinion that, in the modern times digital currency (like CBDC) is quite essential. However, it comes with its own benefits and potential risks." Do you agree with the given statement, giving valid arguments in support of your answer.</p>	<p>3</p> <p>3</p>									
17. (A)	<p>(I) On the basis of the following hypothetical data: (all figures in ₹ crore)</p> <table border="1"> <thead> <tr> <th>Year</th><th>Nominal GDP</th><th>Nominal GDP adjusted to base year prices</th></tr> </thead> <tbody> <tr> <td>2020</td><td>3,000</td><td>4,000</td></tr> <tr> <td>2023</td><td>4,000</td><td>4,500</td></tr> </tbody> </table> <p>Calculate the percentage change in Real Gross Domestic Product in the year 2023 using 2020 as the base year.</p> <p>(II) "The public investment on the construction of a multi-lane flyover may reduce traffic congestion." On the basis of the above statement, discuss its likely impact on Gross Domestic Product (GDP) and welfare in an economy.</p> <p style="text-align: center;">OR</p>	Year	Nominal GDP	Nominal GDP adjusted to base year prices	2020	3,000	4,000	2023	4,000	4,500	<p>3</p> <p>3</p>
Year	Nominal GDP	Nominal GDP adjusted to base year prices									
2020	3,000	4,000									
2023	4,000	4,500									
17. (B)	<p>(I) "Basis of classification of final goods into consumption and capital goods depend on the economic nature of its use." Defend or refute the statement, with the help of a suitable example.</p> <p>(II) 'Natural calamities in the hill states of India have led to massive destruction of capital assets.' Identify the type of loss (depreciation or capital loss) indicated in the aforesaid statement. Give valid reasons in support of your answer.</p>	<p>4</p> <p>2</p>									

SECTION B - INDIAN ECONOMIC DEVELOPMENT

18.	<p>Read the given image carefully:</p> <div></div> <p>Choose the correct option which indicates the combination of vital functions performed by the environment.</p> <ul style="list-style-type: none">i. Sustains lifeii. Provides aesthetic servicesiii. Generates wasteiv. Provides only renewable resources <p>Options:</p> <table><tr><td>A. (i) and (ii)</td><td>B. (ii) and (iii)</td></tr><tr><td>C. (i) and (iv)</td><td>D. (i) and (iii)</td></tr></table> <p>For Visually Impaired Candidates: Identify, which of the following is not a correct function of environment?</p> <ul style="list-style-type: none">(i) Elimination of waste(ii) Sustainance of life(iii) Provide aesthetic services <p>Alternatives:</p> <table><tr><td>A. (i) only</td><td>B. (ii) only</td></tr><tr><td>C. (ii) & (iii)</td><td>D. (i) & (ii)</td></tr></table>	A. (i) and (ii)	B. (ii) and (iii)	C. (i) and (iv)	D. (i) and (iii)	A. (i) only	B. (ii) only	C. (ii) & (iii)	D. (i) & (ii)	1
A. (i) and (ii)	B. (ii) and (iii)									
C. (i) and (iv)	D. (i) and (iii)									
A. (i) only	B. (ii) only									
C. (ii) & (iii)	D. (i) & (ii)									
19.	<p>Read the following statements carefully:</p> <p>Statement 1: The British policies led to the collapse of India’s world-famous handicraft industries.</p> <p>Statement 2: During the colonial rule in India, the contribution of the industrial sector to Gross Value Added (GVA) increased significantly.</p> <p>In light of the given statements, choose the correct option from the following:</p> <ul style="list-style-type: none">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								
20.	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:</p> <p>Assertion (A): The Education Commission (1964–66) had recommended that at least 4 % of Gross Domestic Product (GDP) be spent on education.</p> <p>Reason (R): The Union and State Governments, have been stepping up expenditures in the education sector over the years to fulfil the objective of attaining cent per cent literacy.</p> <p>Options:</p>	1								

	<p>A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>B. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).</p> <p>C. Assertion (A) is true, but Reason (R) is false.</p> <p>D. Assertion (A) is false, but Reason (R) is true.</p>	
21.	<p>In the post-independence era, the policymakers of India adopted an economic system that fundamentally implies the coexistence of _____ and _____. (Choose the correct option to fill up the blank)</p> <p>A. small and large-scale industries B. small and medium-scale industries C. public and private sector D. private and foreign sector</p>	1
22.	<p>The institutional structure of rural banking in contemporary India consists of a set of multi-agency institutions, namely, _____. (Choose the correct option to fill up the blank)</p> <p>(i) Regional Rural Banks (ii) Cooperative Banks (iii) Land Development Banks (iv) Commercial Banks</p> <p>Options:</p> <p>A. (i) and (iv) B. (i), (iii) and (iv) C. (i), (ii) and (iii) D. (i), (ii), (iii), and (iv)</p>	1
23.	<p>Identify, which of the following statement is incorrect about the financial sector reform introduced in 1991? (Choose the correct option)</p> <p>A. Enabled the establishment of private sector banks, Indian as well as foreign</p> <p>B. Foreign investment limit in banks was raised to around 74%</p> <p>C. Foreign Institutional Investors were allowed to invest in Indian financial markets</p> <p>D. Change in the role of the Reserve Bank of India from facilitator to regulator</p>	1
24.	<p>China's demographic problem of 4-2-1, resulted in a higher proportion of elderly individuals compared to the younger population. This was primarily due to the implementation of _____. A. Great Leap Forward Campaign B. Great Proletarian Cultural Revolution C. One Child Norm D. Special Economic Zones</p>	1
25.	<p>_____ was setup in 1974 by the Indian government to address two major environmental concerns viz. water and air pollution. (Choose the correct option to fill up the blank)</p> <p>A. State Pollution Control Board B. Central Pollution Control Board C. Brundtland Commission D. Montreal Protocol</p>	1
26.	<p>"Assuming in a hypothetical economy, Real Gross Domestic Product recorded a growth rate of 9% during a fiscal year. However, the economy faced a significant challenge in terms of creating an adequate number of employment opportunities." Identify the situation indicated in the given statement and choose the correct option.</p>	1

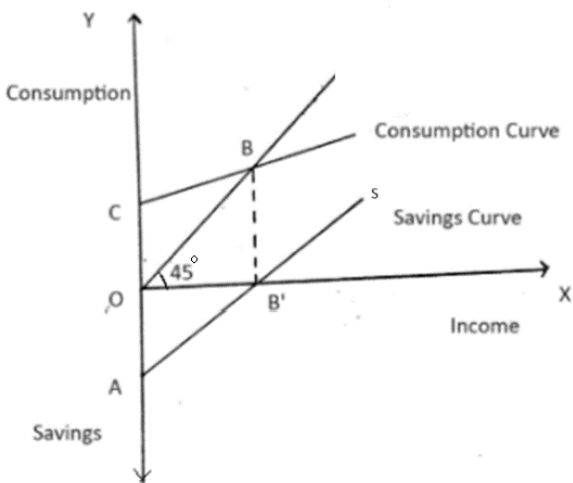
	<p>A. Casualisation of workforce C. Formalisation of workforce</p> <p>B. Informalisation of workforce D. Jobless growth</p>	
27.	<p>During the period 1951-2016, _____ led to an increase in the milk production in India by about ten times. (Choose the correct option to fill up the blank)</p> <p>A. Green Revolution C. Operation Flood</p> <p>B. Golden Revolution D. Industrial Revolution</p>	1
28. (A)	<p>Critically appraise the disinvestment policy initiated by the government during the reforms of 1991.</p>	3
28. (B)	<p>OR</p> <p>'Globalisation is an essential outcome of liberalisation of an economy'. Justify the given statement with a valid explanation.</p>	3
29.	<p>'To measure the extent of development in an economy, liberty indicators should be considered along with other socio-economic parameters.' Do you agree with the given statement? Give valid reasons in support of your answer.</p>	3
30.	<p>'The reform process implemented in the late 1970s, commonly known as China's open door policy, encompassed a wide range of reforms across sectors like agriculture, investment, industry etc. These reforms played a pivotal role in driving the rapid growth of the Chinese economy over subsequent decades.' In the light of the given text, discuss any two reforms responsible for the rapid economic growth of China.</p>	4
31. (A)	<p>'Under the Delhi Declaration, the G-20 nations pledged to reach global net zero emissions approximately by mid-century and to triple global renewable energy capacity by 2030.' Discuss briefly the rationale behind the commitment by G-20 nations in the direction of achieving sustainable development.</p>	4
31. (B)	<p>OR</p> <p>'It would be unclear to say that, the growth of human capital lays the ground for economic growth of a nation.' Do you agree with the given statement? Support your answer with valid illustrations.</p>	4
32.	<p>(I) Interpret the given picture based on the Saansad Adarsh Gram Yojana (SAGY) initiated by the Government of India.</p> 	3

	(II) State any two examples of allied activities.	1
	For Visually Impaired Candidates in lieu of 32 (I) : Explain briefly the Saansad Adarsh Gram Yojana (SAGY) initiated by the Government of India.	3
33.	<p>Read the following text carefully: Employment generation has remained one of the top challenges of Indian policymakers, and over the years, this has only become more complex. India has experienced more or less consistent growth in the structure of the output of the economy, especially after the economic reforms which is measured by gross value added. However, the trend in employment did not reveal a consistent and clear pattern. These complexities have led to a wide variation in the conclusions drawn by experts and various studies on workforce and employment.</p> <p>Two major sources of data on the workforce and employment have been the (i) decennial population census and (ii) nationwide quinquennial surveys on employment and unemployment by the erstwhile NSSO under the Ministry of Statistics and Programme Implementation (MoSPI), Government of India. The nationwide Employment and Unemployment (E&U) surveys have been replaced by the Periodic Labour Force Survey (PLFS) conducted by the National Statistical Office (NSO) of MoSPI, which started in the year 2017–18.</p> <p>According to NSO, the PLFS data measure the dynamics in labour force participation, workers to population ratio and the employment status along with related, important parameters for both rural and urban areas.</p> <p>Labour force includes persons who were either working (or employed) or those available for work (or unemployed). Some persons in the labour force are abstained from work for various reasons. Deducting that number from the labour force gives the number of actual workers. These workers are further categorised as persons who are engaged in any economic activity as self-employed or regular wage/salaried and casual labour. The difference between the labour force and the workforce gives the number of unemployed persons.</p> <p>The size of the labour force in the country has increased from 485.3 million in the year 2017–18 to 497.4 million in the year 2018–19. The next year, the labour force increased by 8 per cent and reached 537.9 million. This increase was witnessed across male and female populations as well as rural and urban households. Source: https://www.niti.gov.in/sites/default/files/2022-04/Discussion_Paper_on_Workforce_05042022.pdf (adapted and modified)</p> <p>On the basis of the given text and common understanding, answer the following questions: (I) State any two major sources of data on the workforce and employment. (II) 'The labour force encompasses a broader category than the workforce.' Defend or refute the statement, giving valid reasons in support of your answer. (III) 'Workers can be categorized into different types depending on their status.' In the light of the given statement, state any one type of employment.</p>	<p>2</p> <p>3</p> <p>1</p>

34. (A)	(I) 'Under the Industrial Policy Resolution (IPR) 1956 in India, the system of industrial licensing was introduced to promote regional equality.' Justify the given statement with valid arguments.	4
	(II) Discuss briefly the estimates made by notable scholars regarding the national income and per capita income during the colonial rule in India.	2
	OR	
34. (B)	(I) 'During the colonial period, India's foreign trade was characterized by a large export surplus, however, this did not result in any flow of gold or silver into India.' Justify the given statement with valid arguments.	3
	(II) Explain the rationale behind choosing 'Self-reliance' as a central planning objective in India's development strategy.	3

ECONOMICS (030)
CLASS XII (2024-25)
MARKING SCHEME

Q.NO.	SECTION A – MACRO ECONOMICS	MARKS
1.	D. Assertion (A) is false, but Reason (R) is true.	1
2.	C. Redistribution of income	1
3.	B. Net Product Taxes	1
4.	B. flexible	1
5.	A. (i) For Visually Impaired Candidates: B. 45°	1 1
6.	B. fiscal	1
7.	A. Statement 1 is true and Statement 2 is false.	1
8.	D. Autonomous Consumption, Induced Consumption and Autonomous Investment	1
9.	C. Both Statements 1 and 2 are true.	1
10.	C. deficit, 0.74 For Visually Impaired Candidates: C. Receipts < Payments on current account	1 1
11. (A)	Domestic Income (NDP _{FC}) = i + iv + ii + iii + vii + vi – v – x – viii = 800+170+150+120+500+140–20 – 40 – 70 = ₹ 1,750 crore	1 ½ 1 ½
11. (B)	OR Steps pertaining to the estimation of National Income under the Income method: 1. Identify and classify production units into distinct heads namely primary, secondary, and tertiary sector. 2. Estimate and classify the factor payments in different categories as Compensation of Employees, Operating Surplus, and Mixed Income. The sum of factor payments represents the contribution of the sectors to Domestic Income (NDP _{FC}). 3. Finally, estimate and add the value of Net Factor Income from Abroad (NFIA) to arrive at National Income (NNP _{FC}).	1 1 1
12.	Tax revenue collection by the government may be categorized as: <ul style="list-style-type: none"> Direct Taxes: It refers to those taxes whose impact and incidence lie on the same entity. In other words, the liability of paying direct taxes can't be shifted. 	½ + 1 ½ + 1

	<ul style="list-style-type: none"> • Indirect Taxes: It refers to those taxes whose impact and incidence may lie on different entities. In other words, the liability of paying indirect taxes can be shifted. 	
13.	<p>(I) Foreign Portfolio Investments in India in the fiscal year 2023-24 will be recorded on the credit side of the capital account of the Balance of Payments (BOP) account.</p> <p>It is recorded on the credit side, as it results in the inflow of foreign exchange. Furthermore, such transactions are documented in the capital account as they reflect the change in the ownership of financial assets between the residents of a country and rest of the world.</p> <p>(II) Balance of Payments deficit occurs when autonomous receipts fall short of autonomous payments during a given fiscal year in an economy.</p>	<p>3</p> <p>1</p>
14. (A)	<p>Given consumption curve (C) intersecting 45° line at B (Break-even level of income). Steps for derivation of saving curve from the consumption curve are as follows:</p> <ol style="list-style-type: none"> 1. Take OA on the negative intercept on Y-axis equals to OC (Autonomous consumption) having positive intercept on Y-axis, as a starting point of the saving curve. 2. Draw a perpendicular from point B (where, $Y=C$) intersecting the X-axis at B' (where $S=0$) which is another point on the saving curve. 3. Join point A to point B' extending the line till point S to get the saving curve (AS).  <p>For Visually Impaired Candidates: Given consumption curve (C) intersecting 45° line at B (Break-even level of income). Steps for derivation of saving curve from the consumption curve are as follows:</p> <ol style="list-style-type: none"> 1. Take OA on the negative intercept on Y-axis equals to OC (Autonomous consumption) having positive intercept on Y-axis, as a starting point of the saving curve. 2. Draw a perpendicular from point B (where, $Y=C$) intersecting the X-axis at B' (where $S=0$) which is another point on the saving curve. 3. Join point A to point B' extending the line till point S to get the saving curve (AS). <p style="text-align: center;">OR</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>4</p>

14. (B)	<p>Given, Autonomous Consumption (\bar{c}) = ₹ 40 crore Investment expenditure (I) = ₹ 100 crore For economy A, Marginal Propensity to Consume (MPC) = 0.6 For economy B, Marginal Propensity to Consume (MPC) = 0.8 (I) At break-even level for economy A; $Y = C$ $Y = 40 + 0.6Y$$0.4Y = 40$$Y = ₹ 100 \text{ crore}$ (II) Equilibrium level of income for economy B; $Y = C + I$ $Y = \bar{c} + (\text{MPC}) \times Y + I$$Y = 40 + 0.8Y + 100$$Y = ₹ 700 \text{ crore}$</p>	$\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$																														
15.	<p>The working process of the increase in investment on the National Income, is based on the assumption that one's expenditure is another's income. In Round 1, the investment in infrastructure undertaken by the government of 1,000 crore, will generate an additional income by the like amount (1,000 crore). Since Marginal Propensity to Save (MPS) is 0.2 i.e. MPC is 0.8 it will lead to an increase in the consumption expenditure by 800 crore (80% of 1,000) and saving by 200 crore (20% of 1,000). As one's expenditure is another's income, an increase in consumption expenditure results in an increase in income by 800 crore in the subsequent round. This process continues till the sum of the change in savings becomes equal to the change in the investment.</p> <table><tr><th>Round</th><th>Increase in investment (ΔI) (in crore)</th><th>Increase in income (ΔY) (in crore)</th><th>Increase in consumption (ΔC) (in crore)</th><th>Increase in savings (ΔS) (in crore)</th></tr><tr><td>1</td><td>1,000</td><td>1,000</td><td>800</td><td>200</td></tr><tr><td>2</td><td>—</td><td>800</td><td>640</td><td>160</td></tr><tr><td>3</td><td>—</td><td>640</td><td>512</td><td>128</td></tr><tr><td>—</td><td>—</td><td>.</td><td>.</td><td>.</td></tr><tr><td>Total</td><td>1,000</td><td>5,000</td><td>4,000</td><td>1,000</td></tr></table> <p>Investment Multiplier = $\frac{1}{1-\text{MPC}}$ $= \frac{1}{1-0.8} = 5$ Thus, the above schedule indicates that an increase in investment (ΔI) of 1,000 crore leads to a total increase in national income (ΔY) by 5,000 crore, which is 5 times the increase in investment.</p>	Round	Increase in investment (ΔI) (in crore)	Increase in income (ΔY) (in crore)	Increase in consumption (ΔC) (in crore)	Increase in savings (ΔS) (in crore)	1	1,000	1,000	800	200	2	—	800	640	160	3	—	640	512	128	—	—	.	.	.	Total	1,000	5,000	4,000	1,000	4
Round	Increase in investment (ΔI) (in crore)	Increase in income (ΔY) (in crore)	Increase in consumption (ΔC) (in crore)	Increase in savings (ΔS) (in crore)																												
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2	—	800	640	160																												
3	—	640	512	128																												
—	—	.	.	.																												
Total	1,000	5,000	4,000	1,000																												
16.	<p>(I) The evolution of money has taken place over the centuries in different forms such as:</p> <ul style="list-style-type: none">• Metal currencies: Gold or silver coins (which have intrinsic value) were used for economic transactions as these were used as standardised representation of value.	$\frac{1}{2} + 1$ $\frac{1}{2} + 1$																														

	<ul style="list-style-type: none"> Paper currency: Currency is issued in paper (or polymer) form by the Central Bank. It is a liability of the issuing Central Bank and an asset of the holding public. <p>(II) Yes. The introduction of CBDC provides significant benefits such as reduced dependency on cash, lower transaction costs, and reduced settlement risk. It leads to a more robust, efficient, trusted, and regulated payment option. However, there are associated risks such as cyber-attacks and technology preparedness, but they need to be carefully evaluated against the potential benefits.</p>	3
17. (A)	<p>(I) Percentage change in Real GDP = $\frac{\text{Change in Real GDP}}{\text{Real GDP}} \times 100$ $= \frac{(4,500 - 4,000)}{4,000} \times 100$ $= 12.5 \%$</p> <p>(II) The public investment on the construction of a multi-lane flyover may impact the Gross Domestic Product (GDP) positively as good quality infrastructure (like an effective transport system) generally attracts higher investments in an economy and may lead to an increase in employment opportunities. It may also lead to a reduction in travel time and lower average transportation costs. Consequently, it may increase the well-being of citizens.</p>	1 ½ 1 ½ 3
17. (B)	<p style="text-align: center;">OR</p> <p>(I) The given statement is defended. Consumption goods are those goods that directly satisfy the wants of the consumer whereas, capital goods are those final goods that are used for further production. A good can be considered as a consumption good or a capital good. It depends upon the economic nature of its use. For example, machinery purchased by a household can be classified as a consumption good whereas, if it is purchased by a firm for further production, then as a capital good.</p> <p>(II) The massive destruction of capital assets caused by the recent natural calamities in the hill states of Himachal Pradesh and Uttarakhand can be considered as capital loss. Capital loss refers to the loss in the value of fixed assets due to unforeseen circumstances like natural disasters, theft, fires, etc.</p>	4 2
SECTION B – INDIAN ECONOMIC DEVELOPMENT		
18.	<p>A. (i) and (ii)</p> <p>For Visually Impaired Candidates:</p> <p>A. (i) only</p>	1 1
19.	A. Statement 1 is true and Statement 2 is false.	1
20.	D. Assertion (A) is false, but Reason (R) is true.	1
21.	C. public and private sector	1
22.	D. (i), (ii), (iii), and (iv)	1
23.	D. Change in the role of the Reserve Bank of India from facilitator to regulator	1

24.	C. One Child Norm	1
25.	B. Central Pollution Control Board	1
26.	D. Jobless Growth	1
27.	C. Operation Flood	1
28. (A)	Disinvestment aimed to boost financial discipline and modernisation. The government exceeded its mobilisation target but assets of Public Sector Enterprises (PSEs) had been undervalued, resulting in significant losses to the government. Moreover, the proceeds were primarily used to cover shortfalls of government revenue instead of investing in social infrastructure or the development of PSE.	3
28. (B)	OR Globalisation is indeed an essential outcome of liberalisation of an economy. The removal or reduction of restrictions in the industrial sector, financial sector, trade and investment policy etc. opened the doors of the Indian economy to the rest of the world. Hence, liberalisation acted as a catalyst for globalisation. It fostered international trade integrating the Indian economy with the global economy.	3
29.	Yes. Measurement of the development level in an economy is a comprehensive approach where liberty indicators should be considered along with other socio-economic parameters. Liberty indicators measure the extent of democratic participation in social and political decision-making. These indicators are significant as they reflect the degree of civil liberties, political rights and economic freedom within a society. With the incorporation of liberty indicators, policymakers can gain a more holistic understanding of an economy's development status.	3
30.	The fast-paced economic growth in China can be traced back to the following reforms introduced in 1978: • In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors. For instance, in agriculture commune lands were divided into small plots, which were allocated to individual households. They were allowed to keep all income from the land after paying stipulated taxes. • In the subsequent phase, reforms were initiated in the industrial sector. Private sector firms, in general, and township and village enterprises, in particular, were allowed to produce goods. At this stage, State Owned Enterprises were made to face competition.	2 2
31. (A)	Under the Delhi Declaration, the G-20 member countries have agreed to elevate efforts to limit Global Warming. To achieve this, these nations have decided to reduce greenhouse gas emissions. It has been agreed to devise an effective approach to transitioning from conventional sources of energy to non-conventional sources of energy. Wind energy and solar power serve as good illustrations of environmental friendly sources of energy that contribute to achieving sustainable development.	4
31.	OR	

(B)	<p>An increase in human capital causes economic growth is unclear, owing to the problems pertaining to the estimation of quantifiable relation between the two. Educational yardsticks like years of schooling, teacher-pupil ratio, enrolment rates etc. may not reflect educational quality accurately. Whereas, human capital measures may show convergence between developing and developed nations, however, there's no empirical evidence to prove income per capita convergence.</p> <p>Hence, education may improve, but cannot guarantee similar progress in real income across different countries.</p>	4
32.	<p>(I) Under the Saansad Adarsh Gram Yojana (SAGY), introduced by the Government of India, Members of Parliament (MPs) need to identify and develop one village from their constituencies. MPs were to develop three villages as model villages, covering over 2,500 villages. MPs were expected to facilitate a village development plan, motivate villagers to take up activities and build infrastructure in the areas of health, nutrition, and education.</p> <p>(II) Two examples of allied activities are:</p> <ul style="list-style-type: none"> • Livestock • Fisheries <p>For Visually Impaired Candidates in lieu of 32 (I) :</p> <p>Under the Saansad Adarsh Gram Yojana (SAGY), introduced by the Government of India, Members of Parliament (MPs) need to identify and develop one village from their constituencies. MPs were to develop three villages as model villages, covering over 2,500 villages. MPs were expected to facilitate a village development plan, motivate villagers to take up activities and build infrastructure in the areas of health, nutrition, and education.</p>	<p>3</p> <p>½ ½</p> <p>3</p>
33.	<p>(I) Two major sources of data on the workforce and employment:</p> <ul style="list-style-type: none"> • decennial population census • nationwide quinquennial surveys by NSSO <p>(II) The given statement is defended. Labour force refers to the number of persons who are either employed or unemployed, whereas, workforce refers to all the people who are actively engaged in economic activities. Hence, labour force is a wider term than the workforce.</p> <p>(III) Self-employed are those workers who own and operate an enterprise to earn their livelihood.</p>	<p>1 1</p> <p>3</p> <p>1</p>
34. (A)	<p>(I) Under the Industrial Policy Resolution (IPR) 1956, the policymakers reserved a category of industries for the private sector, however, the sector was kept under state control through a system of licenses. No new industry was allowed unless a license was obtained from the government.</p> <p>It was easier to obtain a license if the industrial unit was established in an economically backward area. In addition, such units were given certain benefits such as tax holidays and subsidised electricity. The purpose of this policy was to promote regional equality.</p> <p>(II) Several notable scholars, such as Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai, made earnest efforts to</p>	4

	<p>calculate national income during the colonial era. Among these scholars, the estimates provided by V.K.R.V. Rao were considered very significant. However, the majority of these studies revealed that the country's overall real output growth during the first half of the 20th century remained below 2%, with a meagre annual per capita output growth of just 0.5%.</p>	2
	OR	
(B)	<p>(I) Throughout the colonial period, India's foreign trade was characterized by a significant export surplus. However, this surplus had detrimental consequences for the country's economy. This export surplus did not bring gold or silver into India. Instead, it was used to cover expenses incurred by an office set up by the colonial government in Britain, the expenses on the war fought by the British government, and the import of invisible items, all contributed to the drain of India's wealth.</p>	3
	<p>(II) 'Self-reliance' was adopted as a central planning objective in India's development strategy by the policymakers due to the following reasons:</p> <ul style="list-style-type: none"> • To reduce the dependence on foreign nations, the stress was laid on mobilising domestic resources. 	1 ½
	<ul style="list-style-type: none"> • It was feared that the dependence on imported food supplies, foreign technology, and foreign capital may increase foreign interference in our policies. 	1 ½