

CLASS XII
MID-TERM EXAMINATION(2023-24)
SUBJECT- ECONOMICS
SET A1

SET NO. AND Q.NO.	EXPECTED ANSWER/VALUE POINTS	MARKS
SET A1 Q1	Which of the following is not a transfer payment: (<i>choose the correct alternative</i>) (a) Interest on national debt (b) Retirement pension (c) Old age pension (d) Donations Ans. (b) Retirement pension	1
SET A2 Q1	Which of the following is included in estimating domestic income: (<i>choose the correct alternative</i>) (a) Transfers from the rest of the world (b) Retirement pension (c) Old age pension (d) Charitable donations Ans. (b) Retirement pension	1
SET A1 Q2	The RBI can decrease the money supply by increasing the interest rate at which the commercial banks can deposit their funds with the central bank. This rate is known as _____ Rate. (Repo/ Reverse Repo). (<i>Fill up the blank with the correct alternative.</i>) Ans. Reverse Repo Rate	1
SET A2 Q2	The RBI can increase the money supply by decreasing the interest rate at which the commercial banks can borrow funds from the central bank. This rate is known as _____ Rate. (Repo/ Reverse Repo). (<i>Fill up the blank with the correct alternative.</i>) Ans. Repo Rate	1
SET A1 Q3	Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below: Assertion (A): The 'Jan Dhan Yojana' which aimed at every household in the country to have at least one bank account, would not lead to increase in national income. Reason (R): 'Jan-Dhan-Yojana' will lead to an increase in customers of commercial banks and opening of more bank accounts. Alternatives: (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1

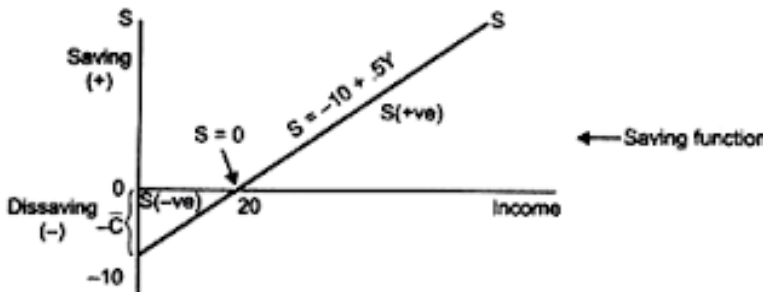
SET A2 Q3	<p>(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A) (c) Assertion (A) is true but Reason (R) is false. (d) Assertion (A) is false but Reason (R) is true.</p> <p>Ans. (d) Assertion (A) is false but Reason (R) is true.</p> <p>Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below: Assertion (A): The 'Jan Dhan Yojana' which aimed at every household in the country to have at least one bank account, would lead to increase in national income. Reason (R): 'Jan-Dhan-Yojana' will lead to an increase in customers of commercial banks and opening of more bank accounts. 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.</p> <p>Ans. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p>	1
SET A1 Q4	<p>State giving appropriate reasons whether the following statement is true or false: "National Income is the sum of the factor incomes accruing to the normal residents and the non-residents of a country."</p> <p>Ans. False- National Income is the sum of the factor incomes accruing only to the normal residents of a country.</p>	1
SET A2 Q4	<p>State giving appropriate reasons whether the following statement is true or false: "GDP mp includes the market value of all final goods and services produced by the normal residents."</p> <p>Ans. False: GDP mp includes the market value of all final goods and services produced in the domestic territory of a country regardless of whether by the normal residents or the non-residents in a country.</p>	1
SET A1 Q5	<p>If APC of an economy is 0.6, savings at the income level of ₹ 1,000 crore will be: <i>(choose the correct alternative)</i> (a) ₹ 100 crore (b) ₹ 300 crore (c) ₹ 400 crore (d) ₹ 600 crore</p>	1

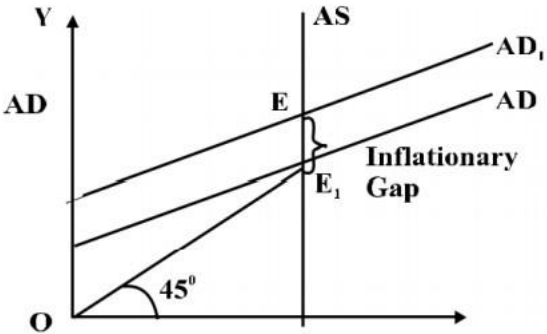
SET A2 Q5	<p>Ans. (c) ₹ 400 crore</p> <p>If APC of an economy is 0.7, savings at the income level of ₹ 1,000 crore will be: <i>(choose the correct alternative)</i></p> <p>(a) ₹ 100 crore (b) ₹ 300 crore (c) ₹ 400 crore (d) ₹ 600 crore</p> <p>Ans. (b) ₹ 300 crore</p>	1
SET A1 Q6	<p>_____ is defined as the multiple by which deposits can increase due to an initial deposit <i>(Fill up the blank with the correct alternative.)</i></p> <p>(a) Money multiplier (b) Investment multiplier (c) Cash multiplier (d) Savings multiplier</p> <p>Ans. (a) Money multiplier</p>	1
SET A2 Q6	<p>Higher the value of the Marginal Propensity to Consume, the _____ will be the value of multiplier. <i>(Fill up the blank with the correct alternative.)</i></p> <p>(a) Same (b) Higher (c) Lower (d) First higher and then lower</p> <p>Ans. (b) Higher</p>	1
SET A1 Q7	<p>Which of the following comes under domestic territory of India? <i>(choose the correct alternative)</i></p> <p>(a) Office of Google in India (b) Office of Google in U.K. (c) Russian embassy in India (d) Office of Reliance Industry in USA</p> <p>Ans. (a) Office of Google in India</p>	1
SET A2 Q 7	<p>Which of the following will be included in gross national product of India? <i>(Choose the correct alternative)</i></p> <p>(a) Profits earned by a foreign company in India (b) Salary paid to Americans working in Indian Embassy in America (c) Salaries received by Indians working in Russian Embassy in India (d) Salaries received by Indians working in Indian Embassy in Korea</p> <p>Ans. (c) Salaries received by Indians working in Russian Embassy in India</p>	1

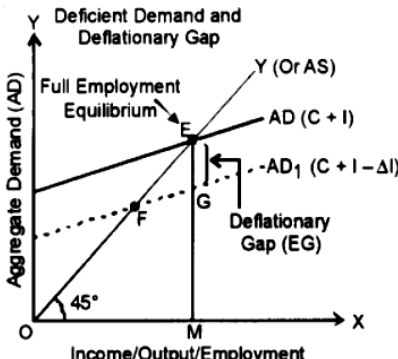
SET A1 Q8 SET A2 Q9	<p>_____ serves as the base for the generation of demand deposits: (<i>choose the correct alternative</i>)</p> <p>(a) High Powered Money (b) Stock of money held by the government (c) Money Supply (d) Other Deposits held by RBI</p> <p>Ans. (a) High Powered Money</p>	1
SET A1 Q9 SET A2 Q8	<p>State giving appropriate reasons whether the following statement is true or false: “When the consumption function lies below the 45° line, APS will be positive.”</p> <p>Ans. True: When the consumption function lies below the 45° lines, the level of consumption is less than the level of income. This means that there is positive savings. Since $APS = S/Y$ and S is positive, therefore, APS will be positive.</p>	1
SET A1 Q10	<p>In an economy, a 20% increase in investment results in a 100% increase in income. The Marginal Propensity to save in such an economy would be: (<i>choose the correct alternative</i>)</p> <p>(a) 0.1 (b) 0.2 (c) 0.3 (d) 0.4</p> <p>Ans. (b) 0.2</p>	1
SET A2 Q10	<p>In an economy, a 50% increase in investment results in a 100% increase in income. The Marginal Propensity to save in such an economy would be: (<i>choose the correct alternative</i>)</p> <p>(a) 0.2 (b) 0.4 (c) 0.25 (d) 0.5</p> <p>Ans. (d) 0.5</p>	1
SET A1 Q11 SET A2 Q12	<p>The consumption function of an economy is given by $C = 100 + 0.8Y$. As a result of increase in autonomous investment expenditure in this economy, national income increases by ₹500 crores.</p> <p>(a) Calculate the increase in autonomous investment expenditure in the economy. (b) The equilibrium level of national income at an investment level of ₹ 1000 crores.</p> <p>Ans. (a) From the consumption function $C = 100 + 0.8Y$, $MPC = 0.8$ Value of investment multiplier, $k = 1/(1-MPC) = 1/(1-0.8) = 1/0.2 = 5$</p> <p>Investment multiplier, $k = \Delta Y/\Delta I$ $\Delta Y = ₹500$ crore (given) and $k = 5$</p>	<p>3</p> <p>1</p> <p>1</p>

	<p>Therefore, $5 = 500/\Delta I \Rightarrow \Delta I = 100$</p> <p>(b) At equilibrium, $Y = C + I$</p> $Y = 100 + 0.8Y + 1000$ $0.2 Y = 1100$ $Y = 5500$	1
SET A1 Q12 SET A2 Q11	<p>Explain the “Lender of Last Resort” function of the central bank.</p> <p><u>Ans. Lender of Last Resort:</u> When a commercial bank faces financial crisis and fails to obtain funds from other sources, then the central bank plays the vital role of 'lender of last resort' and provides them with the financial assistance in the form of credit. Instead of rediscounting, central bank given loans against the bill of exchange promissory notes, treasury bills, government securities, etc. The direct lending to commercial bank is referred to as the 'lender of the last resort' function of central bank.</p> <p style="text-align: center;">OR</p> <p>Explain the “Government’s Bank” function of a central bank.</p> <p><u>‘Government’s Bank’:</u> A central bank conducts the banking account of government departments. It performs the same banking functions for the government as commercial bank performs for its customers. It accepts their deposits and undertakes inter-bank transfers. It also gives loans to the government.</p> <p>A central bank also provides various services as agent of the government. It manages public debt. It also gives advice to the government regarding money market, capital market, government loans and economic policy matters.</p>	<p>3</p> <p>3</p> <p>1.5</p> <p>1.5</p>
SET A1 Q13 SET A2 Q13	<p>‘GDP as an index of welfare may understate or overstate welfare.’ Explain the statement using examples of a positive and a negative externality.</p> <p><u>Ans.</u> Externalities not taken into account in GDP , but affect welfare. When the activities of one result in benefits or harm to others with no payment received for the benefit and no payment made for the harm done, such benefits and harms are called externalities.</p> <p><u>Positive externality:</u> Activities resulting in benefit to others are called positive externalities and increase welfare, for example, construction of a flyover or a highway reduces transport costs and journey time of its users who have not contributed anything towards its cost. Expenditure on flyover is included in GDP but not the positive externalities flowing from it. It means that welfare is much more than indicated by GDP.</p> <p><u>Negative externality:</u> Activities resulting in harm to others are called negative externalities and decrease welfare, for example, factories produce goods but at the same time create pollution of water and air. Producing goods increases welfare but creating pollution reduces welfare Therefore taking only GDP as an index of welfare overstates welfare.</p> <p style="text-align: center;">OR</p> <p>Suppose only one Product X is produced in the country. Its output during the year 2019 and 2020 was 100 units and 110 units respectively. The market price of X during the Years 2019 and 2020 were 50 and 55 per unit</p>	<p>4</p> <p>1</p> <p>1.5</p> <p>1.5</p> <p>4</p>

	<p>respectively.</p> <p>i) Calculate the percentage change in real GDP and nominal GDP in year 2020 using 2019 as the base year.</p> <p>ii) Calculate GDP deflator for the years 2019 and 2020 and comment on the Results:</p> <p>Ans.</p> <table><tr><th>Year</th><th>Output</th><th>Market Price</th><th>Real GDP using base year price</th><th>Nominal GDP using current year price</th></tr><tr><td>2019</td><td>100</td><td>50</td><td>5000</td><td>5000</td></tr><tr><td>2020</td><td>110</td><td>55</td><td>5500</td><td>6050</td></tr></table> <p>Percentage change in Real GDP= $\frac{\text{Change in Real GDP}}{\text{Base Year Real GDP}} \times 100$ $= \frac{500}{5000} \times 100 = 10\%$</p> <p>Percentage change in Nominal GDP= $\frac{\text{Change in Nominal GDP}}{\text{Base Year Nominal GDP}} \times 100$ $= \frac{1050}{5000} \times 100 = 21\%$</p>	Year	Output	Market Price	Real GDP using base year price	Nominal GDP using current year price	2019	100	50	5000	5000	2020	110	55	5500	6050	<p>2</p> <p>1</p> <p>1</p>
Year	Output	Market Price	Real GDP using base year price	Nominal GDP using current year price													
2019	100	50	5000	5000													
2020	110	55	5500	6050													
	<p>Answer Q.-14 based on the article given below:</p> <p>From Spain, Germany to Portugal: All 20 Eurozone Countries Have Now Sunk into Recession</p> <p>Nearly two weeks after Europe’s largest economy and the world’s fourth largest, Germany, fell into recession, the remaining 19 countries that are part of the Eurozone, too, have sunk into recession. The euro zone economy fell into a technical recession in the first three months of 2023, data from the statistics agency Eurostat showed on Thursday, as signs emerge that central bank rate hikes will weaken the region's future growth prospects.</p> <p>Gross domestic product (GDP) for the 20-country euro zone fell by 0.1% in the first quarter compared with the final quarter of 2022, when GDP also slipped by 0.1%, revised from a previous reading of zero. Two successive quarters of contraction in GDP are commonly described as a technical recession, as per a Reuters report.</p> <p>"Domestic demand is not in a good place," Oxford Economics' analysts said in a note, adding that first-quarter public spending saw the largest contraction on record except for during the first wave of coronavirus lockdowns in 2020. "Going forward, growth will remain soft despite dropping wholesale energy prices as monetary policy tightening dents investment and still-present inflationary pressures constrain consumption," they said, as per a Reuters report.</p> <p>Separately, economists polled by Reuters expect quarterly growth to rebound by an albeit modest 0.2% in each of the remaining three quarters of this year and tip the European Central Bank (ECB) to hike by a further 25 basis points at both its June and July meetings in its effort to counter stubborn inflation.</p>																

<p>SET A1 Q14 SET A2 Q14</p>	<p>That would take the ECB's deposit rate up to 3.75%, an unprecedented tightening of 425 basis points since the bank lifted rates out of negative territory last July.</p> <p>As quoted in the above given text " Domestic demand is not in a good place." Define Deficient Demand in the given context. Discuss what will be the impact of deficient demand on the economy.</p> <p>Ans. Deficient Demand is the situation where Aggregate demand falls short of Aggregate Supply at Full Employment level. Impact of deficient demand on the economy.</p> <p>1) EFFECT ON OUTPUT Due to deficient demand, there is an increase in inventory stock firms plan to produce less in the subsequent period. Planned output will fall</p> <p>2) EFFECT ON EMPLOYMENT Causes involuntary unemployment due to fall in planned output</p> <p>3) EFFECT ON GENERAL PRICE LEVEL Leads to a fall in the general price level as $AD < AS$</p>	<p>4</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>
<p>SET A1 Q15 SET A2 Q14</p>	<p>On the basis of the given diagram, answer the following questions:</p>  <p>(a) What is the value of the autonomous consumption? (b) What is the break-even level of income? (c) How much is the APC at the break-even level of income? (d) Derive the consumption function.</p> <p>Ans. (a) Autonomous consumption expenditure = Dissavings= 10 (b) Break-even level of income is when $C=Y$ or $S=0$ at 20 (c) APC at break-even level of income= $20/20 = 1$ (d) $S = -10 + 0.5 Y$ $C = 10 + 0.5 Y$</p>	<p>4</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>

<p>SET A1 Q16 SET A2 Q17</p>	<p>What is meant by excess demand and how does it lead to an inflationary gap? Explain with the help of a suitable diagram. Suggest any two quantitative monetary measures to deal with the given situation.</p> <p>Ans. Excess demand refers to that situation in an economy when the AD exceeds the AS at full employment level at a given point of time. In other words, the Excess demand refers to that situation when the Current (Actual) AD exceeds the required AD to maintain full employment equilibrium.</p>  <p>In the given diagram, we see that AD_1 is the planned or actual AD curve & AD is the required AD to maintain full employment equilibrium. Y_1 is the full employment level where the AS becomes constant & maximum, and therefore it is a straight line prior to which AS is 45° line indicating proportionate rise in income and employment. The current equilibrium of the economy is at E which exceeds the required one i.e. E_1 to have full employment equilibrium. EE_1 refers to the inflationary Gap which leads to inflation in the economy.</p> <p>Monetary Measures (any two):</p> <ol style="list-style-type: none"> 1. Increase in Bank Rate 2. Increase in Repo Rate 3. Sale of Securities 4. Increase in LRR <p style="text-align: center;">OR</p> <p>“An economy is operating at under-employment level of income.” What is meant by the given statement? Explain with the help of a suitable diagram. Suggest any two quantitative monetary measures to deal with the given situation.</p> <p>Ans.</p> <p>An economy is said to be operating at under employment equilibrium level if the planned aggregate expenditure (aggregate demand) falls short of available output in the economy at the full employment level. This situation is known as deficient demand and gives rise to deflationary gap.</p>	<p>6</p> <p>1</p> <p>2</p> <p>1</p> <p>2</p> <p>6</p> <p>1</p>
----------------------------------	--	--

	 <ul style="list-style-type: none"> ■ AD and AS curves intersect at point E. ■ E indicates the full employment equilibrium. ■ Due to decrease in investment expenditure (ΔI), Aggregate demand falls from AD to AD1. ■ It denotes the situation of deficient demand . ■ Gap between AD to AD1 i.e. EG is called the DEFLATIONARY GAP. <p>Quantitative monetary measures to deal with the given situation:</p> <ol style="list-style-type: none"> 1. decrease in bank rate 2. decrease in repo rate 3. purchase of securities 4. decrease in LRR 	<p>1</p> <p>2</p> <p>2(1 mark each for any 2 explained points)</p>																								
<p>SET A1 Q17 SET A2 Q16</p>	<p>(a) From the following data calculate compensation of employees:</p> <table border="1" data-bbox="304 1048 1278 1464"> <thead> <tr> <th>S. No.</th><th>Items</th><th>(₹ in lakh)</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Profits after tax</td><td>20</td></tr> <tr> <td>(ii)</td><td>Interest</td><td>45</td></tr> <tr> <td>(iii)</td><td>Gross Domestic Product at Market Price</td><td>200</td></tr> <tr> <td>(iv)</td><td>Goods and Services Tax</td><td>10</td></tr> <tr> <td>(v)</td><td>Consumption of Fixed Capital</td><td>50</td></tr> <tr> <td>(vi)</td><td>Rent</td><td>25</td></tr> <tr> <td>(vii)</td><td>Corporate Tax</td><td>5</td></tr> </tbody> </table> <p>Ans.</p> <p>GDP_m = NDP_f + Consumption of Fixed Capital + Goods and Services Tax</p> <p>GDP_m = Compensation of employees + Profits (Profits after tax + Corporate Tax) + Interest + Rent + Consumption of Fixed Capital + Goods and Services Tax</p> <p>200 = Compensation of employees + (20 + 5) + 45 + 25 + 50 + 10</p> <p>Compensation of employees = 200 – 25 – 45 – 25 – 50 – 10 = ₹45 crore</p>	S. No.	Items	(₹ in lakh)	(i)	Profits after tax	20	(ii)	Interest	45	(iii)	Gross Domestic Product at Market Price	200	(iv)	Goods and Services Tax	10	(v)	Consumption of Fixed Capital	50	(vi)	Rent	25	(vii)	Corporate Tax	5	<p>3</p> <p>1</p> <p>1</p> <p>1</p>
S. No.	Items	(₹ in lakh)																								
(i)	Profits after tax	20																								
(ii)	Interest	45																								
(iii)	Gross Domestic Product at Market Price	200																								
(iv)	Goods and Services Tax	10																								
(v)	Consumption of Fixed Capital	50																								
(vi)	Rent	25																								
(vii)	Corporate Tax	5																								

	<p>(b) Calculate “Intermediate Consumption” from the following data:</p> <table border="1" data-bbox="304 185 1257 477"> <thead> <tr> <th>S. No.</th><th>Items</th><th>(₹ in lakh)</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Gross value of output</td><td>300</td></tr> <tr> <td>(ii)</td><td>Net value added at factor cost</td><td>100</td></tr> <tr> <td>(iii)</td><td>Subsidies</td><td>15</td></tr> <tr> <td>(iv)</td><td>Depreciation</td><td>30</td></tr> </tbody> </table> <p>Ans. Intermediate consumption = (i)- (iv)- (Indirect tax – iii) – (ii) = 300 – 30 – (0-15) – 100 = 300 – 30 + 15 – 100 = ₹185 crore</p>	S. No.	Items	(₹ in lakh)	(i)	Gross value of output	300	(ii)	Net value added at factor cost	100	(iii)	Subsidies	15	(iv)	Depreciation	30	<p>3</p> <p>1 1 1</p>
S. No.	Items	(₹ in lakh)															
(i)	Gross value of output	300															
(ii)	Net value added at factor cost	100															
(iii)	Subsidies	15															
(iv)	Depreciation	30															

SECTION -B

SET A1 18	<p>During the British Rule, infant mortality rate was at _____ (228/ 218) years in contrast to the present 33 years. <i>(Fill up the blank with the correct alternative.)</i></p> <p>Ans. 218</p>	1
SET A1 18	<p>During the British Rule, life expectancy was at _____ (32/ 42) years in contrast to the present 69 years. <i>(Fill up the blank with the correct alternative.)</i></p> <p>Ans. 32</p>	1
SET A1 19	<p>The Karve Committee was constituted in the year _____ for the development of small-scale industries. <i>(choose the correct alternative)</i></p> <p>(a) 1945 (b) 1950 (c) 1955 (d) 1965</p> <p>Ans. (c) 1955</p>	1
SET A2 19	<p>The Industrial Policy Resolution of the year _____ classified industries into three categories. <i>(choose the correct alternative)</i></p> <p>(a) 1945 (b) 1950 (c) 1955 (d) 1956</p>	1

	Ans. (d) 1956	
SET A1 20 SET A2 23	<p>India's demographic condition on the eve of independence was characterised by:</p> <p>(choose the correct alternative)</p> <p>(a) High level of literacy, high mortality rates, high life expectancy and high level of poverty.</p> <p>(b) Low level of literacy, low mortality rates, low life expectancy and low level of poverty.</p> <p>(c) Low level of literacy, low mortality rates, high life expectancy and high level of poverty.</p> <p>(d) Low level of literacy, high mortality rates, low life expectancy and high level of poverty.</p> <p>Ans. (d) Low level of literacy, high mortality rates, low life expectancy and high level of poverty.</p>	1
SET A1 21	<p>Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p>Assertion (A): The main interest of the zamindars was only to collect rent regardless of the economic condition of the cultivators.</p> <p>Reason (R): The terms of the revenue settlement were unfavourable for the zamindars.</p> <p>Alternatives:</p> <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 and 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> <p>Ans. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p>	1
SET A1 21	<p>Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p>Assertion (A): The main interest of the zamindars was only to collect rent regardless of the economic condition of the cultivators.</p> <p>Reason (R): The terms of the revenue settlement were favourable for the zamindars.</p> <p>Alternatives:</p> <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 and 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> <p>Ans. (c) Assertion (A) is true but Reason (R) is false.</p>	1
SET A1 22	_____ is considered as one of the most important contributions of the British.	1

SET A1 22	<p><i>(choose the correct alternative)</i></p> <p>(a) Construction of all-weather roads (b) Introduction of the railways in 1850 (c) Introduction of electric telegraph in India (d) The postal services.</p> <p>Ans. (b) Introduction of the railways in 1850</p> <p>The opening of the Suez Canal in 1869: <i>(Choose the correct alternative)</i></p> <p>(a) Raised the cost of transportation between Britain and India. (b) Intensified British control over India's foreign trade. (c) Reduced the cost of transportation and made access to the Indian markets easier. (d) Both (b) and (c)</p> <p>Ans. (d) Both (b) and (c)</p>	1										
SET A1 23 SET A2 20	<p>Identify the correct matched pair of alternatives given in Column I and Column II:</p> <table><tr><th>Column I</th><th>Column II</th></tr><tr><td>(A) Quota</td><td>(i) Quantity of goods that can be imported</td></tr><tr><td>(B) Land reforms</td><td>(ii) The monetary assistance given by government for production activities.</td></tr><tr><td>(C) HYV seeds</td><td>(iii) Improvements in the field of agriculture to increase its productivity</td></tr><tr><td>(D) Subsidy</td><td>(iv) Seeds that give large proportion of output</td></tr></table> <p>(a) A-(i) (b) B- (ii) (c) C-(iii) (d) D-(iv)</p> <p>Ans . (a) A-(i)</p>	Column I	Column II	(A) Quota	(i) Quantity of goods that can be imported	(B) Land reforms	(ii) The monetary assistance given by government for production activities.	(C) HYV seeds	(iii) Improvements in the field of agriculture to increase its productivity	(D) Subsidy	(iv) Seeds that give large proportion of output	1
Column I	Column II											
(A) Quota	(i) Quantity of goods that can be imported											
(B) Land reforms	(ii) The monetary assistance given by government for production activities.											
(C) HYV seeds	(iii) Improvements in the field of agriculture to increase its productivity											
(D) Subsidy	(iv) Seeds that give large proportion of output											
SET A1 24 SET A2 27	<p>Which of the following is not one of the trade and investment policy reforms undertaken in 1991?</p> <p><i>(choose the correct alternative)</i></p> <p>(a) Imposition of Quantitative Restrictions on Imports and Exports (b) Removal of Export duties (c) Relaxation in Import Licensing System (d) Reduction in Import Duties</p> <p>Ans. (a) Imposition of Quantitative Restrictions on Imports and Exports</p>	1										

	growth accrue to only a handful of people in the society. Benefits of growth must spread across all sections of the society, so that the distribution of income becomes equitable.	1
SET A1 29 SET A1 28	<p>Elaborate on any three tax reforms undertaken under the liberalisation era in India.</p> <p>Ans.</p> <p>1) Reduction in taxes Since 1991, there has been a continuous reduction in the taxes on individual incomes as it was felt that high rates of income tax were an important reason for tax evasion. The rate of corporation tax, which was very high earlier, has been gradually reduced.</p> <p>2) Reforms in Indirect Taxes Efforts have also been made to reform the indirect taxes, taxes levied on commodities, in order to facilitate the establishment of a common national market for goods and commodities.</p> <p>3) Simplification of process In order to encourage better compliance on the part of taxpayers, many procedures have been simplified and the rates also substantially lowered.</p> <p>4) Reforms in Indirect Taxes Efforts have also been made to reform the indirect taxes, taxes levied on commodities, in order to facilitate the establishment of a common national market for goods and commodities.</p> <p style="text-align: center;">OR</p> <p>“In India, regulatory mechanisms were enforced in various ways of industrial licensing.” Why was industrial licensing required? Discuss the reform policies introduced in 1991 that aimed at removing many of these restrictions.(any two points).</p> <p>Ans. Industrial licensing required every entrepreneur to get permission from government officials to start a firm, close a firm or decide the amount of goods that could be produced.</p> <p>Reduction in Industrial Licensing</p> <ul style="list-style-type: none"> • No licenses were needed to (i) set up new units ; or (ii) to expand or diversify existing units • However, owing to strategic and security considerations, licence is required for certain industries such as alcohol, cigarettes, hazardous chemicals, industrial explosives, electronics, aerospace and drugs and pharmaceuticals. 	<p>3</p> <p>1 mark for any three well-explained points</p> <p>3</p> <p>1</p> <p>1</p> <p>1</p>
SET A1 30 SET A1 31	<p>Critically appraise some of the shortfalls of the industrial policy pursued by the British colonial administration.</p> <p>Ans.</p> <p>1. DE-INDUSTRIALIZATION:DECLINE OF HANDICRAFT INDUSTRY</p> <p>The primary motive of the British was :</p> <ul style="list-style-type: none"> • To get raw materials from India at cheap rates for industries in Britain. • To sell finished products of British industries in the Indian markets at higher prices. 	<p>4</p> <p>1 mark for any four well-explained</p>

	<p>2. ADVERSE EFFECTS OF DECLINE IN HANDICRAFT INDUSTRY</p> <ul style="list-style-type: none"> • High level of unemployment amongst the artisans who were then forced to take up agriculture. • Import of finished goods as the Indian made goods could not withstand the competition of machine made cheap goods. <p>3. LACK OF CAPITAL GOODS INDUSTRIES</p> <ul style="list-style-type: none"> • Hardly any capital goods industries to promote industrialization in India. • The British did not promote the industry as they wanted Indians to depend upon Britain for supply of capital goods and heavy equipment. <p>4. LOW CONTRIBUTION TO GDP</p> <ul style="list-style-type: none"> • The growth rate of the new industrial sector and its contribution to GDP remained very small. <p>5. LIMITED ROLE OF PUBLIC SECTOR</p> <ul style="list-style-type: none"> • The public sector remained confined only to railways, power generation, communications, ports and some other departmental undertakings. 	points
SET A1 31 SET A2 30	<p>While subsidies encourage farmers to use new technology, they are a huge burden on government finances. Discuss the usefulness of subsidies in the light of this fact.</p> <p>Ans. Usefulness of subsidies:</p> <ol style="list-style-type: none"> 1. Encouraged farmers to test new technology <ul style="list-style-type: none"> • Any new technology is considered as risky by farmers • Subsidies were therefore needed to provide an incentive to the farmers (especially small farmers) for adopting of the new HYV technology 2. Uncertainties of monsoon <ul style="list-style-type: none"> • Farming in India continues to be a risky business as it depends on the monsoon • Hence the government should continue with agricultural subsidies 3. Poor economic condition of farmers <ul style="list-style-type: none"> • Most farmers are very poor and they will not be able to afford the required inputs and this will violate the goal of equity 4. Correct implementation <ul style="list-style-type: none"> • If subsidies are largely benefiting the fertilizer industry and big farmers the correct policy is not to abolish subsidies but to take steps so in short that only the poor farmers enjoy the benefits. <p style="text-align: center;">OR</p> <p>Explain how import substitution can protect domestic industry.</p> <p>Ans.</p> <p>Import substitution aimed at replacing or substituting imports with domestic production. For example, instead of importing vehicles made in a foreign country, industries would be encouraged to produce them in India itself.</p> <p>In this policy the government protected the domestic industries from foreign competition. Protection from imports took two forms: tariffs and quotas. The effect of tariffs and quotas is that they restrict imports and, therefore,</p>	<p>4</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>4</p> <p>1</p> <p>1</p>

	<p>protect the domestic firms from foreign competition.</p> <p>The policy of protection was based on the notion that industries of developing countries were not in a position to compete against the goods produced by more developed economies.</p> <p>It was assumed that if the domestic industries were protected they would learn to compete in the course of time</p>	<p>1</p> <p>1</p>
<p>SET A1 32</p> <p>SET A2 32</p>	<p>Answer Q.-32 based on the article given below:</p> <p>To bring the bulging young population into the fold, and utilize their full potential it is not only important to invest in their education, but also to enable them to acquire new skill sets. While India has invested in higher education (especially in information technology) not enough attention has been given to something as basic as primary education.</p> <p>In order for the nation to unlock the potential of its massive population, it needs to make meaningful contributions towards foundational education. Indian primary schools are plagued with overcrowded classrooms, absent teachers and unsanitary conditions, and often lead parents to decide it is not worth their child going to school. According to a report by the National Council for Teacher Education, an autonomous organization set up by the Government of India in 1961, 40 percent of government-run primary schools have over thirty students per classroom, and 60 per cent lacked electricity. Twenty-one per cent of teachers were not even professionally trained. Private schools in India have better learning outcomes than government schools at a much lower unit cost. Private sector education has more freedom to innovate and design effective curriculum than public sector education. They also have a strong profit incentive to provide quality education, lest they lose their students to government schools. There is certainly inequality in private schools, which are only available to those who can pay, but government vouchers and incentive programmes can help make these institutions affordable for the masses.</p> <p>The above article suggests that “There is certainly inequality in private schools, which are only available to those who can pay, but government vouchers and incentive programmes can help make these institutions affordable for the masses.” Giving reasons, establish the need for government intervention in the education sector.</p> <p>Ans. To ensure favourable benefits, government intervention is important. Reasons being:</p> <ol style="list-style-type: none"> 1. The expenditures on education make substantial long-term impact and they cannot be easily reversed. For example if a child is admitted to a school and required services are not provided in such an institute then, substantial amount of damage would have been done before the decision is taken to shift the child to another institution. 2. Individual consumers of these services do not have complete information about the quality of services and their costs. 3. The providers of education and health services may acquire monopoly power and may get involved in exploitation. 4. The role of government is important to ensure that the private providers of these services adhere to the standards stipulated by the government and charge the correct price. 	<p>4</p> <p>1 mark for any four well-explained points</p>

	5. In a developing country like India, with a large section of the population living below the poverty line, many people cannot afford to access basic education and health care facilities.	
SET A1 33 SET A2 34	<p>Viewed from the Indian context, the crisis that erupted in the early 1990s was basically an outcome of the deep-rooted inequalities in Indian society and the economic reform policies initiated as a response to the crisis by the government, further aggravated the inequalities.” Critically analyse the impact of Economic Reforms in India in the light of the given statement.</p> <p>Ans. ECONOMIC REFORMS - POSITIVE EFFECTS</p> <ul style="list-style-type: none"> • Increase in the rate of Economic Growth The growth of GDP increased from 5.6 per cent during 1980–91 to 8.2 per cent during 2007–12. • Inflow of foreign investment The foreign investment, which includes foreign direct investment (FDI) and foreign institutional investment (FII), has increased from about US \$100 million in 1990-91 to US \$ 30 billion in 2017-18. • Rise in Foreign Exchange Reserves There has been an increase in the foreign exchange reserves from about US \$ 6 billion in 1990-91 to about US \$ 413 billion in 2018-19. • Rise in Exports India is seen as a successful exporter of auto parts, engineering goods, IT software and textiles in the reform period. • Control on Inflation Through increase in production, tax reforms and other reforms, annual rate of inflation reduced from 17% in 1991 to 5.48% in 2015-16. • Increase in the role of the Private Sector Abolition of licensing system, removal of restrictions on entry of private sector in areas earlier reserved for public sector, have enlarged the area of operation of the private sector. <p>ECONOMIC REFORMS - NEGATIVE EFFECTS</p> <ul style="list-style-type: none"> • Growing Unemployment Though the GDP growth rate has increased in the reform period, the reform-led growth has not generated sufficient employment opportunities in the country. • Neglect of Agriculture Public investment in agriculture sector especially in infrastructure, which includes irrigation, power, roads, market linkages and research and extension has fallen in the reform period. • Low level of Industrial Growth Due to globalisation and a greater flow of goods and capital from developed countries, Cheaper imports have replaced the demand for domestic goods. Domestic manufacturers are facing competition from imports. • Ineffective Disinvestment Policy In 1991-92, it was targeted to mobilise Rs 2500 crore through disinvestment. The government was able to mobilise Rs 3,040 crore more than the target. • Limitations of Disinvestment The assets of PSEs have been undervalued and sold to the private sector, thus, resulting in a loss to the Govt. • Ineffective Tax Policy The reform policies, involving tariff reduction, have curtailed the scope for 	<p>6</p> <p>(1 mark each for any three points well explained)</p> <p>(1 mark each for any three points well explained)</p>

	<p>raising revenue through custom duties.</p> <ul style="list-style-type: none"> • Spread of Consumerism <p>Production of luxuries and items of superior consumption has led to trend of high consumption expenditure.</p> <p style="text-align: center;">OR</p> <p>Discuss the important Trade and Investment Policy Reform measures adopted under the Liberalisation regime in India.</p> <p>Ans.</p> <p>Removal of Quantitative Restrictions on Imports and Exports</p> <ul style="list-style-type: none"> • Quantitative restrictions on imports and exports were greatly reduced • Quantitative restrictions on imports of manufactured consumer goods and agricultural products were also fully removed from April 2001. <p>Removal of Export duties</p> <ul style="list-style-type: none"> • Export duties have been removed to increase the competitive position of Indian goods in the international markets. <p>Reduction in Import Duties</p> <ul style="list-style-type: none"> • Import duties were reduced to improve the position of domestic goods in the foreign market. <p>Relaxation in Import Licensing System</p> <ul style="list-style-type: none"> • Import licensing was abolished except in case of hazardous and environmentally sensitive industries. • Encouraged domestic industries to import raw materials at better prices, which raised their efficiency and competitiveness. 	<p>6</p> <p>2</p> <p>1</p> <p>1</p> <p>2</p>
<p>SET A1 34</p> <p>SET A1 33</p>	<p>The Seventh Five Year Plan of India says, “Human resources development has necessarily to be assigned a key role in any development strategy, particularly in a country with a large population. Trained and educated on sound lines, a large population can itself become an asset in accelerating economic growth and in ensuring social change in desired directions.”</p> <p>Describe the two-way relationship between human capital and economic growth, using insight from the above vision statement.</p> <p>Ans. Higher income from economic growth causes building of high level of human capital and vice versa, that is, high level of human capital causes growth of income. Investment in human capital contributes to economic growth:</p> <ul style="list-style-type: none"> • Education provides knowledge to understand changes in society and scientific advancements, thus facilitates inventions and innovations. The availability of an educated labour force facilitates adaptation to new technologies. • Similarly, if a healthy person could provide uninterrupted labor supply for a longer period of time, then health is also an important factor for economic growth . • An educated and healthy man earns more income and contributes more to production process and faster economic development. • Educated, skilled and healthy people use the physical capital in an effective manner and raise the productivity of capital. • Inventions, innovations and technological improvement take place in a country which has good quality human resources 	<p>6</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>

