

Sample Question Paper-1

(Issued by Board dated 16th Sep. 2022)

ECONOMICS (030)

Class- XII, Session: 2022-23

SOLVED

Time Allowed : 3 hours

Maximum Marks : 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 Questions type questions of 1 mark each.
- (iii) This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
- (iv) This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
- (v) This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

Section – A

1. Read the following statements carefully:

Statement 1: The consumption curve is an upward sloping straight line curve due to the direct relationship between income and consumption and the assumption of constant Marginal Propensity to Consume.

Statement 2: Aggregate Demand curve and Consumption curve are parallel to each other.

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

- (A) Statement 1 is true and statement 2 is false.
 - (B) Statement 1 is false and statement 2 is true.
 - (C) Both statements 1 and 2 are true.
 - (D) Both statements 1 and 2 are false. [1]
2. 'Owing to the Russia-Ukraine crisis, the world is experiencing rising crude prices due to supply-side issues.' Identify the most likely impact on the Balance of Payment situation of the Indian economy from the following:
- (A) Production of cars in India will rise.
 - (B) Production and sale of cycles in India will rise.
 - (C) Inflow of US Dollars in India will rise.
 - (D) Outflow of US Dollars from India will rise. [1]
3. _____ is an institution that accept deposits for lending purposes.

(Fill up the blank with correct alternative)

- (A) Commercial Banks
 - (B) Life Insurance Corporation
 - (C) Reserve Bank of India
 - (D) Government of India [1]
4. Read the following statements carefully:
- Statement 1:** Export of financial services by India will be recorded on credit side of current account.
- Statement 2:** Foreign Direct Investments in India will be recorded on credit side of capital account.
- In the light of the given statements, choose the correct alternative:
- (A) Statement 1 is true and statement 2 is false.
 - (B) Statement 1 is false and statement 2 is true.

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

[1]

5. Read the following statements carefully:

Statement 1 - Net investment is a stock concept.

Statement 2 - Capital is a flow concept.

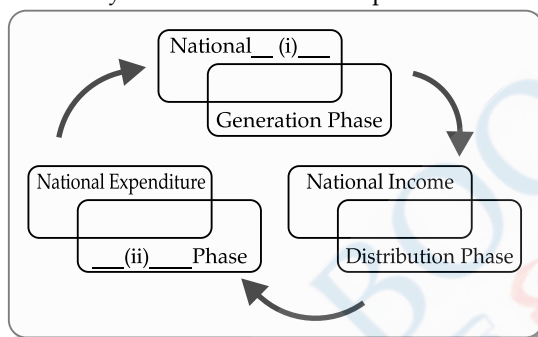
In the light of the given statements, choose the correct alternative from the following:

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

[1]

OR

Read the following figure carefully and choose the correct pair from the alternatives given below:



Alternatives:

- (A) Output, Production
 (B) Value added, Production
 (C) Output, Disposition
 (D) Wealth, Development

[1]

6. If in an economy, the value of investment multiplier is 4 and Autonomous Consumption is ₹ 30 Crore, the relevant consumption function would be :

- (A) $C = 30 + 0.75 Y$
 (B) $C = (-)30 + 0.25 Y$
 (C) $C = 30 - 0.75 Y$
 (D) $C = 30 - 0.25 Y$

[1]

OR

If increase in National Income is equal to increase in consumption, identify the value of Marginal Propensity to Save :

- (A) Equal to unity
 (B) Greater than one
 (C) Less than one
 (D) Equal to zero

[1]

7. Money supply in India may increase if, _____ (Choose the correct alternative)

1. Reserve Bank of India (RBI) injects more money in circulation.
2. The commercial banks expand their credit operation.
3. Tax rates are reduced by the Central Government.
4. Reserve Bank of India increases the Bank Rate.

Alternatives:

- (A) 1, 2 and 3 are correct.
 (B) 2, 3 and 4 are correct.
 (C) 1, 3 and 4 are correct.
 (D) 1, 2 and 4 are correct.

[1]

8. Suppose, following data is presented, for an imaginary economy: (all figures in ₹ '000 Crore)

Year	Visible Exports	Visible Imports
2010	280	240
2020	580	460

Identify, which of the statement about the period 2010 to 2020 is correct?

- (A) Improvement in balance of trade
 (B) Increase in trade deficit

- (C) Improvement in balance in invisibles items
(D) Deterioration of balance of trade

[1]

OR

The following information is given for an imaginary country:

Current Account	Amount (in ₹' 000 Crore)
Visible Exports	100
Visible Imports	150
Invisible Exports	70
Invisible Imports	30
Net current transfer balance	15

Balance on current account will be _____ of ₹ _____ thousand Crore.

- (A) Deficit, 10
(B) Surplus, 5
(C) Deficit, 5
(D) Surplus, 10

[1]

9. Read the following statement -Assertion (A) and Reason (R). Choose one of the correct alternatives given below:
Assertion (A): Ex-post Investments represent planned Investments; whereas ex-ante Investments represent actual level of investments.

Reason (R): At equilibrium level, Ex-ante Savings and Ex-ante Investments are always equal.

Alternatives:

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

[1]

10. Read the following statement -Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): Saving curve makes a negative intercept on the vertical axis at zero level of income.

Reason (R): Saving function refers to the functional relationship between saving and income.

Alternatives:

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

[1]

11. Suppose in a hypothetical economy there are only two Firms A and B, Firm A sold goods for ₹ 2,000 to Firm B and purchased goods for ₹ 1,000. Firm B exported goods for ₹ 2,500 and had domestic sales of ₹ 1,500. Calculate Net Domestic Product at market price, if consumption of fixed capital is ₹ 200.

[3]

12. Explain, how exchange rate is determined under a free market exchange rate system.

[3]

OR

Distinguish between autonomous and accommodating transactions in Balance of Payments Accounts.

[3]

13. If an economy plans to increase its income by ₹ 2,000 crore and the Marginal Propensity to Consume is 75%. Estimate the increase in investment required to achieve the targeted increase in income.

[4]

14. As per the following news published in The Economic Times on 26th December, 2021:

'Reserve Bank of India has sold government securities worth ₹ 8,710 crore in the secondary market, over the last four weeks, to drain out excessive liquidity'. Identify the likely cause and the consequences behind, this type of action plan of the Reserve Bank.

[4]

15. Read the following text carefully, discuss briefly the relevant function of the Central Bank, indicated :

Recently, Reserve Bank of India (RBI) conducted a statutory inspection for supervisory evaluation against a Commercial Bank. The commercial bank was imposed with stringent penalties, owing to deficiencies in regulatory compliances.

As per the Central Bank, the inspection revealed non-compliances vis-à-vis different directions issued by RBI, on the following fronts:

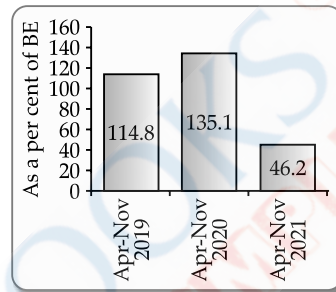
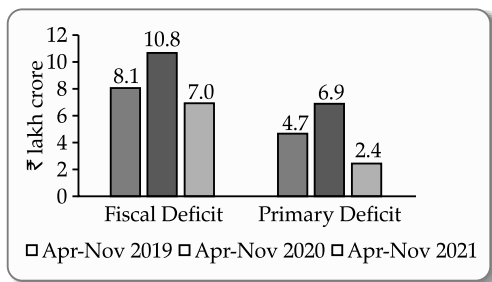
- (i) ATM Card frauds
- (ii) Ensuring integrity and quality of data
- (iii) Loans to small borrowers

(adapted/moderated -livemint.com) [4]

OR

'Reserve Ratio and Credit Creation are inversely related.' Do you agree with the given statement? Justify your answer with a suitable numerical example. [4]

16. (a) Define Gross Domestic Product (GDP) deflator and discuss its importance. [3]
- (b) State and discuss any two precautions to be considered while estimating national income by Expenditure Method. [3]
17. (a) Compare the trends depicted in the figures given below:



- (b) Elaborate the objective of 'allocation of resources' in the Government budget. [6]

OR

- (a) Distinguish between revenue receipts and capital receipts of the government, with suitable examples. [3]
- (b) Distinguish between direct and indirect taxes, with suitable examples. [3]

Section – B

18. Identify, which of the following indicates the adverse impact of British rule in India.
- (A) Introduction of communication networks in India
 - (B) Change in composition of India's foreign trade
 - (C) Introduction of modern administrative system in India
 - (D) Introduction of railways in India [1]
19. _____ committee was set up for the development and promotion of small scale industries in India.
- (A) Karve
 - (B) Tapas Majumdar
 - (C) Mahalanobis
 - (D) TRYSEM [1]

OR

Resolution of Independent India was announced in the year _____ (Fill in the blank with the correct alternative)

- (A) 1947
- (B) 1948
- (C) 1951
- (D) 1956 [1]

20. _____ and _____ are the reasons for the slowdown of the Pakistan economy since independence.
- (I) political instability
 - (II) over-dependence on remittances from abroad
 - (III) stable performance of agriculture sector
 - (IV) growth of service sector
- Alternatives:
- (A) I and II
 - (B) II and III
 - (C) III and IV
 - (D) I and IV [1]

OR

'GLF' with respect to the People's Republic of China referred to as _____ (Choose the correct alternative).

- (A) Giant Leap Forward
- (B) Great Lead Forum
- (C) Great Leap Forward
- (D) Giant Lead Forum [1]

21. Identify which of the following is a source of non-institutional credit in the rural areas of India.

- (A) NABARD (B) Regional Rural Banks
(C) Money Lenders (D) Commercial Banks [1]

22. From the set of the events given in column I and corresponding facts given in Column II, choose the correct pair of statement:

	Column I		Column II
(i)	Dual Pricing	(A)	Economic Reforms of 1991
(ii)	Setting up of Special Economic Zones in China	(B)	To attract foreign Direct Investment
(iii)	Commune System	(C)	Backyard based Industrial production units
(iv)	Great Proletarian Cultural Revolution	(D)	Collective Farming

Alternatives:

- (A) i – A (B) ii – B
(C) iii – C (D) iv - D [1]

23. Read the following statements carefully.

Statement 1: On-the-job trainings help to bridge a gap between theoretical concepts and practical experiences.

Statement 2: On-the-job trainings update the employees, with the latest changes in their work field.

In the light of the given statements, choose the correct alternative:

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

24. Read the following statements carefully.

Statement 1: Both India and Pakistan initiated their economic reforms without any external pressures.

Statement 2: Pakistan has successfully implemented the SEZ policy and reaped its benefits using the Export Promotion policy.

In the light of the given statements, choose the correct alternative:

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

25. _____ is not a cause for environmental degradation.

- (A) Waste management (B) Deforestation
(C) Global warming (D) Guarding green cover [1]

OR

_____ is not the strategy for Sustainable Development. (Choose the correct alternative)

- (A) Use of bio-gas (B) Use of solar power
(C) Use of thermal power (D) Use of hydel power [1]

26. Read the following statement-Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): Unemployment and poverty are inseparable twins.

Reason(R): Unemployment is the root cause of all socio-economic evils.

Alternatives:

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true but Reason (R) is false.
(D) Assertion (A) is false but Reason (R) is true. [1]

27. Read the following statement-Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): In the late 1970s, China's population growth rate had sharply declined.

Reason(R): China has witnessed an increase in the proportion of elderly people owing to stringent family planning programmes.

Alternatives:

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

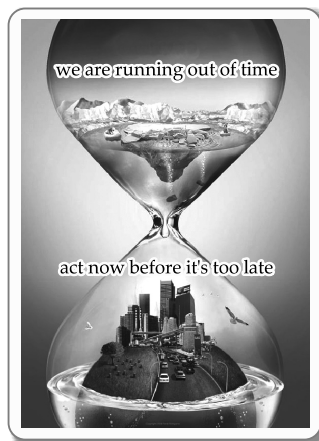
(C) Assertion (A) is true but Reason (R) is false.

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

[1]

28. Interpret the given picture on account of current environmental challenges.

[3]



Source: <https://www.theenvironmentalblog.org/current-environmental-issues>

29. Defend or refute the following statement with valid explanation:

'Disguised unemployment is a common form of unemployment in rural India'

[3]

OR

Critically evaluate the role of rural banking system in the process of rural development in India.

[3]

30. Compare and analyse the following information related to Imports and Exports of the three neighbouring nations:

[4]

Country	Exports from India (in ₹ Crore)			Imports to India (in ₹ Crore)		
	2004-05	2018-19	Annual rate of growth (%)	2004-05	2018-19	Annual rate of growth (%)
Pakistan	2,341	14,426	3.7	427	3,476	5.1
China	25,232	1,17,289	2.6	31,892	4,92,079	10.3

31. (a) Name any one Maharatana company.

[1]

(b) 'Land ceiling promotes equity.' Support the given statement with valid explanation.

[3]

OR

Discuss briefly, how institutional reforms (land reforms) have played a significant role in transforming Indian agriculture.

[4]

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

(a) Human Capital and Human Development are one and the same thing.

[2]

(b) India has a poor stock of technical manpower.

[2]

33. (a) Define agricultural marketing.

[2]

(b) Discuss briefly the importance of micro-credit programmes in rural development.

[2]

(c) Enlist any two problems faced by farmers in the initial years of organic farming.

[2]

OR

(a) "India has failed to implement the recommendations of Education Commission of 1964-66." Give valid arguments in support of the given statement.

[3]

(b) 'Casual wage work is the major source of employment in rural India'. Defend or refute the given statement with valid reason.

[3]

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

The Green Revolution in India began in the mid-1960s marking a transition from traditional agriculture in India to high-yielding varieties of seeds and the associated modern agricultural techniques. The need for introduction of Green Revolution in India arose due to a shortage of food-grains in the post-independent period. The government in the post-independent India wanted to ensure self-dependence in terms of food-grain production. Such efforts coincided with the development of high-yielding varieties of seeds of wheat developed by Dr. Norman Borleng and his associates in Mexico. These seeds also necessitated changes in farming techniques such as the addition of fertilizers, pesticides and better irrigation facilities. High yielding varieties of seeds were first introduced in India in the states of Punjab, Haryana and parts of western Uttar Pradesh.

In the early period of the green revolution in India, the focus was to acclimatise the new system with the more resource-intensive agricultural methods. The argument for introducing the new crop varieties was to increase agricultural production in terms of higher crop yields. The seeds introduced during the early period of the green revolution in Punjab were not high-yielding by themselves. These high yields were possible due to the seeds being highly responsive to certain inputs such as irrigation water and fertilizers.

The green revolution in India, thus, necessitated a resource-intensive process whereby, those who could make significant capital investments could benefit, whereas, those others became more marginalized in regions affected by practices of the green revolution in India. On one hand, the results derived from the green revolution helped farmers to increase their yield and income and on the other hand, it helped the government to procure and preserve more food grains through agencies like Food Corporation of India. These food grain reserves were helpful in creation of buffer stocks in India, which helped in the situations of adversities.

- (a) Why was Green revolution implemented and how did it benefit the farmers?
- (b) Justify the following statement with valid explanation: 'Green revolution enabled the government to procure sufficient food grains to build its stocks that could be used during time of shortage'. [6]



LEARNING MADE EASY

SOLUTIONS

Sample Question Paper-1

(with Marking Scheme)

ECONOMICS (030)

Section – A

1. Option (C) is correct. [1]

Explanation: Consumption expenditure increases due to increase in income. It means Consumption and income having positive relationship. That's why consumption curve slopes upward to the right as well as aggregate demand curve become parallel to Consumption curve as investment is constant in two sector model economy. The whole aggregate of consumption and investment is known as AD.

Thus, both statements 1 and 2 are true.

2. Option (D) is correct. [1]

Explanation: The Russian invasion of Ukraine has disrupted the supply of crude oil globally. Russia is the world's third largest oil producer country. Oil prices have risen in the past few months after tensions between Russia and Ukraine, This invasion has a bad effect on India's balance of payments. The foreign exchange reserves are getting depleted or Outflow of US Dollars from India will rise, due to the purchase of oil from the international market at higher prices.

3. Option (A) is correct. [1]

Explanation: Commercial banks perform general banking functions. It accepts deposits from the public for the purpose of lending and investment of deposits of money from the public, repayable on demand or otherwise, and withdraw able by cheque, draft, etc.

4. Option (C) is correct. [1]

Explanation: Export by financial services by India and foreign direct investment in India both will recorded in credit side in balance of payment, because they are inflows or source of foreign exchange. Export by financial services by India should be recorded in current account while FDI in capital account.

5. Option (D) is correct. [1]

Explanation: Both the statement is false. Stock variable is measured at a particular point of time but net investment should be measure over a period of

time. Capital is a static concept and it does not have time dimension, that's why it is stock concept.

OR

- Option (C) is correct. [1]

Explanation: Given diagram represents the circular flow of income. There are three different phase in a circular flow of income – Generation, Distribution and Disposition phase. Generation phase is also known as output phase of goods and services.

6. Option (A) is correct. [1]

Explanation: Equation of Consumption function

$$C = c + b(y)$$

C = Consumption function, c = Autonomous consumption, b = Marginal propensity to consume, y = income.

Given – Investment Multiplier = 4

$$\text{As we know, } k = \frac{1}{1 - MPC}$$

$$4 = \frac{1}{1 - MPC}, \text{ mpc} = 0.75$$

Thus, the consumption function of given information is – C = 30 + 0.75 Y

OR

- Option (D) is correct. [1]

Explanation: If increase in National Income (ΔY) is equal to increase in consumption (ΔC), Then, the value of Marginal Propensity to Save is Zero.

Let (ΔY) = 100, thus, (ΔC) = 100

$$MPC = \frac{\Delta C}{\Delta Y} = \frac{100}{100} = 1$$

We know that, $MPS = 1 - MPC$

$$(MPC + MPS = 1)$$

$$MPS = 1 - 1 = 0$$

7. Option (A) is correct. [1]

Explanation: Money supply refers to total volume of money held by public at a point of time in an economy. There are three sources of money supply in our economy and money supply will increase due to these institutions :- RBI, Commercial bank and Government.

- Reserve Bank of India (RBI) supply more money in circulation.

- The commercial banks expand their credit and increase supply of money.
- Government can increase money supply by reduction in tax.

8. Option (A) is correct. [1]

Explanation: It is clearly noticed that, there is an improvement found in balance of trade as on 2020. Balance of trade in 2010 (Export – Import) was 40,000 crore, which is improved as 120,000 cores in 2020.

OR

Option (B) is correct. [1]

Explanation: According to the given information.
 Balance of Payment = Export (Visible Exports + Invisible Exports) – imports (Visible Imports + Invisible Imports) + Net current transfer balance.
 = (100 + 70) – (150 + 30) + 15
 = 5 (surplus)

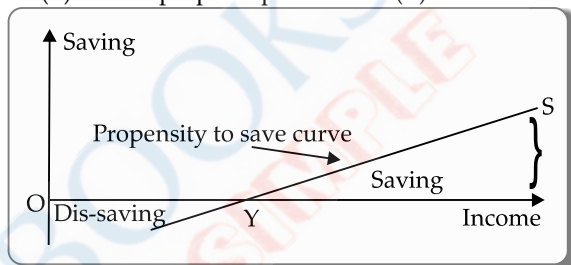
9. Option (D) is correct. [1]

Explanation: Assertion is false. Ex-post investment refers to actual investment in the economy during

the period of one year. This aspect of investment is considered in the context of national income accounting. It includes both planned as well as unplanned investment. In the context of equilibrium, equilibrium is truck only when desired or planned saving = desired or planned investment. Thus, reason (R) is true.

10. Option (B) is correct. [1]

Explanation: Saving is measured on Y – axis and income on X – axis, S-line represent saving function, indicating the behavior of S with respect to Y. The functional relationship between S and Y is called saving function. Thus, both (A) and (R) is true , but (R) is not a proper explanation of (A).



11.	Value of Output (in ₹)	Intermediate Consumption (in ₹)	Value Addition (in ₹)
A	2,000 (to B)	1,000 (Purchases)	1,000
B	2,500 (exports) 1,500 (domestic sales)	2,000	2,000
Total	6,000	3,000	3,000

[2]

[CBSE SQP Marking Scheme, 2022]

12. Equilibrium rate of exchange is established at a point where the quantity demanded and quantity supplied of foreign exchange are equal. In the foreign exchange market, if disequilibrium occurs, it may lead to a situation of excess demand or excess supply.

The market mechanism will drive the exchange rate back to the equilibrium level. This implies that the free market forces of demand and supply will operate in such a manner that the equilibrium rate of exchange is automatically restored. [3]

[CBSE SQP Marking Scheme, 2022]

OR

Autonomous transactions are those international economic transactions which are independent of the state of Balance of Payments (BOP). These transactions generally take place with 'economic motive'. These transactions are called 'above the line' transactions in the Balance of Payments account. [1½]

Whereas;

Accommodating transactions are those international economic transactions which are undertaken (by competent authorities) to cover the surplus or deficit in Balance of Payments. These transactions are independent of any economic motive and are called 'below the line' transactions in the Balance of Payments account. [1½]

[CBSE SQP Marking Scheme, 2022]

Detailed Answer:

Different between Autonomous and Accommodating transactions in Balance of Payments.

Autonomous transactions	Accommodating transactions
Autonomous transactions are those international economic transactions which are independent of the state of Balance of Payments (BOP).	Accommodating transactions are those international economic transactions which are undertaken (by competent authorities) to cover the surplus or deficit in Balance of Payments.

Autonomous Transactions are undertaken for considerations of profit.	Accommodating transactions are free from the considerations of profit.
Autonomous transactions may involve the movement of goods across the border (like export and import of consumer goods or capital goods)	Accommodating transactions do not involve the movement of goods and across the borders. These items only involve the movement of official reserves with the RBI

- 13.** Given, $MPC = 0.75$, $\Delta Y = ₹ 2,000$ Crore

$$K = \frac{1}{1 - MPC} = \frac{1}{1 - 0.75} = \frac{1}{0.25} = 4 \quad [1]$$

According to the question:

$$K = \frac{DY}{DI} \quad [1]$$

$$4 = \frac{2000}{DI} \quad [1]$$

$$DI = \frac{2000}{4} = ₹ 500 \text{ Crore} \quad [1]$$

Therefore, increase in investment (ΔI) required = ₹ 500 Crore [CBSE SQP Marking Scheme, 2022]

- 14.** The given instance where, Reserve Bank of India has sold government securities in the secondary market indicates towards inflation as a possible cause behind the action taken by RBI. [1]

By selling off the government securities, RBI withdraws money from circulation and thereby reducing the lending capacity of the commercial banks. In this process, the economy will experience contraction of credit, leading to reduction in consumption and investment demand. Consequently, the inflationary pressure in the economy will get eased out. [3]

[CBSE SQP Marking Scheme, 2022]

- 15.** The given text indicates the 'supervisory function' of the Central Bank, under which the Reserve Bank of India (RBI) regulates and supervises routine functioning of the commercial banks.

Under this function, the RBI may exercise periodic inspections/audits of commercial banks, filing of reports by commercial banks and other statutory compliances. Central bank may take necessary corrective and punitive actions against the banks owing to deficiencies in regulatory compliances. [4]

[CBSE SQP Marking Scheme, 2022]

OR

Yes, there exists an inverse relation between Reserve Ratio and Credit Creation in the economy.

We know that:

$$\text{Money Multiplier} = \frac{1}{\text{Reserve Ratio}} \quad [1/2]$$

Credit Creation = Initial Deposits \times Money Multiplier

Assuming that the value of initial deposits is ₹ 10,000 crore. (All figure in ₹ crore)

Reserve Ratio	Money Multiplier	Initial Deposits	Credit Creation (Initial Deposits \times Money Multiplier)
10%	$\frac{1}{0.1} = 10$	10,000	1,00,000
25%	$\frac{1}{0.25} = 4$	10,000	40,000

From the above calculation, we can conclude that higher the reserve Ratio, lesser credit will be created by Commercial Banks in the economy. [3]

[CBSE SQP Marking Scheme, 2022]

Detailed Answer:

Yes, reserve ratio and credit creation by commercial bank are related with each other. There is inverse relationship between them. We can express these relations through following example.

Process of credit creation in an economy

Reserve Ratio	Money Multiplier	Initial Deposits	Credit creation
10%	$\frac{1}{10} \times 100 = 10$	10,000	$10,000 \times 10 = 1,00,000$
20%	$\frac{1}{20} \times 100 = 5$	10,000	$10,000 \times 5 = 50,000$
25%	$\frac{1}{25} \times 100 = 4$	10,000	$10,000 \times 4 = 40,000$

Let the initial deposit is ₹25000

$$\text{Formula for Money multiplier} = \frac{1}{\text{Reserve Ratio}}$$

Formula for credit creation – Money multiplier \times initial deposit.

The value of credit creation is inversely related to the reserve ratio. Now, if the reserve ratio is 10 percent the money creation will be 1,00,000 but if it is increased by 25%, then money creation reduced by 40,000. Therefore, according to the above calculations, it is clear that there is an inverse relationship between the reserve and credit creation.

- 16. (a)** GDP Deflator is the ratio of Nominal to Real GDP. It is a tool which is used to eliminate the effect of price fluctuations in the economy and to determine the real change in physical output of current year. GDP deflator helps in comparison of growth rate of the economy. [3]
- (b) (i)** Expenditure on second hand goods is not to be included in the final consumption expenditure as the production of these goods might not be attributed to the current year. [1½]
- (ii)** Expenditure on 'intermediate goods' are not to be taken into account, to avoid the problem of double counting of value of goods and services. [1½]
- [CBSE SQP Marking Scheme, 2022]

Detailed Answer:

- (a)** GDP Deflator – GDP Deflator is the ratio between nominal GDP and real GDP. It shows change in GDP owing to the change in the price level. It is also called price index. It is a tool which is used to eliminate the effect of price fluctuations in the economy and to determine the real change in physical output of current year.

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

- (b) Precautions to be considered while estimating national income by Expenditure Method:**
- (i)** Only final expenditure is to be taken into account for avoiding errors of double counting. Final expenditure is to be interpreted as expenditure on final goods and services.
- (ii)** The expenditure on second – hand goods is not included because, value of second-hand goods has already been accounted during the year of their production. Hence, expenditure on old goods should not be included in current year's expenditure.

- 17. (a)** Considering the data represented in the given diagram, trend of year-on-year deficit (reporting for April to November) may be stated as follows:
- (i)** Fiscal Deficit in 2020 increased to 10.8 lakh crore from 8.1 lakh crore in 2019. In 2021 it has gone down to 7 lakh crore. [1]
- (ii)** Primary Deficit in 2020 increased to 6.9 lakh crore from 4.7 lakh crore in 2019. In 2021 it has gone down to 2.4 lakh crore. [1]

- (iii)** Fiscal Deficit in 2020 increased to 135.1% of Budget Expenditure from 114.8% in 2019. In year 2021, it is 46.2% of Budget Expenditure. [1]

- (b)** Government seeks to allocate resources with a view to balance the goals of all sections of the society. Production of goods and services which are injurious to health may be discouraged through taxation policy. Similarly, production of goods of socially beneficial nature may be encouraged through subsidies. If the private sector does not take initiative in certain activities (Public Goods), the government may directly control them like water supply and sanitation, etc. [3]
- [CBSE SQP Marking Scheme, 2022]

OR

- (a)** Revenue receipts are those receipts which neither creates any liabilities nor causes any reduction in the assets of the government. For example: taxes, dividends received from public enterprises, etc. Whereas; Capital receipts are those receipts which either creates liabilities or causes reduction in the assets of the government. For example: borrowings, dis investments, etc. [1½]
- (b)** Direct taxes are those taxes whose impact and incidence lies on the same entity. In other words, the liability of paying direct taxes can't be shifted. For example: income tax. Whereas; Indirect taxes are those taxes whose impact and incidence may lie on different entities. In other words, the liability of paying indirect taxes can be shifted. For example: GST. [1½]
- [CBSE SQP Marking Scheme, 2022]

Detailed Answer:

- (a)** Difference between revenue receipts and capital receipts:

Basis	Revenue Receipts	Capital Receipts
Meaning	Revenue receipts are that receipt which neither create any liabilities nor causes any reduction in the assets of the government.	Capital receipts are that receipt which either creates liabilities or causes reduction in the assets of the government.

Nature	They are regular and recurring in nature	They are irregular and non – recurring in nature.
Examples	Taxes, dividends received from public enterprises etc.	Borrowings, disinvestments etc.

(b) Difference between direct and indirect taxes:

Basis	Direct Tax	Indirect Tax
Impact	Direct taxes are those taxes whose impact and incidence lies on the same entity.	Indirect taxes are those taxes whose impact and incidence may lie on different entities.
Shift of burden	The burden of a direct tax cannot be shifted, impact and incidence is on the same person.	The burden of an indirect tax can be shifted, impact and incidence is on different persons.
Example	Income tax, corporation tax, property tax, inheritance tax and gift tax are examples of direct tax.	Excise tax, VAT, and service tax are examples of indirect tax.

Section – B**18. Option (B) is correct. [1]**

Explanation: India became an exporter of primary products and an importer of finished consumer goods. The restrictive policies adopted by colonial government adversely affected the India's foreign trade.

19. Option (A) is correct. [1]

Explanation: Karve committee was set up in 1955, for the development and promotion of small scale industries in India. It was set up to find out the potential of utilizing small scale industry for promoting rural development.

OR

Option (B) is correct. [1]

Explanation: Industrial policy is a comprehensive package of policy measures which covers various issues connected with different industrial enterprises of the country. First Industrial Policy Resolution of Independent India was announced in the year 1948. It emphasised the importance to the economy of securing a continuous increase in production and ensuring its equitable distribution.

20. Option (A) is correct. [1]

Explanation: Political instability and over – dependence on remittance along with volatile performance of agriculture sector are the reasons

for the slowdown of the Pakistan economy.

OR

Option (C) is correct. [1]

Explanation: GLF stands for Great Leap Forward. In 1958, The Great Leap Forward campaign was initiated by Mao to modernise China's economy. The aim of this campaign was to change agrarian economy into a modern economy through the process of rapid industrialisation.

21. Option (C) is correct. [1]

Explanation: Non – institutional source have been the traditional source of credit, like Money Lenders. Apart from money lender, rest all the above are institutional source of credit.

22. Option (B) is correct. [1]

Explanation: From the given information in table, only option (b) indicate correct pair. Setting up of Special Economic Zones in China, that allow the integration of free-market principles to attract additional foreign investment.

23. Option (C) is correct. [1]

Explanation: On-the-job training is a source of human capital formation as it increases the skill and efficiency of the workers. It bridge the gap between theoretical concepts and practical experiences and leads to an increase in production and productivity. It is a kind of up gradation in the skills of workers. Thus, both statements is correct regarding human capital formation.

24. Option (D) is correct. [1]

Explanation: Both the statement is false. Both India and Pakistan initiated economic reforms under the pressure of the World Bank and IMF. Moreover, the economic crisis that emerged in the two countries leads to the introduction of reforms. Pakistan also adopted the concept of SEZ in 2012, but it was not successful in Pakistan in regards of export promotion.

25. Option (D) is correct. [1]

Explanation: Guarding green cover is not a cause for environmental degradation. Environmental degradation is the worsening of the environment through depletion of resources such as quality of air, water and soil.

OR

Option (C) is correct. [1]**26. Option (C) is correct. [1]**

Explanation: Unemployment and poverty are inseparable twins because unemployment leads to inefficient income, which in turn leads to the inability to maintain the basic needs. Unemployment is the root cause of poverty instead of all socio-economic evils. Thus, Assertion (A) is true but Reason (R) is false.

27. Option (D) is correct.

[1]

Explanation: Most of the decline in China's population growth rate took place in the 1970s. The reason behind the lowest growth rate of population is the "One Child Policy" introduced by China in 1979. "One Child Policy" of China has successfully reduced the growth rate of population and provides a better health service for women.

28. The given image indicates towards the environmental challenge of 'global warming'. Global warming is a gradual increase in the average temperature of the earth's lower atmosphere as a result in the increase in greenhouse gases.

The statement given, 'we are running out of time, act now before it's too late' represents the urgency of actions to be taken to control the situation. Various studies have shown that global warming is causing rise in sea level, loss of coastal land, increase risks of floods, etc.

[3]

[CBSE SQP Marking Scheme, 2022]

29. The given statement is true. Disguised unemployment is a situation where the marginal productivity of labour is zero. In India, this situation is often witnessed, as farming is more of a family affair in rural areas and most of the members are generally engaged on the farms without any direct contribution to the production process. This problem persists in rural India due to lesser availability of jobs.

[3]

[CBSE SQP Marking Scheme, 2022]

OR

Rapid expansion of the banking system had positive effect on rural farm and non-farm output, income and employment. In spite of it, following problems have been faced in the rural banking such as:

- The volume of rural credit in the country is still insufficient in comparison to its demand and institutional sources have failed to cover the entire rural farmers of the country. [1½]
- Less attention has been given on the credit requirements of needy (small and marginal farmers) and the problem of overdue in agricultural credit continues. [1½]

[CBSE SQP Marking Scheme, 2022]

30. The above table shows that during the given periods the Exports from India to Pakistan have increased at an annualized rate of 3.7 % while the same with China shows 2.6% of growth. On the other hand, India's import from China accounted for a massive 10.3 %. The corresponding figure with Pakistan witnessed an average of 5.1% respectively. The situation indicates that Indian imports from China are too high in comparison to the exports to China. This shows that Indian economy was over-dependent on Chinese economy for goods and services, over the given period of time. Whereas, in case of Pakistan gap is quite narrow, which may be due to various reasons.

[4]

[CBSE SQP Marking Scheme, 2022]

31. (a) Indian Oil Corporation Limited [1]

(b) Land ceiling means fixing the maximum size of land which could be owned by an individual, beyond which it would be taken over by the government and would be allotted to landless and small farmers. The purpose of land ceiling was to reduce the concentration of land ownership in few hands and promote equity.

[3]

[CBSE SQP Marking Scheme, 2022]

Detailed Answer:

- (a)** There are a total of 10 Maharatna Companies in India. These include
- National Thermal Power Corporation Limited (NTPC)
 - Oil and Natural Gas Corporation (ONGC)
 - Steel Authority of India Limited (SAIL)
 - Bharat Heavy Electricals Limited (BHEL),
 - Indian Oil Corporation Ltd (IOCL)
 - Hindustan Petroleum Corporation Limited (HPCL),
 - Coal India Limited (CIL),
 - Gas Authority of India Limited (GAIL)
 - Bharat Petroleum Corporation Limited (BPCL)
 - Power Grid Corporation of India. **(Any one)**
- (b)** Land ceiling can be defined as the process of fixing the maximum limit of land holdings that an individual can own. The purpose of land ceiling was to reduce the concentration of land ownership in few hands and promote equity. The process in the field of land ceiling

has been extremely disappointing due to poor enforcement of ceiling laws. The land ceiling legislations were also full of loopholes and faced many hurdles for their implementation. In order to delay its implementation, big landlords challenged the legislation in the courts. Meanwhile they made mollified transfers in the name of their close relatives. Besides this, exemptions and disposal of surplus land also created problems in the effective implementation of land ceiling laws.

Thus, a number of efforts have been made in India in direction of land reform but actual result is far from satisfactory.

OR

After independence the government of India took several institutional/land reforms to ensure transformation of Indian agriculture, such as:

- (i) **Land ceiling:** It ensured reduction of concentration of land ownership in few hands. [2]
- (ii) **Abolition of Zamindari system:** It focused on elimination of farmers' exploitation and promotion of agricultural growth.

These reforms have led to stability of farming as an occupation and promoted equity. [2]

[CBSE SQP Marking Scheme, 2022]

32. (a) The given statement is not true to perfection. These two may sound similar but are not exactly same. Whereas, human capital considers education and health as a means to increase labour productivity, human development is based on the idea that education and health are integral to human wellbeing. [2]

- (b) The given statement is not true. India has a rich stock of scientific and technical manpower in the world. Also, India has taken a number of steps to improve it qualitatively and ensure that they are optimally utilized. [2]

[CBSE SQP Marking Scheme, 2022]

Detailed Answer:

- (a) This statement is incorrect. Human capital and human development are different to each other. Human capital consists of the knowledge, skills, and health that people invest in and accumulate throughout their lives, enabling them to realize their potential as productive members of society. Whereas, human development is based on the idea that education, skill and health are integral to human wellbeing.

- (b) The given statement is incorrect regarding Indian economy. India has a strong network of science and technology institutions and trained manpower. It has the third-largest scientific and technical manpower in the world. India has a rich stock of scientific and technical manpower in the world. India has taken a number of steps to improve it qualitatively and ensure that they are optimally utilized.

33. (a) Agriculture marketing is a process that involves the assembling, storage, processing, transportation, packaging grading and distribution of different agricultural commodities across the country. [2]

- (b) Self-help groups (SHG's) have emerged to fill the gap in the formal credit system in India as its delivery mechanism has not only proven inadequate but has also not been fully integrated into the overall rural social and community development. It came up as the micro finance program. Focus of SHGs is on those rural people, small and marginal farmers, agricultural and non-agricultural labourers who do not have sustainable access to formal banking system. [2]

- (c) (i) Inadequate infrastructure and marketing. [1]
- (ii) Compared to conventional farm products, organic products have more shorter shelf life span. [1]

[CBSE SQP Marking Scheme, 2022]

OR

- (a) The given statement is appropriate. Over the years India has not been able to raise the educational standards to the desired level. Education Commission of 1964-66 had recommended that at least 6 % of GDP should be spent on education so as to make a noticeable rate of growth in educational achievements. However, the current expenditure level has been quite inadequate. Thus, necessary steps must be taken by the government in this direction.

- (b) The given statement is refuted. In rural areas, non-farm job opportunities are limited. People generally do not show preference to acquire skill and training for non-farm occupation. They prefer to stay on family farms and fields as self-employed. [3]

[CBSE SQP Marking Scheme, 2022]

Detailed Answer:

- (a) The expenditure on education is very less as compared to the desired level of education expenditure recommended by the various commissions. Education Commission of 1964-66 had recommended that at least 6 % of GDP should be spent on education so as to make a noticeable rate of growth in educational achievements. However, the current level expenditure is little over 4 percent, which is quite inadequate. Over the years India has not been able to raise the educational standards to the desired level. India has a rich stock of scientific and technical manpower in the world. We need to improve it qualitatively and provide such conditions, so that they are utilised in our own country.
- (b) The given statement is refuted. In rural areas, non-farm job opportunities are limited. Self employment is a major source of livelihood in rural areas. About 52 percent of workforce in India belongs to self-employment category. In case of self-employment, a person makes uses of his own land, labour, capital and entrepreneurship, to make a living. People generally do not show preference to acquire skill and training for non-farm occupation. They prefer to stay on family farms and fields as self-employed.

34. (a) Green revolution was implemented in India to overcome the shortage of food-grain availability in the post-independence period. Green revolution has increased the production and productivity in the agriculture sector which was otherwise very low. It helped in improving the income of the farmers by creating marketable surplus, increased employment and output. [3]

- (b) The given statement is appropriate as the Green Revolution helped government to procure and preserve more food grains through agencies like Food Corporation of India. Increase in food grain production has been so substantial that India not only started maintaining buffer stocks of food grains but also became a dominant player in food grain exports market. [3]

[CBSE SQP Marking Scheme, 2022]

Detailed Answer:

- (a) Green Revolution is the spectacular advancement in the field of agriculture. It was implemented in India to overcome the shortage of food-grain availability in the post-independence period. The spread of Green Revolution technology enabled India to achieve self – sufficiency in food grain. Green revolution has increased the production and productivity in the agriculture sector which was otherwise very low. As large proportion of food grain was sold by the farmers in the market. Their prices declined relative to other items of consumption. The low income group, who spend a large percentage of their income on food, benefited from this decline in relative prices.
- (a) The given statement is absolutely true regarding buffer stock. The green revolution enabled the government to procure sufficient amount of food grain production has been so substantial that Indian not only started maintaining buffer stocks of food grains but also became a dominant player in food grain exports market.

