

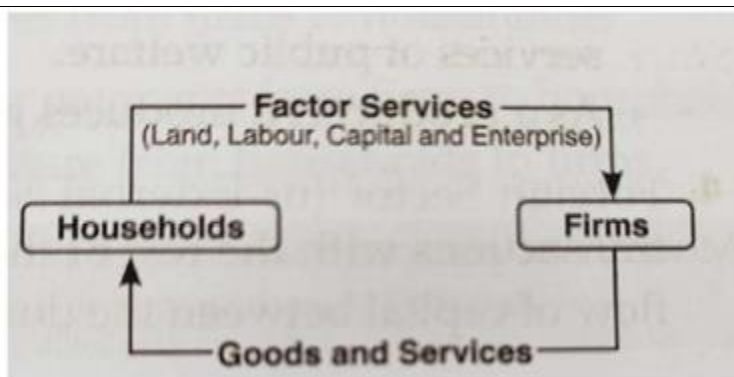


INDIAN SCHOOL AL WADI AL KABIR
DEPARTMENT OF COMMERCE

CLASS -XII- ASSESSMENT- I -2024-25

ECONOMICS (030)
MARKING SCHEME

Q. No	SECTION A: MACROECONOMICS	Marks
1	<p>Statement 1: In a two-sector economy, consumption expenditure and investment expenditure are the two components of Aggregate Demand.</p> <p>Statement 2: Aggregate demand curve always starts from the point of origin with a positive slope.</p> <p>a) both the statements are true b) both the statements are false c) statement 1 is true and statement 2 is false d) statement 2 is true and statement 1 is false</p>	1
2	<p>Read the following statement given below and choose the correct alternative.</p> <p>Alternatives:</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> <p>Assertion (A): Reverse repo rate is the rate at which the Central Bank lends fund to banks. Reason (R): When Reverse Rate is raised, it encourages the commercial banks to park their funds with the central bank.</p> <p>Ans. d. Assertion (A) is false, but Reason (R) is true.</p> <p>The reverse repo rate is exactly the contrary of the repo rate. It is the interest rate at which the central bank borrows funds from commercial banks by selling securities. In other words, if commercial banks have extra cash that they want to earn interest on, they might enter into a reverse repo agreement with the RBI.</p>	1
3	<p>Study the following figure carefully and choose the correct pair of the alternatives given below:</p>	1



Alternatives:

- (a) Money flow, Nominal flow
- (b) Money flow, Real flow
- (c) Physical flow, Real flow
- (d) Nominal flow, Physical flow

Ans. (c) Physical flow, Real flow

- 4 If in an economy, the Investment Multiplier is 4 and Autonomous Consumption is ₹30 crore, the relevant consumption function would be _____. (Fill up the blank with correct alternative)
- (a) $C=30+0.75 Y$
 - (b) $C=(-) 30+ 0.25 Y$
 - (c) $C=30+0.25 Y$
 - (d) $C=(-) 30 - 0.25 Y$

Ans. (a) $C= 30 + 0.75 Y$

- 5 The scenario which would lead to an increase in GDP, but might not necessarily improve overall welfare?
- (a) Reduction in income inequality
 - (b) Rapid growth of the financial sector
 - (c) Expansion of environmentally harmful industries
 - (d) Increased government investment in education and healthcare

Ans. (c) Expansion of environmentally harmful industries

- 6 From the statements given in column I and Column II, choose the correct pair.

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

Alternatives:

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

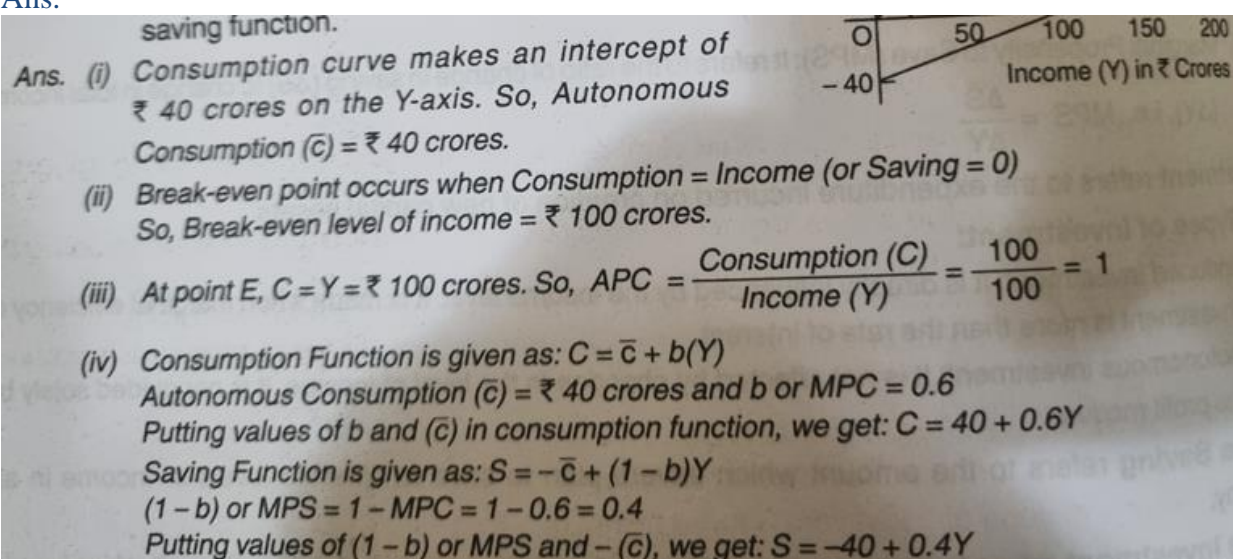
Ans. A- (i)

7	<p>Complete the table:</p> <table><tr><td>Producer</td><td>Value of Output</td><td>Intermediate Consumption</td><td>Value Added</td></tr><tr><td>Farmer</td><td>2000</td><td>-</td><td>2000</td></tr><tr><td>Baker</td><td>---(i)---</td><td>2000</td><td>2000</td></tr><tr><td>Retail Seller</td><td>4400</td><td>----(iii)---</td><td>400</td></tr><tr><td>Total</td><td>----(ii)---</td><td>6000</td><td>----(iv)---</td></tr></table> <p>Alternatives:</p> <p>(a) 4000, 10400, 4000, 4000</p> <p>(b) 4000, 10400, 4000, 4400</p> <p>(c) 2000, 6000, 6000, 4400</p> <p>(d) 4000, 10400, 6000, 4000</p> <p>Ans. (b) 4000, 10400, 4000, 4400</p>	Producer	Value of Output	Intermediate Consumption	Value Added	Farmer	2000	-	2000	Baker	---(i)---	2000	2000	Retail Seller	4400	----(iii)---	400	Total	----(ii)---	6000	----(iv)---	1
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Retail Seller	4400	----(iii)---	400																			
Total	----(ii)---	6000	----(iv)---																			
8	<p>Read the following statement given below and choose the correct alternative</p> <p>Statement 1- Money supply (M1) in India does not include 'demand deposits' with commercial banks.</p> <p>Statement 2- Money supply (M1) refers to, assets available with the Commercial Banks during a particular period of time.</p> <p>In the light of the given statements, choose the correct alternative.</p> <p>(a) Statement 1 is true and Statement 2 is false.</p> <p>(b) Statement 1 is false and Statement 2 is true.</p> <p>(c) Both statements 1 and 2 are true.</p> <p>(d) Both statements 1 and 2 are false.</p> <p>Ans. (d) Both statements 1 and 2 are false</p>	1																				
9	<p>Read the following statements - Assertion(A) and Reason (R). Choose one of the correct alternatives given below:</p> <p>Assertion (A): Borrowings are capital receipts but payment of interest on borrowings are revenue expenditure.</p> <p>Reason (R): Borrowings creates liability but payment of interest does not reduce liability.</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 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> <p>Ans. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p>	1																				

10	<p>The Government of India has decided to vaccinate the adult population of India (with Covaxin/Covishield), without any charge. This would be categorized as _____ (Fill in the blank with correct alternative)</p> <p>a) revenue nature income b) capital nature expenditure c) revenue nature expenditure d) capital nature income</p>	1												
11	<p>Suppose only one Good 'X' is produced in the country. Output of Good X during year 2018 and 2019 were 100 units and 110 units respectively. The market price of the product during the two years was ₹ 50 and ₹ 55 per unit respectively.</p> <p>Calculate the percentage change in Real Gross Domestic Product (GDP) in year 2019 using 2018 as the base year.</p> <p>Ans.</p> <table><tr><th>Year</th><th>Output (in units)</th><th>Market Price (₹ per unit)</th><th>Real GDP (in ₹)</th></tr><tr><td>2018 (Base Year)</td><td>100</td><td>50</td><td>5,000</td></tr><tr><td>2019 (Current Year)</td><td>110</td><td>55</td><td>5,500</td></tr></table> <p>Percentage (%) Change in Real GDP = $\frac{\text{Change } (\Delta) \text{ in Real GDP}}{\text{Base Year Real GDP}} \times 100$ = $\frac{5,500 - 5,000}{5,000} \times 100$ = 10%</p> <p>(Any other relevant method to be allotted marks)</p>	Year	Output (in units)	Market Price (₹ per unit)	Real GDP (in ₹)	2018 (Base Year)	100	50	5,000	2019 (Current Year)	110	55	5,500	3
Year	Output (in units)	Market Price (₹ per unit)	Real GDP (in ₹)											
2018 (Base Year)	100	50	5,000											
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12	<p>(A) Through its budgetary policy the government allocates resources as per the requirement of the country. “Do you agree with the given statement? Support your answer with valid reason.</p> <p>(B) Define ‘Direct Tax’</p> <p>Ans.</p> <p>(A) Through budgetary policy, Government aims to reallocate resources in accordance with the economic and social priorities of the country. Government can influence the allocation of resources through-</p> <p>1 Tax concession or subsidies- To encourage investment government can give tax concession, subsidies, etc to the producers. For example- Government discourages the production and harmful consumption of goods like liquor, cigarettes, etc, so heavy taxes and encourage the use of 'khadi products' by providing subsidies.</p> <p>2. Directly producing goods and services- If private sector does not take interest, government can directly undertake the production.</p> <p>(B) Direct Tax: Direct taxes are taxes paid directly to the party that levied them, such as the IRS. Common examples include income, capital gains, or property tax that a taxpayer pays to the government.</p>	3												
13	<p>(A) Calculate Gross Domestic Product at market price using Expenditure method:</p>	4												

	<table border="1"> <thead> <tr> <th>S.No.</th><th>Items</th><th>Amount (in crore)</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Private final consumption expenditure</td><td>9,800</td></tr> <tr> <td>(ii)</td><td>Government final consumption expenditure</td><td>12,000</td></tr> <tr> <td>(iii)</td><td>Change in stock</td><td>275</td></tr> <tr> <td>(iv)</td><td>Gross domestic fixed capital formation</td><td>875</td></tr> <tr> <td>(v)</td><td>Consumption of fixed capital</td><td>600</td></tr> <tr> <td>(vi)</td><td>Net exports</td><td>(-)90</td></tr> <tr> <td>(vii)</td><td>Net factor income from abroad</td><td>790</td></tr> </tbody> </table> <p>(B) Explain the concept of Double Counting in the context of calculating National Income and provide a practical way to avoid it.</p> <p>Ans.</p> <p>(A) Using Expenditure Method, GDP at MP = Private final consumption expenditure + Government final consumption expenditure + Gross domestic capital formation (Gross domestic fixed capital formation + Change in stock) + Net exports $= 9,800 + 12,000 + 275 + 875 + (-)90 \text{ crores}$ $= 22,860 \text{ crores.}$</p> <p>(B) Double counting is a critical issue that arises in the calculation of national income when certain economic activities or transactions are counted multiple times, leading to an inflated estimation of the country's total income. This distortion can result in an inaccurate representation of the actual economic output and may mislead policymakers and analysts. The practical way to avoid double counting when calculating national income is: Value-added approach: By focusing on the value added at each stage of production, we avoid counting the value of intermediate goods multiple times. For example, consider the production of a smartphone. Instead of counting the value of raw materials, components and final assembly, focus on the value added by each stage of the production process, which is the actual contribution to the national income.</p>	S.No.	Items	Amount (in crore)	(i)	Private final consumption expenditure	9,800	(ii)	Government final consumption expenditure	12,000	(iii)	Change in stock	275	(iv)	Gross domestic fixed capital formation	875	(v)	Consumption of fixed capital	600	(vi)	Net exports	(-)90	(vii)	Net factor income from abroad	790	(2+2)
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14	<p>On the basis of given diagram, answer the following questions.</p> <p>(a) What is the value of autonomous consumption?</p> <p>(b) What is the break-even level of income or at what level of income saving is zero?</p> <p>(c) How much is APC corresponding to point E?</p> <p>(d) If $MPC = 0.6$, determine the consumption and savings function.</p>	4																								

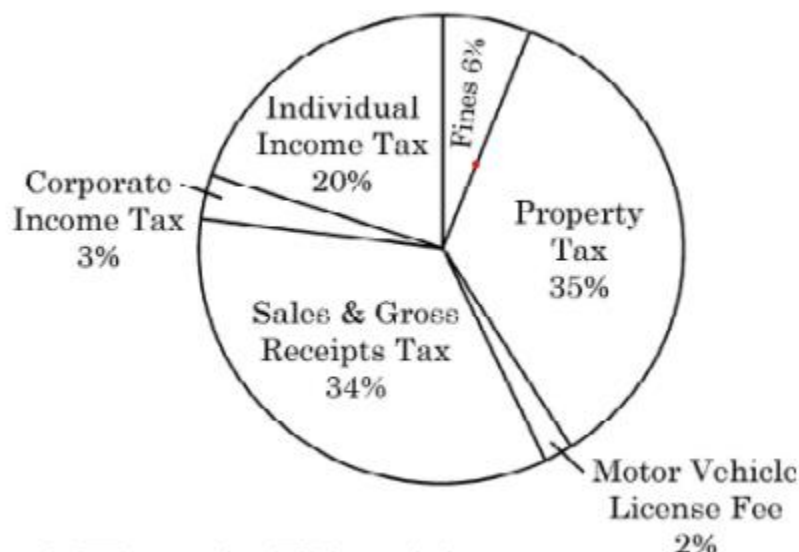
Ans.



15

Study the given picture carefully:

Sources of State and Local government tax revenues for a financial year 2023-24.



Answer the following questions based on common knowledge and picture:

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

Ans.

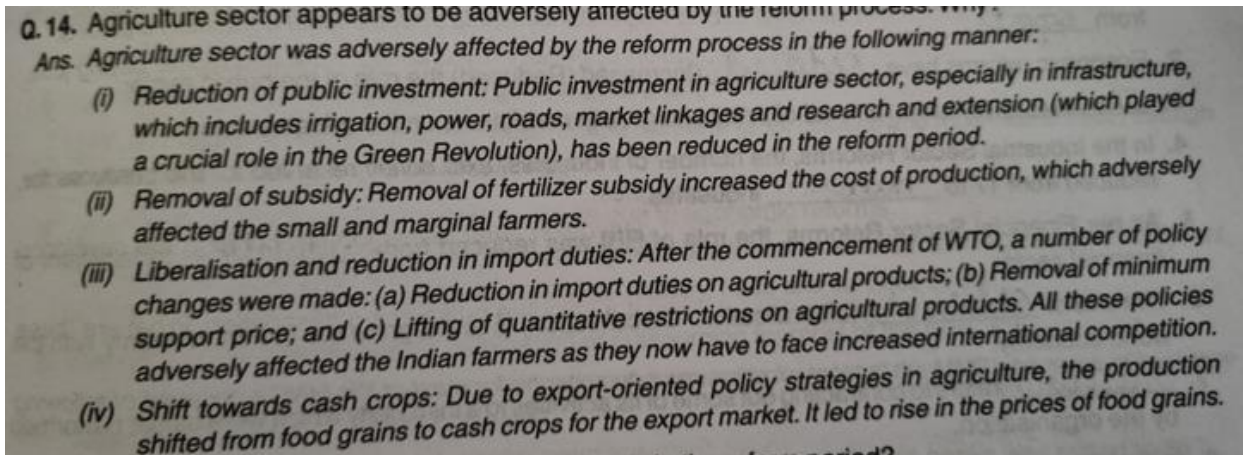
- Tax receipts- Individual Income Tax, Property Tax, Corporate Income Tax and Sales & Gross Receipts (1/4 each)
Tax Non-tax receipts- Motor Vehicle License Fee and Fines (1/2 each)
- Government's budgetary policy has two aspects- taxation and public expenditure. To reduce inequalities in income and wealth, the government may adopt an expenditure policy which is in

	favour of lower income groups. Government expenditure on providing free services like education and health to the poor may positively affect their disposable income. Consequently, budgetary policy of the government can be used to reduce inequalities of income. (2M)																																								
16	<p>(A) Given the following data, find the values of 'Operating Surplus' and 'Net Exports' :</p> <table border="1"> <thead> <tr> <th>S. No.</th><th>Particulars</th><th>Amount (in ₹ crores)</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Wages and Salaries</td><td>2,400</td></tr> <tr> <td>(ii)</td><td>National Income</td><td>4,200</td></tr> <tr> <td>(iii)</td><td>Net Exports</td><td>?</td></tr> <tr> <td>(iv)</td><td>Net Factor Income from Abroad</td><td>200</td></tr> <tr> <td>(v)</td><td>Gross Domestic Capital Formation</td><td>1,100</td></tr> <tr> <td>(vi)</td><td>Mixed Income of Self-Employed</td><td>400</td></tr> <tr> <td>(vii)</td><td>Private Final Consumption Expenditure</td><td>2,000</td></tr> <tr> <td>(viii)</td><td>Net Indirect Taxes</td><td>150</td></tr> <tr> <td>(ix)</td><td>Operating Surplus</td><td>?</td></tr> <tr> <td>(x)</td><td>Government Final Consumption Expenditure</td><td>1,000</td></tr> <tr> <td>(xi)</td><td>Consumption of Fixed Capital</td><td>100</td></tr> <tr> <td>(xii)</td><td>Profits</td><td>500</td></tr> </tbody> </table> <p>Ans. Operating surplus = ii-iv-vi-i = 4200-200-400-2400 = 1200 crores Net exports = ii-vii-x-v+xi+viii-iv = 4200-2000-1000-1100+100+150-200 = 150 crores</p> <p>(B) Giving valid reasons, explain how the following would be treated while estimating domestic income?</p>	S. No.	Particulars	Amount (in ₹ crores)	(i)	Wages and Salaries	2,400	(ii)	National Income	4,200	(iii)	Net Exports	?	(iv)	Net Factor Income from Abroad	200	(v)	Gross Domestic Capital Formation	1,100	(vi)	Mixed Income of Self-Employed	400	(vii)	Private Final Consumption Expenditure	2,000	(viii)	Net Indirect Taxes	150	(ix)	Operating Surplus	?	(x)	Government Final Consumption Expenditure	1,000	(xi)	Consumption of Fixed Capital	100	(xii)	Profits	500	6
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	<p>(i) Payment made by American tourist for goods purchased in India.</p> <p>(ii) Tomatoes grown by Ms. Puja in her kitchen garden.</p> <p>Ans.</p> <p>(a) (i) Yes, it will be included in domestic income as goods purchased by American tourist is the expenditure made by him in India and will be included as exports.</p> <p>(ii) No, it will not be included in domestic income because it is difficult to ascertain their market value. Moreover, such transactions are not undertaken for any monetary consideration.</p>																			
17	<p>(i) From the following data, calculate the primary deficit.</p> <table border="1"> <thead> <tr> <th>S. No.</th><th>Particulars</th><th>Amount (in ₹ crores)</th></tr> </thead> <tbody> <tr> <td>1.</td><td>Revenue deficit</td><td>40</td></tr> <tr> <td>2.</td><td>Non-debt-creating capital receipts</td><td>190</td></tr> <tr> <td>3.</td><td>Tax revenue</td><td>125</td></tr> <tr> <td>4.</td><td>Capital expenditure</td><td>220</td></tr> <tr> <td>5.</td><td>Interest payments</td><td>20</td></tr> </tbody> </table> <p>Ans. Since, Revenue deficit is given; We can use the following formula;</p> <p>Fiscal deficit = Revenue deficit + (Capital Expenditure - Non-debt creating capital receipts)</p> $= 40 + (220 - 190)$ $= 40 + 30$ $= ₹70 \text{ crores}$ <p>Primary deficit = F.D – Int.Payment</p> $= 70 - 20$ $= ₹50 \text{ crores}$ <p>(ii) Two friends, Deepak and Krish were discussing the impact of increase in GST rates on luxury items, as recently undertaken by the Government. Krish was of the view that most of the luxury items (like foreign travel, imported cigarettes, etc.) should be taxed exorbitantly, while the items related to daily consumption of poor and middle class should be tax-free. Identify and explain the objective of the Government budget Krish is suggesting.</p> <p>Ans. Krish is suggesting the objective of 'Re-distribution of income' to reduce income inequalities in the economy. To ensure equitable distribution of income, the government may impose higher taxes on luxury items. This will reduce the purchasing power in the hands of rich. On the other hand, lower/no taxes may be imposed on commodities purchased by poorer section of society. They may also be provided with subsidies on the essential commodities. This may increase their disposable income. These steps may promote economic welfare through re-distribution of income in the economy.</p>	S. No.	Particulars	Amount (in ₹ crores)	1.	Revenue deficit	40	2.	Non-debt-creating capital receipts	190	3.	Tax revenue	125	4.	Capital expenditure	220	5.	Interest payments	20	6
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	SECTION B: INDIAN ECONOMIC DEVELOPMENT																			
18	<p>Read the following statement given below and choose the correct alternative</p> <p>Statement 1- GST is the recent tax introduced by the government of India.</p> <p>Statement 2- GST was introduced on 1st April 2017</p> <p>a) Both are correct</p> <p>b) Both are incorrect</p> <p>c) Statement 1 is correct and statement 2 is incorrect</p> <p>d) Statement 1 is incorrect and statement 2 is correct</p>	1																		

19	<p>Which of the following is NOT true about foreign trade during the colonial rule? (Choose the correct alternative)</p> <p>(a) India suffered from large trade deficit. (b) Restrictive policies of commodity production, were followed. (c) Britain maintained a monopoly control over India's exports and imports. (d) India became an exporter of primary products and an importer of finished consumer goods.</p> <p>Ans. (a) India suffered from a large trade deficit.</p>	1
20	<p>_____ is the portion of agricultural produce which is sold in the market by the farmers, after meeting their self-consumption requirements. (Fill in the blank with correct alternative)</p> <p>a) Trade Surplus b) Marketable Surplus c) Producer Surplus d) Consumer Surplus</p>	1
21	<p>Read the following statements given below and choose the correct alternative.</p> <p>Assertion (A) – The wage rates in India are comparatively lower than those in the developed countries. As a result, MNCs outsource their business in India. Reason(R) – India has fair international worthiness and creditability. From the given alternatives choose the correct one:</p> <p>Alternatives:</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
22	<p>Assertion (A): Structural change implies a shift in the sectoral share in GDP: the share of secondary and tertiary sectors should gradually rise and that of the primary sector should gradually fall. Reason (R): It implies a situation where the primary sector is neglected. From the given alternatives choose the correct one: Alternatives:</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 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>	1

23	<p>Under the new trade policy import licensing was abolished except in case of:</p> <p>a) Consumer goods industries</p> <p>b) Hazardous and environmentally sensitive industries</p> <p>c) IT industries</p> <p>d) Textile industries</p>	1
24	<p>Identify which of the following does not reflect a direct relationship between human capital formation and economic growth.</p> <p>(a) Employability of an educated person is higher than that of an uneducated person.</p> <p>(b) On-the-job training will reduce the skills of labour.</p> <p>(c) Healthy workforce is a boon to the economy.</p> <p>(d) Digital information helps in taking real time decisions.</p> <p>Ans. (b) On-the-job training will reduce the skills of labour.</p>	1
25	<p>_____ system restores, maintains and enhances the ecological balance. (Choose the correct alternative to fill up the blank)</p> <p>(a) Chemical farming</p> <p>(b) Organic farming</p> <p>(c) Conventional farming</p> <p>(d) Multi-layered farming</p> <p>Ans. (b) Organic farming.</p>	1
26	<p>Assertion (A) – Human capital treats human beings as a means to an end (increase in productivity).</p> <p>Reason(R) – Human Capital Formation decreases by way of investments in education and health.</p> <p>From the given alternatives choose the correct one:</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> <p>Explanation: Human capital treats human beings as a means to an end; the end being the increase in productivity.</p>	1
27	<p>_____ markets were organised to protect the farmers from malpractices in mandis.</p> <p>(a) Regulated</p> <p>(b) Periodic</p> <p>(c) Daily</p> <p>(d) Weekly</p> <p>Ans. (a) Regulated</p>	1
28	<p>“A well-structured agricultural credit system is very essential for the rural sector.”</p> <p>Do you agree with the given statement? Justify your answer with a valid argument.</p>	3

	<p>Ans. A well-structured 'Agricultural Credit System' is very essential for the rural development as it ensures -</p> <ul style="list-style-type: none"> • Availability of adequate credit to the farmers. • Provision of loans to the rural population for productive needs at cheaper rate of interest. • Increase in the rural farm and non-farm output, income and employment. <p>(To be marked as a whole) (Any other valid explanation to be allotted marks)</p>	
29	<p>"Many economists believe that the economic reforms process of 1991 had adversely affected the agricultural sector." Do you agree with the given statement? Quote valid arguments in favour of your answer.</p> <p>Ans. Yes. The agricultural sector was adversely affected by the reform process as public investment in agriculture sector especially in infrastructure had fallen. Further, the partial removal of fertiliser subsidy had led to increase in the cost of production, which had severely affected the small and marginal farmers. Moreover, there had been a shift from production for the domestic market towards production for the export market focusing on cash crops putting pressure on prices of food grains.</p>  <p>(To be marked as a whole)</p>	3
30	<p>i. "Human capital benefits only the owner and not the society". Defend or refute the given statement.</p> <p>ii. What role can government play in human capital formation in India?</p> <p>i) Ans. The given statement may be refuted, as the human capital primarily benefits the owner but in general also yields its advantages to the society as well. For example: A healthy person, by maintaining personal hygiene and sanitation, prevents the spread of contagious diseases and epidemics.</p> <p>II.</p>	4

	<p>Ans :</p> <p>Both education and health have been considered important means for human capital formation. The provision of basic education and health facilities has been accepted as a goal in all societies.</p> <p>It is important that these facilities be made available free for the poor classes who cannot afford them in order to ensure better skills and health of manpower.</p> <p>However, the private sector will not be forthcoming in making large investments in areas non-profitable or free distribution of such services. Hence, the government has an important role to play to ensure their availability.</p>	
31	<p>‘India has followed the strategy of replacing many imports by domestic production’ Identify and explain the strategy, its objectives and also how they are achieved.</p> <p>Ans. Import Substitution – It refers to a policy of replacement or substitution of imports by domestic production.</p> <p>Objectives – (i) savings of precious foreign exchange & (ii) achieving self-reliance.</p> <p>Achieved through Tariffs and Quotas.</p> <p>Tariffs refers to taxes levied on imported goods. The aim was to make them expensive and discourage their use.</p> <p>Quotas refer to fixing the maximum limit on the imports of a commodity by a domestic producer.</p>	4
32	<p>Why were the benefits of green revolution restricted to few states and few crops in initial stages of planning?</p> <p>Ans :</p> <p>The new agricultural strategy - “Green Revolution” implied use of high yielding varieties of seeds which required reliable irrigation and financial resources to buy better inputs. The strategy was thus restricted to the more affluent states of Punjab, Andhra Pradesh and Tamil Nadu. Further, the use of HYV seeds primarily benefited the wheat growing regions only. Thus, the benefit of the Green Revolution was initially restricted to few states and the crops of wheat and rice only.</p>	4
33	<p>i. “Recently the Government of India has taken numerous steps towards increasing the farmer's income through agricultural diversification.” In light of the above statement, explain any two advantages of diversification in agriculture.</p> <p>Ans. Agricultural Diversification helps in increasing farmers’ income as:</p>	4+2

	<ul style="list-style-type: none"> • There is a greater risk in depending exclusively on farming for livelihood. Diversification reduces the risk from the agriculture sector. It also provides sustainable livelihood options to the rural people. • Expansion into other sectors provides supplementary gainful employment during the off-season period. <p>(Any other valid advantage to be allotted marks)</p> <p>ii. "Organic Farming is the need of the hour to promote sustainable development but, has its own limitations." Elaborate any two advantages and limitations each of organic farming in the light of the above statement.</p> <p>Ans. Advantages of Organic farming are:</p> <ul style="list-style-type: none"> • Organic farming is a system of farming that relies upon the use of organic inputs for cultivation such as animal manures and composts. It is chemical free which helps in soil conservation. • Organic produce has more nutritional value than chemical farming. <p>Limitations of organic farming are as follows:</p> <ul style="list-style-type: none"> • Yields from organic farming are lesser than the modern agricultural farming. Therefore, small and marginal farmers may find it difficult to adapt to large-scale production. • Produce from organic farming generally has a shorter shelf life than sprayed produce. 	
34	<p>Read the following text carefully and answer the given questions on the basis of the same and common understanding.</p> <p>The stabilisation and structural adjustment measures, initiated under the 1991 "Economic Reforms" mark a watershed moment in India's economic policies. For almost three decades since independence, India's development strategy and economic policies were guided by the objectives of accelerating the growth of output and employment with social justice and equity.</p> <p>Ever since the 1970's, it was realised that many of the regulations on economic activities have outlived their usefulness and were in fact hampering economic growth and development. In response to this, the government initiated some milder liberalisation reforms for almost a decade since the early 1980's.</p> <p>However, the Indian economy soon had to face the Gulf crisis and consequently:</p> <ol style="list-style-type: none"> The uncertainties about the oil prices; The external payment problems; The serious inflationary pressures; The scarcities of essential commodities; The deterioration of fiscal discipline, etc. These led to the Indian economy on the verge of Economic crisis. <p>In response to this emerging crisis, the Government initiated a set of stabilisation and structural reforms like:</p> <ol style="list-style-type: none"> Reduction in fiscal deficit; Containment of growth in money supply; An exchange rate adjustment system etc. <p>The key objective of stabilisation policy was to bring the growth of aggregate demand in line with long term growth path of the economy.</p> <p>In conjunction, the structural adjustment measures like;</p> <ol style="list-style-type: none"> industrial delicensing liberalisation of policy regime governing international trade 	6

<p>(iii) deregulation of financial sector Were taken to improve the supply side of the economy. This shifted the long-term growth path of the economy itself completely. (Adapted and modified) Source: https://niti.gov.in/planningcommission.gov.in/docs/reports/genrep/arep9099/at94-95.htm</p> <p>(a) Discuss any two reasons behind the introduction of Economic Reforms in 1991.</p> <p>Ans. Two reasons for the introduction of economic reforms were: (3 M)</p> <ul style="list-style-type: none"> • Mounting fiscal deficit: In the late 1980s the government expenditure began to exceed its revenue by large margins. The magnitude of these deficits created borrowing pressure on the economy. • High rate of inflation: The Gulf Crisis led to the rise in the crude oil prices which further aggravated the inflationary pressures on the economy. <p>(Any other valid point to be allotted marks)</p> <p>(b) “In response to the emerging crisis in 1991, the Government initiated a set of stabilisation and structural reforms.” Briefly discuss any three of such measures. (3 M)</p> <p>Ans. In response to the economic crisis, Government of India initiated a set of stabilization and structural reforms such as:</p> <ul style="list-style-type: none"> • Adjustment in exchange rate system: Under this the Indian rupee was devalued to allow higher inflows of foreign exchange. • Industrial delicensing: It helped to improve the efficiency of the economy and increased international competitiveness of Indian goods. • Liberalization of international trade: This led to inflow of modern technology and augmentation of industrial production and productivity. <p>(Any other valid measure to be allotted marks)</p>	
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