CBSE Class 12 Economics 2026 — Set 1 — Answer Key

English Medium

Time Allowed: 3 Hours | Maximum Marks: 80

General Instructions:

1. This question paper contains 38 questions. All questions are compulsory.
2. Section A has 20 MCQs carrying 1 mark each.
3. Section B has 6 questions carrying 2 marks each.
4. Section C has 6 questions carrying 3 marks each.
5. Section D has 4 questions carrying 5 marks each.
6. Section E has 3 case-study based questions carrying 4 marks each.
7. Draw neat figures wherever required.

Section A

Multiple Choice Questions (1 mark each)

Q.1 [1 mark]

In a two sector economy, the flow of factor payments moves from _____ to _____. (Choose the correct option to fill in the blanks)

(a) firms, households <<
(b) firms, government
(c) banks, households
(d) households, firms

Explanation:

In the circular flow of a two-sector economy, firms make factor payments (rent, wages, interest, profit) to households in exchange for factor services.
So the flow of factor payments is from firms to households.

Q.2 [1 mark]

Read the following statements : Assertion (A) and Reason (R). Choose the correct option from those given below : Assertion (A) : Money is of perishable nature and is generally accepted by all at any point of time. Reason (R) : Money serves as a store of value, facilitating individuals to transfer purchasing power from the present to the future.

(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. <<

Explanation:

Money is NOT perishable;
unlike goods, it is durable and does not lose its physical form, which is precisely why it can serve as a store of value.

So the Assertion is false.
The Reason (money is a store of value transferring purchasing power to the future) is true.
Hence (D).

Q.3 [1 mark]

Read the following statements carefully : Statement 1 : Depreciation of currency is an economic action undertaken by the government of a nation under the fixed exchange rate system. Statement 2 : Under the floating exchange Rate system, authorities actively intervene in the foreign exchange market by way of maintaining foreign exchange reserves. In the light of the given statements, choose the correct option 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. <<

Explanation:
Depreciation of currency occurs under a floating (flexible) exchange rate due to market forces;
a deliberate government reduction under a fixed system is called devaluation, so Statement 1 is false.
Under a pure floating system authorities do NOT intervene;
intervention with reserves belongs to a fixed/managed system, so Statement 2 is false.
Hence both statements are false, (D).

Q.4 [1 mark]

In an economy, when _____ is insufficient to achieve the level of output corresponding to the full employment, the difference is termed a deflationary gap. (Choose the correct option to fill in the blank)

(a) ex-ante Aggregate Demand <<
(b) ex-post Aggregate Demand
(c) ex-ante Aggregate Supply

(d) ex-post Aggregate Supply

Explanation:

A deflationary (recessionary) gap arises when ex-ante (planned) Aggregate Demand falls short of the aggregate supply corresponding to the full-employment level of output.

Hence (A) ex-ante Aggregate Demand.

Q.5 [1 mark]

In an economy, exclusion of _____ may lead to under estimation of the value of Gross Domestic Product (GDP). (Choose the correct option to fill in the blank) (i) Barter Transactions (ii) Services provided by family members (iii) Illegal activities (iv) Depreciation of Assets

(a) (i) and (ii) <<

(b) (ii) and (iii)

(c) (iii) and (iv)

(d) (i), (ii) and (iii)

Explanation:

Barter transactions and services provided by family members are productive but non-monetised, so leaving them out understates GDP.

Illegal activities are deliberately excluded and depreciation is a deduction (from gross to net), not an understatement.

Hence (A) (i) and (ii).

Q.6 [1 mark]

Identify, which of the following is true at the Break Even level of Income. (Choose the correct option)

(a) Slope of Consumption Curve = Slope of Saving Curve

(b) Average Propensity to Consume (APC) = Average Propensity to Save (APS)

(c) Slope of Saving Curve = Unity (1)

(d) Average Propensity to Consume (APC) = Unity (1) <<

Explanation:

At the break-even level of income, consumption equals income (Y = C), so saving is zero.

Therefore APC = C/Y = 1 (Unity) and APS = 0. Hence (D).

Q.7 [1 mark]

Read the following statements carefully : Statement 1 : Final goods are those goods which normally lose their identity in the production process. Statement 2 : Final goods may get transformed during the consumption process by a consumer. (Choose the correct option)

(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.

Explanation:

It is intermediate goods (not final goods) that lose their identity in the production process, so Statement 1 is false.

Final goods are used for final consumption/investment and can be transformed during consumption, so Statement 2 is true.

Hence (B).

Q.8 [1 mark]

Read the following statements : Assertion (A) and Reason (R). Choose the correct option from those given below : Assertion (A) : Unilateral Transfers are recorded in the Current Account of the Balance of Payments (BoP) of a nation. Reason (R) : Capital account records transactions which cause a change in the assets or liabilities of the country.

(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.

Explanation:

Unilateral transfers (gifts, remittances) are recorded in the Current Account, so (A) is true.

The capital account records transactions changing assets/liabilities, so (R) is also true.

But (R) describes the capital account and does not explain why unilateral transfers are in the current account, so it is not the correct explanation.

Hence (B).

Q.9 [1 mark]

"In the Indian Banking System, the Statutory Liquidity Ratio (SLR) plays a vital role in controlling the credit creation capacity of the Commercial Banks, as it _____." (Choose the correct option to fill in the blank)

(a) ensures that all the deposits are converted into liquid assets.

(b) requires banks to maintain a percentage of deposits in the form of liquid assets. <<

(c) sets the maximum interest rate which the banks can charge on loans.

(d) promote banks from lending beyond a specific proportion of their total reserves.

Explanation:

SLR is the minimum percentage of net demand and time liabilities that a commercial bank must maintain in the form of liquid assets (cash, gold, approved securities).

This reduces funds available for lending and thus controls credit creation.

Hence (B).

Q.10 [1 mark]

'In an economy, the currency held by the public, Net Demand Deposits with Commercial Banks and Net Time Deposits with Commercial Banks stand at Rs. 1,42,000 crore, Rs. 22,000 crore and Rs. 86,000 crore respectively. The value of Money Supply (M1) would be Rs. _____ crore. (Choose the

correct option to fill in the blank)

(a) 2,50,000

(b) 86,000

(c) 1,64,000 <<

(d) 1,42,000

Explanation:

M1 = Currency held by public + Net Demand Deposits with banks + Other deposits with RBI.

Net Time Deposits are NOT part of M1. So M1 = 1,42,000 + 22,000 = Rs. 1,64,000 crore.

Hence (C).

Q.11 [1 mark]

Meera and Shahid are two classmates, who were comparing India's economic growth over the years. Meera referred to the increase in Gross Domestic Product (GDP) at current prices prevailing in market, while Sahid insisted on considering GDP after adjusting for inflation. Their debate on which of the two measures gives a true picture of people's well-being, remained inconclusive. Considering the above mentioned situation, elaborate with valid reason, which of the two variables is considered a better indicator of welfare and why ?

Answer: Real GDP (GDP after adjusting for inflation) is the better indicator of welfare. Meera's measure is Nominal GDP (GDP at current prices) and Sahid's is Real GDP (GDP at constant/base-year prices). Nominal GDP can rise merely because prices rise, even if the actual quantity of goods and services produced does not increase, so it overstates welfare during inflation. Real GDP removes the effect of price changes and reflects the true change in the physical volume of output. Since welfare depends on the availability of actual goods and services, Real GDP gives a truer picture of people's well-being.

Explanation:

Key marking points: identify Meera = Nominal GDP, Sahid = Real GDP;
Real GDP is better because it is inflation-adjusted and reflects actual output/quantity, not price changes.

OR

Q.11 [1 mark]

Two friends, Ravi and Harry were discussing whether the money received from sale of an old car should be included in India's National income. Ravi was of the view that it should be included in India's National income while Harry did not agree with him. They also had difference of opinion on the treatment of brokerage paid to the car dealer. As their Economics teacher, state the treatments with valid arguments.

Answer: Sale of an old (second-hand) car is NOT included in National Income, so Harry is correct. Its value was already counted in the year of its original production; counting it again would be double counting, and a second-hand sale is only a transfer of an existing asset, not fresh current production. However, the brokerage/commission paid to the car dealer IS included in National Income, because it is a payment for a productive service (facilitating the sale) rendered in the current year.

Explanation:

Key marking points: second-hand car sale excluded (already counted / mere transfer, no current production);
brokerage included (current productive service).

Q.12 [1 mark]

"Under the provisions stated in the Section 20 and Section 21 of the Reserve Bank of India (RBI) Act, 1934, the RBI is mandated to handle the banking operations of the Government of India." In the light of the given statement, elaborate the indicated function of the Reserve Bank of India.

Answer: The indicated function is that the RBI acts as the Banker to the

Government. As the government's banker, agent and adviser, the RBI maintains and operates the accounts of the central and state governments; receives government revenues and makes payments on its behalf; manages public debt and the issue of new government loans/securities; provides short-term credit (ways and means advances) to the government; and advises the government on banking, monetary and financial matters. It carries out the government's banking transactions without charge in return for keeping the government's cash balances.

Explanation:

Key marking points: function = Banker to the Government;

maintains govt accounts, receives/makes payments, manages public debt, gives short-term advances, acts as agent/adviser.

Q.13 [1 mark]

For a hypothetical economy, assuming there are only two firms (X and Y) with equal values of Gross Value Added (GVA). On the basis of the following data, estimate the value of Domestic Sales of both the firms (X and Y) : (i) Value of Output of firm Y = Rs. 700 crore; (ii) Purchases by firm X from firm Y = Rs. 200 crore; (iii) Exports by firm X = Rs. 100 crore; (iv) Purchases by firm Y from firm X = Rs. 150 crore; (v) Additions to Stock of firm X = Rs. 50 crore.

Answer: Domestic Sales of firm X = 600 crore and Domestic Sales of firm Y = 700 crore.

Explanation:

Domestic Sales = Value of Output − Exports − Additions to Stock (the part of output sold within the domestic economy).

Firm Y: GVA of Y = Value of Output of Y − Intermediate consumption of Y (purchases by Y from X) = 700 − 150 = Rs.

550 crore.

Since GVA of X = GVA of Y = Rs.

550 crore, Value of Output of X = GVA of X + Intermediate consumption of X (purchases by X from Y) = 550 + 200 = Rs.

750 crore.

Domestic Sales of X = 750 − Exports (100) − Additions to Stock (50) = Rs. 600 crore.

Domestic Sales of Y = Value of Output of Y (700) − Exports of Y (0) − Additions to Stock of Y (0) = Rs. 700 crore (Y has no exports or stock additions in the data, so its entire output of Rs. 700 crore is sold domestically).

OR

Q.13 [1 mark]

With reference to India's Union Budget 2023, on the basis of the following features, identify and explain whether the described budget is a 'Balanced' or 'Surplus' (deficit) budget: • estimated receipts and expenditure indicated; • revenue and capital components indicated; • fiscal position indicated. On the basis of the given information, identify and explain whether it is a 'Balanced' or 'Deficit/Surplus' budget.

Answer: A government budget is Balanced when estimated government receipts are equal to estimated government expenditure (Receipts = Expenditure). It is a Surplus budget when estimated receipts exceed estimated expenditure (Receipts > Expenditure), and a Deficit budget when estimated expenditure exceeds estimated receipts (Expenditure > Receipts). Whichever relationship the given data show between total budgeted receipts and total budgeted expenditure determines the type: equal figures → Balanced; receipts greater → Surplus; expenditure greater → Deficit.

Explanation:

Key marking points: define Balanced (R = E), Surplus (R > E) and Deficit (E > R) budget and classify from the given receipts/expenditure figures.

Confidence note: the source text's specific data points for this OR variant are not fully legible in the extract;

the model answer states the classification rule to apply.

Q.14 [1 mark]

Michel, an entrepreneur of Country Zeta, borrowed $ 5 million from an overseas bank to expand his textile business. During the same financial year, the Government of Country Zeta secured a loan of $ 30 Billion from an International Financial Institution to manage the ongoing Balance of Payments. Samuel, an Economics student categorised both of these transactions as 'autonomous transactions' in the BoP account of the country. Do you agree with his classification ? Justify your answer with valid reasons.

Answer: No, I do not fully agree with Samuel. Michel's borrowing of $5 million to expand his textile business is an autonomous (above-the-line) transaction, because it is undertaken for its own sake – for profit/business motive – independent of the state of the BoP. However, the government's $30 billion loan taken specifically 'to manage the ongoing Balance of Payments' is an accommodating (below-the-line / compensatory) transaction, because it is undertaken to cover/finance the BoP deficit itself. Therefore only the first is autonomous, not both.

Explanation:

Key marking points: autonomous transactions are done independently of BoP position (profit motive) – Michel's loan;
accommodating transactions are done to correct/finance a BoP deficit – the govt loan.
Samuel's classification is only partly correct.

Q.15 [1 mark]

Refer the given image carefully : Explain any two measures that can be taken by the Central Bank to control the indicated macroeconomic problem. [Note : The following alternative is for the Visually Impaired Candidates only in lieu of Q. No. 15 — State and explain any two measures that can be taken by the Central Bank to control the situation of deficient demand.]

Answer: To correct deficient demand (a deflationary gap), the Central Bank adopts an easy/cheap money policy – two measures are: (1) Reduce the Bank

Rate / Repo Rate: lowering the rate at which the Central Bank lends to commercial banks reduces the cost of borrowing, banks lower their lending rates, credit becomes cheaper, investment and consumption rise, raising Aggregate Demand. (2) Reduce the CRR and SLR: lowering the Cash Reserve Ratio and Statutory Liquidity Ratio increases the funds available with commercial banks for lending, expanding credit creation, money supply and Aggregate Demand. (Open Market Operations – buying securities – is also acceptable.)

Explanation:

Key marking points: problem = deficient demand/deflationary gap;

two quantitative/qualitative easy-money measures – lower repo/bank rate, lower CRR/SLR, or OMO purchase of securities, each with a brief working.

VI alternative addresses the same deficient-demand problem.

Q.16 [1 mark]

"Income of an economy increased from Rs. 20,000 to Rs. 50,000 crore. Savings of the economy increased from Rs. 2,000 crore to Rs. 10,000 crore." (i) Calculate Average Propensity to Consume (APC) and Average Propensity to Save (APS), before and after the rise in income. (ii) Draw appropriate conclusion regarding the behaviour of Average Propensity to Consume (APC) as his income increases.

Answer: Before the rise: C = Y − S = 20,000 − 2,000 = 18,000 crore, so APC = 18,000/20,000 = 0.9 and APS = 2,000/20,000 = 0.1. After the rise: C = 50,000 − 10,000 = 40,000 crore, so APC = 40,000/50,000 = 0.8 and APS = 10,000/50,000 = 0.2. Conclusion: As income increases, APC falls (from 0.9 to 0.8), because as income rises a smaller proportion of income is spent on consumption and a larger proportion is saved (APS rises). At every level, APC + APS = 1.

Explanation:

Verified: C=Y−S.

Before APC=18000/20000=0.9, APS=0.1;

After APC=40000/50000=0.8, APS=0.2;
APC+APS=1 in both.
Conclusion: APC declines as income rises.

OR

Q.16 [1 mark]

"Under a study, examining the spending habits of a hypothetical economy, it was observed that even households with zero income managed to consume basic necessities. As the income of people increased, their consumption also increased, but not as rapidly as income." Based on the given text and common understanding, answer the following questions : (i) Identify and elaborate the type of consumption indicated in the first para of the above text. (ii) Explain, the reason behind the positive slope of Aggregate Demand Curve.

Answer: (i) The consumption indicated in the first para (consumption even at zero income) is Autonomous Consumption. It is the minimum level of consumption that must take place to meet basic necessities even when income is zero; it is independent of the level of income and is met out of past savings or borrowings. It is shown by the intercept of the consumption function on the vertical axis. (ii) The Aggregate Demand (AD) curve slopes upward (positive slope) because as the level of income/output rises, consumption expenditure (a major component of AD) also rises – households spend more as their income increases – so aggregate demand increases with income. Since AD = C + I and consumption is a positive function of income (with the marginal propensity to consume between 0 and 1), AD rises with income, giving the AD curve its upward slope.

Explanation:

Key marking points: (i) autonomous consumption – consumption at zero income, independent of income, intercept term;
(ii) AD rises with income because consumption rises with income (positive MPC), giving upward slope.

Q.17 [1 mark]

Refer the given text carefully : According to the Economic Survey 2024-25, the government budget's projections for the fiscal year 2025-26 indicate that gross direct tax revenue will rise by 12.7%, while gross indirect tax collections are expected to grow by 8.3% relative to FY 2024-25. Direct taxes include income tax and corporate tax, reflecting earnings and profits of households and firms. It plays a key role in revenue growth of the government. Indirect taxes encompass Goods and Services Tax (GST), custom duties and other transaction-based levies. Higher growth rate projected for direct taxes suggests a push to enhance tax buoyancy through improved compliance and reforms. On the other hand, indirect taxes are expected to benefit from consumption trends and Goods and Services Tax (GST) administration improvements. The balance tax strategy aims to mobilise resources while supporting fiscal consolidation and sustainable economic growth. On the basis of the above passage and common understanding, answer the following questions : (i) Differentiate between the two types of taxes indicated in the above text, with suitable examples. (ii) Elaborate the likely consequences of the tax projections made by the government.

Answer: (i) The two taxes are Direct and Indirect taxes. A Direct tax is one whose final burden (incidence) and liability (impact) fall on the same person, i.e. it cannot be shifted – examples: income tax, corporate tax. An Indirect tax is one whose liability is on one person (the seller) but the burden can be shifted to another (the buyer) – examples: GST, custom duties. Direct taxes are levied on income/profits and are progressive; indirect taxes are levied on goods and services (transactions) and are largely regressive. (ii) Likely consequences: a projected 12.7% rise in direct taxes reflects higher incomes/profits and better compliance, improving tax buoyancy and progressivity, and increasing government revenue for development and fiscal consolidation. The 8.3% rise in indirect taxes reflects growing consumption and better GST administration. Together they mobilise

larger resources, help reduce the fiscal deficit (fiscal consolidation) and support sustainable economic growth, though heavier indirect taxes can raise prices for consumers.

Explanation:

Key marking points: (i) direct vs indirect tax – shiftability of burden, examples (income/corporate tax vs GST/customs);

(ii) higher revenue, better buoyancy/compliance, fiscal consolidation/lower deficit, resource mobilisation for growth.

Q.18 [1 mark]

Read the following statements carefully : Statement 1 : During the British rule in India, the export surplus was utilised to import of invisible items from Britain. Statement 2 : Indians paid for the expenses incurred by an office set up by the colonial government in Britain. In the light of above statements, choose the correct option 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.

Explanation:

During British rule India generated a large export surplus, but it did not bring gold/silver in;

instead the surplus was used to meet expenses on invisible items – payments for the office set up by the colonial government in Britain (Home Charges), war expenses, and other invisible charges – known as the 'drain of wealth'.

Both statements are true.

Hence (C).

Q.19 [1 mark]

Read the following statements : Assertion (A) and Reason (R), Choose the correct option from those given below : Assertion (A) : Education facilitates

the assimilation of knowledge and competencies. It also fosters inventive capacities and enhances the aptitude to integrate advance technology. Reason (R) : Education plays a pivotal role in transforming cognitive perspectives and serves as a catalyst for the economic advancement of a nation.

(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.

Explanation:

Both statements are true, and the Reason correctly explains the Assertion: because education transforms cognitive perspectives and drives economic advancement (R), it enables the assimilation of knowledge, inventive capacity and technology adoption (A). Hence (A).

Q.20 [1 mark]

Read the following text carefully : “In the recent times, the Government of India, has introduced several measures to encourage greater public participation in the capital market, including both primary and secondary stock markets.” Under which sector have the above mentioned reforms been introduced ? (Choose the correct option)

(a) Industrial

(b) Financial <<

(c) Taxation

(d) Foreign Trade

Explanation:

Reforms relating to capital markets, stock markets (primary and secondary) and institutions like SEBI form part of Financial Sector reforms.

Hence (B) Financial.

Section B

Very Short Answer Questions (2 marks each)

Q.21 [2 marks]

The Montreal Protocol was signed in the year 1987 committing nations to _____. (Choose the correct option to fill in the blank)

(a) protect biodiversity from any further losses.

(b) reduce the impact of global warming.

(c) protect ozone layer from depletion incurred due to chlorofluoro carbons . <<

(d) reduce the impact of deforestation.

Explanation:

The Montreal Protocol (1987) committed nations to phase out ozone-depleting substances, especially chlorofluorocarbons (CFCs), to protect the ozone layer.
Hence (C).

Q.22 [2 marks]

Read the following statements : Assertion (A) and Reason (R), Choose the correct option from those given below : Assertion (A) : The notion of rural development encompasses a far wider spectrum than agricultural advancement. Reason (R) : Government interventions in the agricultural sector remain imperative, as it constitutes the primary means of sustanance for the rural population.

(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.

Explanation:

Both statements are true – rural development is broader than agriculture (A), and government intervention in agriculture is important as it is the main source of livelihood

in rural areas (R).
But (R) does not explain (A);
it addresses agriculture specifically rather than the wider scope of rural development.
Hence (B).

Q.23 [2 marks]

Identify, which of the following, highlights a highly relevant issue associated with evolving employment trends in India's labour market ?

(a) Progressive increase in the share of permanent salaried employees.
(b) Increase in the proportion of casually employed individuals. <<
(c) Expansion of self-employment avenues in all regions.
(d) Significant rise in job opportunities within the formal sector.

Explanation:
A key concern in India's labour market is casualisation of the workforce – the rising proportion of casual wage labour, which lacks job security and social benefits.
Hence (B).

Q.24 [2 marks]

Match the terms given in Column-I with their respective meaning in Column-II. Select the correct option : Column-I : (i) Seasonal Unemployment, (ii) Self-employed, (iii) Unorganised sector, (iv) Disguised Unemployment. Column-II : (a) Private enterprises hiring less than 10 employees, (b) Workers using their own resources to earn livelihood, (c) Unemployment occurring in specific season, (d) Zero Marginal Productivity.

(a) (i)-(d); (ii)-(a); (iii)-(b); (iv)-(c)
(b) (i)-(b); (ii)-(a); (iii)-(c); (iv)-(d)
(c) (i)-(c); (ii)-(b); (iii)-(a); (iv)-(d) <<
(d) (i)-(c); (ii)-(d); (iii)-(a); (iv)-(b)

Explanation:
Seasonal Unemployment →
(c) unemployment in a specific season; Self-employed →

(b) workers using their own resources; Unorganised sector →
(a) private enterprises hiring less than 10 employees; Disguised Unemployment →
(d) zero marginal productivity.
This is (i)-(c); (ii)-(b); (iii)-(a); (iv)-(d), option (C).

Q.25 [2 marks]

"Sustainable development refers to the development that meets the need of the present generation without compromising the ability of the future generations, to meet their own needs." The above mentioned definition has been given by _____. (Choose the correct option to fill in the blank)

(a) United Nations Conference on Environment and Development <<
(b) United Nations Committee on Environment and Development
(c) United Nations Committee on Protection of Environment
(d) United Nations Conference on Protection of Environment

Explanation:
This well-known definition of sustainable development (originating from the Brundtland Commission and used by the United Nations Conference on Environment and Development) is attributed to the United Nations Conference on Environment and Development.
Hence (A).

Q.26 [2 marks]

Read the following statements : Assertion (A) and Reason (R), Choose the correct option from those given below : Assertion (A) : The Government of India adopted the measure of regulation of markets to improve marketing conditions for agricultural products. Reason (R) : Regulation of market ensured transparent pricing, fair trade practices, and protection for farmers against exploitation in agricultural marketing.

(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.

Explanation:

Both statements are true and (R) correctly explains (A): the government adopted regulation of markets precisely because it ensures transparent pricing, fair trade practices and protection of farmers from exploitation.

Hence (A).

Section C

Short Answer Questions (3 marks each)

Q.27 [3 marks]

Arrange the following events in China's economic development history in correct chronological sequence and select the correct option : I. Great Proletarian Cultural Revolution. II. Great leap forward III. Introduction of Economic Reforms IV. Launch of the First Five Year Plan

(a) II, IV, III, I

(b) IV, II, I, III <<

(c) II, IV, I, III

(d) IV, I, II, III

Explanation:

China's First Five Year Plan (IV) began in 1953;

the Great Leap Forward (II) started in 1958;

the Great Proletarian Cultural Revolution (I) ran 1966–76;

Economic Reforms (III) were introduced in 1978. Correct order: IV, II, I, III.

Hence (B).

Q.28 [3 marks]

"Employment in the formal sector guarantees better income and social benefits compared to informal sector job." Defend or refute the above statement with valid reason and example.

Answer: I defend the statement. Workers in the formal (organised) sector generally enjoy better and regular incomes and a range of social security benefits – such as provident fund, pension, gratuity, paid leave, medical and maternity benefits, and job security – because they are covered by labour laws and are on the payroll of registered enterprises/government (e.g. a government employee or an employee of a large registered company). In contrast, informal (unorganised) sector workers – such as construction labourers, street vendors or domestic workers – typically receive low, irregular wages, have no job security and lack such social security benefits. Hence formal-sector employment is generally more secure and better remunerated.

Explanation:

Key marking points: defend – formal sector gives regular income + social security (PF, pension, paid leave, job security) under labour laws;
informal sector lacks these;
give one example of each.

OR

Q.28 [3 marks]

During the 'Mann ki Baat' program aired on 29th June, 2025, Prime Minister shared that World Health Organisation (WHO) has declared India as a Trachoma free (an eye disease). This achievement, he shared, is a result of sustained efforts in health care, sanitation, awareness and medical access. In the light of the above statement, explain how investments in health care contributes to a nation's development. Support your answer with valid arguments.

Answer: Investment in health care contributes to a nation's development because health is a crucial component of human capital. A healthy population is more productive – healthy workers work more efficiently, are absent less often and produce more, raising output and national income. Better health care lowers the burden of disease (as with the elimination of trachoma), reduces mortality and increases life expectancy, so people can work and contribute for longer. It

improves the quality of life and the capabilities of citizens, and reduces medical expenditure, freeing resources for other uses. Improved sanitation, awareness and medical access also generate positive externalities for the whole society. Thus health investment enhances productivity, human capital and overall economic and social development.

Explanation:

Key marking points: health = human capital;

healthy workforce is more productive, fewer sick days, higher output/income, longer working life, better quality of life, positive externalities.

Q.29 [3 marks]

"In the late 1970's China's population growth rate has sharply declined as compared to India." Elucidate the reasons and impacts of this situation.

Answer: Reason: The sharp decline in China's population growth rate in the late 1970s was mainly the result of its strict 'One Child Policy' (introduced in 1979), under which families were legally restricted, with incentives and penalties, to having only one child. India, in contrast, had a much less restrictive family-planning approach, so its population growth remained higher. Impacts: The policy sharply reduced China's fertility and population growth rate and helped ease pressure on resources per person, but over time it produced negative consequences – a skewed (male-heavy) sex ratio due to a preference for sons, an ageing population with a rising proportion of elderly, and a shrinking working-age labour force, which threatens future economic growth.

Explanation:

Key marking points: reason = China's one-child policy (1979) vs India's milder family planning;

impacts = lower population growth but ageing population, low/skewed sex ratio, shrinking future workforce.

Q.30 [3 marks]

State and explain any two changes which were observed in India's

occupational structure during the British Rule.

Answer: Two changes in India's occupational structure during British rule: (1) Agriculture remained the largest employer and its share even increased in some regions – the workforce dependent on agriculture stayed dominant (about 70–75%), showing no meaningful shift towards industry. (2) There were unbalanced regional patterns – while in some regions (e.g. present-day Tamil Nadu, Andhra Pradesh, parts of Karnataka and Maharashtra) the share of the workforce in agriculture declined with a corresponding rise in the manufacturing and services sectors, in other regions (e.g. Orissa, Rajasthan, Punjab) the share of the workforce in agriculture actually increased over the same period. Overall the occupational structure showed high dependence on agriculture and a declining share of the manufacturing sector, reflecting the de-industrialisation of the Indian economy.

Explanation:

Key marking points: (1) predominance/rise of agriculture with weak industrial shift;
(2) uneven regional pattern – agri share fell in some states, rose in others;
overall de-industrialisation.
Any two well-explained changes.

OR

Q.30 [3 marks]

"The British sought to achieve their vested interest through their policies of infrastructural development in India." Do you agree with the given statement ? Justify your answer with valid explanation.

Answer: Yes, I agree. The infrastructure developed by the British in India – railways, roads, ports and the telegraph – was not built primarily for the benefit of Indians but to serve British colonial interests. (1) Railways were laid mainly to transport raw materials from the interior to the ports for export to Britain and to carry finished British goods into Indian markets, and to enable quick movement of troops for administrative control, rather than for public welfare. (2) Roads and ports were developed chiefly to facilitate trade in Britain's favour and to mobilise

the army; inland trade and rural connectivity for ordinary people remained neglected. Even the telegraph was introduced largely for administrative and military control. Thus infrastructure served British economic and political interests, so the statement is correct.

Explanation:

Key marking points: agree – railways/roads/ports/telegraph built to serve export of raw materials + import of British goods + military/administrative control, not Indian welfare; give at least two justified examples.

Q.31 [3 marks]

"At the time of independence, both India and Pakistan inherited similar colonial economic structures. Both the nations adopted many similar economic planning strategies." Explain any two such similarities in the developmental path of India and Pakistan.

Answer: Two similarities in the developmental paths of India and Pakistan: (1) Both adopted a mixed economy model with economic planning – each set up a system of Five Year Plans and gave a substantial role to the public sector alongside private enterprise to guide development. (2) Both relied on import-substituting industrialisation with state regulation of trade and industry (protection through tariffs and controls) in the early decades, aiming to build domestic industry. (Additionally, both introduced land reforms and, in the 1990s, moved towards economic liberalisation.) These similar strategies reflect their common colonial inheritance.

Explanation:

Key marking points: (1) mixed economy + Five Year Plans / large public sector;
(2) import-substitution industrialisation with state regulation/protection.
Any two well-explained similarities.

Q.32 [3 marks]

(i) State the meaning of 'Disguised Unemployment'. (ii) In the light of the

given chart, analyse the gender-wise sectoral distribution of workers. [Note : The following alternative is for the Visually Impaired Candidates only in lieu of Q. No. 32 (B) — Elaborate any two reasons behind more women employed in economic activities in Rural areas as compared to Urban areas.]

Answer: (i) Disguised unemployment is a situation in which more persons are engaged in a job than are actually required, so that some workers have zero (or near-zero) marginal productivity – removing them does not reduce total output. It is common in Indian agriculture, where the whole family works on a small plot though only a few are really needed. (ii) [Chart-based] Analysing the gender-wise sectoral distribution: a larger share of the female workforce is concentrated in the primary (agriculture) sector than the male workforce, while men have a comparatively higher share in the secondary and tertiary (industry and services) sectors; overall the female work participation is lower than male across sectors. (VI alternative – two reasons more women work in rural than urban areas: (1) agriculture, the main rural activity, is highly labour-intensive and readily absorbs female workers on family farms and as agricultural labour; (2) rural women take up work out of economic necessity/poverty and the ready availability of such informal, home-and-farm-based work, whereas urban jobs often require education/skills and formal employment that limit their participation.)

Explanation:

Key marking points: (i) disguised unemployment = surplus workers, zero marginal productivity, typical in agriculture;

(ii) females concentrated in agriculture/primary, males higher in secondary & tertiary, lower female participation overall.

VI variant: labour-intensive agriculture + economic necessity/availability of informal work.

Confidence note: the chart image is not present in the extract, so the gender-sector figures are described in standard terms.

Section D

Long Answer Questions (5 marks each)

Q.33 [5 marks]

(i) Mr. Ravi, an IT entrepreneur from Bengaluru, observed that several MNC's prefer India as their outsourcing Hub for services like software development, customer support, data management etc. His friend Priya believes this is due to certain inherent advantages of the Indian economy. In your opinion, state and explain any two factors that make India a preferred outsourcing destination. (ii) "In the post-independence era, India adopted a protective tariff policy." Do you agree with the given statement ? Justify your answer with any two valid arguments.

Answer: (i) Two factors that make India a preferred outsourcing destination: (1) Availability of cheap, abundant and skilled labour – India has a large English-speaking, technically qualified workforce (IT/engineering graduates) available at wages far lower than in developed countries, greatly reducing MNCs' costs. (2) Enabling factors such as the rapid growth of India's IT and communication infrastructure, favourable time-zone difference (allowing round-the-clock service), and government support/liberalisation – which together make it convenient and profitable to route services like software development, BPO and data management to India. (ii) Yes, I agree that India adopted a protective tariff policy after independence. (1) To protect infant domestic industries from competition from established foreign producers, India imposed high tariffs (import duties) on imported goods so that domestic industries could grow. (2) It also used import substitution – encouraging domestic production of goods previously imported, along with quotas and licensing – to save foreign exchange and promote self-reliance. Thus a protective trade policy through tariffs and quotas was indeed followed in the early decades.

Explanation:

Key marking points: (i) any two – cheap skilled English-speaking labour;

IT/telecom infrastructure;

favourable time zone;
govt support/liberalisation.
(ii) agree – high tariffs to protect infant industry + import substitution/quotas for self-reliance & saving forex.

OR

Q.33 [5 marks]

(i) 'Strategic sale of a public sector undertaking and minority sale of their shares are methods of disinvestment.' Defend or refute the given statement with valid argument. (ii) Discuss briefly, how bilateral trade agreements are different from multilateral trade agreements ?

Answer: (i) I defend the statement – both are methods of disinvestment (the sale by the government of its equity/shares in public sector undertakings). In a strategic sale, the government sells a majority stake (usually more than 51%) of a PSU to a private strategic buyer, transferring management control to the private sector. In a minority sale, the government sells only a minority portion of its shares (less than 51%) to the public/investors while retaining ownership and management control. Since both involve the government selling its shareholding in PSUs, both are correctly classified as disinvestment. (ii) A bilateral trade agreement is a trade agreement between two countries (parties), covering trade terms, tariffs and concessions applicable only between them. A multilateral trade agreement is entered into among many/more than two countries at the same time (for example, agreements under the WTO), setting common trade rules that apply to all member countries. Thus the key difference is the number of parties – two in a bilateral agreement versus many in a multilateral one – and multilateral agreements have wider, uniform application across all members.

Explanation:
Key marking points: (i) defend – both are disinvestment;
strategic sale = majority stake + control transferred, minority sale = <51% sold, govt keeps control;
(ii) bilateral = between two countries, multilateral = among many countries (e.g.

WTO) with common rules.

Q.34 [5 marks]

Read the following text carefully : To ensure inclusive and quality education for all, the Indian government has launched several important schemes... The Right to Education (RTE) Act, passed by the India Parliament on August 4, 2009, guarantees free and compulsory education to every child between 6-14 years of age... Another key initiative is Sarva Siksha Abhiyan (SSA), introduced in 2001, one of India's flagship programmes for the Universalisation of Elementary Education. Digital India Campaign, launched on July 1, 2015, focuses on transforming India into a digitally empowered society... On the basis of the given text and common understanding, answer the following questions : (i) Identify, which law guarantees free and compulsory education upto the age of 14 years. Explain, how does it help in enhancing access to education. (ii) In your opinion, how has the increase in public spending on education contributed to India's social and economic transformation ? Support your answer with valid arguments.

Answer: (i) The law is the Right to Education (RTE) Act, 2009. It enhances access to education by making free and compulsory education a fundamental right for every child between 6 and 14 years of age, so no child can be denied schooling on grounds of cost. It ensures the availability of neighbourhood schools so children can attend school near their homes until they complete elementary education, and (with SSA) improves infrastructure and enrolment – bringing children from poor and disadvantaged groups into school and reducing drop-outs. (ii) Increased public spending on education has contributed to India's social and economic transformation in several ways: it raises literacy and enrolment, building human capital – a more educated and skilled workforce that is more productive and raises national income. It promotes equity and social mobility by giving disadvantaged groups access to education, reducing inequality and poverty. Educated citizens make better health, family and civic decisions, improving overall quality of life. Skilled human resources also help the country absorb new

technology and support long-term, sustainable economic growth. Thus higher public expenditure on education fosters both social upliftment and economic development.

Explanation:

Key marking points: (i) RTE Act, 2009 – free & compulsory education 6–14 as a right, neighbourhood schools, brings in disadvantaged children/reduces dropout; (ii) education spending →
human capital, higher productivity/income, equity & social mobility, better quality of life, technology absorption, sustainable growth.