CBSE Class 12 Economics 2026 — Set 2 — 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]

Choose the correct consumption function from the options given below with reference to the illustrated given diagram.

(a) C = 100 + 0.7Y <<

(b) C = 100 + 0.8Y

(c) C = 100 – 0.7Y

(d) C = 100 – 0.8Y

Explanation:

A consumption function has a positive intercept (autonomous consumption = 100) and a positive slope (MPC), so it must be of the form C = 100 + MPC·Y; the diagram's slope corresponds to 0.7.

OR

Q.1 [1 mark]

(For Visually Impaired Candidates only, in lieu of Q. No. 1) If the value of Marginal Propensity to Consume (MPC) is 0.6 and dissavings are 100, the relevant saving function would be : (Choose the correct option)

(a) S = – 100 + 0.6Y

(b) S = 100 + 0.6Y

(c) S = – 100 + 0.4Y <<

(d) S = – 100 – 0.4Y

Explanation:

MPS = 1 – MPC = 1 – 0.6 = 0.4. Autonomous savings equal the dissavings at zero income = –100. So S = –100 + 0.4Y.

Q.2 [1 mark]

Income generated from Aircrafts of Air India operating between Canada and England would be added to the domestic income (NDPFC) of _____.

(Choose the correct option to fill in the blank)

(a) Canada
(b) England
(c) Both Canada and England
(d) India <<

Explanation:
Mobile equipment (ships, aircraft) operated by a resident enterprise is treated as part of the domestic territory of the operator's own country.
Air India is an Indian enterprise, so income from its aircraft — even when flying between Canada and England — is part of India's domestic income (NDPFC).

Q.3 [1 mark]

Identify, that function of money, which has effectively solved the problem of 'double coincidence of wants' in a transaction.

(a) Standard of deferred payments
(b) Store of value
(c) Measure of value
(d) Medium of exchange <<

Explanation:
Money as a medium of exchange removes the need for a double coincidence of wants required under the barter system.

Q.4 [1 mark]

Read the following statements carefully : Statement 1 : Under the flexible exchange rate system, a deficit / surplus in the Balance of Payments is automatically corrected. Statement 2 : Under the flexible exchange rate system, there is always a possibility of over/under valuation of currency. In the light of the above 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:

Under a flexible exchange rate, BoP disequilibrium is automatically corrected by exchange-rate movements (Statement 1 true).

Over/under valuation is a risk of a fixed/managed rate, not a purely flexible rate (Statement 2 false).

Q.5 [1 mark]

Read the following Flow chart carefully and choose the correct option :

(a) Transfer goods

(b) Capital goods <<

(c) Non-durable goods

(d) Semi-durable goods

Explanation:

The flow chart classifies final goods;

alongside consumer goods, the other category of final goods used in further production is capital goods.

Q.6 [1 mark]

The Aggregate Demand (AD) curve lies parallel to consumption curve, indicating that both have _____. (Choose the correct option to fill in the blank)

(a) same components

(b) different slope

(c) same slope <<

(d) inverse relationship

Explanation:

AD = C + I (with autonomous I), so the AD curve is the consumption curve shifted up by investment;

parallel curves have the same slope (MPC).

Q.7 [1 mark]

Read the following statements carefully : Statement 1 : Brokerage earned by a dealer of second hand cars is included in the estimation of National Income. Statement 2 : Imputed value of production for self-consumption is included in National Income. In the light of the above 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:

Brokerage on a second-hand car is a productive service, so it is included (only the resale value is excluded).

Imputed value of goods produced for self-consumption is also included.

Both statements are true.

Q.8 [1 mark]

Sumit deposited ` 10 lakh in his savings account. The deposits made by him is a part of _____ in the M1 measure of money supply. (Choose the correct option to fill in the blank)

(a) Currency held by public
(b) Interbank deposits
(c) Demand deposits with commercial banks <<
(d) Term deposits with Reserve Bank of India (RBI)

Explanation:

M1 = currency with public + demand deposits with commercial banks + other deposits with RBI.

A savings account deposit is a demand deposit with a commercial bank.

Q.9 [1 mark]

Read the following statements – Assertion (A) and Reason (R). Choose the

correct option from those given below : Assertion (A) : Increase in exchange rate implies that the price of foreign currency in terms of domestic currency has increased. Reason (R) : Balance of trade records the inflows and outflows of foreign exchange.

(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:

Assertion is true: a rise in the exchange rate means more domestic currency per unit of foreign currency.

Reason is false: it is the Balance of Payments (not Balance of Trade, which records only merchandise exports and imports) that records inflows/outflows of foreign exchange.

Q.10 [1 mark]

Identify, which one of the following is not a function of Reserve Bank of India as a bank, agent and advisor to the government.

(a) Carries out banking business of the government.
(b) Manages national debt.
(c) Advises on financial matters.
(d) Conducts periodic inspections. <<

Explanation:

Conducting periodic inspections is a supervisory/regulatory function over commercial banks, not a function performed as banker, agent and advisor to the government.

Q.11 [1 mark]

Calculate compensation of employees from the data given below : (i) Interest = ` 45 crore; (ii) Profits after tax = ` 20 crore; (iii) Consumption of fixed capital

= ` 50 crore; (iv) Gross Domestic Product at market price (GDPMP) = ` 200 crore; (v) Rent = ` 25 crore; (vi) Corporate tax = ` 5 crore; (vii) Goods and Services tax = ` 10 crore.

Answer: 45 crore

Explanation:

NDPFC = GDPMP – CFC – Net indirect taxes (GST) = 200 – 50 – 10 = 140. Profit = Profits after tax + Corporate tax = 20 + 5 = 25. COE = NDPFC – Interest – Rent – Profit = 140 – 45 – 25 – 25 = Rs.45 crore.

Q.12 [1 mark]

"When initial deposits in the credit creation process remains same, the total amount of credit created rises as the value of money multiplier increases." Defend or refute the above statement with the help of hypothetical numerical example.

Answer: Defend — the statement is correct. Total credit = Initial deposit × Money multiplier (1/LRR). With a fixed initial deposit, a higher multiplier (lower LRR) creates more credit. Example: Initial deposit = 1,000. If LRR = 20%, multiplier = 1/0.20 = 5, total credit = 5,000. If LRR falls to 10%, multiplier = 1/0.10 = 10, total credit = 10,000 — credit rises as the multiplier rises.

Explanation:

Total credit = Initial deposit ÷ LRR; the money multiplier = 1/LRR.

For a given initial deposit, credit created is directly proportional to the multiplier (verified: 1000×5=5000;

1000×10=10000).

OR

Q.12 [1 mark]

"The Central Bank maintains reserves of all commercial banks and use to settle interbank claims." Do you agree with the given statement ? Give valid explanation in support of your answer.

Answer: Agree. As the 'banker's bank', the Central Bank holds a part of the cash reserves of all commercial banks and maintains their accounts. Because every bank keeps an account with it, the Central Bank acts as a clearing house — settling mutual (interbank) claims arising from cheques and other instruments through book entries in these accounts without actual cash movement.

Explanation:

Key points: Central Bank is banker's bank;
holds commercial banks' reserves;
functions as clearing house to settle interbank claims through its books.

Q.13 [1 mark]

Read the following text carefully : “A country’s total National Income (NI) at the end of the year is ` 80,000 crore. During the same year, the Gross Domestic Product (GDP) increased by ` 10,000 crore. The depreciation on capital goods was ` 2,000 crore and National savings at the end of year is ` 15,000 crore. Additionally, country invested ` 8,000 crore in new capital goods industries.” In the light of above text, categorise the items as ‘stock’ or ‘flow’ variables with valid arguments.

Answer: Flow variables (measured over a period of time): National Income (80,000 crore), increase in GDP (10,000 crore), depreciation (2,000 crore), National savings during the year (15,000 crore), and investment in new capital goods (8,000 crore) — all are measured per unit of time (per year). Stock variables (measured at a point of time): none of the listed items is a pure stock here; e.g. depreciation is a flow (loss of capital value over the year), whereas the accumulated capital stock (not given) would be a stock. Argument: a flow is measured over a time period, a stock at a point of time.

Explanation:

Marking points: distinguish stock (point of time, e.g.
capital) vs flow (period of time).
Income, saving during year, depreciation, investment and change in GDP are flows.

OR

Q.13 [1 mark]

The value of Nominal Gross National Product (GNP) of an economy was ` 2,500 crore in a particular year. The value of Gross National Product (GNP) of that country during the same year, estimated at the prices of base year was ` 3,000 crore. (i) Estimate the value of Gross National Product (GNP) deflator (in percentage). (ii) "The price level has risen between the base year and the year under consideration." Defend or refute the statement with suitable argument.

Answer: (i) GNP deflator = (Nominal GNP / Real GNP) × 100 = (2,500 / 3,000) × 100 = 83.33%. (ii) Refute. The GNP deflator is 83.33% (< 100), which means the current-year price level is lower than the base-year price level; hence the price level has FALLEN, not risen.

Explanation:

GNP deflator = Nominal/Real ×100 = 2500/3000×100 = 83.33% (verified).

Deflator below 100 indicates prices have fallen relative to the base year, so the statement is refuted.

Q.14 [1 mark]

(a) Explain the likely impacts of the 'Make in India' policy initiated by Government of India on the Balance of Payments (BoP) of India (assuming all other factors constant). (b) State the meaning of Balance of Payment (BoP) surplus and deficit.

Answer: (a) 'Make in India' promotes domestic manufacturing, which raises exports and encourages import substitution (fewer imports) and attracts foreign investment inflows. Higher exports and FDI, with lower imports, improve the current and capital accounts, tending to move India's BoP towards surplus (improvement). (b) A BoP is in surplus when autonomous receipts (from current + capital account) exceed autonomous payments, and in deficit when autonomous payments exceed autonomous receipts.

Explanation:

Marking points: (a) exports up / imports down / FDI up → BoP improves.

(b) surplus = autonomous receipts > payments; deficit = autonomous payments > receipts.

Q.15 [1 mark]

Read the following text carefully : "The Reserve Bank of India (RBI) announced a 50 basis point Repo Rate cut to 5.50% from 6%." In the light of the given text and common understanding, answer the following questions : (i) Identify the economic issue indicated in the above text. (ii) Explain the likely causes and consequences of this step of RBI on the economy.

Answer: (i) The economic issue is deficient demand / slowdown (recessionary conditions), which the RBI is addressing with an easy/expansionary (cheap money) monetary policy. (ii) Cause: a fall in aggregate demand, low investment and the need to stimulate growth. Consequences: a lower repo rate reduces banks' borrowing cost, so lending rates fall, credit and money supply expand, borrowing and investment/consumption rise, aggregate demand and output/employment increase.

Explanation:

Marking points: (i) deficient demand / recession → expansionary policy.

(ii) repo cut →

cheaper credit →

more borrowing/investment →

higher AD, output, employment.

Q.16 [1 mark]

(A) (I) Estimate the value of subsistence level of consumption expenditure from the following data about an economy which is in equilibrium : (i) National Income (Y) = ` 1,200 crore; (ii) Marginal Propensity to Save (MPS) = 0.20; (iii) Investment Expenditure (I) = ` 100 crore. (II) "An economy facing an increase in unintended accumulation of inventories would try to reduce

Aggregate Demand." Defend or refute the above statement with valid arguments.

Answer: (I) Subsistence (autonomous) consumption = 140 crore. MPC = 1 – MPS = 0.80. At equilibrium Y = C + I ⇒ 1,200 = C + 0.80(1,200) + 100 ⇒ C = 1,200 – 960 – 100 = 140 crore. (II) Refute. Unintended accumulation of inventories shows that AD < AS (output is unsold), i.e. deficient demand. The economy would try to INCREASE (not reduce) aggregate demand so that planned output is sold and unwanted stocks fall.

Explanation:

(I) MPC=0.8; Y=C+MPC·Y+I ⇒ C = 1200 − 0.8×1200 − 100 = 140 (verified).

(II) Unplanned inventory rise ⇒ AD<AS ⇒ need to raise AD, so statement is refuted.

OR

Q.16 [1 mark]

(B) (I) Complete the following table : Situation (a): Change in Investment ΔI = 200, Change in Income ΔY = (i) ?, Marginal Propensity to Consume (MPC) = 0.8, Investment Multiplier (K) = (ii) ?. Situation (b): ΔI = (iii) ?, ΔY = 2000, MPC = (iv) ?, K = 4. Situation (c): ΔI = 1000, ΔY = (v) ?, MPC = 0.5, K = (vi) ?. (II) Identify the monetary measures being referred to in the following statements. Discuss whether the tool would be used during a situation of excess demand or deficient demand. (i) Selling off government securities (G-Sec) to public by the central bank. (ii) Encourage commercial banks to park their surplus funds with the Reserve Bank of India (RBI).

Answer: (I) (a) K = 1/(1−0.8) = 5; ΔY = 200×5 = 1,000 crore. (b) K = 4 ⇒ MPC = 1 − 1/4 = 0.75; ΔI = ΔY/K = 2000/4 = 500 crore. (c) K = 1/(1−0.5) = 2; ΔY = 1000×2 = 2,000 crore. (II) (i) Open Market Operations (sale of G-Sec) — used during EXCESS demand; selling securities absorbs liquidity and reduces money supply/AD. (ii) Reverse Repo Rate (banks park surplus funds with RBI) — an increase is used during EXCESS demand; it pulls surplus funds out of banks, reducing credit and AD.

Explanation:

Multiplier K = 1/(1−MPC): (a) K=5, ΔY=1000;

(b) MPC=0.75, ΔI=500;

(c) K=2, ΔY=2000 (all verified).

(i) OMO sale and (ii) reverse repo both contract money supply → used in excess demand.

Q.17 [1 mark]

Read the following text carefully : The government has allocated ` 15.27 lakh crore for major sectors, ranging from defence to rural development to social welfare to commerce and so on. Government expenditure goes to paying states' share of taxes and duties. Around 19% is spent on interest payments and 16% on central sector schemes, with subsidies, pension and other payments contributing 19%. Government revenue is divided between borrowings and other liabilities, which account for massive 27% of the incoming cash, Income tax revenue of around 19% Goods and Services Taxes (GST) and other taxes of around 18%; Corporation taxes account for around 17%. The next highest provision on this list is ` 2.66 lakh crore for rural development. This will include expenditure on rural infrastructure project and increased outlay for the popular MGNREGA scheme. On the basis of given text and common understanding, answer the following questions : (i) Identify the major sources of government revenue and state what percentage does each one of them contribute. (ii) Discuss the need to allocate funds among different sectors of the economy.

Answer: (i) From the text, the major sources of incoming cash are: Borrowings and other liabilities — 27%; Income tax — ~19%; GST and other taxes — ~18%; Corporation tax — ~17%. (ii) Allocation across sectors is needed to (a) provide public/merit goods (defence, infrastructure) the market under-supplies; (b) reduce inequality and promote social welfare through subsidies, pensions and schemes like MGNREGA; (c) achieve balanced regional and rural development; and (d) direct scarce resources to priority growth areas and ensure economic stability and

efficient use of public funds.

Explanation:

Marking points: (i) list revenue sources with %: borrowings 27, income tax 19, GST/other 18, corporation 17. (ii) allocation → public goods, equity/welfare, balanced growth, stability.

Q.18 [1 mark]

"In the formative stages of reforms development of credit markets, administrative intervention in interest rates is both necessary and desirable." Identify the sector under which the aforesaid reform was introduced. (Choose the correct option)

(a) Tax reforms
(b) Industrial sector reforms
(c) Financial sector reforms <<
(d) Foreign sector reforms

Explanation:

Reforms relating to credit markets and interest rates come under financial sector reforms (reform of banking, capital markets and the role of the RBI).

Q.19 [1 mark]

Read the following statements – Assertion (A) and Reason (R). Choose the correct option from those given below : Assertion (A) : The dynamic sub-sectors like agro-processing industries, food processing industries, etc. have potential to create alternative employment opportunities. Reason (R) : Men usually seek non-farm jobs, but recently, women have also started looking for such jobs.

(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, but the fact that men and women seek non-farm jobs (R) does not explain WHY dynamic sub-sectors create alternative employment (A); so R is not the correct explanation of A.

Q.20 [1 mark]

The steep Indian education pyramid indicates _____. (Choose the correct option to fill in the blank)

(a) equal distribution of students across all levels

(b) increase in number of people reaching higher education

(c) low unemployment among educated youth

(d) few/less number of people reaching higher education <<

Explanation:

A steep education pyramid means enrolment narrows sharply at higher levels, i.e. fewer people reach higher education.

Section B

Very Short Answer Questions (2 marks each)

Q.21 [2 marks]

_____ estimates India's national and per capita income during the colonial era was considered very significant. (Choose the correct option to fill in the blank)

(a) William Digby

(b) V.K.R.V. Rao <<

(c) Findlay Shirras

(d) R.C. Desai

Explanation:

Among the colonial-era estimators of national income, the estimates of V.K.R.V. Rao were considered the most significant.

Q.22 [2 marks]

From the types of unemployment/employment given in Column-I and corresponding features given in Column-II, choose the correct pair : Column-I: (i) Disguised Unemployment, (ii) Seasonal Unemployment, (iii) Indirect employment by government, (iv) Direct employment by government. Column-II: (a) Concentrated to a given season, (b) Marginal productivity is zero, (c) Indian Railways, (d) Indian Oil Corporation (IOC).

(a) (i) - (a)

(b) (ii) - (b) <<

(c) (iii) - (c)

(d) (iv) - (d)

Explanation:

Option (B) pairs (ii) Seasonal Unemployment with (a) 'Concentrated to a given season' — the correct match.

The other listed pairs are wrong: (i) Disguised Unemployment matches (b) zero marginal productivity, not (a);

and the (iii)/(iv) pairs with Railways/IOC are swapped.

Only (B) is a correct pair.

Q.23 [2 marks]

Growth of rural economy depends primarily on infusion of _____ to realise higher productivity in agricultural and non-agricultural sectors. (Choose the correct option to fill in the blank)

(a) Capital <<

(b) Road Construction

(c) Green status

(d) Outsourcing

Explanation:

Rural development and higher productivity in farm and non-farm sectors primarily require infusion of capital (credit/investment).

Q.24 [2 marks]

Identify that strategy given in the image that can be utilised for sustainable development.

(a) Non-conventional source of energy <<
(b) Wind power
(c) CNG in urban areas
(d) Gobar Gas in rural areas

Explanation:

The broad strategy for sustainable development is the use of non-conventional (renewable) sources of energy;
wind power, CNG and gobar gas are specific examples that fall under it.

OR

Q.24 [2 marks]

(For Visually Impaired Candidates only, in lieu of Q. No. 24) If a nation fails to enforce the regulations of the Montreal Protocol, the likely long term environmental and biological consequence of this will be _____. (Choose the correct alternative) (i) Rapid deforestation (ii) Increased possibility of skin cancer (iii) Greenhouse effect causing rise in global temperature (iv) Possibility of acid rain

(a) Only (i)
(b) (ii), (iii) and (iv) <<
(c) (i) and (iv)
(d) (i) and (iii)

Explanation:

The Montreal Protocol controls ozone-depleting substances;
failure to enforce it depletes the ozone layer, raising the risk of skin cancer,

greenhouse effect/global warming and acid rain — (ii), (iii) and (iv).

Q.25 [2 marks]

Read the following statements carefully : Statement 1 : The option for producing off-season crops are quite restricted in organic farming. Statement 2 : Organic agriculture helps in substituting costlier agricultural inputs with locally produced organic inputs. In the light of the 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:

Both are limitations/features stated in the NCERT: off-season crop choices are limited under organic farming (Statement 1 true), and organic farming replaces costly inputs with locally produced organic inputs (Statement 2 true).

Q.26 [2 marks]

China adopted _____ strategy in which farmers and industries bought and sold certain quantities at government fixed prices, while remaining transactions occurred at market prices. (Choose the correct option to fill in the blank)

(a) Dual Pricing <<
(b) Special Economic Zones
(c) Great Proletarian Cultural Revolution
(d) Great Leap Forward

Explanation:

Under China's dual pricing system, fixed quantities were traded at government-set prices and the rest at market prices.

Section C

Short Answer Questions (3 marks each)

Q.27 [3 marks]

Education provides _____. (Choose the correct option to fill in the blank)

(i) Scientific advancements (ii) Facilitate inventions and innovations (iii) Adapting to new technology

(a) (i) and (ii)

(b) (i) and (iii)

(c) (ii) and (iii)

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

Explanation:

Education contributes to scientific advancement, inventions and innovations, and the ability to adapt to new technology — all three.

Q.28 [3 marks]

"In the late 1970s and 1980s, Pakistan experienced significant changes in its policies, incentives and new investments." Do you agree with the above statement ? Justify your answer with valid arguments.

Answer: Agree. In the late 1970s and 1980s Pakistan shifted its policy focus: the earlier nationalisation of capital goods industries was reversed and a policy of denationalisation and encouragement to the private sector was adopted. The government offered incentives to private firms, and inflows of foreign investment and remittances from Pakistani workers in the Middle East, along with a Green Revolution in agriculture, raised production and stimulated new investments and growth during this period.

Explanation:

Marking points: denationalisation / private-sector encouragement; incentives; foreign remittances from Middle East; Green Revolution →
rise in output and investment.

Q.29 [3 marks]

(A) Distinguish between formal and informal sector of employment with the

help of suitable examples.

Answer: Formal (organised) sector: enterprises registered with the government, employing typically more than 10 workers; workers get regular jobs, job security, fixed hours and social security benefits (PF, pension, medical). Example: employees of public sector undertakings, government offices, large registered companies. Informal (unorganised) sector: small, mostly unregistered units and self-employed workers; jobs are insecure with no fixed pay, no social security and no legal protection. Example: farm labourers, street vendors, domestic workers, workers in small workshops.

Explanation:

Marking points: registration/size, job security, social security & benefits — formal has them, informal does not;
one example each.

OR

Q.29 [3 marks]

(B) Discuss the long term implications of increased demand for environmental resources exceeding their natural regenerative capacity.

Answer: When demand for environmental resources exceeds their natural regenerative (carrying) capacity, the environment fails to perform its absorptive and supply functions. Long-term implications: depletion/exhaustion of natural resources (minerals, forests, groundwater), rising pollution and loss of the environment's absorption capacity, extinction of species/loss of biodiversity, ozone depletion and global warming, and huge health and clean-up costs. This threatens sustainable development, imposing a heavy burden on future generations and reducing long-run productivity and welfare.

Explanation:

Marking points: carrying capacity exceeded →
resource depletion, pollution/loss of absorptive capacity, biodiversity loss, global warming, health & economic costs, threat to sustainable development.

Q.30 [3 marks]

(A) "The Restrictive policies under the colonial government adversely affected the structure, composition and volume of India's foreign trade." Justify the above statement with valid explanation.

Answer: Justified. Under colonial rule India became an exporter of primary products (raw silk, cotton, jute, indigo, sugar) and an importer of finished consumer goods (cotton, silk, woollen cloth) from Britain — distorting the composition of trade. Britain maintained a monopoly control over India's exports and imports, so more than half of India's foreign trade was restricted to Britain (structure). India generated a large export surplus, but this did not benefit the economy: it was used to meet expenses of the colonial administration, 'home charges' and payments for invisible imports — draining wealth out of India without any corresponding inflow of gold or goods.

Explanation:

Marking points: composition (exporter of primary goods, importer of manufactures);
structure (Britain's monopoly of trade);
volume/drain (export surplus used for home charges and administrative expenses — drain of wealth).

OR

Q.30 [3 marks]

(B) Explain the main objectives and impacts of land settlement policies implemented under the British government rule.

Answer: Objective: The land revenue/settlement systems (e.g. the Permanent Settlement / zamindari system) were designed primarily to maximise and secure a fixed, regular land revenue for the colonial government, with intermediaries (zamindars) made responsible for collecting and depositing it. Impacts: they created a class of exploitative landlords who extracted high rents from cultivators; peasants had little incentive or means to improve the land, so agricultural productivity stagnated; the terms of revenue collection (harsh, fixed dates) ruined many cultivators and led to indebtedness and poverty; overall, agriculture was left

low-productivity and the vast majority of the rural population impoverished.

Explanation:

Marking points: objective = secure/maximise fixed land revenue via intermediaries (zamindari);

impacts = exploitative landlords, no incentive to invest, low farm productivity, peasant indebtedness/poverty.

Q.31 [3 marks]

(a) Refer the given image carefully : Compare and analyse the distribution of work force with respect to gender. (b) State the meaning of worker-population ratio.

Answer: (a) The distribution of the workforce is uneven across gender. The number/share of male workers is much higher than that of female workers in the economy. A larger proportion of women's work (especially unpaid household and family work) goes unrecorded, so women's participation appears low; men dominate especially in non-farm and formal-sector jobs, while women are concentrated in agriculture and the informal sector. (b) The worker–population ratio is the number of persons employed (workers) as a percentage of the total population; it is an indicator of the extent to which a country's population is engaged in productive employment. Worker–population ratio = (Total workers ÷ Total population) × 100.

Explanation:

Marking points: (a) male workforce participation > female;

women's work under-recorded / concentrated in agriculture & informal work.

(b) = (total workers/total population)×100 — measure of employment level.

OR

Q.31 [3 marks]

(For Visually Impaired Candidates only, in lieu of Q. No. 31(a)) “Compared to 1970’s, there has hardly been any change in the distribution of workforce across various industries.” Defend or refute the above statement with valid

explanation.

Answer: Refute. Since the 1970s the distribution of the workforce across industries has changed noticeably. The share of the workforce dependent on the primary (agricultural) sector has fallen, while the shares of the secondary (industry) and especially the tertiary (services) sectors have risen. Thus workers have gradually shifted away from agriculture towards industry and services, so it is incorrect to say there has hardly been any change.

Explanation:

Marking points: refute — primary-sector workforce share declined, secondary and tertiary shares rose since the 1970s (structural shift of workforce).

Q.32 [3 marks]

(i) State the meaning of ‘Commune system’. (ii) Explain any two reasons for the slow economic growth in Pakistan.

Answer: (i) The Commune System was a collective farming arrangement adopted in China (1958) under which people collectively cultivated the land — land and other resources were owned and farmed jointly by the members of the commune instead of by individuals. (ii) Two reasons for Pakistan's slow economic growth: (1) Over-dependence on and volatility of agriculture and remittances — growth relied heavily on the agriculture sector, public expenditure and remittances from workers abroad, which were unstable. (2) Inadequate investment in social/human capital and increasing political instability, along with dependence on foreign loans and rising debt, kept growth slow and unsustainable.

Explanation:

Marking points: (i) commune = collective/joint farming in China (1958).
(ii) any two: dependence on volatile agriculture/remittances;
low investment in human capital;
political instability;
growing foreign debt.

Section D

Long Answer Questions (5 marks each)

Q.33 [5 marks]

(A) Read the following text carefully and answer the questions given below : "In India, high-yielding seed varieties were initially brought to the State of Punjab, Haryana and portions of western Uttar Pradesh." (i) Identify the approach initiated by Indian Government in 1966. (ii) State the primary goal of this approach. (iii) Describe any two impacts of this approach.

Answer: (i) The approach was the Green Revolution, based on the use of high-yielding variety (HYV) seeds. (ii) Its primary goal was to achieve self-sufficiency in foodgrains by raising agricultural productivity and output. (iii) Two impacts: (1) A large increase in foodgrain (especially wheat and rice) production made India self-sufficient in foodgrains and generated a marketable surplus, keeping food prices in check and benefiting consumers. (2) It also had adverse effects — the benefits were confined mainly to wheat/rice and to a few prosperous regions and better-off farmers initially, increasing regional and income inequalities and, later, causing environmental damage (soil degradation, groundwater depletion).

Explanation:

Marking points: (i) Green Revolution/HYV seeds;
(ii) foodgrain self-sufficiency via higher productivity;
(iii) any two — rise in output & marketable surplus/food security;
regional & income inequality or environmental degradation.

OR

Q.33 [5 marks]

(B) Read the following text carefully and answer the questions given below : "It is an arrangement in which a firm hires some specialized firm(s) to carry out some of its activities (which were earlier being performed by itself). These service hirings could be from local / international markets." (i) Identify the indicated outcome of the globalisation process. (ii) State any two factors

responsible for making India as an important source of these activities. (iii) Explain examples of services that have expanded due to advancements in information technology.

Answer: (i) The indicated outcome is Outsourcing (a feature/outcome of globalisation). (ii) Two factors making India an important outsourcing destination: (1) availability of a large pool of skilled, English-speaking workers at relatively low wages (low labour cost); and (2) rapid development of information and communication technology / good IT infrastructure enabling cheap, fast delivery of services. (iii) Services that have expanded due to IT advances include: Business Process Outsourcing (BPO) / call/voice-based business processes, banking and financial services, record keeping and accountancy, music recording, film editing, book transcription, clinical advice and even teaching — delivered from India to customers abroad.

Explanation:

Marking points: (i) outsourcing;
(ii) any two — cheap skilled English-speaking labour, growth of IT/communication infrastructure;
(iii) examples — BPO/voice-based processes, banking services, accountancy, medical/clinical advice, editing/transcription, teaching.

Q.34 [5 marks]

Read the following text carefully : The Union Budget 2025-26 proposed a significant package for rural India allocating ` 1.88 lakh crore to drive comprehensive development. The budget emphasises on boosting employment, women employment, education and infrastructure in rural areas, reflecting the governments' commitment for a stronger, self-reliant rural economy. The extension of Jal-Jeevan Mission until 2028, with focus on achieving 100% rural water supply coverage and enhancing infrastructure maintenance. Broadband connectivity is set to expand under the Bharatnet project, providing internet access to all rural government secondary schools and primary health care centres. Also, the budget highlights major rural

schemes like the Pradhan Mantri Gram Sadak Yojana which has provided all-weather roads to rural areas. The Pradhan Mantri Grameen Awaas Yojana, which has delivered housing to economically weaker sections. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) continues to secure rural livelihoods with an allocation of ` 86,000 crore in FY 2024-25. On the basis of the above text and common understanding, answer the following questions : (i) Explain the significance of rural development. (ii) Discuss any two policies initiated by government of India for rural development.

Answer: (i) Rural development is significant because a large majority of India's population lives in villages and depends on agriculture; developing rural areas raises agricultural productivity, generates employment and incomes, reduces rural poverty and inequality, improves basic amenities (water, roads, housing, health, education), checks rural–urban migration and lays the base for overall self-reliant, balanced and sustainable national growth. (ii) Two policies for rural development: (1) Pradhan Mantri Gram Sadak Yojana (PMGSY) — provides all-weather road connectivity to rural areas, improving access to markets, services and mobility. (2) Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) — guarantees wage employment to rural households and creates durable rural assets, securing livelihoods (allocation 86,000 crore in FY 2024-25). [Other valid examples: Jal-Jeevan Mission for rural water supply; PM Grameen Awaas Yojana for rural housing; Bharatnet for rural broadband.]

Explanation:

Marking points: (i) rural development → productivity, employment/income, poverty & inequality reduction, basic amenities, checks migration, base for national growth.

(ii) any two schemes from the text (PMGSY, MGNREGS, Jal-Jeevan Mission, PMGAY, Bharatnet) with a line on each.