

ECONOMICS (030) ANSWER KEY

Q.NO.	SECTION A – MACRO ECONOMICS	MARKS
1	b) Statement 1 is true and Statement 2 is false.	1
2	a) GDP = GNP	1
3	b) Average Propensity to Consume	1
4	d) capital, debit	1
5	c) Unit of account	1
6	d) 640,5000,4000,1000	1
7	b) consumption, investment	1
8	d) I and IV	1
9	c) 40,600	1
10	c) Portfolio Investment	1
11	<p>Yes, the statement can be agreed upon. Since, in accounting sense; Current Account + Capital Account \equiv 0 If an economy is facing the situation of current account deficit (CAD), the same must be financed through surplus in capital account. CAD may be setoff through net capital inflows. Transactions like selling off assets or borrowing from abroad, may be instrumental in balancing CAD in Balance of Payments account.</p>	3
12	<p>(A) Domestic Income (NDP at FC) = (i) + (v) + (ii) + (iii) + (v) – (viii) – (vi) $= 600 + 200 + 200 + 40 + (-40) - 40 - 120$ $= \square 840$ crore</p> <p style="text-align: center;">OR</p> <p>(B)</p> <p>(i) Externalities – Externalities refer to benefits (positive externalities)/ harms (negative externalities) which are caused by one entity to another without being paid/ penalised for it.</p> <p>(ii) Operating Surplus – Operating Surplus is the sum total of rent, royalties, interest and profits. It is also known as non-wage income.</p> <p>(iii) Consumption goods – Goods which are consumed by the ultimate consumers or meet the immediate need of the consumer are called consumption goods. It may include services as well.</p>	<p>1 ½ 1 ½</p> <p>1 1 1</p>

<p>13</p>	<p>Given, Change in Investment (ΔI) = ₹ 1,000 crore</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">MPS</th> <th style="width: 33%;">Investment Multiplier $K = \frac{1}{1 - \text{MPS}}$</th> <th style="width: 33%;">Change in Income (ΔY) $\Delta Y = K \times \Delta I$ (₹ in crore)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0.25</td> <td style="text-align: center;">$\frac{1}{1 - 0.25} = 4$</td> <td style="text-align: center;">$4 \times 1,000 = 4,000$</td> </tr> <tr> <td style="text-align: center;">0.10</td> <td style="text-align: center;">$\frac{1}{1 - 0.10} = 10$</td> <td style="text-align: center;">$10 \times 1,000 = 10,000$</td> </tr> </tbody> </table> <p>Increase in Income (ΔY) = 10,000 – 4,000 = ₹ 6,000 crore</p>	MPS	Investment Multiplier $K = \frac{1}{1 - \text{MPS}}$	Change in Income (ΔY) $\Delta Y = K \times \Delta I$ (₹ in crore)	0.25	$\frac{1}{1 - 0.25} = 4$	$4 \times 1,000 = 4,000$	0.10	$\frac{1}{1 - 0.10} = 10$	$10 \times 1,000 = 10,000$	<p style="text-align: right;">1 ½</p> <p style="text-align: right;">1 ½</p> <p style="text-align: right;">1</p>
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<p>14</p>	<p>(A) Yes, fiscal measures can be a valid solution to the problem of an inflationary gap:</p> <ul style="list-style-type: none"> • Reduce government spending The government can reduce its spending to decrease the amount of money circulating in the economy. • Increase taxes The government can increase taxes to decrease the amount of money circulating in the economy. <p style="text-align: center;">OR</p> <p>(B) Open Market operations are an important tool of monetary policy to control inflation. To control inflation RBI sells securities. Money flows from commercial banks to RBI. Commercial banks are left with less money supply. Less credit creation and less production, less employment and less income. Less income and less aggregate demand and inflation is under control.</p>	<p style="text-align: right;">4</p> <p style="text-align: right;">4</p>									
<p>15</p>	<p>Central bank accepts the deposits from commercial banks and also advances loans to them as and when required. It maintains reserves of all commercial banks and utilizes it to settle inter-bank claims.</p> <p>Being the supreme authority of the banking system, it acts as the financier of last recourse to the commercial banks. It forwards short-term credit to the commercial banks against approved securities.</p> <p>The Central Bank supervises, regulates and controls the commercial banks. The regulation of banks may be related to their licensing, branch expansion, liquidity of assets, management, amalgamation and liquidation.</p>	<p style="text-align: right;">4</p>									
<p>16</p>	<p>(A) (i) Fiscal Deficit = (iii) + (ii) – (iv) = 10 + 15 – (50/100 × 20) = ₹ 15 crore</p> <p>(ii) Primary Deficit = Fiscal Deficit – (v) = 15 – 4 = ₹ 11 crore</p> <p>(B) Two features of public goods are:</p> <ul style="list-style-type: none"> • Non- excludable • Non- rivalrous 	<p style="text-align: right;">1</p> <p style="text-align: right;">1 ½</p> <p style="text-align: right;">½</p> <p style="text-align: right;">1</p> <p style="text-align: right;">½</p> <p style="text-align: right;">½</p> <p style="text-align: right;">½</p> <p style="text-align: right;">½</p>									

	OR	
	<p>(C) The government may need to correct the fluctuations (income, employment and prices) in the economy. These may depend upon the level of Aggregate Demand, which in turn depends upon the spending decision of households and firms. To stabilize the economy, under the state of inflation/deflation, Government may alter taxes/expenditure, accordingly.</p>	3
	<p>(D) Expenditure incurred by the government under Ayushman Bharat Scheme for providing free medicines to the economically backward section does not lead to any creation of assets or reduction in liabilities. Hence, it can be classified as revenue expenditure.</p>	3
17	<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. (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> <p>(b) No. Capital goods are those final goods which help in the production of other goods and services. A machine purchased by a firm will be a capital good when it is used for the production of other goods and services. However, if it is purchased by a firm for resale purposes in the same year, it will be considered as an intermediate good and not a capital good.</p>	3 3
SECTION B – INDIAN ECONOMIC DEVELOPMENT		
18	d) Growth, Equity, Modernisation, Self-Reliance	1
19	c) Percentage of people below poverty line (National)	1
20	b) I, II, III	1
21	c) Horticulture	1
22	a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).	1
23	c) Dual Pricing	1
24	d) (i), (ii) and (iii)	1
25	b) Liberty indicator	1
26	b) Statement 1 is false and Statement 2 is true.	1
27	c) C-III	1

28	<p>(A) India's demographic indicators were in a dilapidated state during the colonial period as:</p> <ul style="list-style-type: none"> • The overall literacy level was less (below 16%). • Life expectancy was very low (32 years). • Alarming infant mortality rate (218/1000). <p style="text-align: center;">OR</p> <p>(B) The pre-independent India's occupational structure experienced growing regional variation as:</p> <ul style="list-style-type: none"> • Parts of Madras Presidency, Bombay and Bengal witnessed a decline in the dependence of the workforce on the agricultural sector with a commensurate increase in the manufacturing and the services sectors. • There had been an increase in the share of workforce in agriculture in states such as Orissa, Rajasthan and Punjab. 	<p style="text-align: center;">1 X 3</p> <p style="text-align: center;">3</p>
29	<p>On-the-job trainings have become an integral part of work environment in the recent times as they add to the productive capacity of employees. Firms encourage such trainings, as the benefits outweighs the cost of these trainings. It enables employees to develop skills and adapt modern technologies/ideas.</p> <p>Thus, Ravya's decision to attend on-the-job training sessions will have a positive impact on human capital formation.</p>	<p style="text-align: center;">3</p>
30	<p>China is the most populous country in the world. Its annual population growth rate was very high. The one-child norm introduced in China in the late 1970s is the major reason for fall in the population growth rate.</p> <p>However, this measure led to a decline in the sex ratio. The number of females per 1000 males in China is approximately 949. One-child policy and prevalent son- preference is the prime reason behind the skewed sex ratio.</p>	<p style="text-align: center;">4</p>
31	<p>(A) (i) False. Agricultural marketing is a process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country.</p> <p>(ii) True. Jan-Dhan Yojana has promoted thrift habits and efficient allocation of financial resources, particularly in rural areas. Formal banking system has mobilized a substantial amount under this yojana.</p> <p style="text-align: center;">OR</p> <p>Various government departments/enterprises employ people and increase their output of goods and services, leading to direct employment.</p> <p>When the output of goods and services from government enterprises increases, then private enterprises which receive raw materials from government enterprises will also raise their output. Subsequently, private enterprises using these output are indirectly benefitted with increase in scale of production. This leads to an increase in the number of employment opportunities indirectly in the economy.</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">4</p>
32	<p>The given image depicts the drift of the Indian workforce from the formal sector to the informal sector employment. This situation is popularly known as 'informalisation of</p>	<p style="text-align: center;">1</p>

	<p>the workforce’.</p> <p>In India, informal sector includes millions of farmers, agricultural labourers, non-farm casual wage labourers, owners of small enterprises and the self-employed people. The workforce in the informal sector does not get regular income; they do not have any protection or regulation from the government. Workers may be dismissed without any compensation/notice.</p> <p>The Government is taking steps to safeguard the interests of the workers in the informal sector.</p>	3
33	<p>(A) Before the advent of Green Revolution, a large proportion of agricultural produce was consumed by the farmers themselves instead of being sold in the market. Green Revolution led to an increase in the growth of agricultural output.</p> <p>After the Green Revolution, a greater proportion of the agro-produce (wheat and rice) was sold by the farmers in the market. That led to the attainment of marketed surplus and converted India into a food surplus economy from the food scarce one.</p> <p>(B) In order to protect domestic industries, India followed the import substitution policy. This policy aimed at substituting imports with domestic production. The domestic industries were protected from foreign competition by using the following tools:</p> <ol style="list-style-type: none"> i. Tariffs: Tariffs are a tax on imported goods that make imported goods dearer and discourage their usage. ii. Quotas: Quotas specify the quantity of goods that can be imported. <p style="text-align: center;">OR</p> <p>(C) Land reforms were inevitable in the post-independence era. The policy makers of independent India introduced land reforms such as land ceiling, abolition of intermediaries etc.</p> <p>Land ceiling means fixing up the maximum size of landholding which could be owned by an individual. This step was essential to promote equity in the agricultural sector so as to reduce the concentration of land ownership in a few hands.</p> <p>(D) Yes. In order to improve efficiency, infuse professionalism and enable Public Sector Undertakings (PSUs) to compete more effectively in the liberalised global environment, the government identified profit making PSUs. Government declared them as Maharatnas, Navratnas and Miniratnas. PSUs were given greater managerial and operational autonomy, in taking various decisions.</p> <p>As a result, over the years these Maharatnas, Navratnas and Miniratnas have performed exceedingly well and established themselves as market leaders.</p>	3 3 3
34	<p>(i) Sustainable development is the development that meets the need of the present generation without compromising the ability of the future generations to meet their own needs.</p> <p>(ii) The Indian Government has accelerated the pace of Green Growth as India is:</p> <ul style="list-style-type: none"> ● Facing the grave reality of depleting natural resources, limited supply of water, minerals, and fossil fuels. This has created a number of environmental issues in the recent past in India. 	2 2

- To counter the climate threat, India has committed to achieve net zero target by the year 2070. This will facilitate much needed decarbonization of Indian industries, reduce dependency on fossil fuel imports and to become a market leader in the sunrise industry.

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