Roll No. ☐☐☐☐☐☐☐☐

Q.P. Code 58/1/1

ECONOMICS

CBSE Class XII Board Examination 2025 — with answers

Time allowed: 3 hours **Maximum Marks: 80**

General Instructions:

1. The paper has 34 questions and all of them are compulsory.
2. It has two sections: Section A – Macro Economics; Section B – Indian Economic Development.
3. There are 20 multiple-choice questions of 1 mark each.
4. There are 4 Short Answer Type-I questions of 3 marks each (about 60–80 words) and 6 Short Answer Type-II questions of 4 marks each (about 80–100 words).
5. There are 4 Long Answer questions of 6 marks each (about 100–150 words).
6. Answer all parts of a question together.
7. There is no overall choice, but some questions have an internal choice; attempt only one of the alternatives in such questions.

SECTION A

Macro Economics. Q1–10 carry 1 mark each; Q11–12 carry 3 marks; Q13–15 carry 4 marks; Q16–17 carry 6 marks.

1. About the recording of Current Account transactions in the Balance of Payments, pick the INCORRECT statement. **1**

(A) Exports of goods and services are recorded as credit items.

(B) Imports of goods and services are recorded as debit items.

(C) All transfer payments are recorded as debit items.

(D) All transfer receipts are recorded as debit items.

ANSWER

(D) – transfer receipts are credit items.

Rule: any transaction that brings foreign exchange into the country is a credit; any that takes it out is a debit.

Exports (inflow) → credit ✓. Imports (outflow) → debit ✓. Transfer payments made abroad (outflow) → debit ✓.

Transfer receipts (gifts, remittances received) bring money in → credit, not debit. So (D) is incorrect.

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2. Choose the correct pair from Column I and Column II. **1**

Column I: (a) Income from property (b) Income from entrepreneurship (c) Mixed income (d) Compensation of employees

Column II: (i) Old-age pension (ii) Profit (iii) Rent-free accommodation from an employer (iv) Interest from capital

(A) (a) – (i)

(B) (b) – (ii)

(C) (c) – (iii)

(D) (d) – (iv)

ANSWER

(B) (b) – (ii)

Income from entrepreneurship = profit → (b)–(ii) is correct.

Check the others: income from property is rent/interest, not old-age pension (a transfer payment); mixed income is income of self-employed, not rent-free accommodation (which is compensation of employees in kind); compensation of employees is wages/salaries, not interest.

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3. Consider the two statements below. **1**

Statement 1: The managed floating exchange rate system combines features of the fixed and flexible exchange rate systems.

Statement 2: The managed floating system is also called a 'hybrid system'.

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.

ANSWER

(C) Both statements are true.

In managed floating, the market (demand and supply) sets the rate, as in a flexible system, but the Central Bank intervenes to keep it within limits, as in a fixed system. Being a mix of the two, it is called a hybrid system (also 'dirty floating'). Both true → (C).

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4. Irfaan, a student, borrows ₹80,000 for his college fees and plans to start repaying six months after graduation, in instalments over ten years. Which function of money does this show? **1**

(A) Medium of Exchange

(B) Unit of Account

(C) Standard of Deferred Payments

(D) Store of Value

ANSWER

(C) Standard of Deferred Payments

A loan taken now and repaid in the future is a deferred payment. Money serves as the standard in which such future payments are stated and settled – standard of deferred payments.

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5. In an economy, the saving curve starts at −₹50 crore on the saving axis, and 20% of every increase in income is saved. What is the investment multiplier (K)? **1**

(A) 2

(B) 5

(C) 10

(D) ∞ (infinite)

ANSWER

(B) K = 5

20% of additional income is saved, so MPS = 0.2.

$K = \frac{1}{MPS} = \frac{1}{0.2} = 5.$

The intercept (−50, i.e. autonomous consumption of 50) does not affect the multiplier – it is extra information.

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6. Assertion (A): Public goods are goods consumed collectively by the public. **1**
Reason (R): Public goods are excludable and rivalrous.

(A) Both A and R are true and R is the correct explanation of A.

(B) Both A and R are true, but R is not the correct explanation of A.

(C) A is true, but R is false.

(D) A is false, but R is true.

ANSWER
(C) A true, R false.

A is true: public goods like defence, parks and street lights are consumed collectively.
R is false: public goods are NON-excludable (no one can be kept from using them) and NON-rivalrous (one person's use does not reduce another's). Excludable and rivalrous describe private goods. Answer (C).

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7. If the Average Propensity to Consume (APC) is 0.8 and National Income is ₹4,000 crore, saving is ₹_____ crore. **1**

(A) 100 **(B)** 200

(C) 500 **(D) 800**

ANSWER
(D) ₹800 crore

APS = 1 − APC = 1 − 0.8 = 0.2.
S = APS × Y = 0.2 × 4,000 = ₹800 crore.
(Equivalently C = 0.8 × 4,000 = 3,200; S = 4,000 − 3,200 = 800.)

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8. Which of these statements about commercial banks are correct? **1**
(I) Deposits they receive are their liabilities.
(II) They create credit in the economy.
(III) They accept deposits from the general public.
(IV) They accept deposits on behalf of the Reserve Bank of India.

(A) (I), (II) and (III) **(B)** (II) and (III)

(C) (I) and (II) **(D)** (I) and (IV)

ANSWER
(A) (I), (II) and (III)

(I) Correct – deposits are owed back to depositors, so they are liabilities of the bank.
(II) Correct – through lending, banks create deposits many times the primary deposit (credit creation).
(III) Correct – accepting deposits from the public is their primary function.
(IV) Wrong – commercial banks accept deposits on their own account; they do not collect deposits for the RBI. Answer (A).

9. A country exports goods worth ₹600 crore and imports goods worth ₹450 crore. Its Balance of Trade shows a _____ of ₹_____ crore. **1**

(A) deficit, 150

(B) surplus, 150

(C) deficit, 1,050

(D) surplus, 1,050

ANSWER

(B) surplus of ₹150 crore

Balance of Trade = Exports of goods − Imports of goods = 600 − 450 = +150.
Positive → surplus of ₹150 crore.
(Adding exports and imports, 1,050, has no meaning here.)

10. Choose the correct pair from Column I and Column II. **1**

Column I: (a) Non-tax revenue (b) Indirect tax (c) Capital expenditure (d) Private goods

Column II: (i) Goods and Services Tax (ii) Free-rider (iii) Borrowings (iv) Rivalrous in nature

(A) (a) – (i)

(B) (b) – (ii)

(C) (c) – (iii)

(D) (d) – (iv)

ANSWER

(D) (d) – (iv)

Private goods are rivalrous – one person's use reduces what is left for others → (d)–(iv) is correct.
Others: GST is a tax revenue (indirect tax), not non-tax revenue; free-rider problem relates to public goods, not indirect tax; borrowings are capital receipts, not capital expenditure.

11. Calculate Net Value Added at Factor Cost (NVA_FC) from the following (₹ crore): **3**

S.No.	Item	₹ crore
(i)	Operating surplus	3,740
(ii)	Increase in unsold stock	600
(iii)	Sales	10,625
(iv)	Purchase of raw materials	2,625
(v)	Consumption of fixed capital	500
(vi)	Subsidies	400
(vii)	Indirect taxes	1,200

ANSWER

NVA_FC = ₹7,300 crore

Value of output = Sales + Change in stock = 10,625 + 600 = 11,225.

GVA_MP = Output − Intermediate consumption = 11,225 − 2,625 = 8,600.

NVA_MP = GVA_MP − Depreciation = 8,600 − 500 = 8,100.

NIT = Indirect taxes − Subsidies = 1,200 − 400 = 800.

NVA_FC = 8,100 − 800 = ₹7,300 crore.

Note: operating surplus is a part of factor income (income side) and is NOT used in this method – a distractor.

OR

Distinguish between Net Factor Income from Abroad (NFIA) and Net Exports (X − M).

ANSWER

NFIA = factor income received from abroad − factor income paid abroad; Net exports = value of exports of goods & services − value of imports of goods & services.

NFIA:

• Difference between factor incomes (wages, rent, interest, profit) earned by normal residents from the rest of the world and factor incomes paid to non-residents.

• Used to convert domestic income into national income (GNP = GDP + NFIA).

Net exports (X − M):

• Difference between the value of exports and imports of goods and services.

• It is a component of final expenditure (GDP = C + I + G + X − M).

12. The government launched the 'Incredible India' campaign to promote tourism across the country. Explain its effect on India's foreign exchange reserves and Balance of Payments. **3**

ANSWER

More foreign tourists → larger inflow of foreign exchange, recorded as a credit in the current account (export of services) → foreign exchange reserves rise and the BoP position improves.

1. The campaign attracts more foreign tourists, who spend foreign currency on hotels, travel and shopping in India.
2. Spending by foreign tourists is an export of services; the inflow is recorded on the credit side of the current account of the BoP.
3. The supply of foreign exchange rises, adding to India's foreign exchange reserves.
4. Higher current account receipts reduce the current account deficit, improving the overall BoP position of the country.

13. Under the Ayushman Bharat scheme, the government gives free medical treatment to poorer sections. Identify and explain the nature of the budget expenditure involved and the budget objective it serves. **4**

ANSWER

Revenue expenditure (creates no asset, reduces no liability); objective: redistribution of income (reducing inequality).

Nature of expenditure: revenue expenditure – spending that neither creates an asset nor reduces a liability of the government. Paying for medical treatment is a current service; no asset is created for the government.

Objective: redistribution of income.

• Free treatment lowers the medical expenses of poor families, leaving more disposable income in their hands.

• It is financed from taxes paid largely by the better-off.

• This narrows the gap between rich and poor – an equitable distribution of income.

14. In an economy, primary deposits are ₹500 and the Reserve Ratio is 25%. Estimate the total deposits created and the total lending by the banking system. **4**

ANSWER

Total deposits = ₹2,000; total lending (credit created) = ₹1,500.

Money multiplier = $\frac{1}{LRR} = \frac{1}{0.25} = 4$.

Total deposits = Primary deposits × multiplier = 500 × 4 = ₹2,000.

Total lending = Total deposits − Primary deposits = 2,000 − 500 = ₹1,500.

Check: reserves = 25% of 2,000 = 500 = primary deposit, so the process ends here.

15. In an economy, $C = 200 + 0.75Y$ (C = consumption expenditure, Y = national income) and investment expenditure is ₹4,000 crore. Calculate: **4**

(i) the equilibrium level of income;

(ii) total consumption expenditure at equilibrium.

ANSWER

(i) Y = ₹16,800 crore; (ii) C = ₹12,800 crore.

(i) At equilibrium, Y = C + I.

$Y = 200 + 0.75Y + 4{,}000$

$0.25Y = 4{,}200 \Rightarrow Y =$ ₹16,800 crore.

(ii) $C = 200 + 0.75 \times 16{,}800 = 200 + 12{,}600 =$ ₹12,800 crore.

Check: C + I = 12,800 + 4,000 = 16,800 = Y ✓.

OR

Explain the adjustment mechanism when ex-ante saving exceeds ex-ante investment.

ANSWER

Planned S > planned I means households plan to consume less than producers expected → unsold stock piles up → firms cut production → income falls until planned S = planned I.

1. Ex-ante S > ex-ante I means households plan to consume less than firms expected them to (AD < AS).
2. Firms are left with unsold goods – unplanned accumulation of inventories.
3. To bring inventories back to the desired level, producers reduce output and employment.
4. As output and income fall, saving also falls.
5. This continues until planned saving equals planned investment again – equilibrium is restored at a lower income.

16. The Union Food and Consumer Affairs Minister said the Centre has taken several proactive steps to control retail food prices while not hurting growth. Retail inflation rose to a three-month high of 5.55% in November 2023 due to costlier food, after peaking at 6.83% in August 2023. The government set up 140 new price-monitoring centres, banned exports of items like wheat, broken rice, non-basmati white rice and onions, and cut import duties on edible oils and pulses to increase domestic supply. **6**

(a) How many new price-monitoring centres were set up? (1)

(b) State any two proactive steps taken to raise domestic supply and lower prices. (2)

(c) Explain any one monetary measure for controlling inflation. (3)

ANSWER

(a) 140. (b) Ban on export of food items (wheat, rice, onions); lower import duty on edible oils and pulses. (c) e.g. raising the repo rate makes credit costlier, reduces borrowing and AD, and controls inflation.

(a) 140 new price-monitoring centres.

(b) (1) Banning exports of wheat, broken rice, non-basmati white rice, onions etc. keeps more supply at home. (2) Reducing import duties on edible oils and pulses makes imports cheaper and increases supply.

(c) Increase in repo rate (rate at which the RBI lends to commercial banks):

• Borrowing from the RBI becomes costlier for banks.

• Banks raise their lending rates; loans become expensive.

• The public borrows less for consumption and investment → aggregate demand falls → price rise is checked.

(Other valid measures: raising bank rate/CRR/SLR, selling government securities in open market operations.)

17. (a) Explain any two precautions to be taken while estimating National Income by the Expenditure Method. **6**

ANSWER

Do not include (1) expenditure on intermediate goods and (2) expenditure on second-hand goods (also: transfer payments, purchase of shares/bonds).

1. Exclude intermediate expenditure: only final expenditure (consumption and investment) is counted. Including the purchase of raw materials etc. would count the same value twice – double counting.
2. Exclude purchase of second-hand goods: they were already counted in the year they were produced. Buying them now is only a change of ownership, not a new flow of goods and services. (Any commission paid to a dealer is included, as it is a current service.)

Other valid precautions: exclude transfer payments (old-age pension, scholarship) as nothing is produced in return; exclude purchase of financial assets (shares, bonds) as they are only paper claims; include imputed value of own-account production.

(b) 'A higher Gross Domestic Product (GDP) always means more goods available per person.' Defend or refute this statement, taking GDP as an index of people's welfare.

ANSWER

Refuted – a rise in GDP may be concentrated in a few hands (unequal distribution), so per capita availability and welfare of most people may not rise.

The statement is refuted.

1. GDP is a measure of total output; it does not show how that output is distributed.
2. If the increase in GDP goes mainly to a few rich people, the income of most others may stay the same or even fall – per capita availability for them does not rise.
3. Also, if population grows faster than GDP, per capita availability can fall.
4. Hence a higher GDP does not always mean higher welfare for all. (Other limitations: non-monetary exchanges and externalities such as pollution.)

OR

(i) Distinguish between stock and flow variables, with suitable examples. (3)
(ii) Explain the components of 'Profit' under the Income Method of estimating National Income (NNP_FC). (3)

ANSWER

(i) Stock: measured at a point of time (e.g. national wealth, capital); Flow: measured over a period (e.g. national income, investment). (ii) Profit = Corporate tax + Dividend + Undistributed profit (retained earnings).

(i) Stock variable: measured at a particular point of time; has no time dimension. Examples: national wealth, stock of capital, money supply, bank balance on 31 March.

Flow variable: measured over a period of time; has a time dimension. Examples: national income, investment, depreciation during a year.

(ii) Profit, the reward of the entrepreneur, is divided into:

1. Corporate (profit) tax – tax paid by companies to the government on their profits.
2. Dividend – part of profit distributed among shareholders.

> 3. Undistributed profit (retained earnings) – part kept by the firm for future use/expansion, not distributed to anyone.

SECTION B

Indian Economic Development. Q18–27 carry 1 mark each; Q28–29 carry 3 marks; Q30–32 carry 4 marks; Q33–34 carry 6 marks.

18. The Great Leap Forward in China mainly focused on the _____ sector. (Fill in the blank) **1**

(A) Tax
(B) Industrial
(C) Financial
(D) Educational

ANSWER
(B) Industrial

The Great Leap Forward (1958) aimed at rapid, large-scale industrialisation of China – people were even encouraged to set up industries in their backyards. So its focus was the industrial sector.

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19. A picture shows a large industrial city with many chimneys pouring thick smoke into the sky and a polluted, murky river running through a degraded landscape. Identify the present-day phenomenon in which demand for resources is greater than their supply. **1**

(A) Economic growth
(B) Environmental crisis
(C) Technological advancement
(D) Cultural evolution

ANSWER
(B) Environmental crisis

When the demand for environmental resources and services (raw materials, waste absorption) exceeds the rate at which the environment can regenerate or absorb them, the carrying capacity is crossed. Pollution, smoke and dirty rivers are the signs – this is the environmental crisis of today.

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20. Consider the two statements below. **1**
Statement 1: Hired workers can be either regular salaried workers or casual workers.
Statement 2: Regular salaried employment is a major source of employment in rural India.
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.

ANSWER
(A) Statement 1 true, Statement 2 false.

Statement 1: workers are self-employed or hired; hired workers are either casual wage labourers or regular salaried employees. True.
Statement 2: in rural India, self-employment (mainly farming) is the largest source of jobs; regular salaried jobs are a small share and are more common in urban areas. False. Answer (A).

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21. Choose the correct pair from Column I and Column II. **1**

Column I: (i) Subsidies (ii) Land ceiling (iii) Small Scale Industries (iv) Modernisation as a goal of five year plans

Column II: (a) Maximum quantity of goods that can be imported (b) Element of IPR 1956 (c) Land to the tiller (d) Change in social outlook

(A) (i) – (a)

(B) (ii) – (b)

(C) (iii) – (c)

(D) (iv) – (d)

ANSWER

(D) (iv) – (d)

Modernisation as a plan goal meant adopting new technology AND a change in social outlook (e.g. recognising equal rights of women) → (iv)–(d) correct.

Others: maximum quantity of imports is a quota, not a subsidy; land ceiling means a maximum limit on land owned (land to the tiller is the abolition of intermediaries); SSIs are not linked with 'land to the tiller' and IPR 1956 is not about land ceiling.

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22. 'Short-term unemployment that occurs while people move from one job to another.' Which type of unemployment is this? **1**

(A) Disguised Unemployment

(B) Seasonal Unemployment

(C) Open Unemployment

(D) Frictional Unemployment

ANSWER

(D) Frictional Unemployment

Frictional unemployment is temporary unemployment while workers search for or shift between jobs. Disguised: more workers than needed (zero marginal product). Seasonal: no work in certain seasons (farm off-season). Open: willing and able but no job at all.

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23. Assertion (A): Before its economic reforms, China's public investment in social infrastructure led to better Human Development Indicators (HDI). **1**

Reason (R): China is ahead of India and Pakistan on many Human Development Indicators.

(A) Both A and R are true and R is the correct explanation of A.

(B) Both A and R are true, but R is not the correct explanation of A.

(C) A is true, but R is false.

(D) A is false, but R is true.

ANSWER

(B) Both true; R does not explain A.

A is true: pre-reform China invested heavily in education, health, land reforms and decentralised planning, which improved human development indicators.

R is true: China leads India and Pakistan in life expectancy, literacy, lower infant mortality, etc.

But R is a statement of a comparison today; it does not explain WHY pre-reform public investment improved HDI. Answer (B).

24. A cartoon shows a hand marked 'GOVT.' using a long rod to hold back a car marked 'IMPORTS', while a car marked 'EXPORTS' (domestic) moves ahead on the road. Identify the trade practice that has replaced foreign goods with domestic production. **1**

(A) Export Promotion

(B) Export Substitution

(C) Import Proliferation

(D) Import Substitution

ANSWER

(D) Import Substitution

The government is blocking imports so that domestic production can take their place. Replacing imported goods by goods produced at home is import substitution – India's inward-looking trade strategy (1950–1990), enforced through tariffs and quotas.

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25. Match the terms in Column I with the meanings in Column II and choose the correct pair. **1**

Column I: (a) Human Development Indicator (b) Demographic Indicator (c) Special Economic Zone (d) Commune System

Column II: (i) Rule of law (ii) Constitutional protection (iii) Generation of additional economic activities (iv) Collective industrialisation

(A) (a) – (i)

(B) (b) – (ii)

(C) (c) – (iii)

(D) (d) – (iv)

ANSWER

(C) (c) – (iii)

Special Economic Zones were set up (in China, and later India) to attract foreign investment and generate additional economic activity – (c)–(iii) is correct.

Others: HDI measures life expectancy, education, income (not rule of law); demographic indicators are population, growth rate, sex ratio, etc.; the Commune system was collective farming (cultivation of land collectively), not collective industrialisation.

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26. Assertion (A): Human capital formation raises the participation of the population in economic activity and leads to economic growth. **1**
Reason (R): The participation rate is the percentage of people engaged in a country's production process.

(A) Both A and R are true and R is the correct explanation of A.

(B) Both A and R are true, but R is not the correct explanation of A.

(C) A is true, but R is false.

(D) A is false, but R is true.

ANSWER
(B) Both true; R does not explain A.

A is true: an educated, healthy and skilled population is more employable, so more people take part in production, which raises output and growth.
R is true: it simply defines the participation rate.
A definition does not explain why human capital raises participation and growth, so R is not the correct explanation. Answer (B).

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27. India is NOT a member of which of these regional/global economic groupings? **1**

(A) BRICS

(B) SAARC

(C) G-20

(D) G-7

ANSWER
(D) G-7

India is a member of BRICS (Brazil, Russia, India, China, South Africa + new members), SAARC (South Asian association) and G-20.
G-7 consists of USA, UK, France, Germany, Italy, Canada and Japan; India is only invited as a guest, not a member.

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28. 'Cooperatives have suffered a setback in recent times.' Justify this statement. **3**

ANSWER

Cooperative marketing helped farmers get fair prices, but now faces inadequate coverage of farmers, weak links between marketing and processing cooperatives, and poor financial management.

1. Cooperative marketing societies (e.g. milk cooperatives in Gujarat) helped farmers get fair prices by selling collectively and reducing middlemen.
2. Recently, they have faced setbacks:
• Inadequate coverage – many farmers are not members.
• Lack of proper linkage between marketing and processing cooperatives.
• Inefficient financial management, leading to losses.
Hence their role has weakened.

OR

Explain why rural areas have fewer regular salaried employees than urban areas.

ANSWER

Most rural workers are engaged in their own farms/allied activities (self-employment), and regular salaried jobs need skills and qualifications that the rural population often lacks.

1. Most of the rural workforce is engaged directly or indirectly in its own farm and allied activities, i.e. self-employment; rural people own land and cultivate it.
2. Regular salaried jobs (offices, factories, services) are mostly located in urban areas.
3. Such jobs require education, technical skills and qualifications, which are less accessible to rural people.
So the share of regular salaried employment is much lower in rural areas.

29. Trace the relationship between human capital and economic growth. **3**

ANSWER

They are positively related: investment in education, health and training raises productivity and output, spreads innovation and the ability to absorb new technology – raising growth (and growth in turn funds more human capital).

1. Human capital is the stock of knowledge, skill and health of a nation's people.
2. Investment in education, health and on-the-job training raises the efficiency and productivity of workers → more output → higher GDP.
3. Human capital encourages innovation and increases the capacity to adopt and use new technologies, which further boosts growth.
4. The relation works both ways: higher income allows more spending on education and health, building more human capital. Hence they are positively correlated.

30. (a) 'Bio-pesticides help reduce the harmful effects of the Green Revolution on soil and water while promoting sustainable development.' Justify this statement. (3) **4**
(b) Define absorptive capacity. (1)

ANSWER

(a) Green Revolution's heavy use of chemical pesticides contaminated soil, water bodies and groundwater; bio-pesticides (e.g. neem-based) and natural predators control pests without such damage – eco-friendly, sustainable farming. (b) The ability of the environment to absorb degradation (waste/pollution).

(a) 1. The Green Revolution increased the use of chemical pesticides, which contaminated soil, water bodies and groundwater and harmed livestock and humans.

2. Bio-pesticides, made from plants like neem, are an eco-friendly alternative – they control pests without poisoning the soil and water.

3. Encouraging natural predators of pests (snakes, birds, owls, frogs) also controls pests and supports the ecosystem.

4. Thus farming continues without harming resources for the future – sustainable development.

(b) Absorptive capacity: the ability of the environment to absorb degradation (waste and pollution) without losing its quality.

31. Briefly describe why 'self-reliance' was chosen as a goal of planning for the Indian economy. **4**

ANSWER

To reduce dependence on foreign countries by using domestic resources (especially for food), and because dependence on imported food, foreign technology and foreign capital could increase foreign interference in India's policies.

1. Self-reliance meant avoiding imports of goods that could be produced within the country, especially food.
2. It was necessary to reduce dependence on foreign nations, so the stress was on mobilising domestic resources.
3. The newly independent nation feared that depending on imported food, foreign technology and foreign capital would make India's sovereignty vulnerable to foreign interference in its policies.
4. Self-reliance was also expected to build domestic industry and save foreign exchange.

OR

Explain how the Goods and Services Tax (GST) has simplified the multiplicity of taxes on goods and services.

ANSWER

GST is one comprehensive indirect tax levied on value added at each stage; it replaced many central and state indirect taxes, giving uniformity, no cascading, lower burden and easier business.

1. GST (from July 2017) is a single, comprehensive indirect tax on goods and services.
2. It is levied on the value added at each stage of the supply chain; tax paid on inputs is credited, so tax is not charged on tax (no cascading).
3. It replaced a large number of indirect taxes such as central excise, service tax, VAT, octroi and entry tax.
4. Result: uniform tax across the country (one nation, one tax), lower overall tax burden, and greater ease of doing business – a common national market.

32. Describe the path of development initiatives Pakistan followed for its economic development. **4**

ANSWER

Mixed economy with public and private sectors; regulated import-substitution industrialisation; Green Revolution and mechanisation of farming; more public investment in infrastructure; nationalisation of capital goods industries in the 1970s; later privatisation and reforms (1988).

1. Pakistan adopted a mixed economy, with public and private sectors co-existing.
2. In the late 1950s, a regulated policy framework was used for import-substitution-based industrialisation, with tariff protection to consumer goods industries.
3. The Green Revolution (1960s) led to mechanisation of agriculture and more public investment in infrastructure, which changed the agrarian structure greatly.
4. In the 1970s, capital goods industries were nationalised.
5. From the late 1970s–80s policy shifted: denationalisation and encouragement of the private sector; economic reforms began in 1988.

33. (a) True or false? Give reasons: 'India followed unbalanced growth during colonial rule.' **6**

ANSWER

True – the economy stayed agrarian, there was hardly any capital goods industry, and the small new industrial sector contributed very little to GDP.

True.

• Under British rule the Indian economy remained basically agrarian – about 85% of people lived in villages and depended on agriculture.

• Traditional handicrafts declined and there was hardly any capital goods industry.

• The growth rate of the newly set-up industrial sector and its share in GDP remained very small. So growth was lopsided (unbalanced).

(b) True or false? Give reasons: 'Economic policies in India between 1950 and 1990 tried to promote regional equality.'

ANSWER

True – industrial licences were given more easily for backward areas, and such units got concessions like tax benefits and cheaper electricity.

True.

• Under the industrial licensing policy, getting a licence to set up a unit in an economically backward region was made easier.

• Units in backward areas received concessions such as tax benefits and electricity at lower tariffs.

• The aim was to spread industry across regions and reduce regional disparity.

(c) True or false? Give reasons: 'After 1991, India has become a favourable destination for outsourcing.'

ANSWER

True – skilled, English-speaking manpower at relatively low wages and cheap telecom/IT links made India a leading outsourcing hub for MNCs.

True.

• Liberalisation and the IT/telecom revolution allowed foreign firms to outsource services (call centres, software, accounting, medical transcription) to India.

• India has a large pool of skilled, educated, English-speaking workers available at relatively low cost.

• So multinational corporations (MNCs) outsource many services to India, making it a leading outsourcing hub.

OR

(a) Distinguish between:
(1) tariff and non-tariff barriers;
(2) bilateral and multilateral trade.

ANSWER

(1) Tariffs = import restrictions via taxes; non-tariff barriers = restrictions other than taxes (quotas, quality standards). (2) Bilateral = trade between two countries; multilateral = trade

with more than two countries.

(1) Tariff barriers: taxes/duties levied on imports, which make imported goods costlier.
Non-tariff barriers: restrictions other than taxes – mainly quotas (limits on quantity) and quality/technical standards.
(2) Bilateral trade: exchange of goods and services between two countries under an agreement between them.
Multilateral trade: a country trades with more than two nations on common terms (e.g. under WTO).

(b) 'Small-scale industries need protection from large-scale industries.' In this context, explain the steps taken by the government.

ANSWER

Production of many items was reserved for SSIs, and they were given concessions like lower excise duty and bank loans at lower interest rates.

SSIs are labour-intensive and generate employment, but they cannot compete with large firms. So the government:
1. Reserved the production of a number of products for the small-scale sector only (based on their ability to make them) – large firms could not produce them.
2. Gave concessions such as lower excise duty and bank loans at lower interest rates.
(The criterion of an SSI was defined in terms of maximum investment in assets, first ₹5 lakh in 1950.)

34. Agro-startups and rural enterprises are becoming important for India's rural development. They bring technology such as precision farming, IT-based monitoring and data-driven tools that raise productivity and resource efficiency. By streamlining supply chains and linking farmers directly with markets, they get farmers better prices and reduce reliance on middlemen, and they create rural jobs. The government supports agri-startups and entrepreneurs through schemes such as RKVY-RAFTAAR, the Agri-Infrastructure Fund and Agri-SURE. **6**

(a) Explain how agro-startups address the critical challenges of the agricultural sector. (4)

(b) Comment on the government's role in supporting agro-startups and entrepreneurs. (2)

ANSWER

(a) Technology (precision farming, IT monitoring, data tools) raises productivity; streamlined supply chains and direct market links give better prices and cut middlemen; they also create rural jobs. (b) Continuous policy and financial support via RKVY-RAFTAAR, Agri-Infrastructure Fund and Agri-SURE.

(a) 1. Low productivity: precision farming, IT-based monitoring and data-driven decision tools raise yields and use water, fertiliser and other resources efficiently.

2. Poor marketing and low prices: by streamlining supply chains and creating direct market linkages, startups get farmers better prices and reduce dependence on traditional intermediaries.

3. Rural unemployment: these enterprises generate jobs in rural areas, supporting diversification away from pure farming.

(b) The government gives continuous policy and financial support to agri-startups and entrepreneurs through programmes such as RKVY-RAFTAAR, the Agri-Infrastructure Fund and Agri-SURE (funding, incubation, infrastructure). This lowers risk for new ventures and encourages innovation in agriculture.

— END —

Questions restated from the CBSE Class XII Board Examination 2025 (set 58/1/1) for practice. Reading passages and map items are described, not reproduced.