Roll No. ☐☐☐☐☐☐☐☐

Q.P. Code 58/1/1

ECONOMICS

CBSE Class XII Board Examination 2026 — with answers

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

General Instructions:

1. The paper has 34 questions in two sections; all questions are compulsory.
2. Section A is Macro Economics and Section B is 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 (60–80 words) and 6 short answer (Type II) questions of 4 marks each (80–100 words).
5. There are 4 long answer questions of 6 marks each (100–150 words).
6. Answer all parts of a question together. There is no overall choice, but some questions have an internal choice; attempt only one of the choices.

SECTION A

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

1. In a simple two-sector economy, factor payments (rent, wages, interest, profit) flow from _____ to _____. **1**

(A) firms, households

(B) firms, government

(C) banks, households

(D) households, firms

ANSWER

(A) firms, households

In the two-sector circular flow, households own the factors of production and sell factor services to firms.

Firms pay for these services as rent, wages, interest and profit – so factor payments flow from firms to households.

The opposite flow (households → firms) is of factor services (real flow) and of consumption spending (money flow).

Common mistake: choosing (D) by confusing factor payments with consumption expenditure.

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2. Assertion (A): Money is perishable in nature and is generally accepted by everyone at any point of time. **1**

Reason (R): As a store of value, money lets people carry purchasing power from the present into the future.

(A) Both A and R are true, and R correctly explains A.

(B) Both A and R are true, but R does not correctly explain A.

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

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

ANSWER

(D) A is false, R is true

Money is NON-perishable – it does not lose value physically over time; that is exactly why it can act as a store of value. So the Assertion (which calls it perishable) is false.

The Reason is true: the store-of-value function allows a person to save purchasing power today and use it later.

Hence A is false and R is true.

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

Statement 1: Depreciation of a currency is an action taken by the government of a country under the fixed exchange rate system.

Statement 2: Under a floating exchange rate system, the authorities actively intervene in the foreign exchange market by keeping foreign exchange reserves.

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

(D) Both statements are false

Statement 1: A fall in the value of domestic currency brought about by the government under a fixed exchange rate system is called DEVALUATION. Depreciation is a fall caused by market forces of demand and supply under a flexible (floating) system. So Statement 1 is false.

Statement 2: Under a purely floating system the exchange rate is set by the market; the central bank does not intervene (intervention happens under fixed or managed floating systems). So Statement 2 is false.

Common mistake: using 'devaluation' and 'depreciation' as synonyms.

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4. When _____ falls short of the level needed to buy the output produced at full employment, the shortfall is called a deflationary gap. Choose the correct option to fill the blank. **1**

(A) ex-ante Aggregate Demand

(B) ex-post Aggregate Demand

(C) ex-ante Aggregate Supply

(D) ex-post Aggregate Supply

ANSWER

(A) ex-ante Aggregate Demand

A deflationary gap is the amount by which planned (ex-ante) aggregate demand is less than aggregate supply at the full-employment level of output.

It is a gap in PLANNED demand – ex-post (actual) values are always equal at equilibrium, so they cannot show a gap.

It leads to deficient demand, falling output and unemployment.

5. Leaving out which of the following may make the estimated GDP of an economy lower than its true value? **1**

(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)

ANSWER

(A) (i) and (ii)

Barter exchanges and unpaid services of family members (e.g. a homemaker's work) are genuine productive activities, but since no money changes hands they are generally not recorded. Leaving them out underestimates GDP.

Illegal activities are not part of GDP by definition (they are not treated as productive activities), so excluding them is not an underestimation.

Depreciation is subtracted to go from GDP to NDP; it is not a missing production item in GDP.

Hence (i) and (ii).

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6. Which of the following holds at the break-even level of income? **1**

(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)

ANSWER

(D) APC = 1

Break-even point: the income level at which consumption equals income (C = Y), so saving is zero.

APC = C/Y = 1 and APS = S/Y = 0 at this point.

(A), (B) and (C) are not true in general – the slopes are MPC and MPS, which add up to 1, not equal to each other or to 1.

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7. Consider the two statements: **1**

Statement 1: Final goods are goods that usually lose their identity in the production process.

Statement 2: A final good may be transformed during consumption by the 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.

ANSWER

(B) Statement 1 false, Statement 2 true

Goods that lose their identity in production (used up as inputs) are intermediate goods, not final goods – Statement 1 is false.

A final good has crossed the production boundary; the consumer may still transform it (e.g. cooking vegetables at home), but that transformation is non-economic – Statement 2 is true.

8. Assertion (A): Unilateral transfers are entered in the Current Account of a nation's Balance of Payments (BoP). **1**

Reason (R): The Capital Account records transactions that change the assets or liabilities of the country.

(A) Both A and R are true, and R correctly explains A.

(B) Both A and R are true, but R does not correctly explain A.

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

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

ANSWER

(B) Both true, R not the explanation

A is true: one-way receipts/payments such as gifts and remittances do not create any claim, so they go in the Current Account (along with trade in goods and services).

R is also true: borrowings, lending and investments change assets/liabilities, so they are capital-account items.

But R describes the Capital Account and does not explain why transfers are in the Current Account – so (B).

9. In India's banking system, the Statutory Liquidity Ratio (SLR) helps control the credit-creating capacity of commercial banks because it _____. **1**

(A) makes banks convert all their deposits into liquid assets

(B) requires banks to keep a certain percentage of their deposits as liquid assets

(C) fixes the maximum interest rate banks may charge on loans

(D) stops banks from lending beyond a fixed share of their total reserves

ANSWER

(B) banks must hold a percentage of deposits as liquid assets

SLR = the minimum percentage of net demand and time liabilities that a bank must keep with itself in liquid form (cash, gold, approved government securities).
A higher SLR leaves less of the deposits for lending, so credit creation falls; a lower SLR does the opposite.
It does not require ALL deposits to be liquid, and it does not fix interest rates.

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10. In an economy, currency held by the public = ₹1,42,000 crore, net demand deposits with commercial banks = ₹22,000 crore and net time deposits with commercial banks = ₹86,000 crore. Money supply M1 = ₹ _____ crore. **1**

(A) 2,50,000

(B) 86,000

(C) 1,64,000

(D) 1,42,000

ANSWER

(C) ₹1,64,000 crore

$M_1 = C + DD + OD$ (currency with the public + net demand deposits + other deposits with RBI; OD not given, so 0).
$M_1 = 1{,}42{,}000 + 22{,}000 = 1{,}64{,}000$ crore.
Common mistake: adding time deposits – they belong to M3, which here would be 2,50,000 (option A).

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11. Two classmates, Meera and Shahid, are comparing India's growth over the years. Meera looks at the rise in GDP measured at current market prices, while Shahid wants GDP adjusted for inflation. They cannot agree on which one better reflects people's well-being. **3**

Which of the two measures is the better indicator of welfare, and why? Give a valid reason.

ANSWER

Real GDP (GDP at constant prices, i.e. adjusted for inflation) is the better indicator of welfare.

1. Shahid's measure – GDP after adjusting for inflation (Real GDP, at constant/base-year prices) – is the better index of welfare.
2. Real GDP changes only when the physical output of goods and services changes; the effect of price changes is removed. So a rise in real GDP means more goods and services are actually available to people.
3. Nominal GDP (Meera's measure, at current prices) can rise just because prices rise, even if output stays the same or falls – it can give a misleading picture of well-being.

Example: if prices double and output is unchanged, nominal GDP doubles but real GDP – and people's welfare – does not change.

OR

Ravi says the money received from selling an old car should be counted in India's national income; Harry disagrees. They also disagree about the brokerage paid to the car dealer on this sale.

As their Economics teacher, state the correct treatment of both items with reasons.

ANSWER

Sale of the old car – not included (Harry is right); brokerage to the dealer – included.

1. Harry is correct about the car: the value of the car was already counted in national income in the year it was produced. Its resale is only a transfer of an existing good – no new goods or services are produced, so including it would be double counting.
2. Brokerage/commission paid to the dealer IS included: the dealer has provided a productive service (arranging the sale) in the current year, and the brokerage is the payment for that service.

Key idea: only the current year's production of goods and services enters national income.

12. Under Sections 20 and 21 of the RBI Act, 1934, the Reserve Bank of India is required to carry out the banking business of the Government of India. **3**

Explain this function of the RBI.

ANSWER

The RBI acts as banker (and adviser/agent) to the government.

Function: Banker to the Government.

1. The RBI keeps the accounts of the central (and state) governments – it receives their deposits and makes payments on their behalf.
2. It carries out exchange, remittance and other banking operations for the government (e.g. transferring funds, managing public debt, issuing government loans).
3. When the government needs funds, especially during a crisis, the RBI provides short-term credit (ways and means advances) so the government can meet its obligations smoothly.

It also advises the government on monetary and financial matters.

13. A hypothetical economy has only two firms, X and Y, whose Gross Value Added (GVA) is equal. Using the data below, find the domestic sales of firm X and of firm Y. **4**

S. No.	Item	₹ crore
(i)	Value of output of firm Y	700
(ii)	Purchases by firm X from firm Y	200
(iii)	Exports by firm X	100
(iv)	Purchases by firm Y from firm X	150
(v)	Addition to stock of firm X	50

ANSWER

Domestic sales: firm Y = ₹700 crore, firm X = ₹600 crore

Step 1 – GVA of Y = Value of output of Y − intermediate purchases of Y (from X)
$= 700 - 150 = ₹550$ crore.
Step 2 – Y has no exports or stock change, so domestic sales of Y = value of output of Y = GVA + intermediate cost $= 550 + 150 = ₹700$ crore.
Step 3 – GVA of X = GVA of Y = ₹550 crore.
Value of output of X = GVA + purchases from Y $= 550 + 200 = ₹750$ crore.
Step 4 – Output = Domestic sales + Exports + Change in stock, so
Domestic sales of X $= 750 - 100 - 50 = ₹600$ crore.
Common mistake: forgetting to subtract exports and addition to stock when going from output to domestic sales.

OR

Ms. Reeta D'Costa retired as an Income Tax Commissioner in 2023. Besides her pension she gets: rent from a flat she owns, interest on her fixed deposits, and money sent by her children who live abroad.

Classify her incomes into 'factor income' and 'transfer income', giving reasons.

ANSWER

Factor income: pension, rent, interest. Transfer income: money sent by her children.

Factor incomes (earned in return for a factor service):
• Rent from her flat – payment for the service of land/building.
• Interest on fixed deposits – payment for the service of capital.
• Pension – a deferred payment for the services she rendered while employed (part of compensation of employees).
Transfer income:
• Money sent by her children abroad – received without giving any productive service in return (a gift/remittance).
Reasons: factor income is earned by factors of production for their productive services; transfer income is a one-sided receipt with no service rendered in return.

14. Michel, a businessman of Country Zeta, borrows $5 million from a foreign bank to expand his textile business. In the same year, the Government of Zeta takes a $30 billion loan from an international financial institution to deal with its Balance of Payments situation. A student, Samuel, calls both of these 'autonomous transactions'.
Do you agree? Justify with reasons. **4**

ANSWER

No. Michel's loan is autonomous; the government's loan to manage the BoP is an accommodating transaction.

1. Michel's borrowing – autonomous transaction: it is made for an economic motive (profit from expanding his business) and is independent of the BoP position of the country. Autonomous transactions are 'above the line' items.
2. Government's $30 billion loan – accommodating transaction: it is undertaken by the authorities specifically to cover the deficit/surplus in the BoP, not for profit. Such transactions are 'below the line' and are determined by the net result of autonomous transactions.

So Samuel's classification is only half right – the government loan is accommodating.

15. An image shows a balance (weighing scale): on one side, arrows pointing up are labelled 'General Price Level'; on the other side, arrows pointing down are labelled 'Value of Money'. (A rising price level with falling value of money.)
Identify the macroeconomic problem shown and explain any two measures the Central Bank can take to control it. **4**

ANSWER

Problem: inflation (excess demand). Measures: raise the repo rate; sell government securities through open market operations (also raise CRR/SLR etc.).

The picture shows rising general prices and a falling value (purchasing power) of money – i.e. inflation, caused by excess demand.

Measure 1 – Increase the Repo Rate: commercial banks borrow from the RBI at a higher cost, so they raise their lending rates. Credit becomes dearer, borrowing for consumption and investment falls, aggregate demand falls and prices are controlled.

Measure 2 – Open Market Operations (sale of securities): the Central Bank sells government securities in the open market. Buyers pay from their bank deposits, so banks' reserves and lending capacity fall, money supply and aggregate demand fall, and inflation is checked.

(Other valid measures: raising CRR/SLR, raising bank rate, raising margin requirements.)

For deficient demand the Central Bank does the opposite: cut the repo rate and buy securities, so credit becomes cheaper and aggregate demand rises.

16. The income of an economy rises from ₹20,000 crore to ₹50,000 crore, and its savings rise from ₹2,000 crore to ₹10,000 crore. **6**

(i) Calculate APC and APS before and after the rise in income. (4)

(ii) What do you conclude about the behaviour of APC as income increases? (2)

ANSWER

Before: APC = 0.9, APS = 0.1; After: APC = 0.8, APS = 0.2. APC falls as income rises.

(i) Consumption C = Y − S.

Y (₹ cr)	S (₹ cr)	C = Y − S	APC = C/Y	APS = S/Y
20,000	2,000	18,000	0.9	0.1
50,000	10,000	40,000	0.8	0.2

Before: $APC = \frac{18000}{20000} = 0.9$, $APS = \frac{2000}{20000} = 0.1$.
After: $APC = \frac{40000}{50000} = 0.8$, $APS = \frac{10000}{50000} = 0.2$.
Check: APC + APS = 1 in both cases.

(ii) As income rises from ₹20,000 crore to ₹50,000 crore, APC falls from 0.9 to 0.8 (and APS rises). So APC has an inverse relationship with income: people consume a smaller proportion of their income as income rises.

OR

A study of spending habits in a hypothetical economy found that even households with zero income still consumed basic necessities. As incomes rose, consumption also rose, but by less than the rise in income.

(i) Identify and explain the type of consumption described in the first observation. (3)

(ii) Explain why the Aggregate Demand curve slopes upward. (3)

ANSWER

(i) Autonomous consumption. (ii) AD = C + I; with I autonomous, C rises with income, so AD rises with income – positive slope.

(i) Consumption at zero income is Autonomous Consumption ($\bar{C}$).

• It does not depend on the level of income.

• It is the minimum consumption needed for survival, financed out of past savings or borrowing.

• In $C = \bar{C} + bY$ it is the intercept; the consumption curve starts above the origin.

(ii) Aggregate Demand AD = C + I (two-sector economy).

• Investment is assumed autonomous (constant at every income level).

• Consumption increases as income increases (MPC between 0 and 1).

• So as income rises, AD = C + I rises – AD has a direct relationship with income, and the AD curve slopes upward. Its slope equals MPC (less than 1), so it is flatter than the 45° line, and it starts from $\bar{C} + \bar{I}$ on the vertical axis.

17. According to the Economic Survey 2024-25, the budget projects that in 2025-26 gross direct tax revenue (income tax, corporate tax) will grow by 12.7% and gross indirect tax collections (GST, customs and other transaction-based levies) by 8.3% over 2024-25. Faster direct-tax growth is expected from better compliance and reforms; indirect taxes are expected to gain from consumption trends and better GST administration. The overall aim is to raise resources while supporting fiscal consolidation and sustainable growth. **6**

(i) Distinguish between the two types of taxes mentioned, with suitable examples. (4)

(ii) Explain the likely consequences of these tax projections. (2)

ANSWER

(i) Direct tax – impact and incidence on the same person, cannot be shifted (income tax); indirect tax – impact and incidence on different persons, can be shifted (GST). (ii) Stronger revenue base, help in fiscal consolidation and sustainable growth.

(i) Direct taxes vs indirect taxes:

• Direct tax: the person on whom it is imposed (impact) also bears its burden (incidence); the burden cannot be shifted to others. Examples: income tax, corporation tax.

• Indirect tax: it is imposed on one person (e.g. the seller) but its burden can be shifted to another (the buyer) through higher prices; impact and incidence fall on different persons. Examples: GST, customs duty.

(ii) Likely consequences:

• Higher tax collections will widen and strengthen the government's revenue receipts.

• More own revenue means less borrowing is needed – the fiscal deficit can be reduced (fiscal consolidation).

• Resources raised can be spent on infrastructure and welfare, supporting sustainable economic growth; a larger share of direct taxes also makes the system more progressive.

SECTION B

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

18. Consider the two statements: **1**

Statement 1: Under British rule, India's export surplus was used to pay for imports of invisible items from Britain.

Statement 2: Indians bore the expenses of an office set up in Britain by the colonial government.

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

India had a large export surplus under colonial rule, but it did not bring gold or silver into India. It was used to pay for the office/establishment set up by the colonial government in Britain (the 'Home charges'), for war expenses and for imports of invisible items (services such as shipping, banking, insurance). This was a drain of India's wealth.

So both statements are true.

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19. Assertion (A): Education helps people absorb knowledge and skills; it also builds inventive ability and the capacity to adopt advanced technology. **1**

Reason (R): Education plays a key role in changing the way people think and acts as a catalyst for a nation's economic progress.

(A) Both A and R are true, and R correctly explains A.

(B) Both A and R are true, but R does not correctly explain A.

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

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

ANSWER

(B) Both true, R not the explanation

Both statements are correct descriptions of the role of education in human capital formation. A describes what education does for an individual (knowledge, innovation, ability to absorb technology); R describes its wider role in changing outlook and promoting national growth. R is a separate (broader) truth – it does not explain why education builds skills and inventiveness. Hence (B).

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20. In recent years the Government of India has taken several steps to increase public participation in the capital market, in both primary and secondary stock markets. These reforms belong to which sector? **1**

(A) Industrial

(B) Financial

(C) Taxation

(D) Foreign Trade

ANSWER

(B) Financial sector

The capital (stock) market – primary issues and secondary trading – is part of the financial sector, along with banks, NBFCs, insurance and mutual funds.
Financial sector reforms since 1991 aimed at widening and deepening these markets, so these measures are financial sector reforms.

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21. The Montreal Protocol, signed in 1987, commits countries to _____. **1**

(A) protect biodiversity from further losses

(B) reduce the impact of global warming

(C) protect the ozone layer from depletion caused by chlorofluorocarbons

(D) reduce the impact of deforestation

ANSWER

(C) protect the ozone layer from CFC damage

The Montreal Protocol (1987) is an international agreement to phase out ozone-depleting substances such as chlorofluorocarbons (CFCs) and halons, in order to protect the ozone layer.
Common mistake: confusing it with the Kyoto Protocol, which deals with greenhouse gases and global warming.

22. Assertion (A): Rural development covers a much wider range of activities than just agricultural progress. **1**

Reason (R): Government intervention in agriculture remains essential because agriculture is the main source of livelihood for the rural population.

(A) Both A and R are true, and R correctly explains A.

(B) Both A and R are true, but R does not correctly explain A.

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

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

ANSWER

(B) Both true, R not the explanation

A is true: rural development includes human resource development (literacy, health, sanitation), land reforms, infrastructure, credit, marketing, poverty alleviation etc. – not only agriculture.
R is true: agriculture is still the main source of livelihood in rural areas, so government support remains necessary.
But R talks about the importance of agriculture and does not explain why rural development is wider than agriculture. Hence (B).

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23. Which of the following points to a highly relevant concern in the changing employment trends of India's labour market? **1**

(A) Steady rise in the share of regular salaried employees

(B) Rise in the proportion of casually employed workers

(C) Growth of self-employment opportunities in all regions

(D) Big increase in job opportunities in the formal sector

ANSWER

(B) Increasing casualisation of the workforce

A key concern in Indian employment trends is casualisation – a growing share of workers working as casual wage labourers, without job security or social security benefits.
The other options describe favourable changes, not problems (and a large rise in formal-sector jobs has not actually happened; informalisation has increased).

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24. Match Column I with Column II: **1**

Column I: (i) Seasonal unemployment (ii) Self-employed (iii) Unorganised sector (iv) Disguised unemployment

Column II: (a) Private enterprises hiring fewer than 10 workers (b) Workers using their own resources to earn a living (c) Unemployment occurring during a particular 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)

ANSWER

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

Seasonal unemployment – work is not available in certain seasons (e.g. off-season in agriculture) → (c).
Self-employed – own and run an enterprise using their own resources → (b).
Unorganised (informal) sector – private enterprises with fewer than 10 hired workers → (a).
Disguised unemployment – extra workers whose removal does not reduce output, i.e. marginal productivity is zero → (d).

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25. The definition 'Sustainable development is development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs' was given by _____. **1**

(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

ANSWER

(A) United Nations Conference on Environment and Development (UNCED)

NCERT attributes this definition of sustainable development to the United Nations Conference on Environment and Development (UNCED). (The wording comes from the Brundtland Commission report 'Our Common Future', 1987.)
Watch the exact names – 'Conference' vs 'Committee' is the trap in the options.

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26. Assertion (A): The Government of India used regulation of markets as a measure to improve the marketing conditions of agricultural produce. **1**

Reason (R): Market regulation brought transparent pricing and fair trade practices, and protected farmers from exploitation in agricultural marketing.

(A) Both A and R are true, and R correctly explains A.

(B) Both A and R are true, but R does not correctly explain A.

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

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

ANSWER

(A) Both true, R explains A

Regulation of markets (regulated mandis) was the first government step to improve agricultural marketing – A is true.

The purpose and result of this regulation was orderly and transparent marketing, fair prices and protection of farmers from traders/middlemen – which is exactly why it was adopted. So R is true and explains A.

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27. Put these events in China's economic history in chronological order: **1**

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

ANSWER

(B) IV, II, I, III

First Five Year Plan – 1953 (IV)

Great Leap Forward – 1958 (II)

Great Proletarian Cultural Revolution – 1966-76 (I)

Economic reforms – 1978 (III)

Order: IV, II, I, III.

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28. "A job in the formal sector ensures better income and social security benefits than a job in the informal sector." **3**

Defend or refute this statement with a valid reason and an example.

ANSWER

Defended – formal-sector workers get regular income and social security; informal workers do not.

The statement is defended.

1. Formal-sector workers (public sector and private establishments with 10 or more hired workers) get regular salaries, protection under labour laws and social security benefits such as provident fund, pension, gratuity, paid leave and health benefits. They can form trade unions.
2. Informal-sector workers have no regular income, no social security and no job protection – they can be dismissed without compensation.

Example: a government school teacher gets a fixed monthly salary, PF and pension, whereas a daily-wage construction labourer gets paid only for the days he works and has no such benefits.

OR

In the 'Mann ki Baat' broadcast of 29 June 2025, the Prime Minister said that the WHO has declared India free of trachoma (an eye disease), crediting sustained efforts in health care, sanitation, awareness and access to medical care.

Explain, with valid arguments, how investment in health care contributes to a nation's development.

ANSWER

Health investment creates a healthier, more productive workforce – raising human capital, output and development.

1. A healthy person can work more efficiently and for longer hours than a sick person – labour productivity rises.
2. Better health increases life expectancy and gives an uninterrupted supply of labour over a longer working life; fewer days are lost to illness.
3. Healthy children learn better, so health spending also raises the returns to education.
4. Thus health expenditure is an investment in human capital formation, which raises output and income and supports the economic and social development of the country (as eliminating diseases like trachoma shows).

29. "From the late 1970s, China's population growth rate fell sharply compared with India's." Explain the reason for this and its effects. **3**

ANSWER

Reason: China's one-child policy (from 1979). Effect: slower population growth, but an ageing population and a fall in the sex ratio.

Reason: In the late 1970s China introduced the one-child policy, strictly restricting families to one child. This sharply reduced its birth rate and population growth, while India had no such compulsory measure.

Impacts:

• Population growth slowed down and per-capita availability of resources improved.

• After a few decades there was a rise in the proportion of elderly people relative to young people – an ageing population, which means fewer workers supporting more dependants.

• It also contributed to a low sex ratio (fewer females) in China.

30. State and explain any two changes seen in India's occupational structure during British rule. **4**

ANSWER

(1) Shift towards manufacturing and services in Madras Presidency, Bombay and Bengal; (2) rising dependence on agriculture in Orissa, Rajasthan and Punjab (growing regional variation).

Overall, agriculture remained the largest occupation (about 70-75% of the workforce), with manufacturing and services each around 10% and 15-20%. The main change was growing regional variation:

1. Shift towards industry and services: in parts of the Madras Presidency, Bombay and Bengal, the share of the workforce dependent on agriculture fell, and the share in manufacturing and services rose correspondingly.
2. Rising dependence on agriculture: in states such as Orissa, Rajasthan and Punjab, the share of the workforce in agriculture actually increased (de-industrialisation of handicrafts pushed artisans into farming).

OR

"The British used their infrastructure development policies in India to serve their own interests."

Do you agree? Justify your answer.

ANSWER

Yes – railways, roads, ports and telegraph were built to serve colonial (military, administrative and commercial) interests.

Yes, I agree.

1. Roads and railways were built mainly to move the army within India and to carry raw materials from the countryside to railway stations and ports for export to Britain; they also helped spread British manufactured goods in India.
2. Ports and inland/sea routes were developed for the same trade purpose.
3. The electric telegraph and posts were introduced mainly to help maintain law and order and control.
4. Rural areas lacked all-weather roads, and the people of India gained little; even railways mostly benefited British trade.

So infrastructure was built to subserve colonial interests, not for India's development.

31. India and Pakistan inherited similar colonial economic structures at independence and adopted several similar planning strategies. **4**

Explain any two such similarities in their development paths.

ANSWER

Both followed (1) a mixed economy with public and private sectors and (2) import substitution to protect domestic industry (also: five-year plans, reforms in the late 1980s/1991).

1. Mixed economy: both countries chose a mixed economic system in which the public sector and the private sector both played a role; the public sector was given a leading role in heavy and basic industries.
2. Import substitution: both adopted import-substitution industrialisation – protecting domestic industries from foreign competition through tariffs and quotas so that goods earlier imported could be produced at home.

Other valid similarities: both started development through five-year plans (India 1951, Pakistan 1956); both introduced the Green Revolution in agriculture; both began economic reforms around 1988-1991.

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32. (A) State the meaning of 'disguised unemployment'. (1) **4**

(B) A bar chart shows the sector-wise percentage of male and female workers (approx.): Manufacturing – male 77, female 22; Construction – male 83, female 16; Trade – male 76, female 23; Transport – male 86, female 13; Education – male 55, female 44; Health – male 48, female 50; Accommodation & Restaurant – male 76, female 23; IT/BPOs – male 62, female 37; Financial services – male 62, female 37.

Analyse the gender-wise sectoral distribution of workers shown. (3)

ANSWER

(A) Workers appear employed but their marginal productivity is zero. (B) Men dominate most sectors; women's share is lowest in construction and transport; education and health are nearly balanced (health slightly female-majority).

(A) Disguised unemployment: more people are engaged in a job than are needed; they seem to be employed, but their marginal productivity is zero – withdrawing them would not reduce output (common in family farming).

(B) Analysis of the chart:

1. Male workers dominate most sectors – manufacturing, construction, trade, transport, and accommodation & restaurants (about 75-86% male).
2. Female participation is lowest in construction (~16%) and transport (~13%), showing strong gender inequality in these physically demanding / field sectors.
3. Education and health are the most balanced; in health, women (≈50%) are about equal to or slightly more than men; IT/BPO and financial services have a moderate female share (~37%).

VI alternative – reasons for higher female work participation in rural areas: (i) poverty compels rural women to work (on farms, as labourers) to support family income; (ii) in urban areas men usually earn higher incomes, so families often discourage women from taking up jobs.

33. (A) (i) Mr. Ravi, an IT entrepreneur in Bengaluru, notes that many MNCs choose India as their outsourcing hub for software development, customer support and data management. His friend Priya thinks this is due to some inherent advantages of the Indian economy. State and explain any two factors that make India a preferred outsourcing destination. **6**

ANSWER

(1) Growth of information and communication technology; (2) availability of skilled manpower at low cost.

1. Expansion of IT and communication: the rapid spread of fast communication links and information technology (internet, telecom) allows voice-based, data and software services to be delivered from India to clients anywhere in the world.
2. Skilled manpower at low cost: India has a large pool of educated, English-speaking, technically skilled workers available at relatively low wages, which reduces costs for foreign companies.

(Other valid points: liberalised policies after 1991, time-zone advantage.)

(A) (ii) "After independence, India followed a protective tariff policy." Do you agree? Justify with any two valid arguments.

ANSWER

Yes – India used tariffs and quotas (import substitution) to protect its domestic industries.

Yes, I agree. Under the import-substitution strategy India protected its industries with high tariffs and quotas on imports, in order to:

1. Promote domestic production – replace imported goods with goods produced in India and save foreign exchange.
2. Protect infant industries – shield newly started domestic industries from competition with more advanced foreign firms until they could grow strong and efficient.

(Common supporting point: it reduced dependence on foreign goods, but over time it also caused inefficiency because industries did not face competition.)

OR

(B) (i) "Strategic sale of a public sector undertaking and minority sale of its shares are both methods of disinvestment." Defend or refute this with a valid argument. (3)

(ii) Briefly explain how bilateral trade agreements differ from multilateral trade agreements. (3)

ANSWER

(i) Defended – both reduce government ownership; strategic sale also transfers management control, minority sale does not. (ii) Bilateral: between two countries; multilateral: among more than two countries.

(i) The statement is defended.

• Disinvestment means the government selling part of its equity in public sector enterprises, to reduce its ownership, raise resources and improve efficiency through private participation.

• Strategic sale: a large share of government equity is sold to a private buyer along with transfer of management control.

• Minority sale: only a small portion of shares (less than 50%) is sold to the public/investors, and the government keeps control.
Both reduce government ownership, so both are methods of disinvestment.
(ii) • Bilateral trade agreement – an agreement between TWO countries about exchange of goods and services (e.g. tariff concessions to each other).
• Multilateral trade agreement – an agreement among MORE THAN TWO countries (e.g. WTO agreements), giving equal trade opportunities to all members.

34. To make education inclusive and of good quality, the government has launched several schemes. The Right to Education (RTE) Act, passed by Parliament on 4 August 2009, guarantees free and compulsory education to every child aged 6-14 in a neighbourhood school until elementary education is complete. Sarva Shiksha Abhiyan (2001) is a flagship programme for universal elementary education, and the Digital India campaign (1 July 2015) improves internet connectivity, especially in rural areas, supporting digital learning. **6**
(i) Which law guarantees free and compulsory education up to 14 years of age? How does it improve access to education? (1+2)
(ii) In your opinion, how has higher public spending on education contributed to India's social and economic transformation? Give valid arguments. (3)

ANSWER
(i) The Right to Education Act, 2009 – free schooling in neighbourhood schools for all 6-14-year-olds. (ii) Greater equality, more skills and productivity, better jobs and living standards.

(i) The Right to Education (RTE) Act, 2009.
How it improves access: every child of 6-14 years can study free of cost, so poverty is no longer a barrier; schools must be available in the neighbourhood, so distance is not a barrier; children from disadvantaged groups get included, and all are helped to complete elementary education.
(ii) Contribution of public spending on education:
• Social: education became accessible to weaker sections, girls and rural children – promoting equality and social mobility, and improving health awareness.
• Economic: education raises knowledge and skills, so labour productivity and employability rise; it helps adoption of new technology and leads to higher incomes.
• Together these raise the standard of living and drive the overall development of the country (human capital formation).

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Questions restated from the CBSE Class XII Board Examination 2026 (set 58/1/1) for practice. Reading passages and map items are described, not reproduced.