



ST. JOSEPH PUBLIC SCHOOL

Kota Barrage Road, Kota-6 (Raj.)

C.B.S.E. New Delhi, **ECONOMICS**

SOLUTIONS

Class: **XII**

2025-26

MM: **80**

1	D. Average Propensity to Consume = 1 Note: The following answer is for the Visually Impaired Candidates only, in lieu of Ans.1 D. Average Propensity to Consume = 1	1 1
2	C. 169.92	1
3	A. Store of Value	1
4	B. Statement 1 is false and Statement 2 is true.	1
5	A. Factor Note: The following answer is for the Visually Impaired Candidates only, in lieu of Ans.5 A. Factor	1
6	B. ex-post Aggregate Demand	1
7	C. Both Statements 1 and 2 are true.	1
8	A. 580	1
9	D. Assertion (A) is false, but Reason (R) is true.	1
10	B. 1935	1
11	Gross Value Added of Firm B = (i) – (iv) = 1,000 – 250 = ₹ 750 crore Gross Value Added of Firm A = Gross Value Added of Firm B = ₹ 750 crore Domestic Sales of Firm A = Gross Value Added of Firm A – (iii) – (v) + (ii) = 750 – 200 – 150 + 300 = ₹ 700 crore	$\frac{1}{2}$ $\frac{1}{2}$ 1 $\frac{1}{2}$ $\frac{1}{2}$
12 (A)	Reserve Ratio is the percentage of deposits that every commercial bank must keep as reserves and rest of the deposits can be used to give loans. Reserve Ratio is fixed by the Central Bank to avoid 'over lending' by commercial banks. This is legally binding to all commercial banks. Hence, the statutory requirement of the Reserve Ratio acts as a limit to the amount of credit that banks can create.	3
12 (B)	OR Yes. The Reserve Bank of India (RBI) serves as the Government's banker, managing its accounts, receiving deposits, and processing payments. Exchanges, remittances and various banking operations are facilitated by the RBI on behalf of the government. In addition to this, during any financial crisis, RBI provides credit to the government to ensure its smooth functioning and to support the state in managing its obligations effectively.	3
13 (A)	The income earned by Ms. Sarika in the form of rent and interest can be classified as factor income, as it is the income earned by the factors of production for rendering their services. Whereas; Cash transfers received by Ms. Sarika from her family members abroad can be classified as transfer income as it is the income received without rendering any productive service in return.	2 2

13 (B)	<p style="text-align: center;">OR</p> <p>The final expenditure incurred by the sectors of an economy can be:</p> <ul style="list-style-type: none"> • Private Final Consumption Expenditure: It is the expenditure incurred by households and non-profit institutions serving households on final consumption of goods and services. • Net Exports: It refers to the excess of value of exports of goods and services over the value of imports of goods and services, during an accounting year. 	<p style="text-align: center;">2</p> <p style="text-align: center;">2</p>
14	<p>No. The loan taken by Mr. Spector, can be classified as an autonomous transaction. Such international economic transactions are independent of the state of Balance of Payments (BoP) and generally take place with an economic motive.</p> <p>However, loan taken by the Government in this case can be classified as an accommodating transaction. Such transactions are those international economic transactions which are undertaken (by competent authorities) to cover the surplus or deficit in BoP and are independent of any economic motive.</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">2</p>
15	<p>To deal with the situation of highlighted macroeconomic issue i.e. inflation, the Central Bank may use the following measures:</p> <ul style="list-style-type: none"> • Repo Rate: A rise in repo rate will force the commercial banks to increase the lending rates, making the credit dearer for the general public, discouraging the borrowings. Consequently, Aggregate Demand will fall thus correcting the problem of inflation in the economy. • Open Market Operations: The Central Bank can sell government securities in the open market, thereby, reducing the availability of funds with the commercial banks for lending. Consequently, Aggregate Demand will fall thus correcting the problem of inflation in the economy. <p>Note: The following answer is for the Visually Impaired Candidates only, in lieu of Ans.15</p> <p>To deal with the situation of inflation, the Central Bank may use the following measures:</p> <ul style="list-style-type: none"> • Repo Rate: A rise in repo rate will force the commercial banks to increase the lending rates making the credit dearer for the general public, discouraging the borrowings. Consequently, Aggregate Demand will fall thus correcting the problem of inflation in the economy. • Open Market Operations: The Central Bank can sell government securities in the open market, thereby, reducing the availability of funds with the commercial banks for lending. Consequently, Aggregate Demand will fall thus correcting the problem of inflation in the economy. 	<p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">$\frac{1}{2} + 1 \frac{1}{2}$</p> <p style="text-align: center;">$\frac{1}{2} + 1 \frac{1}{2}$</p>
16 (A) (I)	<p>(a) Investment Multiplier (k) = $\frac{1}{1-MPC}$ $= \frac{1}{1-0.8} = 5$</p> <p>(b) (i) Change in Income (ΔY) = $k \times \Delta I$ $= 5 \times 1,000 = ₹ 5,000 \text{ crore}$</p> <p>(ii) Change in Consumption (ΔC) = $MPC \times \Delta Y$ $= 0.8 \times 5,000 = ₹ 4,000 \text{ crore}$</p>	<p style="text-align: center;">$\frac{1}{2}$</p> <p style="text-align: center;">$\frac{1}{2}$</p> <p style="text-align: center;">$\frac{1}{2}$</p> <p style="text-align: center;">$\frac{1}{2}$</p> <p style="text-align: center;">$\frac{1}{2}$</p> <p style="text-align: center;">$\frac{1}{2}$</p>

(II)	<p>Income is either consumed or saved, i.e.;</p> $Y = C + S \quad \text{----- (i)}$ <p>Dividing both sides of the equation (i) by Y</p> $\frac{Y}{Y} = \frac{C}{Y} + \frac{S}{Y}$ $1 = APC + APS$ <p>Thus, sum of the Average Propensity to Consume (APC) and Average Propensity to Save (APS) is always equal to one.</p> <p style="text-align: center;">OR</p>	3
<p>16</p> <p>(B)</p> <p>(I)</p>	<p>Given, Marginal Propensity to Save (MPS) = 20% = 0.2</p> <p>Ex-Ante Investments (I) = ₹ 100</p> <p>Equilibrium level of Income (Y) = ₹ 700</p> <p>As we know, at Equilibrium level of Income; S = I</p> $-\bar{C} + (MPS) Y = I$ $-\bar{C} + (0.2) 700 = 100$ $-\bar{C} = -40$ <p>Thus, dissavings at zero level of income = ₹ 40</p>	<p>$\frac{1}{2}$</p> <p>$\frac{1}{2}$</p> <p>$\frac{1}{2}$</p> <p>$\frac{1}{2}$</p>
(II)	<p>Effective Demand refers to that level of Aggregate Demand, which can be met by the corresponding Aggregate Supply in the economy.</p> <p>If ex-ante Aggregate Demand is more than ex-ante Aggregate Supply, it means that the households and firms are planning to consume more than what the firms intend to produce. Thus, the inventories will fall below the desired level. To restore the desired level of inventories, producers may increase output and employment in the economy. This mechanism will continue till the equilibrium is reinstated and effective demand can be restored.</p>	<p>1</p> <p>3</p>
<p>17</p> <p>(I)</p> <p>(II)</p>	<p>Tax revenue receipts refer to the receipts of the government through taxes. These are the compulsory transfer payments imposed by the government on individuals, corporations, and other entities.</p> <p style="text-align: center;">Whereas;</p> <p>Non-tax revenue receipts refers to those revenue receipts of the government from sources other than taxes. These mainly consist of interest, dividends, fees etc.</p> <p>The fiscal deficit declined due to robust growth in direct and indirect taxes, driven by resilient economic activities and improved tax compliance. Furthermore, higher-than-anticipated non-tax revenue, particularly dividends from the RBI, boosted overall revenue receipts. In addition to this, controlled revenue expenditure also contributed to the reduction in the fiscal deficit.</p>	<p>1 ½</p> <p>1 ½</p> <p>3</p>
SECTION B - INDIAN ECONOMIC DEVELOPMENT		
18	B. Financial	1
19	C. Britain	1
20	D. (i), (ii) and (iii)	1
21	A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).	1
22	B. International Labour Organisation	1
23	B. (i) and (ii)	1
24	A. reversal of supply-demand relationship of environmental resources	1

25	C. (c)-iii	1
26	D. Regulation of markets	1
27	A. Statement 1 is true and Statement 2 is false.	1
28	<p>Yes. Pakistan maintained healthy growth rate till 1990s owing to the introduction of various policies such as Green Revolution and import substitution-based industrialisation.</p> <p>However, later it faced slowdown to the magnitude of 5.3 % between 2015-17, due to several interconnected factors such as agricultural growth and food supply which were largely dependent on favourable harvest rather than a systematic process of technological advancement. Moreover, political instability, excessive reliance on remittances, and dependence on foreign aid, significantly hindered Pakistan's economic progress.</p>	3
29 (A)	<p>Sustainable Development, seeks to meet the basic needs of the present generation without compromising the needs of the future generations. As per Edward Barbier, it must be used to increase the standard of living of the poor through measurable increase in income, educational and health services, sanitation, etc. The aim of Sustainable Development should be to reduce absolute poverty by creating livelihoods while minimizing resource depletion, environmental harm, cultural disruption, and social instability.</p> <p style="text-align: center;">OR</p> <p>People, who own and operate an enterprise to earn their livelihood are known as self-employed workers. For example, a cement shop owner.</p> <p style="text-align: center;">Whereas;</p> <p>A hired worker is someone who is employed by another person/organization and receives compensation in the form of a salary/wage. For example, an employee working as a graphic designer at a marketing agency.</p>	3
29 (B)		1 + ½
		1 + ½
30 (A)	<p>The introduction of railways affected the structure of the Indian economy in two important ways:</p> <ul style="list-style-type: none"> • It enabled people to undertake long distance travel and thereby breaking geographical and cultural barriers. • It fostered commercialisation of Indian agriculture which adversely affected the self-sufficiency of the village economies in India. <p style="text-align: center;">OR</p> <p>The demographic indicator given in the table is Life Expectancy.</p> <p>Life Expectancy refers to the average number of years a person is expected to live.</p>	2
		2
30 (B)(I)		1
		1
(II)	<p>Two demographic indicators are:</p> <ul style="list-style-type: none"> • Infant Mortality Rate • Literacy Rate 	½
		½
(III)	India entered the second stage of demographic transition in 1921.	1
31 (I)	Regional and global economic groupings like G-20, SAARC, BRICS etc., play a vital role for developing nations like India as they help them to understand the developmental processes pursued by their neighbouring nations to better comprehend their own strengths and weaknesses vis-à-vis their neighbours.	3

	Moreover, in the unfolding process of globalisation, as developing nations face competition not only from developed nations but also amongst themselves such groupings help them to flourish well in a shared environment.	
(II)	Special Economic Zone is a geographical region that has economic laws different from a country's typical economic laws.	1
32 (I)	The type of farming indicated in Panel A is Conventional Farming, whereas, the type of farming in Panel B is Organic Farming.	$\frac{1}{2} + \frac{1}{2}$
(II)	<p>Advantage of Organic Farming over Conventional Farming:</p> <ul style="list-style-type: none"> Organic farming is the system of farming that relies upon the use of organic inputs for cultivation such as organic manures and composts. Its chemical free nature helps in soil conservation. <p>Disadvantage of Organic Farming over Conventional Farming:</p> <ul style="list-style-type: none"> Yields from organic farming are lesser than the conventional farming. Therefore, small and marginal farmers may find it difficult to adapt to large scale production. <p>Note: The following answer is for the Visually Impaired Candidates only, in lieu of Ans.32</p> <p>Advantage of Organic Farming over Conventional Farming:</p> <ul style="list-style-type: none"> Organic farming is the system of farming that relies upon the use of organic inputs for cultivation such as organic manures and composts. Its chemical free nature helps in soil conservation. <p>Disadvantage of Organic Farming over Conventional Farming:</p> <ul style="list-style-type: none"> Yields from organic farming are lesser than the conventional farming. Therefore, small and marginal farmers may find it difficult to adapt to large scale production. 	<p>1 $\frac{1}{2}$</p> <p>1 $\frac{1}{2}$</p> <p>2</p> <p>2</p>
33 (A) (I)	<p>The industries were classified under three heads as per Industrial Policy Resolution 1956:</p> <ul style="list-style-type: none"> The first category, comprised industries which would be exclusively owned by the government. The second category, private sector could supplement the efforts of the public sector, with the government taking the sole responsibility for starting new units. The third category consisted of the remaining industries which were left in the hands of private sector. 	<p>1</p> <p>1</p> <p>1</p>
(II)	<p>Yes. A few former Zamindars, used legislative loopholes to continue to own large areas of land. Tenants were evicted and the landowners claimed to be self-cultivators. The big landlords delayed its implementation; by challenging it in the courts. They used this delay to register their lands in the name of close relatives, thereby escaping from the legislation. Consequently, creating hindrances in the successful implementation of land ceiling reforms.</p> <p style="text-align: center;">OR</p> <p>Yes, the process of globalisation has yielded both positive, as well as, negative results for India. It is argued that globalization serves as an opportunity for</p>	<p>3</p> <p>4</p>

(II)	<p>developing countries like India to access the capital and technology of the global markets.</p> <p>However, some critics argue that globalisation primarily benefits developed nations, and undermines the welfare of people in underdeveloped countries thereby exacerbating economic disparities. In the context of India, the reforms of the 1990's mainly benefited high-income groups and select service sectors instead of crucial areas like agriculture and industry.</p> <p>Two reasons behind the introduction of Economic Reforms of 1991 were:</p> <ul style="list-style-type: none"> • High rate of inflation • Huge Balance of Payments Deficit 	<p>1</p> <p>1</p>
<p>34</p> <p>(I)</p> <p>(II)</p> <p>(III)</p>	<p>The education is fundamental for achieving full human potential providing universal access to quality education and leadership on the global stage in terms of economic growth, social justice and equality. Thus, it presents the best way forward for developing and optimising India's resources.</p> <p>To create a high-quality and equitable public education system essential for India's future development and growth, it is imperative to boost the public investment in education sector to 6% of GDP at the earliest.</p> <p>Two main initiatives which will be implemented to tackle school dropouts and avert additional students from leaving school are to provide:</p> <ul style="list-style-type: none"> • effective and sufficient infrastructure, so that all students have access to safe and engaging school education at all levels from pre-primary school to Grade 12. • regular trained teachers at each stage, special care shall be taken to ensure that no school remains deficient on infrastructure support. 	<p>2</p> <p>2</p> <p>1</p> <p>1</p>