ECONOMICS SOLUTION

1. **Ans.(D)**
2. **Ans.(D)**
3. **Ans.(C)**
4. **Ans.(D)**
5. **Ans.(A)**
6. **Ans.(A)**
7. **Ans.(A)**
8. **Ans.(C)**
9. **Ans.(A)**
10. **Ans.(B)**

11.

Ans. Capital goods are those durable goods which are used in production of goods and services. **Whereas**, Consumption goods are those goods which are used for satisfaction of wants by the consumers.

OR

Any economic variable which is measured at a point of time is known as stock. For example, capital, etc. **Whereas**, any economic variable measured during a period of time is known as flow. For example, income, etc.

12.

Ans. Investment Multiplier is a measure of the effect of change in initial investment on change in final national income. There exist a direct relation between MPC and multiplier, i.e. higher the value of MPC, higher will be investment multiplier.

$$K = \frac{1}{1 - MPC}$$

13.

Ans. Policy adopted by the Central Bank of an economy in the direction of credit control of money supply is known as Monetary Policy. Instruments of Monetary Policy are Bank Rate, Repo Rate, Reverse Repo Rate Cash Reserve Ratio (Any three)

14.

Ans. Full Employment is a situation where those who are able and willing to work are getting work at the prevailing wage rate.

When Aggregate Demand is greater than Aggregate Supply at full employment, such a situation is known as Excess Demand or Inflationary Gap. It is called inflationary because this lead to a rise in general price level of the economy.

OR

Two alternative ways of determining equilibrium level of income are:

i. Aggregate Demand-Aggregate Supply Approach (AD-AS Approach)
ii. Saving-Investment Approach (S-I Approach)

Interrelation between the two approaches:

AD = AS (AD-AS approach)
C + I = C + S
I = S (S–I approach)

15.

Ans. Ex-ante consumption refers to the consumption expenditure planned to be incurred during a period. Autonomous Consumption refers to the consumption expenditure which does not depend upon the level of income, i.e. the consumption at zero level of income.
Whereas, Induced Consumption expenditure is directly determined by the level of income.

16.

Ans. Government Budget is defined as statement of planned receipts and planned expenditure of the government during a fiscal year.
Its major components are:
i. Revenue Receipts: the receipts which neither create a liability nor lead to reduction in assets.
ii. Capital Receipts : the receipts which either create fa liability or lead to reduction in assets.
iii. Revenue Expenditures: the expenditure which leads to creation of assets or reduction in liabilities.

Objectives of Government Budget:

a. Allocation of Resources in the economy
There are many non-profitable economic activities which are not undertaken by the private sector like, water supply, sanitation, etc., but are necessarily undertaken by government in public interest. So, Government can undertake these activities in order to create social welfare. In addition, government can encourage the private sector through tax concession, subsidies, etc., to undertake certain production in public interest.

b. Economic Stability
Economic Stability means absence of large-scale fluctuation in prices. Such fluctuations create uncertainties in the economy. Government can exercise control over these fluctuations through taxes and expenditure.
For example, under inflationary situations, government may discourage spending by increasing taxes or reducing its own expenditure, whereas, under deflationary conditions, government may encourage spending by giving tax concessions, subsidies, etc.

17.

Ans. (a) Operating Surplus = (ii) + {(iv) + (vii) + (viii)}
= 800 + 460 + 940 + 300
= `2,500 crores

(b) Domestic Income = (i) + Operating Surplus + (x)
= 2,000 + 2500 + 200
= `4,700 crores

Section B

Indian Economic Development

18.

Ans. Domestic

19. **Ans.(C)**

Ans. Use of thermal power

20.
Ans. Pakistan.
21.
Ans. The portion of agricultural produce which is sold ins the market by the farmers is called marketed surplus.

OR

Subsidy is the financial assistance provided by the government to producers to fulfill its social welfare objectives.
22.
Ans. False
23.
Ans. Informal
24. **Ans.(B)**
25.
Ans. Rural
26.
Ans. False
27. **Ans.(A)**
Ans. Great Leap Forward.
28.
Ans. In the recent years, India has witnessed an unprecedented shift of the workforce from the formal sector to informal sector. This process whereby, the proportion of informal worker in the total workforce increases is known as informalization of workforce. The government has initiated the modernization of the informal sector and provision of social security of measure to the worker in the informal sector.

OR

Three challenges faced by rural development in India are :
(A) Development of Human Resource
(B) Development of infrastructure
(C) Measures for alleviation of poverty.

29.
Ans. (a) The given data shows that China could arrest its annual population growth rate with the implementation of some stringent measure in late 1970's like the introduction of one child norm. This step has been instrumental in controlling the growth of population in China. India stands virtually more than double to China at its annual population growth rate of 1.2% as compared to China's annual population growth rate of 0.5% pa.

(b) The social dynamics of both the countries are similar to each other; sex ratio is low and biased in both the countries due to preference for male child. Whereas, India stands at 929 females per 1,000 males, China is not far ahead at 941 females per 1,000 males.

30.
Ans. Two steps taken by the government of India on financial sector under the Economic Reforms of 1991 were:
(a) <u>Change in the role of Reserve Bank of India (RBI):</u> The role of RBI was reduced from regulator to facilitator of financial sector. This means that financial sector was given greater autonomy (to take decisions) on many matters independent of RBI.

(b) Origin of Private Banks : The reform process led to established of private sector banks of Indian as well as foreign origin.

31.

Ans. The occupational structure of India on the eve of independence had the following two main features:

(i) Predominance of Agriculture Sector: The agriculture sector accounted for the largest share of workforce with approximately three-forth of the workforce depending on agriculture, directly or indirectly.

(ii) Growing Regional Variation : Due to rise of manufacturing and services sector in some parts of India (like the then Madras, Bombay and Bengal Presidencies) the dependency ratio of workforce on agricultural sector declined.

OR

Growth refers to increase in country's capacity to produce the output of goods and services in an economy.

Equity refers to reduction in inequality of income and wealth. When the objective of economic growth and equity are achieved, it may lead to development with social justice, which may increase the per capita availability of goods and services.

32.

Ans. Major challenges faced by power sector in India are, as follows:

(i) India's installed capacity to generate electricity is not sufficient. Even the installed capacity is underutilized because power plant are not running properly.

(ii) State Electricity Board which distribute electricity are incurring losses due to obsolete transmission and distribution system and wrong pricing.

33.

Ans. (a) Investment in Human Capital may contribute to growth of economy in the following ways:

(i) Generally, the productivity of an educated, skilled and healthy workforce is relatively higher than an uneducated, unskilled and unhealthy worker. Such investment may increase the productivity of the economy as a whole.

(ii) Human Capital Formation may promote inventions, innovations and technological improvements. This may create the ability to adopt new technologies which increase the production and productivity in the economy.

(b) Agricultural marketing is a process that involves assembling storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country.

34.

Ans. Poverty Alleviation Programmes are the designated programmes to target reduction in/removal of poverty in a country. India, which inherited poverty from British rule, tried her level best to eradicate poverty through various Poverty Alleviation Programmes over the years. As a result, the percentage absolute poor in some states has fallen well below the national average of poverty. However, the problems of malnourishment, hunger and illiteracy continue to be a common feature in many parts of India, because of the following reasons:

- There has been no radical change in the ownership of assets.
- Due to unequal distribution of land and other assets, benefits form such programmes have been appropriate

- Inadequate resource allocation for these programmes.
- The Government officials responsible alleviation programmes were a great step but could not achieve desired result due to improper implementation.

OR

(a) The conventional sources of energy causes environmental pollution, therefore, the government have introduced the 'Ujjwala Yojna' as a game changer for rural India by providing free LPG gas cylinders (cleaner fuel) to rural households. The three conventional fuels targeted under Ujjawala Yojana are:

(i) Agricultural waste and dried dung

(ii) Firewood

(iii) Coal

(b) The given statement is appropriate as it was recommended by the Education Commission of 1964-64. The government is spending 4 percent (approx.) of GDP on education, which is quite inadequate. Education is an important component of human capital formation as it helps in increasing the availability of skilled and educated labour force in the country, which may result in greater production and economic growth.