

# CBSE Class 12 Economics(Set 58/2/3) Question Paper with Solutions

Time Allowed :3 Hour	Maximum Marks :70	Total Questions :24
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## General Instructions

Read the following instructions very carefully and strictly follow them:

- This question paper contains **34 questions**. All questions are compulsory.
- This question paper contains **two sections** :  
**Section - A : Macro Economics**  
**Section - B : Indian Economic Development**
- This Question paper contains **20 Multiple Choice** type questions. Each question carries **1 mark**.
- This Question paper contains **4 Short Answer Type-I** questions. Each question carries **3 marks**. Answer these questions in **60 to 80 words**.
- This Question paper contains **6 Short Answer Type-II** questions. Each question carries **4 marks**. Answer these questions in **80 to 100 words**.
- This Question paper contains **4 Long Answer Type Questions**. Each question carries **6 marks**. Answer these questions in **100 to 150 words**.
- Attempt **all** parts of a question together.
- In addition to this, NOTE that a separate question has been provided for Visually Impaired Candidates in lieu of questions having visual inputs, map etc. Such questions are to be attempted by Visually Impaired Candidates only.
- There is no overall choice in the question paper. However, an internal choice has been provided in few questions. Only one of the choices in such questions has to be attempted.

**1. Identify that function of money which has effectively solved the problem of 'double coincidence of wants' in transactions.**

- (A) Standard of deferred payment
- (B) Store of value
- (C) Measure of value
- (D) Medium of exchange

**Correct Answer:** (D) Medium of exchange

**Solution:**

**Concept: Functions of Money**

Money performs several important functions in an economy, which help in facilitating smooth economic transactions and overcoming the limitations of the barter system:

- **Medium of exchange:** Money is widely accepted as a means for buying and selling goods and services.
- **Measure of value:** It provides a common unit in which the value of goods and services can be expressed.
- **Store of value:** Money allows individuals to store purchasing power for future use.
- **Standard of deferred payment:** It is used for future payments such as loans and credit transactions.

### Step 1: Understand the problem

Double coincidence of wants is a major limitation of the barter system. It occurs when:

- Two individuals must simultaneously have a need for each other's goods or services.
- For example, if a person with wheat wants cloth, they must find someone who has cloth and also wants wheat.
- This condition is difficult to satisfy in a large and complex economy, making barter inefficient.

### Step 2: Role of money

Money removes the problem of double coincidence of wants through its function as a medium of exchange:

- A person can sell their goods or services in exchange for money instead of directly trading for another good.
- The money received can then be used to purchase any other goods or services as per their needs.
- This separates the act of selling from buying, making transactions more flexible and efficient.
- As money is generally accepted, it eliminates the need to find someone with matching wants.

### Conclusion:

Medium of exchange solves the problem by eliminating the need for double coincidence of wants.

#### Quick Tip

Money as a medium of exchange removes the need for double coincidence of wants and makes trade more efficient.

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2. Income generated from Aircrafts of Air India operating between Canada and England would be added to the domestic income ( $NDP_{FC}$ ) of \_\_\_\_\_.

- (A) Canada
- (B) England

- (C) Both Canada and England
- (D) India

**Correct Answer:** (D) India

**Solution:**

**Concept: Domestic Income ( $NDP_{FC}$ )**

Domestic income refers to the income generated within the domestic territory of a country during a given period of time. It includes income earned by:

- Residents of the country
- Domestic production units operating within the country

It is important to distinguish between **domestic income** and **national income**, as the former is based on location, while the latter is based on ownership.

**Step 1: Ownership principle**

Air India is an Indian company, which means:

- It is owned by residents of India
- Its income is associated with Indian ownership

**Step 2: Income classification**

The classification of income depends on whether we are considering domestic income or national income:

- Income earned **within India** is part of domestic income ( $NDP_{FC}$ )
- Income earned **abroad by Indian-owned enterprises** is not included in domestic income
- However, such income is included in:

India's national income

because national income follows the ownership (residency) principle

**Step 3: Conclusion**

Thus, income earned by Air India abroad is counted in:

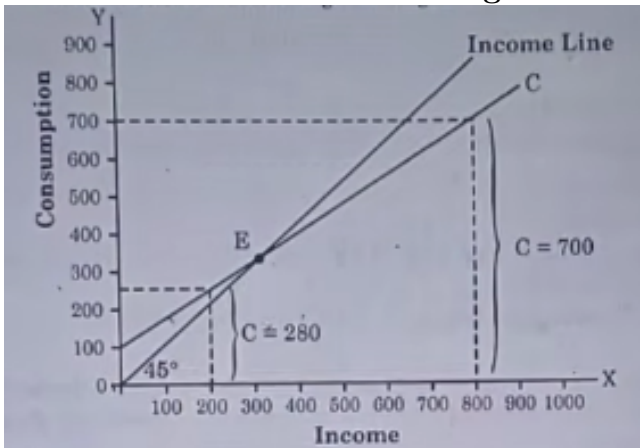
- **National income of India** (due to Indian ownership)
- **Not in domestic income** (since it is earned outside India's territory)

India

#### Quick Tip

Domestic income depends on location, while national income depends on ownership (residency).

3. Choose the correct consumption function from the options given below with reference to the illustrated diagram.



- (A)  $C = 50 + 0.7Y$
- (B)  $C = 100 + 0.8Y$
- (C)  $C = 100 + 0.7Y$
- (D)  $C = 100 + 0.8Y$

**Correct Answer:** (B)  $C = 100 + 0.8Y$

**Solution:**

**Concept: Consumption Function**

The consumption function shows the relationship between consumption expenditure and income. It is expressed as:

$$C = a + bY$$

where:

- $a$  = autonomous consumption (consumption when income is zero)
- $b$  = marginal propensity to consume (MPC), i.e., the slope of the consumption curve

The intercept represents the minimum level of consumption, while the slope indicates how consumption changes with income.

**Step 1: Identify intercept**

From the graph:

- When income  $Y = 0$ , consumption  $C = 100$

Thus, autonomous consumption is:

$$a = 100$$

**Step 2: Find slope (MPC)**

Using two points from the graph:

- Initial point:  $(Y, C) = (0, 100)$
- Final point:  $(Y, C) = (800, 700)$

Change in consumption:

$$\Delta C = 700 - 100 = 600$$

Change in income:

$$\Delta Y = 800 - 0 = 800$$

$$MPC = \frac{\Delta C}{\Delta Y} = \frac{600}{800} = 0.75$$

Since the given options are approximate, we take:

$$MPC \approx 0.8$$

**Step 3: Form equation**

Substituting the values of  $a$  and  $b$  into the consumption function:

$$C = 100 + 0.8Y$$

**Conclusion:**

Correct option is (B)

**Quick Tip**

In a consumption function, the intercept gives autonomous consumption and the slope gives MPC (rate of change of consumption with income).

**4. Read the following statements carefully:**

**Statement 1:** Under the flexible exchange rate system, a deficit or surplus in the Balance of Payments is automatically corrected.

**Statement 2:** Under the flexible exchange rate system, there is always a possibility of over/under valuation of currency.

**In the light of the above given statements, choose the correct option from the following:**

- (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.

**Correct Answer:** (C) Both Statements 1 and 2 are true.

**Solution:**

**Concept: Flexible Exchange Rate System**

In a flexible (or floating) exchange rate system, the value of a country's currency is determined by the forces of demand and supply in the foreign exchange market. There is minimal or no direct intervention by the government or central bank.

**Step 1: Analyze Statement 1**

- A deficit in the Balance of Payments (BoP) implies that demand for foreign currency exceeds its supply.

- As a result, the domestic currency depreciates in the foreign exchange market.
- Depreciation makes exports cheaper and imports more expensive.
- This leads to an increase in exports and a decrease in imports.
- Hence, the BoP deficit tends to get corrected automatically over time.

Statement 1 is true

**Step 2: Analyze Statement 2**

- Under a flexible exchange rate system, exchange rates are determined by market forces.
- Due to constant changes in demand and supply, exchange rates may fluctuate frequently.
- Such fluctuations can sometimes result in overvaluation or undervaluation of the currency.
- This introduces uncertainty and volatility in international trade and investments.

Statement 2 is true

**Step 3: Conclusion**

Both statements are correct

**Quick Tip**

Flexible exchange rate system ensures automatic correction of external imbalances but may lead to frequent fluctuations in currency value.

**5. Sumit deposited 10 lakh in his savings account. The deposits made by him is a part of \_\_\_\_\_ in the  $M_1$  measure of money supply.**

- (A) Currency held by public
- (B) Interbank deposits
- (C) Demand deposits with commercial banks
- (D) Term deposits with Reserve Bank of India (RBI)

**Correct Answer:** (C) Demand deposits with commercial banks

**Solution:**

**Concept: Measures of Money Supply**

Money supply refers to the total stock of money available in an economy at a given point of time. One of the important measures is  $M_1$ , also known as narrow money:

$$M_1 = \text{Currency with public} + \text{Demand deposits with banks} + \text{Other deposits with RBI}$$

This measure includes the most liquid forms of money that can be readily used for transactions.

**Step 1: Identify type of deposit**

Savings account deposits have the following characteristics:

- They can be withdrawn on demand using cheques, ATMs, or online transfers.
- Although some restrictions may exist (like limited withdrawals), they are still largely accessible.

Hence, savings deposits are treated as:

- **Demand deposits**

**Step 2: Classify under  $M_1$**

Demand deposits form a key component of  $M_1$ :

- Savings account deposits are included under:

Demand deposits with commercial banks

- Therefore, they are a part of the narrow money supply.

**Step 3: Conclusion**

Savings account deposit is part of demand deposits and is included in  $M_1$

#### Quick Tip

Savings accounts are treated as demand deposits because they are withdrawable on demand, hence included in  $M_1$ .

**6. Read the following statements – Assertion (A) and Reason (R). Choose the correct option from those given below:**

**Assertion (A):** Increase in exchange rate implies that the price of foreign currency in terms of domestic currency has increased.

**Reason (R):** Balance of trade records the inflows and outflows of goods.

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

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

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

(D) Assertion (A) is false and Reason (R) is true.

**Correct Answer:** (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

**Solution:**

**Step 1: Analyze Assertion (A)**

An increase in the exchange rate implies:

- More units of domestic currency are required to purchase one unit of foreign currency.
- This indicates a **depreciation of domestic currency**.

- As a result, foreign currency becomes more expensive in terms of domestic currency.

Assertion (A) is true

**Step 2: Analyze Reason (R)**

Balance of Trade (BoT) refers to:

- The difference between exports and imports of goods.
- Exports represent inflow of goods (and foreign exchange earnings).
- Imports represent outflow of goods (and foreign exchange payments).

Reason (R) is true

**Step 3: Relation between A and R**

- Although both statements are correct, the reason does not explain the assertion.
- Exchange rate changes are determined by demand and supply of foreign exchange, not merely by the definition of balance of trade.

Hence, both A and R are true, but R is not the correct explanation of A

**Quick Tip**

Increase in exchange rate indicates depreciation of domestic currency, making foreign goods costlier.

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**7. Identify, which one of the following is not a function of Reserve Bank of India as a bank, agent and advisor to the government.**

- (A) Carries out banking business of the government
- (B) Manages national debt
- (C) Advises on financial matters
- (D) Conducts periodic inspections

**Correct Answer:** (D) Conducts periodic inspections

**Solution:**

**Concept: Functions of RBI**

The Reserve Bank of India (RBI) performs multiple roles in the economy. One of its important roles is acting as:

- **Banker to the government**
- **Agent of the government**
- **Advisor to the government**

These roles help in managing the financial operations and policy framework of the government.

**Step 1: Functions under this role**

Under its role as banker, agent, and advisor to the government, RBI performs the following functions:

- Maintains and operates government accounts
- Receives and makes payments on behalf of the government
- Manages public debt by issuing government bonds and treasury bills
- Acts as an agent in handling financial transactions of the government
- Provides economic and financial advice to the government on policy matters

**Step 2: Identify incorrect option**

Conducting periodic inspections:

- Is related to RBI's role as a **controller and supervisor of commercial banks**
- Ensures proper functioning and regulation of the banking system
- Does **not** fall under its role as banker, agent, or advisor to the government

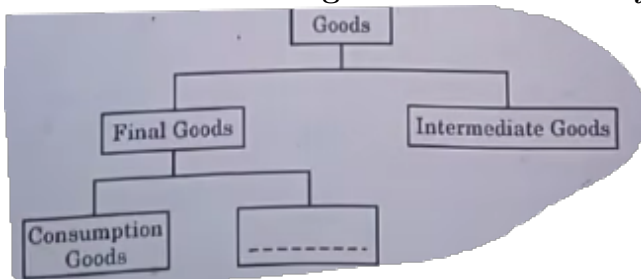
**Conclusion:**

Option (D) is correct

**Quick Tip**

RBI as banker, agent, and advisor deals with government finances, while inspection is part of its supervisory function.

**8. Read the following flow chart carefully and choose the correct option:**



- (A) Transfer goods
- (B) Capital goods
- (C) Non-durable goods
- (D) Semi-durable goods

**Correct Answer:** (B) Capital goods

**Solution:**

**Concept: Classification of Goods**

In economics, goods are broadly classified based on their use into:

- **Final Goods:** Goods that are used for final consumption or investment.
- **Intermediate Goods:** Goods that are used as inputs in the production of other goods.

Further, final goods can be subdivided into:

- **Consumption Goods:** Goods used for satisfying human wants directly.
- **Capital Goods:** Goods used for further production of goods and services.

**Step 1: Analyze the flow chart**

From the given flow chart:

- Goods are first divided into Final Goods and Intermediate Goods.
- Under Final Goods, one branch is labeled as Consumption Goods.
- The other branch is left blank and needs to be identified.

**Step 2: Identify missing category**

Since final goods are of two types:

- Consumption Goods
- Capital Goods

the missing category must be:

- **Capital Goods**

**Step 3: Conclusion**

Missing category = Capital Goods

**Quick Tip**

Final goods are divided into consumption goods (for direct use) and capital goods (for production purposes).

**9. The Aggregate Demand (AD) curve lies parallel to consumption curve, indicating that both have -----.**

- (A) Same components
- (B) Different slope
- (C) Same slope
- (D) Inverse relationship

**Correct Answer:** (C) Same slope

**Solution:**

**Concept: AD Curve and Consumption Function**

Aggregate Demand (AD) in a simple economy is given by:

$$AD = C + I$$

where:

- $C$  = Consumption function
- $I$  = Investment (assumed autonomous/constant)

**Step 1: Understand relation**

- Since investment ( $I$ ) is constant, it does not depend on income.
- Therefore, AD differs from the consumption function only by a constant amount.
- This implies that the AD curve is a **vertical upward shift** of the consumption curve by the amount of investment.

$AD$  is a vertical shift of  $C$

**Step 2: Slope analysis**

- The slope of the consumption function is given by the marginal propensity to consume (MPC).
- Since investment is constant, it does not affect the slope of AD.
- Hence, the slope of the AD curve is also equal to MPC.

**Step 3: Conclusion**

- Both AD and  $C$  have the same slope.
- Therefore, they are parallel to each other.

AD curve is parallel to C curve  $\Rightarrow$  same slope

**Quick Tip**

When investment is constant, AD is just an upward shift of the consumption function, so both curves remain parallel.

**10. Read the following statements carefully:**

**Statement 1:** Brokerage earned by a dealer of second hand cars is included in the estimation of National Income.

**Statement 2:** Imputed value of production for self-consumption is included in National Income.

- (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.

**Correct Answer:** (C) Both Statements 1 and 2 are true.

## Solution:

### Step 1: Analyze Statement 1

- Sale of second-hand goods is **not included** in national income because:
  - These goods were already counted when they were produced for the first time.
  - Including them again would lead to double counting.
- However, any **brokerage or commission** earned in the sale of second-hand goods is included because:
  - It represents a current service rendered.
  - It adds to current production of services.

Statement 1 is true

### Step 2: Analyze Statement 2

- Goods produced for **self-consumption** are included in national income.
- This is because:
  - They contribute to current production.
  - Their value is estimated using **imputed value**.
- Examples include food grown by farmers for their own consumption.

Statement 2 is true

### Step 3: Conclusion

Both statements are correct

#### Quick Tip

Only current production is included in national income: second-hand goods are excluded, but services and self-consumption are included.

### 11. Calculate the value of 'Rent' from the following data:

S. No.	Particulars	Amount ( crore)
(i)	Interest	45
(ii)	Profit after tax	20
(iii)	Consumption of fixed capital	5
(iv)	Gross Domestic Product at Market Price ( $GDP_{MP}$ )	200
(v)	Compensation of Employees	45
(vi)	Corporate tax	5
(vii)	Goods and Services Tax (GST)	10

**Solution:**

**Concept: National Income by Income Method**

$$GDP_{FC} = \text{Compensation of Employees} + \text{Rent} + \text{Interest} + \text{Profit}$$

Also:

$$GDP_{MP} = GDP_{FC} + \text{Net Indirect Taxes}$$

**Step 1: Calculate Net Indirect Taxes**

$$GST = 10$$

$$GDP_{FC} = 200 - 10 = 190$$

**Step 2: Calculate Profit before tax**

$$\begin{aligned} \text{Profit before tax} &= \text{Profit after tax} + \text{Corporate tax} \\ &= 20 + 5 = 25 \end{aligned}$$

**Step 3: Apply income method**

$$190 = 45 + \text{Rent} + 45 + 25$$

$$190 = 115 + \text{Rent}$$

$$\text{Rent} = 190 - 115 = 75$$

**Final Answer:**

$$\text{Rent} = 75 \text{ crore}$$

**Quick Tip**

$$GDP_{FC} = GDP_{MP} - \text{Net Indirect Taxes}$$

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12. (A) “When initial deposits in the credit creation process remains same, the total amount of credit created rises as the value of money multiplier increases.” Defend or refute the above statement with the help of hypothetical numerical example.

OR

(B) “Central Bank maintains reserves of all commercial banks and use to settle interbank claims.” Do you agree with the given statement? Give valid explanation in support of your answer.

**Solution:**

### (A) Credit Creation and Money Multiplier

**Concept:**

The total credit created by banks depends on the money multiplier:

$$\text{Money Multiplier} = \frac{1}{\text{CRR}}$$

and

$$\text{Total Credit Creation} = \text{Initial Deposit} \times \text{Money Multiplier}$$

#### Step 1: Understanding the relationship

- Initial deposit remains constant
- If CRR (Cash Reserve Ratio) decreases  $\rightarrow$  money multiplier increases
- Higher multiplier  $\rightarrow$  more credit creation

#### Step 2: Numerical Example

**Case 1:** CRR = 20%

$$\text{Money Multiplier} = \frac{1}{0.2} = 5$$

Initial deposit = 1000

$$\text{Total Credit} = 1000 \times 5 = 5000$$

**Case 2:** CRR = 10%

$$\text{Money Multiplier} = \frac{1}{0.1} = 10$$

$$\text{Total Credit} = 1000 \times 10 = 10000$$

#### Step 3: Comparison

- Initial deposit same (1000)
- Credit increased from 5000 to 10000

**Conclusion:**

Statement is correct — higher multiplier leads to higher credit creation

### (B) Role of Central Bank

**Concept: Banker's Bank**

Central bank acts as:

- Banker to commercial banks
- Custodian of their reserves

### Step 1: Maintaining reserves

- Commercial banks keep a part of their reserves with the central bank
- These reserves ensure liquidity and stability

### Step 2: Settlement of interbank claims

- Banks make payments to each other (e.g., cheque clearing)
- These transactions are settled through accounts maintained with the central bank

### Step 3: Example

- Bank A owes 10 lakh to Bank B
- Central bank transfers funds from Bank A's account to Bank B's account

### Conclusion:

Statement is correct — central bank maintains reserves and settles interbank claims

#### Quick Tip

Higher money multiplier → more credit creation  
Central bank = banker's bank + clearing house

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13. (a) Explain the likely impact of implementation of “Exports Promotion Scheme” of Government of India on the Balance of Payment (BoP) of the country. (Keeping other factors constant)  
(b) State the meaning of Trade Surplus.

### Solution:

#### (a) Impact of Export Promotion Scheme on BoP

#### Concept: Balance of Payments (BoP)

BoP is a systematic record of all economic transactions between residents of a country and the rest of the world. It consists mainly of:

- Current Account (exports and imports of goods and services)
- Capital Account

#### Step 1: Understanding Export Promotion Scheme

Export promotion schemes include:

- Subsidies to exporters

- Tax concessions
- Improved infrastructure and incentives

These measures are aimed at increasing the volume and value of exports.

**Step 2: Effect on Exports**

- Exports of goods and services increase
- Foreign exchange earnings rise

**Step 3: Impact on Current Account**

- Increase in exports improves the trade balance
- Current account deficit may reduce or surplus may increase

**Step 4: Overall BoP Effect**

- Inflow of foreign currency increases
- Pressure on exchange rate reduces
- BoP position improves

**Step 5: Conclusion**

Export promotion leads to improvement in BoP by increasing foreign exchange earnings

**(b) Meaning of Trade Surplus**

**Concept: Trade Balance**

$$\text{Trade Balance} = \text{Exports} - \text{Imports}$$

**Definition:**

Trade surplus occurs when:

$$\text{Value of exports} > \text{Value of imports}$$

**Explanation:**

- Country earns more from exports than it spends on imports
- Indicates a favourable balance of trade

**Conclusion:**

$$\text{Trade Surplus} = \text{Excess of exports over imports}$$

**Quick Tip**

Exports  $\uparrow$   $\rightarrow$  BoP improves  
 Exports  $>$  Imports  $\rightarrow$  Trade Surplus

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**14. Read the following text carefully:**

*“The Reserve Bank of India (RBI) announced a 50 basis point Repo Rate cut to 5.50% from 6%.”*

**In the light of the given text and common understanding, answer the following questions:**

- (i) Identify the economic issue indicated in the above text.
- (ii) Explain the likely causes and consequences of this step of RBI on the economy.

**Solution:**

**(i) Economic Issue**

**Concept: Monetary Policy Adjustment**

A reduction in repo rate is generally undertaken to:

- Stimulate economic growth
- Increase liquidity in the economy

**Answer:**

Economic slowdown / deficiency of demand (low growth)

**(ii) Causes and Consequences**

**A. Likely Causes**

**Step 1: Low economic growth**

- Reduced investment and production
- Decline in industrial output

**Step 2: Low demand in economy**

- Consumers spending less
- Businesses facing low sales

**Step 3: Low inflation**

- Inflation under control gives RBI space to reduce rates

**B. Consequences of Repo Rate Cut**

**Step 1: Cheaper loans**

- Banks borrow from RBI at lower rate
- Interest rates on loans decrease

**Step 2: Increase in investment**

- Businesses take more loans
- Expansion of production activities

**Step 3: Increase in consumption**

- Consumers borrow more (home loans, car loans)
- Demand for goods and services rises

**Step 4: Rise in income and employment**

- Increased production leads to job creation
- Income levels improve

**Step 5: Overall economic impact**

- Economic growth is stimulated
- Aggregate demand increases

**Conclusion:**

Repo rate cut is an expansionary monetary policy to boost growth and demand

**Quick Tip**

Repo rate ↓ → Loans cheaper → Demand ↑ → Growth ↑

**15. (A) Read the following text carefully:**

*“A country’s total National Income (NI) at the end of the year is 80,000 crore. During the same year, the Gross Domestic Product (GDP) increased by 2,00,000 crore. Price index for capital goods at the end of year is 15 lakh crore. Additionally, country invested 8,000 crore in new capital goods industries.”*

**In the light of the above text, classify the items as ‘stock’ or ‘flow’ variables with valid arguments.**

**OR**

**(B) The value of Nominal Gross National Product (GNP) of an economy was 2,500 crore in a particular year. The value of Gross National Product (GNP) of that country during the same year, estimated at the prices of base year was 3,000 crore.**

- (i) Estimate the Gross National Product (GNP) deflator (in percentage).
- (ii) “The price level has risen between the base year and the year under consideration.” Defend or refute the statement with suitable argument.

**Solution:**

**(A) Stock and Flow Variables**

**Concept:**

- **Stock variables** are measured at a point of time.
- **Flow variables** are measured over a period of time.

**Step 1: Classify each item**

- National Income ( 80,000 crore) → **Flow**  
(because it is earned over a year)
- Increase in GDP ( 2,00,000 crore) → **Flow**  
(change over a period)
- Price index of capital goods ( 15 lakh crore) → **Stock**  
(measured at a specific point of time)
- Investment in new capital goods ( 8,000 crore) → **Flow**  
(occurs during a period)

**Conclusion:**

Stock: Price index ; Flow: NI, GDP change, Investment

**(B)**

**(i) GNP Deflator**

**Concept:**

$$\text{GNP Deflator} = \frac{\text{Nominal GNP}}{\text{Real GNP}} \times 100$$

**Step 1: Given data**

$$\text{Nominal GNP} = 2500, \quad \text{Real GNP} = 3000$$

**Step 2: Calculation**

$$\text{Deflator} = \frac{2500}{3000} \times 100 = 83.33\%$$

**Conclusion (i):**

$$\text{GNP Deflator} = 83.33\%$$

**(ii) Price level interpretation**

**Step 1: Interpret deflator**

- If deflator = 100 → no change
- If deflator  $>$  100 → price rise
- If deflator  $<$  100 → price fall

**Step 2: Apply value**

$$83.33 < 100$$

**Conclusion (ii):**

Statement is false — price level has fallen

#### Quick Tip

Deflator  $<$  100 → price fall  
Stock = at a point, Flow = over time

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**16. Read the following text carefully:**

*The government has allocated 16.27 lakh crore for major sectors, ranging from defence to rural development to social welfare to commerce and so on. Government expenditure goes to paying states' share of taxes and duties. Around 19% is spent on interest payments and 16% on central sector schemes, with subsidies, pension and other payments contributing 19%. Government revenue is divided between borrowings and other liabilities, which account for massive 27% of the incoming cash. Income tax revenue of around 19%; Goods and Services Taxes (GST) and other taxes of around 18%; Corporation taxes account for around 17%. The next highest provision on this list is 2.66 lakh crore for rural development. This will include expenditure on rural infrastructure projects and increased outlay for the popular MGNREGA scheme.*

**On the basis of given text and common understanding, answer the following questions:**

- Identify the major sources of government revenue and state what percentage does each one of them contribute.
- Discuss the need for allocating funds among different sectors of the economy.

**Solution:**

## (i) Major Sources of Government Revenue

### Step 1: Identify sources from the text

The major sources of government revenue mentioned are:

- Borrowings and other liabilities → 27%
- Income tax → 19%
- GST and other taxes → 18%
- Corporation tax → 17%

### Step 2: Interpretation

- Borrowings form the largest share of revenue
- Tax revenues (income tax, GST, corporation tax) together form a significant portion

### Conclusion (i):

Major sources are borrowings (27%), income tax (19%), GST (18%), and corporation tax (17%)

## (ii) Need for Allocation of Funds

### Concept: Government Budget Allocation

The government allocates funds to ensure balanced economic and social development.

### Step 1: Economic development

- Investment in infrastructure (roads, irrigation, rural projects)
- Promotes production and growth

### Step 2: Social welfare

- Spending on health, education, pensions, subsidies
- Improves standard of living

### Step 3: Employment generation

- Schemes like MGNREGA create job opportunities
- Reduces poverty and unemployment

### Step 4: Regional balance

- Rural development reduces regional inequalities

### Step 5: Fiscal responsibility

- Allocation ensures proper utilization of limited resources
- Helps in achieving economic stability

**Conclusion (ii):**

Allocation of funds is essential for growth, welfare, employment, and balanced development

**Quick Tip**

Budget allocation → Growth + Welfare + Employment + Stability

**17. (A) (I) Estimate the value of subsistence level of consumption expenditure from the following data, about an economy which is in equilibrium:**

- (i) National Income ( $Y$ ) = 1,500 crore
- (ii) Marginal Propensity to Consume ( $MPC$ ) = 0.8
- (iii) Investment Expenditure ( $I$ ) = 150 crore

**(II) “An economy facing unplanned accumulation of inventories would try to increase its Aggregate Demand.”**

Defend or refute the given statement with valid arguments.

**(III) Identify the monetary measure being referred to each of the following and discuss whether the tool would be used during a situation of excess demand or deficient demand:**

- (i) Buying government securities (G-Sec) from public.
- (ii) Encouraging commercial banks to park their surplus funds with the Reserve Bank of India (RBI).

**OR**

**(B) (I) Complete the following table:**

Situation	Change in Investment ( $\Delta I$ )	Change in Income ( $\Delta Y$ )	MPC	Multiplier ( $K$ )
(a)	1000	(i)	0.9	(ii)
(b)	(iii)	4400	(iv)	4
(c)	1200	(v)	0.8	(vi)

**Solution:**

**(A)**

**(I) Subsistence Consumption**

$$Y = C + I \Rightarrow C = 1500 - 150 = 1350$$

$$C = a + bY \Rightarrow 1350 = a + 0.8(1500)$$

$$1350 = a + 1200 \Rightarrow a = 150$$

Subsistence consumption = 150 crore

## (II) Statement Analysis

### Unplanned inventory accumulation means:

- Production  $\neq$  Demand
- Unsold stock increases

### Firm's reaction:

- Reduce production
- Reduce income and employment
- Aggregate demand falls further

Statement is false — firms reduce demand, not increase it

## (III) Monetary Measures

### (i) Buying government securities

- Tool: Open Market Operations (OMO)
- Effect: Increases money supply
- Used during: Deficient demand

### (ii) Parking surplus funds with RBI

- Tool: Reverse Repo Rate
- Effect: Reduces money supply (liquidity absorbed)
- Used during: Excess demand

## (B)

$$K = \frac{1}{1 - MPC}, \quad \Delta Y = K \cdot \Delta I$$

### (a)

$$K = \frac{1}{1 - 0.9} = 10, \quad \Delta Y = 10 \times 1000 = 10000$$

(i) = 10000, (ii) = 10

(b)

$$4 = \frac{1}{1 - MPC} \Rightarrow MPC = 0.75$$

$$\Delta I = \frac{4400}{4} = 1100$$

(iii) = 1100, (iv) = 0.75

(c)

$$K = \frac{1}{1 - 0.8} = 5, \quad \Delta Y = 5 \times 1200 = 6000$$

(v) = 6000, (vi) = 5

#### Quick Tip

OMO  $\uparrow$   $\rightarrow$  liquidity  $\uparrow$  (deficient demand)

Reverse repo  $\uparrow$   $\rightarrow$  liquidity  $\downarrow$  (excess demand)

18. \_\_\_\_\_ estimates India's national and per capita income during the colonial era was considered very significant.

- (A) William Digby
- (B) V.K.R.V. Rao
- (C) Findlay Shirras
- (D) R.C. Desai

**Correct Answer:** (A) William Digby

**Solution:**

**Concept: National Income Estimates during Colonial Period**

During British rule, several economists attempted to estimate India's national and per capita income.

**Step 1: Identify the earliest estimates**

William Digby was among the earliest to provide estimates of India's national income.

**Step 2: Significance**

- His estimates highlighted the poor economic condition of India under colonial rule.
- They were important in understanding economic exploitation.

**Step 3: Other economists**

- V.K.R.V. Rao  $\rightarrow$  Later scientific estimates

- Findlay Shirras → Also contributed estimates

**Conclusion:**

William Digby's estimates were considered very significant

**Quick Tip**

William Digby → Early national income estimates during colonial period

**19. From the types of unemployment given in Column-I and corresponding features given in Column-II, choose the correct pair:**

	<b>Column-I</b>		<b>Column-II</b>
(i)	Disguised Unemployment	(a)	Concentrated to a given season
(ii)	Seasonal Unemployment	(b)	Marginal productivity is zero
(iii)	Indirect employment by government	(c)	Indian Railways
(iv)	Direct employment by government	(d)	Indian Oil Corporation (IOC)

**Options:**

- (A) (i) – (b)
- (B) (ii) – (a)
- (C) (iii) – (c)
- (D) (iv) – (d)

**Correct Answer:** (A) (i) – (b)

**Solution:**

**Concept: Types of Unemployment**

**Step 1: Disguised Unemployment**

- More people are employed than required
  - Marginal productivity of extra workers is zero
- $(i) \rightarrow (b)$

**Step 2: Seasonal Unemployment**

- Occurs in specific seasons (e.g., agriculture)
- $(ii) \rightarrow (a)$

**Step 3: Indirect employment**

- Provided through public sector enterprises
- Example: Indian Oil Corporation

(iii) → (d)

**Step 4: Direct employment**

- Directly under government departments
- Example: Indian Railways

(iv) → (c)

**Conclusion:** Correct pair among options:

(i) → (b)

**Quick Tip**

Disguised unemployment → Marginal productivity = 0

**20. Growth of rural economy depends primarily on infusion of \_\_\_\_\_ to realise higher productivity in agricultural and non-agricultural sectors.**

- (A) Capital
- (B) Road Construction
- (C) Green status
- (D) Outsourcing

**Correct Answer:** (A) Capital

**Solution:**

**Concept: Rural Development**

Growth in rural economy requires:

- Investment in agriculture
- Development of infrastructure
- Expansion of non-farm activities

**Step 1: Role of capital**

- Capital helps in purchasing machinery, seeds, fertilizers
- Improves productivity in both agricultural and non-agricultural sectors

**Conclusion:**

Infusion of capital is essential for rural growth

**Quick Tip**

Capital investment → Higher productivity → Rural development

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**21. “In the formative stages of reforms development of credit markets, administrative intervention in interest rates is both necessary and desirable.” Identify the sector under which the aforesaid reform was introduced.**

- (A) Tax reforms
- (B) Industrial sector reforms
- (C) Financial sector reforms
- (D) Foreign sector reforms

**Correct Answer:** (C) Financial sector reforms

**Solution:**

**Concept: Economic Reforms in India**

Economic reforms include:

- Industrial reforms
- Financial sector reforms
- Tax reforms
- External sector reforms

**Step 1: Focus of statement**

- Development of credit markets
- Regulation of interest rates

**Step 2: Identify sector**

These aspects relate to:

- Banking system
- Financial institutions

**Conclusion:**

This reform belongs to Financial sector reforms

**Quick Tip**

Interest rates + credit markets → Financial sector

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**22. Read the following statements – Assertion (A) and Reason (R). Choose the correct option from those given below:**

**Assertion (A):** The dynamic sub-sectors like agro-processing industries, food processing industries, etc. have potential to create alternative employment opportunities.

**Reason (R):** Men usually seek non-farm jobs, but recently, women have also started looking for such jobs.

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

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

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

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

**Correct Answer:** (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

**Solution:**

**Step 1: Analyze Assertion (A)**

- Agro-processing and food processing industries are part of rural non-farm sector
- They generate employment beyond agriculture

Assertion (A) is true

**Step 2: Analyze Reason (R)**

- Earlier mainly men took non-farm jobs
- Now women are also participating in such jobs

Reason (R) is true

**Step 3: Relation between A and R**

- Reason does not explain why these industries create employment
- It only describes changing workforce participation

**Conclusion:**

Both are true, but R is not the correct explanation

Quick Tip

Non-farm sectors → create employment; workforce change explanation

**23. The steep Indian education pyramid indicates \_\_\_\_\_.**

- (A) Equal distribution of students across all levels
- (B) Increase in number of people reaching higher education
- (C) Low unemployment among educated youth
- (D) Few/less number of people reaching higher education

**Correct Answer:** (D) Few/less number of people reaching higher education

**Solution:**

**Concept: Education Pyramid**

An education pyramid shows distribution of students at different levels:

- Broad base → many students at primary level
- Narrow top → fewer students at higher levels

**Step 1: Interpret steep pyramid**

- Indicates high dropout rates
- Very few reach higher education

**Step 2: Conclusion**

Less number of people reach higher education

Quick Tip

Wide base + narrow top → fewer students in higher education

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**24. China adopted \_\_\_\_\_ strategy in which farmers and industries bought and sold certain quantities at government fixed prices, while remaining transactions occurred at market prices.**

- (A) Dual Pricing
- (B) Special Economic Zones
- (C) Great Proletarian Cultural Revolution
- (D) Great Leap Forward

**Correct Answer:** (A) Dual Pricing

**Solution:**

**Concept: Economic Reforms in China**

China introduced several reform strategies to transition from a centrally planned economy to a market-oriented system.

**Step 1: Understand the strategy**

- Part of output was sold at government-fixed prices
- Remaining output was sold at market-determined prices

**Step 2: Identify the strategy**

This system is known as:

Dual Pricing System

**Step 3: Purpose**

- Gradual transition to market economy
- Encouraged production and efficiency

**Conclusion:**

China adopted Dual Pricing strategy

**Quick Tip**

Dual pricing → Part fixed price + part market price

**25. Identify the strategy given in the image that can be utilised for sustainable development.**



- (A) Non-conventional energy
- (B) Wind power
- (C) CNG in urban areas
- (D) Gobar Gas in rural areas

**Correct Answer:** (D) Gobar Gas in rural areas

**Solution:**

**Concept: Sustainable Development**

Sustainable development involves using resources in a way that meets present needs without compromising future generations.

**Step 1: Identify the image**

- The image shows a biogas plant
- It uses cow dung (gobar) to produce gas

**Step 2: Understand the process**

- Organic waste is decomposed
- Methane gas is produced and used as fuel

**Step 3: Match with option**

This represents Gobar Gas (biogas) in rural areas

**Step 4: Importance**

- Reduces pollution
- Provides clean fuel
- Utilizes waste efficiently

**Conclusion:**

Correct option is Gobar Gas in rural areas

**Quick Tip**

Biogas plant → clean energy from waste → sustainable development

---

**26. Read the following statements carefully:**

**Statement 1:** The option for producing off-season crops are quite restricted in organic farming.

**Statement 2:** Organic agriculture helps in substituting costlier agricultural inputs with locally produced organic inputs.

**In the light of the above statements, choose the correct option from the following:**

- (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.

**Correct Answer:** (C) Both statements 1 and 2 are true.

**Solution:**

**Step 1: Analyze Statement 1**

- Organic farming avoids synthetic chemicals and artificial conditions
- Hence, producing off-season crops is difficult

Statement 1 is true

**Step 2: Analyze Statement 2**

- Organic farming uses natural inputs like compost, manure, bio-fertilizers
- These are locally available and cheaper

Statement 2 is true

**Step 3: Conclusion**

Both statements are correct

**Quick Tip**

Organic farming → natural inputs + limited off-season production

**27. Education provides -----.**

- (i) Scientific advancements
  - (ii) Facilitate inventions and innovations
  - (iii) Adapting to new technology
- (A) (i) and (ii)
  - (B) (i) and (iii)
  - (C) (ii) and (iii)
  - (D) (i), (ii) and (iii)

**Correct Answer:** (D) (i), (ii) and (iii)

**Solution:**

**Concept: Role of Education in Economic Development**

Education plays a crucial role in improving human capital and overall development.

**Step 1: Scientific advancements**

- Education enhances knowledge and research
- Leads to scientific progress

**Step 2: Innovation and invention**

- Skilled and educated individuals contribute to new ideas

- Promotes innovation and technological growth

**Step 3: Adaptation to technology**

- Education helps individuals understand and use new technologies
- Increases productivity and efficiency

**Conclusion:**

All statements (i), (ii), and (iii) are correct

**Quick Tip**

Education → Knowledge + Innovation + Technology adoption

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**28. Explain the Great Leap Forward (GLF) campaign of China.**

**Solution:**

**Concept: Great Leap Forward (GLF)**

The Great Leap Forward (GLF) was an economic and social campaign launched by China in 1958 under the leadership of Mao Zedong.

**Step 1: Objective of GLF**

- To rapidly industrialize the country
- To transform China from an agrarian economy into a socialist industrial economy
- To increase agricultural and industrial production simultaneously

**Step 2: Key Features**

- Formation of large communes in rural areas
- Collective farming and shared ownership of land
- Establishment of small-scale industries in villages (like backyard furnaces)
- Mobilization of large labour force for production activities

**Step 3: Implementation**

- Farmers were grouped into communes
- Private farming was discouraged
- Emphasis was placed on meeting high production targets

**Step 4: Outcomes**

- Initially increased production targets
- However, poor planning and unrealistic goals led to decline in output
- Severe food shortages and famine occurred

**Step 5: Conclusion**

GLF was an ambitious but largely unsuccessful attempt at rapid development

**Quick Tip**

GLF → Communes + rapid industrialisation → led to economic failure

**29. (A) Distinguish between formal and informal sector of employment with the help of suitable examples.**

**OR**

**(B) Discuss the long term implications of increased demand for environmental resources exceeding their natural regenerative capacity.**

**Solution:**

**(A) Formal vs Informal Sector**

**Concept: Employment Sectors**

Employment is broadly classified into:

- Formal sector
- Informal sector

**Difference:**

<b>Basis</b>	<b>Formal Sector</b>	<b>Informal Sector</b>
Registration	Registered with government	Not registered
Job security	High (permanent jobs)	Low (temporary jobs)
Working conditions	Regulated and safe	Unregulated
Benefits	PF, pension, paid leave	No such benefits
Examples	Government jobs, banks	Street vendors, daily labourers

**Conclusion:**

Formal sector provides security, while informal sector lacks protection

**(B) Long-term Implications of Overuse of Environmental Resources**

**Concept: Sustainable Development**

When demand for environmental resources exceeds their regenerative capacity, it leads to environmental degradation.

**Step 1: Resource depletion**

- Natural resources like forests, water, minerals get exhausted

**Step 2: Environmental degradation**

- Pollution of air, water, and soil increases
- Loss of biodiversity

**Step 3: Climate change**

- Increase in greenhouse gases
- Global warming and extreme weather conditions

**Step 4: Economic impact**

- Reduced agricultural productivity
- Increased cost of resources

**Step 5: Impact on future generations**

- Scarcity of resources
- Reduced quality of life

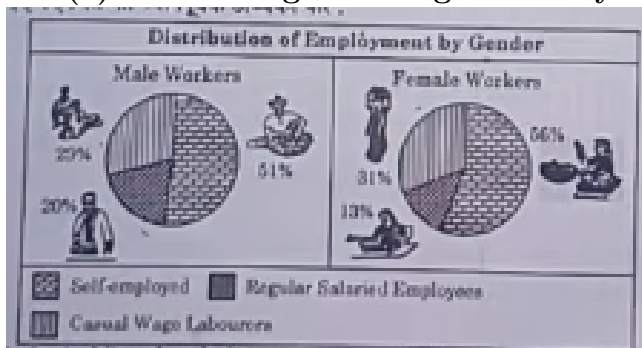
**Conclusion:**

Overuse of resources leads to unsustainable development and long-term ecological imbalance

**Quick Tip**

Use resources sustainably → Protect future generations

**30. (a) Refer the given image carefully: Distribution of Employment by Gender.**



Compare and analyse the distribution of workforce with respect to gender.

**Solution:**

## **Concept: Workforce Distribution by Gender**

The diagram shows the percentage distribution of male and female workers across three categories:

- Self-employed
- Regular salaried employees
- Casual wage labourers

### **Step 1: Male Workers Distribution**

- Self-employed → 51%
- Regular salaried employees → 20%
- Casual wage labourers → 29%

#### **Observation:**

- Majority of male workers are self-employed
- A moderate proportion is in casual labour
- Fewer are in regular salaried jobs

### **Step 2: Female Workers Distribution**

- Self-employed → 56%
- Regular salaried employees → 13%
- Casual wage labourers → 31%

#### **Observation:**

- Majority of female workers are also self-employed
- Higher percentage in casual labour compared to males
- Lower participation in regular salaried jobs

### **Step 3: Comparison**

- Both males and females have highest share in self-employment
- Females have higher proportion in casual labour than males
- Males have higher proportion in regular salaried employment than females

### **Step 4: Analysis**

- Female workforce is more concentrated in informal sector
- Limited access of women to secure salaried jobs
- Indicates gender inequality in employment opportunities

**Conclusion:**

Females are more engaged in informal and insecure jobs, while males have relatively better access to regu

**Quick Tip**

Females → more casual work; Males → more salaried jobs

**31. (A) "The Restrictive policies under the colonial government adversely affected the structure, composition and volume of India's foreign trade." Justify the above statement with valid explanation.**

**OR**

**(B) Explain the main objectives and impacts of land settlement policies implemented under the British government rule.**

**Solution:**

**(A) Impact of Colonial Trade Policies**

**Concept: Colonial Trade Policy**

During British rule, India's foreign trade was controlled and shaped to serve British economic interests rather than India's development.

**Step 1: Impact on Structure of Trade**

- India became an exporter of raw materials (cotton, jute, indigo)
- Importer of finished manufactured goods from Britain

**Step 2: Impact on Composition**

- Shift from diverse exports to primary products
- Decline of Indian handicrafts and traditional industries

**Step 3: Impact on Volume**

- Trade volume increased but not beneficial to India
- Trade surplus was used to finance British expenses (Drain of Wealth)

**Step 4: Adverse Effects**

- Deindustrialisation of Indian economy
- Dependence on agriculture
- Economic exploitation and poverty

**Conclusion:**

Colonial policies distorted India's trade in structure, composition and benefits

**(B) Land Settlement Policies**

**Concept: British Land Revenue Systems**

The British introduced land settlement systems mainly to increase revenue collection.

**Step 1: Objectives**

- To generate maximum revenue for the British government
- To establish control over land and agriculture
- To create a loyal class of intermediaries (zamindars)

**Step 2: Major Systems**

- Zamindari System
- Ryotwari System
- Mahalwari System

**Step 3: Impacts**

- High land revenue burden on farmers
- Exploitation by zamindars and intermediaries
- Lack of investment in agriculture
- Low agricultural productivity
- Increased poverty and indebtedness of peasants

**Conclusion:**

Land policies led to exploitation of farmers and stagnation of agriculture

**Quick Tip**

Colonial rule → Trade distortion + Agrarian exploitation

- 32. (i) State the meaning of Special Economic Zone (SEZ).  
(ii) Discuss the 'One Child Policy' adopted by China.**

**Solution:**

**(i) Meaning of Special Economic Zone (SEZ)**

**Concept: SEZ**

A Special Economic Zone (SEZ) is a designated area within a country where business and trade laws differ from the rest of the country.

**Definition:**

SEZ is a region with liberal economic policies to promote investment, production and exports

**Features:**

- Tax concessions and incentives
- Simplified regulations
- Promotion of foreign investment
- Better infrastructure facilities

**Purpose:**

- Increase exports
- Generate employment
- Boost industrial growth

**(ii) One Child Policy of China**

**Concept: Population Control Policy**

The One Child Policy was introduced in China in 1979 to control the rapid growth of population.

**Objectives:**

- Reduce population growth rate
- Improve living standards
- Reduce pressure on resources

**Key Features:**

- Families were allowed to have only one child
- Incentives were given for single-child families
- Penalties were imposed for violation

**Impacts:**

- Decline in population growth rate

- Improved per capita income
- Rise in ageing population
- Gender imbalance due to preference for male child

**Conclusion:**

The policy controlled population but led to social challenges

**Quick Tip**

SEZ → growth exports

One Child Policy → population control with side effects

**33. Read the following text carefully:**

*The Union Budget 2025-26 proposed a significant package for rural India allocating 1.88 lakh crore to drive comprehensive development. The budget emphasises on boosting employment, women employment, education and infrastructure in rural areas, reflecting the government's commitment for a stronger, self-reliant rural economy. The extension of Jal-Jeevan Mission until 2028, with focus on achieving 100% rural water supply coverage and enhancing infrastructure maintenance. Broadband connectivity is set to expand under the Bharatnet project, providing internet access to all rural government secondary schools and primary health care centres.*

*Also, the budget highlights major rural schemes like the Pradhan Mantri Gram Sadak Yojana which has provided all-weather roads to rural areas. The Pradhan Mantri Grameen Awaas Yojana, which has delivered housing to economically weaker sections. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) continues to secure rural livelihoods with an allocation of 86,000 crore in FY 2024-25.*

**On the basis of the above text and common understanding, answer the following questions:**

- Explain the significance of rural development.
- Discuss any two policies initiated by Government of India for rural development.

**Solution:**

**(i) Significance of Rural Development**

**Concept:**

Rural development refers to improving the economic and social conditions of people living in rural areas.

**Step 1: Economic growth**

- Enhances agricultural productivity

- Promotes non-farm activities and employment

**Step 2: Poverty reduction**

- Generates employment opportunities
- Improves income levels in rural areas

**Step 3: Infrastructure development**

- Better roads, water supply, and internet connectivity
- Improves access to markets and services

**Step 4: Balanced regional development**

- Reduces rural-urban disparities
- Prevents excessive migration to cities

**Step 5: Improved standard of living**

- Better education, health, and housing facilities

**Conclusion:**

Rural development is essential for inclusive growth and overall economic progress

**(ii) Government Policies for Rural Development**

**1. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)**

- Provides 100 days of guaranteed wage employment to rural households
- Ensures livelihood security
- Reduces unemployment and poverty

**2. Pradhan Mantri Gram Sadak Yojana (PMGSY)**

- Provides all-weather road connectivity to rural areas
- Improves access to markets, schools, and hospitals
- Promotes economic development

**(Other examples could include: Jal Jeevan Mission, PMAY-Gramin, BharatNet)**

**Conclusion:**

Government policies aim to improve infrastructure, employment and living standards in rural areas

### Quick Tip

Rural development → Growth + Employment + Infrastructure + Equity

**34. (A) Read the following text carefully and answer the questions given below:**

*“This organisation replaced General Agreement on Trade and Tariff (GATT) as global trade organisation.”*

- (i) Identify the organisation which is known as the successor of GATT.
- (ii) In which year was this new organisation established?
- (iii) Explain any two objectives of the new organisation.

**OR**

**(B) Read the following text carefully and answer the questions given below:**

*“It is an arrangement in which a firm hires some specialized firm(s) to carry out some of its activities (which were earlier being performed by itself). These service hirings could be from local / international markets.”*

- (i) Identify the indicated outcome of the globalisation process.
- (ii) State any two factors responsible for making India as an important source of these activities.
- (iii) Explain examples of services that have expanded due to advancements in information technology.

**Solution:**

**(A)**

**(i) Organisation**

World Trade Organization (WTO)

**(ii) Year of establishment**

1995

**(iii) Objectives of WTO**

**1. Promotion of free trade**

- Reduces trade barriers like tariffs and quotas
- Encourages smooth flow of international trade

**2. Settlement of trade disputes**

- Provides a platform to resolve conflicts between countries
- Ensures fair trade practices

**(Other objectives: Increasing global welfare, ensuring transparency)**

**(B)**

**(i) Identified outcome**

Outsourcing

**(ii) Factors making India an important source**

**1. Availability of skilled labour**

- Large number of educated and English-speaking workforce

**2. Cost advantage**

- Lower wages compared to developed countries

**(Other factors: Time zone advantage, IT infrastructure)**

**(iii) Examples of services expanded**

- Business Process Outsourcing (BPO)
- Call centres
- IT services and software development
- Data entry and accounting services

**Conclusion:**

Globalisation has expanded outsourcing and service sector growth

#### Quick Tip

WTO → global trade body (1995)

Outsourcing → key outcome of globalisation