

SOLUTIONS
Senior School Certificate Examination 2026
ECONOMICS (Subject Code–030)
[Paper Code: 58/3/1]

Maximum Marks: 80

Q. No.	EXPECTED ANSWER / VALUE POINT	Marks												
SECTION -A Macro Economics														
1.	Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: <i>Assertion (A):</i> Borrowing requirements of the government include interest obligations on debt as well. <i>Reason (R):</i> The goal of measuring primary deficit is to correct the prevailing fiscal imbalances. Options: (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. Ans. (C) Assertion (A) is true, but Reason (R) is false.	1												
2.	Identify the variable(s) which may add to the future productive capacity of an economy: I. Raw material II. Fixed investment III. Inventories with producers (Choose the correct option) Options: (A) Only I (B) Only II (C) II and III (D) I, II and III Ans. (B) Only II	1												
3.	On the basis of the given table, estimate the value added by the Baker. (Amount in ₹ crore) <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td></td><td>Farmer</td><td>Baker</td></tr> <tr> <td>Total Production</td><td>100</td><td>200</td></tr> <tr> <td>Intermediate Consumption</td><td>0</td><td>50</td></tr> <tr> <td>Value Added</td><td>100</td><td>...(i)...</td></tr> </table> (Choose the correct option) Options: (A) 200 (B) 250 (C) 100 (D) 150 Ans. (D) 150		Farmer	Baker	Total Production	100	200	Intermediate Consumption	0	50	Value Added	100	...(i)...	1
	Farmer	Baker												
Total Production	100	200												
Intermediate Consumption	0	50												
Value Added	100	...(i)...												
4.	Identify, the factor which influences the demand for foreign exchange in a country. (Choose the correct option) Options : (A) Investments made by Indians in Japan (B) Indian producers exporting fabrics to United States of America (USA)													

	(C) Remittances by Indian workers from Gulf countries (D) An Indian software company providing services to clients abroad Ans. (A) Investments made by Indians in Japan	1
5.	Select the correct formula to calculate the value of Marginal Propensity to Save (MPS): I. $\frac{\text{Change in Savings } (\Delta S)}{\text{Change in Consumption } (\Delta C)}$ II. $\frac{\text{Change in Savings } (\Delta S)}{\text{Change in Income } (\Delta Y)}$ III. $1 - \text{Marginal Propensity to Consume (MPC)}$ IV. $\frac{\text{Change in Income } (\Delta Y)}{\text{Change in Savings } (\Delta S)}$ Options: (A) I, II, III and IV (B) II and III (C) Only III (D) Only II Ans. (B) II and III	1
6.	Read the following statements carefully: <i>Statement I:</i> Trade in services includes both factor income and non-factor income transactions. <i>Statement II:</i> Current Account includes transactions related to goods, services and unilateral transfers. In the light of the given statements, choose the correct option from the following: (A) Statement I is true and Statement II is false. (B) Statement I is false and Statement II is true. (C) Both Statements I and II are true. (D) Both Statements I and II are false. Ans. (C) Both Statements I and II are true.	1
7.	Suppose in a hypothetical economy, $Y = 50 + 0.8Y + 100$, where Y = National Income. The value of Investment Multiplier (K) would be _____. (Choose the correct option to fill in the blank) Options: (A) 5 (B) 0.2 (C) 50 (D) 0.8 Ans. (A) 5	1
8.	“Consumption of a good by a person does not reduce the amount available for consumption by others. Consumers consuming such goods are known as free-riders.” Identify the type of goods indicated in the above text. Options: (A) Public goods (B) Private goods (C) Joint venture goods (D) Self-consumption goods Ans. (A) Public goods	1
9.	Read the following statements carefully: <i>Statement I:</i> At the break-even level of income, the value of slope of the consumption curve is zero. <i>Statement II:</i> Marginal Propensity to Consume (MPC) refers to the change in consumption per unit change in income. In the light of the given statements, choose the correct option from the following: (A) Statement I is true and Statement II is false.	

	(B) Statement I is false and Statement II is true. (C) Both Statements I and II are true. (D) Both Statements I and II are false. Ans. (B) Statement I is false and Statement II is true.	1
10.	Under the fixed exchange rate system, if the government decreases the value of domestic currency with respect to a foreign currency, it is known as _____ of currency. (Choose the correct option to fill in the blank) Options: (A) Devaluation (B) Depreciation (C) Appreciation (D) Revaluation Ans. (A) Devaluation	1
11.	State the meaning and any two components of Gross Domestic Capital formation. Ans. Gross Domestic Capital Formation refers to addition to the capital stock which includes replacement for the wear and tear which the capital stock undergoes. Two Components of Gross Domestic Capital Formation: • Gross Domestic Fixed Capital Formation. • Inventory Investment. (Any other valid component to be awarded marks) OR	1 1
(a)	“It is not the nature of a good, rather the economic nature of its use, which determines whether it is a final good or not.” Justify the given statement with valid arguments. Ans. A good can be classified as a final good or not, depending on the economic nature of its use. Once a good is sold to the consumer, it crosses the production boundary and any further transformation at the hands of the producer is not possible. Although it may undergo further transformation at the hands of the ultimate purchaser but it is non-economic in nature. However, if the same product is used for further production or resale in the same year, it will be treated as an intermediate good as value addition at any further stage is possible. (To be marked as a whole)	3
12.	“US administration has recently imposed tariff to the magnitude of 50%.” In the light of given statement, explain the likely impact of this step on the exports of India. Ans. The imposition of high tariffs to the magnitude of 50% by the US administration, would make Indian goods relatively expensive in the international markets. Thereby, demand for Indian goods in the global market may fall leading to reduction in exports of India. (To be marked as a whole)	3
13.	Distinguish between Revenue Expenditure and Capital Expenditure with the help of suitable examples. Ans. Revenue expenditure is the expenditure of the government that neither leads to creation of assets nor reduction in liabilities of the government. For example: Salaries paid to government employees. Whereas; Capital expenditure is the expenditure of the government that either leads to creation of assets or reduction in liabilities of the government. For example: Construction of flyovers. (Any other valid example to be awarded marks) OR	1 ½ ½ 1 ½ ½
(a)		4
(b)	Using suitable examples, distinguish between Revenue Receipts and Capital Receipts.	

	Ans. Revenue receipts are the receipts of the government that neither lead to increase in liabilities nor reduction in assets of the government. For example: Taxes received by the government. Whereas; Capital receipts are the receipts of the government that either lead to increase in liabilities or reduction in assets of the government. For example: Proceeds from disinvestment. (Any other valid example to be awarded marks)	1 ½ ½ 1 ½ ½ 4																																				
14.	Estimate the value of incremental investment if, equilibrium level of income increases by ₹ 50,000 crore and half of additional income is always saved in the economy. Ans. Given, Increase in Income (ΔY) = ₹ 50,000 crore Marginal Propensity to Save (MPS) = 0.5 As we know, Investment Multiplier (K) = $\frac{1}{MPS}$ $= \frac{1}{0.5} = 2$ Investment Multiplier (K) = $\frac{\text{Change in Income } (\Delta Y)}{\text{Change in Investment } (\Delta I)}$ $2 = \frac{50,000}{\text{Change in Investment } (\Delta I)}$ Change in Investment (ΔI) = ₹ 25,000 crore	1 ½ 1 ½ ½ ½ 4																																				
15.	“The Reserve Bank of India (RBI) has decided to increase the loan amount to 90% of the security value, from the prior rate of 80%.” In the light of above statement, identify the type of monetary measure exercised by the Reserve Bank of India (RBI) and its likely impacts on the Aggregate Demand of the economy. Ans. The monetary measure being exercised in the text above by the Reserve Bank of India (RBI) is Margin Requirement. Margin requirement refers to the difference between the amount of the loan and the value of the security offered by the borrower against the loan. An increase in the loan amount to 90% of the security value, from the prior rate of 80% reflects a reduction in margin requirement which in turn encourages the public to borrow more. Consequently, money supply will increase leading to increase in the Aggregate Demand in the economy.	1 3 4																																				
16. (a)	Calculate the values of Operating Surplus and Gross Domestic Product at Market Price (GDP_{MP}) from the following data : <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>S.No.</th><th>Particulars</th><th>Amount (in ₹ crore)</th></tr> </thead> <tbody> <tr><td>(i)</td><td>Rent</td><td>120</td></tr> <tr><td>(ii)</td><td>Profits</td><td>200</td></tr> <tr><td>(iii)</td><td>Domestic Income</td><td>720</td></tr> <tr><td>(iv)</td><td>Mixed Income</td><td>70</td></tr> <tr><td>(v)</td><td>Wages and Salaries</td><td>300</td></tr> <tr><td>(vi)</td><td>Indirect Taxes</td><td>150</td></tr> <tr><td>(vii)</td><td>Subsidies</td><td>50</td></tr> <tr><td>(viii)</td><td>Consumption of fixed capital</td><td>200</td></tr> <tr><td>(ix)</td><td>Interest</td><td>30</td></tr> <tr><td>(x)</td><td>Dividend</td><td>120</td></tr> <tr><td>(xi)</td><td>Net factor income from abroad</td><td>20</td></tr> </tbody> </table>	S.No.	Particulars	Amount (in ₹ crore)	(i)	Rent	120	(ii)	Profits	200	(iii)	Domestic Income	720	(iv)	Mixed Income	70	(v)	Wages and Salaries	300	(vi)	Indirect Taxes	150	(vii)	Subsidies	50	(viii)	Consumption of fixed capital	200	(ix)	Interest	30	(x)	Dividend	120	(xi)	Net factor income from abroad	20	
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(b)	Ans. Operating Surplus = (i) + (ii) + (ix) = 120 + 200 + 30 = ₹ 350 crore	1 ½ 1 ½
	Gross Domestic Product at Market Price (GDP_{MP})=(iii)+(viii)+{(vi) - (vii)} = 720 + 200 + (150 – 50) = ₹ 1,020 crore	1 ½ 1 ½
	OR	6
	(i) Distinguish between Real Gross Domestic Product and Nominal Gross Domestic Product using a numerical example. Ans. Real Gross Domestic Product (GDP) refers to the market value of final goods and services produced in the domestic territory of an economy during a given period of time, measured at constant prices. Whereas; Nominal Gross Domestic Product (GDP) refers to the market value of final goods and services produced in the domestic territory of an economy during a given period of time, measured at current year prices. For example, considering base year be 2022 and current year be 2025.	1 <

	(iii) "Open market operation is the tool used by Reserve Bank of India (RBI) to regulate money supply in the economy." Justify the given statement with valid arguments. Ans. The Reserve Bank of India (RBI) can regulate the money supply in the economy by the sale/ purchase of government securities in the open market. When RBI sells government securities, the availability of funds with commercial banks reduces, which in turn curtails their lending capacity. Consequently, the money supply in the economy reduces. On the contrary, when RBI buys government securities, the availability of funds with commercial banks rises, which in turn increases their lending capacity. Consequently, the money supply in the economy rises. (To be marked as a whole)	3
		6
SECTION B Indian Economic Development		
18.	Read the following statements carefully: <i>Statement I:</i> Inland waterways proved to be uneconomical as in the case of Coast Canal on the Orissa coast. <i>Statement II:</i> British government followed an effective and efficient administrative set-up leaving a legacy of effective work culture. In the light of the given statements, choose the correct option from the following: (A) Statement I is true and Statement II is false. (B) Statement I is false and Statement II is true. (C) Both Statements I and II are true. (D) Both Statements I and II are false. Ans. (A) Statement I is true and Statement II is false.	1
19.	Arrange the following events of Pakistan in correct chronological order : I. Nationalisation of capital goods industries II. Establishment of Pakistan III. Introduction of economic reforms IV. Announcement of First Five Year Plan (Choose the correct option) Options : (A) III, IV, I, II (B) III, II, I, IV (C) IV, III, II, I (D) II, IV, I, III Ans. (D) II, IV, I, III	1
20.	Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: Read them carefully and select the correct option: <i>Assertion (A):</i> The unemployment problem in India is multifaceted. <i>Reason (R):</i> Some individuals work round the year, while others work only a few months in a year. Options: (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.	

	Ans. (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).	1
21.	Minimum Support Price is fixed by the Government to safeguard the interests of the _____. (Choose the correct option to fill in the blank) Options : (A) Consumers (B) Farmers (C) Wholesalers (D) Middlemen Ans. (B) Farmers	1
22.	The primary outcome of the efforts initiated by the Indian Government (Liberalisation and Privatisation) under the New Economic Policy of 1991 was _____. (Choose the correct option to fill in the blank) Options : (A) Fiscal policy reforms (B) Globalization (C) Monetary policy reforms (D) Reservation of products Ans. (B) Globalization	1
23.	Read the following text carefully: “Between 1966 – 67, Mao introduced this movement under which professionals and students were asked to work and learn from the countryside of China.” Identify the correct option with reference to the aforesaid text. (A) Commune System (B) Great Leap Forward (C) Open Door Policy (D) Great Proletarian Cultural Revolution Ans. (D) Great Proletarian Cultural Revolution	1
24.	Read the following statements carefully: <i>Statement I:</i> Livestock provides alternative livelihood options to small and marginal farmers. <i>Statement II:</i> In rural areas, animal husbandry provides stable employment opportunities throughout the year. In the light of the given statements, choose the correct option from the following: (A) Statement I is true and Statement II is false. (B) Statement I is false and Statement II is true. (C) Both Statements I and II are true. (D) Both Statements I and II are false. Ans. (C) Both Statements I and II are true.	1
25.	Nations worldwide typically establish Regional and Global economic groups in order to _____. (Choose the correct option to fill in the blank) Options: (A) Strengthen their economies (B) Ensure liberty (C) Promote judicial independence (D) Gain control over other countries Ans. (A) Strengthen their economies	1
26.	The steep Indian education pyramid indicates _____. (Choose the correct option to fill in the blank) Options : (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 Ans. (D) Few/less number of people reaching higher education	1

27.	Identify, which of the following is an income indicator. (Choose the correct option) Options: (A) Mortality rate (B) Malnourishment (C) GDP per capita (D) Morbidity rate Ans. (C) GDP per capita	1																											
28. (a)	Describe the role which India has played as an important member of World Trade Organisation (WTO). Ans. As a member of the World Trade Organization (WTO), India has been at the forefront of framing fair global rules and regulations advocating the interests of the developing world. India has kept its commitments towards liberalisation of trade by removing quantitative restrictions on imports and reducing tariff rates. (To be marked as a whole)	3																											
	OR																												
(b)	Critically appraise the Industrial Licensing policy initiated by the government during the planning period of India. Ans. The licensing policy, introduced under the IPR 1956, required industries to obtain prior permission from the government for production decisions. The aim of this policy was to ensure balanced regional growth, and prevent concentration of economic power. While the licensing system initially helped in guiding industrialization and protecting small industries, it gradually led to bureaucratic delays, corruption, reduced competition, and inefficient resource allocation, thereby hindering growth. (To be marked as a whole)	3																											
29.	“Some economists argue that once a technology proves to be profitable and becomes widely adopted, subsidies should be gradually withdrawn.” Defend or refute the given statement with valid arguments. Ans. The given statement is defended. Subsidies may be gradually withdrawn once technology becomes profitable as agricultural subsidies have proved to be a huge burden on the finances of the government. Moreover, farmers in the prosperous regions largely benefited from farm subsidies rather than the target group. (To be marked as a whole) (Any other valid argument with alternative point of view may be awarded marks)	3																											
30.	On the basis of the given data, comment on trends of output growth in different sectors (1980 – 2018), between India and Pakistan. <table><tr><th rowspan="2">Country</th><th colspan="3">1980 – 90</th><th colspan="3">2014 – 18</th></tr><tr><th>Agriculture</th><th>Industry</th><th>Services</th><th>Agriculture</th><th>Industry</th><th>Services</th></tr><tr><td>India</td><td>3.1</td><td>7.4</td><td>6.9</td><td>3.1</td><td>6.9</td><td>7.6</td></tr><tr><td>Pakistan</td><td>4</td><td>7.7</td><td>6.8</td><td>1.7</td><td>4.8</td><td>5.0</td></tr></table> Ans. According to the given data, output growth in the agriculture sector for India remained stable at 3.1%, while Pakistan’s declined sharply from 4% to 1.7%. In the industrial sector, both countries experienced a slowdown, however, the decline was marginal (7.4% to 6.9%) for India and more severe for Pakistan (7.7% to 4.8%). In the service sector, India showed improvement, with growth rising from 6.9% to 7.6%, whereas Pakistan’s growth fell from 6.8% to 5%. Overall, India’s economic growth during this period was largely driven by the service sector, while Pakistan experienced deceleration in all the three sectors. (To be marked as a whole)	Country	1980 – 90			2014 – 18			Agriculture	Industry	Services	Agriculture	Industry	Services	India	3.1	7.4	6.9	3.1	6.9	7.6	Pakistan	4	7.7	6.8	1.7	4.8	5.0	4
Country	1980 – 90			2014 – 18																									
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31.	Describe the role of government in improving the efficiency of human capital formation in India.																												

(a) (b)	Ans. The Government plays a crucial role in promoting the efficiency of human capital formation. Government intervention is essential as spending on education and health has long-term, irreversible impact. Moreover, consumers often lack complete information about service quality and costs, leading to monopoly power and potential exploitation by private service providers. To avoid this, the government must regulate these services, ensuring adherence to standards and fair pricing. Hence, government plays a crucial role in making these essential services accessible to all sections of society. (To be marked as a whole) OR “Traditional knowledge and practices are still applicable in ensuring sustainable development.” Do you agree with the given statement? Support your answer with valid reasons Ans. Yes. Traditionally, India adopted eco-friendly practices in agriculture, healthcare, housing, and transport. All of these practices used naturally available products and processes, which had very few side effects. The adoption of the modern systems caused environmental degradation. However, India has a rich traditional healthcare system like Ayurveda, Unani etc. which are now a days in great demand. Moreover, many herbal cosmetic products are regaining popularity, as they are eco-friendly, safer and require less industrial processing and help in ensuring sustainable development. (To be marked as a whole)	4 4
32.	Study the given image carefully and answer the questions that follow.  (i) Identify the artificial waterway during colonial rule that served as a highway between India and Britain. Ans. The Suez Canal. (ii) In which year was this artificial maritime route officially opened for international navigation? Ans. The Suez Canal was officially opened for international navigation in 1869. (iii) Describe the economic significance of artificial waterways between the Mediterranean and the Red Sea. Ans. Opening up of the Suez Canal provided a direct and shorter trade route for ships operating between Britain and India and avoided the need to sail around Africa, thereby reducing around 5,100 miles of travel. Thus, it intensified British control over India's foreign trade as it reduced the cost of transportation and made access to the Indian market easier. <i>Note : The following question is for the Visually Impaired Candidates only in lieu of Q. No. 32.</i> “The real motive behind infrastructural development under the British rule was not to provide basic amenities to the people of India, but to subserve various colonial interests.”	1 1 2

	Do you agree with the given statement? Give valid reasons in support of your answer. Ans. Yes. The colonial government developed the basic infrastructure to subserve the interest of the colonial regime. Roads and railways were built primarily to mobilise the army within India, drawing out raw materials from the countryside to the nearest railway station/port for exporting to England/other foreign destinations. In addition, various communication tools like electric telegraph were introduced to maintain law and order. Thus, the real motive behind this development was not to provide basic amenities to the people of India but to serve various colonial interests. (To be marked as a whole)	4
		4
33.	(i) “Information Technology plays a very significant role in achieving sustainable development and food security.” Justify the given statement with valid arguments. Ans. Information Technology (IT) plays a crucial role in achieving sustainable development and food security, as the government can predict areas of food insecurity and vulnerability using appropriate information and software tools. It also helps in disseminating information regarding emerging technologies and their applications, prices, weather and soil conditions for growing different crops etc. (To be marked as a whole)	4
(a)	(ii) State the meaning of ‘self-employed worker’ with suitable example. Ans. Self-employed are those workers who own and operate an enterprise to earn their livelihood. For example: a cement shop owner. (Any other valid example to be awarded marks)	1 ½
	OR	½
(b)	(i) Distinguish between formal and informal sector with suitable examples. Ans. Formal Sector includes all the public sector establishments and those private sector establishments which employ 10 hired workers or more. Formal sector workers get regular income and are entitled to social security benefits. For example, a government hospital etc. Whereas; Informal Sector includes those private sector establishments which employ less than 10 hired workers. Workers in informal sector often lack job security, regular income and can be dismissed without any compensation. For example, a grocery shop employing two workers etc. (Any other valid example to be awarded marks)	6
	(ii) Define worker population ratio with its significance. Ans. Worker Population Ratio is defined as the total number of workers in a country divided by population. It is represented in percentage. Worker Population Ratio is an indicator which is used for analysing the employment situation in the country. This ratio is useful in knowing the proportion of population that is actively contributing to the production of goods and services of a country. Higher the worker population ratio, higher the engagement of people in economic activities and vice versa.	1
		2
		6
34.	Read the following passage carefully: In the present times, green investment and sustainability are priorities in public policy. India has emerged as a global leader at the front of the climate change.	

	India has pledged to seek solutions for the future. The government has contributed to maintain economic growth by implementing various policies and measures relating to sustainable development. Pradhan Mantri Ujjwala Scheme has actively contributed to cleaner air. The Jal Jeevan Mission was launched with the objective of achieving water security. The greenhouse effect is a natural process that warms the Earth's surface, where certain atmospheric gases, known as greenhouse gases, trap heat from the sun and re-emit it, keeping the planet warm enough to support life. In the present times, the issue of greenhouse gases and rising temperature of the Earth are a global concern. On basis of the above passage and common understanding, answer the following questions: (a) Discuss any two steps involved in attaining sustainable development in India. Ans. India has taken the following steps to ensure sustainable development: • Pradhan Mantri Ujjwala Scheme has actively contributed to cleaner air. • The Jal Jeevan Mission was launched with the objective of achieving water security. (Any other valid strategy/step to be awarded marks) (b) Mention any two factors which challenged the carrying capacity of the environment. Ans. Two factors that have challenged the carrying capacity of the environment: • The rising population of the developing countries. • The affluent consumption and production standards of the developed world. (c) Define Greenhouse effect. Ans. The greenhouse effect is a natural process that warms the Earth's surface, where the heat from the sun gets trapped inside atmosphere due to greenhouse gases.	1½ 1½ 1 1 1 6
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