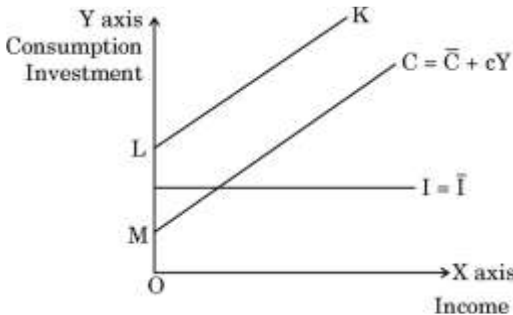


SOLUTIONS
Senior School Certificate Examination 2026
ECONOMICS (Subject Code–030)
[Paper Code: 58/4/1]

Maximum Marks: 80

Q. No.	EXPECTED ANSWER / VALUE POINTS	Marks
SECTION A Macro Economics		
1.	Assuming for an imaginary economy, consumption at zero level of income and break-even level of income is ₹ 50 and ₹ 200 respectively. Choose the correct value of Marginal Propensity to Consume (MPC), from the following: (A) 0.8 (B) 0.9 (C) 0.75 (D) 0.85 Ans. (C) 0.75	1
2.	Read the following statements carefully: <i>Statement I:</i> The measurement of value makes it easier to compare the relative worth of two commodities. <i>Statement II:</i> Money facilitates the act of sale and purchase of goods and services. 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
3.	To arrive at the value of National Income (NNP_{FC}), _____ must be added to _____ at factor cost. (Choose the correct option to fill in the blanks) Options: (A) Depreciation, Net Domestic Product (B) Depreciation, Gross Domestic Product (C) Net Factor Income from Abroad, Net Domestic Product (D) Net Indirect Taxes, Gross Domestic Product Ans. (C) Net Factor Income from Abroad, Net Domestic Product	1
4.	Under _____ exchange rate system, the competent authority may devalue currency to increase exports. (Choose the correct option to fill in the blank) Options: (A) Fixed (B) Floating (C) Managed (D) Fixed floating Ans. (A) Fixed	1
5.	Investment is defined as addition to the _____. (i) Stock of physical capital (ii) Changes in the inventory (iii) Consumption (Choose the correct option to fill in the blank) Options: (A) Only (i) (B) (i) and (ii) (C) (i) and (iii) (D) (i), (ii) and (iii) Ans. (B) (i) and (ii)	1

6.	Suppose, a banking system received primary deposits of ₹ 1,000 and as a result commercial banks created credit worth ₹ 5,000. The value of Reserve Ratio in the given situation would be _____ percent. (Choose the correct option to fill in the blank) (A) 10 (B) 20 (C) 25 (D) 40 Ans. (B) 20	1
7.	Study the given image carefully: The line LK represents _____ curve.  (Choose the correct option to fill in the blank) Options: (A) Consumption (B) Aggregate Supply (C) Aggregate Demand (D) Investment Ans. (C) Aggregate Demand <i>Note : The following question is for Visually Impaired candidates only in lieu of Q. no. 7.</i> _____ refers to that consumption, which is independent of the level of income. (Choose the correct option to fill in the blank) (A) Autonomous Consumption (B) Induced Consumption (C) Break-even level (D) Autonomous Investment and Consumption Ans. (A) Autonomous Consumption	1
8.	Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: <i>Assertion (A):</i> Government can control the situation of deficient demand through its taxation policy. <i>Reason (R):</i> Reduction in tax rates by the government leads to increase in the disposable income of the people. 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 <i>not</i> 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
9.	Reserve Bank of India (RBI) performs the function of Banker to the Banks by acting as a: (i) Clearing House (ii) Custodian of Cash Reserves (iii) Lender to the Government (iv) Periodic inspection of Banks	

	Options: (A) (i) and (ii) (B) (ii) and (iii) (C) (i), (ii) and (iv) (D) (i) and (iv) Ans. (C) (i), (ii) and (iv)	1																																				
10.	Purchase of a property by an Indian resident abroad can be recorded on the _____ side of _____ account of Balance of Payments. (Choose the correct option to fill in the blanks) Options: (A) Credit, Capital (B) Credit, Current (C) Debit, Current (D) Debit, Capital Ans. (D) Debit, Capital	1																																				
11. (a)	On the basis of the given data, estimate the value of Gross Domestic Product at Factor Cost (GDP_{FC}): <table border="1" data-bbox="277 555 1254 1050"> <thead> <tr> <th>S. No.</th><th>Items</th><th>Amount (in ₹ crore)</th></tr> </thead> <tbody> <tr><td>(i)</td><td>Private final consumption expenditure</td><td>800</td></tr> <tr><td>(ii)</td><td>Government final consumption expenditure</td><td>700</td></tr> <tr><td>(iii)</td><td>Net imports</td><td>200</td></tr> <tr><td>(iv)</td><td>Gross public investment</td><td>100</td></tr> <tr><td>(v)</td><td>Inventory investment</td><td>50</td></tr> <tr><td>(vi)</td><td>Gross residential construction investment</td><td>300</td></tr> <tr><td>(vii)</td><td>Net indirect taxes</td><td>70</td></tr> <tr><td>(viii)</td><td>Gross business fixed investment</td><td>130</td></tr> <tr><td>(ix)</td><td>Consumption of fixed capital</td><td>20</td></tr> <tr><td>(x)</td><td>Interest</td><td>150</td></tr> <tr><td>(xi)</td><td>Net factor income paid to abroad</td><td>100</td></tr> </tbody> </table> Ans. Gross Domestic Product at Market Price (GDP_{MP}) $= (i) + (ii) + \{(iv) + (v) + (vi) + (viii)\} - (iii)$ $= 800 + 700 + \{100 + 50 + 300 + 130\} - 200$ $= ₹1880 \text{ crore}$ Gross Domestic Product at Factor Cost (GDP_{FC}) = GDP_{MP} – (vii) $= 1880 - 70$ $= ₹1810 \text{ crore}$ OR	S. No.	Items	Amount (in ₹ crore)	(i)	Private final consumption expenditure	800	(ii)	Government final consumption expenditure	700	(iii)	Net imports	200	(iv)	Gross public investment	100	(v)	Inventory investment	50	(vi)	Gross residential construction investment	300	(vii)	Net indirect taxes	70	(viii)	Gross business fixed investment	130	(ix)	Consumption of fixed capital	20	(x)	Interest	150	(xi)	Net factor income paid to abroad	100	1 $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ 3
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(b)	Explain any two precautions to be kept in mind while estimating National Income by the Income method. Ans. Two precautions to be adopted while estimating National Income by Income method are: - Income from sale of financial assets should not be included in the estimation of National Income, as such transactions are mere paper claims and do not add to the current flow of goods and services. - Transfer income should not be included as such income is not earned through any productive activity and is unilateral in nature. (Any other valid precaution to be awarded marks)	$1 \frac{1}{2}$ $1 \frac{1}{2}$ 3																																				
12.	(a) Define Money Supply. Ans. Money supply refers to the total volume of money held by the public at a particular point of time. (b) Explain any one component of money supply.	1																																				

	Ans. Net Demand Deposits (DD) held by commercial banks is one of the components of money supply. These are chequable deposits that can be withdrawn by the account-holder on demand. (Any other valid component to be awarded marks)	2
		3
13.	(a) Define Accommodating Items under Balance of Payments (BoP). Ans. Accommodating items are those international economic transactions which are undertaken (by competent authorities) to correct the situation of surplus/deficit in Balance of Payments (BoP). (b) “Economic transactions that are recorded in the current account can be classified in two parts — merchandise and invisibles. Net inflows from both the transactions are referred to as Trade Surplus.” Do you agree with the given statement? Give valid arguments in support of your answer. Ans. No. The current account includes transactions relating to merchandise (visible items) and invisibles. However, trade balance includes merchandise transactions only. Additionally, trade surplus refers to a situation where the value of exports of merchandise exceeds the value of imports of merchandise. Hence, net inflows from both merchandise and invisibles together determine the current account balance, not Trade Surplus. (To be marked as a whole)	1

(b)	(i) Medha, an economics student, was studying about the expenditure on defence incurred by the government in the form of acquiring new platforms (jets, submarines etc.), and salaries and pensions of armed forces personnel. She classified both the expenditures as capital expenditure. Do you agree with Medha's views? Give valid explanation in support of your answer. Ans. No. The expenditure on salaries and pensions of armed forces personnel is revenue expenditure as it neither leads to creation of assets nor reduces liabilities of the government. However, expenditure incurred by the government on acquiring new platforms (jets, submarines etc.) is capital expenditure as it leads to the creation of assets for the government. (ii) If, for an economy, Primary Deficit is ₹ 1,000 crore and interest payments are 20% of total borrowings of the government, then calculate the value of fiscal deficit. Ans. Primary Deficit (PD) = Fiscal Deficit (FD) – Interest Payment (IP) $1000 = \text{FD} - 20\% \text{ of FD}$ $1000 = 80\% \text{ of FD}$ $\text{FD} = \frac{1000 \times 100}{80}$ Fiscal Deficit = ₹ 1,250 crore	1 ½ 1 ½ 1 ½ ½ ½ 6
17.	Read the following passage carefully: The domestic product measures the value of all goods and services arising out of economic activity within a country over a specific period, while National Income is the sum total of income earned by all factors of production as a result of the economic activities during a period of time. National Income includes only those incomes which are derived directly from the current production of goods and services, which are called Factor Incomes. When National Income is measured at current prices over a number of years, the changes in National Income would include the effect of the changes in production along with the changes in prices. This estimate compared over the period would not be an accurate measure of the overall real increase in production of the country or the economic welfare of the people of the economy. Therefore, it would be necessary to eliminate the effect of prices, in other words, to recompute the whole series at given prices of one particular base year. National Income, thus computed, is termed as National Income at constant prices. On the basis of the above passage and common understanding, answer the following questions: (i) Differentiate between Domestic Product and National Product. Ans. Domestic Product refers to the value of all final goods and services arising out of economic activity within the domestic territory of a country over a specific period of time. Whereas; National Product measures the value of all final goods and services arising out of economic activity undertaken by the normal residents of a country over a specific period of time. (ii) 'National Income measured at constant prices is a better measure of the overall real increase in production of the country.' Justify the given statement with valid arguments. Ans. National Income measured at constant prices is a better indicator of the overall real increase in production of the country as it changes only with the change in physical output. Thus, it eliminates the effect of changes in prices, showing the real growth of the economy.	1 ½ 1 ½ 3

	In contrast, National Income measured at current year prices might change with the change in output or/and change in prices. (To be marked as a whole)	6
SECTION B Indian Economic Development		
18.	Read the following statements carefully: <i>Statement I:</i> Worker Population Ratio is used for analyzing the overall employment situation of a country. <i>Statement II:</i> A garment company has hired two workers on daily wage basis. Such a situation is considered as a formal sector employment. 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.	Identify the incorrect statement from the following. (A) Expansion of rural credit has helped the Indian farmers to increase their production and productivity. (B) The expansion and promotion of the rural banking sector has taken a backseat after the economic reforms. (C) It is an accepted fact that if, farmers sell their produce directly to consumers, their profitability increases. (D) Farmers who have the required information on prevailing prices often sell their produce at low prices. Ans. (D) Farmers who have the required information on prevailing prices often sell their produce at low prices.	1
20.	Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: <i>Assertion (A):</i> Education is one of the important factors for economic growth of a country. <i>Reason (R):</i> A healthy person could provide uninterrupted labour supply for a longer period of time. 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. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).	1
21.	Which of the following is not an advantage of Green Revolution? (A) Increased marketed surplus (B) Increase in prices of food grains (C) Self-sufficiency in food grains (D) Creation of buffer stock Ans. (B) Increase in prices of food grains	1
22.	Based on the given image, choose the incorrect option:	

	 (A) Information related to employment is collected by Union Ministry of Labour. (B) International Labour Organization (ILO) has initiated modernization of this enterprise and the provision of social security measures to workers. (C) Highly vulnerable to uncertainties of the market. (D) An enterprise hires 10 or less than 10 workers. Ans. (A) Information related to employment is collected by Union Ministry of Labour. Or (B) International Labour Organization (ILO) has initiated modernization of this enterprise and the provision of social security measures to workers. Or (D) An enterprise hires 10 or less than 10 workers.	1
23.	Read the following statements carefully: <i>Statement I:</i> Diversification in agriculture relates to change in cropping pattern and shift in workforce to allied activities. <i>Statement II:</i> Agricultural marketing is a process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of agro-products. 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
24.	Human Development is based on the idea that _____ and _____ are integral to human wellbeing. (Choose the correct option to fill in the blanks) (A) Education, Wealth (B) Health, Wealth (C) Education, Health (D) Health, Housing Ans. (C) Education, Health	1
25.	Identify the correct option with reference to the following statement: “Farmers and industrial units were required to transact fixed quantities of raw materials and finished goods on the basis of prices fixed by the government, while the rest were purchased and sold at market price.” Options: (A) Great Leap Forward (B) Dual Pricing Policy (C) Special Economic Zones (SEZs) (D) Commune System Ans. (B) Dual Pricing Policy	1
26.	_____ was the successor organisation to General Agreement on Trade and Tariff (GATT). (Choose the correct option to fill in the blank) (A) International Bank for Reconstruction and Development (IBRD) (B) International Monetary Fund (IMF) (C) Reserve Bank of India (RBI) (D) World Trade Organisation (WTO) Ans. (D) World Trade Organisation (WTO)	1

27.	Read the following statements carefully: <i>Statement I:</i> Population explosion, affluent consumption and production have placed a huge stress on the environment. <i>Statement II:</i> Carrying capacity is the largest size of a density-dependent population for which the population growth rate is zero. 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
28.	Define Liberty Indicator and mention its significance. Ans. Liberty indicator may be defined as the measure of the extent of democratic participation in the social and political decision making. Without including these indicators, the construction of a human development index may be incomplete and its usefulness limited.	1 ½ 1 ½ 3
29.	Anaya and Rohan owned separate farms. Anaya focused on learning modern farming techniques, training workers in crop rotation, soil management, and pest control. On the other hand, Rohan invested in advanced machinery, irrigation systems, HYV seeds. “Both Anaya and Rohan invested in human capital.” Do you agree with the given statement? Give valid argument in support of your answer. Ans. No. Rohan invested in physical capital by purchasing advanced machinery, irrigation systems and HYV seeds, which are tangible assets used in the production process. In contrast, Anaya invested in human capital as she enhanced knowledge and skills by learning modern farming techniques and training workers in crop rotation, soil management and pest control.	1 ½ 1 ½ 3
	OR	3
(b)	“Expenditure on preventive medicine, curative and social medicine helps in building human capital and economic development.” Do you agree with the given statement? Give valid argument in support of your answer. Ans. Yes. Expenditure on health as a source of human capital formation, in an economy, may take different forms like expenditure on preventive medicine, curative medicine and social medicine, etc. A healthy person provides uninterrupted labour supply for a longer period of time. Thus, such expenditures lead to human capital formation, contributing towards economic development of the country. (To be marked as a whole)	3
30.	“Infrastructural upliftment of India was one of the key features of the British rule in India.” State and discuss any two such developments, in the light of the given statement, with self-serving interests of the British. Ans. Two infrastructural developments initiated by the British in India, with self-serving interests were: • Development of roads and railways: The 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 to export. • Development of communication system: Communication tools like telephone and telegraph were introduced to strengthen administrative control and maintain law and order across the country. (Any other valid development to be awarded marks)	½ + 1 ½ ½ + 1 ½ 4
	OR	4

(b)	“In the post-independence era, India adopted a protective tariff policy.” Do you agree with the given statement? Justify your answer with any two valid arguments. Ans. Yes. In the post-independence era, India adopted a protective tariff policy to: • promote domestic production by substituting imports with locally produced goods. • safeguard emerging industries from intense foreign competition, allowing them to grow and develop sustainably.	2 2 4																																									
31.	Elaborate, how the efforts of various governments in India have helped in generation of employment, directly or indirectly, in the nation. Ans. Government of India has played an important role in generating employment directly or indirectly in two ways: • Direct Employment: The government directly provides jobs by recruiting people in administrative departments, public sector industries and government run organisations. • Indirect Employment: When government enterprises increase production, related private sector businesses also expand, creating additional job opportunities in the private sector.	2 2 4																																									
32.	On the basis of the given data, outline and compare the share of Employment and Gross Value Added (GVA) of the sector that emerges to be a prospective employer in India and China. Sectoral Share of Employment and GDP (%) in 2021 <table><tr><th rowspan="2">Sector</th><th colspan="3">Contribution of GVA</th><th colspan="3">Distribution of workforce</th></tr><tr><th>India</th><th>China</th><th>Pakistan</th><th>India</th><th>China</th><th>Pakistan</th></tr><tr><td>Agriculture</td><td>19</td><td>8</td><td>24</td><td>46</td><td>23</td><td>37</td></tr><tr><td>Industry</td><td>29</td><td>39</td><td>20</td><td>25</td><td>32</td><td>25</td></tr><tr><td>Services</td><td>52</td><td>53</td><td>56</td><td>29</td><td>45</td><td>38</td></tr><tr><td>Total</td><td>100</td><td>100</td><td>100</td><td>100</td><td>100</td><td>100</td></tr></table> Ans. The given data pertains to the sectoral share of employment and Gross Value Added (GVA). Due to topographic and climatic conditions, the cultivable area in China is relatively smaller than that of India. Hence, the contribution of the agricultural sector to the GVA in China is 8% employing 23% of its workforce, whereas in India it is 19% employing 46% of its workforce. Owing to rapid industrialisation in China, the contribution of the industrial sector to GVA stands at 39% with 32% of the workforce as against corresponding figures of 29% and 25% in India. Both the nations have similar contribution of the Service sector to GVA standing at 52% and 53% with corresponding 29% and 45% to the workforce, respectively in India and China. (To be marked as a whole)	Sector	Contribution of GVA			Distribution of workforce			India	China	Pakistan	India	China	Pakistan	Agriculture	19	8	24	46	23	37	Industry	29	39	20	25	32	25	Services	52	53	56	29	45	38	Total	100	100	100	100	100	100	4
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33. (a)	(i) “As per a few scholars, fertilizer subsidies should now be phased out, as they have served their purpose.” Do you agree with the given statement? Justify your answer with valid arguments. Ans. Yes. Subsidies are meant to benefit the farmers but a substantial amount of fertiliser subsidy also benefits the fertiliser industry; and among farmers, the subsidy largely benefits the farmers in the more prosperous regions. This limits the effectiveness of subsidies in reaching the intended beneficiaries. Additionally, such subsidies impose a heavy fiscal burden on the government. Therefore, phasing them out and adopting better-targeted support measures would be more efficient and equitable. (To be marked as a whole)	4																																									

