



# B.K. BIRLA CENTRE FOR EDUCATION

SARALA BIRLA GROUP OF SCHOOLS  
A CBSE DAY-CUM-BOYS' RESIDENTIAL SCHOOL

## PRE BOARD - III 2025-26 ECONOMICS (030)

SET 2

### ANSWER KEY

Class: XII

Date: 06.01.26

Admission no:

Time: 3hrs

Max Marks: 80

Roll no:

S.NO.	SECTION A - MACRO ECONOMICS	MARKS
1	C) $S = 100 + 0.25y$	1
2	A) 125	1
3	A) Store of value	1
4	B) Money flow	1
5	A) Both the statement 1 and 2 are true	1
6	B) Average propensity to consume	1
7	A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1
8	C) ₹4000cr	1
9	C) Currency held by Public and demand deposit held with commercial banks	1
10	C) Assertion (A) is true, but Reason (R) is false	1
11	Net value added at factor cost = Sales + Change in Stock - Purchase of Intermediate Products - (Consumption of Fixed Capital) - Indirect taxes. $= 3500 + 50 - 2000 - 500 - 350 = 700$ Crores NDP fc = 700Cr.	1 1 1
12 (A)	<p>i) <b>Custodian of Cash Reserves:</b> Commercial banks must keep a part of their deposits (known as reserves) with the Central Bank. This helps the Central Bank control the supply of money and ensures the stability of the banking system.</p> <p>ii) <b>Lender of Last Resort:</b> When commercial banks face a shortage of funds or are in financial trouble, the Central Bank gives them loans. This helps prevent bank failures and maintains confidence in the banking system.</p> <p>iii) <b>Clearing House Function:</b> The Central Bank helps banks settle payments and cheques between each other. Instead of each bank settling separately, the Central Bank acts as a common place for clearing transactions.</p>	3
	Or	
12(B)	<p>Yes, I agree with the given statement</p> <p>The reserve bank acts as</p> <ul style="list-style-type: none"> <li>❖ Banker to the Government</li> <li>❖ Agent to the Government</li> <li>❖ Advisor to the Government</li> </ul>	3

	<ul style="list-style-type: none"> <li>❖ Manager of Public Debt.</li> <li>❖ Issue of New Currency on Behalf of Government</li> </ul>	
13(A)	<p>i).It will be included as such interest is paid on loan taken for productive purpose .It is a factor payment</p> <p>ii).It will not be included in national income as it is a transfer payment</p> <p style="text-align: center;">or</p>	2
13(A)	<p><b>Increase in GDP:</b> When the sale of private vehicles rises, the production of cars and related goods (like tyres, fuel, accessories, etc.) also increases.</p> <ul style="list-style-type: none"> <li>❖ This leads to a rise in the value of final goods and services produced in the economy.</li> <li>❖ Hence, Gross Domestic Product (GDP) increases.,but it has a negative impact on the welfare of the people .More vehicles on the road means more pollution which negatively impacts welfare.It is a form of negative externality</li> </ul>	4
14	Investments by large multinational corporations (MNCs) in India will ensure greater inflow of foreign exchange ,leading to an increase in the supply of foreign currency .This situation may result into excess supply of foreign currency in the economy.As a result, a new equilibrium rate of foreign exchange will be determined ,which will be lower than the prevailing foreign exchange rate,leading to appreciation of domestic currency	4
15	<p>(a) Inflationary Gap refers to the gap by which the actual aggregate demand exceeds the aggregate demand required to establish full employment equilibrium.</p> <p>(b) Legal Reserve Requirement is increased to reduce the availability of credit in the economy. There are two main components of Legal Reserve Requirement:</p> <p><b>Cash Reserve Ratio (CRR):</b> It is the minimum percentage of net demand and time liabilities (NDTL) that commercial banks are required to keep with the Central Bank.</p> <p><b>Statutory Liquidity Ratio (SLR):</b> It refers to the minimum percentage of net demand and time liabilities that commercial banks are required to maintain with themselves</p>	1
16 (A) (i)	<p>Consumption expenditure ( C)=<math>a+by</math></p> $=250+7.5(5000)$ $=4000$ <p>Consumption expenditure at equilibrium level of a national income =4000</p>	3
(ii)	<p><b>Saving Function</b></p> <p>Saving Function is given as <math>S=c\bar{+}(1-b)Y</math></p> <p>Putting the values of <math>(1-b)</math>or MPS and <math>-C</math>,we get :<math>S=250+0.25(Y)</math></p>	1
(iii)	<p>Investment Multiplier(<math>K</math>)=<math>1/MPS=1/0.25=4</math></p>	2

	or	
<b>16(B)</b>	<p>Given change in investment (if)= ₹1,000 crore</p> <p>(i) <math>MPS=0.5</math></p> <p><math>K=Investment\ Multiplier=1/MPS = 1/0.5=2</math></p> <p>(ii) At equilibrium <math>Y=C+I</math></p> <p><math>Y=\bar{C} + (MPC)Y+I</math></p> <p><math>Y=50+(0.5)y +100</math></p> <p><math>0.5y=150</math></p> <p><math>Y=300</math></p> <p>Equilibrium level of income=₹300 crore</p>	<b>2</b>
<b>17</b>	<p>a). Tax Receipts-Individual Income Tax, Property Tax, Corporate Income Tax &amp; Sales and Gross Receipts Tax.</p> <p>Non Tax Receipts-Motor Vehicle License Fees, fines</p> <p>b) Government Budgetary Policy has two aspects: taxation and public expenditure. To reduce inequalities in income and wealth the government will impose more taxes on the rich and spend more on the welfare of poor</p> <p>c) Public Goods are collectively consumed</p> <p>Public goods are non excludable. It is non profitable. So it is not undertaken by private sector. Hence only govt must provide public good (Any other relevant answer can be considered)</p>	<b>2</b>
		<b>2</b>

#### SECTION B - INDIAN ECONOMIC DEVELOPMENT

<b>18</b>	d. IV-(iv)	<b>1</b>
<b>19</b>	d. i-c, ii-a, iii-b.	<b>1</b>
<b>20</b>	c. Both statements 1 and 2 are true.	<b>1</b>
<b>21</b>	d. Assertion A is false but Reason R is true.	<b>1</b>
<b>22</b>	c. Seasonal	<b>1</b>
<b>23</b>	a. (a) Restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.	<b>1</b>
<b>24</b>	b. (ii) and (iii)	<b>1</b>
<b>25</b>	b. Production, Assembling ,Processing, Grading.	<b>1</b>
<b>26</b>	b. Inefficient financial management.	<b>1</b>
<b>27</b>	b. b – (ii)	<b>1</b>

28	<p><b>(a)</b> <b>Pakistan</b> has the <b>highest population growth rate (2.1%)</b>, indicating a rapidly growing population.</p> <p><b>India</b> has a <b>moderate growth rate (1.2%)</b>, showing controlled yet steady population growth.</p> <p><b>China</b> has the <b>lowest growth rate (0.5%)</b>, reflecting the success of its population control measures like the one-child policy.(1.5m)</p> <p><b>(b)</b> <b>Sex ratio</b> measures the number of females per 1000 males.</p> <p>A <b>lower sex ratio</b> indicates a more skewed gender ratio.</p> <p><b>India</b> has the <b>most skewed sex ratio (929 females per 1000 males)</b>, meaning the gender imbalance is <b>worst in India</b> compared to China and Pakistan.</p>	2
29(A)	<p><b>(a)</b> Two economic consequences of the land degradation on rural livelihoods in India</p> <p>Loss of agricultural productivity</p> <p>Loss of forest-based livelihoods</p> <p><b>(b)</b> Sustainable development aims to balance economic growth, social inclusion, and environmental protection to meet current and future needs.</p> <p>Deforestation and land degradation destroy natural resources, leading to loss of biodiversity, reduced carbon sequestration, and long-term damage to ecosystems.</p> <p>This compromises the ability of future generations to meet their needs, directly conflicting with sustainable development goals.</p> <p><b>(c)</b> Two policy measures the government can take to reduce and promote environmental sustainability</p> <p>Afforestation</p> <p>Launch initiatives to plant trees and restore degraded forests .</p> <p>Strict enforcement of forest conservation laws</p> <p>Prevent illegal logging and encourage community-based forest management to protect natural resources and promote sustainable use.(any two)</p> <p>Or</p>	1
29(B)	<p>A <b>worker</b> is someone who performs any economic activity to earn a livelihood, whether formally or informally.</p> <p>Even though Meena is a housewife, she <b>actively works in her husband's cloth shop</b>, contributing to the family's income-generating activity.</p> <p>Therefore, she performs <b>economic work</b> and should be counted as a worker, regardless of whether she receives a formal salary or not.Because Meena is engaged in productive</p>	3

	<p>economic activity she is a worker.</p> <p><b>30(A)</b></p> <p><b>Integration of Markets and Expansion of Trade:</b></p> <p>This facilitated the movement of goods, raw materials, and agricultural produce across regions more efficiently and at lower costs.</p> <p>It boosted internal trade, Stimulated Industrial Growth and Urbanization:</p> <p>Railways created a huge demand for iron, steel, coal, and other industrial products, accelerating the growth of these industries in India.</p> <p>It led to growth of urban centers. Railways also provided employment opportunities.</p> <p style="text-align: center;">OR</p> <p><b>30(B)</b></p> <p><b>Dominance of Agriculture:</b> The majority of the Indian population remained engaged in agriculture throughout the colonial period around 70-75%.</p> <p>However, agricultural productivity was low due to traditional methods, land revenue policies, and exploitation.</p> <p>Despite slow growth or stagnation in agriculture, people had little choice but to remain dependent on it for livelihood.</p> <p><b>Decline of Traditional Industries:</b></p> <p>The colonial policies favoured British manufactured goods and deliberately suppressed Indian handicrafts and textile industries.</p> <p>This led to the deindustrialization of India's traditional artisan and manufacturing sectors, causing many artisans and craftsmen to lose their livelihoods.</p> <p>The decline in manufacturing caused a shift of labour into agriculture or informal sectors, leading to an unbalanced occupational structure.</p> <p><b>Limited Growth of Modern Industry and Services:</b></p> <p>Industrial growth was very limited and concentrated in a few sectors like textiles, jute, iron, and railways.</p> <p>The modern industrial sector employed only a small fraction of the population.</p> <p>The service sector grew somewhat but mainly in colonial administration and related jobs, which were limited in number.(Elaborate any two)</p>	4
31	<p>(a)Consequences of One-Child Policy adopted by China in 1970s:</p> <p>Population Control.</p> <p>Gender Imbalance.</p> <p>Aging Population. (Elaborate any 2)</p> <p>(b)Attracted Foreign Investment:</p>	2

32	<p>Boosted Exports and Industrial Growth: Created Employment and Infrastructure.</p> <p><b>(a) Direct Marketing by Farmers:</b></p> <p>Farmers can sell their produce directly to consumers through farmers' markets, cooperatives, or online platforms, reducing the role of intermediaries.</p> <p><b>Formation of Farmer Producer Organizations (FPOs):</b></p> <p>Use of Digital and E-commerce Platforms:</p> <p>Selling through e-marketplaces can connect farmers directly to urban consumers, cutting middlemen costs.</p> <p><b>(b) Encourage the use of organic fertilizers (like compost, manure, and bio-fertilizers) instead of chemical fertilizers.</b></p> <p>Use natural pest control methods such as neem-based pesticides,</p> <p>Provide subsidies, training, and certification programs for farmers practicing eco-friendly farming.</p> <p>Educate farmers about the long-term health and environmental benefits of sustainable agriculture.</p>	2
33(A)	<p><b>(a) Economists in Favour of Subsidies</b></p> <p>The government should continue with agricultural subsidies as farming in India continues to be a risky business.</p> <p>Majority of the farmers are very poor and they will not be able to afford the required inputs without the subsidies.</p> <p>Eliminating subsidies will increase the income inequality between rich and poor farmers and violate the ultimate goal of equity.</p> <p><u>Against the Subsidies</u></p> <p>Benefit to fertilizer industries and prosperous farmers: Subsidies do not benefit the poor and small farmers (target group) as benefits of substantial amount of subsidy go to fertilizer industries and prosperous farmers.</p> <p>Fiscal Burden: Economists argue that subsidies are a huge burden on government's finances.</p> <p><b>(b) Planning Commission of India has been replaced by NITI Aayog in 2015.</b></p> <p>Ex-Officio Chairman:</p> <p>The Prime Minister of India is the ex-officio Chairman of NITI Aayog. Mr. Narendra Modi</p>	2

<p style="text-align: center;"><b>33.B</b></p> <p style="text-align: center;">Or</p> <p>a). Yes, I agree with the statement. India has several advantages that make it an attractive outsourcing destination:</p> <p>India has a large pool of educated professionals proficient in English, particularly in IT, customer service, and technical support.</p> <p>This ensures effective communication with international clients.</p> <p>Wages in India are significantly lower compared to developed countries, which reduces operational costs for outsourcing companies.</p> <p>India has well-established IT hubs and infrastructure, such as Bangalore, Hyderabad, and Pune, offering advanced technological support for global businesses</p> <p>(b). I support the statement.</p> <p>Prevent Monopoly and Exploitation:</p> <p>Deregulation and liberalization allowed private and foreign companies greater freedom.</p> <p>Proper regulation was necessary to prevent monopolies, unfair pricing, and exploitation of consumers.</p> <p>Ensure Environmental and Social Standards:</p> <p>Industrial growth could lead to pollution, unsafe working conditions, and resource depletion.</p> <p>Government regulation ensured industries complied with environmental laws and labor rights.</p> <p>Maintain Economic Stability:</p> <p>Liberalization opened up markets to global competition.</p> <p>Regulation was crucial to monitor foreign investments, imports, and industrial practices to avoid market distortions or sudden economic shocks.</p>	<p><b>3</b></p> <p><b>3</b></p>
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34	<p>a).Ravi's productivity is likely to be higher because:</p> <p>His education gives him conceptual understanding and problem-solving ability.</p> <p>Vocational skills make him technically competent, allowing him to perform tasks efficiently.</p> <p>He can adapt to new technologies and learn on the job more easily.</p> <p>Seema:Lack of formal education limits her ability to perform tasks that require literacy, numeracy, or technical knowledge.</p> <p>Opportunities for advancement or higher-paying jobs are fewer.</p> <p>b).Low Quality and Unequal Access to Education</p> <p>Inadequate Health Facilities and Malnutrition</p> <p>C).Why It's Capital Formation</p> <p>Just as money spent on machinery increases the nation's physical capital, money spent on education and health enhances the productive capacity of people.</p> <p>These are long-term investments.</p>	2
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