



COMMON PRE-BOARD EXAMINATION

ECONOMICS-Code No. 030

Class-XII-(2025-26)

SET: 3



MARKING SCHEME

General Instructions: -

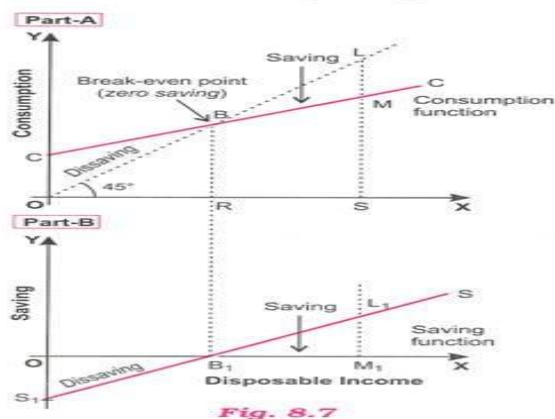
1. The Marking Scheme carries only suggested value points for the answers. These are guidelines only and do not constitute the complete answer. The students can have their own expression, and if the expression is correct, then due marks should be awarded accordingly.
2. If a student has attempted an extra question, the answer of the question deserving more marks should be retained and the other answer scored out with a note “Extra Question”.
3. If more than one option is mentioned in the answer to multiple-choice questions, then no marks are awarded.

SECTION- A

1.	(c)Fiat money	1
2.	(a) 5	1
3.	(d)1600	1
4.	(a) Statement 1 is true and 2 is false	1
5.	(b)iii only	1
6.	(d) A is false and R is true	1
7.	(b) A – iv , B-i ,C-ii ,D- iii	1
8.	(b)Expenditure on the construction of roads	1
9.	(c) credit, capital	1
10	(b) Fiscal deficit is the total borrowing requirement of the country	1
11.	<p>Equilibrium occurs when ex-ante $AD=ex\text{-}ante\ AS$, meaning planned spending is equals to planned output.</p> <p>If $ex\text{-}ante\ AD > ex\text{-}ante\ AS$, unplanned inventories will increase, causing producers to reduce output until equilibrium is reached, and vice-versa hence ex-ante AD must be equal to AS to achieve equilibrium in the economy.</p> <p style="text-align: center;">Or</p> <p>(a) The statement is correct (Defend) 1.5 marks</p> <p>MPC shows how much of the change in income is spent on consumption. Since, income is either consumed or saved, MPC lies between 0 and 1.</p> <ul style="list-style-type: none">• If the entire additional income is consumed, $MPC= 1$• If the entire additional income is saved, $MPC=0$ <p>(b) The statement is incorrect (Refute)</p>	3 marks

	Consumption is positive at all levels of income, APC cannot be negative as $APC=C/Y$. APC cannot be zero because people consume something even with no income (Autonomous consumption). 1.5 marks	
12	Increased government spending on vaccination and social medicine boosts both GDP and Welfare. Impact on GDP A healthier population enhances productivity which bring higher GDP in the economy because healthy person can contribute more than an unhealthy person and brings long-term economic growth. Impact on Welfare Better healthcare and vaccination improve public health, reduce diseases, which are the positive externalities of such expenditures. Hence overall welfare increases	3 marks
13.	a) High powered money means the monetary liability of a country. Currency note are liability of central bank. So, it is called high powered money. 2 marks (b) Reserve ratio means, a part of deposit every commercial must keep as reserve. In order to increase the money supply central bank will reduce reserve ratio and in order to reduce the money supply central bank will increase reserve ratio. 2 marks	4 marks
14.	(a) To achieve stable growth ,the government should: There two unstable conditions that can happen in the economy. Economic instability – to ensure this government can increase its public expenditure to provide employment which ensures higher levels of growth. 2 marks Price instability – To control the situation of inflation or deflation government can apply taxation policy and expenditure policy and ensure price stability in the economy. 2marks	
15.	<ul style="list-style-type: none"> • As the price of foreign currency falls, the quantity of foreign exchange demanded increases. • A lower exchange rate makes foreign goods and services cheaper for domestic residents. • This encourages more imports, increasing the demand for foreign currency. • When the exchange rate rises, foreign goods become more expensive, reducing demand for foreign currency. • Therefore, the demand curve for foreign exchange slopes downward due to the inverse relationship between exchange rate and quantity demanded. 3 marks explanation 1 mark diagram Or In a free market system, the exchange rate is determined by the interaction of demand and supply for foreign currency. <ul style="list-style-type: none"> • The demand for foreign currency arises from domestic residents who buy foreign goods, services or assets. 	4

	<ul style="list-style-type: none"> • The supply of foreign currency comes from foreigners who buy domestic goods, services or assets. • The demand curve slopes downward and supply curve slopes upward. The equilibrium exchange rate is set at the point where these two curves intersect and where the quantity demanded equals quantity supplied. <p>3 marks explanation 1 mark diagram,</p>	
16.	<p>Income method 3 marks</p> $\text{NDP}_{fc} = [\text{Corporation tax} + \text{Undistributed profit} + \text{Dividend}] + \text{rent} + \text{interest} + \text{mixed income} + \text{COE}$ $= [50 + 150 + 70] + 80 + 100 + 800 + 1200$ $= \text{Rs } 2450 \text{ crores}$ $\text{GNP}_{mp} = \text{NDP}_{fc} + \text{current replacement cost} + \text{NFIA} + \text{NIT}$ $= 2450 + 50 + (-20) + 100$ $\text{GNP}_{mp} = \text{Rs } 2580 \text{ crores}$ <p>Expenditure method 3 marks</p> $\text{GDP}_{mp} = \text{PFCE} + \text{GDCF} + \text{GFCE} + \text{NET EXPORTS}$ $= 1580 + 300 + 730 + (-10)$ $= \text{Rs } 2600 \text{ crores}$ $\text{GNP}_{mp} = \text{GDP}_{mp} + \text{NFIA}$ $= 2600 + (-20)$ $= \text{Rs } 2580 \text{ crores}$	6
17.	<p>a) $\text{AD} = 200 + 0.75 Y$ $Y = 500$ At equilibrium, $200 + 0.75 y = Y$ $200 + 0.75 \times 500 = 575$ Since $\text{AD} > Y$ economy is not in equilibrium. This situation is excess demand. 4 marks</p> <p>b) When there is excess demand, there will be inflation. One monetary measure is increasing bank rate, repo rate, reverse repo rate and increasing LRR or selling the government securities in the open market. 2 marks</p> <p>Or</p> <p>a) $\text{MPS} = 25\% \text{ or } .25$ $K = 1/\text{MPS} = 4$</p> <p>Change in income = Change in I x K $500 \times 4 = 2000$ 3 marks</p> <p>Change in consumption = $2000 - 500 = 1500$</p> <p>b) Diagram 2 marks for diagram & 1 mark for equations</p>	6



SECTION -B

18.	(a) Assertion and Reason are true and R is the correct explanation of A	1
19.	(a) A large section of tenants and sharecroppers neither had resources and technology nor had incentive to invest in agriculture	1
20.	(a) Statement 1 is true and Statement 2 is false	1
21.	(a) Control over growth rate of population	1
22.	(a) Both A and R are true and R is the correct explanation of A	1
23.	(b) Knowledge resources	1
24.	(d) Disguised Unemployment	1
25.	(c) Casualisation and informalisation of workforce	1
26.	(a) India is a member of both economic groupings	1
27.	(a) Statement 1 is true and Statement 2 is false	1
28.	<p>Salient Features of China’s Economic Reforms (1978)</p> <ol style="list-style-type: none"> 1. Agricultural Reforms: <ul style="list-style-type: none"> ○ De-collectivization of agriculture; farmers could keep profits after meeting state quotas. 2. Industrial Reforms: <ul style="list-style-type: none"> ○ State enterprises got more autonomy; private and cooperative businesses were allowed to grow. 3. Price Reforms: <ul style="list-style-type: none"> ○ Gradual reduction of price controls; market forces began to determine prices. 4. External Sector Reforms: <ul style="list-style-type: none"> ○ “Open Door Policy” encouraged foreign investment and exports; SEZs were established. 5. Shift to Market Economy: <ul style="list-style-type: none"> ○ Transition from a command to a socialist market economy with growing private sector participation. (Any three points) <p align="center">Or</p> <p>Similarities in the Developmental Strategies of India, Pakistan, and China</p>	3

	<p>1. Similar Starting Period: India and Pakistan became independent in 1947. Thus, both the countries began their development journeys around the same time.</p> <p>2. Adoption of Planning Models: Both the countries adopted planning as a strategy for development.</p> <ul style="list-style-type: none"> ○ India launched its First Five-Year Plan in 1951–56. ○ Pakistan introduced its First Five-Year (Medium-Term) Plan in 1956. <p>3. Comparable Growth Trends: Until the 1980s, India and Pakistan recorded similar growth rates and per capita income levels.</p> <p>4. Introduction of Economic Reforms: Each country introduced economic reforms to liberalize its economy:</p> <ul style="list-style-type: none"> ○ China in 1978 ○ Pakistan in 1988 <p style="text-align: right;">any three points 3 marks</p>	
29.	<p>(a) Environmental Crisis 1 marks</p> <p>An environmental crisis occurs when significant changes in the natural environment threaten the survival, stability, or balance of a species or population. Such crises disrupt the ecological equilibrium and can have widespread effects on biodiversity, climate, and human life.</p> <p>(b) India’s Environmental Problems Poses a Dichotomy – 2marks</p> <p>India’s environmental problems present a dichotomy because the country faces the twin challenge of economic development and environmental protection. On one hand, India needs rapid industrialization, urbanization, and infrastructure growth to reduce poverty and improve living standards. On the other hand, these very activities cause deforestation, pollution, loss of biodiversity, and depletion of natural resources, leading to severe environmental degradation.</p> <p>Thus, while development is essential for progress, it often comes at the cost of environmental sustainability. Balancing economic growth with ecological preservation is the major challenge—this is the dichotomy India faces today.</p>	3
30.	<p>Government intervention in human capital formation is necessary due to market failures, inadequate private investment, and socioeconomic inequalities.</p> <p>Firstly, market failures arise from incomplete information and the possibility of exploitation. Individuals often lack adequate knowledge about the quality and benefits of education and healthcare. Private providers may also misuse their monopoly power by charging high prices or providing poor-quality services. Hence, government regulation ensures fair pricing and quality standards.</p> <p>Secondly, education and health generate positive externalities as their benefits extend to society as a whole. However, the private sector may underinvest in these areas since it cannot capture all the benefits. Therefore, public investment and subsidies are essential. Moreover, human capital investments have long-term and irreversible effects, requiring government oversight to maintain quality.</p>	4

	<p>Lastly, poverty, regional disparities, and gender inequality limit access to education and health. The government must intervene to ensure equity and inclusiveness. Policies to curb brain drain and create better domestic opportunities further strengthen human capital formation.</p> <p>Thus, government intervention is vital for promoting equitable, efficient, and sustainable human development.</p> <p style="text-align: center;">Or</p> <p>Need for Generating Formal Sector Employment in India</p> <p>The Indian government must focus on generating formal sector employment to improve social welfare and achieve inclusive economic growth. Formal jobs provide better job security, social benefits, and stability, which are essential for poverty reduction and overall development.</p> <p>Reasons for Promoting Formal Sector Employment</p> <ol style="list-style-type: none"> 1. Improved Social Security and Benefits: Formal sector workers receive essential benefits such as pensions, health insurance, provident funds, and other social security measures that are generally unavailable in the informal sector. 2. Better Job Security: Formal employment offers greater stability and legal protection against arbitrary dismissal, unlike informal work, which is often temporary and insecure. 3. Higher Productivity: Workers in the formal sector are generally better trained and have access to improved technology and infrastructure, resulting in higher productivity and efficiency. 4. Upward Mobility and Skill Development: Formal sector jobs often provide opportunities for career progression, skill enhancement, and professional growth, leading to upward social mobility. 5. Reduction in Poverty and Inequality: Stable income, job security, and social benefits in the formal sector help reduce poverty and narrow income disparities across society. 6. Better Policy Implementation: A larger formal workforce allows the government to implement labour laws, taxation policies, and welfare programs more effectively. 7. Economic Stability and Growth: A strong formal sector ensures consistent tax revenue and fosters sustainable economic growth, enabling investment in public infrastructure and social development. <p style="text-align: right;">(Any four relevant points)</p>	
31.	<p>Comparison and Analysis of Population Policies of China and India</p> <ol style="list-style-type: none"> 1. Population Growth Trends: <ul style="list-style-type: none"> ○ China: Population growth is slower (0.7% per year), indicating effective population control measures. 	4

	<ul style="list-style-type: none"> ○ India: Population growth remains high (1.4% per year), showing challenges in controlling rapid population increase. <p>2. Population Control Measures:</p> <ul style="list-style-type: none"> ○ China: <ul style="list-style-type: none"> ▪ Adopted strict measures such as the One-Child Policy (1979–2015), limiting most families to one child. ▪ Emphasis on family planning, incentives, and penalties to control population growth. ▪ Result: Significant slowdown in population growth, lower fertility rate. ○ India: <ul style="list-style-type: none"> ▪ Adopted family planning programs since the 1950s, including promoting contraception, sterilization, and awareness campaigns. ▪ Measures are largely voluntary, with less strict enforcement. ▪ Result: Moderate decline in fertility, but population continues to grow rapidly. <p>3. Mortality and Life Expectancy:</p> <ul style="list-style-type: none"> ○ Both countries have experienced a decline in mortality rates, leading to population increase despite fertility control measures. ○ Improvements in healthcare and per capita income have contributed to longer life expectancy and population growth. <p>4. Policy Outcomes:</p> <ul style="list-style-type: none"> ○ China: More effective in stabilizing population due to stringent policies; faces challenges of aging population and gender imbalance. ○ India: Population continues to grow; policies need stronger implementation, increased awareness, and socio-economic interventions. <p>Both countries highlight the importance of linking population control with health, education, and economic policies.</p> <p>4 points 4 marks</p>	
32.	<p>A) True: Britain largely held a monopoly over India's foreign trade during the colonial period. 2marks</p> <p>Explanation:</p> <ul style="list-style-type: none"> • Policy Implementation: British policies, initially through the East India Company and later under direct colonial rule, favoured British exports while restricting Indian competition. • Raw Material Export: India mainly exported raw materials like cotton and jute to Britain, which manufactured finished goods and sold them back to India at higher prices. • Trade Restrictions: British regulations limited the growth of Indian industries and prevented them from competing internationally. <hr/> <p>B) False: While the Green Revolution significantly increased agricultural production, it did not necessarily ensure equity in agriculture. 2marks</p>	4

	<p>Explanation:</p> <ul style="list-style-type: none"> • Increased Productivity: The introduction of high-yielding crop varieties led to substantial increases in food production. • Benefit Disparity: Large landowners and farmers with access to technology and capital benefited more, whereas small-scale farmers often saw little improvement, increasing rural income inequality. • Environmental Concerns: Extensive use of chemical fertilizers and pesticides resulted in adverse environmental impacts. 	
33.	<p>Main challenges affecting rural development of Sundara:</p> <ul style="list-style-type: none"> • Drought and unpredictable monsoon causing crop failure. • Volatile rice market affecting income. • Limited access to credit for new technology. • Aging population and labour shortage due to migration. • Limited healthcare facilities (only one primary health centre). (any two) 1 mark <p>b) Two government initiatives to provide rural credit : 3 marks</p> <ol style="list-style-type: none"> 1. Kisan Credit Card (KCC): Provides short-term loans to farmers for seeds, fertilizers, and equipment; linked with Aadhaar for easy access. 2. National Rural Livelihood Mission (NRLM): Supports self-help groups (SHGs) with micro-credit and promotes participation of rural women in economic activities. <p>c) Two measures to reform agricultural marketing in India (2 marks):</p> <ol style="list-style-type: none"> 1. Farmer Producer Organizations (FPOs): Help farmers collectively sell produce, gain better prices, and maintain quality standards. 2. Electronic Trading Platforms (e-TRAMs): Enable direct trade between farmers and buyers, reducing intermediaries and marketing costs. 	6
34.	<p>1. Industrial Policy (1951–1992)</p> <p>India’s industrial policy during the first seven Five-Year Plans was shaped by the Industrial Policy Resolution of 1948 and 1956, which aimed at a mixed economy model combining state-led industrialization and private sector participation. The focus was on self-reliance, heavy industries, and planned development.</p> <ul style="list-style-type: none"> • Public Sector Priority: Key industries such as steel, mining, heavy machinery, and defense were reserved for the public sector. • Private Sector Role: Encouraged in small-scale and consumer goods industries. • Licensing & Regulation: Industrial licensing and regulation (License Raj) controlled entry, expansion, and investment. • Regional Development: Emphasis on establishing industries in backward areas to reduce regional disparities. 	6

2. Critical Evaluation

A. Achievements

1. **Rapid Growth in Public Sector Industries**
 - Established steel plants, heavy machinery, and power plants.
 - Laid foundation for self-reliant industrial base.
2. **Balanced Industrial Structure**
 - Encouraged both large-scale and small-scale industries.
 - Diversified from just agriculture to manufacturing and services.
3. **Employment Generation**
 - Public sector industries and small-scale industries provided jobs.
 - Initiatives in labour-intensive sectors helped in poverty reduction.
4. **Import Substitution and Self-Reliance**
 - Reduced dependence on foreign goods through domestic production.

B. Limitations

1. **Over-Regulation & Bureaucracy**
 - The **License Raj** slowed down entrepreneurship.
 - Delays and corruption in obtaining approvals affected industrial growth.
2. **Underperformance of Public Sector**
 - Many public sector enterprises became inefficient and unprofitable.
 - Low productivity and high costs due to lack of competition.
3. **Limited Technological Advancement**
 - Heavy reliance on foreign technology licensing in some sectors.
 - Innovation and R&D were often neglected.
4. **Regional Imbalances Persisted**
 - Despite efforts, industrial growth was concentrated in already developed regions like Maharashtra, Gujarat, and Tamil Nadu.

The industrial policy during the first seven Five-Year Plans **successfully laid the foundation for a mixed economy and industrialization**. However, **over-regulation, inefficiency in the public sector, and slow technological progress** limited the potential growth. This policy set the stage for **liberalization and reforms in 1991**, which aimed to correct these structural weaknesses.

6 marks (any 6 points) marked as a whole

Or

A) Nature of Privatization and Its Objectives

Nature of Privatization: 4 marks

- Privatization in India refers to **reducing government control** over public sector enterprises and **encouraging private sector participation** in industries and services.

- It includes **disinvestment of shares, outsourcing, and allowing private investment** in areas earlier dominated by the government.

Objectives:

1. **Increase efficiency and productivity** of enterprises.
2. **Reduce government's financial burden** from loss-making PSUs.
3. **Promote competition, innovation, and better quality** of goods and services.
4. **Raise funds** for development projects through sale of government stakes.
5. **Attract private and foreign investment** in strategic sectors.

B) Rationale for Granting Maharatna Status 2 marks

Meaning:

- Maharatna status is given to **large, profitable, and strategically important PSUs** (e.g., ONGC, NTPC, Indian Oil).

Rationale:

1. **Greater autonomy** in investment, joint ventures, and financial decisions.
2. **Enhances global competitiveness** and allows international expansion.
3. **Encourages efficiency** and improved decision-making.
4. **Enables undertaking large-scale projects** without government approval.