

CBSE Class 12 Economics
Sample Paper 09 (2020-21)

Maximum Marks: 80

Time Allowed: 3 hours

General Instructions:

- i. This question paper contains two parts: Part A - Macro Economics (40 marks) and Part B - Indian Economic Development (40 marks).
- ii. Marks for questions are indicated against each question.
- iii. Question No. 1-7 and Question No. 15 – 21 (including two Case Based Questions) are 1 mark questions and are to be answered in one word/sentence.
- iv. Case Based Questions (CBQ's) are Question No. 7 and Question No. 15.
- v. Question No. 8-9 and Question No. 22 – 23 are 3 marks questions and are to be answered in 60 - 80 words each.
- vi. Question No. 10-12 and Question No. 24 – 26 are 4 marks questions and are to be answered in 80-100 words each.
- vii. Question No. 13-14 and Question No. 27 – 28 are 6 marks questions and are to be answered in 100-150 words each.
- viii. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

PART A - MACRO ECONOMICS

1. Which of the following is the central bank of India?
 - a. Union Bank of India
 - b. State Bank of India
 - c. Indian Bank
 - d. Reserve Bank of India

OR

The difference between the amount of loan and market value of the security offered by a

borrower against the loan is called _____.

- a. cash reserve ratio
- b. margin requirement
- c. statutory liquidity ratio
- d. bank rate

2. Fill in the blanks:

In an economy what we plan for intending (or intend or desire) to save during a particular period is called _____.

3. It is the rate at which the central bank of a country lends money to commercial banks in the event of any short fall of funds. Identify it.

- a. Reverse Repo Rate
- b. Interest Rate
- c. Bank Rate
- d. Repo Rate

4. Which of the following transactions will be recorded in the capital account of the Balance of Payments?

- a. Factor income receipts from abroad
- b. Export of goods
- c. Borrowings from abroad
- d. Transfers from abroad

5. $S = -a + (1 - b)Y$ is a

- a. Linear function of the level of Savings and Consumption expenditure
- b. Algebraic function of the level of Savings and capital expenditure
- c. Algebraic function of the level of Savings
- d. Algebraic function of the level of Savings and Investment expenditure

6. Devaluation is a

- a. Increase in the price of domestic currency in terms of all foreign currencies by the govt.
- b. Reduction in the price of foreign currency in terms of domestic currencies by the govt.
- c. Reduction in the price of domestic currency in the foreign exchange market by the govt.
- d. Reduction in the price of domestic currency in terms of all foreign currencies by the govt.

7. **Read the following passage and answer the questions give below:**

Functions of money are basically classified into two categories: primary functions and secondary functions. Primary functions include the medium of exchange and measure of value. Secondary functions include the standard of deferred payments, store of value, and transfer of value.

W.R.L. Coulborn and Paul Einzig have classified all the functions of money into two broad categories, static functions, and dynamic functions. The static functions of money refer to conventional functions of money. These basically include the primary and secondary functions of money: medium of exchange, a measure of value, the standard of deferred payments, store of value, and transfer of value. Dynamic functions of money refer to the functions of money which impart stability to the economy and push an economy to a higher level of growth and development.

- i. Introduction of money has separated the act of sale and purchase- is a _____ function of money. (primary, secondary)
 - ii. _____ functions help to regulate the economic system. (static, dynamic)
 - iii. Rupees in India, dollars in USA, euro in Europe all these dictate _____ function of money. (medium of exchange, unit of value)
 - iv. Government all over the world have tried to control the recession is _____ function of money. (static, dynamic)
8. Describe the end-use classification of goods.
9. Calculate Net National Product at Factor Cost from the following.

S.no.	Contents	(Rs. in arab)
(i)	National Debt Interest	60
(ii)	Wages and Salaries	600
(iii)	Net Current Transfers to Abroad	20
(iv)	Rent	200
(v)	Transfer Payments by Government	70
(vi)	Interest	300
(vii)	Net Domestic Product at Factor Cost Accruing to Government	400
(viii)	Social Security Contributions by Employers	100

(ix)	Net Factor Income Paid to Abroad	50
(x)	Profits	300

OR

Calculate Net National Product at Market Price from the following.

S.no.	Contents	(Rs. in arab)
(i)	Closing Stock	10
(ii)	Consumption of Fixed Capital	40
(iii)	Private Final Consumption Expenditure	600
(iv)	Exports	50
(v)	Opening Stock	20
(vi)	Government Final Consumption Expenditure	100
(vii)	Imports	60
(viii)	Net Domestic Fixed Capital Formation	80
(ix)	Net Current Transfers to Abroad	(-) 10
(x)	Net Factor Income to Abroad	30

10. Distinguish between the current account and capital account of balance of payments account. Is import of machinery recorded in current account or capital account? Give reasons for your answer.
11. Giving reason explain how should the following be treated in estimating national income
 - i. Electricity consumed by a firm
 - ii. Pension paid to the retired employees
 - iii. Free treatment of the poor in hospitals

OR

Explain the concept of real national income. Explain why due to the presence of externalities, real national income in itself cannot be treated as a true index of welfare.

12. In an economy planned saving is greater than planned investment. Explain how the economy achieves the equilibrium level of national income.
13. Explain the process of working on the investment multiplier with the help of a numerical example.

OR

Explain the situation of deficient demand in an economy. Also, explain the role of repo rate in correcting this.

14. Distinguish between
 - i. Direct tax and indirect tax
 - ii. Primary deficit and revenue deficit

PART B - INDIAN ECONOMIC DEVELOPMENT

15. On the eve of Independence, India was exporter of _____.
 - a. capital goods
 - b. agricultural goods
 - c. industrial products
 - d. primary products
16. Which among the following is the cause of agricultural stagnation during the British colonial rule?
 - a. All of these
 - b. Limited public sector
 - c. Mass illiteracy
 - d. System of land settlement
17. **Assertion (A):** Decrease in the price of electricity will be the best course to strike a balance between supply and demand for electricity in India.
Reason (R): Increase in the price of electricity will cause a rise in production cost which may discourage production activity in the economy.
 - a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
 - b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
 - c. Assertion is correct statement but reason is wrong statement.
 - d. Assertion is wrong statement but reason is correct statement.

OR

Assertion (A): Accelerating the pace of growth is an ultimate solution to the problem of poverty in India.

Reason (R): Greater employment, more inclusive would be the growth process, implying lesser poverty.

- a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
- b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
- c. Assertion is correct statement but reason is wrong statement.
- d. Assertion is wrong statement but reason is correct statement.

18. **Assertion (A):** In the provision of improved water sources, Pakistan has performed better than India and China.

Reason (R): In Pakistan, 90% of the population has access to improved sources of water, compared with 88% in India and 89% in China.

- a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
- b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
- c. Assertion is correct statement but reason is wrong statement.
- d. Assertion is wrong statement but reason is correct statement.

19. Which of the following country adopt "one child norm" to control its population?

- a. None
- b. Pakistan
- c. China
- d. India

20. \$1 was Rs. 48 and it changes to Rs. 60, then which currency has devalued?

- a. Both dollar and rupees
- b. None of these
- c. Dollar
- d. Rupee

21. **Read the following passage and answer the questions given below:**

Infrastructure is composed of public and private physical structures such as roads, railways, bridges, tunnels, water supply, sewers, electrical grids, and telecommunications (including internet connectivity and broadband access). In general, infrastructure has been defined as the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions.

Infrastructure can be broadly classified as economic infrastructure and social infrastructure. Economic infrastructure refers to such elements of the support system (like power, transport, and communication) which serve as a driving force for production activity in the economy. Social infrastructure refers to such elements of support system (like schools, colleges, hospitals, and nursing homes) which serve as a driving force for the social development of a country.

- i. Infrastructure consists of _____ components which provides various services to the economy. (intangible, tangible)
 - ii. In the absence of _____ infrastructure, it is virtually not possible to develop an efficient system of growth and development. (economic, social)
 - iii. _____ infrastructure accelerates the process of human development in the economy. (economic, social)
 - iv. _____ in death rate is a pointer to the growth of social infrastructure in the economy. (decline, rise)
22. Which system facilitates the establishment of fair price shops in villages to distribute essential commodities?

OR

Why has rural banking not been able to give adequate credit to farmers?

23. What role does the government play in generating employment opportunities?
24. Do you think various measures taken by the government to improve agricultural marketing are sufficient? Discuss.
25. Does modernisation as a planning objective create contradiction in the light of employment generation? Explain.

OR

India has certain advantages which makes it a favourite outsourcing destination. What

are these advantages?

26. What are the various means by which countries are trying to strengthen their own domestic economies?
27. Answer any two of the following questions:
 - a. A truck driver had to pay Rs. 2,000 as challan as his truck was emitting black soot. Why do you think he was penalised? Was it justified? Give reasons.
 - b. Looking at the statistics, we find that more of educated people are engaged in crimes. More of educated people are committing suicide. How do you think we need to mould our education system to correct the situation?
 - c. Do you think the Navratna policy of the government helps in improving the performance of public sector undertakings in India? How?
 - d. Why is employment considered so important in the Indian development policy?
28. Answer the following questions:
 - a. Explain how tariffs and quotas protect domestic industries.
 - b. Bring out the need for on-the-job-training for a person.
 - c. Is it right to define a calorie based norm to identify the poor? Give your opinion

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Solution

PART A - MACRO ECONOMICS

1. (d) Reserve Bank of India

Explanation: Reserve Bank of India is the apex bank of India which has solo note issuing authority in India.

OR

- (b) margin requirement

Explanation: Margin requirement refers to the difference between the current value of the security offered for a loan and the value of loan granted. It is a qualitative method of credit control adopted by the central bank in order to stabilize the economy from inflation or deflation.

2. Ex-ante saving

3. (d) Repo Rate

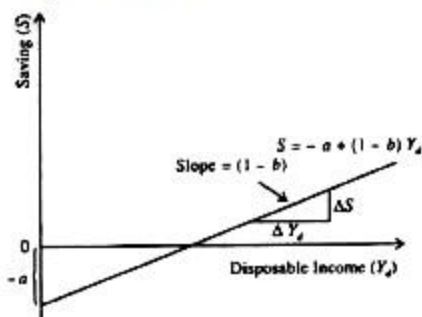
Explanation: The rate at which RBI offers short period loans to the commercial banks by buying the government securities in the open market is called repo rate. In fact, it is a repurchase rate.

4. (c) Borrowings from abroad

Explanation: The capital account records receipts and payments of such transactions which cause an impact on the asset-liability status of a country in relation to the rest of the world. Borrowings from abroad increases the liabilities of the country. Hence, it will be recorded in the capital account.

5. (c) Algebraic function of the level of Savings

Explanation:



6. (d) Reduction in the price of domestic currency in terms of all foreign currencies by the govt.

Explanation: Devaluation refers to fixed exchange regime where exchange rate is determined exogenously, by central bank.

7. i. primary
ii. static
iii. unit of value
iv. dynamic
8. Goods and services produced by the producing units are consumed by different categories of consumers. These include households enterprises and general government. According to end-use goods and services are classified into the following broad categories:
- i. Consumer goods: Consumer goods may be durable non-durable or perishable.
 - ii. Intermediate goods: When the goods and services are consumed for further production they are called intermediate goods.
 - iii. Capital goods: Capital goods are defined as all goods produced for use in future production processes. These include both durable and perishable goods. The end-user classification of goods and services clearly explain that a commodity which is a consumer good for one consumer may become intermediate good for another and capital good for the third category.

9. To calculate Net National Product at Factor Cost we:

$(NNP_{FC}) = \text{Wages and Salaries} + \text{Rent} + \text{Interest} + \text{Profits} + \text{Social Security Contributions by Employers} - \text{Net Factor Income Paid to Abroad}$

$$= 600 + 200 + 300 + 300 + 100 - 30$$

$$1,300 - 50$$

$$= \text{Rs. } 1,450 \text{ arab}$$

Net National Product at factor cost and National income are one and the same thing.

OR

Net National Product at Market Price is:

$NNP_{mp} = \text{Private Final Consumption Expenditure} + \text{Government Final Consumption Expenditure} + \text{Net Domestic Fixed Capital Formation} + \text{Change in Stock (Closing Stock - Opening Stock)} + \text{Net Exports (Exports - Imports)} - \text{Net Factor Income to Abroad}$

$$= 600 + 100 + 80 + (10 - 20) + (50 - 60) - 30$$

$$= 780 - 50$$

= Rs. 730 Arab.

Net National Product at market price is the net market value of all final goods and services produced by the normal residents of a country during a period of one year.

10. (i) Current account: Current account is that account which records imports and exports of goods and services and unilateral transfers, income and transfer payments during a year.
(ii) Capital account: Capital account is that account which records all such transaction between residents of a country and rest of the world which cause a change in the asset or liability status of the residents of a country or its government.
(iii) Import of machinery is an import item. So, it will be included or recorded under the current account.
11. i. **Electricity consumed by a firm:** It should not be included in the estimation of National income as it is an intermediate consumption.
ii. **Pension paid to the retired employees:** It should be included in the estimation of national income because it is part of the compensation of employees.
iii. **Free treatment of the poor in hospitals:** It should not be included in the estimation of national income because poor people are provided free treatment not in return for any productive service. This is a transfer payment.

OR

- **Real National Income:** When goods and services produced by normal residents within and outside of a country in a year valued at constant price i.e. base year's price are called as Real National Income.
- **Due to the presence of externalities, real national income in itself cannot be treated as a true index of welfare because of the below mentioned reasons:**
 - i. Increase in real national income can be due to an increase in economic activities like industrialisation and urbanisation.
 - ii. With increased industrialisation, certain problems for society also increase like pollution of air, water and soil.
 - iii. Urbanisation also results in housing problems, the burden on existing infrastructure, etc.
 - iv. Also, excessive rate of industrialisation and urbanisation results in deforestation. So,

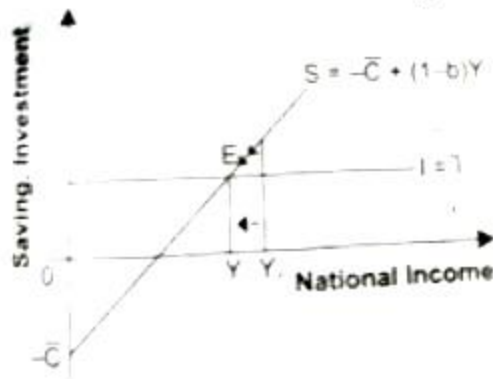
on the whole, welfare decreases. But this decrease in welfare is ignored while calculating real national income.

12. $AD = AS$

$$C + I = C + S$$

$$I = C + S - C = S$$

- i. when planned saving is greater than planned investment, then national income will decrease as shown in the diagram.



- ii. When saving > investment [at Y_1], then there would be stockpiling and producers will produce less, National income will fall and as we know positive relationship exists between national income and saving, then saving will start falling until it becomes equal to investment. It is here the equilibrium level of income is derived.

13. The process of investment multiplier is as under:

- i. It can be illustrated with the help of a simple example. We know that one man's expenditure is another man's income.
- ii. Suppose, the government of a country spends ₹100crore on building roads. This is the increase in investment. National income of the country automatically rises by ₹100crore in Round 1.
- iii. Now suppose MPC is 0.5, consumption will increase by ₹ 50 crore on new consumption goods and the remaining Rs 50 crore will be saved.
- iv. In round 2, the consumer goods industry will have an extra income of ₹ 50 crore. Since $MPC=0.5$ people will again spend 50% of their additional income of ₹50 crore (which works out to be 25 crore) on more consumer goods and the rest 25 crore will be saved.
- v. These ₹ 25 crore will, thus, become the income for others. This will continue till total increase in income becomes k times the increase in investment.
- vi. The process of income generation has been shown in the following table:

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Round Number	Increase in Investment (ΔI)	Increase in Income (ΔY)	Increase in Consumption $\Delta(C)$
1	100	100	50 (100 \times 0.5)
2	.	50 = $b \Delta I$	25 (50 \times 0.5)
3	.	25 = $b^2 \Delta I$	12.5 (25 \times 0.5)
4	.	12.5 = $b^3 \Delta I$	6.25 (12.5 \times 0.5)
5	.	6.25 = $b^4 \Delta I$	3.125 (6.25 \times 0.5)
6	.	3.125 = $b^5 \Delta I$	1.56 (3.125 \times 0.5)
7	.	1.56 = $b^6 \Delta I$	0.78 (1.56 \times 0.5)
-	-	-	-
-	-	-	-
-	-	-	-
Total increase in Income = 200 crore			

Since increase in investment is 100 crores and increase in income is 200 crores.

$$\text{Multiplier (K)} = \frac{\Delta Y}{\Delta I} = \frac{200}{100} = 2$$

Or

$$K = \frac{1}{1-MPC} = \frac{1}{1-0.5} = 2.$$

There is a positive relationship between MPC and multiplier. A higher MPC would cause a greater increase in income implying a higher value of multiplier.

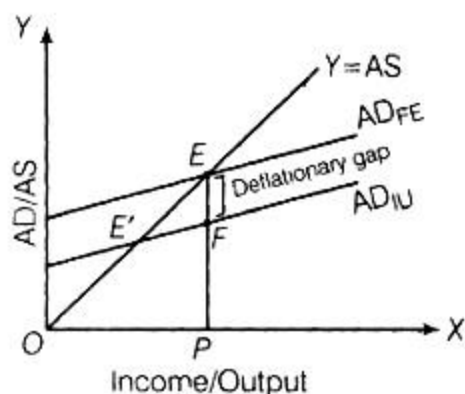
OR

Deficient demand refers to the situation when aggregate demand (AD) is less than the aggregate supply (AS) corresponding to the full employment level of output in the economy.

The situation of deficient demand arises when planned aggregate expenditure falls short of aggregate supply at the full employment level. It gives rise to a deflationary gap.

Deflationary gap is the gap by which actual aggregate demand falls short of aggregate demand required to establish full employment equilibrium.

When there is involuntary unemployment in the economy, there is a shortfall in Aggregate Demand (AD) from the level that is required to maintain a full employment equilibrium. This shortfall is termed as a deflationary gap or deficient demand.



In this figure, AD_{FE} = AD at full employment level $AD(U = AD$ at involuntary unemployment level. The point E is the equilibrium point, where $AD = AS$. But at the current levels, deficient demand situation (due to involuntary unemployment) of AD_{IU} , the Aggregate Demand is less than the actual supply in the economy. Hence, EF is the deflationary gap.

Deflationary Gap = Deficient Demand

$$= AD_{FE} - AD_{IU} = EF$$

Role of Bank Rate in Correcting Deficit Demand:

Repo rate refers to the rate at which commercial banks can borrow from Central Bank against some approved securities for a shorter period of time. During deficient demand, the central bank reduces the bank rate in order to expand credit. It leads to fall in the market rate of interest which induces people to borrow more funds. Because of this, the level of Aggregate Demand increases in the economy and the problem of deficient demand is checked.

14. (i) The major points of difference between direct tax and indirect tax are given below:

Basis	Direct tax	Indirect tax
	Direct taxes refer to taxes that are imposed on the property and income of individuals and companies and are paid directly by them to the government. It is a tax	Indirect taxes refer to those taxes which affect the income and property of individuals and companies through their consumption expenditure. It is a tax whose burden can be shifted to others. This tax is imposed on goods

Meaning	which is levied directly on individuals and firms and the burden of tax (i.e. incidence) is to be borne by those on whom it is levied. Therefore in case of direct taxes burden cannot be shifted to others.	and services. The liability to pay the tax and the actual burden of the tax lie on different persons. Indirect tax can be passed wholly or partly to others.
Nature	Direct taxes are progressive in nature.	These are regressive in nature.
Example	Income tax, wealth tax and corporation tax are examples of direct tax.	Value Added Tax, sales tax and Goods and Service tax are examples of indirect tax.

(ii) Differences between primary deficit and revenue deficit are given below:

Basic	Primary Deficit	Revenue Deficit
Meaning	Primary deficit is the difference between fiscal deficit of the current year and interest payments on the previous borrowings.	Revenue deficit is the difference between revenue expenditure and revenue receipts.
Implications	Primary deficit indicates the total borrowing requirement of the government excluding interest. A low or zero primary deficit indicates that the interest commitments on earlier loans have forced the government to borrow.	Revenue deficit shows the inefficiency of the government to meet its current expenditure on the normal functioning of government departments and provisions for various services.
Scope	It has a narrow scope.	It has a wide scope.

PART B - INDIAN ECONOMIC DEVELOPMENT

15. (d) primary products

Explanation: On the eve of Independence, India was an exporter of primary products.

16. (d) System of land settlement

Explanation: The Indian economy on the eve of independence suffered and continues to suffer the effects of Land settlement system i.e zamindari system. In this system, the main focus of the landlords is to extract rent regardless of the economic conditions of the farmers. This is one of the focus reason for stress among farmers and fear to take a chance to grow. Hence, leading to a stagnant agricultural sector.

17. (d) Assertion is wrong statement but reason is correct statement.

Explanation: An increase in the price of electricity will cause a rise in production cost which may discourage production activity in the economy. The best course of striking a balance between supply and demand would therefore be to increase the supply of electricity. However, the demand for electricity by high-end household users may be managed through a high price structure.

OR

(a) Assertion and reason both are correct statements and reason is correct explanation for assertion.

Explanation: When the pace of growth is accelerated, new opportunities for employment are generated. More and more workers will find employment in farms and factories. Due to which poverty will be reduced.

18. (a) Assertion and reason both are correct statements and reason is correct explanation for assertion.

Explanation: Both Assertion and Reason are correct and the reason is the correct explanation of assertion. In the case of improved sanitation and improved water sources, Pakistan has performed better than India.

19. (c) China

Explanation: The **one-child policy**, a part of the family planning **policy**, was a population planning **policy** of **China**.

20. (d) Rupee

Explanation: The dollar currency has increased from Rs. 48 to Rs. 60. Hence it is clearly visible Rs. Currency has devalued.

21. i. tangible
ii. economic
iii. social
iv. decline

22. Public distribution system is a system under which fair price shops are set up in villages, towns and backward areas to distribute essential commodities, particularly foodgrains at subsidised prices. It has proved to be the most effective instrument of government policy over the years in stabilizing prices and making food available to consumers at affordable prices.

OR

Rural banking has not been able to give adequate credit to farmers mainly due to following reasons:

- i. Lack of proper infrastructure and instruments to dispense credit to needy farmers.
 - ii. Agriculture loan default rates are also high with a high incidence of overdue instalments by the farmers.
 - iii. It has also failed to develop a culture of deposit mobilisation, lending to worthwhile borrowers and effective loan recovery.
23. Government's efforts to generate employment can be broadly categorised into two i.e. direct and indirect.
- i. Direct Employment, In this government, employs people in various departments for administrative purposes. It also runs industries, hotels and transport companies and hence provides employment directly to workers.
 - ii. Indirect Employment It can be understood as when the output of goods and services from government enterprises increases, then private enterprises which receive raw materials from government enterprises will also raise their output and hence increase the number of employment opportunities in the economy. This is the indirect generation of employment opportunities by the government initiatives in the economy.
24. Government has adopted various measures for improving agricultural marketing such as regulation of markets, provision of physical infrastructure like cold storage, roads and railways, co-operative marketing and policy measures like Minimum support price (MSP), Public distribution system(PDS) and buffer stock etc. But even after these measures taken by the government, agricultural markets are still predominated by moneylenders, rural political elites, big merchants and rich farmers. The current infrastructure facilities are inadequate to meet the growing demand and need to be improved further. There are many obstacles in the agricultural marketing system which needs to be addressed by the

government in order to strengthen the agricultural marketing system:

- i. Enforcement of standard weights.
- ii. Fixation of charges, fees etc.
- iii. Preventing unlawful deductions and controlling wrong practices by middlemen.

Cooperatives are also suffering from problems like inadequate coverage of farmers as members, lack of an appropriate link between marketing and processing co-operatives and inefficient financial management.

25. No, modernisation as a planning objective does not contradict employment generation. In fact, both modernisation and employment generation are positively correlated in the long-run. Modernisation refers to the use of new and modern technology in the production process. For example, a farmer can increase the output on the farm by using new seed varieties instead of using the old ones. Similarly, a factory can increase output by using a new type of machine. This does not cut down the employment generation opportunity rather this facilitate the manpower in their works. However, this may make some people lose their jobs in the initial stages, as machines take place of men. But gradually, the use of modern technology and input will raise productivity and consequently the income of the people, that will further raise the demand for goods and services. In order to fulfil this increased demand, more production output will be required and there will be more job opportunities, that will lead to higher employment in the economy. Even in the short-run, modernisation leads to the creation of employment opportunities for skilled workers. If proper training and vocational education are provided, it will lead to better employment in terms of quality of work and earnings. The concept of modernisation is never contradictory to the employment generation activities, rather it has always worked towards changing the thinking of the people and society at large.
- Hence, both modernisation and employment generation are not contradictory but are complementary to each other.

OR

Most multinational corporations and even small companies are outsourcing their services to India because of the following advantages:

- i. **Availability of Cheap Labour** : India is a country with a large population and thus has abundant supply of labour. Due to this reason, labour in India is available at low

wage rates. This helps the foreign companies in reducing their cost of operation by outsourcing their business processes to India.

- ii. **Skill and Accuracy:** India has made a pool of talent in the form of educated and trained youth who have the required skill and can work with accuracy in the business processes such as accounting, record keeping, IT consultancy, etc. There is an availability of English speaking persons and skilled human resources are plenty in India. They are highly conscious towards quality.
 - iii. **Continuity and Risk Management :** Periods of high employee turnover add uncertainty to the operations of a company. Outsourcing will provide a level of continuity to the company while reducing the risk that a substandard level of operation would bring to the company.
 - iv. **Reduced Overhead:** Overhead costs of performing back office functions are extremely high but due to the outsourcing these costs can be reduced.
 - v. **Advanced Technology:** There is availability of advanced technology at par with western countries.
 - vi. **Flexible Human Resource:** We have flexible human resource to work in various time zones.
 - vii. **Multilingual Support:** Indians can also offer multilingual support to their customers.
26. The following are the various means through which the nations are trying to strengthen their own domestic economies:
- i. Nations are forming various regional and economic groupings like SAARC, European Union, G-8, G-20, ASEAN, etc in order to strengthen their economies through economic cooperation among the countries in the group to safeguard their common interests. These nations form a customs union in which tariffs are removed among the member nations. Thus, international trade gets promoted.
 - ii. They are also trying to know and analyse the developmental process adopted by their neighbouring nations, so as to evaluate their strengths and weaknesses and formulate policies accordingly to accelerate social progress and cultural development among the member countries.
 - iii. Moreover, nations also resort to liberalising their economies. This minimises government interference in economic activities. The economy is governed by market forces, i.e. demand and supply forces.
 - iv. Nations have also adopted the process of globalisation to integrate their economies

with other economies of the world in order to provide a wide international market for their domestic producers and attract foreign investment. Thus, a nation can sell its product globally and add to its economic growth.

27. Answer any two of the following questions:

- i. He was penalised because of the rules of Pollution Control Board. As per the rules, an owner of a vehicle needs to keep it under pollution control for which he needs to get it serviced regularly and obtain a certificate of "pollution under control" from an authorised station. It was justified because the negative opportunity cost of environment degradation is irreversible and hence we need to take preventive steps. Paying penalty is actually the extent of negative externality the truck driver has given to society. Once the environment is polluted, it can't be cured so it must be prevented before hand.
- ii. Education system is being taken by parents, students and teachers as a means to earn income. They are trying to imbibe computer skills, communication skills, body language and intellectual development amongst learners but they are ignoring value education and not teaching struggle in life. Children need to be given situations where they learn to struggle. I, as an educationist, recommend even real life situations may be given to them so that they learn and love to struggle in life. Further our attitude towards marks and grades needs to be changed. Also in my opinion the more advanced technology must be brought in India to just lesser down the burden of books and increasing the practical knowledge.
- iii. The government identifies PSUs and declares them as Maharatnas, Navratnas and Miniratnas in order to improve their efficiency and enable them to compete globally. They are given greater managerial and operational autonomy in taking various decisions. Functional autonomy has ensured quality in PSUs and made these competitive. In 2011, about 90 public enterprises were designated with different status. The granting of this special status resulted in better performance of these companies. The 'government partly privatised these companies through disinvestment.
- iv. Employment is considered so important in the Indian development policy because of the following reasons
 - a. Employment is crucial to the removal of poverty.
 - b. More employment will lead to a higher level of national income since production

and employment are directly related.

28. Answer the following questions:

- i. Tariffs and quotas are two ways to protect the domestic industries from imports.
 - a. **Tariffs**- Tariffs refer to taxes levied by the government on imported goods. Tariffs make the imported goods more expensive than domestic goods, thereby, discouraging imports indirectly these are imposed to provide a safe and protective environment to the infant domestic firms.
 - b. **Quotas**- Quotas refer to the maximum limits on the amount of commodities that can be imported. Quotas are imposed to discourage imports of foreign goods and to reduce the balance of payment deficits.
- ii. On-the-job training is an important factor of human capital formation as it results in enhanced labour productivity.

On-the-job training is required because:

- a. It improves the confidence and morale of the worker. On- the-job training allows trainees and employees to get acquainted with their co-workers.
 - b. It helps in the introduction of modernisation and innovation.
 - c. It facilitates the use of raw material in an efficient and economical manner.
 - d. Training allows the supervisors or managers to assess progress of a person over a short period of time enabling them to determine any flaws or problems and rectifying the problem on the spot. This leads to higher efficiency of not only the person under training but also the organisation as a whole.
 - e. It helps in broadening the thinking pattern of workers and they are always ready to accept the newer things in the organisations or changes that are beneficial for the betterment of the organisation and the society as well.
- iii. In my opinion, it is totally unjustified to define poverty as per calorie norms. We are not assuming bathing soap, hair oil, washing powder, tooth paste, brush etc. in basic minimum needs of life. Then we claim that poor people are unhygienic. Then we also talk of improving health status of the weaker section. It is really not possible. Further this norm does not consider various important factors that are associated with poverty. These factors are health care, clean drinking water, proper sanitation and basic education. It also fails to account for social factors that exaggerate and worsen poverty like ill health, lack of access to resources, lack of civil and political freedom, etc.