

**CBSE Class 12 Economics**  
**Sample Paper 05 (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. In the terminology of economics and money demand, the terms M3 and M4 are also known as :
  - a. Long money
  - b. Short money
  - c. Broad money
  - d. Narrow money

OR

One of the functions of commercial banks among the following is \_\_\_\_.

- a. Accepting securities
- b. Accepting paper
- c. Accepting coins
- d. Accepting deposits

2. Fill in the blanks:

Equality between AS and AD implies the equality between \_\_\_\_\_. (Y and AD/Y and AS)

3. Which is not a difficulty associated with barter system?

- a. No storage of wealth
- b. Taste and preferences of people
- c. Lack of double coincidence of wants
- d. Lack of common measure of value

4. Which of the following compares the average price of exports to average price of imports?

- a. The balance of trade
- b. The exchange rate
- c. The balance of payments
- d. The terms of trade

5. If the initial increase in the investment is Rs 1000 and  $MPC=0.8$ , there is a total increase in the income by

- a. Rs. 1000
- b. Rs. 5000
- c. Rs. 6000
- d. Rs. 500

6. Other things remaining unchanged, when in a country the price of foreign currency rises, national income is \_\_\_\_\_.

- a. Likely to rise and fall
- b. Likely to fall
- c. Not affected
- d. Likely to rise

7. **Read the following News report and Answer Question on the basis of the same:**

Although most people expected India's GDP to show substantial contraction when the Ministry of Statistics and Program Implementation (MoSPI) released the data for the first

quarter (April, May, June) of the current financial year on Monday, the broad consensus was that the decline would not exceed 20%. As it turns out, the GDP contracted by 24% percent in Q1.

In other words, the total value of goods and services produced in India in April, May, and June this year is 24% less than the total value of goods and services produced in India in the same three months last year.

**(Source: The Indian Express)**

- i. Which organization collects the data National Income in India.
    - a. Central statistics office (CSO)
    - b. National Statistics Office (NSO)
    - c. National Sample Survey Office (NSSO)
    - d. Registrar General of India (RGI)
  - ii. Gross \_\_\_\_\_ Product (Domestic/National) is the monetary value of all finished goods and services made within a country during a specific period.
  - iii. Nominal GDP (Gross Domestic Product) is known as \_\_\_\_\_ (Current year GDP, Base year GDP)
  - iv. National Income data released by \_\_\_\_\_.
8. Giving reasons classify the following into stocks and flows:
- i. Profits or Losses
  - ii. Capital
  - iii. Wealth
  - iv. Savings
  - v. Balance in a bank account
  - vi. Gross Domestic Product (GDP)
9. From the following data, calculate Net Value Added at Factor Cost.

S.no.	Contents	Rs. (in Crores)
(i)	Purchase of Intermediate Goods	500
(ii)	Sales	750
(iii)	Import of Raw Materials	50
(iv)	Depreciation	60
(v)	Net Indirect Taxes	100



(vi)	Change in Stock	(-) 30
(vii)	Exports	20

OR

Calculate Net National Product at Market Price.

S.no.	Contents	(Rs. in Crores)
(i)	Transfer Payments by Government	7
(ii)	Government Final Consumption Expenditure	50
(iii)	Net Imports	(-) 10
(iv)	Net Domestic Fixed Capital Formation	60
(v)	Private Final Consumption Expenditure	300
(vi)	Private Income	280
(vii)	Net Factor Income to Abroad	(-) 5
(viii)	Closing Stock	8
(ix)	Opening Stock	8
(x)	Depreciation	12
(xi)	Corporate Tax	60
(xii)	Retained Earnings of Corporations	20

10. From the following data about an economy, calculate its equilibrium level of income:

Marginal propensity to consume = 0.75

Autonomous consumption = 200

Investment = 6000

11. What is monetary policy? State any three instruments of monetary policy.

OR

Explain the 'medium of exchange' function of money. How has it solved the related problem created by barter?

12. State the items of capital account of India's BOP.
13. What is excess demand? Explain the role of reverse repo rate in removing it.

OR

Distinguish between the inflationary gap and deflationary gap. State two measures by which these can be corrected.

14. State three sources each of revenue receipts and capital receipts in government budget.

**PART B - INDIAN ECONOMIC DEVELOPMENT**

15. Who was the first person to give the concept of the poverty line in pre-independent India?
  - a. Dada Bhai Naroji
  - b. V.K.R.V. Rao
  - c. R.C. Desai
  - d. Amartya Sen
16. Railways were introduced in India in\_\_\_\_\_.
  - a. 1850
  - b. 1830
  - c. 1840
  - d. 1860
17. **Assertion (A):** The development of agriculture and industry leads to the development of the service sector.  
**Reason (R):** As the primary and secondary sector develops, the demand for transport, insurance, banking, etc. services increases.
  - 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 and 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.

OR

**Assertion (A):** Full employment is an extremely important social objective of planning.

**Reason (R):** Equitable distribution of income implies social equality.

- 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):** Industrial policy 1991 initiated liberalisation of the Indian economy.

**Reason (R):** Industrial growth was very slow before 1991.

- 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 sector is known a service sector

- a. None
- b. Secondary sector
- c. Primary sector
- d. Tertiary sector

20. What was the aim of the Great Leap Forward Programme initiated in China in 1958?

- a. Rapid industrialisation
- b. Development of infrastructure
- c. Control of population
- d. Agricultural development

21. **Read the following extract and answer the following questions:-**

The poverty line refers to a cut-off point that divides people of a region as poor and nonpoor. Poverty line cut off may be determined in terms of income or in terms of consumption. The percentage of the population below the poverty line is called the headcount ratio. The poverty incidence ratio is the same as the headcount ratio.

Headcount ratio refers to the measurement of poverty in terms of the number of persons below the poverty line, where the poverty line means some cut-off point with respect to



the individual consumption expenditure per month. The poverty line usually measured in terms of per capita expenditure.

Consumption reflects the actual use of goods and services by an individual as well as the type of goods actually used while income only shows the capacity to purchase.

- i. A cutoff point dividing people as poor and nonpoor indicates the number of those who are:
    - a. Absolute poverty
    - b. Below poverty line
    - c. All of the above
    - d. None of the above
  - ii. The absolute poverty in India is measured with reference to:
    - a. Poverty line
    - b. GDP
    - c. Unemployment
    - d. (Per capita income
  - iii. Poverty line cut-off can be determined in terms of \_\_\_\_\_. (Investment/Consumption)
  - iv. Poverty line is measured normally in terms of \_\_\_\_\_. (Per capita expenditure/per capita income)
22. What changes are observed in the composition of infrastructure requirements as the economy develops?

OR

If farmers who borrowed from cooperative banks could not pay back loan due to crop failure and other reasons, their loans should be waived off else they might commit suicide. Do you agree? Explain.

23. What is likely to be the impact of efforts towards reducing unemployment on the production potential of the economy? Explain.
24. Enlist some problems faced by farmers during the initial years of organic farming.
25. Which economic system do you think was most suited to Indian economy and why?

OR

Critically appraise the fiscal reforms initiated under NEP of 1991.

26. Discuss some similarities of India, China and Pakistan by studying the table.

	<b>India</b>	<b>Pakistan</b>	<b>China</b>
Independence	1947	1947	1949
Plan(First)	1951-56	1956	1953

27. Answer any two of the following questions:

- How is sustainable development different from economic development?
- Write a brief note on National Literacy Mission.
- In your opinion, what are the advantages of privatisation to the economy?
- What will happen if there is no additional employment generated in the economy even though economy is able to produce goods and services in the economy? How will jobless growth happen?

28. Answer the following questions:

- Why do countries participate in foreign trade?
- A skilled worker like software professional generates more income than an unskilled worker. Why?
- State and discuss any two challenges in the Power sector of India.



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**Solution**

**PART A - MACRO ECONOMICS**

1. (c) Broad money

**Explanation:** Broad money

OR

- (d) Accepting deposits

**Explanation:** Without accepting deposits, credit creation is impossible.

2. Y and AD

3. (b) Taste and preferences of people

**Explanation:** Taste and preferences of people all functions of money has solved the problem of the barter system.

4. (d) The terms of trade

**Explanation:** The terms of trade

5. (b) Rs. 5000

**Explanation:**  $K = 1/1 - MPC = 1/1 - 0.8 = 1/0.2 = 5$ .

It means that income will multiply five times the initial income.

So, New income =  $5 \times 1000 = 5000$ .

6. (d) Likely to rise

**Explanation:** Other things remaining unchanged, when in a country the price of foreign currency rises, national income is likely to rise.

7. i. (b) National Statistics Office (NSO)

ii. Domestic

iii. Current Year GDP

iv. Ministry of Statistics and Program Implementation (MoSPI)

8.     o **Stocks:** (ii) Capital, (iii) Wealth and (v) Balance in a bank account are stocks since these variables are measured at a particular point of time.
- o **Flows:** (i) Profits or Losses, (iv) Savings and (vi) Gross Domestic Product (GDP) are flows since these variables are measured over a period of time.

#### 9. Net Value Added at Factor Cost

Value of output = Sales + Change in stock.

$$= 750 + (-30)$$

$$= 720.$$

$GVA_{mp}$  = Value of output- Intermediate cost.

$$= 720-500$$

$$= 220.$$

$NVA_{mp}$  =  $GVA_{mp}$ - Depreciation.

$$= 220-60.$$

$$= 160.$$

$NVA_{fc}$  =  $NVA_{mp}$ - Net indirect taxes.

$$= 160-100$$

$$= 60.$$

OR

Net Domestic Product at Market Price is

$NDP_{mp}$  = Government Final Consumption Expenditure + Net Domestic Fixed Capital

Formation + Change in Stock + Private Final Consumption Expenditure - Net Imports

$$NDP_{mp} = 50 + 60 + (8 - 8) + 300 - (-10)$$

$$= \text{Rs. 420 crores}$$

Net National Product at Market Price ( $NNP_{mp}$ ) =  $NDP_{mp}$  + Net Factor Income from Abroad (NFLA)

$$= 420 + (-5)$$

$$= \text{Rs. 415 crores}$$

To get the national product, we add net factor income from abroad to net domestic product and here we do not need any gross product, we do not add consumption of fixed capital to the formula.

10.  $\bar{C} = 200$

$$MPC(b) = 0.75$$

$$I = 6,000$$

$$C = \bar{C} + b(Y)$$

$$\text{But } Y = C + I$$

$$Y = \bar{c} + b(Y) + 1$$

$$Y = 200 + 0.75Y + 6000$$

$$Y - 0.75 Y = 6200$$

$$0.25 Y = 6200$$

$$Y = \frac{6200}{0.25}$$

$$Y = \text{Rs.}24800$$

11. **Monetary Policy:** It is the policy of correcting excess or deficient demand in the economy by controlling the supply of credit.

The three instruments of monetary policy include,

- i. **Open market Operations:** It refers to the sale and purchase of securities and bonds by the central bank in the open market.
- ii. **Cash Reserve Ratio (CRR):** It refers to the ratio between "cash reserve of the commercial bank with RBI" and their total deposits.
- iii. **Margin Requirement:** It is the difference between the amount of loan granted and the current value of security offered for loans.

OR

The most important function of money is that it serves as a medium of exchange between the parties involved in the transaction. In the barter economy there were the problems of wastage of time and resources, money avoids these problems and improves the transactional efficiency. It also promotes allocational efficiency in the trade and production of goods and services. Hence, it can be said that money has separated the acts of sales and purchases. This function of money has also solved the problem of 'double coincidence of wants' created by the barter system of exchange. In the barter system, the difficulty was experienced in the exchange of goods as the exchange in barter system required a double coincidence of wants. Money has removed this difficulty. Now a person can sell his goods to any other person for money and then he can use that money to buy the goods he wants from others who have these goods. So, the 'medium of exchange' function of money has solved the problem of 'double coincidence of wants' related to the barter system of exchange.

12. Following are the items of capital account of India's BOP: Items of Capital Account

Receipts Or Credit	Payments Or Debit
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Foreign Private Loans.	Repayment of private loans from foreigners.
Inflow of banking capital.	Outflow of banking capital
Loans received by the govt.	Repayment of loans by Govt. Sector.
Reserves and monetary gold inflow.	Reserves monetary gold transfer payment.
International sale of gold.	Purchase of gold in international market.
Total Capital Receipts.	Total Capital Payments.

13. **Excess demand:** It refers to the situation when aggregate demand is in excess of aggregate supply corresponding to full employment. It leads to reduction in inventories and inflation in the economy.

**Role of reverse repo rate:** It is the rate at which commercial banks can park their surplus funds with the Central Bank for a short period of time. In a situation of excess demand, the commercial banks park their surplus funds with the Central Bank. It reduces the supply of money in the economy and reduces the credit creation of commercial banks. Thus, the aggregate demand comes down and the economy attains equilibrium.

OR

- i. Open Market Operations refers to sale and purchase of securities by the Central Bank on behalf of government in the open market. It directly affects the supply of money in the hands of Commercial Banks and citizens of the country. In case of Deflation, the Central Bank purchased securities from public. It increases the supply of money in the economy and credit/money creation power of Commercial Banks. Thus, the Aggregate Demand increases and ultimately the economy attains equilibrium.
  - ii. Role of Open Market operations in Correcting Inflationary Gap in an Economy: In case of Inflation, the Central Bank sell the securities to the public. It reduces the supply of money in an economy and credit/ money creation power of Commercial Banks. Thus, the Aggregate Demand decreases and ultimately the economy attains equilibrium.
14. **Revenue Receipts:** Revenue receipts refer to those receipts which neither create any liability nor cause any reduction in the assets of the government. They are regular and recurring in nature and government receives receipt them in its normal course of activities.

Revenue receipts of the government are generally classified under two heads:

- i. Tax Revenue
- ii. Non-Tax Revenue

**(i) Tax Revenue:** Tax revenue refers to sum total of receipts from taxes and other duties imposed by the government. Tax is a compulsory payment made by people and companies to the government without reference to any direct benefit in return.

Tax Revenue can be further classified as Direct Taxes and Indirect Taxes.

**Direct Taxes:** Direct Taxes refer to taxes that are imposed on property and income of individuals and companies and are paid directly by them to the government.

**Indirect Taxes:** Indirect taxes refer to those taxes which affect the income and property of individuals and companies through their consumption expenditure.

**(ii) Non – Tax Revenue:** Non-tax revenue refers to receipts of the government from all sources other than those of tax receipts. Interest, profits and dividends, fees, fines and penalties are major sources of non-tax revenue.

**Capital Receipts:** Capital receipts refer to those receipts which either create a liability or cause a reduction in the assets of the government. They are non-recurring and non-routine in nature.

**Sources of Capital Receipts:** Capital receipts are broadly classified into three groups:

- i. Borrowings: Borrowings are the funds raised by government to meet excess expenditure. Government borrow fund from: (i) Open Market (Public); (ii) Reserve Bank of India (RBI); (iii) Foreign governments (like loans from USA, England etc); (iv) International institutions (like World, International Monetary Fund). Borrowing are capital receipts as they create a liability for the government.
- ii. Recovery of Loans: Government grants various loans to state governments or union territories. Recovery of such loans is a capital receipt as it reduces the assets of the government.
- iii. Other Receipts: these include: Disinvestment and small savings.

#### **PART B - INDIAN ECONOMIC DEVELOPMENT**

##### **15. (a) Dada Bhai Naroji**

**Explanation:** Dada Bhai Naroji was the first person to give the concept of the poverty line in pre-independent India. He made the earliest estimation of the poverty in his book 'Poverty and Un-British rule in India'. He formulated a poverty line ranging from Rs 16 to Rs 35 per capita per year, based on 1867-68 prices. The poverty line proposed by him was



based on the cost of a subsistence diet consisting of 'rice or flour, dhal, mutton, vegetables, ghee, vegetable oil and salt.

16. (a) 1850

**Explanation:** The British government introduced the railways in India in 1850.

17. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

**Explanation:** Service sector provides finance, marketing, transport and insurance for the development of the agriculture sector and industrial sector.

OR

(b) Assertion and reason both are correct statements but reason is not correct explanation for assertion.

**Explanation:** Both Assertion and reason are correct but reason is not correct explanation of Assertion. Full employment is important social objective of planning because it implies that the process of economic growth in the country is not Hijacked by the richer sections of the society. Although equitable distribution of income implies social equality, because equitable distribution refers to a situation when differences in income are allowed but only within certain limits.

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

**Explanation:** Battling the economic crisis of 90s, the Government of India initiated a series of economic reforms, which came to be known as new economic policy. Three broad components of NEP are the policy of liberalisation, the policy of privatisation and the policy of globalisation.

19. (d) Tertiary sector

**Explanation:** The tertiary industry is the segment of the economy that provides services to its consumers; this includes a wide range of businesses such as financial institutions, schools and restaurants. It is also known as the tertiary sector or service industry/sector.

20. (a) Rapid industrialisation

**Explanation:** The main aim of great Leap Forward is to focus on widespread industrialization of the country and encouraging people to set up household industries in their backyard.

21. i. (c) All of the above

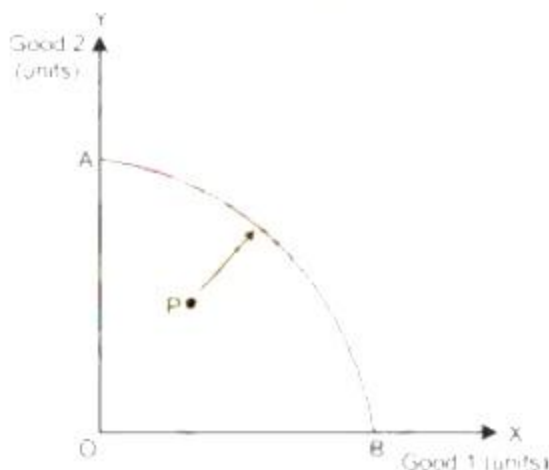


- ii. (a) Poverty line
  - iii. Consumption
  - iv. Per capita expenditure
22. As income rises, the composition of infrastructure requirements changes. For low income countries, basic infrastructure services like irrigation, transport and power are most important. As economies develop, most of their basic consumption demands are met. The share of agriculture in the economy shrink and more service-related infrastructure is required.

OR

No, we do not agree because:

- i. It has been noticed that 60% of defaulters are wilful defaulters.
  - ii. First each case should be seen individually. In cases where crop failure or genuine conditions prevail, we can reduce the rate of interest and extend the time for repayment, reduce the EMI amount instead of waiving off loans.
  - iii. The amount of loan being waived off is coming from the pockets of honest tax payers. Transferring the burden of wilful defaulters' loans on honest taxpayers is neither advisable nor justified.
23. When an economy is producing below its potential level because of unemployment, it implies that the economy is not functioning on the PPC but below the PPC, i.e. Point P as shown in the below diagram. Given the resources and technology, along with the initiation of government schemes, the employment level will increase. Therefore, Point P will shift nearer to PPC.



24. The problems faced by farmers during the initial years of organic farming are:
- i. Organic farming requires inputs like organic manure, bio-fertilisers and organic

pesticides. Though they are cheaper yet farmers find it difficult to get them.

- ii. Existing infrastructure is inadequate for taking up organic farming on a large scale.
  - iii. The yield from organic farming is much less than that of modern agricultural farming. Therefore, small and marginal farmers may find it difficult to sustain production.
  - iv. The price of organic food is high, so it is difficult to sell them. Also, there are problems with marketing the products as there is little awareness about the benefits of organic farming.
  - v. Organic products generally have more blemishes and shorter shelf life.
  - vi. Choice in production of off-season crops is quite limited in organic farming.
25. i. In my opinion mixed economy system suited the most to attain a dual goal of efficiency and equity.
- ii. It was absolutely a right decision on part of our planners to opt mixed economy approach. The conditions in which British had left us were such which could not be handed over completely to private sector.
  - iii. Neither public sector had enough funds to be a socialist economy. We could also not de-rule law of inheritance in the situations of partition.
  - iv. Therefore, we adopted a mixed economic system with a strong public sector and co-existence of private ownership with democracy.

OR

Fiscal reforms are concerned with the reforms initiated in government's taxation and public expenditure policies.

The following reforms were introduced in this category

- i. The fiscal reforms simplified the tax structure and lowered the rates of taxation. The maximum rate of income tax was brought down to 30% from 51%. Since 1991 there has a considerable reduction in the tax rates of individuals as it was felt that higher tax rate was one of the main reason for tax evasion. The procedures relating to taxation were also simplified.
- ii. The rates of various indirect taxes, such as custom duty, excise duty, etc were reduced considerably.
- iii. The government decided to reduce subsidies so that it can control expenditure.
- iv. Conscious efforts were made by the government to control its expenditure so that a



mounting deficit could be controlled.

- v. Liberalisation of the trade and investment regime was initiated to increase the international competitiveness of industrial production and also foreign investments and technology into the economy. The trade policies aimed at reducing tariff rates and removal of licensing procedures for imports.

These measures helped to reduce tax evasion and increased government's revenues. By controlling its expenditure and by increasing revenues, the government succeeded to a certain extent in controlling the budget deficit.

26. Equity is the development path of India, Pakistan and China. All three nations had started towards their development path at the same time. These nations have similar development strategies. India and Pakistan got freedom in 1947. The people's Republic of China was established in 1949. India introduced its first five-year plan for 1951-56 followed by Pakistan in 1956 and but China announced in 1953.

The growth rates and per capita incomes of these three countries were the same till 1980. Now, there is a huge economic gap between the three countries.

27. Answer any two of the following questions:

- i. Difference between sustainable development and economic development:

Points of Distinction	Economic Development	Sustainable Development
Approach	It is an immediate and short term approach because it fulfils the needs of the present generation only.	It is a long-term and everlasting approach because it fulfils the needs of present and future generations.
Emphasis	It emphasises on the output of goods and services irrespective of the environment.	It emphasises on the safeguarding the environment and the use of renewable resources.
Aim	Its aim to ensure a high standard of living of the present generation.	Its aim is to ensure that there will be a sustained rise in economic welfare over time through rising in real per capita income.



ii. **National Literacy Mission:**

- a. National Literacy Mission (NLM) was set up by the Indian government on 5 May, 1988. NLM works under the guidance of the National Literacy Mission Authority, an independent wing of the Ministry of Human Resources and Development.
- b. Its objective is to promote adult education. A women education council was also established to promote women education in our country.
- c. The National Literacy Mission has been recast as 'Saakshar Bharat' with a central focus on female education. The programme covers all citizens in the age group of 15 years and above.

iii. Advantages of privatisation are as under:

- a. It will introduce efficiency and profitability in Public Sector Undertakings (PSUs).
- b. It promotes consumer's sovereignty. High degree of consumer's sovereignty implies wider choice and better quality of goods and services.
- c. It will reduce budgetary deficits which result from expenditure on loss making PSUs.
- d. It promotes diversification of production. Also, unlike PSUs, private enterprises invariably generate high profits.
- e. Often privatisation of state owned monopolies occurs alongside deregulation – i.e. policies to allow more firms to enter the industry and increase the competitiveness of the market.

iv. A jobless growth happens when production takes place using capital intensive methods. Such a jobless growth is dangerous for the economy.

- a. Unless employment is generated in the economy, poverty can't be eradicated.
- b. Without employment, people will not have an income. Without an income, who will buy the goods and services? It will lead to depression in the economy.

28. Answer the following questions:

- i. According to classical economists, countries participate in foreign trade because they cannot produce all the goods and services competitively. A country's resources are suitable only for the production of certain specific goods and services. International trade helps each country to make optimum use of its natural resources. Each country can concentrate on production of those goods for which its resources are best suited. Wastage of resources is avoided.  
Therefore, the country should produce only those goods for which its resources are

suitable, thus giving it a cost advantage and import other goods from foreign countries.

- ii. A skilled worker generates more income than an unskilled worker. The productivity of an educated and skilled person is higher than an unskilled one. Skilled workers often refer to a line of work that requires technical skills or specialized training. So there is a great demand for skilled workers. Due to this fact, a skilled worker also commands higher earnings and gainful employment and they cannot be substituted easily because it takes years to generate manpower which is skilled in a particular field. On the other hand, unskilled labor occupations typically don't require workers to have any kind of special training or skills, For e.g. an unskilled worker like a rickshaw puller can be easily substituted and such workers easily compromise on their earnings.
- iii. The challenges of the power sector in India are-
  - a. India's installed capacity to generate electricity is inadequate and remains underutilised. The operational efficiency of power projects which is reflected by the Plant Load Factor (PLF) is low in India. To measure PLF, electricity generated is divided by Total production capacity. In 2001-02, PLF in India was 60%. it means just 60% of electricity is available, the rest goes waste.
  - b. State Electricity Boards (SEBs) are suffering huge losses due to transmission and distribution losses, wrong pricing of electricity, and other inefficiencies. They do not have funds to make payment for the electricity purchased by them.