

KENDRIYA VIDYALAYA SANGATHAN, DELHI REGION
PRE BOARD 1 Examination 2025-26

Class-XII

Subject-Economics

MARKING SCHEME

Q.NO.	Section 'A' - Macro Economics	MARKS
1	(c) Rs 440crores	1
2	(b) 10·0	1
3	(a) Both the statements are true.	1
4	increase	1
5	(c) ₹ 12,500 crore	1
6	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).	1
7	(b) Bank rate	1
8	(d) Autonomous receipts over Autonomous payments	1
9	(b) one (+1), infinity (∞)	1
10	(d) debit, current	1
11	The distribution of GDP is a limitation because a rising GDP does not guarantee improved welfare if the increased income is concentrated among a small portion of the population. This means that while the total economic output is higher, the majority of people may not benefit and could even experience a decline in welfare if the growth is not inclusive. For instance, a nation could have a high GDP due to a few large corporations, but the majority of citizens may still face poverty, poor healthcare, and limited education, making the high GDP a misleading indicator of overall well-being.	3
12	<p>Fixed Exchange Rate System: Exchange rates are fixed or pegged by the government or central bank against another currency or a basket of currencies. The government intervenes in the foreign exchange market to maintain the fixed rate. Provides stability in international prices but limits monetary policy flexibility.</p> <p>Flexible Exchange Rate System: Exchange rates are determined by market forces of demand and supply without government intervention. The rate fluctuates freely based on economic conditions. Allows automatic adjustment of the balance of payments but can cause exchange rate volatility.</p> <p>OR</p> <p>Two factors that directly affect the demand for foreign exchange of a nation are:</p> <p>Imports of Goods and Services: When a country imports goods and services from abroad, it needs foreign currency to pay for them. So, higher imports increase the demand for foreign exchange.</p> <p>Foreign Investment Abroad: When residents of a country invest in foreign countries, they need foreign currency to make those investments, increasing the demand for foreign exchange.</p>	3
13	a) Equilibrium Income $Y=2500$	2+1+1

	<p>(b) Aggregate Demand = 2500</p> <p>(c) Marginal Propensity to Save = 0.2</p> <p>OR</p> <p>When ex-ante Aggregate Demand (AD) is more than ex-ante Aggregate Supply (AS) in an economy, it means that the total planned spending by consumers, businesses, and the government exceeds the total output that producers are willing to supply at the current price level.</p> <p>Impact:</p> <ol style="list-style-type: none"> 1. Increase in Output and Income: To meet the higher demand, producers will increase their production. This leads to a rise in the overall output (GDP) and income in the economy. 2. Rise in Employment: Higher production requires more labor, so employment levels will increase as firms hire more workers. 3. Pressure on Prices: Excess demand may also lead to upward pressure on prices, potentially causing inflation. 4. Movement toward Equilibrium: The economy moves toward a new equilibrium where aggregate supply increases to match aggregate demand. 	
14	<ol style="list-style-type: none"> 1. (a) Tighten the money supply in the economy 2. (a) Rise 3. When commercial banks need more funds in order to be able to create more credit, they may go to market for such funds or go to the Central Bank. Central bank provides them funds through various instruments. This role of RBI, that of being ready to lend to banks at all times is another important function of the central bank, and due to this central bank is said to be the lender of last resort. 	1+1+2
15	<p>An inflationary gap occurs when aggregate demand exceeds aggregate supply at the full-employment level of output.</p> <p>Impact:</p> <ul style="list-style-type: none"> □ National Income: Rises temporarily above the full-employment level, but this increase is unsustainable. □ Employment: Since the economy is already at or near full employment, additional demand cannot create more jobs, only intensify competition for resources. □ Output: Real output cannot expand much beyond full-employment capacity, so the increase in demand mainly affects prices. 	1+2+1

	<p>□ General Price Level: Excess demand leads to rising prices, causing demand-pull inflation.</p> <p>Fiscal Policy Instrument to Correct It: The government can use contractionary fiscal policy, such as reducing public expenditure (or alternatively, increasing taxes) to lower aggregate demand and correct the inflationary gap.</p>	
16	<p>A. $NDP_{FC} = \text{Wages and salary} + \text{Employer's Contribution} + \text{Rent and Interest} + \text{Corporate Tax} + \text{Profit after Tax} + \text{MI}$ =7500</p> <p>$GNP_{FC} = NDP_{FC} + \text{Depreciation} + (\text{FIFA} - \text{FITA})$ =7600</p> <p>B. (Any two)</p> <ol style="list-style-type: none"> 1. Avoid Double Counting: 2. Exclude Transfer Payments: 3. Exclude Sale and Purchase of Second-hand Goods: 4. Exclude Financial Transactions: 5. Include Own Account Production: 6. Avoid Including Indirect Taxes/Subsidies in Value Added: <p>ANSWER should be in explaining form</p> <p>OR</p> <p>A. Not included in Domestic Income Reason: It is a transfer payment, not a payment for any productive service. It does not involve production of goods or services and hence, is not part of domestic income.</p> <p>B. Included in Domestic Income Reason: These profits are generated from production within the domestic territory of India. Even though the bank is foreign-owned, the income is earned within India, so it is part of Domestic Product and hence, included.</p> <p>C. Not included in Domestic Income Reason: The American Embassy is considered part of the foreign territory in India. So, salaries paid by it are part of the income of the USA, not India. Therefore, excluded from India's domestic income.</p>	4+2 OR 2+2+2
17	<p>i) Capital Expenditure:</p> <ul style="list-style-type: none"> ● This includes expenditure that creates assets or reduces liabilities. ● In this case, purchasing defence equipment (like tanks, aircraft, etc.) is a capital expenditure as it leads to the creation of physical assets for the country. <p>ii) The objective indicated in the given statement is Reducing inequalities in income and wealth.</p> <p>Explanation: Through the Ayushman Bharat scheme, the government provides free medical treatment to the poorer sections of society. This reflects the government's aim to reduce economic</p>	3+3

	inequalities by transferring resources in the form of public healthcare benefits from the richer segments (through taxation and government revenue) to the poorer segments. Such measures promote social justice and equitable distribution of welfare, ensuring that everyone has access to essential services like healthcare, irrespective of income level.	
Part- B Indian Economic Development		
18	(c) Land settlement	1
19	(C) (i) and (iii)	1
20	A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).	1
21	(a) Statement 1 is true and Statement 2 is false.	1
22	(b) Self-Help Groups	1
23	(a) Widespread industrialization	1
24	(a) within its carrying capacity	1
25	(C) 1991, 1988	1
26	(c) regular	1
27	(c) IV,I,III,II	1
28	Dr. Arun incurred expenditure on migration, which is a type of human capital formation. Explanation: When a person moves from one place to another in search of better job opportunities or income, the expenses on relocation, such as transportation, housing, and resettlement, are considered expenditure on migration. Though it involves a high cost, it leads to higher productivity and income in the future, thus contributing to human capital formation. OR Yes, I agree with the statement that “Active Government intervention is essential in education and health sectors in India.” Reason: A large section of India's population is poor and cannot afford quality education or healthcare. Government intervention ensures that basic services are accessible to all, reducing inequality. Investment in health and education leads to the formation of human capital, which is essential for the sustainable development of the country.	3
29	1.Agriculture and Allied Activities: Most rural people are engaged in agriculture, which is labor-intensive and requires the participation of almost all family members, including women and children. 2.Lack of Non-Farm Employment: Rural areas have fewer opportunities for non-farm jobs, so people tend to work more in whatever economic activities are available, increasing overall participation. 3.Subsistence Living: Many rural households depend on multiple members working to meet their basic needs, resulting in a higher economic participation rate. ANY TWO POINT	3
30	Advantages of Organic Farming: 1.Environmental Sustainability: Organic farming avoids the use of chemical fertilizers and pesticides, which helps in preserving soil fertility, reducing pollution, and protecting biodiversity. 2.Health Benefits:	2+2

	<p>It produces chemical-free food, which is safer and healthier for consumers, reducing the risks of diseases caused by pesticide residues.</p> <p>Limitations of Organic Farming:</p> <p>1.Lower Productivity: Organic farming usually yields less produce compared to conventional farming because it does not use synthetic inputs, which can affect food supply.</p> <p>2.Higher Cost and Labour Intensive: It requires more manual labour and organic inputs which can be costlier and less available, making it less economically viable for some farmers.</p>	
31	<p>1.Financial Liberalization:</p> <ul style="list-style-type: none"> ● The government reduced control and regulations over banks and financial institutions. ● Interest rates were liberalized, allowing market forces to determine rates instead of fixed rates by the government. ● This encouraged competition, improved efficiency, and expanded the availability of credit. <p>2.Banking Sector Reforms:</p> <ul style="list-style-type: none"> ● Introduction of prudential norms such as capital adequacy norms, asset classification, and provisioning for bad loans to strengthen banking health. ● The entry of private and foreign banks was allowed, promoting better services and technological advancements in the banking sector. 	2+2
32	<p>Types of Land Reforms: (any four)</p> <p>Abolition of Intermediaries Tenancy Reforms Ceiling on Land Holdings Consolidation of land holding</p> <p>OR</p> <ul style="list-style-type: none"> ● Introduction of High-Yielding Varieties (HYVs): The use of HYV seeds of wheat and rice significantly increased crop production per hectare. ● Use of Modern Inputs: Adoption of chemical fertilizers, pesticides, and better irrigation facilities improved crop yields and farming efficiency. ● Mechanization: Introduction of tractors, threshers, and other farm machinery reduced labor and increased productivity. ● Government Support: Provision of credit facilities, minimum support prices, and improved infrastructure encouraged farmers to adopt new technologies. 	4
33	<ol style="list-style-type: none"> 1. Economic Reforms and Liberalization: 2. Special Economic Zones (SEZs): 3. Large and Cheap Labour Force: 4. Focus on Export-Led Growth: 	6

	<p>5. Investment in Infrastructure: 6. Agricultural Reforms:</p> <p>OR</p> <p>1. Political Instability: 2. Low Agricultural Productivity: 3. Inadequate Industrial Development: 4. High Population Growth: 5. Poor Infrastructure: 6. External Debt and Economic Crises:</p> <p>ANSWER should be in explaining form</p>	
34	<p>1. Green Growth: Economic growth that is achieved in a way that minimizes environmental impact. Net Zero Emissions: The state of achieving a balance between human-caused greenhouse gas emissions and their removal from the atmosphere.</p> <p>2. Interconnection between Green Growth and Net Zero Emissions: Green growth helps reduce greenhouse gas emissions, which is crucial for achieving net zero emissions. Green growth also creates jobs and boosts economic growth, making it easier and more affordable for countries to invest in technologies needed to achieve net zero emissions.</p> <p>3. One Factor to Promote Net Zero Emission: Investing in renewable energy sources like solar and wind power, which do not produce greenhouse gases and help reduce overall emissions.</p>	2+2+2