KENDRIYA VIDYALAYA SANGATHAN, DELHI REGION
Pre-Board -I Examination -2025-26
Code: KVS(DR)/2025/SU

Class-XII **Subject –Economics**

Q. NO.	ANSWERS	1
1	b) 200	1
2	a) 580	1
3	4	1
4	(a) Both Assertion (A) and Reason (R) are true and (R) is the correct explanation of (A)	1
5	c) Ex-ante aggregate demand	1
6	a) Statement 1 is true and Statement 2 is false.	1
7	a) C= 30+ 0.75 Y	1
8	(b) Trade of services **for the visually impaired candidates only** Current Account	1
9	(2) - ii	1
10	b) decrease in trade deficit	1
11	Given- GVA of A = GVA of B =Value of output of firm B - Purchase by Firm B from Firm A =1000-250 = 750 ⇒ GVA of A =Value of output of firm A- (Purchase by Firm A from Firm B) = Export by Firm A+ value of domestic sales of firm A +Addition to stocks of Firm A-300 = 200 + 150+ value of domestic sales of firm – 300 = value of domestic sales of firm+ 50 ⇒ value of domestic sales of firm+ 50=750 ⇒ value of domestic sales of firm=750-50=700 OR Net factor income from abroad (NFIA) and net exports are both measures of a country's economic relationship with the rest of the world, but they measure different things: NFIA is the net income from factor services like labor and capital, while net exports are the net trade in goods and services. NFIA is used to convert GDP to GNP, while net exports are a component of GDP.	1 1 1
12	Credit side- as it is an inflow of foreign exchange Capital account-It affects assets/liability of the residents of the country.	3
13	As the apex bank and a supervisor, RBI regulates and controls commercial banks. As the banker to banks, the central banks function in three capacities: i) Custodian of Cash Reserve- Brief explanation	4

	ii) Lender of the last resort- Brief explanation iii) Clearing house function: Brief explanation	
14	Saving function: S = -a + (1-b)Y = -100+ (1-0.8) *10000= -100+ 0.2*10000= -100+2000=1900 At equilibrium, I= S= 1900 **OR** When in an economy, aggregate demand exceeds "aggregate supply at full employment level", the demand is said to be an excess demand. * Reverse Repo Rate is the rate of interest at which Commercial Banks can park their surplus funds with the Central Bank, for short period. *To control excess demand, the central bank increases the reverse repo rate, making it more profitable for commercial banks to deposit their surplus funds with the central bank. This reduces the amount of money available for banks to lend to the public, which in turn decreases the money supply and curbs aggregate demand.	4
15	Ex-ante savings being less than ex-ante investments signifies that people are planning to save less than firms are planning to invest, resulting in an excess of planned spending over planned savings. $S < I$ $\Rightarrow C + S < C + I$ $\Rightarrow AS < AD$ This imbalance leads to aggregate demand exceeding aggregate supply. Inventory reduction: Firms sell from the inventories. Firms increase their production levels. ● This expansion of production leads to an increase in employment and, consequently, a rise in aggregate income.	4
16	(A)(i) a) Not included in the domestic income as the firm is located outside the domestic territory. b) included as part of compensation to employees in kind c) Included as exports using expenditure method ii) The problem of double counting occurs when the value of intermediate goods is counted more than once in the calculation of national income, leading to an overestimation of economic output. *Two methods to avoid this are : *Final Output Method, which includes only the value of final goods and services, and not of intermediate goods. *Value Added Method, which sums the value added at each stage of production not the value of output. **OR** **(B) (i)** Construction spending on the flyover itself increases government expenditure, a component of GDP. *This also creates jobs and boosts demand for materials and services. *By reducing congestion, the flyover allows for faster movement. *Less congestion leads to lower fuel consumption *There can also be negative environmental effects related to land use and pollution Note: Or any other relevant point. ii) three phases production, generation and disposition The three phases of the circular flow of income are generation (production), distribution, and disposition. During the generation phase, businesses produce goods and	3+3

	services, followed by the distribution phase where income like wages and profits are paid to households. Finally, the disposition phase occurs when households spend their income on goods and services.	
17	a) The Goods and Services Tax (GST) is categorized as a **revenue receipt** for the government. Reason ● It neither creates liability nor reduces assets of the government. ● It is a regular and recurring receipt. b) Governments use budgets to redistribute income by implementing progressive taxation on the wealthy and using the collected revenue to fund social welfare programs for the poor, such as subsidies and public services. **Taxation policy** **Progressive taxation**: *The government can levy higher tax rates on higher-income individuals and corporations **Taxing luxury goods**: *The government can impose higher taxes on goods and services consumed mainly by the rich people. **Expenditure policy** *Provide subsidies to low-income households, making essential goods and services more affordable. *Provide free healthcare, education and other public facilities. *Invest in infrastructure in backward regions to create jobs Note: Any three relevant points.	3+3
18	c) Assertion (A) is true and Reason (R) is false	1
19	c) Both a) & b) **for the visually impaired candidates only** Inward looking trade policy or Import substitution	1
20	c) Demonetisation in India- 2016	1
21	False	1
22	d) It does not help in population control	1
23	NABARD	1
24	a) Labour force – work force	1
25	a) Assimilation of waste	1
26	c) Only (i) & (ii)	1
27	b) Statement 1 is false and Statement 2 is true	1
28	*Amita is working in the formal sector because her firm is a private establishment that employs more than 10 workers * Establishments that employ 10 or more workers are categorized as formal sector establishments, regardless of whether they are public or private. * Workers in the informal sector have irregular work and no fixed wage. *inFormal sector employees do not receive benefits like social security OR *Sustainable development is meeting present needs without compromising the ability of future generations to meet their own needs.	3

	* It is achieved by balancing economic growth, and environmental protection. * Shifting from fossil fuels to renewable energy sources like solar, wind, and hydroelectric power helps reduce carbon emissions * This involves protecting and restoring natural resources. Strategies include afforestation and reforestation. *Any three relevant points.	
29	*Agricultural diversification is essential for sustainable livelihoods because it reduces risk, improves income, creates year-round employment, and enhances food security. * it reduces risk of agriculture or one crop. * It creates more stable and higher incomes. * Diversification into activities like animal husbandry, poultry, and fisheries, or even non-agricultural sectors like food processing and tourism, creates additional employment. * Producing a variety of crops and livestock contributes to food security. * Diversified farms can use land and other resources more efficiently, through practices like crop rotation that maintain soil health. Note: Any three relevant points.	
30	a) The image shows Privatisation policy. * The 1991 privatization policy under India's New Economic Policy involved transferring ownership and management of public sector undertakings (PSUs) to the private sector to improve efficiency and reduce government involvement. b) Privatization offers economic benefits by increasing efficiency and competition, reducing the government's fiscal burden, and attracting private and foreign investment. The shift to private ownership is intended to drive innovation, improve the quality of goods and services, and promote economic growth through greater accountability and market discipline. .	
31	The rationale for 'self-reliance' in India's planning was to achieve economic independence by reducing foreign dependence, strengthening domestic industries, and preventing foreign interference. * India aimed to build its economy without being overly reliant on foreign aid and imports for essential goods. *To protect and promote Indian industries. * Post-independence fears existed that a dependence on foreign technology, capital, and food supplies could lead to foreign interference. * "Make in India" is a direct continuation and evolution of the self-reliance objective, with a modern focus on manufacturing. * The initiative encourages domestic production and aims to make India a global manufacturing hub, which is in line with the original goal of self-reliance, economic growth and modernization. Note: Any four relevant points. OR Merits ● Increased Food Production and Self-Sufficiency: Use of HYV seeds increased the output of crops like wheat and rice. This led to India achieving self-sufficiency. ● Marketed surplus due to higher crop yields improved the income of farmers. It provided additional earnings and boosting economic stability by maintaining buffer stock. Demerits	

	1.Environmental Degradation: *The heavy use of chemical fertilizers and pesticides led to soil and water pollution. *Continuous irrigation also caused the depletion of groundwater 2. Income Inequality: This widened the gap between large and small farmers, as the wealthy farmers were the primary beneficiaries of the revolution.	
32	a)The primary motive behind the de-industrialisation by , the British government was two-fold: 1. to get raw materials from India at cheap rates in order to reduce India to a mere exporter of raw materials to the British industries. 2. to sell British manufactured goods in Indian market at higher prices.In this way, they exploited India through the device of double exploitation.Migration can be internal (rural to urban) or external (shift to a foreign country). b) 1. Pre-dominance of Agriculture Sector. The agricultural sector accounted for the largest share of work-force, which was 72 per cent. The manufacturing and service sectors accounted for 10 per cent and 18 per cent respectively. 2. Growing Regional Variations. There was growing regional variation. In the states of Tamil Nadu, Andhra Pradesh, Kerala, Karnataka, Maharashtra and West Bengal, the dependence of the workforce on the agricultural sector declined. On the other hand, there was increase in the share of work force in the agriculture sector in the states of Orissa, Rajasthan and Punjab. Thus, India's occupational structure was static and imbalanced.	
33	A) i) Yes, the Indian economy has experienced the problem of the casualisation of the workforce in post economic reform period due to more capital intensive methods. *Casualisation of the workforce in India is the trend of workers shifting from self-employed, or regular work to casual work. **Disadvantages of casualization**: Casual workers lack job security. Casual workers do not get social security benefits. They get low and irregular wages. ii) Microcredit programmes provide small loans to the poor from their regularly collected small savings to be repaid in small instalments. SHGs fill gaps in the formal credit system by: *Providing loan without collateral. * SHGs follow a more informal lending process. *SHGs can provide credit facilities at remote or backward areas. * SHGs help instill a habit of thrift and financial discipline. OR B) i) *Environmental degradation is the result of a supply-demand reversal of environmental resources after the Industrial Revolution. *Before industrialization, the rate of resource extraction was slower than the rate of regeneration. * However, increased population and industrial activity led to a rise in demand more than the carrying capacity of environment. ● * The rate of resource use began to exceed the rate of regeneration, as resources were extracted faster than they could be naturally regenerated.	

	* Waste generation has surpassed the environment's capacity to absorb it, leading to widespread pollution of air and water. ii) By empowering women with education and skills, India can unlock its full labour-force. * A larger female workforce expands India's productive capacity increasing household income and GDP. * Women with higher levels of education tend to marry and have children later in life. This contributes to better family planning and overall demographic stability. * Women’s education ensures better health outcomes for the family. *Better adaptation of technology.	
34	a) Table shows that the population growth as being the highest in Pakistan, followed by India and China. Scholars point out the one child norm introduced in China in the late 1970s as the major reason for low population growth. They also state that this measure led to a decline in the sex ratio, the proportion of females per 1000 males. However, from the table, you will notice that the sex ratio is low and biased against females in all three countries. Scholars cite son preference prevailing in all these countries as the reason. In recent times, all three countries are adopting various measures to improve the situation. One child norm and the resultant arrest in the growth of population also have other implications. For instance, after a few decades, in China, there will be more elderly people in proportion to young people. This led China to allow couples to have two children. The fertility rate is also low in China and very high in Pakistan. Urbanisation is high in China with India having 36 per cent of its people living in urban areas. b) The One-Child Policy in China, implemented from 1979 to 2015, aimed to control population growth. *. * While ‘One child Policy’ helped slow population growth issues such as an aging population and a demographic imbalance. * The policy contributed to a smaller working-age population.	