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CLASS 12 · CBSE ECONOMICS (030)

Economics Solved Board Papers

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WHAT YOU GET

10 years of CBSE Economics papers. Every question solved. Sorted chapter-wise.

129	1783	10	14	51
board papers	solved questions	years · 2016–26	chapters	diagrams

✗ Questions scattered across years	→ ✓ All in one place, chapter-wise
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✗ Old books carry deleted topics	→ ✓ Topics out of the syllabus clearly marked

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- ✓ Most-asked topics
- ✓ Every question + solution

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- ✓ Exactly as set by CBSE
- ✓ Solutions after each paper
- ✓ Timed 3-hour practice

2026 · 58/1/1	2026 · 58/1/2	2026 · 58/1/3	2026 · 58/2/1	2025 · 58/1/1
2025 · 58/2/1	2024 · 58/1/1	2024 · 58/2/1	2023 · 58/1/1	2022 · 58/1/1 (Term 2)
2020 · 58/1/1	2019 · 58/1/1	2018 · 58/1	2017 · 58/1	2016 · 58/1

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How to use this book

Part A puts every board question of a chapter together, from 1-mark MCQs to 6-mark long answers. Finish a chapter in your notes, then solve its Part A questions without looking at the solutions. Check your answer, mark the ones you got wrong, and repeat them a week later.

Each question shows where it was asked, for example **CBSE 2026 · 58/1/1 · Q13**. Use the weightage table and the most-asked topics chart at the start of each chapter to decide what to revise first.

Part B gives full papers. In the last month before the exam, sit with a clock and write one paper in 3 hours, then check it with the solutions that follow the paper.

Solutions are written the way the board awards marks: formula first, then substitution and the answer with its unit; distinctions in table form; and for case-based questions, the point stated first and then explained. Write your answers the same way.

Contents

Part A · Chapter-wise questions with solutions

1. Introduction to Macroeconomics 27 Qs
2. National Income and Related Aggregates 296 Qs
3. Money and Banking 176 Qs
4. Determination of Income and Employment 310 Qs
5. Government Budget and the Economy 147 Qs
6. Open Economy: Balance of Payments and Exchange Rate 139 Qs
7. Indian Economy on the Eve of Independence 60 Qs
8. Indian Economy 1950–1990 88 Qs
9. Liberalisation, Privatisation and Globalisation 71 Qs
10. Human Capital Formation in India 72 Qs
11. Rural Development 98 Qs
12. Employment: Growth, Informalisation and Other Issues 94 Qs
13. Environment and Sustainable Development 62 Qs
14. Comparative Development Experiences of India and its Neighbours 143 Qs

Part B · Full board papers, each followed by its solutions

1. CBSE 2026 · 58/1/1 solutions
2. CBSE 2026 · 58/1/2 solutions
3. CBSE 2026 · 58/1/3 solutions
4. CBSE 2026 · 58/2/1 solutions
5. CBSE 2025 · 58/1/1 solutions
6. CBSE 2025 · 58/2/1 solutions
7. CBSE 2024 · 58/1/1 solutions
8. CBSE 2024 · 58/2/1 solutions
9. CBSE 2023 · 58/1/1 solutions
10. CBSE 2022 · 58/1/1 (Term 2) solutions
11. CBSE 2020 · 58/1/1 solutions
12. CBSE 2019 · 58/1/1 solutions
13. CBSE 2018 · 58/1 solutions
14. CBSE 2017 · 58/1 solutions
15. CBSE 2016 · 58/1 solutions

1783 questions in all. Questions are taken from the CBSE Class 12 Economics board papers and the solutions are our own, checked against the official marking schemes where they are available. Until 2019 the Class 12 paper also had a Microeconomics section (now in Class 11), and older papers carried topics since removed (infrastructure, poverty, and private, personal and disposable income). These questions are left out of Part A and marked in Part B, where they are still fully solved. Where a topic is named only in CBSE's practicals or objectives, or was asked in a recent paper, its questions stay in Part A so that nothing you may need is missing.

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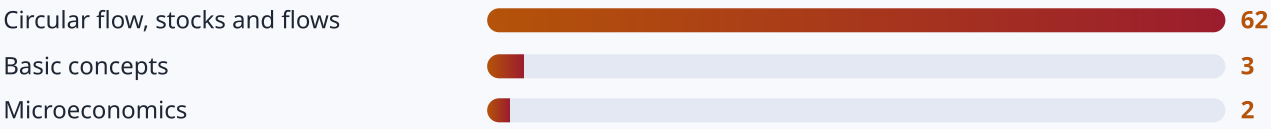
CHAPTER 1

Introduction to Macroeconomics

Board weightage 2016–2026

Year	2016	2017	2018	2019	2020	2022	2023	2024	2025	2026
Questions per paper	0.7	0.4	–	0.3	0.9	0.6	1	0.6	0.2	0.2
Marks per paper	1	1	–	0	3	1	1	3	1	0

Most asked topics



27 different questions from 59 papers. Repeated questions are shown once with every year they were asked.

1 mark: MCQ and Assertion–Reason

CBSE 2026 · 58/1/1 · Q1 | CBSE 2026 · 58/1/2 · Q8 | CBSE 2026 · 58/1/3 · Q6 **asked 3 times** **1 mark**

In a two sector economy, the flow of factor payments moves from _____ to _____.
(Choose the correct option to fill in the blanks)

(A) firms, households
(B) firms, government
(C) banks, households
(D) households, firms

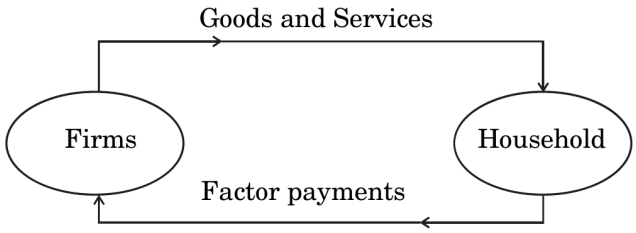
Solution

Households supply factor services to firms, and firms pay them rent, wages, interest and profit.
Answer: (A)

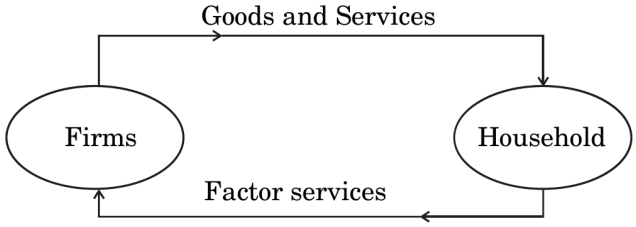
CBSE 2023 · 58/1/1 · Q2(b) | CBSE 2023 · 58/1/2 · Q2(b) | CBSE 2023 · 58/1/3 · Q2(b) asked 3 times 1 mark

Identify which of the following represents only the real flow :

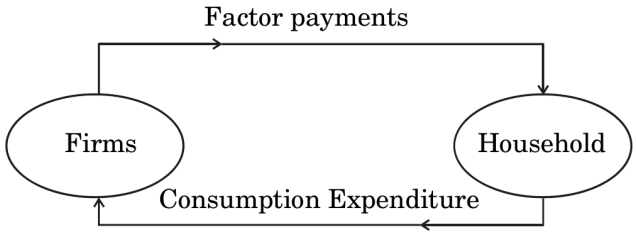
(a)



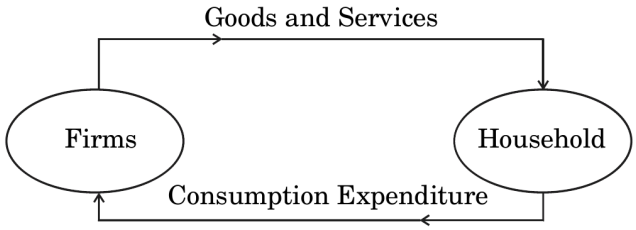
(b)



(c)



(d)



Solution

A real flow is a flow of goods and services or of factor services; money payments are money flows. Only diagram (b) shows goods and services going to households and factor services going to firms. **Answer: (b)**

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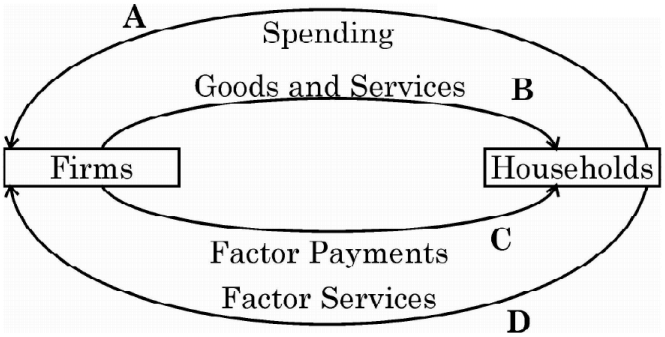
CBSE 2023 · 58/2/1 · Q6(b) | CBSE 2023 · 58/2/2 · Q7(b) | CBSE 2023 · 58/2/3 · Q8(b) asked 3 times 1 mark

On the basis of the figure given below, identify the type of flow indicated by B and D : (Choose the correct alternative)



Alternatives :

(a) Real flow
(b) Money flow
(c) Nominal flow
(d) National flow

Solution

B is the flow of goods and services and D is the flow of factor services. These are flows of real things, so they are real flows. **(a)**

CBSE 2023 · 58/3/1 · Q5(a) | CBSE 2023 · 58/3/2 · Q4(a) | CBSE 2023 · 58/3/3 · Q6(a) asked 3 times 1 mark

Read the following statements carefully :
Statement 1 : Stock variables are measured at a point of time.
Statement 2 : Flow variables and stock variables are same.
In light of the given statements, choose the correct alternative from the following :

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

Solution

A stock is measured at a point of time, while a flow is measured over a period of time. They are not the same, so Statement 2 is false. **(a)**

CBSE 2023 · 58/3/1 · Q5(b) | CBSE 2023 · 58/3/2 · Q4(b) | CBSE 2023 · 58/3/3 · Q6(b) asked 3 times 1 mark

Identify, flow variable from the following : (Choose the correct alternative)

(a) Distance between Delhi and Amritsar
(b) Annual expenditure of a school
(c) Bank balance of Mr. Mukesh as on 31st March, 2022
(d) Investments of Mr. Mohit as on 31st December, 2021

Solution

Annual expenditure is measured over a period of time, so it is a flow. The others are measured at a point of time. **(b)**

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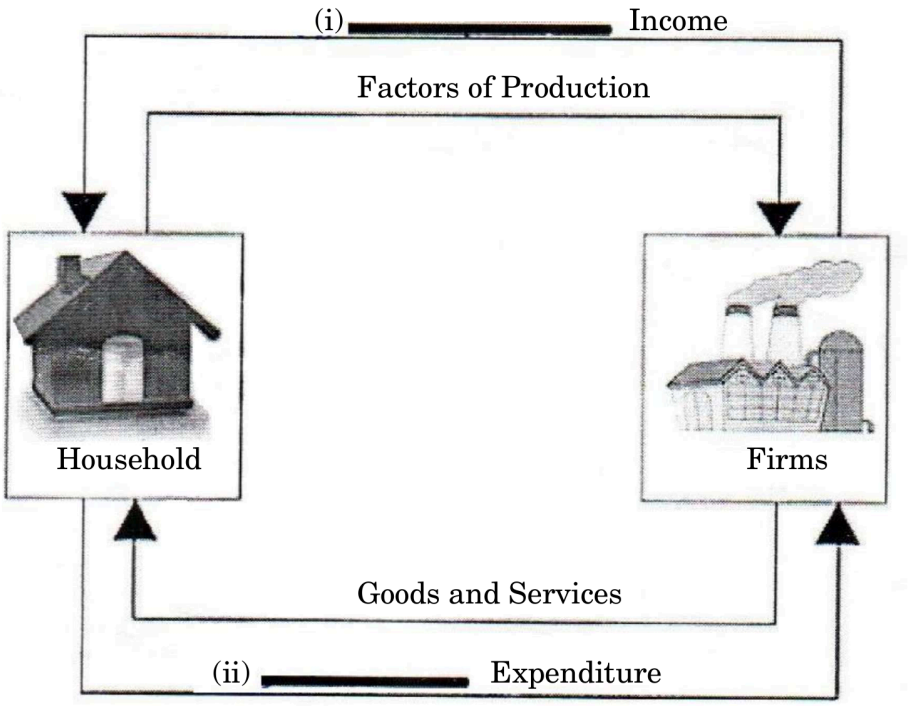
CBSE 2023 · 58/4/1 · Q5(a) | CBSE 2023 · 58/4/2 · Q7(a) | CBSE 2023 · 58/4/3 · Q7(a) **asked 3 times** **1 mark**

Choose the correct alternative to fill in the blanks (i) and (ii) in the figure.



Alternatives :

(a) National, Production
(b) Factor, Production
(c) Factor, Consumption
(d) National, Consumption

Solution

Firms pay factor income to households for the factors of production, and households spend it as consumption expenditure on goods and services. **(c)**

CBSE 2020 · 58/4/1 · Q3 | CBSE 2020 · 58/4/2 · Q5 | CBSE 2020 · 58/4/3 · Q6 **asked 3 times** **1 mark**

₹ 2,000 note lying in wallet of Rohini, a student is an example of _____ (stock/flow) variable. (Fill up the blank with correct alternative.)

Solution

Stock variable: it is measured at a point of time.

CBSE 2020 · 58/5/1 · Q3 | CBSE 2020 · 58/5/3 · Q2 **asked 2 times** **1 mark**

State, whether the following statement is true or false :
'Inventory is a stock variable.'

Solution

True. Inventory is measured at a point of time. (The change in inventory during a period is a flow.)

CBSE 2019 · 58/1/1 · Q13 | CBSE 2019 · 58/1/2 · Q14 | CBSE 2019 · 58/1/3 · Q15 **asked 3 times** **1 mark**

Give any two examples of flow concept.

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Solution

Any two: national income, investment, consumption, depreciation, exports (all measured per period of time).

CBSE 2016 · 58/1/1 · Q16 | CBSE 2016 · 58/1/2 · Q20 | CBSE 2016 · 58/1/3 · Q18 **asked 3 times** — 1 mark

Define stocks.

Solution

Stocks are variables whose magnitude is measured at a point of time.

CBSE 2016 · 58/1 · Q16 | CBSE 2016 · 58/2 · Q20 | CBSE 2016 · 58/3 · Q18 **asked 3 times** — 1 mark

Define flows.

Solution

Flows are economic variables measured over a period of time, e.g. income per year, investment per year.

2 marks: very short answer

CBSE 2022 · 58/1/1 (Term 2) · Q1(b) | CBSE 2022 · 58/1/2 (Term 2) · Q3(b) | CBSE 2022 · 58/1/3 (Term 2) · Q4(b) **asked 3 times** — 2 marks

Using a suitable example, distinguish between stock variables and flow variables.

Solution

A **stock** variable is measured at a point of time (e.g. wealth, capital, money supply on 31 March). A **flow** variable is measured over a period of time (e.g. income per year, investment per year).

CBSE 2022 · 58/4/1 (Term 2) · Q1(b) — 2 marks

Giving valid reasons, classify the following into stock and flow variables :
(i) Population of India as on 31st March, 2021
(ii) Domestic Income of Indian Economy during the fiscal year 2020 – 21

Solution

(i) **Stock:** it is measured at a particular point of time (31st March, 2021).

(ii) **Flow:** it is measured over a period of time (the fiscal year 2020 – 21).

CBSE 2022 · 58/4/2 (Term 2) · Q1(b) — 2 marks

Giving valid reasons, classify the following into stock and flow variables :
(i) Production of wheat during the year 2020 – 21
(ii) National Income of Indian Economy during the financial year 2020 – 21

Solution

(i) **Flow:** it is measured over a period of time (the year 2020 – 21).

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(ii) **Flow:** it is also measured over a period of time (the financial year 2020 – 21).

CBSE 2022 · 58/4/3 (Term 2) · Q1(b) — 2 marks

Giving valid reasons, classify the following into stock and flow variables :
(i) Value of Inventories as on 31st March, 2021
(ii) Net Investments during the year 2020 – 21

Solution

(i) **Stock:** it is measured at a particular point of time (31st March, 2021).

(ii) **Flow:** it is measured over a period of time (the year 2020 – 21).

3 marks: short answer

CBSE 2024 · 58/4/1 · Q11(b) | CBSE 2024 · 58/4/2 · Q12(a) | CBSE 2024 · 58/4/3 · Q12(b) — asked 3 times — 3 marks

"Disposition Phase of circular flow of Income involves flow of factor Income, which comprises of rent, wages, interest and profits from firms to households."
Defend or refute the statement, giving valid reasons in support of your answer.

Solution

Refuted. The disposition phase shows the flow of **spending by households** on the purchase of goods and services produced by firms. The flow of factor incomes (rent, wages, interest and profits) from firms to households is the **distribution phase** of the circular flow.

CBSE 2022 · 58/4/1 (Term 2) · Q9(a) | CBSE 2022 · 58/4/2 (Term 2) · Q10(a) | CBSE 2022 · 58/4/3 (Term 2) · Q8(a) — asked 3 times — 3 marks

Briefly explain the different phases of circular flow of income.

Solution

1. **Production phase:** firms use the factors of production to produce goods and services.
2. **Distribution phase:** the income generated in production flows to the owners of the factors as rent, wages, interest and profit.
3. **Disposition (expenditure) phase:** the factor owners spend their income on goods and services, and this flows back to the firms, which again start production.

So income keeps flowing in a circle.

CBSE 2020 · 58/1/1 · Q11(b) | CBSE 2020 · 58/1/2 · Q12(b) | CBSE 2020 · 58/1/3 · Q12(b) — asked 3 times — 3 marks

"Circular flow principle is based on the assumption that one's expenditure will become other's income." Explain the given statement.

Solution

In the circular flow, households spend their income on goods and services produced by firms. This expenditure becomes the firms' income (sales revenue). Firms use it to pay rent, wages, interest and profit to the households who supplied the factor services, so it becomes household income

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again. Thus expenditure of one sector is the income of another, and income keeps flowing in a circle: production → income → expenditure → production.

CBSE 2020 · 58/5/1 · Q11(b) | CBSE 2020 · 58/5/2 · Q11(b) | CBSE 2020 · 58/5/3 · Q11(b) **asked 3 times** **3 marks**

Explain Circular Flow of Income in a two sector economy.

Solution

A two-sector model has a production sector (firms) and a household sector. Households own the factors of production and supply factor services to firms. Firms in return make factor payments (rent, wages, interest, profit) to households. Households spend their entire income on goods and services produced by firms. So consumption expenditure flows from households to firms, which completes the circular flow of income.

CBSE 2019 · 58/2/2 · Q6 **3 marks**

Differentiate between Microeconomics and Macroeconomics, with suitable examples.

Solution

Microeconomics	Macroeconomics
Studies the behaviour of individual economic units.	Studies the behaviour of the economy as a whole.
E.g. demand and supply of a commodity.	E.g. aggregate demand and aggregate supply.

CBSE 2017 · 58/1/1 · Q6 **3 marks**

Distinguish between microeconomics and macroeconomics.

Solution

Basis	Microeconomics	Macroeconomics
Subject matter	Studies the behaviour of individual economic agents, such as a consumer, a firm or one market.	Studies the economy as a whole.
Central problem	Allocation of resources and determination of the price of a good.	Level of national income, output, employment and general prices.
Examples	Demand for a good, price of wheat.	National income, aggregate demand, inflation.

CBSE 2017 · 58/2/1 · Q22 | CBSE 2017 · 58/3 · Q21 **asked 2 times** **3 marks**

Distinguish between stocks and flows. Give an example of each.

Solution

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Basis	Stocks	Flows
Meaning	Variables measured at a point of time.	Variables measured over a period of time.
Time dimension	No time dimension is needed.	Have a time dimension, such as per year.
Example	Population of India on a given date; wealth.	Growth of population during a year; national income.

CBSE 2017 · 58/2 · Q21 — 3 marks

Explain the circular flow of income.

Solution

Circular flow of income is the continuous movement of income between the sectors of an economy, with no beginning and no end. In a simple economy with households and firms:

• Households supply factor services (land, labour, capital, enterprise) to firms, and firms pay them factor incomes (rent, wages, interest, profit). This is the flow of factor income from firms to households.

• Households spend this income on the goods and services produced by the firms. This consumption expenditure flows back to firms as their revenue.

• Firms use that revenue to pay for factor services again, so the cycle repeats.

Thus production generates income, income generates expenditure and expenditure leads to further production. So total output, total income and total expenditure are equal.

6 marks: long answer

CBSE 2025 · 58/7/1 · Q16(b) | CBSE 2025 · 58/7/2 · Q16(b) | CBSE 2025 · 58/7/3 · Q17(b) — asked 3 times — 6 marks

(i) "In a two-sector economy, consumption expenditure by households is always equal to aggregate expenditure on goods and services produced by the firms."
Do you agree with the given statement ? Support your answer with valid explanation.
(ii) "Problem of Double Counting leads to overestimation of output in an economy."
Justify the given statement with the help of suitable example.

Solution

(i) **Yes.** In the simple two-sector model, households own the factors and receive all factor payments (rent, wages, interest, profit) from firms; they spend all of it on final goods and services produced by firms (no saving, government or foreign sector). So the income earned flows back to firms entirely as consumption expenditure, and aggregate expenditure equals household consumption.

(ii) **Double counting** is counting the value of a commodity more than once, which overstates output. Example: a farmer produces wheat worth ₹ 100 (no inputs) and sells ₹ 50 of it to a baker, who makes bread worth ₹ 200. If we add 100 + 200 = 300, the ₹ 50 of wheat is counted twice (once as wheat, once inside the bread). Correct output = value added: farmer 100 + baker (200 − 50) 150 = ₹ 250.

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CBSE 2024 · 58/1/1 · Q17 | CBSE 2024 · 58/1/2 · Q17 | CBSE 2024 · 58/1/3 · Q16 **asked 3 times** **6 marks**

(a) Discuss briefly the concept of circular flow of income in a two-sector model.
(b) "Real Gross Domestic Product (GDP) is a better indicator of economic growth of a nation as compared to the Nominal Gross Domestic Product (GDP)."
Do you agree with the given statement ? Justify your answer with a valid hypothetical numerical example.

Solution

(a) In a two-sector economy there are households and firms. Households own the factors of production (land, labour, capital, entrepreneurship) and supply them to firms. Firms combine these factors to produce goods and services and pay factor incomes (rent, wages, interest, profit) to households. Households spend this income on buying the final goods and services produced by firms (consumption expenditure). Thus income flows from firms to households as factor payments and back from households to firms as consumption expenditure, completing a circular flow. (Real flow: factor services and goods; money flow: factor payments and expenditure.) With no savings or leakages, the flow continues at the same level.
(b) Yes. **Real GDP** values the final output at **base year (constant) prices**; **nominal GDP** values it at **current year prices**. Nominal GDP can rise only because prices rise, even when output is unchanged.

Year	Price (₹)	Output (units)	Real GDP (P_0Q)	Nominal GDP (PQ)
2010 (base)	10	100	1,000	1,000
2011	15	100	1,000	1,500

Nominal GDP rose by 50% but output did not change; real GDP correctly shows no growth. Real GDP removes the effect of price changes and measures change in physical output, so it is the better indicator of economic growth.

CBSE 2024 · 58/3/1 · Q16(a) | CBSE 2024 · 58/3/2 · Q17(a) | CBSE 2024 · 58/3/3 · Q16(a) **asked 3 times** **6 marks**

(i) Explain the concept of circular flow of income in a two-sector economy.
(ii) "Gross Domestic Product (GDP) and sum of Gross Value Added (GVA) in an economy are always equal."
Justify the given statement with valid arguments.

Solution

(i) In a two-sector economy, households own the factors of production (land, labour, capital, entrepreneurship). Firms combine these factors to produce goods and services and make factor payments (rent, wages, interest, profit) to households. Households spend this income on the final goods and services of firms. Thus the income earned by the factors flows back to the producing units as aggregate consumption expenditure, which completes the circular flow of income.
(ii) GDP is the market value of all final goods and services produced within the domestic territory during an accounting year. GVA is the value addition by each production unit during the year. Adding up the value added at every stage removes double counting and leaves exactly the value of the final goods. So the sum of GVA by the three sectors is always equal to GDP.

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CBSE 2020 · 58/2/1 · Q16(a) | CBSE 2020 · 58/2/2 · Q16(b) | CBSE 2020 · 58/2/3 · Q16(b) **asked 3 times** **6 marks**

(a) "Circular flow of income in a two-sector economy is based on the axiom that one's expenditure is other's income." Support your answer with valid reasons.
(b) Distinguish between 'value of output' and 'value added'.

Solution

(a) A two-sector economy has households and firms. Households supply factor services to firms and earn factor incomes (rent, wages, interest, profit) from them. Households then spend this income on goods and services produced by firms, and this spending becomes the firms' income. The firms again use it to pay for factor services. So the expenditure of one sector is the income of the other, and income flows in a circle by an equal amount.

(b) **Value of output** is the money value of all goods and services produced by a firm, including change in stock and production for self-consumption. **Value added** is the excess of the value of output over the value of intermediate consumption.

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CBSE BOARD PAPER

2026 · Q.P. Code 58/1/1

Time: 3 hours
Maximum marks: 80

Section A · Macroeconomics

1. In a two sector economy, the flow of factor payments moves from _____ to _____. (Choose the correct option to fill in the blanks) 1

(A) firms, households
(B) firms, government
(C) banks, households
(D) households, firms

2. Read the following statements : Assertion (A) and Reason (R). Choose the correct option from those given below : 1

Assertion (A) : Money is of perishable nature and is generally accepted by all at any point of time.

Reason (R) : Money serves as a store of value, facilitating individuals to transfer purchasing power from the present to the future.

(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, but 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.

3. Read the following statements carefully : 1

Statement 1 : Depreciation of currency is an economic action undertaken by the government of a nation under the fixed exchange rate system.

Statement 2 : Under the floating exchange Rate system, authorities actively intervene in the foreign exchange market by way of maintaining foreign exchange reserves.

In the light of the given statements, choose the correct option from the following :

(A) Statement 1 is true and statement 2 is false.
(B) Statement 1 is false and statement 2 is true.
(C) Both statements 1 and 2 are true.
(D) Both statements 1 and 2 are false.

4. In an economy, when _____ is insufficient to achieve the level of output corresponding to the full employment, the difference is termed a deflationary gap. (Choose the correct option to fill in the blank) 1

(A) ex-ante Aggregate Demand
(B) ex-post Aggregate Demand
(C) ex-ante Aggregate Supply
(D) ex-post Aggregate Supply

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5. In an economy, exclusion of _____ may lead to under estimation of the value of Gross Domestic Product (GDP). 1

(Choose the correct option to fill in the blank)

(i) Barter Transactions

(ii) Services provided by family members

(iii) Illegal activities

(iv) Depreciation of Assets

(A) (i) and (ii)
(B) (ii) and (iii)
(C) (iii) and (iv)
(D) (i), (ii) and (iii)

6. Identify, which of the following is true at the Break Even level of Income. (Choose the correct option) 1

(A) Slope of Consumption Curve = Slope of Saving Curve
(B) Average Propensity to Consume (APC) = Average Propensity to Save (APS)
(C) Slope of Saving Curve = Unity (1)
(D) Average Propensity to Consume (APC) = Unity (1)

7. Read the following statements carefully : 1

Statement 1 : Final goods are those goods which normally lose their identity in the production process.

Statement 2 : Final goods may get transformed during the consumption process by a consumer.

(Choose the correct option)

(A) Statement 1 is true and statement 2 is false.
(B) Statement 1 is false and statement 2 is true.
(C) Both statements 1 and 2 are true.
(D) Both statements 1 and 2 are false.

8. Read the following statements : Assertion (A) and Reason (R). Choose the correct option from those given below : 1

Assertion (A) : Unilateral Transfers are recorded in the Current Account of the Balance of Payments (BoP) of a nation.

Reason (R) : Capital account records transactions which cause a change in the assets or liabilities of the country.

(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, but 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.

9. "In the Indian Banking System, the Statutory Liquidity Ratio (SLR) plays a vital role in controlling the credit creation capacity of the Commercial Banks, as it _____." (Choose the correct option to fill in the blank) 1

(A) ensures that all the deposits are converted into liquid assets.
(B) requires banks to maintain a percentage of deposits in the form of liquid assets.
(C) sets the maximum interest rate which the banks can charge on loans.
(D) promote banks from lending beyond a specific proportion of their total reserves.

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10. 'In an economy, the currency held by the public, Net Demand Deposits with Commercial Banks and Net Time Deposits with Commercial Banks stand at ₹ 1,42,000 crore, ₹ 22,000 crore and ₹ 86,000 crore respectively. The value of Money Supply (M_1) would be ₹ _____ crore. (Choose the correct option to fill in the blank) 1

(A) 2,50,000 (B) 86,000

(C) 1,64,000 (D) 1,42,000

11. **(a)** Meera and Shahid are two classmates, who were comparing India's economic growth over the years. 3

Meera referred to the increase in Gross Domestic Product (GDP) at current prices prevailing in market, while Sahid insisted on considering GDP after adjusting for inflation. Their debate on which of the two measures gives a true picture of people's well-being, remained inconclusive.

Considering the above mentioned situation, elaborate with valid reason, which of the two variables is considered a better indicator of welfare and why ?

OR

(b) Two friends, Ravi and Harry were discussing whether the money received from sale of an old car should be included in India's National income. 3

Ravi was of the view that it should be included in India's National income while Harry did not agree with him.

They also had difference of opinion on the treatment of brokerage paid to the car dealer.

As their Economics teacher, state the treatments with valid arguments.

12. "Under the provisions stated in the Section 20 and Section 21 of the Reserve Bank of India (RBI) Act, 1934, the RBI is mandated to handle the banking operations of the Government of India." 3

In the light of the given statement, elaborate the indicated function of the Reserve Bank of India.

13. **(a)** For a hypothetical economy, assuming there are only two firms (X and Y) with equal values of Gross Value Added (GVA). 4

On the basis of the following data, estimate the value of Domestic Sales of both the firms (X and Y) :

S. No.	Items	Amount (in ₹ crore)
(i)	Value of Output of firm Y	700
(ii)	Purchases by firm X from firm Y	200
(iii)	Exports by firm X	100
(iv)	Purchases by firm Y from firm X	150
(v)	Additions to Stock of firm X	50

OR

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(b) Ms. Reeta D'Costa, retired from the post of Income Tax Commissioner in the year 2023. Apart from her pension, she also receives the following from various sources : 4

- Rental income from a flat she owns.
- Interest income from her fixed deposits.
- Money sent by her children settled abroad.

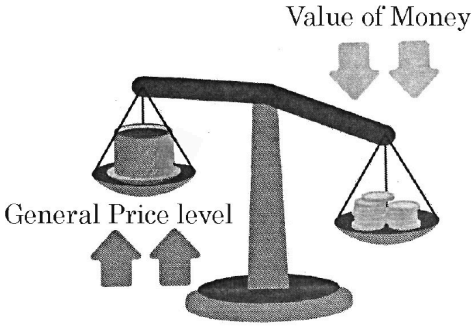
Identify and classify, her monthly incomes into 'factor income' and 'transfer income', with valid reasons.

14. Michel, an entrepreneur of Country Zeta, borrowed $ 5 million from an overseas bank to expand his textile business. 4

During the same financial year, the Government of Country Zeta secured a loan of $ 30 Billion from an International Financial Institution to manage the ongoing Balance of Payments.

Samuel, an Economics student categorised both of these transactions as 'autonomous transactions' in the BoP account of the country. Do you agree with his classification ? Justify your answer with valid reasons.

15. Refer the given image carefully : 4



Explain any two measures that can be taken by the Central Bank to control the indicated macroeconomic problem.

Note : The following question is for the Visually Impaired Candidates only in lieu of Q. No. 15.

State and explain any two measures that can be taken by the Central Bank to control the situation of deficient demand.

16. **(a)** "Income of an economy increased from ₹ 20,000 to ₹ 50,000 crore. Savings of the economy increased from ₹ 2,000 crore to ₹ 10,000 crore." 6

(i) Calculate Average Propensity to Consume (APC) and Average Propensity to Save (APS), before and after the rise in income.

(ii) Draw appropriate conclusion regarding the behaviour of Average Propensity to Consume (APC) as his income increases.

OR

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(b) "Under a study, examining the spending habits of a hypothetical economy, it was observed that even households with zero income managed to consume basic necessities. As the income of people increased, their consumption also increased, but not as rapidly as income." 6

Based on the given text and common understanding, answer the following questions :

(i) Identify and elaborate the type of consumption indicated in the first para of the above text.

(ii) Explain, the reason behind the positive slope of Aggregate Demand Curve.

17. Refer the given text carefully : 6

According to the Economic Survey 2024-25, the government budget's projections for the fiscal year 2025-26 indicate that gross direct tax revenue will rise by 12.7%, while gross indirect tax collections are expected to grow by 8.3% relative to FY 2024-25.

Direct taxes include income tax and corporate tax, reflecting earnings and profits of households and firms. It plays a key role in revenue growth of the government. Indirect taxes encompass Goods and Services Tax (GST), custom duties and other transaction-based levies. Higher growth rate projected for direct taxes suggests a push to enhance tax buoyancy through improved compliance and reforms. On the other hand, indirect taxes are expected to benefit from consumption trends and Goods and Services Tax (GST) administration improvements. The balance tax strategy aims to mobilise resources while supporting fiscal consolidation and sustainable economic growth.

On the basis of the above passage and common understanding, answer the following questions :

(i) Differentiate between the two types of taxes indicated in the above text, with suitable examples.

(ii) Elaborate the likely consequences of the tax projections made by the government.

Section B · Indian Economic Development

18. Read the following statements carefully : 1

Statement 1 : During the British rule in India, the export surplus was utilised to import of invisible items from Britain.

Statement 2 : Indians paid for the expenses incurred by an office set up by the colonial government in Britain.

In the light of above statements, choose the correct option from the following :

(A) Statement 1 is true and statement 2 is false.

(B) Statement 1 is false and statement 2 is true.

(C) Both statements 1 and 2 are true.

(D) Both statements 1 and 2 are false.

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19. Read the following statements : Assertion (A) and Reason (R), Choose the correct option from those given below : 1

Assertion (A) : Education facilitates the assimilation of knowledge and competencies. It also fosters inventive capacities and enhances the aptitude to integrate advance technology.

Reason (R) : Education plays a pivotal role in transforming cognitive perspectives and serves as a catalyst for the economic advancement of a nation.

(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, but 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.

20. Read the following text carefully : 1

"In the recent times, the Government of India, has introduced several measures to encourage greater public participation in the capital market, including both primary and secondary stock markets."

Under which sector have the above mentioned reforms been introduced ? (Choose the correct option)

(A) Industrial

(B) Financial

(C) Taxation

(D) Foreign Trade

21. The Montreal Protocol was signed in the year 1987 committing nations to _____. (Choose the correct option to fill in the blank) 1

(A) protect biodiversity from any further losses.

(B) reduce the impact of global warming.

(C) protect ozone layer from depletion incurred due to chlorofluoro carbons .

(D) reduce the impact of deforestation.

22. Read the following statements : Assertion (A) and Reason (R), Choose the correct option from those given below : 1

Assertion (A) : The notion of rural development encompasses a far wider spectrum than agricultural advancement.

Reason (R) : Government interventions in the agricultural sector remain imperative, as it constitutes the primary means of sustanance for the rural population.

(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, but 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.

23. Identify, which of the following, highlights a highly relevant issue associated with evolving employment trends in India's labour market ? 1

(A) Progressive increase in the share of permanent salaried employees.

(B) Increase in the proportion of casually employed individuals.

(C) Expansion of self-employment avenues in all regions.

(D) Significant rise in job opportunities within the formal sector.

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24. Match the terms given in Column-I with their respective meaning in Column-II. Select the correct option : 1

Column-I		Column-II	
(i)	Seasonal Unemployment	(a)	Private enterprises hiring less than 10 employees
(ii)	Self-employed	(b)	Workers using their own resources to earn livelihood
(iii)	Unorganised sector	(c)	Unemployment occurring in specific season
(iv)	Disguised Unemployment	(d)	Zero Marginal Productivity

(A) (i)-(d); (ii)-(a); (iii)-(b); (iv)-(c)
(B) (i)-(b); (ii)-(a); (iii)-(c); (iv)-(d)
(C) (i)-(c); (ii)-(b); (iii)-(a); (iv)-(d)
(D) (i)-(c); (ii)-(d); (iii)-(a); (iv)-(b)

25. "Sustainable development refers to the development that meets the need of the present generation without compromising the ability of the future generations, to meet their own needs." 1
The above mentioned definition has been given by _____. (Choose the correct option to fill in the blank)

(A) United Nations Conference on Environment and Development
(B) United Nations Committee on Environment and Development
(C) United Nations Committee on Protection of Environment
(D) United Nations Conference on Protection of Environment

26. Read the following statements : Assertion (A) and Reason (R), Choose the correct option from those given below : 1
Assertion (A) : The Government of India adopted the measure of regulation of markets to improve marketing conditions for agricultural products.
Reason (R) : Regulation of market ensured transparent pricing, fair trade practices, and protection for farmers against exploitation in agricultural marketing.

(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, but 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.

27. Arrange the following events in China's economic development history in correct chronological sequence and select the correct option : 1
I. Great Proletarian Cultural Revolution.
II. Great leap forward
III. Introduction of Economic Reforms
IV. Launch of the First Five Year Plan

(A) II, IV, III, I
(B) IV, II, I, III
(C) II, IV, I, III
(D) IV, I, II, III

28. **(a)** "Employment in the formal sector guarantees better income and social benefits compared to informal sector job." 3
Defend or refute the above statement with valid reason and example.

OR

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(b) During the 'Mann ki Baat' program aired on 29th June, 2025, Prime Minister shared that World Health Organisation (WHO) has declared India as a Trachoma free (an eye disease). This achievement, he shared, is a result of sustained efforts in health care, sanitation, awareness and medical access. 3

In the light of the above statement, explain how investments in health care contributes to a nation's development. Support your answer with valid arguments.

29. "In the late 1970's China's population growth rate has sharply declined as compared to India." 3

Elucidate the reasons and impacts of this situation.

30. **(a)** State and explain any two changes which were observed in India's occupational structure during the British Rule. 4

OR

(b) "The British sought to achieve their vested interest through their policies of infrastructural development in India." 4

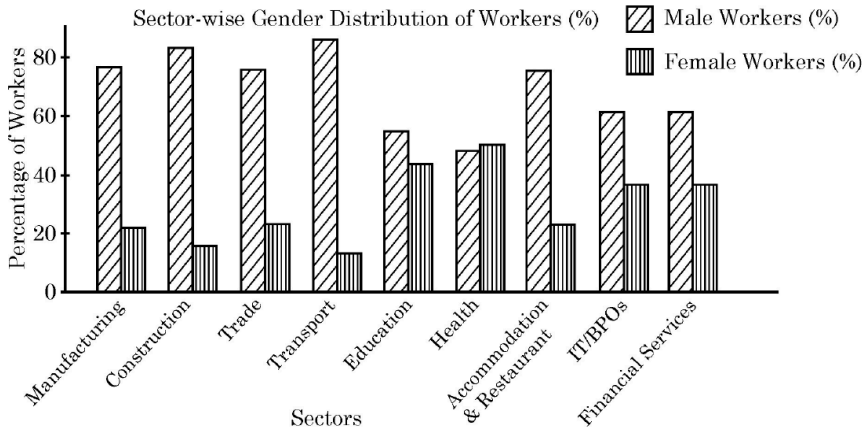
Do you agree with the given statement ? Justify your answer with valid explanation.

31. "At the time of independence, both India and Pakistan inherited similar colonial economic structures. Both the nations adopted many similar economic planning strategies." 4

Explain any two such similarities in the developmental path of India and Pakistan.

32. (A) State the meaning of 'Disguised Unemployment'. 4

(B)



In the light of the given chart, analyse the gender-wise sectoral distribution of workers.

Note : The following question is for the Visually Impaired Candidates only in lieu of Q. No. 32 (B).

Elaborate any two reasons behind more women employed in economic activities in Rural areas as compared to Urbans areas.

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33. **(a)** (i) Mr. Ravi, an IT entrepreneur from Bengaluru, observed that several MNC's prefer India as their outsourcing Hub for services like software development, customer support, data management etc. 6

His friend Priya believes this is due to certain inherent advantages of the Indian economy. In your opinion, state and explain any two factors that make India a preferred outsourcing destination.

(ii) "In the post-independence era, India adopted a protective tariff policy."

Do you agree with the given statement ? Justify your answer with any two valid arguments.

OR

(b) (i) 'Strategic sale of a public sector undertaking and minority sale of their shares are methods of disinvestment.' Defend or refute the given statement with valid argument. 6

(ii) Discuss briefly, how bilateral trade agreements are different from multilateral trade agreements ?

34. Read the following text carefully : 6

To ensure inclusive and quality education for all, the Indian government has launched several important schemes. These schemes aimed at improving access, equity and learning outcomes, especially among disadvantaged group.

The Right to Education (RTE) Act, passed by the India Parliament on August 4, 2009, guarantees free and compulsory education to every child between 6-14 years of age. It ensures that all children have access to education in neightbourhood schools, until they complete elementary education. Another key initiative is Sarva Siksha Abhiyan (SSA). It was introduced in 2001. It is one of India's flagship programmes for the Universalisation of Elementary Education.

Digital India Campaign, launched on July 1, 2015, focuses on transforming India into a digitally empowered society by improving mobile and internet connectivity, particularly in rural and remote regions. This initiative supports digital learning & access to educational resources. Through these initiatives, the government strives to create an equitable, accessible & quality driven educational environment for all children, laying a strong foundation for national development.

On the basis of the given text and common understanding, answer the following questions :

(i) Identify, which law guarantees free and compulsory education upto the age of 14 years. Explain, how does it help in enhancing access to education. 1+2

(ii) In your opinion, how has the increase in public spending on education contributed to India's social and economic transformation ? Support your answer with valid arguments.

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Q1 Households supply factor services to firms, and firms pay them rent, wages, interest and profit. **Answer: (A)**

Q2 Money is **durable**, not perishable, so A is false. R is true: money is a store of value. **Answer: (D)**

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Q3 A deliberate cut in value under a fixed rate is **devaluation**; depreciation is market-driven under a flexible rate. Under a (free) floating system, authorities do not actively intervene. **Answer: (D)**

Q4 A deflationary gap is the shortfall of planned (ex-ante) AD below the AD needed for full employment. **Answer: (A)**

Q5 Barter transactions and unpaid family services are genuine production left out of GDP because they are non-monetary. Illegal activities are deliberately excluded, and depreciation is part of GDP anyway. **Answer: (A)**

Q6 At break-even income C = Y (saving is zero), so APC = C/Y = 1. **Answer: (D)**

Q7 Goods that lose their identity in production are intermediate goods, so Statement 1 is false. A final good may be transformed while being consumed (e.g. a consumer cooking vegetables), so Statement 2 is true. **Answer: (B)**

Q8 Both are true, but R describes the capital account, so it does not explain why transfers go into the current account. **Answer: (B)**

Q9 SLR is the percentage of deposits banks must keep in liquid assets (cash, gold, approved securities), reducing the funds available for lending. **Answer: (B)**

Q10 M1 = Currency with the public + Net demand deposits (+ other deposits with RBI) = 1,42,000 + 22,000 = ₹ 1,64,000 crore. Time deposits are part of M3, not M1. **Answer: (C)**

Q11(a) **GDP after adjusting for inflation (real GDP)** is the better indicator of welfare.

Real GDP is measured at constant (base-year) prices, so it changes only when the physical output of goods and services changes. Nominal GDP (at current prices) can rise merely because prices rise, even if output does not, and then overstates growth. Since welfare depends on the quantity of goods and services available to people, real GDP gives the truer picture.

Q11(b) **Harry is correct.** The sale of an old car is not included in national income, because the car's value was counted in the year it was produced; its resale adds nothing to current production.

The **brokerage** paid to the car dealer **is included**, because it is payment for a productive service rendered in the current year.

Q12 The function is **banker to the government**. The RBI keeps the accounts of the central (and state) governments, receives their deposits and makes payments on their behalf. It handles remittances, exchange and other banking operations for them. It manages public debt and gives credit to the government when needed (e.g. during a financial crisis), so that the government can run smoothly and meet its obligations. It also acts as the government's financial adviser.

Q13(a) GVA of Y = Value of output − Intermediate consumption (purchases from X) = 700 − 150 = ₹ 550 crore.

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No exports or change in stock are given for Y, so its value of output equals its domestic sales: **Domestic sales of Y = ₹ 700 crore** (= GVA 550 + intermediate consumption 150).

GVA of X = GVA of Y = ₹ 550 crore. Intermediate consumption of X = purchases from Y = ₹ 200 crore.

Value of output of X = 550 + 200 = ₹ 750 crore = Domestic sales + Exports + Change in stock.

Domestic sales of X = 750 − 100 − 50 = ₹ 600 crore.

Q13(b) **Factor income** (earned by providing factor services): rental income from her flat (land/building), interest on fixed deposits (capital), and her retirement pension (a deferred payment for her past services as an employee).

Transfer income (received without any productive service in return): money sent by her children settled abroad.

Q14 **No.**

• Michel's borrowing is an **autonomous** transaction: it is undertaken with an economic (profit) motive, independent of the BoP position.

• The government's loan from an international institution is an **accommodating** transaction: it is undertaken specifically to cover the deficit in the BoP, not for any economic motive of its own.

Q15 The image shows the general price level rising and the value of money falling: **inflation** (excess demand).

1. **Raise the repo rate:** banks' cost of borrowing from the RBI rises, so they raise lending rates. Credit becomes dearer, borrowing and spending fall, and AD falls, checking inflation.

2. **Open market operations (sale of securities):** the RBI sells government securities, absorbing funds from banks. Their lending capacity falls, so credit and AD fall.

(Visually impaired candidates, deficient demand: the RBI **lowers the repo rate** and **buys securities** in the open market, making credit cheaper and more plentiful, which raises AD.)

Q16(a) (i)

Income Y (₹ cr)	Saving S	Consumption C = Y − S	APC = C/Y	APS = S/Y
20,000	2,000	18,000	0.9	0.1
50,000	10,000	40,000	0.8	0.2

(ii) As income rises from ₹ 20,000 crore to ₹ 50,000 crore, APC falls from 0.9 to 0.8 (and APS rises). So APC falls as income increases: an inverse relationship.

Q16(b) (i) **Autonomous consumption**: the minimum consumption needed for survival, made even at zero income (financed by past savings or borrowing). It does not depend on income.

(ii) AD = C + I. Investment is taken as autonomous, but consumption rises as income rises (by MPC × ΔY). So AD rises with income: the AD curve slopes upward, though less steeply than the 45° line because MPC < 1.

Q17 (i) **Direct taxes**: impact and incidence fall on the same person, so the burden cannot be shifted; e.g. income tax, corporate tax. **Indirect taxes**: impact and incidence fall on different persons, so the burden can be shifted (usually to consumers); e.g. GST, customs duty.

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(ii) Higher direct and indirect tax collections will strengthen the government's revenue base. This lets it reduce borrowing and the fiscal deficit (fiscal consolidation) and spend more on development without excess debt. The faster rise in direct taxes makes the tax system more progressive. Overall the balanced strategy mobilises resources and supports sustainable economic growth.

Q18 The export surplus paid for invisible imports and for the expenses of the British office (home charges). **Answer: (C)**

Q19 Both are true, but R is a general statement on the role of education; it does not explain A. **Answer: (B)**

Q20 Capital (stock) markets are part of the financial sector. **Answer: (B)**

Q21 **Answer: (C)**

Q22 Rural development includes health, education, infrastructure and non-farm jobs as well as farming (A true). R is also true, but it stresses agriculture, so it does not explain why rural development is wider than agriculture. **Answer: (B)**

Q23 Casualisation of the workforce is a key concern. **Answer: (B)**

Q24 **Answer: (C)**

Q25 **Answer: (A)** (UNCED, following the Brundtland Commission).

Q26 Regulated markets were set up precisely to give farmers fair prices and protect them from exploitation by traders, so R explains A. **Answer: (A)**

Q27 First Plan 1953 → Great Leap Forward 1958 → Cultural Revolution 1966 → Reforms 1978. **Answer: (B)**

Q28(a) **Defended.** Formal-sector workers get regular, fair wages and social security benefits (provident fund, pension, paid leave, medical benefits) and are protected by labour laws. Informal-sector workers get irregular incomes and no social security, and can be dismissed without compensation. E.g. a government employee gets a regular salary, pension and social security, while a daily-wage construction worker gets none.

Q28(b) Investment in health care gives the nation a healthy workforce. A healthy person is more productive than an unhealthy one, works for more days, and provides an uninterrupted labour supply over a longer working life. Better health also improves children's learning, so education pays off more. Thus health spending raises labour productivity, promotes human capital formation and supports economic development (and reduces the cost of illness to families).

Q29 **Reason:** China introduced the **one-child policy** (1979), which sharply reduced its birth rate; India relied on voluntary family planning.

Impacts: a declining share of young people and a rising share of the elderly (an **ageing population**), which reduces the future working-age population and raises the burden of

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supporting the old. The policy also worsened the sex ratio in China.

Q30(a) 1. **Shift towards industry and services in some regions:** in parts of the Madras Presidency, Bombay and Bengal, dependence on agriculture declined and the shares of manufacturing and services rose.

2. **Rising dependence on agriculture elsewhere:** in Orissa, Rajasthan and Punjab, the share of the workforce in agriculture increased.

(Overall, agriculture remained the largest occupation, about 70–75% of the workforce, and growing regional variation was the main change.)

Q30(b) **Yes.** The British built infrastructure mainly to serve their own interests:

• Roads and railways were laid to move the army within India and to carry raw materials from the interior to ports for export to Britain, and British goods into Indian markets.

• Ports were developed for trade with Britain.

• The electric telegraph was introduced to maintain law and order.

Little was done for the welfare of Indians (e.g. rural roads, irrigation).

Q31 1. **Mixed economy:** both followed a mixed economic system, giving roles to both the public and private sectors.

2. **Import substitution:** both protected their domestic industries from foreign competition through tariffs and quotas.

(Also: both began economic planning with five-year plans, and both introduced economic reforms around 1988–91.)

Q32 (A) **Disguised unemployment**: more people are engaged in a job than are needed, so the marginal productivity of the extra workers is zero; withdrawing them would not reduce output.

(B) • Male workers dominate most sectors (manufacturing, construction, trade, transport, accommodation and restaurants), each about 75–85% male.

• Female participation is lowest in transport and construction (about 13–16%), showing gender inequality in these jobs.

• Education and health are relatively balanced; in health, women are about equal to men.

• IT/BPOs and financial services have moderate female shares (about 35–37%).

(Visually impaired: rural women work more because poverty compels them to supplement family income, and farm work near home is available; in urban areas higher male earnings and social norms discourage women from seeking jobs.)

Q33(a) (i) 1. **Expansion of IT and communication:** fast, cheap communication networks and the growth of information technology allow services to be delivered from India in real time.

2. **Skilled manpower at low cost:** India has a large pool of educated, English-speaking, technically skilled people available at relatively low wages.

(ii) **Yes.** India imposed high tariffs (and quotas) on imports in order to:

• promote domestic production by substituting imports with locally produced goods (import substitution), saving foreign exchange;

• protect infant domestic industries from foreign competition so that they could grow.

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Q33(b) (i) **Defended.** Both reduce government ownership of PSUs. In a **strategic sale**, a large share of the government's equity is sold to a private buyer along with management control. In a **minority sale**, only a small portion of shares is sold to the public and the government keeps control. Both raise resources and aim to improve efficiency.

(ii) A **bilateral trade agreement** is between two countries only, on terms that apply to them alone. A **multilateral trade agreement** involves more than two countries (e.g. under the WTO), with common rules that apply equally to all members.

Q34 (i) The **Right to Education (RTE) Act, 2009**. It makes education free and compulsory for every child aged 6–14, so poverty is no barrier, and requires schools in the neighbourhood, so distance is no barrier. Children from disadvantaged groups are included, and all children are helped to complete elementary education.

(ii) Higher public spending on education has made schooling accessible to weaker sections, promoting social equality (including for girls). It has raised skills and knowledge, leading to better jobs, higher productivity and incomes. A more educated population has better health awareness and a higher standard of living. Together these have driven India's social and economic development.

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