ForumIAS

# Prelims Marathon

**1st Week May, 2025**



*HISTORY*
*ECONOMICS*
*POLITY*
*SCIENCE AND TECHNOLOGY*
*GEOGRAPHY AND ENVIRONMENT*

# INDEX

# Economics Discipline & National Income Accounting

1. Consider the following statements regarding macroeconomics:
2. John Maynard Keynes' book *The General Theory of Employment, Interest and Money* (1936) is regarded as the starting point of modern macroeconomics.
3. Before Keynes, the classical economists believed that there could be persistent unemployment in a capitalist economy.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**Answer: A**
**Explanation:**

- Keynes' *The General Theory of Employment, Interest and Money,* published in 1936, is indeed considered the foundation of macroeconomics as a separate branch.
- The classical school believed that the economy would always adjust to ensure full employment. They did **not** believe in the possibility of long-term, persistent unemployment. It was Keynes who challenged this view after the Great Depression.

Source- 12th NCERT: Economics: Macroeconomics

2. Which of the following correctly explains the concept of *final goods* in economics?
(a) Goods used for further production of other goods.
(b) Goods that undergo further transformation at the hands of producers.
(c) Goods meant for final use and not to be used in further production processes.
(d) Goods used as intermediate inputs in various industries.

**Answer:** C
**Explanation:**

- Final goods are those goods and services that are ultimately consumed by the end user.
- They are not meant for resale or further processing in the production chain. Even if final goods undergo transformation during consumption (like tea leaves being brewed), it does not affect their status as final goods since they are not being transformed for resale or further economic production.

Source- 12th NCERT: Economics: Macroeconomics

3. Consider the following statements:
1. Depreciation refers to the sudden destruction of capital goods due to accidents or calamities.
2. Net investment is calculated by subtracting depreciation from gross investment.
3. Capital goods are consumed immediately, like food items and clothing.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

**Answer: B**

**Explanation:**
- Depreciation refers to the *gradual wear and tear* of capital goods over their expected life, not sudden destruction (which is considered separately).
- Net Investment = Gross Investment – Depreciation.
- Capital goods are durable goods used over multiple production cycles; they are not consumed immediately like food or clothing.

Source- 12th NCERT: Economics: Macroeconomics

4. Consider the following statements regarding National Disposable Income and Private Income:
1. National Disposable Income includes net current transfers from abroad in addition to the Net National Product at market prices.
2. Private Income includes factor income from the net domestic product, national debt interest, and current transfers from the government.

Which of the above statements is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**Answer: C**
**Explanation:**
- National Disposable Income is calculated by adding other current transfers from abroad to Net National Product at market prices.
- Private Income includes factor income from the net domestic product, national debt interest, and current transfers from the government.

Source- 12th NCERT: Economics: Macroeconomics

5. **Consider the following statements regarding the circular flow of income in a simple economy:**
1. Households provide factors of production to firms and receive wages, rent, interest, and profit in return.
2. Firms sell goods and services to households, and the entire income earned by households is spent on these goods and services.
3. In this model, the introduction of savings fundamentally changes the equality of income, production, and expenditure.

Which of the statements given above is/are correct?
A) 1 and 2 only
B) 2 and 3 only
C) 1 and 3 only
D) 1, 2, and 3

**Answer: A**
**Explanation:**
- Households supply labour, land, capital, and entrepreneurship, and receive **wages, rent, interest, and profit**.
- Households spend **all** their earnings on goods and services since no savings/taxes/imports exist.
- Even if savings are introduced later, **the principal conclusion remains unchanged** — national income can still be calculated equally by any method (income, expenditure, or production).

Source- 12th NCERT: Economics: Macroeconomics

6. **Which of the following statements is/are correct regarding the Product (Value Added) Method of calculating national income?**
1. Value Added of a firm is calculated by deducting the value of intermediate goods from the value of output.
2. Gross Value Added (GVA) includes depreciation, while Net Value Added (NVA) excludes depreciation.
3. An increase in inventories during a year is treated as part of the firm's production.

Select the correct answer using the code below:
A) 1 and 2 only
B) 2 and 3 only
C) 1 and 3 only
D) 1, 2, and 3

**Answer: D**
**Explanation:**
- **Value Added = Value of Output – Value of Intermediate Goods**.
- **GVA** includes depreciation (consumption of fixed capital). **NVA** is GVA minus depreciation.
- Any **increase in inventories** (finished, semi-finished goods, or raw materials) during the year is counted as additional production of that year.

Source- 12th NCERT: Economics: Macroeconomics

7. In the Product Method of calculating national income, the term **'Value Added'** refers to:
A) Total value of goods produced by firms without any deductions.
B) Total sales revenue of firms.
C) Value of output minus the value of intermediate goods used.
D) Total factor payments made by the firms.

**Answer: C**
**Explanation:**
- **Value Added** is the **net contribution** made by a firm.
- It is calculated as:
  ➔ **Value Added = Value of Output – Value of Intermediate Goods.**
- This helps avoid **double-counting** in national income calculation.

Source- 12th NCERT: Economics: Macroeconomics

8. With reference to the *Expenditure Method* of calculating GDP, consider the following statements:
1. Final expenditure includes only the consumption expenditure of households.
2. Expenditure on investment goods is included in the GDP calculation.
3. Imports are added to GDP, as they represent economic activity.

Which of the statements given above is/are correct?
**(a)** 1 and 2 only
**(b)** 2 only
**(c)** 1 and 3 only
**(d)** 1, 2 and 3

**Answer: B**
**Explanation:**
- Final expenditure includes not just consumption but also investment, government spending, and net exports.
- Investment expenditure is a part of the GDP calculation.

- Imports (M) are *subtracted*, not added, while calculating GDP.

Source- 12th NCERT: Economics: Macroeconomics

9. Consider the following statements regarding the *Income Method* of calculating GDP:
1. GDP is the sum of the incomes received by all the factors of production in the economy, such as wages, profits, interest, and rents.
2. The income method is different from the expenditure method as it includes intermediate goods in the calculation of GDP.
3. In the income method, the GDP is the sum of wages, profits, interest, and rents, which are the total incomes earned by households.

Which of the statements given above is/are correct?
**(a)** 1 only
**(b)** 2 and 3 only
**(c)** 1 and 3 only
**(d)** 1, 2 and 3

**Answer: C**
**Explanation:**
- GDP, under the income method, is calculated by summing the incomes received by factors of production such as wages, profits, interest, and rents.
- The income method does not include intermediate goods in the GDP calculation; it calculates income earned by factors of production from the final goods produced.
- In the income method, the GDP is the sum of wages, profits, interest, and rents, which are the total incomes earned by households.

Source- 12th NCERT: Economics: Macroeconomics

10. Consider the following statements:
1. GNP is calculated by adding net factor income from abroad to GDP.
2. NNP is derived by subtracting depreciation from GNP.
3. Personal Disposable Income (PDI) is the income left with households after paying personal taxes and non-tax payments.

Which of the above statements is/are correct?
**(a)** 1 and 2 only
**(b)** 2 and 3 only
**(c)** 1, 2, and 3
**(d)** 1 only

**Answer: C**
**Explanation:**
- GNP is calculated by adding net factor income from abroad to GDP.
- NNP is derived by subtracting depreciation from GNP.
- PDI is the income left with households after paying personal taxes and non-tax payments.

Source- 12th NCERT: Economics: Macroeconomics

# Planning In India

1. With reference to the economic system adopted by India after Independence, consider the following statements:
1. Jawaharlal Nehru preferred a pure socialist system modeled exactly on the Soviet Union.
2. India adopted a mixed economy model, combining features of socialism and private enterprise.
3. In 1950, the Planning Commission was established with the President of India as its Chairperson.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2 only
(c) 2 and 3 only
(d) 1, 2, and 3

**Answer: B**
**Explanation:**
- Nehru did not prefer a Soviet-style system; he sought a balanced, mixed economy.
- India adopted a mixed economy with both public and private sectors.
- The Prime Minister, not the President, was the Chairperson of the Planning Commission.

Source- 12th NCERT: Economics: Macroeconomics

2. Which of the following were identified as the primary goals of India's Five Year Plans (1950–1990)?
1. Growth
2. Modernisation
3. Self-reliance
4. Equity

Select the correct answer using the code below:
(a) 1, 2, and 3 only
(b) 2, 3, and 4 only
(c) 1, 3, and 4 only
(d) 1, 2, 3, and 4

**Answer: D**
**Explanation:**
The Four Goals were:
- Growth (increase in GDP, productive capacity)
- Modernisation (adoption of new technology + changes in social outlook)
- Self-reliance (reducing dependence on imports)
- Equity (ensuring fair distribution of wealth and meeting basic needs)

Source- 12th NCERT: Economics: Macroeconomics

3. With reference to the concept of "self-reliance" during India's early Five Year Plans, consider the following statements:
1. Self-reliance aimed to reduce India's dependence on imports, particularly food, technology, and capital.
2. Emphasis on self-reliance was seen as essential to protect India's sovereignty from foreign interference.
3. Self-reliance completely eliminated all imports during the first seven Five Year Plans.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2, and 3

**Answer: A**
**Explanation:**
- Self-reliance emphasized avoiding imports to protect sovereignty.
- Complete elimination of imports was not achieved; the focus was on reducing imports, not abolishing them.

Source- 12th NCERT: Economics: Macroeconomics

4. With reference to land reforms in post-independence India, consider the following statements:
1. Land reforms primarily focused on the abolition of intermediaries and the introduction of land ceilings.
2. Land ceiling legislation faced hurdles due to legal challenges and exploitation of loopholes by big landlords.
3. Land reforms were equally successful across all Indian states.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

**Answer: A**
**Explanation:**
- Land reforms focused on abolishing intermediaries and enforcing land ceilings, but big landlords delayed and evaded reforms.
- Land reforms were successful mainly in Kerala and West Bengal, not uniformly across all states.

Source- 12th NCERT: Economics: Macroeconomics

5. With reference to the Green Revolution in India, consider the following statements:
1. The first phase of the Green Revolution primarily benefited wheat-growing regions like Punjab, Andhra Pradesh, and Tamil Nadu.
2. The Green Revolution led to India achieving self-sufficiency in food grains, reducing dependency on foreign nations.
3. The Green Revolution initially increased inequality among farmers because only large farmers could afford the inputs, and the government took no corrective measures.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

**Answer: A**
**Explanation:**
- The first phase benefited wheat-growing affluent regions and later helped achieve food self-sufficiency.
- The government did take steps (like subsidized loans and fertiliser support) to ensure small farmers also benefited.

Source- 12th NCERT: Economics: Macroeconomics

6. With reference to the debate on agricultural subsidies in India, consider the following statements:
1. Subsidies were initially provided to encourage farmers, especially small farmers, to adopt the new HYV technology.
2. Critics argue that fertiliser subsidies primarily benefit the fertiliser industry and farmers in prosperous regions.
3. Supporters of subsidies advocate that eliminating them would reduce inequality between rich and poor farmers.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

**Answer: A**
**Explanation:**
- Subsidies were needed to encourage adoption of risky new technologies like HYV seeds.
- Critics argue that subsidies largely benefit the fertiliser industry and rich farmers.
- Eliminating subsidies would increase, not reduce, inequality between rich and poor farmers.

Source- 12th NCERT: Economics: Macroeconomics

7. Which of the following best explains the major structural issue in India's agricultural sector between 1950 and 1990?
(a) A sharp decline in the population dependent on agriculture despite stagnant agricultural output.
(b) A decline in agriculture's share in GDP without a corresponding decline in the share of population dependent on agriculture.
(c) Continuous increase in agricultural employment due to rapid industrialisation.
(d) Successful absorption of agricultural workers into the industrial and service sectors.

**Answer: B**
**Explanation:**
- While the GDP share of agriculture declined, the population dependent on agriculture remained almost the same (from 67.5% to 64.9%), indicating a major failure in economic restructuring.

Source- 12th NCERT: Economics: Macroeconomics

8. With reference to the Industrial Policy Resolution of 1956 (IPR 1956), consider the following statements:
1. It classified industries into three categories based on ownership and control.
2. The government would exclusively own and operate industries categorized under the first category.
3. The private sector was completely free to start new industries without any government regulation.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

**Answer: A**
**Explanation:**
- IPR 1956 classified industries into three categories.
- Some industries were to be exclusively government-owned.
- Private sector activities were regulated through licenses; they were not completely free.

Source- 12th NCERT: Economics: Macroeconomics

9. With reference to the promotion of Small-Scale Industries (SSIs) in India after independence, consider the following statements:
1. Small-scale industries were promoted as they are more labour-intensive compared to large industries.
2. Certain products were reserved exclusively for manufacture by small-scale industries.
3. Small-scale industries were required to compete freely with large industries without any concessions.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

**Answer: A**
**Explanation:**
- SSIs were promoted because they are more labour-intensive.
- Certain products were reserved for SSIs to protect them.
- SSIs were given concessions (like lower excise duties, cheap bank loans) and were not left to compete freely.

Source- 12th NCERT: Economics: Macroeconomics

10. With reference to India's trade policy during the first seven Five Year Plans, consider the following statements:
1. India adopted an inward-looking trade strategy known as import substitution.
2. Protectionist policies included the use of tariffs and quotas to restrict imports.
3. Serious efforts to promote exports were a major focus from the very beginning of planning in 1950.
Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

**Answer: A**
**Explanation:**
- India adopted import substitution (inward-looking strategy).
- Protection was provided through tariffs and quotas.
- Serious promotion of exports was not a focus until the mid-1980s.

Source- 12th NCERT: Economics: Macroeconomics

## Capital Market in India

**1. With reference to the Capital Market, consider the following statements:**
1. It deals with the borrowing and lending of funds for a period of less than one year.
2. It caters to the funding needs of medium and long-term projects.
3. It facilitates the mobilization and allocation of long-term funds in the economy.

**Which of the statements given above is/are correct?**
A. 1 and 2 only
B. 2 and 3 only
C. 1 and 3 only
D. 1, 2 and 3

**Answer: B. 2 and 3 only**
**Explanation:**
- The capital market **does not** deal with short-term funds (less than one year). That is the role of the **money market**.
- The capital market provides a platform for borrowing and lending of **medium and long-term funds**, typically **above one year**, making it suitable for infrastructure, industrial, and other long-gestation projects.
- By channeling long-term funds from savers to borrowers, the capital market **facilitates mobilization and efficient allocation** of these funds across sectors.

**Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh**

2. **With reference to the Capital Market, consider the following statements:**
1. Capital Market participants include only institutional investors and commercial banks.
2. Both individuals and governments can act as borrowers in the capital market.
3. Pension funds and insurance companies act as suppliers of capital in the capital market.

**Which of the statements given above is/are correct?**
A. 1 and 2 only
B. 2 and 3 only
C. 1 and 3 only
D. 1, 2 and 3

**Answer: B. 2 and 3 only**
**Explanation:**
- Capital market participants include **both individuals and institutions**, not just institutional investors or commercial banks. Hence, the statement is too restrictive.
- **Governments**, **businesses**, and **individuals** can all act as **borrowers** by issuing securities to raise funds.
- Entities like **pension funds** and **insurance companies** have surplus capital and thus act as **suppliers of capital** in the market.

**Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh**

3. **With reference to the Capital Market in India, consider the following statements:**
1. Instruments of the capital market include shares, debt securities, and derivatives only.
2. Stock exchanges are part of the capital market infrastructure and act as a platform for buying and selling financial instruments.
3. SEBI, RBI, and the Union Ministry of Corporate Affairs are among the key regulatory bodies of the capital market.

**Which of the statements given above is/are correct?**
A. 1 and 2 only
B. 2 and 3 only
C. 1 and 3 only
D. 2 only

**Answer: B. 2 and 3 only**
**Explanation:**
- Capital market instruments are not limited to shares, debt securities, and derivatives. They also include **mutual funds**, **exchange-traded funds (ETFs)**, and **instruments of foreign investments**.
- **Stock exchanges** are a core component of the capital market infrastructure, providing a **platform for trading** in financial instruments.
- The **Securities and Exchange Board of India (SEBI)**, **Reserve Bank of India (RBI)**, and the **Union Ministry of Corporate Affairs** are among the main **regulatory authorities** overseeing capital market operations in India.

**Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh**

4**. With reference to the types of Capital Market, consider the following statements:**

1. The Primary Market deals with the trading of previously issued securities listed on stock exchanges.
2. The Secondary Market provides a platform for investors to buy and sell existing securities to meet their liquidity needs.
3. Companies raise fresh capital through the Secondary Market.

**Which of the statements given above is/are correct?**

A. 2 only
B. 1 and 2 only
C. 2 and 3 only
D. 1 and 3 only

**Answer: A. 2 only**
**Explanation:**

- The **Primary Market** is where **new securities are issued** for the first time by companies to raise funds. Trading of **already issued securities** takes place in the **Secondary Market**.
- The **Secondary Market** enables investors to **buy and sell existing securities**, helping them adjust their portfolios or meet liquidity needs.
- **Companies raise fresh capital** in the **Primary Market**, not in the Secondary Market. The secondary market deals only with **trading between investors** and does not involve fund-raising by the issuer.

**Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh**

5**. With reference to the Capital Market, consider the following statements:**

1. The price of securities in the Primary Market is determined by the issuing company, whereas in the Secondary Market it is driven by market demand and supply.
2. Investors can only buy securities in the Primary Market, while they can both buy and sell in the Secondary Market.

**Which of the statements given above is/are correct?**

A. 1 only
B. 2 only
C. Both 1 and 2
D. Neither 1 nor 2

**Answer: C. Both 1 and 2**
**Explanation:**

- In the **Primary Market**, the **issuing company sets the price** of the securities (often with help from merchant bankers). In the **Secondary Market**, prices fluctuate based on **market forces**—i.e., demand and supply.
- In the **Primary Market**, investors **can only buy** securities directly from the issuer. In the **Secondary Market**, investors are free to **buy and sell** among themselves through stock exchanges.

**Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh**

6. **With reference to Public Issues in the Primary Market, consider the following statements:**
1. An Initial Public Offering (IPO) refers to the first-time sale of shares by an unlisted company to the general public.
2. A Follow-on Public Offering (FPO) is used by a company to sell its shares to the public before it gets listed on a stock exchange.

**Which of the statements given above is/are correct?**
A. 1 only
B. 2 only
C. Both 1 and 2
D. Neither 1 nor 2

**Answer: A. 1 only**
**Explanation:**
- An **IPO** is when a **private/unlisted company** offers its shares to the public for the **first time**, thereby becoming a **publicly listed company**.
- An **FPO** is used by a company that is **already listed** on a stock exchange to raise **additional funds** by issuing more shares. It does **not precede listing**; it follows an IPO.

**Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh**

7. **With reference to various types of issues in the Primary Market, consider the following statements:**
1. In an Offer for Sale (OFS), the company directly offers its securities to the public without involving intermediaries.
2. A Bonus Issue involves issuing additional shares to existing shareholders out of the company's distributable profits.
3. A Qualified Institutional Placement (QIP) allows listed companies to issue securities specifically to Qualified Institutional Buyers (QIBs) without going through standard public issue procedures.

**Which of the statements given above is/are correct?**
A. 1 and 2 only
B. 2 and 3 only
C. 1 and 3 only
D. 1, 2 and 3

**Answer: B. 2 and 3 only**
**Explanation:**
- In an **Offer for Sale (OFS)**, the securities are **not directly offered to the public** by the company. Instead, they are first **sold to intermediaries** like brokers or issuing houses, who then **resell them** to the public.
- A **Bonus Issue** involves giving **additional shares** to **existing shareholders** by **capitalizing the company's distributable profits**. No fresh capital is raised; it's a reallocation of reserves.
- A **Qualified Institutional Placement (QIP)** allows a **listed company** to issue securities **only to Qualified Institutional Buyers (QIBs)** without the need for elaborate regulatory procedures of a public issue.

**Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh**

**8. With reference to the components of the Secondary Market, consider the following statements:**

1. The Over-The-Counter (OTC) Market involves direct trading between two parties without the use of a centralized exchange.
2. The Stock Exchange Market is a decentralized platform where securities are traded informally between investors.
3. OTC Markets are generally subject to less regulatory oversight compared to stock exchanges.

**Which of the statements given above is/are correct?**

A. 1 and 2 only
B. 1 and 3 only
C. 2 and 3 only
D. 1, 2 and 3

**Answer: B. 1 and 3 only**
**Explanation:**

- The **OTC Market** is **decentralized** and involves **direct trading between two parties** without the involvement of a formal exchange platform.
- The **Stock Exchange Market** is a **centralized** and **formal** marketplace where securities are traded under regulated conditions, not an informal or decentralized setting.
- OTC markets are typically **less regulated** and **more flexible** compared to **stock exchanges**, which are governed by stringent compliance and disclosure norms.

**Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh**

9**. With reference to Stock Exchanges in India, consider the following statements:**

1. The Bombay Stock Exchange (BSE) is Asia's first stock exchange and offers depository services through Central Depository Services Limited (CDSL).
2. The National Stock Exchange (NSE) introduced India's first screen-based electronic trading system.
3. A stock exchange in India can operate without government recognition if it meets international regulatory standards.

**Which of the statements given above is/are correct?**

A. 1 and 2 only
B. 2 and 3 only
C. 1 and 3 only
D. 1, 2 and 3

**Answer: A. 1 and 2 only**
**Explanation:**

- The **BSE** is not only **India's oldest stock exchange**, but also **Asia's first**. It offers **depository services through CDSL**, a BSE-promoted entity.
- The **NSE** was the **first in India** to implement a **fully automated screen-based electronic trading system**, revolutionizing trading practices in India.
- In India, a stock exchange **must be recognized** by the **Government under the Securities Contracts (Regulation) Act, 1956**, **regardless of international standards**.

**Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh**

10. **With reference to Stock Market Indices in India, consider the following statements:**
1. A Stock Market Index reflects the overall performance of a segment of the market and is usually based on a weighted group of selected stocks.
2. The BSE Sensex represents the price movements of the top 50 companies listed on the Bombay Stock Exchange.
3. The Nifty Junior index includes companies ranked immediately after the Nifty 50 based on market performance.

**Which of the statements given above is/are correct?**

A. 1 and 2 only
B. 1 and 3 only
C. 2 and 3 only
D. 1, 2 and 3

**Answer: B. 1 and 3 only**

**Explanation:**

- A **Stock Market Index** measures **market performance** by tracking a **weighted group of stocks**, often selected based on criteria like **market capitalization** and **sectoral representation**.
- The **BSE Sensex** includes the **top 30 companies**, not 50, listed on the Bombay Stock Exchange.
- The **Nifty Junior** (also known as **Nifty Next 50**) includes the **next top 50 companies** after the **Nifty 50**, thus serving as an extended benchmark.

**Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh**

## External Sector of India

1. **With reference to the concept of foreign exchange reserves, consider the following statements:**
1. Foreign currency assets are the only component of a country's Forex Reserves.
2. Special Drawing Rights (SDRs) and Reserve Tranche Position (RTP) with IMF are included in Forex Reserves.
3. Under the fixed currency regime regulated by the IMF, exchange rates were pegged to a basket of major world currencies.

Which of the statements given above is/are correct?

**(a)** 1 only
**(b)** 2 and 3 only
**(c)** 1 and 2 only
**(d)** 1, 2 and 3

**Answer:** B

**Explanation:**

- Forex Reserves include not only foreign currency assets but also gold reserves, SDRs, and RTP with the IMF.
- SDRs and RTP are explicitly mentioned as part of a country's Forex Reserves.
- The fixed currency regime involved pegging exchange rates to a basket of major world currencies, as regulated by the IMF.

**Source- TMH Indian Economy by Ramesh Singh**

2**. With reference to currency exchange rate regimes, consider the following statements:**
1. In a floating exchange rate regime, the value of a currency is determined by market forces without government intervention.
2. India follows a pure floating currency regime with no intervention from the Reserve Bank of India.
3. A managed exchange rate system blends features of both fixed and flexible exchange rate regimes.

Which of the statements given above is/are correct?
**(a)** 1 and 2 only
**(b)** 1 and 3 only
**(c)** 2 and 3 only
**(d)** 1, 2 and 3

**Answer:** B
**Explanation:**
- A floating exchange rate is determined by the market (demand and supply), with minimal or no government intervention.
- India does **not** follow a pure floating regime; it follows a **managed floating regime**, where RBI occasionally intervenes to reduce volatility.
- A managed exchange rate system is a **hybrid** of fixed and flexible regimes, involving occasional government interventions through policy tools or direct currency operations.

**Source- TMH Indian Economy by Ramesh Singh**

**3. With reference to India's exchange rate regime, consider the following statements:**
1. India adopted a dual exchange rate system in the financial year 1992–93.
2. In the dual exchange rate system, the market exchange rate influences the official exchange rate.
3. Under the fixed currency regime, exchange rates are determined in the foreign exchange market.

Which of the statements given above are correct?
**(a)** 1 and 2 only
**(b)** 2 and 3 only
**(c)** 1 and 3 only
**(d)** 1, 2 and 3

**Answer: A**
**Explanation:**
- India implemented the dual exchange rate system in 1992–93.
- In this system, the *market-based exchange rate* influences the *official exchange rate*.
- In a fixed currency regime, exchange rates are not determined by market forces but are administratively set.

**Source- TMH Indian Economy by Ramesh Singh**

4. **With reference to the concepts of Trade Balance and Trade Policy, consider the following statements:**
1. A positive trade balance indicates that the value of exports exceeds the value of imports in a financial year.
2. Trade policy governs both export and import activities of an economy.
3. Trade policy remains constant over time and is not influenced by global economic trends.

Which of the statements given above are correct?
**(a)** 1 and 2 only
**(b)** 2 and 3 only
**(c)** 1 and 3 only
**(d)** 1, 2 and 3

**Answer:** A
**Explanation:**
- A **positive trade balance** (also called a trade surplus) means exports > imports — favourable for the economy.
- Trade policy or **Exim Policy** regulates **both exports and imports**.
- Trade policy **does change** and is influenced by **global economic conditions** and the policies of trading partners.

**Source- TMH Indian Economy by Ramesh Singh**

5. **With reference to currency value changes in the foreign exchange market, consider the following statements:**
1. Depreciation of a currency occurs only under a floating exchange rate regime.
2. Devaluation refers to a market-driven fall in the value of a currency in the forex market.

Which of the statements given above is/are correct?
**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer: A**
**Explanation:**
- Depreciation occurs when the value of a domestic currency **falls due to market forces** like demand and supply, and this is possible **only under a floating exchange rate system**.
- **Devaluation** is **not market-driven**; it is an **official reduction** in the currency's value by the government or central bank, typically under a **fixed exchange rate** system.

**Source- TMH Indian Economy by Ramesh Singh**

6. **With reference to currency and asset valuation, consider the following statements:**

1. Revaluation refers to an official increase in the value of a domestic currency under a fixed exchange rate regime.
2. Appreciation of a domestic currency in the forex market can occur only under a managed exchange rate system.

Which of the statements given above is/are correct?

**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer:** A
**Explanation:**

- **Revaluation** is the **official increase** in a domestic currency's exchange rate by the government — it typically occurs under a **fixed exchange rate regime**.
- **Appreciation** is a **market-driven** increase in the value of a domestic currency under a **floating exchange rate regime**, not necessarily under a managed one. Managed regimes may allow appreciation, but it's not a necessity.

**Source- TMH Indian Economy by Ramesh Singh**

7. **With reference to India's external sector, consider the following statements:**

1. The Current Account records transactions such as exports, imports, interest payments, and remittances.
2. Unlike the Current Account, the Capital Account may show a surplus or deficit depending on capital inflows and outflows.

Which of the statements given above is/are correct?

**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer: A**
**Explanation:**

- The **Current Account** captures **current transactions** such as **exports, imports, remittances, and interest payments**, and can show a **surplus or deficit**.
- The **Capital Account** records **capital transactions** (like FDI, external borrowing, etc.), **but it does not show a surplus or deficit** as the Current Account does. It is treated as a balancing entry in the overall balance of payments.
  Source- TMH Indian Economy by Ramesh Singh

8. **With reference to Balance of Payments (BoP) and currency convertibility, consider the following statements:**
1. A BoP deficit always implies an unfavourable situation for an economy.
2. Full capital account convertibility allows unrestricted conversion of domestic currency into foreign currency for capital transactions.

Which of the statements given above is/are correct?
**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer: B**
**Explanation:**
- A negative or deficit BoP is **not necessarily unfavourable**. It becomes problematic **only if** the country **lacks sufficient forex reserves** to bridge the gap. Otherwise, it can be managed smoothly.
- **Full capital account convertibility** means the domestic currency can be **freely converted** into foreign currency for **capital transactions** like investments, loans, etc., without restrictions.

**Source- TMH Indian Economy by Ramesh Singh**

**9. With reference to exchange rate indices and IMF support mechanisms, consider the following statements:**
1. NEER represents the weighted average exchange rate of the rupee against the currencies of India's major trading partners.
2. REER adjusts NEER for inflation differentials, reflecting the real purchasing power of the rupee.
3. Under the Extended Fund Facility (EFF), IMF provides financial assistance without imposing any conditions on the borrowing country.

Which of the statements given above is/are correct?
**(a)** 1 and 2 only
**(b)** 2 and 3 only
**(c)** 1 and 3 only
**(d)** 1, 2 and 3

**Answer:** A
**Explanation:**
- NEER (Nominal Effective Exchange Rate) is the **weighted average** of exchange rates between the rupee and the currencies of India's major trading partners.
- REER (Real Effective Exchange Rate) is NEER adjusted for **inflation differentials**, showing the **real external value** of the rupee.
- EFF involves **conditional support** from the IMF, requiring **structural reforms** in the borrowing country's economy.

**Source- TMH Indian Economy by Ramesh Singh**

10. **With reference to the terms used in the foreign exchange market, consider the following statements:**
1. A hard currency is typically issued by countries with high and diversified exports that are critical for other nations.
2. A soft currency refers to the currency of an economy that is widely accepted and scarce in the global forex market.

Which of the statements given above is/are correct?
**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

Answer: A
Explanation:
- A **hard currency** is one with **high global credibility**, usually from economies with **strong, diversified exports** like tech, defence, and critical goods. Its demand is high and it is often **scarce** in global markets.
- A **soft currency** is the **opposite** of hard currency. It is **easily available** in domestic forex markets and is **not globally scarce or highly demanded**. For example, the Indian Rupee is a soft currency in India.

**Source- TMH Indian Economy by Ramesh Singh**

## Tax Structure in India

**1. With reference to the concepts of taxation, consider the following statements:**
1. The **incidence of tax** refers to the point where the tax is imposed.
2. The **impact of tax** refers to the point where the effect of the tax is felt.

Which of the statements given above is/are correct?
**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer:** (c) Both 1 and 2
**Explanation:**
- The incidence of tax is the point or event at which the tax is levied. It refers to the initial legal imposition of the tax — i.e., who is legally responsible for paying it to the government.
- The impact of tax is the after-effect, where the burden of the tax is ultimately borne. This could be by the same person on whom the tax is levied (in case of direct taxes) or passed on to someone else (as in indirect taxes).

**Source- TMH Indian Economy by Ramesh Singh**

2**. With reference to types of taxes, consider the following statements:**
1. Direct taxes have both incidence and impact on the same person.
2. Indirect taxes are characterized by a separation between the person on whom the tax is imposed and the one who ultimately bears the burden.

Which of the statements given above is/are correct?
**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer: (c) Both 1 and 2**
Explanation:
- In direct taxes, the person who is legally liable to pay the tax (incidence) is also the one who actually bears the financial burden (impact). *Example:* Income Tax — imposed on the earner, and they themselves pay it.
- In indirect taxes, the tax is levied on one party (like producers or sellers), but the cost is passed on to another party (usually consumers). *Example:* GST or Sales Tax — imposed on the seller, but paid by the consumer in the final price.

**Source- TMH Indian Economy by Ramesh Singh**

3**. With reference to methods of taxation, consider the following statements:**
1. Progressive taxation is considered pro-poor, as it imposes higher tax rates on higher income levels, typically through income slabs.
2. Regressive taxation imposes decreasing tax rates as the value or volume increases, which can end up burdening the poor more than the rich.
3. Proportional taxation applies a uniform tax rate regardless of income or production level and is widely adopted as the primary taxation method in modern democracies.

Which of the statements given above is/are correct?
**(a)** 1 and 2 only
**(b)** 2 and 3 only
**(c)** 1 and 3 only
**(d)** 1, 2 and 3

**Answer: (a) 1 and 2 only**
**Explanation:**
- Progressive taxation uses increasing tax rates for higher income levels. It aligns with the idea of taxing people based on affordability and is widely seen as equitable.
- In regressive taxation, the more you produce or earn, the lower the tax rate — this can place a **greater burden on low-income individuals or small producers**.
- While proportional taxes apply a uniform rate, **they are generally not used independently**. Instead, they serve as a complementary method to cap extremes of progressive or regressive taxation. It is *not* the most popular or primary method in modern democracies.

**Source- TMH Indian Economy by Ramesh Singh**

4. **With reference to the principles of a good tax system, consider the following statements:**
1. Fairness in taxation includes both horizontal equity and vertical equity.
2. A tax that simultaneously raises revenue and promotes social welfare is said to provide a double dividend.
3. A rigid tax structure with minimal scope for change ensures better tax compliance and thus is a key trait of an ideal tax system.

Which of the statements given above is/are correct?
**(a)** 1 and 2 only
**(b)** 2 and 3 only
**(c)** 1 and 3 only
**(d)** 1, 2 and 3

**Answer: (a) 1 and 2 only**
**Explanation:**
- **Fairness in taxation includes both horizontal equity and vertical equity.** *Horizontal equity* means equal treatment for equals (similar taxpayers should pay similar taxes). *Vertical equity* means those who are better off should pay more — core to progressive taxation.
- Taxes on smoking, pollution, etc., generate revenue *and* reduce harmful behavior — this dual benefit is referred to as the **double dividend**.
- A good tax system must have **flexibility**, i.e., the capacity to adapt or be modified as needed. Rigidity is **not** a desirable feature.

**Source- TMH Indian Economy by Ramesh Singh**

5. **With reference to the methods of government expenditure, consider the following statements:**
1. Progressive expenditure refers to increasing government spending with rising development needs and sectoral demands.
2. Most economies adopt proportional expenditure patterns to ensure neutrality across all income groups.

Which of the statements given above is/are correct?
**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer: (a) 1 only**
**Explanation:**
- Progressive expenditure aligns with rising needs as a country develops — more spending is required on health, education, infrastructure, etc.
- **Progressive expenditure** is preferred and is commonly adopted along with **progressive taxation**. Proportional expenditure is not cited as the dominant model.

**Source- TMH Indian Economy by Ramesh Singh**

6**. With reference to Value Added Tax (VAT), consider the following statements:**
1. VAT is a multi-point tax collected at each stage of value addition, thereby avoiding the cascading effect of taxation.
2. Unlike VAT, non-VAT tax systems collect taxes only at the final point of sale, thereby reducing tax burden at earlier stages of production.

Which of the statements given above is/are correct?
**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer: (a) 1 only**
**Explanation:**
- VAT is imposed at every stage of production and distribution where value is added. Since credit is given for input taxes already paid, it **prevents tax-on-tax**, eliminating the **cascading effect**.
- Non-VAT systems often use **single-point taxation**, but this is usually **at the initial or intermediary stages**, not just at the final sale. Moreover, they **can** create a cascading effect because tax is levied again without credit for earlier payments.

**Source- TMH Indian Economy by Ramesh Singh**

7**. With reference to the Goods and Services Tax (GST) in India, consider the following statements:**
1. GST is based on the Value Added Tax (VAT) method and inherits its key benefits such as avoiding the cascading effect.
2. GST replaced only central indirect taxes like service tax and CENVAT, while state-level taxes remained outside its ambit.

Which of the statements given above is/are correct?
**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer: (a) 1 only**
**Explanation:**
- GST is a **VAT-based tax**, applied at multiple stages of value addition, and it **prevents cascading of taxes** by providing input tax credit.
- GST subsumed both **central and state** taxes.
  - **Central Taxes merged:** CENVAT, service tax, etc.
  - **State Taxes merged:** State excise, VAT/sales tax, octroi, entry tax, luxury tax, etc.

**Source- TMH Indian Economy by Ramesh Singh**

**8. With reference to Capital Gains Tax in India, consider the following statements:**

1. Assets held for less than 36 months are usually treated as short-term, but for immovable property, the limit is 24 months.
2. Listed equity shares and equity mutual funds become long-term if held for more than 12 months.

**Which of the statements given above is/are correct?**

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**Answer: (c) Both 1 and 2**

Explanation:

- For most assets, if held for less than 36 months, the gain is considered short-term. However, for immovable property (like land or buildings), this period is 24 months.
- Equity shares and equity-oriented mutual funds are classified as long-term capital assets if held for more than 12 months.

**Source- TMH Indian Economy by Ramesh Singh**

9**. With reference to the Minimum Alternate Tax (MAT) in India, consider the following statements:**

1. MAT was introduced to ensure that companies with high book profits but zero taxable income under the Income Tax Act still pay a minimum amount of tax.
2. MAT is not applicable to any income earned from life insurance enterprises.

Which of the statements given above is/are correct?

**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer: (c) Both 1 and 2**
**Explanation:**

- MAT targets **"zero tax" companies** that show **book profits** under the Companies Act but avoid tax liability under the Income Tax Act due to deductions and exemptions.
- MAT does not apply to any income earned from life insurance enterprises, according to Section 115JB(5A).

**Source- TMH Indian Economy by Ramesh Singh**

10**. With reference to the functions and mechanisms associated with the Finance Commission (FC) in India, consider the following statements:**

1. The concept of the **Divisible Pool** excludes surcharges and cesses levied for specific purposes.
2. The Finance Commission's **grants-in-aid** are meant to address both vertical and horizontal fiscal imbalances among states.

Which of the statements given above is/are correct?

**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer: (c) Both 1 and 2**

Explanation:

- The **Divisible Pool** includes all Union taxes **except** surcharges and cesses levied for specific purposes under Article 271.
- While **tax devolution** addresses horizontal imbalances, **grants-in-aid** help bridge revenue deficits (gap-filling grants), tackle special problems, and support local bodies — thus addressing both **vertical** and **horizontal** imbalances.

## Industry & Infrastructure

**1. With reference to India's first Industrial Policy announced in 1948, consider the following statements:**

1. It introduced the concept of a mixed economy in India.
2. The private sector was completely excluded from industrial development.

**Which of the statements given above is/are correct?**

A. 1 only
B. 2 only
C. Both 1 and 2
D. Neither 1 nor 2

**Answer: A**
**Explanation:**

- The 1948 Industrial Policy explicitly declared India would follow a **mixed economy model**, balancing public and private sector roles.
- The private sector was **not excluded**; many industries were left open for private investment, though some required licensing.
- The policy had a built-in **10-year review clause**, marking a forward-looking approach.

Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh

2. With reference to the New Industrial Policy of 1991, consider the following statements:

1. It abolished industrial licensing for most industries, thereby reducing state control over the industrial sector.
2. It promoted foreign investment by encouraging both Foreign Direct Investment (FDI) and Portfolio Investment Scheme (PIS).

**Which of the statements given above is/are correct?**

A. 1 only
B. 2 only
C. Both 1 and 2
D. Neither 1 nor 2

**Answer: C**
**Explanation:**

- The policy drastically reduced the number of industries requiring compulsory licenses, thereby **dismantling the License Raj** and limiting state control.
- For the first time, India actively **encouraged foreign investment** through **FDI** (e.g., Enron, Coca-Cola) and later through the **Portfolio Investment Scheme** (PIS) introduced in 1994 for foreign institutional investors.

Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh

**3.** With reference to the **Industrial Policy Statement of 1969**, consider the following statements:
1. The policy was introduced to address the shortcomings of the industrial licensing system initiated in 1956.
2. Under the MRTP Act, companies with assets above ₹25 crore had to seek prior government approval for expansion and takeovers.
3. The MRTP Commission was set up to promote private sector investment and facilitate mergers among large firms.

**Which of the statements given above is/are correct?**
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

**Answer: A**
**Explanation:**
- The 1969 policy aimed to reform the issues caused by the earlier 1956 licensing policy.
- The MRTP Act mandated that firms with assets above ₹25 crore (initially) must obtain government permission for expansion or takeovers.
- The MRTP Commission was established to **curb monopolistic and restrictive trade practices**, not to promote private sector investment or facilitate mergers.

Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh

**4.** With reference to Disinvestment in India, consider the following statements:
1. Disinvestment has been used as a tool for public sector reforms.
2. It was initiated solely to reduce the fiscal deficit through non-tax revenue generation.

Which of the statements given above is/are correct?
**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer:** A
**Explanation:**
- Disinvestment has been used as a tool for public sector reforms, aimed at improving efficiency and promoting private sector participation.
- While resource generation was one of the motivations, disinvestment was also linked to broader economic reforms and de-reservation of industries, not solely fiscal deficit reduction.

Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh

**5.** Disinvestment in India is associated with which of the following broader policy initiatives?
1. De-reservation of industries
2. Economic liberalization of the 1990s
3. Increasing government control over strategic sectors

Select the correct answer using the code given below:
**(a)** 1 and 2 only
**(b)** 2 and 3 only
**(c)** 1 and 3 only
**(d)** 1, 2 and 3

**Answer:** A
**Explanation:**

- Disinvestment is closely linked to de-reservation of industries and economic reforms of 1991, both aimed at liberalizing the economy.
- Disinvestment implies *reducing* government control, not increasing it, especially in non-strategic sectors.

Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh

6. With reference to the types of disinvestment in India, consider the following statements:
1. Token disinvestment generally involved sale of a small percentage of government equity without transferring ownership or control.
2. Strategic disinvestment requires the government to retain a minimum of 51% stake in the Public Sector Enterprise.

Which of the statements given above is/are correct?
**(a)** 1 only
**(b)** 2 only
**(c)** Both 1 and 2
**(d)** Neither 1 nor 2

**Answer:** A
**Explanation:**
- Token disinvestment involved selling only 5–10% shares, retaining ownership and control with the government.
- Strategic disinvestment **reduces** the government's stake to **26% or even below**, with **at least 51% sold to a strategic partner** along with transfer of management control.

Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh

7. Which of the following features are associated with **Strategic Disinvestment** in India?
1. Transfer of management control to a strategic partner.
2. Sale of minority stake to raise fiscal resources without changing ownership.
3. Selection of strategic partners with global expertise and experience in the sector.
4. Retention of majority government holding in all profit-making PSUs.

Select the correct answer using the code given below:
**(a)** 1 and 3 only
**(b)** 2 and 4 only
**(c)** 1, 2 and 3 only
**(d)** 1, 3 and 4 only

**Answer:** A
**Explanation:**
- Strategic disinvestment includes transfer of management control.
- This describes **token disinvestment**, not strategic.
- Strategic partners are selected for their global expertise and experience.
- Majority holding is retained **only in strategic sectors**, not all profit-making PSUs.

Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh

**8. With reference to the Industrial Policy Statement of 1973, consider the following statements:**

1. The policy introduced the classification of core industries, which later came to be known as basic or infrastructure industries.
2. The concept of joint sector industries was introduced, allowing partnerships between the Centre, State, and private sector.
3. The policy fully liberalised foreign investment and removed restrictions on multinational corporations (MNCs).

**Which of the statements given above is/are correct?**

**(a) 1 and 2 only**

**(b) 2 and 3 only**

**(c) 1 and 3 only**

**(d) 1, 2 and 3**

Answer: A

Explanation:

- The 1973 policy introduced the term "core industries", which included key sectors like steel, coal, crude oil, etc., and these later came to be known as basic/infrastructure industries.
- The joint sector concept was introduced to promote industrial units through partnerships between Centre, State, and private players, with the government having the option to exit in the future.
- While the policy allowed limited foreign investment and permitted MNC subsidiaries, it did not fully liberalise foreign investment. In fact, the FERA Act (1973) placed strict controls on foreign exchange and investment, hampering industrial growth.

Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh

**9.** With reference to the **Industrial Policy Statement of 1977**, consider the following statements:

1. The policy promoted decentralised industrialisation and emphasised the development of small and cottage industries through District Industries Centres (DICs).
2. It encouraged foreign investment, especially in sectors lacking capital or technology.
3. Khadi and village industries were restructured in alignment with democratic decentralisation principles.

**Which of the statements given above is/are correct?**

(a) 1 and 2 only

(b) 1 and 3 only

(c) 2 and 3 only

(d) 1, 2 and 3

Answer: B

Explanation:

- The 1977 policy strongly supported **decentralised industrialisation**, and **District Industries Centres (DICs)** were established to promote **small and cottage industries** across districts.
- Contrary to the 1973 policy, the **1977 policy discouraged foreign investment**, especially in non-essential areas, reflecting a **Gandhian-socialist approach**.
- The policy restructured **khadi and village industries** in line with the broader goal of **democratic decentralisation** and mass participation in industrialisation.

Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh

10. With reference to the **Industrial Policy Resolution of 1980**, consider the following statements:
1. It re-allowed foreign investment through technology transfer, continuing the liberal approach seen in the 1973 policy.
2. It abolished the MRTP limit to encourage the unrestricted expansion of large industrial houses.
3. The policy continued the establishment of District Industries Centres (DICs) and simplified industrial licensing procedures.

**Which of the statements given above is/are correct?**
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

**Answer: C**
**Explanation:**
- The 1980 policy **re-allowed foreign investment via technology transfer**, restoring the approach followed in the **1973 policy**.
- The **MRTP limit was not abolished**; it was **revised upward to ₹50 crore**, not removed entirely.
- The **DICs (District Industries Centres)** continued, and **industrial licensing was simplified**, indicating a more **liberal approach** towards private sector growth.

Source- 11th NCERT: Economics: Indian Economic Development and TMH Indian Economy by Ramesh Singh

## Agriculture

**1. With reference to the cropping seasons in India, consider the following statements:**
1. Kharif crops are grown during the South-West Monsoon season from July to October.
2. The terms 'Kharif' and 'Rabi' are also used in Pakistan and Bangladesh.
3. Rabi crops include rice, maize, and cotton.

**Which of the statements given above is/are correct?**
**(a)** 1 and 2 only
**(b)** 2 and 3 only
**(c)** 1 and 3 only
**(d)** 1, 2 and 3

**Answer: A**
**Explanation:**
- Kharif crops are grown from July to October during the South-West Monsoon.
- Pakistan and Bangladesh also use the terms 'Kharif' and 'Rabi'.
- Rice, maize, and cotton are **Kharif crops**, not **Rabi crops.**

Source- 12th NCERT: Economics: Macroeconomics and TMH Indian Economy by Ramesh Singh

2. With reference to the Zamindari Abolition Act 1950, consider the following statements:
1. It abolished the rights of Zamindars and Jagirdars and prohibited further acquisition of land.
2. Compensation was provided to the affected landowners after the abolition of intermediary tenures.
3. The Act provided for the redistribution of land equally among all landless laborers.

**Which of the statements is/are correct?**

a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

**Answer:** A

Explanation:

- The **Zamindari Abolition Act of 1950** ended the rights of **Zamindars and Jagirdars** and banned further land acquisition by intermediaries.
- It also **provided compensation** to affected landowners, respecting their prior legal status.
- However, the Act **did not mandate equal land redistribution** among all landless laborers — that objective was addressed later through **land ceiling and redistribution laws**.

Source- 12th NCERT: Economics: Macroeconomics and TMH Indian Economy by Ramesh Singh

3. With reference to the Green Revolution in India, consider the following statements:
1. It was initially focused on wheat, followed by rice.
2. It was implemented uniformly across all Indian states.
3. It required the development of extensive credit and marketing infrastructure.

**Which of the statements is/are correct?**

a) 1 and 2 only
b) 1 and 3 only
c) 2 and 3 only
d) 1, 2 and 3

**Answer:** B

Explanation:

- The Green Revolution in India began in the **early 1960s**, with a primary focus on **wheat production**. The high-yielding variety (HYV) seeds developed by **Norman Borlaug** were first used for wheat. Only in the **next decade** (1970s) was the strategy extended to **rice cultivation**.
- The Green Revolution was **not implemented uniformly** across India. The **main beneficiaries** were **Punjab, Haryana, and western Uttar Pradesh**, where conditions such as assured irrigation, fertile soils, and access to credit and markets supported the intensive agricultural model. Other states did not benefit equally.
- The Green Revolution required **affordable credit due to the high cost of inputs like HYV seeds and fertilizers**. Rapidly rising production also **demanded improved storage, transport, and marketing systems** to distribute surplus to deficit areas.

Source- 12th NCERT: Economics: Macroeconomics and TMH Indian Economy by Ramesh Singh

4. With reference to Green Revolution 2.0 in India, consider the following statements:
1. It aims to reduce dependence on chemical fertilizers by promoting precision agriculture and drip irrigation.
2. It seeks to diversify the energy mix in agriculture by promoting fossil fuels as a clean energy source.
3. Leveraging digital technologies like remote sensing and real-time data platforms is a key feature.

**Which of the statements given above is/are correct?**

a) 1 and 3 only
b) 2 and 3 only
c) 1 and 2 only
d) 1, 2 and 3

**Answer: A**
**Explanation:**
- Green Revolution 2.0 promotes **precision agriculture** and **water-saving technologies** like **drip irrigation** to optimize resource use and reduce dependency on chemical inputs.
- It seeks to **reduce reliance on fossil fuels**, not promote them. The focus is on **renewables** like **solar, wind, hydro**, and **green hydrogen** for sustainable energy use in agriculture.
- **Digital tools** such as **remote sensing**, **satellite imagery**, and **real-time data platforms** are essential components of Green Revolution 2.0 to improve agricultural efficiency and resilience.

Source- 12th NCERT: Economics: Macroeconomics and TMH Indian Economy by Ramesh Singh

5. With reference to the Farm Distress Index (FDI), consider the following statements:
1. The FDI is designed to function as an early warning system for farmer distress, offering alerts up to three months in advance.
2. It includes psychological and environmental factors among its key parameters.
3. The FDI has been fully implemented across all districts in India since 2022.

**Which of the statements given above is/are correct?**

a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Answer: A
Explanation:
- The **Farm Distress Index (FDI)** is intended as an **early warning system**, capable of providing **alerts three months in advance** to stakeholders for preventive action.
- FDI includes **seven key parameters**, among which are **psychological factors** and **exposure to risk** (which includes climate variability), making it a **multidimensional tool**.
- FDI has **not been implemented nationwide**. As per the PIB release, it was a **pilot study conducted only in Telangana and Andhra Pradesh** during 2020–21 and 2021–22. Hence, it is not yet available for the entire country.

Source- 12th NCERT: Economics: Macroeconomics and TMH Indian Economy by Ramesh Singh

6. With reference to the Food Corporation of India (FCI), consider the following statements:
1. It was established under the Food Corporation's Act, 1964.
2. FCI is responsible for maintaining both operational and buffer stocks of foodgrains.
3. Its role is limited to procurement and does not include foodgrain distribution.

**Which of the statements given above is/are correct?**

a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Answer: A
Explanation:
- The **Food Corporation of India (FCI)** was created under the **Food Corporations Act, 1964**, as part of India's food policy framework.
- FCI plays a key role in **maintaining operational and buffer stocks** of foodgrains to ensure food security and stabilize supply during crises.
- FCI is **not limited to procurement**; it is also responsible for **distribution of foodgrains** through the **Public Distribution System (PDS)** and welfare schemes.

Source- 12th NCERT: Economics: Macroeconomics and TMH Indian Economy by Ramesh Singh

7. With reference to the Open Market Sale Scheme (OMSS) undertaken by the Food Corporation of India (FCI), consider the following statements:
1. The scheme aims to enhance market supply of foodgrains and moderate open market prices.
2. Under OMSS, wheat is sold at prices lower than the Minimum Support Price (MSP) to attract buyers.
3. OMSS also helps in offloading surplus stock of foodgrains maintained by FCI.

**Which of the statements given above is/are correct?**

a) 1 and 2 only
b) 1 and 3 only
c) 2 and 3 only
d) 1, 2 and 3

Answer: B
Explanation:
- OMSS is designed to **increase the supply of foodgrains in the market**, thereby **moderating prices** and improving availability.
- As per the government policy, **reserve prices are kept above the MSP**, but **below the economic cost**, to prevent distortion in the harvest season while still making FCI stocks competitive. Thus, **wheat is not sold below MSP.**
- OMSS serves to **offload surplus stocks** of wheat or other foodgrains that FCI holds beyond the buffer norm.

Source- 12th NCERT: Economics: Macroeconomics and TMH Indian Economy by Ramesh Singh

8. With reference to Operation Greens, consider the following statements:
1. It is implemented by the Ministry of Agriculture and Farmers Welfare.
2. The scheme includes both short-term interventions like transport subsidies and long-term projects like value chain infrastructure.
3. One of its objectives is to protect farmers from distress sale and enhance value realization.

**Which of the statements given above is/are correct?**

a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

**Answer: B**
**Explanation:**
- *Operation Greens* is implemented by the **Ministry of Food Processing Industries**, not the Ministry of Agriculture and Farmers Welfare.
- The scheme involves both **short-term measures** (like transport and storage subsidies) and **long-term interventions** (like grants for integrated value chain and post-harvest infrastructure projects).
- One of the key goals of the scheme is to **prevent distress sale** by farmers and **improve value realization** through better processing and supply chain systems.

Source- 12th NCERT: Economics: Macroeconomics and TMH Indian Economy by Ramesh Singh

9. With reference to the Price Stabilization Fund (PSF), consider the following statements:
1. It was initially established under the Department of Consumer Affairs in 2014-15.
2. The PSF aims to moderate price volatility of agri-horticultural commodities such as onions, potatoes, and pulses.
3. The scheme involves creation of buffer stock to be released in a calibrated manner in the market.

**Which of the statements given above is/are correct?**

a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

**Answer: B**
**Explanation:**
- The **Price Stabilization Fund** was initially set up in **2014–15 under the Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW)**, not under the Department of Consumer Affairs. It was **transferred to DOCA only in 2016**.
- PSF is specifically meant to **moderate price volatility** in **perishable agri-horticultural items** such as **onions, potatoes, and pulses**.
- The fund facilitates **creation of buffer stocks**, which are **strategically released** into the market to stabilize prices.

Source- 12th NCERT: Economics: Macroeconomics and TMH Indian Economy by Ramesh Singh

10. With reference to the National Cooperative Consumers Federation of India (NCCF), consider the following statements:
1. It is registered under the Multi-State Co-operative Societies Act, 2002.
2. It functions under the Ministry of Consumer Affairs, Food and Public Distribution.
3. The current sanctioned strength of its Board of Directors is 25.

**Which of the statements given above is/are correct?**

a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

**Answer: A**

**Explanation:**

- NCCF is **registered under the Multi-State Co-operative Societies Act, 2002**.
- It operates under the **Ministry of Consumer Affairs, Food and Public Distribution**.
- The **sanctioned strength of the Board of Directors is 21**, **not 25**.

Source- 12th NCERT: Economics: Macroeconomics and TMH Indian Economy by Ramesh Singh