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Answers Key:

ANSWER THE FOLLOWING IN DETAILS

1.

S.No	Internal Trade	International Trade
1	Trade takes place between different individual and firms within the same nation.	Trade takes place between different individual and firms in different countries.
2	Labour and capital move freely from one region to another.	Labour and capital do not move easily from one nation to another.
3	Free flow of goods and services since there are no restrictions.	Goods and services do not easily move from one country to another because of tariff and quota.
4	There is only one common currency.	There are different currencies.
5	Physical and geographical conditions of a country are similar.	There are differences in physical and geographical conditions of the two countries.
6	Trade and financial regulations are same.	Trade and financial regulations, interest rate, trade laws differ between countries.
7	No difference in political affiliations, customs and habits of the people and government policies.	There are lot of differences in political affiliation, habits, customs of the people and government policies.

2. **Introduction**

1. Modern theory of international trade was developed by Heckscher and Bertil Ohlin.
2. This theory says that basis for international trade is the differences in factor endowments.
3. So this theory is also called Factor Endowment Theory.

Theory

1. International differences in comparative costs is due to:
(i) Difference in the endowments of factors of production between countries.
(ii) Differences in the factor proportions required in production.

Assumptions

1. There are two countries, two commodities, two factors (2 x 2 x 2 model).
2. Countries differ in factor endowments.
3. Commodities are categorized in terms of factor intensity.
4. Countries use same production technology.
5. Countries have identical demand conditions.
6. There is perfect competition in product and factor markets in both the countries.

Explanation

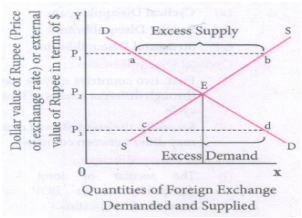
1. According to Heckscher-Ohlin, "a capital abundant country will export the capital intensive goods, while labour abundant country will export the labour intensive goods".
2. A factor is regarded abundant or scarce in relation to the quantum of other factors.
3. A country is richly endowed with capital only if the ratio of capital to other factors is higher than other countries.

Particulars India America Supply of Labour 50 24 Supply of Capital 40 30 Capital-Labour Ratio 40/50 = 0.8 30/24 = 1.25 4. Even though India has more capital (40) compared to America (30) in absolute terms, yet America is more richly endowed with capital because the ratio of capital in India is 0.8 which is less than that in America (1.25).

Criticism

1. Factor endowment of a country may change over time.
2. The efficiency of the same factor (labour) may differ in the two countries.

3. (i) The equilibrium rate of exchange is determined in the foreign exchange market according to the general theory of value, by the interaction of demand and supply,
(ii) Y axis represents exchange rate, be cos value of rupee in terms of dollars
(iii) X axis represents demand and supply of forex.
(iv) E is the equilibrium point where DD intersects SS. The exchange rate is P_2.



4. (i) To promote international monetary cooperation among the member nations.
(ii) To facilitate faster and balanced growth of international trade.
(iii) To ensure exchange rate stability by curbing competitive exchange depreciations.
(iv) To reduce exchange controls imposed by member nations.
(v) To establish multilateral trade and payment system in respect of current transactions.
(vi) To promote the flow of capital from developed to developing nations.
(vii) To solve the problem of international liquidity.

5. **Introduction:**
1. India is the founding member of the WTO.
2. India favours multilateral trade approach and enjoys MFN status.
3. India benefited from WTO on following grounds:
4. By reducing tariff rates on raw materials, components and capital goods, it was able to import more for meeting her developmental needs.
5. India's imports go on increasing.
6. India gets market access in several countries without any bilateral trade agreements.
7. Advanced technology has been obtained at cheaper cost.
8. India is in a better position to get quick redressal from the trade disputes.
9. Indian exporters benefited from wider market information.

6. **(a) SAARC**
Introduction:
1. The South Asian Association for Regional Co-operation is an organisation of South Asian nations which was established on 8th Dec 1985 for the promotion of economic and social progress, cultural development within the South Asia region and also for friendship and co-operation with other developing countries.
Members:
1. The SAARC Group comprises Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan Sri Lanka and Afghanistan.
2. The SAARC Secretariat is in Kathmandu.
3. The first SAARC summit was held at Dhaka in the year 1985 and at Srilanka in 2018.
4. SAARC meets once in 2 years.
Objectives:
1. To promote the welfare and improve the quality of life of the people of South Asia.
2. To accelerate economic growth, social progress and cultural development.
3. To promote and strengthen collective self-reliance among member countries.
4. To contribute to mutual trust, understanding and appreciation of one another's problems.
5. To promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields.
6. To strengthen co-operation with other developing nations and among themselves, in international forums on matters of common interest.
7. To cooperate with international and regional organisations with sinmilar aims.
Achievements
1. The establishment of SAARC Preferential Trading Agreement (SAPTA) and reduction in tariff and non-tariff barriers on imports.
2. The setting up of Technical Committees for economic co-operation among SAARC countries relating to agriculture, communication, education, health, population, science, technology, tourism.
3. It has established a three-tier mechanism for exchanging information on poverty reduction programmes.
4. SAARC Agricultural Information Centre in 1988 works as a central information institution for agriculture related resources like fisheries, forestry.
5. South Asian Development Fund for development projects, human resource development and infrastructural development projects.
(b) BRICS
Introduction
1. BRICS is the acronym for an association of Brazil, Russia, India, China and South Africa.
2. It's headquarters is at Shanghai, China.
3. The New Development Bank formerly called BRICS Development Bank was established by BRICS States.
Objectives:
1. To increase trade co-operation by making an exclusive trade block.
2. To use currency other than US Dollar.
3. To increase regional co-operation.
4. To create a separate trade block for developing countries.
Functions:
1. It promotes a more legitimate international system and also advocates reform of the UN Security Council.
2. It is an agent to bridge the increasing gap between developed and developing countries.
3. It assists developing countries in gaining in areas such as an advantage in trade and climate change negotiations.
4. It disseminates information and exchange platform beyond economic co-operation.
5. It acts as a catalytic in protecting the interests of middle powers on global forum.

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Achievements:

1. The establishment of the Contingent Reserve Arrangement has deepened and consolidated the partnership of its members in the economic financial area.
2. In the sixth BRICS summit in Brazil, the member countries, signed an agreement to create a development bank.
3. The economic potential and demographic development are putting the BRICS countries, increasingly in a leading position in setting the global agenda and having a greater say in the global governance.

Conclusion:

4. BRICS share 43 % of world population, but only 21 % of the global GDP.

7. **Wider Coverage**

(i) All consumers have to pay indirect taxes, but only 2 % pay direct tax.

Equitable

(i) It satisfies the canon of equity when higher tax is imposed on luxuries used by the rich.

Economical

(i) Cost of collection is less as producers and retailers collect tax and pay to government.
(ii) The traders act as honorary tax collectors.

Checks harmful consumption

(i) Government imposes indirect taxes on goods which are harmful to health e.g. tobacco, liquor.

Convenient

(i) Indirect taxes are levied on goods and services.
(ii) When consumers buy, they pay tax along with the price.
(iii) So, they do not feel the pinch of paying tax.

8. Budget deficit is a situation where budget receipts are less than budget expenditures. This situation is also known as government deficit. The Indian Government budget refers. The Budget deficit is of four major types.

(1) Revenue Deficit
(2) Budget Deficit
(3) Fiscal Deficit and
(4) Primary Deficit

(1) Revenue Deficit:

(i) It refers to the excess of the government revenue, expenditure over revenue receipt.
(ii) It doesn't consider capital receipts and capital expenditure.
Revenue Deficit (RD) = Total Revenue Expenditure (RE) - Total Revenue Receipts.
(2) Budget Deficit:
(i) Budget deficit is the difference between total receipts and total expenditure.
Budget deficit = Total Expenditure - Total Revenue

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(3) Fiscal Deficit:

Fiscal Deficit (FD) = Budget deficit + Government's market borrowings and liabilities.

(4) Primary Deficit:

(i) It is equal to fiscal deficit minus interest payments.
(ii) It reflects the borrowing requirement of the government exclusive of interest payments.
Primary Deficit (PO) = Fiscal Deficit (PO) - Interest Payments (IP)

9. **Introduction:**

1. Externality refers to external effects or spillover effects resulting from production or consumption on the third parties.

Definition:

1. It may be defined as "the cost or benefit imposed by the consumption and production activities of the individuals on the rest of the society not directly involved in these activity and towards which no payment is made".

Types:

1. Beneficial externalities are called "positive externalities".
2. Adverse externalities are called "negative externalities".

Positive Consumption Externality

1. When some residents of a locality hire a private security agency to patrol their area, the other residents of the area also benefit from better security without bearing cost.

Negative Consumption Externality

1. A person smoking cigarette gets satisfaction but this act causes dissatisfaction to the non-smokers who are driven to passive smoking.

Positive Production Externality

1. The ideal location for beehives is orchards.
2. While bees make honey, they also help in the pollination of apple blossoms.
3. The benefits. accrue to both producers (honey and apple).
4. This is called reciprocal untraded interdependency.

Negative Production Externality

1. They include pollution generated by a factory that imposes costs on others.
2. The emissions and effluents of a factory cause air and water pollution.
3. Water becomes contaminated and unfit for drinking (e.g.) Tanneries.
4. The innocent community bears the external cost for which it is not compensated.

10. **Introduction:**

(i) Sustainable development is concerned with the welfare of the present and future generation.

(ii) It aims at satisfying the luxury wants of the rich and the basic necessities of the poor.

Definition:

(i) Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Goals:

(i) It is crucial to harmonize three core elements such as economic growth, social inclusion and environmental protection.

(ii) A set of 17 goals for the world's future can be achieved before 2030 with three unanimous principles fixed by United Nations such as Universality, Integration and Transformation.

1) End poverty in all its forms everywhere.
2) End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
3) Ensure healthy lives and promote wellbeing for all at all ages.
4) Ensure inclusive and quality education for all and promote lifelong learning.
5) Achieve gender equality and empower women and girls.
6) Ensure access to water and sanitation for all.
7) Ensure access to affordable, reliable, sustainable and modern energy for all.
8) Promote inclusive and sustainable economic growth, employment and decent work for all.
9) Build resilient infrastructure, promote, sustainable industrialization and foster innovation.
10) Reduce inequality within and among countries.
11) Make cities inclusive, safe, resilient and sustainable.
12) Ensure sustainable consumption and production pattern.
13) Take urgent action to combat climate change and its impacts
14) Conserve and sustainably use the oceans, seas and marine resources.
15) Sustainably manage forests, combat desertification, stop and reverse land degradation, stop biodiversity loss.
16) Promote just, peaceful and inclusive societies.
17) Revitalize the global partnership for sustainable development.

11. 1. Short-term (controlling plans or annual plans) for a period of one year (operation).
2. Medium term plans last 3-7 years but normally 5 years. Related to allocation of financial and physical resources (tactical planning).
3. Long-term (perspective or strategic plans) for 10 to 30 years: To bring structural changes in the economy.
4. Financial planning refers to the technique of planning in which resources are allocated in terms of money
5. Physical planning refers to allocation of resources in terms of men, materials and machinery.
6. Comprehensive plan concerns with the major issues for the whole economy.
7. Partial plan considers only the few important sectors of the economy.

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Democratic planning:

1. Planning within democracy.
2. People are associated at every step in the formulation and implementation of the plan.
3. The plan prepared by the Planning Commission can be accepted, rejected or modified by the Parliament.

Totalitarian planning:

1. There is central control and direction of all economic activities.
2. Consumption, production, exchange, and distribution are all controlled by the state.
3. The planning authority decides the target, schemes, allocations, methods and procedures of implementation of the plan.

Centralized planning:

1. The entire planning in under a central planning authority.
2. This authority formulates a central plan, fixes objectives, targets and priorities for every sector.
3. It is planning from above.

Decentralized planning

1. Local organizations and institutions formulate, adopt, execute and supervise the plan.
2. It is called planning from below.

Planning by Direction:

1. There is a central authority which plans, directs and orders the execution of the plan in accordance with pre-determined targets and priorities.

Planning by inducement

1. People are induced to act in a certain way through various monetary and fiscal measures.
2. If the planning authority wishes to encourage the production of a commodity, it can give subsidy to the firms.

Indicative planning:

1. It has been in practice in France since the Monnet Plan of 1947 and in mixed economies.
2. The outline of plan is prepared by the Government.
3. It is discussed with the representatives of private management, trade unions, consumer groups, and experts.
4. The essential function of planning is co-ordination of different economic units.
5. The state provides all facilities to the private sector.
6. The private sector fulfill the targets and priorities.
7. The state does not force the private sector but just indicates the areas of operation and targets to be fulfilled.

Imperative planning (China and Russia):

1. The state is all powerful in preparation and implementation of the plan.
2. The implementation is a matter of enforcement. Policies arc rigid.
3. There is complete control over the entire resources by the state. There is no consumer sovereignty.

12. **Introduction:**

(i) Planning may retard private initiatives, hamper freedom of choice, involve huge cost of administration and stop automatic adjustment of price

mechanism.

(i) Loss of freedom

1. Regulations and restrictions are the backbone of a planned economy.
2. Economic freedom consists of freedom of consumption, freedom of choice of occupation, freedom to produce and the freedom to fix prices for the products.
3. Under planning, crucial decisions are made by the Central Planning Authority.
4. The consumers, producers and the workers enjoy no freedom of choice.
5. Hayek in his book 'Road to Serfdom' explains that centralized planning leads to loss of personal freedom and ends in economic stagnation.

(ii) Elimination of Initiative

1. Planning follows routine proocedure and may cause stagnation in growth.
2. Absence of private ownership and profit discourages entrepreneurs from risk taking.
3. Attractive profit is the incentive for searching new ideas, new methods.
4. All enjoy equal reward under planned economy irrespective of their effort, efficiency.
5. So, nobody is interested in undertaking new and risky ventures.
6. The bureaucracy and red tapism cause procedural delay and time loss.
7. So, even socialist countries like Russia and China offer incentives to private firms.

(iii) High cost of Management

1. Plan formulation and implementation involve an army of staff for data collection and administration.
2. Lewis remarks, "The better we try to plan, the more planners we need".
3. Inadequate data, faulty estimations and improper implementation of plans result in wastage of resources and cause either surplus or shortages.

(iv) Difficulty in advance calculations

1. Advance calculations in a precise manner is impossible with regard to consumption and production.
2. It is also difficult to put the calculations into practice under planning.

Conclusion

1. The arguments against planning are mostly concerned with centralized and totalitarian planning.

13. **Nature of Statistics**

(i) Different Statisticians and Economists differ in views about the nature of statistics.
(ii) Some call it a science and some say it is an art
(iii) Tippet considers Statistics both as a science as well as an art.

Scope of statistics

(i) Statistics is applied in every sphere of human activity social and physical.

Statistics and Economics

(i) Statistical data and techniques are immensely useful in solving many economic problems.

Statistics and Firms

(i) Statistics is used in many firms to find whether the product is conforming to specifications or not.

Statistics and Commerce

(i) Market survey helps to find the present conditions and to forecast the likely changes in future.

Statistics and Education

- Statistics is necessary for the formulation of policies to start new course.
- Public and private educational institutions do research and development work to test the past knowledge and evolving knowledge.

Statistics and Planning

(i) In the modern world, a "world of planning" almost all the organisations in the government are using planning for efficient working, for the formulation of policy decisions and execution of the same.
(ii) In India, statistics play an important role in planning both at the central and the state government levels, but the quality of data is highly unscientific.

Statistics and Medicine

(i) t-test is used to compare the efficiency of two medicines.

Statistics and Modern applications

(i) Recent developments in computer and information technology have enabled statistics to integrate their models and thus make statistics a part of decision making procedures of many organisations.
(ii) There are many software packages available for solving simulation problems.

14. **S.NO.XYXYX²Y²** 1 23 18 414 529 324 2 27 22 594 729 484 3 28 23 644 784 529 4 29 24 696 841 576 5 30 25 750 900 625 6 31 26 806 961 676 7 33 28 924 1089 784 8 35 29 1015 1225 841 9 36 30 1080 1296 900 10 39 32 1248 1521 1024 N=10 311 257 8171 9875 6763 $r = \frac{N\sum XY-(\sum X)(\sum Y)}{\sqrt{N\sum X^2-(\sum X)^2}\sqrt{N\sum Y^2-(\sum Y)^2}}$

$= \frac{(10\times 8171)-311\times 257}{\sqrt{(10\times 9875)-(311)^2}\sqrt{10\times 6763-(257)^2}}$

$= \frac{81710-79927}{\sqrt{98750-96721}\sqrt{67630-66049}}$

$= \frac{1783}{\sqrt{2029}\sqrt{1581}} = 0.9955$

Ans: + 0.9955 high correleated

ANSWER ANY 7 OF THE FOLLOWING. QUESTION NUMBER 40 IS COMPULSORY

15.

S.No	Balance of Trade (BOT)	Balance of Payments (BOP)
1	Only export and import of commodities are included in BoT	Export and import of commodities and services are included in BoP
2	i.e. Movement of goods or visible trade	Trade in both visible and non visible items.

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16. FDI has the following objectives.
(i) Sales Expansion
(ii) Acquisition of resources
(iii) Diversification
(iv) Minimization of competitive risk

17. (i) It is a multinational legal or trade agreements between countries.
(ii) It is an agreement between more than two countries but not many.

18. **Canon of Ability**
1. The Government should impose tax in such a way that the people have to pay taxes according to their ability.
2. Rich person should pay more tax.
Canon of Certainty
1. There is no uncertainty regarding the rate of tax or the time of payment.
Canon of Convenience
1. The method of tax collection and the timing of the tax payment should be convenient to the people.
Canon of Economy
1. The Government should impose only those taxes whose collection costs are very less and cheap.

19.

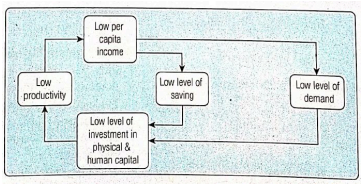
Sl.No	Direct Tax	Indirect Tax
1.	Direct tax is levied on person's income and wealth and is paid directly to the government.	It is levied on a person who consumes the goods and services and is paid indirectly to government.
2.	Progressive in nature	Regressive in nature
3.	Falls on the same person.	Falls on different persons.
4.	Burden cannot be shifted.	can be shifted
5.	Tax evasion is possible.	Included in the price of the goods.

20. **Indoor Air Pollution:**
(i) It refers to toxic contaminants that we encounter in our daily lives in our homes, schools and workplaces.
(ii) (e.g.) cooking and heating with solid fuels on open fires.
Outdoor Air Pollution:
(i) It refers to ambient air.
(ii) The common sources of outdoor air pollution are caused by combustion processes from motor vehicles, solid fuel burning and industry.

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21. **a) Climate change**
(i) Climate change refers to seasonal changes over a long period with respect to the growing accumulation of greenhouse gases in the atmosphere.
(ii) Industrial revolution has increased the concentration of carbon dioxide in the atmosphere by 40 %.
(iii) Several parts of the world have experienced warming of coastal waters, high temperatures, a marked change in rainfall patterns and an increased intensity and frequency of storms.
(iv) Sea levels and temperatures are expected to be rising.
b) Acid rain
(i) Acid rain is one of the results of air pollution.

22. (i) The cause for vicious circle of poverty is demand and supply.
(ii) On the supply side, the low level of real income leads to low level of saving and investment and to deficiency of capital.
(iii) Deficiency of capital leads to low productivity and back to low income.
(iv) On the demand-side, low level of real income leads to low demand so investment is less, therefore deficiency of capital, low productivity and low income.



23. 1. Co-operative and competitive federalism to enable the States to have active participation.
2. Shared national agenda for development priorities and strategies.
3. Decentralized planning to restructure the planning process into a bottom up model.
4. Vision and scenario planning to design medium and long-term plans.
5. Network of expertise
6. Harmonization of actions across different layers of government.
7. Conflict resolution for mutual consensus to intersectoral, inter departmental, inter state and centre state issues.
8. Coordinating interface with the world to harness global expertise and resources.
9. Internal consultancy to central and State governments on policy and programmes.
10. Capacity building and technology up-gradation and providing managerial and technical know how.
11. Monitoring and evaluation of policies and progammes.

24. **S.No xx** $x - \bar{x}$ $(x - \bar{x})^2$ 1 14 14 - 15 = -1 1 2 22 22 - 15 = 7 49 3 9 9 - 15 = -6 36 4 15 15 - 15 = 0 0 5 20 20 - 15 = 5 25 6 17 17 - 15 = 2 4 7 12 12 - 15 = 2 9 8 11 11 - 15 = 4 16 N = 8 120 140 $\bar{x} = \frac{120}{8} = 15$

$\sigma = \sqrt{\frac{\sum(x-x)^2}{n}}$

$= \sqrt{\frac{140}{8}}$

$= \sqrt{17.5}$

=4.18

Ans: 4.18

ANSWER ANY 7 OF THE FOLLOWING. QUESTION NUMBER 30 IS COMPULSORY

25. The rate at which goods of one country are exchanged for that of another country i.e. ratio of export price and import price.
26. (i) Also called 'Paper Gold', SDR is a form of international reserves created by the IMF in 1969 to solve the problem of international liquidity.
    (ii) They are allocated to IMF members in proportion to their quotas.
    (iii) It is used as a means of payment to meet balance of payments deficits.
27. (i) To accelerate the economic growth, social progress and cultural development in the region.
    (ii) To promote regional peace and stability and adherence to the principles of the UN Charter.
28. The SAARC Secretariat was established in Kathmandu (Nepal) on 16th January 1987.
29. (i) "Public finance is one of those subjects that lie on the border linè between Economics and Politics. It is concerned with income and expenditure of public authorities and with the adjustment of one to the other". . - Huge Dalton
    (ii) Public finance is an investigation into the nature and principles of the state revenue and expenditure - Adam Smith
30. (i) It involves fresh evaluation of expenditure in the Government budget assuming it as a new item.
    (ii) A review is made to justify the project based on the socio-economic objectives and priorities of the society.
    (iii) Government of India presented Zero Base Budgeting in 1987-88.
31. Environmental goods are typically non-market goods, including clear air, clean water, landscape, green transport infrastructure, public parks, rivers, mountains, forest and beaches.
32. (i) A seed ball is a seed that has been wrapped in soil materials, usually a mixture of clay and compost and then dried.
    (ii) The seed is pre-planted and can be sown by depositing the seed ball anywhere suitable for the species, keeping the seed safely until the proper germination window arises.
33. Basic and collective needs of the people - health, education, sanitation, water, food, housing facilities.
34. (i) Regression means going back and it is a mathematical measure showing the average relationship between two variables.
    (ii) It indicates the cause and effect relationship between the variables and establishes functional relationship.

Multiple Choice Question

35. (a) External
36. (d) All the above
37. (c) Factor endowment theory
38. (b) Flexible exchange rate
39. (c) Bretton Woods Conference
40. (a) Paper gold
41. (a) 2
42. (a) 2001
43. (d) North Korea
44. (c) Welfare state
45. (a) Sales tax
46. (c) e-waste
47. (c) Gandhian Plan
48. (b) (iv) (iii) (ii) (i)
49. (a) Controlling Plans
50. (c) Long-term plan
51. (a) Primary data
52. (a) Singapore
53. (c) Zero Budget
54. (b) Republic of Nauru

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