

MASTERG.NET CBSE COACHING CLASSES

CBSE CLASS XII • ECONOMICS (030)

Premier Institute for Commerce, Economics & Humanities • Janakpuri,
New Delhi

Ref: Worksheet_200926

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Student Name:

Roll No:

Batch / Sec:

Date / Score:

TOPIC: Liberalisation, Privatisation & Globalisation (LPG): An Appraisal **TIME ALLOWED:** 2 Hours **MAXIMUM MARKS:** 60 Marks

General Instructions & Board Alignment: 1. This master worksheet has been specially curated by MasterG.Net faculty to cover NCERT Core Curriculum, CBSE Previous 10 Years' Board Questions (PYQs), High Order Thinking Skills (HOTS), and critical application problems. 2. The paper is structured in strict conformity with CBSE Board examination guidelines. 3. Section A: 1-mark objective questions (Assertion-Reason, Statements, Match-up). Section B: 3-mark analytical questions. Section C: 4-mark evaluative questions. Section D: 6-mark long comprehensive questions. Section E: 4-mark source/case-based questions. Section F provides a **Detailed Teacher's Marking Scheme & Solutions Key**.

SECTION A: OBJECTIVE, ASSERTION-REASON & MULTIPLE CHOICE QUESTIONS (1 MARK EACH)

Assess precision, conceptual clarity, and critical reasoning.

Q1. Prior to the 1991 economic reforms, the Reserve Bank of India (RBI) functioned primarily as a _____ of the financial sector, whereas post-1991 reforms, its role was transformed into that of a _____. **1 Mark** CBSE 2020

- | | |
|----------------------------|--------------------------------|
| (a) Facilitator; Regulator | (b) Regulator; Facilitator |
| (c) Controller; Monopolist | (d) Advisor; Commercial Lender |

Q2. Read the following statements carefully: **1 Mark**

Assertion (A): The agricultural sector was adversely affected by the economic reform process initiated in 1991.

Reason (R): Economic reforms led to substantial reduction in public investment in agriculture (irrigation, power, roads) and withdrawal of fertilizer subsidies escalated input costs. CBSE 2023

- | | |
|---|---|
| (a) Both (A) and (R) are true, and (R) is the correct explanation of (A). | (b) Both (A) and (R) are true, but (R) is NOT the correct explanation of (A). |
| (c) (A) is true, but (R) is false. | (d) (A) is false, but (R) is true. |

Q3. Identify the **INCORRECT** statement with regard to the tax reforms initiated under the Liberalisation policy: **1 Mark**

- | | |
|---|---|
| (a) Marginal tax rates on personal income were reduced to curb tax evasion and incentivize honest compliance. | (b) Corporate tax rates were gradually reduced to attract private and foreign investments. |
| (c) Import duties were substantially hiked to protect domestic industries from cheap foreign substitutes. | (d) Procedures for tax filing and assessment were simplified to enhance voluntary compliance. |

Q4. Read the following two statements and choose the correct alternative: **1 Mark**

Statement I: Devaluation of the domestic currency in 1991 was undertaken to boost exports by making Indian goods cheaper in international markets.

Statement II: Devaluation automatically leads to a permanent surplus in the Balance of Payments irrespective of domestic inflation and export elasticities.

- | | |
|--|--|
| (a) Both Statement I and Statement II are correct. | (b) Both Statement I and Statement II are incorrect. |
| (c) Statement I is correct, but Statement II is incorrect. | (d) Statement I is incorrect, but Statement II is correct. |

Q5. Match the following Public Sector Enterprises with their status granted to confer managerial and operational autonomy:

1 Mark

Column I (Enterprise)	Column II (Category Status)
(A) Indian Oil Corporation Limited (IOCL)	1. Miniratna Category I
(B) Bharat Electronics Limited (BEL)	2. Maharatna
(C) Airports Authority of India (AAI)	3. Navratna

(a) A-2, B-3, C-1

(b) A-3, B-2, C-1

(c) A-1, B-2, C-3

(d) A-2, B-1, C-3

Q6. Which of the following is considered 'Hot Money' in the context of foreign capital inflows post-1991, and why?

1 Mark

(a) Foreign Direct Investment (FDI), because it invests directly in physical infrastructure.

(b) Foreign Institutional Investment (FII), because it can be swiftly pulled out at short notice causing market volatility.

(c) External Commercial Borrowings (ECB), because of high sovereign interest payments.

(d) Bilateral Soft Loans from IMF, because of stringent conditionalities.

Q7. Read the statements regarding the World Trade Organisation (WTO):

1 Mark

Assertion (A): Many economists argue that the rules framed by the WTO are biased in favour of developed nations.

Reason (R): Developed nations continue to maintain heavy agricultural subsidies and non-tariff barriers while demanding developing nations dismantle import protections. **CBSE 2022**

(a) Both (A) and (R) are true, and (R) is the correct explanation of (A).

(b) Both (A) and (R) are true, but (R) is NOT the correct explanation of (A).

(c) (A) is true, but (R) is false.

(d) (A) is false, but (R) is true.

Q8. Which of the following strategic industrial sectors is **still exclusively reserved** for the public sector in India?

1 Mark

(a) Telecommunications & Heavy Machinery

(b) Atomic energy generation & Railway operations

(c) Civil aviation & Commercial banking

(d) Petroleum refining & Fertilizer manufacturing

Q9. When the government sells its equity shareholding in Public Sector Undertakings (PSUs) to private individuals/corporates, but retains at least 51% ownership and management control, it is termed as:

1 Mark

(a) Complete Privatisation

(b) Strategic Disinvestment / Strategic Sale

(c) Minority Disinvestment (Token Disinvestment)

(d) Outsourcing

Q10. Arrange the following events leading up to and during the 1991 Economic Reforms in their correct chronological sequence:

1 Mark

1. India availed a \$7 billion loan bailout from the IMF and IBRD pledging gold reserves.

2. Establishment of the World Trade Organisation (WTO) replacing GATT.

3. Announcement of the New Economic Policy (NEP) abolishing industrial licensing for most sectors.

4. Iraq War erupting in the Persian Gulf, triggering an oil price shock and severe BoP deficit.

(a) 4 → 1 → 3 → 2

(b) 1 → 4 → 3 → 2

(c) 4 → 3 → 1 → 2

(d) 3 → 4 → 1 → 2

SECTION B: CONCEPTUAL & ANALYTICAL SHORT ANSWER QUESTIONS (3 MARKS EACH)

Evaluate the macroeconomic rationale, cause-and-effect relationships, and policy mechanisms.

Q11. "Economic reforms of 1991 were not an option, but an unavoidable compulsion for the Indian government."

3 Marks

Justify this statement by highlighting the three primary macroeconomic triggers that precipitated the acute crisis of 1991.

CBSE 2019, 2023

Q12. Differentiate between **Quantitative Restrictions (Quotas)** and **Tariffs**. Why did India shift from non-tariff quantitative trade barriers to ad-valorem tariffs under the post-1991 Foreign Trade Policy?

3 Marks

Q13. "While the services sector grew at an unprecedented rate post-1991, the agricultural sector suffered a perceptible setback."

3 Marks

Explain three structural factors responsible for the distress/stagnation in Indian agriculture during the reform period.

CBSE 2021, 2024

Q14. India has emerged as the premier global hub for **Business Process Outsourcing (BPO)** and Knowledge Process Outsourcing (KPO) in the post-globalisation era. Analyze any three competitive advantages that make India a favoured outsourcing destination.

3 Marks

CBSE 2020

Q15. "Disinvestment proceeds were primarily utilized by the government to offset budgetary fiscal deficits rather than creating new productive physical assets."

3 Marks

Critically examine how this practice defeated the original developmental objectives of Public Sector disinvestment.

SECTION C: EVALUATIVE & IN-DEPTH ANALYTICAL QUESTIONS (4 MARKS EACH)

Assess policy efficacy, structural shifts, and trade architecture.

Q16. In the pre-1991 era, financial sector regulation by the Reserve Bank of India stifled commercial banking expansion and private participation.

4 Marks

Detail four critical measures executed under **Financial Sector Reforms** to introduce market competition and operational flexibility in Indian banking.

CBSE 2018, 2022

Q17. Compare and contrast **Foreign Direct Investment (FDI)** and **Foreign Institutional Investment (FII)** on the basis of:

4 Marks

- (i) Nature of ownership and management control.
- (ii) Investment horizon and degree of market stability/volatility.
- (iii) Impact on domestic technology transfer and physical capital creation.
- (iv) Liquidity and ease of repatriation.

Q18. Explain how the Government of India attempted to enhance efficiency and competitiveness in loss-making or bureaucratic Public Sector Enterprises (PSEs) through the policy of conferring **Navratna and Miniratna** statuses instead of outright closure or privatization.

4 Marks

CBSE 2019

SECTION D: LONG ANSWER & COMPREHENSIVE BOARD MASTER QUESTIONS (6 MARKS EACH)

Comprehensive macroeconomic evaluation, structural critique, and trade dynamics.

Q19. "The post-1991 growth trajectory of the Indian economy represents a classic case of 'Jobless Growth' and asymmetric sectoral expansion."

6 Marks

Critically appraise the LPG policy package on the following dimensions:

- (a) Industrial Sector Performance: Why did domestic manufacturing experience sluggish growth despite sweeping deregulation and delicensing? (Discuss import competition, lack of infrastructure, and inverted duty structures).
- (b) Employment Generation: Explain why high GDP growth rates failed to generate commensurate formal employment opportunities.

CBSE 2020, 2023

Q20. The transition from GATT to the **World Trade Organisation (WTO)** in 1995 was heralded as a major milestone for global multilateral trade.

6 Marks

- (a) Outline the major aims and functions of the WTO.
- (b) From the perspective of developing nations like India, present three compelling arguments explaining why the multilateral trade agreements under the WTO regime have often been perceived as inequitable and disproportionately disadvantageous.

CBSE 2022 COMPT

SECTION E: SOURCE-BASED / CASE-STUDY APPLICATION QUESTIONS (4 MARKS EACH)

Interpret macroeconomic texts and real-world policy extracts as per current CBSE Board pattern.

Q21.

4 Marks

CASE EXTRACT: THE INVERTED TARIFF CONUNDRUM & INDUSTRIAL SLOWDOWN

"Following the opening up of the Indian market in 1991, customs tariffs on final manufactured products were drastically scaled down from astronomical highs of over 150% to under 20%. While this was intended to subject domestic monopolistic firms to competitive pressure, it produced an unintended anomaly. Indian capital goods manufacturers discovered that imported capital equipment and intermediate inputs faced lower duties, or domestic input taxes made domestically manufactured goods costlier than imported finished products. Furthermore, cheap imports from East Asian economies flooded the domestic market, rendering domestic industries uncompetitive in the absence of world-class infrastructure and affordable power supply."

Based on the above case extract and your macroeconomic understanding:

- (a) What structural disadvantage did domestic capital goods manufacturers face following the trade tariff liberalisation? **(1 Mark)**
- (b) Explain how the influx of cheap imports from foreign countries contributed to sluggish domestic manufacturing growth during the reform decade. **(1.5 Marks)**
- (c) Mention any two infrastructural bottlenecks that prevented Indian industries from competing on a level-playing field against foreign multinationals. **(1.5 Marks)**

Q22.

4 Marks

CASE EXTRACT: FISCAL RECTITUDE VS PUBLIC SECTOR DISINVESTMENT

"Between 1991 and 2004, the Central Government set ambitious targets for raising non-debt capital receipts by diluting its equity holdings in Public Sector Undertakings. Official policy documents asserted that disinvestment would introduce corporate governance, infuse market discipline, and allow the state to redirect resources toward basic education, public health, and rural infrastructure. Critics, however, pointed out that profitable 'cash cows' were sold at undervalued prices to private conglomerates, while the sale proceeds were regularly diverted to bridge current consumption expenditure and contain the fiscal deficit."

Based on the extract and your knowledge of Economic Reforms:

- (a) Distinguish between **Strategic Disinvestment** and **Minority Share Disinvestment**. **(1.5 Marks)**
- (b) Why did public policy experts criticize the government's utilization of disinvestment proceeds as 'selling the family silver to pay the grocery bill'? **(2.5 Marks)** CBSE 2021