



**Objective Type Questions**

(1 Mark each)

**I. Multiple choice questions**

1. Which one of the following options describes 'Collateral'?

- (A) Double coincidence of wants
- (B) Certain products for barter system
- (C) Trade in barter system
- (D) Asset as guarantee for loan**

2. Analyze the information given below, considering one of the following correct options:

Rita has taken a loan of ` 7 lakhs from the bank to purchase a car. The annual interest rate on the loan is 14.5 per cent and the loan is to be repaid in 3 years in monthly instalments. The bank retained the papers of the new car as collateral, which will be returned to Rita only when she repays the entire loan with interest.

- (A) Mode of re-payment
- (B) Terms of credit**
- (C) Interest on loan
- (D) Deposit criteria

3. Analyze the information given below, considering one of the following correct options:

Mohan is an agricultural labourer. There are several months in a year when he has no work and needs credit to meet his daily expenses. He depends upon his employer, the landowner for credit who charges an interest rate of 5 per cent per month. Mohan repays the money by working physically for the landowner on his farmland. Over the years his debt will -

- (A) Increase - because of increasing interest and non-payment of**



**monthly amount.**

**(B)** Remain constant - as he is working for the employer but is repaying less.

**(C)** Reduce - as amount equivalent to his salary is being counted as monthly repayment.

**(D)** Be totally repaid - as he is repaying the debt in the form of physical labour

**4. Which one of the following is not a limitation of the barter system?**

**(A)** Lack of double coincidence of wants.

**(B)** Certain products can't be divided.

**(C)** Most often double coincidence of wants is not available.

**(D)** None of the above

**5. Which one of the following was not a traditional form of money?**

**(A)** Grains

**(B)** Paper notes

**(C)** Cattle

**(D)** Gold coins

**6. Match the correct options:**

<b>Column A</b>		<b>Column B</b>	
<b>(i)</b>	Barter System	<b>(a)</b>	Supervises the functioning of banks
<b>(ii)</b>	Debt-trap	<b>(b)</b>	Commodity for commodity ex-change system
<b>(iii)</b>	Formal sector loans	<b>(c)</b>	Pushes the borrower into a situation from which recovery is very painful
<b>(iv)</b>	Reserve Bank of India	<b>(d)</b>	Loans from banks and cooperatives

**(A)** (i)-(a), (ii)-(b), (iii)-(c), (iv)-(d)

**(B)** (i)-(b), (ii)-(c), (iii)-(d), (iv)-(a)

**(C)** (i)-(d), (ii)-(c), (iii)-(b), (iv)-(a)

**(D)** (i)-(c), (ii)-(a), (iii)-(b), (iv)-(d)



# Pinkz Public School

## I. Assertion & Reason

**Directions :** In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R). Mark the correct choice as:

- (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.

1. **Assertion (A)** : No individual or organisation is allowed to issue currency notes in India.

**Reason (R)** : In India, only RBI issues currency notes on behalf of the Central Government

**Ans:** Option (A) is correct.

2. **Assertion (A)** : Banks keep a small proportion of their deposits as cash with themselves.

**Reason (R)** : This is kept to meet the loan requirements of the people.

**Ans:** Option (C) is correct.



3. **Assertion (A)** : Banks give loans not only to profit making businesses but also to small cultivators.

**Reason (R)** : The RBI supervises the functioning of formal sources of loans.

4. **Assertion (A)** : Periodically, banks have to submit information to the Finance Minister on how much they are lending, to whom, at what interest rate, etc

**Reason (R)** : The RBI monitors the banks about maintaining cash balance with them.

**Ans:** Option (D) is correct.

5. **Assertion (A)** : The facility of demand deposits makes it possible to settle payments without the use of cash.

**Reason (R)** : Cheques are paper orders which make it possible to transfer money from one person's account to another person's account.

**Ans:** Option (D) is correct.

6. **Assertion (A)** : Banks charge a higher interest rate on loans than what they offer on deposits.

**Reason (R)** : The difference between what is charged from borrowers and what is paid to depositors is their main source of income.

**Ans:** Option (A) is correct.

### I. Short Answer Type Questions.

(3 marks each)

1. How do demand deposits have the essential features of money? Explain.

**Ans.** Demand deposits considered as money:

(i) People hold money as deposits with banks.

(ii) People deposit it with the banks by opening a bank account in their name



- (iii) Banks accept the deposits and also pay an interest rate on the deposits.
- (iv) In this way people's money is safe with the banks and it earns an interest.
- (v) Demand deposits facility as the essential characteristics of money.
- (vi) Any bank depositor can get cheque facility for payment.

## 2. Why do we need to expand formal sources of credit in India ?

**Ans. Expand formal sources of credit in India.**

- (i) To save people from the exploitation of informal sector.
- (ii) Formal charge a low interest on loans.
- (iii) To save from debt trap.
- (iv) It provides cheap and affordable credit.
- (v) RBI also supervises the formal sector credit through various rules and regulations which ensures that banks give loans to small cultivators, small borrowers, etc. and not just to profit making business and traders.

## 3. Describe the importance of formal sources of credit in the economic development (OR)

**Why do banks and co-operative societies need to lend more ? Explain.**

**Ans. Banks and co-operative societies need to lend more :**

- (i) This would lead to higher incomes.
- (ii) People could borrow cheaply for a variety of needs,
- (iii) They could grow crops and set up small-scale industries, etc.
- (iv) Cheap and affordable credit is crucial for the country's development.
- (v) To save and reduce the dependence on informal sources of credit.
- (vi) It is important that the formal credit is distributed more equally so that the poor can benefit from the cheaper loans.

## 5. Describe the bad effects of informal sources of credit on borrowers



**Ans. Bad effects of informal sources of credit on borrowers :**

- (i) Higher interest rate.
- (ii) Higher cost of borrowing means a larger part of the earnings of the borrowers is used to repay the loan.
- (iii) In certain cases, the high interest rate for borrowing can mean that the amount to be repaid is greater than the income of the borrower.
- (iv) This could lead to increasing debt and debt trap.
- (v) Any other relevant point.

**6. Why is it necessary to increase of number of banks mainly in rural areas ?**

**Explain.**

**Ans. Increase large number of banks :**

- (i) To reduce the dependence on informal sector of credit.
- (ii) To provide cheaper loans.
- (iii) To provide accessibility towards loans for the poor.

**7. Why are service conditions of formal sector loans better than informal sector? Explain.**

**Ans. Service conditions of formal sector loans is better than informal sector due to**

- (i) Low interest rate.
- (ii) Transparency.
- (iii) Supervision by the Reserve Bank of India on the functioning of the formal sector.
- (iv) No use of unfair means for getting the money back.

**8. How can money be easily exchanged for goods or services? Give example to explain.**

**Ans. Money acts as a medium to exchange for goods and services :**



A person holding money can easily exchange it for any commodity or service that he or she wants. Everyone prefers to receive payments in money and exchanges the money for things he wants.

**For example:** A shoemaker wants to sell shoes in the market and buy wheat. The shoemaker will first exchange shoes for money and then exchange the money for wheat. If the shoemaker had to directly exchange shoes for wheat without the use of money, he would have to look for wheat growing farmer who not only wants to sell wheat but also wants to buy the shoes in exchange. Both parties have to agree to sell and buy each other's commodities. This process is very difficult, time consuming and unhealthy

**9. How is money transferred from one bank account to another bank account?**

**Explain with an example.**

**Ans. Money transfer from one bank account to another bank account:**

If a person has to make a payment to his or her friend and writes a cheque for a specific amount, this means that the person instructs his bank to pay this amount to his friend. His friend takes this cheque and deposits it in his account in the bank. This said amount is transferred from one bank account to another bank account.

**10. Why is modern currency accepted as a medium of exchange without any use of its own? Find out the reason.**

**Ans. Modern currency is accepted as a medium of exchange without any use of its own because :**

(i) Modern currency is authorized by the government of a country.

(ii) In India, Reserve Bank of India issues all currency notes on behalf of the central government.

(iii) No other individual or organization is allowed to issue currency.

(iv) The law legalizes the use of rupee as a medium of payment that cannot be



refused in settling transactions in India.

(v) No individual in India can legally refuse a payment made in rupees

**11. Why is it necessary for banks and cooperatives to increase their lending in rural areas? Explain.**

**OR**

**Why should credit at reasonable rates be available for all?**

**Ans. Necessity for the banks and cooperative societies to increase their lending facilities in rural areas :**

- (i) Dependence on informal sources of credit reduces.
- (ii) To provide more loan facilities to rural households.
- (iii) To save rural people from exploitation.
- (iv) It is important that the formal credit is distributed more equally so that the poor can benefit from the cheaper loans.
- (v) The bank and the cooperative societies have to increase the lending facilities to improve the livelihood of the people in the rural areas.



*Next Generation School*





## I. Long Answer Type Questions.

(5 mark each)

1. 'Tertiary sector is playing a significant role in the development of Indian Economy.' Justify the statement.

Ans:

- i) **Basic services:** Services such as hospitals, educational institutions, post and telegraph services, transport, banks, insurance companies are in this group
- ii) **Development of primary and secondary sector:**  
The development of agriculture and industry leads to the development of services such as transport, trade and storage.
- iii) **Rise in income levels:** As income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools and professional training centres.
- iv) **Rise in information technology:** Over the past decade or so, certain new services, such as those based on information and communication technology, have become important and essential.
- v) **Globalization:** Due to globalization, people have become aware of new services and activities, and communication because of which the tertiary sector has gained importance.

2. Why is agriculture called the backbone of Indian economy? Explain.

Ans. Agriculture is the backbone of the Indian economy because:

- (i) In India, about 52% people were engaged in agriculture sector in 2010-2011.
- (ii) It provides raw materials to industries.
- (iii) It helps earn foreign exchange for the country through export of agricultural produce.
- (iv) The agricultural sector contributes almost one third of our GDP.
- (v) The sector also provides food for our teeming population.



3. Highlight any five reasons for the importance of tertiary sector in India.

OR

Explain why service sector is gaining more importance in the global economy.

OR

Ans. Tertiary sector in India has been growing rapidly for a number of reasons :

- i) In a developing country, the government has to take responsibility for the provision of basic services. For example, hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defence, transport, banks, insurance companies, etc.
- ii) The development of agriculture and industry led to the development of services such as trade, transport, storage, etc. Greater the development of the primary and secondary sectors, more would be the demand for such services.
- iii) As income levels rise, certain sections of people start demanding many more services, such as eating out, tourism, shopping malls, private hospitals, private schools, professional training, etc. This change is quite sharp in cities, especially in big cities.
- iv) Over the past decade or so, certain new services, such as those based on information and communication technology have become important and essential.
- v) Government policy of privatisation has also led to the growth of this sector.
- vi) A large number of workers are engaged in services, such as small shopkeepers, repair persons, transporters, etc.
- vii) However, the entire sector has not grown. Large numbers of people engaged as construction workers, maid, peons, small shopkeepers, etc., do not find any change in their life.

4. How are the three sectors of the economy different from each other? Explain.

OR

Explain the three sectors of economic activities with the help of examples

OR



Explain the primary, secondary and tertiary sectors by giving examples of each.

Ans. Classification of economic sectors on the basis of nature of activities are as follows:

- i) **Primary sector:** When we produce goods by utilizing natural resources, it is an activity of the primary sector, such as agriculture, dairy farming, fishing, forestry
- ii) **Secondary sector:** In this, natural products are changed into other forms through manufacturing that we associate with industrial activity. The product is not produced by nature but has to be made and therefore, some process of manufacturing is essential. For example, using cotton fibre from the plant we spin, yarn and weave cloth.
- iii) **Tertiary sector:** It helps in the development of the primary and secondary sectors. They provide an aid or support for the production process. Transport, storage, communication, banking, trade are some examples of tertiary activities.

5. 'Public sector contributes to the economic development of India.' Justify the statement.

Ans:

- i) It promotes rapid economic development through creation and expansion of infrastructure.
- (ii) It creates employment opportunities.
- (iii) It generates financial resources for development.
- (iv) It is ensuring equality of income, wealth and thus, a balanced regional development.
- (v) It encourages development of small, medium and cottage industries.
- (vi) It ensures easy availability of goods at moderate rates.
- (vii) Contributes to community development, Human Development Index, i.e., health and educational services.

6. What is unorganized sector? Describe the working procedure of this sector.

OR

Workers are exploited in an unorganised sector. Do you agree with this statement? Justify your answer with five relevant points.



OR

Define the term 'Unorganized Sector'. Mention any six disadvantages of working in this sector.

OR

"Workers are not exploited in organised sector". Do you agree with the statement? Explain reasons in support of your answer.

**Ans. Unorganized Sector :** Unorganized sector is a sector which has small and scattered units largely outside the control of the government. Yes, workers are exploited in the unorganized sector. Reasons are as follows:

- i) There are no rules and regulations followed.
- ii) Jobs are low paid and often not regular
- iii) No provision of overtime is there and no paid holidays or leave is given.
- iv) Employment is not secure. People can be asked to leave without reason.
- v) Some kind of work is seasonal in nature and temporary workers are employed. They become unemployed after the season is over.
- vi) No other facilities like provident fund, gratuity or sick leave are given.
- vii) Working conditions are often poor. No allowances are given.
- viii) No medical benefit is given.

**7. What does the history of developed countries indicate about the shifts that have taken place between the sectors?**

**Ans.** The history of developed countries indicates about the shifts that have taken place between the sectors as given below.

- a) In the initial stages, the primary sector was the most important sector. Most of the people were employed in this (agricultural) sector.
- b) With the changes in the method of farming, the production increased tremendously. Now people could do other activities such as trading. They, therefore, became craft persons and traders. Increase in production of grains and other things led to the growing need for transportation and other facilities. But in spite of this, at this stage, most of the goods produced were natural products from the primary sector and most people were also employed in this sector.



- c) With the passage of time, machines were invented, Factories were established to manufacture various goods. Gradually, the industries were established and industrial sector employed more and more people. As a result of these changes, the secondary sector became more important in total production and employment. Thus, the importance of the sectors had changed.
- d) In the past 100 years, there has been a further shift from secondary to tertiary sector in developed countries. Tertiary sector is also called service sector because it provides basic services such as teachers, doctors, lawyers, internet cafe and ATM booths. Tertiary sector became most important in terms of production.
- e) At present, tertiary sector employs the maximum number of people. So there has been a shift from primary sector to secondary sector and then to tertiary sector or service sector in the developed countries.

**8. Compare and contrast the changes in India with the pattern that was observed for developed countries. What kind of changes between sectors were desired but did not happen in India?**

**Ans.** In case of developed countries, the evolution of the economy happened on the logical pattern. Growth in the primary sector was followed by a growth in the secondary sector. After that, the growth of the tertiary sector followed. The employment generation also kept pace with related changes in different. The growth of the primary sector was not followed by the growth of the secondary sector, rather it was the tertiary sector which took the lead. But employment generation in either the secondary or tertiary of people depend on the primary sector for employment; compared to the other two sectors. This shows a disturbing trend because the primary sector is beset with the problem of hidden unemployment.

**9. Give five reasons for the rising importance of the tertiary sector in productions.**

**OR**

**Why is the 'tertiary sector' becoming important in India? Explain any three reasons.**

**Ans.** Tertiary sector is the service sector that provides support to the primary and secondary sectors and to itself. Over the forty years, between 1973 and 74, and 2013 and



14, while production in all the three sectors has increased, it has increased the most in the tertiary sector. The following factors are making the tertiary sector important in India.

- a) **Basic Services:** In any country, several services such as hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defence, transport, banks and insurance companies, are required. These can be considered as basic services. In a developing country, the government has to take responsibility for the provision of these services.
- b) **Development of primary and secondary sector:** The development of agriculture and industry leads to the development of services such as transport, trade and storage. The greater the development of the primary and secondary sectors, the more would be the demand for such services.
- c) **Rise in income levels:** As income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools and professional training centres. We can see this change quite sharply in cities, especially in big cities.
- d) **Rise in information technology:** Over the past decade or so, certain new services, such as those based on information and communication technology have become important and essential. The production of these services has been rising rapidly.
- e) **Globalization:** Due to globalization, people have become aware of new services and activities, and communication because of which the tertiary sector has gained importance.

**10. Name the sector that is the largest employer in India. Why does this sector produce only a quarter of the GDP?**

**Ans.** The primary sector is the largest employer in India. This sector produces only a quarter of the GDP because of the following reasons.

- a) Productivity in the primary sector is very low because of the use of outdated means of production.
- b) Land holdings are very small, which cannot produce the desired output.



- c) Primary sector lacks modern irrigational facilities. Dependence on monsoons add to the problem.
- d) The government has not been able to provide an effective system of financing and transportation in the rural areas.
- e) Difficulty in accessing the marketing facilities.
- f) Absence of alternative employment in the rural areas.

**11. Enumerate the causes of rural unemployment in India.**

**Ans.** The following are the causes of rural unemployment in India.

- a) **Lack of education and Skill:** Rural areas are far behind in education and thus are not able to access required skill.
- b) **Less scope for industrialization:** Industries are generally not set up in the rural areas due to lack of services.
- c) **Stress on family occupation:** More family members are supposed to assist in production of crops rather than going for other occupations because of the fact that agriculture is labour intensive.
- d) **No access to opportunities:** Rural areas and occupations are devoid of investment. This makes the inadequate opportunities.
- e) **Lack of Infrastructure:** Seasonal roads, lack of electricity, etc. Keep the rural areas for behind development.

**12. How can more employment opportunities be created in the rural areas?**

**Ans.** The following steps can be taken to create more employment in the rural areas.

- a) Loans should be provided to small farmers by the government or bank to have more irrigation facilities like wells and tube wells in order to enable them to grow second crop.
- b) New dams and canals should be constructed. This will lead to more employment in the agricultural sector.
- c) Transportation and storage facilities must be improved to provide productive employment to not only the farmers but also to others in services like transport and trade.



- d) Bank should provide agricultural credit to the farmers for farming to improve.
- e) Industries such as dal mill, cold storage, honey collection centres and processing of vegetables should be set up in rural or semi-rural areas. Such industries will get raw materials from the rural areas and will create more employment opportunities for the rural people.
- f) More schools should be opened in rural areas. This will provide jobs to about 20 lakh people in the education sector.
- g) Health services should be improved by opening dispensaries and hospitals. This will create jobs for doctors, nurses and other staff.
- h) Tourism, regional craft industry and Information Technology should be encouraged by the government to create more employment opportunities.

**13. In what ways can employment be increased in urban areas?**

**Ans.** Urban unemployment is characterised by the existence of both open unemployment, which in turn is an offshoot of rural unemployment itself, and the educated unemployment. Main cause of urban unemployment are insufficient economic development, defective system of education and slow growth of industrialisation.

Urban unemployment can be increased in the following ways.

- a) Reform of the educational system to make it vocational at the school stage.
- b) Concrete action will have to be taken to promote decentralisation and dispersal of industrial activity.
- c) Promotion of small-scale industries and encouragement to self-employment by banks.
- d) Develop techniques of production that can be taken up with low capital intensity.
- e) Provision of infrastructure like railways, roads, hospitals and schools which will not only create employment opportunities but also contribute to development.

**14. What is Planning Commission (now NITI Aayog)? What have been its findings?**

**Ans.** Planning Commission (now NITI Aayog) is a body set up by the Central Government that conducts economic survey and chalks out programmes and policies to tackle economy-related issues.





The following have been the findings of the Planning Commission.

- a) 20 lakh jobs need to be created in the education sector alone.
- b) There is a dire need to improve health standards by appointing doctors, nurses and health workers, especially in the rural areas.
- c) Development of income generating potentials like tourism, regional craft, etc. In the rural areas through proper planning. It has been said that if tourism as a sector is improved, every year we can give additional employment to more than 35 lakh people.
- d) Development of IT sector, which could generate employment to lakhs of people in the urban areas.

15. Distinguish between organised and unorganised sector by stating any five points of distinction.

OR

Compare the service conditions of organised sector with unorganised sector.

OR

Compare the employment/working conditions prevailing in the organized and unorganized sectors.

Ans. Refer to Ans. 16 (NCERT)

16. Explain the advantages of working in an organized sector.

Ans. The following are the advantages for the workers in the organised sector.

- a) Workers in the organised sector enjoy security of employment.
- b) They work only a fixed number of hours. If they work more, they have to be paid overtime by the employer.
- c) They also get several other benefits from the employers like paid leave, payment during holidays, provident fund and gratuity.
- d) They also get medical benefits and, under the laws, the employer has to ensure facilities like drinking water and a safe working environment.
- e) When they retire, these workers get permission as well.



### 17. What are the disadvantages of unorganised sector?

**Ans.** The following are the disadvantages of unorganised sector.

- a) Workers get less wages.
- b) Such sectors are not registered by the government.
- c) They are characterised by small and scattered units which are largely outside the control of the government.
- d) There are rules and regulations but these are not followed.
- e) There is no provision for overtime, paid leave, holiday, leave due to sickness, etc.
- f) Employment is subject to high degree of insecurity. People can be asked to leave without any reason.

### 18. How can the workers in the unorganised sector be protected?

**Ans.** As the workers in the unorganised sector are low-paid, not regular and are exploited in different ways, there is a need for their protection. The following steps should be taken to provide protection and support to them.

- a) Generally, the vulnerable people in the unorganized sector are landless agricultural labourers, small and marginal farmers, carpenters, etc. Who should be given support by the government. For example, small farmers, who comprise eighty per cent of the rural households, should be supported in procuring seeds, agricultural inputs, credit storage facilities and marketing outlets.
- b) In urban areas, government should help small-scale industry in procuring raw material and marketing of goods.
- c) The interests of the casual workers in rural as well as urban areas must be protected by law.
- d) As majority of the workers are generally from low castes, they are also socially discriminated. The government should take steps to ensure equal treatment for all.
- e) Minimum Wages Act should be passed and enforced strictly.
- f) The government should take steps to ensure regulation of working hours and grant of medical facilities, etc.



- g) The government should take strict action against those employers who discriminate on account of caste, creed and gender.

### 19. What is the role of government in public sector?

**Ans.** The following points sum up the role of government in public sector.

- a) **Welfare of the People:** The modern state is a welfare state that looks after the interests of its citizens. People pay different types of taxes and expect their representatives or the government to follow policies for their welfare. Services like railways, posts and telegraphs are run by the government for the welfare of the people.
- b) **Large expenditure:** Some activities like construction of roads need large sums of expenditure that cannot be borne by the private sector. So, the government takes up such activities in the interest of the people in a democracy.
- c) **Support of the government:** There are some activities that need support of the government in the form of subsidy such as provision of foodgrains for the poor through ration shops. The government buys wheat, paddy etc. At a higher price but sells at a lower price at ration shops.
- d) **Duty of the government:** It is duty of the government to raise the living standard of the people. It should make arrangements for quality education and health services in order to take care of the poorest and most ignored regions of the country through increase in expenditure in such areas. Thus, the government takes up various activities and spends a lot of expenditure in them.

### 20. Explain how public sector contributes to economic development of a nation.

OR

**How does public sector contribute to the development of the nation?**

**Ans.** Public sector contributes to economic development of a nation in the following ways.

- a) It promotes rapid economic development through creation and expansion of infrastructure.
- b) IT creates employment opportunities.



- c) It generates financial resources for development.
- d) It is ensuring equality of income, wealth and thus, a balanced regional development.
- e) It encourages development of small, medium and cottage industries.
- f) It ensure easy availability of goods at moderate rates.
- g) It contributes to community development, i.e. to the Human Development Index (HDI) via health and educational services.

## II. Competency Based Questions.

(4 marks each)

### Case Based MCQs

#### I. Read the extract given below and answer the questions that follows:

There are many activities that are undertaken by directly using natural resources. When we produce a good by exploiting natural resources, it is an activity of the primary sector. Since most of the natural products we get are from agriculture, dairy, fishing, forestry, this sector is also called agriculture and related sector. The secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity. It is the next step after primary. The product is not produced by nature but has to be made and therefore some process of manufacturing is essential. After primary and secondary, there is a third category of activities that falls under tertiary sector and is different from the above two. These are activities that help in the development of the primary and secondary sectors. These activities, by themselves, do not produce a good but they are an aid or a support for the production process. The various production activities in the primary, secondary and tertiary sectors produce a very large number of goods and services. Also, the three sectors have a large number of people working in them to produce these goods and services. The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year. And the sum of production in the three sectors gives what is called the Gross Domestic Product (GDP) of a



country. It is the value of all final goods and services produced within a country during a particular year. GDP shows how big the economy is.

1. Production of a commodity, mostly through ways of manufacturing is an activity of which sector?

- a. Primary sector
- b. Secondary sector
- c. Tertiary sector
- d. None of the above

2. Which of the following is an example of tertiary activity?

- a. Cotton
- b. Transport
- c. Sugar
- d. All of the above

3. Which of the following statement is not true?

- a. When we produce a good by exploiting natural resources, it is an activity of the primary sector.
- b. The secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing.
- c. Service sector is also called the industrial sector.
- d. None of the above.

4. Match the following list of occupations with their sectors:

Occupation		Sector	
1.	Workers in wood factory	i)	Primary
2.	Dairy	ii)	Secondary
3.	Banking	iii)	Tertiary

- a. 1 - (i), 2 - (iii), 3 - (ii)
- b. 1 - (ii), 2 - (i), 3 - (iii)
- c. 1 - (iii), 2 - (ii), 3 - (i)
- d. None of the above.

II. Read the source given below and answer the questions that follows:

Rajesh works in a bank as a bank manager. He goes regularly to his bank and attends his bank services from 9.00 a.m. to 6:00 p.m. He gets his salary at the end of every month. In addition to the salary, he also gets provident fund as per the rules laid down by the government. He also gets earned leaves, sick leaves and casual leaves. Apart from leaves, he receives medical and other allowances. Rajesh does not go to bank on Saturdays and Sundays. This is a paid holiday. When he joined bank, he was given an appointment letter



stating all the terms and conditions of work and his job is secure. Ram is Rajesh's neighbour. He is a daily wage labourer in a nearby grocery shop. He goes to the shop at 7:00 am in the morning and works till 10:00 p.m. in the evening. He gets no other allowances apart from his wages. He is not paid for the days he does not work. He has therefore no leave or paid holidays. Nor was he given any formal appointment letter saying that he has been employed in the shop. He can be asked to leave anytime by his employer if his job is not found satisfactory. His job is not secure.

Rajesh works in the organized sector whereas Ram works in an unorganized sector.

**Answer the following MCQs by choosing the most appropriate option**

1. Which of the following statement is not true with respect to organized sector?
  - (A) Organized sector is registered by the government
  - (B) In organized sector the workers enjoy the security of employment
  - (C) In organized sector workers does not get several benefits**
  - (D) All of the above
2. Which of the following statements is an example of unorganised sector activities?
  - A) A teacher taking classes in a school
  - (B) A daily wage labourer working under a contractor**
  - (C) A doctor in a hospital treating a patient
  - (D) A factory worker going to work in a big factory
3. In the rural areas, the unorganized sector mostly comprises of :
  - (A) Landless agricultural labourers
  - (B) Small and marginal farmers
  - (C) Sharecroppers and artisans
  - (D) All of the above**
4. In the urban areas, unorganised sector comprises mainly of
  - (A) Workers in small-scale industry
  - (B) Casual workers in construction
  - (C) Both (A) and (B)**
  - (D) None of the above

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III. Read the passage given below and answer the questions that follows:

**How do we count the various goods and services and know the total production in each sector ?**

With so many thousands of goods and services produced, you might think this is an impossible task! Not only would the task be enormous, you might also wonder how we can add up cars and computers and nails and furniture. It won't make sense!!! You are right in thinking so. To get around this problem, economists suggest that the values of goods and services should be used rather than adding up the actual numbers. For example, if 10,000 kgs of wheat is sold at ` 8 per kg, the value of wheat will be ` 80,000. The value of 5000 coconuts at ` 10 per coconut will be ` 50,000. Similarly, the value of goods and services in the three sectors are calculated, and then added up. Remember, there is one precaution one has to take. Not every good (or service) that is produced and sold needs to be counted. It makes sense only to include the final goods and services. Take, for instance, a farmer who sells wheat to a flour mill for ` 8 per kg. The mill grinds the wheat and sells the flour to a biscuit company for ` 10 per kg. The biscuit company uses the flour and things such as sugar and oil to make four packets of biscuits. It sells biscuits in the market to the consumers for ` 60 (` 15 per packet). Biscuits are the final goods, *i.e.*, goods that reach the consumers. Why are only 'final goods and services' counted?

In contrast to final goods, goods such as wheat and the wheat flour in this example are intermediate goods. Intermediate goods are used up in producing final goods and services. The value of final goods already includes the value of all the intermediate goods that are used in making the final good. Hence, the value of Rs 60 for the biscuits (final good) already includes the value of flour (Rs 10). Similarly, the value of all other intermediate goods would have been included. To count the value of the flour and wheat separately is therefore not correct because then we would be counting the value of the same things a number of times. First as wheat, then as flour and finally as biscuits. The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year. And the sum of production in the three sectors gives what is called the *Gross Domestic Product (GDP)* of a country. It is the value



of all final goods and services produced within a country during a particular year. GDP shows how big the economy is. In India, the mammoth task of measuring GDP is undertaken by a central government ministry. This Ministry, with the help of various government departments of all the Indian states and union territories, collects information relating to total volume of goods and services and their prices and then estimates the GDP.

**1. What method do the economists suggest in counting the various goods and services?**

**Ans.** In counting the various goods and service, economists suggest that the value of goods and services should be used rather than adding up the actual numbers

**2. What is Gross Domestic Product (G.D.P.)?**

**Ans.** The value of all final goods and services produced within a country during a particular period in all the three sector gives what is called the Gross Domestic Product (GDP) of a country.

**3. What is the role of Central Government Ministry in measuring GDP?**

**Ans.** In India, the mammoth task of measuring GDP is undertaken by a Central Government Ministry. This ministry, with the help of various government departments of all the Indian states and union territories, collects information relating to total volume of goods and services and their prices and then estimates the GDP.

**IV. Read the passage below and answer the following questions?**

Over the forty years between 1973-74 and 2013-14, while production in all the three sectors has increased, it has increased the most in the tertiary sector. As a result, in the year 2013-14, the tertiary sector has emerged as the largest producing sector in India replacing the primary sector.

**a) Which one of the following statements regarding tertiary sector is incorrect?**

- i. The activities under tertiary sector help in the development of the primary and secondary sectors.
- ii. The activities of tertiary sector, by themselves, do not produce a good but they are an aid or a support for the production process.





- iii. In the past 100 years, there has been a further shift from tertiary to secondary sector in developed countries.
- iv. While production in the service sector rose by 14 times, employment in the service sector rose around five times.

b) Which of the following services can be considered as basic services?

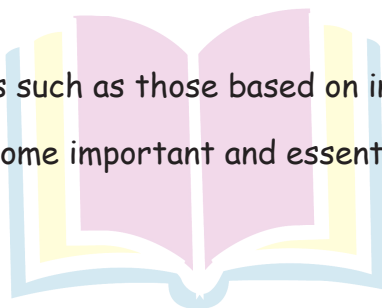
- i. Hospitals
- ii. Educational Institutions
- iii. Post and telegraph services
- iv. **All of the above**

c) In a developing country who has to take responsibility for the provision of basic services?

- i. **Government**
- ii. Private Sector
- iii. Primary Sector
- iv. Industrial Sector

d) Which of the following is the main reason why tertiary sector becoming so important in India?

- i. Development of agriculture and industry leads to the development of services.
- ii. As income levels rise, certain sections of people start demanding many more services.
- iii. Certain new services such as those based on information and communication technology have become important and essential.
- iv. **All of the above**



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**V. Read the passage below and answer the following questions:**

There are many activities that are undertaken by directly using natural resources. Take, for example, the cultivation of cotton. It takes place within a crop season. For the growth of the cotton plant, we depend mainly, but not entirely, on natural factors like rainfall, sunshine and climate. The product of this activity, cotton, is a natural product.

**a. There are many activities that are undertaken by directly using natural resources.**

**In which sector does this category of activities fall?**

- i. **Primary Sector**
- ii. Secondary sector
- iii. Tertiary sector
- iv. None of the above

**b. Why is cultivation of cotton considered as an activity of primary sector?**

- i. Because the growth of cotton plant depends mainly on natural factors like rain, sunlight.
- ii. The product of this activity, cotton, is a natural product
- iii. **Both (i) and (ii)**
- iv. None of the above

**c. Which of the following activities are undertaken by directly using natural resources?**

- i. Agriculture
- ii. Dairy
- iii. Fishing
- iv. **All of the above.**



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