

SAMPLE QUESTION PAPER-1
ECONOMICS (030)
Class XII (TERM II) 2021-22

Time Allowed: 2 Hours

Maximum Marks: 40

General Instructions:

1. This is a Subjective Question Paper containing 13 questions.
2. This paper contains 5 questions of 2 marks each, 5 questions of 3 marks each and 3 questions of 5 marks each.
3. 2 marks questions are Short Answer Type Questions and are to be answered in 30-50 words.
4. 3 marks questions are Short Answer Type Questions and are to be answered in 50-80 words.
5. 5 marks questions are Long Answer Type Questions and are to be answered in 80-120 words
6. This questions paper contains Case/Source Based Questions.

1. Categorise the following into stock and flow with reasons. 2

(a) Profits

(b) Balance in bank account

OR

If real income is ₹ 400 and price index is 105, calculate nominal income.

Ans. (a) Profit is a flow as it is calculated during a period of time.

(b) Balance in bank account is a stock as it is calculated at a particular point of time.

OR

(i) **Real Income** = Price of base year × Quantity of Current Year

$$400 = 100 \times \text{Quantity of Current Year}$$

$$\text{Quantity of Current Year} = 400/100 = 4$$

(ii) **Nominal Income** = Price of Current year × Quantity of Current Year = $105 \times 4 = ₹ 420$

2. Give the meaning of average propensity to save. What is its relation with average propensity to consume? 2

OR

Find national income from the following data:

Autonomous consumption = ₹ 100, Marginal propensity to consume = 0.80, Investment = ₹ 50

Ans. The ratio of aggregate saving to aggregate income is known as average propensity to save (APS). By dividing aggregate saving by aggregate income, we get APS. Symbolically,

$$\text{APS} = \frac{S}{Y}$$

The sum of APC and APS is equal to one. It can be proved as under:

We know, $Y = C + S$

Dividing both sides by Y, we get,

$$\frac{Y}{Y} = \frac{C}{Y} + \frac{S}{Y}$$

$$1 = \text{APC} + \text{APS}$$

$$\left[\because \frac{Y}{Y} = 1; \frac{C}{Y} = \text{APC}; \frac{S}{Y} = \text{APS} \right]$$

APC + APS = 1 because income is either used for consumption or for savings.

OR

As given in the examination problem,

Autonomous consumption or $\bar{C} = 100$

Autonomous investment or $\bar{I} = ₹ 50$

MPC or $b = 0.80$

So,
$$AD = C + I = \bar{C} + bY + I$$

$$= 100 + 0.8Y + 50 = 150 + 0.8Y$$

As we know that the equilibrium level of national income in two sector model is determined where,

$$AS = AD;$$

$$Y = 150 + 0.8Y$$

$$Y - 0.8Y = 150; Y(1 - 0.8) = 150$$

$$Y = \frac{150}{0.2} = ₹ 750$$

3. What is marginal propensity to consume? How is it related to marginal propensity to save? 2

Ans. (i) The ratio of change in consumption (C) to change in income (Y) is known as marginal propensity to consume. It indicates the proportion of additional income that is being spent on consumption.

$$MPC = \frac{\Delta C}{\Delta Y}$$

(ii) The sum of MPC and MPS is equal to one. It can be proved as under:

We know:
$$\Delta Y = \Delta C + \Delta S$$

Dividing both sides by ΔY , we get,

$$\frac{\Delta Y}{\Delta Y} = \frac{\Delta C}{\Delta Y} + \frac{\Delta S}{\Delta Y}$$

$$1 = MPC + MPS$$

$$\left[\because \frac{\Delta Y}{\Delta Y} = 1; \frac{\Delta C}{\Delta Y} = MPC; \frac{\Delta S}{\Delta Y} = MPS \right]$$

4. Name the major indicators of health care. 2

OR

Why is it not an easy thing for a country like India to maintain employment growth at 2%?

Ans. Following are the major indicators of health care:

- (i) Infant mortality rate
- (ii) Maternal mortality rate
- (iii) Life expectancy
- (iv) Nutrition levels
- (v) Global burden of disease

OR

It is not an easy thing for a country like India to maintain employment growth at 2% because of:

- (i) **Huge Population:** 2% jobs means 24 crores jobs per annum.
- (ii) **Craze for capital intensive techniques:** Indian industrialists have a craze for capital intensive techniques.
- (iii) **Ignorance of cottage and small scale industries:** In India, cottage and small scale industries are not being given as much importance as required.

5. Differentiate between renewable and non-renewable resources. 2

Ans. Difference between renewable and non-renewable resources is summarised below:

Basis	Renewable resources	Non-renewable resources
Meaning	Renewable resources are those which can be used without the possibility of the resource becoming depleted or exhausted. i.e. a continuous supply of the resource remains available.	Non-renewable resources are those which get exhausted with extraction and use.
Example	Examples of renewable resources are the trees, water, sunlight, wind etc.	Petroleum, coal etc.

6. Are the following statements true or false? Give reasons. 3

- (a) Capital formation is a flow
- (b) Bread is always a consumer good

OR

Distinguish between domestic product and national product. When can domestic product be more than national product?

Ans.	Statement	True or false	Reason
	(a) Capital formation is a flow.	True	Capital formation is measured over a period of time
	(b) Bread is always a consumer good	False	It depends on the use of bread. When it is purchased by a household, it is a consumer good. If it is purchased by a restaurant, it is a producer good.

OR

Domestic Income	Basis	National Income
(i) It is a territorial concept as it includes the value of final goods and services produced within domestic territory of a country.	Nature of Concept	It is a national concept as it includes the value of final goods and services produced in the entire world.
(ii) It considers all producers within the domestic territory of the country.	Category of Producers	It considers all producers who are normal residents of the country.
(iii) It does not include NFIA.	NFIA	It includes NFIA.

7. Why are women paid fewer wages for the same work as compared to men?

3

Ans. Women are paid fewer wages for the same work as compared to men because:

- (i) There are rules but these are not followed especially in informal sector.
- (ii) There is a social prejudice which claims that males are more productive than females.
- (iii) Males are more committed to their work life. Females have dual responsibility which reduces their commitment to their work life.
- (iv) Since females do not have complete financial responsibility, they agree to work for lower wages.
- (v) Males have better physical abilities as compared to females.

Read the following text carefully and answer question number 8 and 9 given below:

Population growth in India and China

In both China and India, the gap between births and deaths is narrowing, resulting in slower population growth in both nations, as shown in Figure 2.7. Population growth rates are expected to be lower in China than in India throughout the 2000–2035 period. India's population growth rate has been declining since before 2000 and is expected to do so at about the same rate throughout the period shown. By contrast, although China's population growth rate is considerably lower than India's, China's rate is quite flat between 2002 and 2011 but is expected to fall somewhat more rapidly than India's thereafter. Beginning in 2027, the number of deaths in China is expected to exceed the number of births, resulting in natural population loss.

Age-Sex Structure of the Population

The trends in fertility and mortality discussed above affect the present and projected age distribution of a population. Demographers typically use population pyramids to depict the age and sex structure of a population. Such figures are called pyramids because, historically for most nations, particularly in those with persistently high fertility rates, they resemble a pyramid, with a wide base representing large numbers of younger age groups and more narrow bands near the top representing smaller numbers of older people near the end of their natural life span.

Women in the Economy

A significant determinant of future economic growth in both countries will be the degree to which women participate in the formal economy (Apps and Rees, 2001; Bloom et al., 2009; Fortin, 2009). In both countries, women are much less likely to participate in the formal labor force than men are, but the difference is much greater in India. In 2006, 69 percent of women in China participated in the formal economy, while in India the rate was only 34 percent (Cook and Chen, 2007).

Attitudes regarding women's roles are presently more permissive in China than in India. For example, 87 percent of Chinese respondents to the World Values Survey feel that a university education is as important for a girl as for a boy, compared with 50 percent in India (World Values Survey Association, 2009; DaVanzo, Dogo, and Grammich, forthcoming). As a consequence, China appears better positioned than India to welcome women into the formal workforce.

8. What are implications of Age-sex structure of the population? 3

Ans. Implications of age sex structure for an economy:

- (i) The trends in fertility and mortality affect the present and projected age distribution of a population.
- (ii) They determine worker population ratio, youth population and the number of workers available to contribute to GDP of the economy.
- (iii) They also determine dependency ratio. Higher is the dependency ratio, worse it is for the economy.

9. How do you think China has better position in terms of role of woman in the economy? 3

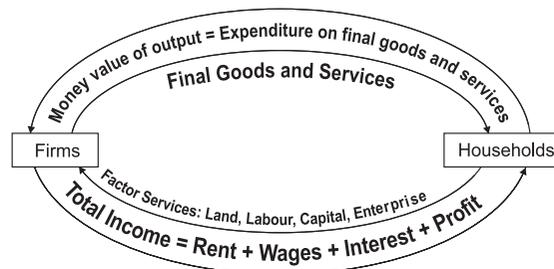
Ans. China is better positioned when it goes ot role of women in the economy because

- (i) In both countries, women are much less likely to participate in the formal labor force than men are, but the difference is much greater in India. In 2006, 69 percent of women in China participated in the formal economy, while in India the rate was only 34 percent.
- (ii) Attitudes regarding women's roles are presently more permissive in China than in India. For example, 87 percent of Chinese respondents to the World Values Survey feel that a university education is as important for a girl as for a boy, compared with 50 percent in India.
- (iii) Woman is considered as productive as a man in Chinese culture and no such stereotypes exist that woman cannot handle certain professions.

As a consequence, China appears better positioned than India to welcome women into the formal workforce.

10. Explain the circular flow of income. 3

Ans. (i) It refers to flow of money, income or the flow of goods and services across different sectors of the economy in a circular form.



(ii) So, in case of two sector economy, we derive the following:

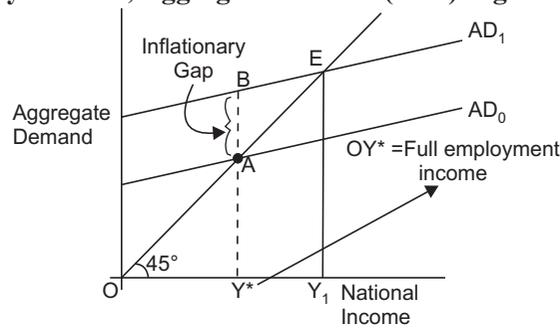
- (a) Total production of goods and services by firms = Total consumption of goods and services by household sector.
- (b) Factor payments by firms = Factor incomes of household sector.
- (c) Consumption expenditure of household sector = Income of firm.
- (d) Hence, Real flows of production and consumption of firms and households = Money flows of income and expenditure of firms and households.

11. Define and represent inflationary gap on a diagram. Explain the role of 'open market operations' in removing it. 5

Ans. **Inflationary gap** is the gap showing excess of current aggregate demand over aggregate supply at the level of full employment. **It is called inflationary because it leads to inflation** (continuous rise in prices).

A simple example will further clarify it. Let us suppose that an imaginary economy by employing all its available resources can produce 10,000 quintals of rice. If aggregate demand of rice is say 12,000 quintals, this demand will be

called an excess demand, because aggregate supply at level of full employment of resources is only 10,000 quintals as the result of the gap of 2000 quintals will be called as inflationary gap. **In the below diagram Inflationary gap is AB because at Full employment Y^* , Aggregate demand (BY^*) is greater than Aggregate Supply (AY^*).**



Open Market Operations (OMO) (Sale of securities)

Open market operation consists of buying and selling of government securities and bonds in the open market by central bank.

In a situation of excess demand leading to inflation, central bank sells government securities and bonds to commercial bank. With the sale of these securities, the power of commercial bank to give loans decreases, which will control excess demand.

12. (a) Calculate 'Sales' from the following data:

3

	Particulars	(₹) in lakh
(i)	Subsidies	200
(ii)	Opening stock	100
(iii)	Closing stock	600
(iv)	Intermediate consumption	3,000
(v)	Consumption of fixed capital	700
(vi)	Profit	750
(vii)	Net value added at factor cost	2,000

(b) If the real GDP is ₹ 400 and nominal GDP is ₹ 450, calculate the price index (base = 100).

2

OR

(a) Calculate the Net National Product at market price.

	Items	(in Crores)
(i)	Mixed income of self-employed	8,000
(ii)	Depreciation	200
(iii)	Profit	1,000
(iv)	Rent	600
(v)	Interest	700
(vi)	Compensation of employees	3,000
(vii)	Net indirect taxes	500
(viii)	Net factor income to abroad	60
(ix)	Net exports	(-50)
(x)	Net Current Transfers from Abroad	20

(b) What are 'subsidies'?

Ans. (a)

$$\begin{aligned}
 \text{GVA}_{\text{MP}} &= \text{Net value added at factor cost (NVA}_{\text{FC}}) + \text{Depreciation (Consumption of} \\
 &\quad \text{fixed capital)} + \text{Net indirect tax (Indirect tax - Subsidy)} \\
 &= (vii) + (v) + [0 - (i)] \\
 &= 2,000 + 700 + [0 - 200] \\
 &= ₹ 2,500 \text{ Lakh}
 \end{aligned}$$

$$\begin{aligned} \text{Gross Value Added (GVA}_{MP}) &= \text{Gross value of output (GVO}_{MP}) - \text{Intermediate Consumption} \\ &= \text{Sales} + \text{Change in stock (Closing stock} - \text{Opening Stock)} - \text{Intermediate Consumption} \end{aligned}$$

$$2,500 = \text{Sales} + [(iii) - (ii)] - (iv)$$

$$2,500 = \text{Sales} + (600 - 100) - 3,000$$

$$2,500 = \text{Sales} - 2,500$$

$$\text{Sales} = 2,500 + 2,500 = ₹ 5,000 \text{ Lakh}$$

(b) (i) $\text{Real GDP} = \text{Price of base year} \times \text{Quantity of Current Year}$

$$400 = 100 \times \text{Quantity of Current Year}$$

$$\text{Quantity of Current Year} = 400/100 = 4$$

(ii) $\text{Nominal GDP} = \text{Price of Current year} \times \text{Quantity of Current Year}$

$$450 = \text{Price of Current year} \times 4$$

$$\text{Price of Current year} = 450/4 = 112.5$$

(iii) $\text{Price Index} = (\text{Price of Current year}/\text{Price of Base year}) \times 100$

$$= (112.5/100) \times 100 = 112.5$$

OR

(a) $\text{NDP}_{FC} = \text{Compensation of Employees} + \text{Operating Surplus} + \text{Mixed Income}$

$$= (vi) + (iv) + (v) + (iii) + (i)$$

$$= 3,000 + 600 + 700 + 1,000 + 8,000$$

$$= ₹ 13,300 \text{ Crores}$$

$$\text{NNP}_{MP} = \text{NDP}_{FC} + \text{NFIA} + \text{NIT}$$

$$= 13,300 + (-viii) + (vii)$$

$$= 13,300 - 60 + 500 = ₹ 13,740 \text{ Crores}$$

(b) Subsidies are the cash grants given by the government to the enterprises to encourage production of certain commodities, to promote exports or to sell goods at prices lower than the free market price.

13. (a) Compared to females, more males are found to be working. Why? 3

(b) Distinguish between social infrastructure and economic infrastructure. 2

Ans. (a) Compared to females, more males are found to be working because:

(i) Gender based social division of labour: It is assumed that men are meant to fulfill financial responsibilities and females are meant to take care of domestic chores.

(ii) Many of the household activities that are done by women are not recognised as work.

(iii) Skill requirement is also a reason.

(b)	Basis	Social Infrastructure	Economic Infrastructure
	Meaning	Social infrastructure is directly concerned with the needs of such services which meet the basic needs of a society.	Economic infrastructure is directly concerned with the needs of production sectors.
	Example	Education, health, housing	Transport, communication, energy etc.