ECONOMICS (030)
Class XII - TERM II (2021-22)
MARKING SCHEME

Q.No.	ANSWERS	MARKS
1	Final goods refer to those goods which are used either for final consumption or for investment purposes. **Whereas** Intermediate goods refer to those goods which are used either for resale or for further production purposes. **Or** Positive externalities refer to benefits caused by one entity to another, without being paid for it. **Whereas** Negative externalities refer to the harms caused by one entity to another without being penalized for it.	2 2
2	Given Consumption function is, $\quad$ C=100+0.8 Y $\quad$ Autonomous investments=500 crores We know, at equilibrium level $\quad$ Y=C+I $\quad$ Y=100+0.8 Y+500 $\quad$ Y-0.8Y=600 $\quad$ 0.2 Y =600 $\quad$ Y= ₹ 3,000 crores **Or** Given Δ I = ₹1,000 crores MPC = 0.8 As we know, Multiplier (K) $= \frac{1}{1-MPC} = \frac{1}{1-0.8} = \frac{1}{0.2} = 5$ times We know K $= \frac{\Delta Y}{\Delta I}$ $\quad 5 = \frac{\Delta Y}{1000}$ $\quad \Delta Y = ₹ 5,000$ crores	½ ½ ½ ½ ½ ½ ½ ½
3	At a lower level of income, a consumer spends a larger proportion of his/her income on consumption expenditure (basic survival requirements). As the income increases, owing to the psychological behavior of a consumer (rational), people tend to consume less and save more for future uncertainty.	2
4	Two indicators that help to measure the health status of a country are: $\quad$ a) **Infant Mortality Rate** - Infant Mortality Rate (or IMR) indicates the number of children that survive first year of their life. $\quad$ b) **Literacy Rate** – Literacy rate measures the proportion of literate population in the age	1 1

	group of seven years or above.	
	Or	
	The data in the given table reveals that:	
	a) Women constitute 16.5% of the total worker population in the economy.	
	b) The number of women workers in rural areas (17.5%) are relatively higher than the women workers in urban areas (14.2%). Due to the abject poverty in rural areas, rural women are compelled to work more than their urban counterparts.	2
5	The given statement is true; infrastructural development in an economy increases productivity, induces higher investment, facilitates employment, and generates more income. With the rise in income the quality of life of the people improves. Thus, conclusively we may say that infrastructure contributes to the economic development of a country.	2
6	Following will not be included in estimation of National Income of India:	
	a. As such transactions are mere paper claims and do not lead to any value addition.	1 ½
	c. Compensation paid by the Government of India is mere transfer payment and does not lead to any flow of goods and services in an economy.	1 ½
	Or	
	Nominal GDP= Real GDP$\times \frac{price\ index}{100}$ $=500\times \frac{125}{100}$ $=₹\ 625$ crores	1 1 1
7	'Investment in infrastructure as a percentage of GDP' is that proportion of Gross Domestic Product which is invested for the development of infrastructural facilities in a country. According to the given data it is evident that India is contributing 30% of its total GDP on infrastructural progress, which is just a notch above the corresponding figure of 28% for Singapore. Considering the vast geography of India this is a relatively lower proportion in this direction. If India wants to grow at a faster rate, she must concentrate on higher judicious investment on development of infrastructure.	3
8	Economic advantages of China Pakistan Economic Corridor (CPEC) to the economy of Pakistan are:	
	i. China provided financial and technical expertise to help Pakistan build its road infrastructure, supporting employment and income in the economy	1 ½
	ii. CPCE has led to a massive increase in power generation capacity of Pakistan. It has brought an end to supply-side constraints in the nation, which had made blackouts a regular phenomenon across the country.	1 ½
9	China has become famous for its 'Debt Trap Diplomacy' in recent times. Under this	3

	China provides financial and technical expertise/assistance to help various nations to bring them under its direct or indirect influence. The first and the foremost implication of the diplomacy is that Beijing has now become Islamabad's largest creditor. According to documents released by Pakistan's finance ministry, its total public external debt stood at \$44.35 billion in June 2013, just 9.3 percent of which was owed to China. By April 2021, this external debt had ballooned to \$90.12 billion, with Pakistan owing 27.4 percent —\$24.7 billion — of its total external debt to China, according to the IMF.	
10	Non-monetary exchange transactions are not included in the estimation of Gross Domestic Product on account of practical difficulties like non-availability of reliable data. Although these activities enhance public welfare which may lead to under-estimation of GDP. For example: kitchen gardening, services of homemaker etc.	3

11	Two measures which may be used to solve the problem of inflation are:
	  a) An increase in Cash Reserve Ratio (CRR) may reduce the credit creation capacity of the commercial banks in the economy. This may lead to a fall in the borrowings from banks causing a fall in Aggregate Demand in the economy, and helps to correct the inflationary gap in the economy.
	  b) Sale of Government Securities in the open market by the Central Bank will adversely affect the ability of the Commercial Banks to create credit in the economy. As a result Aggregate Demand in the economy may fall and correct the inflationary gap in the economy.
		2 ½
		
		2 ½

12	a) Domestic Income (NDP@fc) =(i)+(ii)+(iv)+(vii)+(viii)+(x)
	                                       =₹2000+₹800+₹460+₹940+₹300+₹200
	                                       =₹4,700 crore
	b) Value of output is the estimated money value of all the goods and services, inclusive of change in stock and production for self-consumption. **Whereas,**
	Value added is the excess of value of output over the value of intermediate consumption.
	Or
	a) Net Value Added at Factor Cost (NVA @ FC) =(i)+(iii)+(iv)+(vi)-(v)
	                                         =₹6800+₹200+₹50+₹20-₹100
	                                       =₹6,970crore
	b) Component of net factor income from abroad are:
	  i. Net compensation of employees
	  ii. Net income from property and entrepreneurship
	  iii. Net retained earnings of resident companies abroad (any two)
		1
		1
		1
		
		1
		1
		
		1
		1
		1
		
		2

13	a) The traditional practices can help in controlling contamination without the use of chemical	2

		fertilizers, as follows:	
		i. i. Neem trees and its by products are a natural pest-controller, which has been used since ages in India. Recently, the government promoted the sale Neem coated urea as a measure of natural pest control. ii. Large variety of birds should be allowed to dwell around the agricultural areas, they can clear large varieties of pests including insects b) The given statement is quite appropriate with reference to the 'casualisation of labour' in India. i) For casual workers, the rights of the labour are not properly protected by labour laws. Particularly, during pandemic times, as demand for goods and services fell the casual workers were left jobless, without any compensation or support. i. ii) During the COVID-19 lockdown millions of casual workers lost their jobs, raising the question of their survival. Also, additional health expenditure added to their troubles. Had such workers been working under the formal sector, it would have given them some respite in their difficult times.	3

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

MM: 40   **Time: 2 Hours**

General Instructions:

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

Q.No.	QUESTIONS	MARKS
1	Distinguish between Final Goods and Intermediate Goods.	2
	Or	
	Distinguish between positive externalities and negative externalities.	2
2	Calculate equilibrium level of income for a hypothetical economy, for which it is given that:	
	a) Autonomous Investments = ₹ 500 crores, and	2
	b) Consumption function, C = 100 + 0.80Y	
	Or	
	Calculate Change in Income (ΔY) for a hypothetical economy. Given that:	
	a) Marginal Propensity to Consume (MPC) = 0.8, and	
	b) Change in Investment (ΔI) = ₹1,000 crores	2
3	'As the income increases, people tend to save more'. Justify the given statement.	2
4	State and discuss any two indicators that help in measuring the health status of a country.	2
	Or	
	Compare and analyze the 'Women Worker Population Ratio' in Rural and Urban areas based on following information:	

Worker-Population Ratio in India, 2017-2018

Sex	Worker-Population Ratio		
	Total	Rural	Urban
Men	52.1	51.7	53.0
Women	16.5	17.5	14.2
Total	**34.7**	**35.0**	**33.9**

5	'Investment in infrastructure contributes to the economic development of a country.' Justify the given statement with a valid argument.	2

6 Giving valid reasons explain which of the following will not be included in estimation of National Income of India?

    a) Purchase of shares of X. Ltd. by an investor in the National Stock Exchange.

    b) Salaries paid by the French Embassy, New Delhi to the local workers of the housekeeping department.   **3**

    c) Compensation paid by the Government of India to the victims of floods.

Or

Estimate the value of Nominal Gross Domestic Product for a hypothetical economy, the value of Real Gross Domestic Product and Price Index are given as ₹500 crores and 125 respectively.   **3**

7 Study the following information and compare the Economies of India and Singapore on the grounds of 'Investment in infrastructure as a percentage of GDP'

Some Infrastructure in India and other Countries, 2018

Country	Investment* in Infrastructure as a % GDP	Percentage of people using safely managed		Mobile Subscribers/100 People	Consumption of energy (ml. tonnes of oil equivalent)
		Drinking Water Sources	Sanitation Services		
China	44	96	72	115	3274
Hong Kong	22	100	92	259	31
India	**30**	**94**	**40**	**87**	**809**
South Korea	31	98	100	130	301
Pakistan	16	35	64	73	85
Singapore	28	100	100	146	88
Indonesia	34	87	61	120	186

Sources: World Development Indicators 2019, World Bank website: www.worldbank.org.;
BP Statistical Review of World Energy 2019, 69th Edition.
Note: (*) refers to Gross Capital Formation.

     3

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

SINO-PAK FRIENDSHIP CORRIDOR

The China-Pakistan Economic Corridor (CPEC) has deepened the decades-long strategic relationship between the two nations. But it has also sparked criticism for burdening Pakistan with mountains of debt and allowing China to use its debt-trap diplomacy to gain access to strategic assets of Pakistan.

The foundations of CPEC, part of China's Belt and Road Initiative, were laid in May 2013. At the time, Pakistan was reeling under weak economic growth. China committed to play an integral role in supporting Pakistan's economy.

Pakistan and China have a strategic relationship that goes back decades. Pakistan turned to China at a time when it needed a rapid increase in external financing to meet critical investments in hard infrastructure, particularly power plants and highways. CPEC's early

harvest projects met this need, leading to a dramatic increase in Pakistan's power generation capacity, bringing an end to supply-side constraints that had made rolling blackouts a regular occurrence across the country.

Pakistan leaned into CPEC, leveraging Chinese financing and technical assistance in an attempt to end power shortages that had paralyzed its country's economy. Years later, China's influence in Pakistan has increased at an unimaginable pace.

China As Pakistan's Largest Bilateral Creditor: China's ability to exert influence on Pakistan's economy has grown substantially in recent years, mainly due to the fact that Beijing is now Islamabad's largest creditor. According to documents released by Pakistan's finance ministry, Pakistan's total public and publicly guaranteed external debt stood at $44.35 billion in June 2013, just 9.3 percent of which was owed to China. By April 2021, this external debt had ballooned to $90.12 billion, with Pakistan owing 27.4 percent —$24.7 billion — of its total external debt to China, according to the International Monetary Fund (IMF).

Additionally, China provided financial and technical expertise to help Pakistan build its road infrastructure, expanding north-south connectivity to improve the efficiency of moving goods from Karachi all the way to Gilgit-Baltistan (POK). These investments were critical in better integrating the country's ports, especially Karachi, with urban centers in Punjab and Khyber-Pakhtunkhwa provinces.

Despite power asymmetries between China and Pakistan, the latter still has tremendous agency in determining its own policies, even if such policies come at the expense of the long-term socioeconomic welfare of Pakistani citizens.

(https://www.usip.org/publications/2021/05/pakistans-growing-problem-its-china-economic-corridor - Modified)

8	Outline and discuss any two economic advantages of China Pakistan Economic Corridor (CPEC) accruing to the economy of Pakistan.	3
9	Analyse the implication of bilateral 'debt-trap' situation of Pakistan vis-à-vis the Chinese Economy.	3
10	Explain how 'Non-Monetary Exchanges' impact the use of Gross Domestic Product as an index of economic welfare.	3

11 'Monetary measures offer a valid solution to the problem of Inflationary gap in an economy'. **5**
State and discuss any two monetary measures to justify the given statement.

12   a) From the following data calculate the value of Domestic Income: **3**

S.No.	ITEMS	Amount (in ₹ Crores)
i)	Compensation of Employees	2,000
ii)	Rent and Interest	800
iii)	Indirect Taxes	120
iv)	Corporate Tax	460
v)	Consumption of Fixed Capital	100
vi)	Subsidies	20
vii)	Dividend	940
viii)	Undistributed Profits	300
ix)	Net Factor Income from Abroad	150
x)	Mixed Income of Self Employed	200

b) Distinguish between 'Value of Output' and 'Value Added'. **2**

Or

a) Given the following data, find Net Value Added at Factor Cost by Sambhav (a farmer)
producing Wheat:

	Items	(₹ in crore)
i)	Sale of wheat by the farmer in the local market	6800
ii)	Purchase of Tractor	5000
iii)	Procurement of wheat by the Government from the farmer	200
iv)	Consumption of wheat by the farming family during the Year	50
v)	Expenditure on the maintenance of existing capital stock	100
vi)	Subsidy	20

3

2

b) State any two components of 'Net Factor Income from Abroad'.

13   a) 'Pesticides are chemical compounds designed to kill pests. Many pesticides can also pose
health risks to people even if exposed to nominal quantities. ' **2**
In the light of the above statement, suggest any two traditional methods for replacement of
the chemical pesticides.

b) 'In recent times the Indian Economy has experienced the problem of Casualisation of the **3**
workforce. This problem has only been aggravated by the outbreak of COVID-19.'
Do you agree with the given statement? Discuss any two disadvantages of casualisation of the
workforce in the light of the above statement.