Roll No. ☐☐☐☐☐☐☐☐

Q.P. Code 58/1/1

ECONOMICS – TERM II

CBSE Class XII Board Examination 2022 (Term 2)

Time allowed: 2 hours **Maximum Marks: 40**

General Instructions:

1. The paper has 13 questions and all of them must be answered; marks are shown against each question.
2. Five questions carry 2 marks each (short answers of about 30–50 words), five carry 3 marks each (short answers of about 50–80 words) and three carry 5 marks each (long answers of about 80–120 words).
3. There is no overall choice, but a few questions offer an internal choice (OR); answer only one alternative in those.
4. The paper also contains a case/source based question.

QUESTIONS

Q1–5: 2 marks each · Q6–8: 3 marks each · Q9–11: 5 marks each · Q12–13 (source based): 3 marks each.

1. With the help of a suitable example, explain the difference between positive externalities and negative externalities. **2**

OR

With the help of a suitable example, explain the difference between stock variables and flow variables.

---

2. Give a valid argument to justify the statement: 'People at higher income levels usually have a lower Marginal Propensity to Consume (MPC).' **2**

---

3. Mention any two harmful effects of global warming. **2**

OR

Mention any two advantages of 'sustainable development'.

---

4. For a hypothetical economy, find the equilibrium level of income, given: **2**
(i) Autonomous investment (I_0) = ₹2,500 crore
(ii) Consumption function $C = 1000 + 0.8Y$, where C = consumption and Y = income.

OR

For a hypothetical economy, find the change in income (ΔY), given:
(i) Marginal Propensity to Consume (MPC) = 0.75
(ii) Change in investment (ΔI) = ₹20,000 crore.

---

5. 'The mix of infrastructure a country needs changes considerably as its income goes up.' Do you agree? Give a suitable argument in support of your answer. **2**

---

6. For a hypothetical economy the Real GDP is ₹500 crore and the Price Index is 125. Estimate its Nominal GDP. **3**

OR

Which of these will NOT be counted in India's National Income? Give a reason for each.
(i) An investor buys shares of Sethi Ltd. on the Bombay Stock Exchange.
(ii) The Indian Embassy in Japan pays salaries to its local (Japanese) staff.
(iii) Depreciation charged by firms on their capital assets.

---

7. Using any two indicators from the table below (health indicators, 2015-17; sources HDI 2018 and WDI 2018), compare and analyse the health status of India and Sri Lanka. **3**

Indicator	India	China	USA	Sri Lanka
Infant mortality rate (per 1000 live births)	34	8	5.7	7.5
Under-5 mortality rate (per 1000 live births)	39.4	9.3	6.6	8.8
Infants immunised (DTP) in %	88	99	95	99
Govt. health spending as % of GDP	3.9	5.7	16.8	3

8. With the help of a hypothetical numerical example, explain how the investment multiplier works in an economy. **3**

9. (i) Using the data below, find Gross National Product at Factor Cost (GNP_{FC}). (3 marks) **5**

S. No.	Item	₹ crore
(i)	Compensation of employees	12,000
(ii)	Rent and interest	1,800
(iii)	Indirect taxes	1,120
(iv)	Profits	1,500
(v)	Depreciation	1,100
(vi)	Subsidies	210
(vii)	Net factor income from abroad	(−)120
(viii)	Mixed income of self-employed	1,300

(ii) Explain the difference between rent and royalty. (2 marks)

OR

(i) Using the data below, find Net Value Added at Factor Cost (NVA_{FC}). (3 marks)

S. No.	Item	₹ '000
(i)	Sale of rice in the market	580
(ii)	Purchase of tractor and thresher	400
(iii)	Procurement of rice by the government	20
(iv)	Self-consumption of rice during the year	15
(v)	Running and maintenance expenses of tractor and thresher	20
(vi)	Fertiliser subsidies received from the government	3

(ii) Explain the difference between 'value of output' and 'value addition'. (2 marks)

10. Since the Covid lockdown of March 2020, India has faced the problem of deficient demand. Name and explain any two monetary policy measures that can be used to correct deficient demand. **5**

11. (a) (i) 'The Government of India has recently taken important steps to revive and popularise the Indian System of Medicine (ISM).' Do you agree? Support your answer with valid reasons. **5**

(b) (ii) 'Casualisation of the workforce has become a long-lasting problem of the Indian economy.' Justify this statement with valid arguments.

---

12. *Read the source (based on a Bloomberg report of 24 October 2021) and answer Q12 and Q13. In summary: China's economy is slowing faster than investors expect. It is cutting its dependence on real estate, tightening regulation of sectors from education to technology, and facing power shortages and the pandemic. Third-quarter GDP growth dropped to 4.9% from 7.9% in the previous quarter; growth is expected near 8.2% this year and below 5% next year. China plans to stabilise debt growth, reduce inequality and move resources into hi-tech manufacturing, and has hinted that banks may speed up mortgage lending as a short-term stimulus. Falling investment in China threatens commodity exporters such as Australia, South Africa, Chile, Peru and Brazil, and slower trade may hurt Malaysia, Singapore and Thailand. Electricity shortages are cutting industrial output, which makes infrastructure-led stimulus hard until the power crunch eases.* **3**

State and discuss any two reasons that show the slowdown of the Chinese economy.

---

13. *Based on the same source (China's 2021 slowdown).* **3**

As an economic adviser to the Government of China, briefly discuss any two measures you would suggest.

— END —

Questions restated from the CBSE Class XII Board Examination 2022 (set 58/1/1) for practice. Reading passages and map items are described, not reproduced.