

PRE-BOARD EXAMINATION TERM II (2021-22)
CLASS XII
ECONOMICS

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 Very Short Answer Type and are to be answered in 30-50 words.
- 3 marks questions are Short Answer Type and are to be answered in 50-80 words.
- 5 marks questions are Long Answer Type and are to be answered in 80-120 words.
- This question paper contains Case/Source Based Questions.

| Q.No. | QUESTIONS | MARKS |
|---|---|-------|
| 1. | What is the important implication of the 'one child norm' in China? | 2 |
| 2. | Suppose a ban is imposed on consumption of tobacco. Explain its likely effects on gross domestic product and welfare. | 2 |
| OR | | |
| "Management of a water polluting oil refinery says that it ensures welfare through its contribution to GDP." Defend or refute the argument of management with respect to GDP as a welfare measure of the economy. | | |
| 3. | Derive using the MPC the range of values that investment multiplier can take. | 2 |
| 4. | Giving valid reasons, state whether the following statements are true or false: (a) An excess of aggregate demand over full employment level of aggregate supply represents a situation of inflationary gap. (b) If the ratio of Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) is 4:1, the value of investment multiplier will be 4. | 2 |
| OR | | |
| State giving reasons whether the following statements are true or false: (a) An increase in the bank rate is effective to combat inflation. (b) In situation of deficient demand, the central bank raises cash reserve ratio. | | |
| 5. | In an economy, the equilibrium level of income is ₹ 12,000 cr. The ratio of marginal propensity to consume and marginal propensity to save is 3:1. Calculate the additional investment needed to reach a new equilibrium level of income of ₹20,000 cr. | 2 |
| 6. | In a single day, Raju, a barber, collects ₹ 500 from haircuts. Over this day, his equipment depreciates in value by ₹ 50. Of the remaining ₹ 450, Raju pays sales tax ₹30, takes home ₹200 and retains ₹220 for improvement and buying of new equipment. He further pays ₹20 as income tax. Based on this information, calculate Raju's contribution to GDP, NDP and National Income. | 3 |
| OR | | |
| How will you treat the following in the calculation of Gross Domestic Product of India? Give Reason. (i) Profits earned by a branch of foreign bank in India (ii) Salaries of Indian employees working in embassy of Japan in India (iii) Salary of resident of Japan working in Indian embassy in Japan | | |
| 7. | Discuss the main drawbacks of our healthcare system. | 3 |

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

Why the Drop in India's Labour Participation Rate Can't Be Ignored by Policymakers As per independent economic data agency CMIE, India's LPR was 41.38% in March 2021, but has further fallen to 40.15 % last month.

Even as national output has crept back to pre-pandemic levels, what remains an enduring puzzle is the dramatic fall in India's employment rate to an all-time low of around 42% lately. This is by far the lowest among all comparable Asian economies where the labour participation ratio (LPR) or active job seekers are above 60% of the employable population, as per ILO data below.

As per independent economic data agency CMIE, India's LPR was 41.38% in March 2021 (almost same as the ILO figure) but has further fallen to 40.15 % last month.

This means 60% of employable people in India have fallen off the job market. They are just not looking for work. Can an economy prosper with 60% of its employable people not seeking work? This is the all-important question.

CMIE's CEO Mahesh Vyas argues that for some unknown reasons, Indian policymakers have not paid much attention to the unusual decline in the LPR in recent years. As per CMIE, the LPR was 47% in March 2017 and it has dramatically fallen to about 40% in just four years. Mind you, the bulk of the decline had already happened before the pandemic.

Other competing Asian economies like Indonesia, Philippines, Vietnam etc. have over 60% employable people actively looking for jobs. In India roughly about one billion people are employable but only 400 million or 40% are actually looking for jobs. Even Pakistan and Bangladesh have over 47% of the employable looking for jobs actively.

The sorry state of the informal sector is revealed in just one data set. While one aspect is more workers have fallen out of the labour force, what is worrisome is many of those active in the labour force have seen a marked deterioration in the quality of their employment. For instance, the self-employed population in the labour force is now 53%. The self-employed are largely in the unorganised sector. And worse, of this large universe of the self-employed, more than one-third are unpaid workers who support their household enterprise. This is underemployment really, which is counted as employed.

It is high time policymakers did a more honest analysis of not only India's abysmally low participation in the labour force but also the quality of employment and income of those who are in the active labour force. Prime Minister Narendra Modi must urgently set up a special task force to address this elephant in the room. Besides, the Economic Survey for 2021-22 must deal with this question upfront.

Looking away from this harsh truth will not help the government, which is prone to brushing bad news (and data) under the carpet. Already Modi seems set to preside over the lowest employment rate seen in any regime since the 1991 reforms. Not surprisingly, this is accompanied by the worst private investment growth seen in any 10-year period. The prime minister is currently busy loudly proclaiming big development projects in UP including the Kashi Vishwanath corridor ahead of the crucial UP elections. Hindutva may be able to complement economic development but can't supplant it totally. A sobering thought – supported by data – has been provided by labour economist Santosh Mehrotra, showing youth unemployment having quadrupled in UP, from 4% to 19%, between 2013 and 2019.

An excerpt from the article published on 14 December 2021 in The Wire

8. (a) How is the Labour force Participation Rate different from the Work Force Participation Rate? 1
(b) Comment on the quality of employment seen in India in the recent years. 2

9. (a) Is the low LPR in the country merely a result of the global pandemic? Substantiate your stance with arguments from the excerpt. 1½
 (b) What is the prominent reason for the low LPR in the country and what are the consequences? 1½
10. If the rate of resource extraction exceeds the rate of regeneration, it leads to reduction in carrying capacity of the environment.” Discuss the rationale of the given statement with valid reasons. 3
- 11 (a) Calculate Net National Product at market price. 3

| | Particulars | ₹ crore |
|--------|---|---------|
| (i) | Gross domestic fixed capital formation | 350 |
| (ii) | Private Final Consumption Expenditure | 8000 |
| (iii) | Government Final Consumption Expenditure | 3000 |
| (iv) | Value of Output produced in the economy | 150 |
| (v) | Current replacement cost of fixed capital | 40 |
| (vi) | Net Exports | (-) 60 |
| (vii) | Net Factor Income from Abroad | 80 |
| (viii) | Sales by all firms in the economy | 100 |

- (b) “Exports are added and imports subtracted from domestic final expenditure in order to estimate GDP_{MP} .” Elaborate. 2

OR

- (a) Given the following data, find the missing value of ‘Government Final Consumption Expenditure’ and ‘Mixed income of Self Employed’. 4

| | Particulars | ₹ crore |
|--------|--|---------|
| (i) | National Income | 71,000 |
| (ii) | Gross Domestic Capital Formation | 10,000 |
| (iii) | Government Final Consumption Expenditure | ? |
| (iv) | Mixed income of Self Employed | ? |
| (v) | Net Factor income from abroad | 1,000 |
| (vi) | Net Indirect Taxes | 2,000 |
| (vii) | Profits | 1,200 |
| (viii) | Wages and Sales | 15,000 |
| (ix) | Net Exports | 5,000 |
| (x) | Private Final Consumption Expenditure | 40,000 |
| (xi) | Consumption of Fixed Capital | 3,000 |
| (xii) | Operating Surplus | 30,000 |

- (b) Name the types of expenditure that are excluded from the expenditure method. 1
12. (a) Differentiate between inflationary and deflationary gap. 3
 (b) Show deflationary gap on a diagram. Can this gap exist at equilibrium level? Explain 2
13. Discuss the issue of free trade between India and China, and India and Pakistan. 5

OR

What do you understand by SAARC, EU, ASEAN, G-8 and G-20?