



## Board Paper of Class 12-Economics2022

**Total Time: 120**

**Total Marks: 40.0**

### Solution 1

Factor income is the income received by factors of production (land, labour, capital and entrepreneur) in return for their factor services provided by the household sector in the production process. Ex- rent, wages, interest and profit. Transfer income refers to the income received by the government or households without rendering any productive services in return for them. It is a unilateral income and can be received either from domestic territory or abroad. Ex- old age pension and gifts.

**OR**

Domestic Income implies the income accrued to both residents and non-residents within the geographical boundaries of the country. National Income is described as the income accrued to the ordinary residents of the country, irrespective of their geographical location (i.e. within and outside the country)

### Solution 2

At equilibrium level of national income.

National Income (Y) = Consumption (C) + Investment (I)

$$Y = C + I \dots(1)$$

and,

Consumption Expenditure = Autonomous Consumption + (MPC × National Income)

$$C = \bar{c} + by$$

$$\therefore C = 100 + 0.6(2000)$$

$$C = 100 + 1200$$

$$C = ₹1300$$

Putting it in eg (1)

$$Y \neq C + I$$

$$2000 \neq 1300 + 300$$

$$2000 \neq 1600$$

Hence, the given statement is incorrect.

**OR**

At equilibrium level of national Income.

National Income (Y) = Consumption (C) + Investment (I)

and,

$$C = \bar{c} + by$$

Where, b = MPC

$$4400 = 1000 + b(4400) + 70$$

$$4400 - 1070 = 4400(b)$$

$$3330 = 4400(b)$$

$$\frac{3330}{4400} = b$$

$$0.75 = b$$

and, we know that,

$$MDC + MDS = 1$$

$$\therefore MDC + MDC = 1$$

$$0.75 + MPS = 1$$

$$MPS = 0.25$$

### **Solution 3**

Consumption function curve of an involuntary unemployed worker starts with some positive level on the Y-axis even at zero level of income because there is always some consumption when income is zero. A person can fulfill at least his/her basic needs even with zero income. This consumption is called autonomous consumption.

### **Solution 4**

Health means not only being free from diseases but also being a sound person physically or mentally. A healthy person can contribute more to society. The healthier a person is, the better their well-being is. Thus health measures the well-being of humans. There are various factors that indicate a healthy nation. Some of them are infant mortality rate, life expectancy, nutritional level, removal of disease like polio, hepatitis etc.

### **Solution 5**

From the given data, it is clear that the primary sector share got reduced from 1999-2000 to 2011-12. Previously agriculture, fishing, mining etc. contributed around 60% to employment. Contribution by the secondary sector improved in 2011-12. It increased around 8-9% whereas service sector's contribution increased by 3% only. From the given data it is shown that the maximum contribution to employment is by the primary sector that is around 50%. The least contribution is made by the manufacturing sector i.e. only 1/3rd of total employment.

**OR**

Ram is an owner of the salon thus his absence from the business for sometime because of illness cannot make him a worker. He is still the owner of the business as he solely owned that business.

### **Solution 6**

(i) Payments made by foreign tourists are done in the domestic territory. Goods and services purchased by foreign tourists are produced by the producers in the

domestic territory of the country. So will be included in the domestic income.

(ii) Broker's commission on the sale of second hand goods will be included as the part domestic income as it is a payment for productive service rendered.

**OR**

We often consider *GDP* as an index of economic welfare. A rise in *GDP* implies a rise in the output/volume of the goods and services produced in an economy. In other words, a rise in the *GDP* implies greater availability of goods and services with the people and thus, a rise in the standard of living or welfare of the people. However, *GDP* as an index of welfare of an economy is imperfect and insufficient. It is possible that even with the rise in the *GDP*, the welfare of the people might not increase. The increase in the *GDP* may be a result of the increase in the income of a few individuals. On the other hand, the majority of people remain deprived of the benefits of the rise in the *GDP*. Hence, a rise in national income may lead to false interpretation of social welfare.

### **Solution 7**

We know that approximately half of the total population in India constitutes women. Thus, the health of women holds prime importance. Women in India are lagging behind in education, health care, and economic participation as compared to men. The child sex ratio has declined from 945 in 1991 to 927 in 2011. This shows the growing incidents of female foeticide in the country. Moreover, the women in India are married at a very early age. Close to 3,00,000 girls below the age of 15 years are married and have already given birth to at least one child. In addition, about 50 % of married women between the age of 15 and 49 suffer from anemia. This resulted in 19 % of the maternal deaths. Another factor that requires attention is the maternal morbidity and mortality caused due to abortions. Thus, it can be said that women's health is a matter of great concern in India.

### **Solution 8**

In order to correct the problem of deficient demand ( or deflationary gap), the aggregate demand has to be increased. The aggregate demand may be increased by raising the exemption limit for the payment of income tax by the government, as the people will be now encouraged to spend more.

### **Solution 9**

Liberty indicators are defined as a measure of the extent of demographic participation in the social and political decision-making of the people. In other words, it is an index that is used to measure the participation of the people in taking decisions. The following are some of the examples of liberty indicators that can be introduced for constructing HDI of a country:

- a. measures of 'the extent of Constitutional protection given to rights of citizens'
- b. measures of 'the extent of Constitutional protection of the Independence of the Judiciary and the Rule of Law'

Liberty indicators indicate the quality of life which represents the functioning of an economy. Studies show that an expansion of civil liberties promote economic growth by reducing the social conflict and encouraging the adherence to rule of

law. Hence, liberty indicators play a vital role.

### Solution 10

The development strategy followed by India and Pakistan bear a high degree of resemblance. The major similarities between the developmental strategies of the two nations can be summed up as follows:-

- i) Same period of the initiation of development process: India and Pakistan both have started their development programmes based on economic planning soon after their independence in 1947.
- ii) Reliance on the public sector: Both the countries relied heavily on the public sector for initiating the process of growth and development.
- iii) Mixed economic structure: Both of them have followed the path of mixed economic structure involving the participation of both the state as well as the private sector.
- iv) Same period of the initiation of reforms: Both the nations introduced economic reforms at the same time to strengthen their economies.

### Solution 11

Initially increase in investment leads to many times increase in final income. When a person's income increases it consume a part and invest the remaining thus investment helps them to increase their income by many times. For example a person investment increase by ₹400 and with that investment his

income is increased to ₹1600. Thus, investment multiplier =  $\frac{\Delta Y}{\Delta I} = \frac{1600}{400} = 4$ .

Investment multiplier is directly related to MPC. When investment increases, a person's income increases and so is his consumption. Higher the MPC, the higher will be the value of the multiplier and lower the MPC, the smaller will be the value of multiplier. The relationship is expressed as: MULTIPLIER  $k =$

$$\frac{1}{1 - MPC}$$

MPC	MPS (1 - MPC)	MULTIPLIER $k = \frac{1}{1 - MPC}$
0	1	$\frac{1}{1 - 0} = 1$
0.50	0.50	$\frac{1}{1 - 0.50} = 2$
0.75	0.25	$\frac{1}{1 - 0.75} = 4$
1	0	$\frac{1}{1 - 1} = \infty$

Thus, from the above table it is clear that MPC is directly related to investment multiplier with every increase in MPC leads to increase in multiplier.

### Solution 12

$$\begin{aligned} \text{(I) Operating surplus} &= \text{Royalty} + \text{Rent} + \text{interest} + \text{profit} \\ &= 5 + 75 + 30 + 45 \end{aligned}$$

= ₹ 155 Crore

(II) difference between fixed investment and inventory investment

<b>Basis</b>	<b>Fixed Investment</b>	<b>Inventory Investment</b>
Meaning	It is the investment on purchase of fixed assets or capital goods	It refers to the investment on purchase of raw material. Semi finished goods or finished goods
Purpose	It is done to continue further production for long term	It is done to fulfill the demand that arises in the market

**OR**

(I) Compensation of employees = Wages & Salaries + Rent free accommodation  
+ Employer's contribution to provident fund  
= 60000 + 30000 + 7500  
= ₹ 97500 Crore

(II) Difference between stock and flow variable

<b>Basis</b>	<b>Stock variable</b>	<b>Flow variable</b>
Define	Stock variable are those that are measured at particular point of time. For example - Purchases on 31st Jan 2022	Flow variables are those that are measured over a period of time. For example- from Purchases from 1st Jan 2022 to 31st Jan 2022
Nature	It is static in nature	It is dynamic in nature

### **Solution 13**

(a) Two steps involved in attaining sustainable development in India are as follow-

(i) **Substitute non- renewable resources with renewable resources-**

As non- renewable resources are depleted, we should use renewable resources in place of non renewable resources, so we can maintain them. We should use non- renewable resources in such a way that it will not come to an end and create renewable substitute for them

(ii) **Control pollution-** Pollution should be controlled or it should be in a limit that can be easily absorbed by the environment without giving much adverse effect to it.

(b) Greenhouse gasses and rising temperature are the two factors that challenge the carrying capacity of the environment. Greenhouse gasses like increase in carbon dioxide , methane etc in atmosphere leads to rise in the temperature which in turn leads to melting of glaciers.