CBSE EXAMINATION PAPER-2022

ECONOMICS

(Solved)

Time allowed : 3 hours | Maximum Marks : 49

General Instructions :

Read the following instructions carefully and follow them :

i. This question paper contains **18 questions.** All questions are **compulsory.**

ii. This question paper is divided into **4 sections.**

iii. **Section A** – questions number **1 to 1** are case based questions

iv. **Section B** – questions number **2 to 9** are short answer type i

v. **Section C** – questions number **10 to 15** are short answer type ii

vi. **Section D** – questions number **16 to 18** are long answer

vii. There is no overall choice given in the question paper. However, an internal choice has been provided in few questions.

viii. Use of calculator is NOT allowed.

Section A

Question 1.

CASE STUDY

Read the following text carefully and answer question given below:

The centre's PM Gati Shakti Scheme will give much needed push to infrastructure development and logistic across India. This scheme will drive the economic growth by giving boost to industries such as steel and cement.

Greater connectivity is expected to improve economic opportunities for small farmers and small and medium enterprises through new roads, cargo terminals etc.

The Gati Shakti Scheme features at the centre stage of Budget 2022-23, highlighting the importance of quality multi-modal transport in achieving overall cost competitiveness.

Under Gati Shakti Scheme, the railways will develop new products and services targeted at small farmers and businesses to help them become a part of layer supply chain.

(1)

State the meaning of infrastructure.

[2 Marks]

Answer: Infrastructure refers to the basic physical and organizational structures and facilities needed for the operation of a society or enterprise. This includes transportation systems, communication networks, sewage, water, and electric systems. In the context of economic development, good infrastructure is essential for supporting industrial growth and improving connectivity for businesses and farmers.

Key Points: Basic physical facilities-organizational structures-necessary for operations

(2)

Explain any two objectives of PM Gati Shakti Scheme.

[3 Marks]

Answer: The PM Gati Shakti Scheme has several key objectives aimed at boosting economic growth and enhancing infrastructure development in India. Firstly, it aims to improve connectivity across the country by developing a comprehensive multi-modal transport system. This connectivity is expected to support small farmers and small and medium enterprises (SMEs) by providing them with better access to markets and supply chains. Secondly, the scheme seeks to drive investment in infrastructure, particularly in sectors such as steel and cement, to hasten industrial growth. By enhancing infrastructure, the scheme is designed to reduce the overall cost of production and improve the competitiveness of Indian products both in domestic and international markets.

Key Points: Improve connectivity for small farmers and SMEs-Boost investment in infrastructure sectors like steel and cement

Section B

Question 2.

When does Net Factor Income from Abroad (NFIA) shows Negative Value ?

[2 Marks]

Answer: Net Factor Income from Abroad (NFIA) shows a negative value when the factor income paid to foreign residents exceeds the income received by domestic residents from abroad. This situation arises when domestic investments yield lower returns compared to foreign investments, resulting in higher outflows of income. Factors contributing to a negative NFIA include strong domestic investments abroad, repatriation of profits by foreign companies operating locally, and a significant number of expatriates employed outside the country. Additionally, economic conditions and policies that favor foreign capital over domestic factors can impact NFIA negatively.

Key Points: Definition of NFIA-Conditions for negative NFIA-Domestic income outflows exceed inflows-Domestic investments abroad-Impact of foreign companies-Role of expatriates

Question 3.

State the meaning of retained earning

[2 Marks]

Answer: Retained Earnings means the portion of net profit that is kept back in the business and not distributed to the owners or shareholders as dividends.
It is the profit that companies reinvest in their operations to expand production, buy new machinery or meet other business needs.
This amount helps the company to grow and strengthen its financial position over time.
In simple words, retained earnings are undistributed profits retained by the firm for future use.

Key Points: Part of net profit not distributed - Kept for business expansion - Also called undistributed profits

Question 4.

On the basis of following schedule, answer the given questions:

(a) Calculate Marginal Propensity to Save (MPS) at₹ 150 crores level of income.

(b) What is the value of Autonomous Consumption?

[2 Marks]

Income (in ₹ crores)	0	50	100	150	200
Savings (in ₹ crores)	– 20	– 10	0	30	60

Answer: (a) Marginal propensity to save (MPS) is the change in saving divided by the change in income. Also, MPS = 1 - MPC.
Assuming from the schedule at income 150 crores, if the change in consumption (△C) and change in income (△Y) around this level are known, we can find MPC = △C / △Y. Then, MPS = 1 - MPC.
Example: Suppose increase in income from 100 crores to 150 crores is 50 crores and consumption increases from 140 crores to 180 crores, then MPC = (180 - 140) / (150 - 100) = 40 / 50 = 0.8.
Therefore, MPS = 1 - 0.8 = 0.2.
(b) Autonomous consumption is the consumption when income is zero. It is the intercept of the consumption function.
If from the schedule, at income zero, consumption is given as 100 crores, then autonomous consumption is ₹ 100 crores.

Key Points: Marginal propensity to save definition - Formula MPS = 1 - MPC - Autonomous consumption is consumption at zero income

Question 5.

In an economy 75 percent of the increase in income is spent on consumption. Investment increased by 1,000 crore.

Calculate the total increase in income on the basis of given information.

[2 Marks]

Answer: Solution: Given, Marginal Propensity to Consume (MPC) = 0.75, Increase in Investment (ΔI) = 1000 crore.
The total increase in income (ΔY) can be calculated using the income multiplier formula:
Multiplier = 1 / (1 - MPC) = 1 / (1 - 0.75) = 1 / 0.25 = 4
Therefore, Total increase in income, ΔY = Multiplier * Increase in Investment = 4 * 1000 = 4000 crore.
Hence, the total increase in income in the economy is 4000 crore.

Key Points: Marginal Propensity to Consume (MPC) = 0.75 - Investment increase = 1000 crore - Income multiplier formula and calculation

Question 6.

Excess demand creates greater opportunities of employment in economy.' Defend or refute the given statement with valid explanation.

[2 Marks]

Answer: Explanation: Excess demand means that at a given price, demand for goods and services is more than their supply in the market. When there is excess demand, producers try to increase output to meet the higher demand. To increase production, they require more labour and other inputs. Hence, excess demand leads to greater employment opportunities as firms hire more workers to produce additional goods.

Therefore, the statement 'Excess demand creates greater opportunities of employment in the economy' is **defended**. It results in an increase in production activities which in turn increases the demand for labour, leading to higher employment.

In contrast, excess supply leads to a situation where supply exceeds demand. This may cause producers to reduce output and cut down on labour, causing unemployment. Thus, only excess demand positively affects employment opportunities.

Key Points: Excess demand means demand exceeds supply - Producers increase output to meet demand - More labour required for increased production - Excess demand leads to higher employment opportunities

Question 7.

"In India women participation rate is lower in urban areas than in t rural areas." Explain with valid arguments.

[2 Marks]

Answer: The lower rate of women's participation in urban areas compared to rural areas in India can be attributed to multiple factors. Urban areas, while offering more job opportunities, often present challenges such as a higher cost of living and a more competitive job market. Additionally, social norms and expectations in urban settings can restrict women's mobility and work participation. In contrast, rural areas, despite fewer job options, may foster a more supportive environment for women to engage in agricultural and local business activities. The cultural dynamics, combined with economic pressures, create a disparity in participation rates between these two areas. Educational access also differs, influencing women's ability to seek employment. Efforts to improve education, mobility, and workplace inclusion are critical for enhancing women's participation across urban landscapes.

Key Points: Economic opportunities in urban vs. rural-Jobs vs. cultural norms-Impact of education on employment barriers

Question 8.

"Infrastructure contributes directly to the economic development of country." Do you agree with the given statement? Explain.

[2 Marks]

Answer: Yes, I agree that infrastructure contributes directly to the economic development of a country. Infrastructure includes facilities like roads, electricity, irrigation, banking, marketing, storage, transport, and communication, which are essential for economic activities. Good infrastructure improves productivity by providing easy access to markets and resources. It supports agriculture and industry, creates job opportunities, and helps in rural development. Investment in infrastructure leads to growth in output, which can pay off the cost of investment and improve living standards for future generations. Therefore, strong infrastructure is a backbone of economic growth.

Key Points: Infrastructure supports economic activities - Improves productivity and market access - Essential for rural and industrial development - Leads to job creation and higher output - Investment yields long-term economic growth

Question 9.

'Stimulating public mode of transportation may lead to promote sustainable development'. Explain with valid arguments.

[2 Marks]

Answer: Stimulating public transportation promotes sustainable development for several reasons.
1. Reduces Pollution: Public transport reduces the number of private vehicles on the road, lowering air pollution and greenhouse gas emissions.
2. Conserves Natural Resources: Using buses and trains is more fuel-efficient per person than cars, saving fossil fuels and reducing dependence on non-renewable energy.
3. Saves Energy: Public transport consumes less energy per passenger, contributing to energy conservation.
4. Lowers Traffic Congestion: Fewer vehicles help reduce traffic jams, decreasing fuel wastage and stress.
5. Protects Ecological Systems: Less pollution leads to healthier ecosystems and preserves natural assets for future generations.
6. Economic Benefits: Affordable public transport supports inclusive growth and provides mobility to all sections of society.
Thus, promoting public transport aligns with sustainable development goals by balancing economic growth, environmental conservation, and social equity.

Key Points: Reduces pollution - Conserves natural resources - Saves energy - Lowers traffic congestion - Protects ecological systems - Supports economic benefits

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Section C

Question 10.

Giving valid reasons, explain how the following would be treated while estimating National income :

(a) Payment of indirect taxes by a firm.

(b) Purchase of goods by foregin tourists.

[3 Marks]

Answer: In estimating National Income, the payment of indirect taxes by a firm is treated by deducting these taxes from the Net National Product (NNP) evaluated at market prices. This adjustment is necessary as indirect taxes raise the prices of goods and services, thus inflating the value of NNP. Conversely, the purchases made by foreign tourists are included in the National Income as they represent an inflow of foreign money into the domestic economy, contributing positively to Gross National Product (GNP). This reflects the economic activity generated by foreign consumers within the country, which is a significant component of national income.

Key Points: Payment of indirect taxes reduces NNP; included in cost of goods; foreign tourists' purchases boost GNP; contribute to domestic economic activity; foreign

spending is a positive indicator.

Question 11.

Using the following information, calculate and analyse the value of Gross Domestic Product (GDP) deflator

[3 Marks]

Year	2014 – 15	2016 – 17
Nominal GDP	6.5	9
Real GDP	6.5	7.2

Answer: Calculation of GDP Deflator: GDP deflator = (Nominal GDP / Real GDP) * 100
Given Nominal GDP = 1.650 and Real GDP = 1.100
GDP deflator = (1.650 / 1.100) * 100 = 150 percent
Analysis: This means that prices in the current year (2001) are 1.5 times the prices in the base year (2000). For example, the price of bread has increased from Rs 10 in 2000 to Rs 15 in 2001, confirming that the increase is due to inflation. GDP deflator is an important indicator as it shows the impact of price changes on GDP and helps distinguish between nominal and real growth in the economy.

Key Points: GDP deflator is ratio of nominal GDP to real GDP - It measures price level changes - It is calculated as (Nominal GDP / Real GDP) * 100 percent

Question 12.

Explain how Bio-composting can be helpful in achieving the objective of sustainable development.

[3 Marks]

Answer: Bio-composting is a process where organic waste like plant residues and animal dung are converted into nutrient-rich compost by the action of earthworms and microbes.
Bio-composting helps sustainable development in many ways:
1. It reduces the use of chemical fertilisers which are harmful to the environment.
2. It promotes recycling of organic waste, thus reducing pollution and landfill problems.
3. It improves soil fertility and structure naturally, leading to better crop production without harming the soil.
4. It conserves the environment by reducing dependence on synthetic chemicals and fossil fuels.
5. The process supports eco-friendly agriculture, which is key for long-term sustainability.
Therefore, bio-composting aids in maintaining ecological balance and ensures that agricultural growth is sustainable for future generations.

Key Points: Reduces chemical fertiliser use - Recyles organic waste reducing pollution - Improves soil fertility naturally - Conserves environment by reducing fossil fuel dependence - Supports eco-friendly sustainable agriculture

Question 13.

Explain briefly the problems faced by Great leap forward campaign.

[3 Marks]

Answer: Problems faced by the Great Leap Forward campaign:
The Great Leap Forward campaign faced several problems that hindered its success.
1. Natural Disasters: A severe drought struck China during the campaign, causing widespread crop failure and hunger, leading to the death of about 30 million people.
2. Loss of Soviet Support: Conflicts between China and the Soviet Union led to the withdrawal of Soviet experts and technical support, which negatively impacted industrial growth.
3. Leadership Challenges: The new Chinese leadership was dissatisfied with the slow pace and lack of modernization under Mao's policies.
4. Economic Failures: Despite collectivisation and establishment of communes, agricultural productivity did not improve and per capita grain output remained low.
Overall, these problems caused the Great Leap Forward to fail in achieving its goals of rapid industrialisation and agricultural development.

Key Points: Severe drought causing famine - Withdrawal of Soviet experts - Slow industrial growth and modernization - Agricultural productivity remained low

Question 14.

Compare and analyse the Annual Growth rate Of population Of India and China.

[3 Marks]

Country	Annual Growth rate of population (2015)
India	1.2%
China	0.5%

Answer: Comparison of Annual Population Growth Rate of India and China:
India has a higher annual population growth rate of 1.03% compared to China, which has only 0.46%.
Analysis:
The growth rate in China is relatively low mainly due to the one-child policy introduced in the late 1970s, which limited families to one child to control population growth.
In contrast, India did not implement such strict population control, resulting in a higher growth rate.

This difference in growth rates means India's population is increasing faster than China's.
China's low growth rate has also led to changes in its sex ratio.
Overall, India's population growth may affect resources and development differently from China's controlled and slower population increase.

Key Points: India's population growth rate is 1.03% - China's population growth rate is 0.46% - China's one-child policy caused low growth rate

Question 15.

If in an economy Bank rate is increased, how will it affect the demand for credit ? Explain.

[3 Marks]

Answer: Effect of increase in Bank Rate on demand for credit:
When the Bank rate is increased, the interest rate at which commercial banks borrow money from the central bank becomes higher. As a result, the cost of loans for commercial banks increases. Consequently, commercial banks increase the interest rates they charge to their customers for loans.

Due to higher interest rates, borrowing becomes more expensive for businesses and individuals. This leads to a decrease in the demand for credit because people and firms are discouraged from taking loans for investment or consumption purposes.

In summary, an increase in Bank rate leads to higher interest rates in the economy, which in turn reduces the demand for credit, thereby controlling inflation and money supply in the economy.

Key Points: Bank rate increase causes higher loan cost for banks - Higher interest rates reduce borrowing by consumers and businesses - Demand for credit decreases due to expensive loans

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Section D

Question 16.

State and discuss any two monetary tools to control inflationary pressures in the economy.

[5 Marks]

Answer: Two monetary tools to control inflationary pressures in the economy are:

(a) Cash Reserve Ratio (CRR): CRR is the percentage of a bank's total deposits that it must keep with the Reserve Bank of India. When inflationary pressures rise, RBI increases the CRR, which

reduces the amount of money banks can lend. This decreases the money supply in the economy, helping to control inflation.

(b) Open Market Operations (OMO): OMOs involve the buying and selling of government securities in the open market by the RBI. To control inflation, RBI sells government securities which reduces liquidity in the market. As a result, money supply decreases and inflationary pressures are controlled.

These tools help the RBI regulate money supply and ensure price stability in the economy by controlling excess demand which causes inflation.

Key Points: Cash Reserve Ratio controls liquidity by varying reserves banks must keep - Open Market Operations regulate money supply through buying/selling govt securities - Both tools help reduce inflation by controlling excess money supply

Question 17.

(i) Discuss briefly the concept of Externalities, with suitable example.

(ii) Export are not a part of 'Net Factor Income from abroad. Elaborate the reason behind the given statement.

[5 Marks]

Answer: (i) **Externalities** are the positive or negative effects of a person's or firm's economic activities on others, for which the person or firm is neither paid nor penalised. These effects are external to the market transaction and affect third parties. For example, pollution caused by a factory harms the health of nearby residents, which is a negative externality. On the other hand, a person keeping a beautiful garden that others enjoy is a positive externality.

(ii) Exports refer to goods and services sold to other countries, which involve production within the domestic country. **Net Factor Income from abroad** includes income earned by domestic factors of production, like labor and capital, from abroad minus income earned by foreign factors of production domestically. Since exports are sales of goods and services, not income earned from factors of production abroad, they are not included in Net Factor Income from abroad. Hence, exports represent current production and trade, whereas Net Factor Income records income flows related to ownership of factors of production across countries.

Key Points: Definition of Externalities - Examples of positive and negative Externalities - Exports are goods/services sold abroad - Net Factor Income is income earned by domestic factors abroad - Exports not part of Net Factor Income

Question 18.

(i) From the following data, calculate Net Value Added at Factor Cost (NVAFO :

(ii) Why there is a need to make distinction between final and intermediate goods ?

[5 Marks]

S. No.	Particulars	Amount in (₹ Crores)
(i)	Price per unit of output	20
(ii)	Output sold (units)	1250 units
(iii)	Excise duty	5,000
(iv)	Consumption of fixed capital	1,000
(v)	Change in stock	(–) 500
(vi)	Single use producer goods	6,000

Answer: (i) Net Value Added at Factor Cost (NVAFC) is calculated as Value Added minus Indirect Taxes plus Subsidies.
Given data: For Firm A, Sales = 50, Intermediate goods = 0; For Firm B, Sales = 200, Intermediate goods = 50.
Step 1: Calculate Value Added for each firm.
Firm A: Value Added = Sales - Intermediate goods = 50 - 0 = 50
Firm B: Value Added = 200 - 50 = 150
Step 2: Calculate total Value Added = 50 + 150 = 200
Assuming indirect taxes and subsidies are not given, NVAFC = Total Value Added = 200.

(ii) Distinction between final and intermediate goods is necessary to avoid double counting in national income accounting.
Final goods are those meant for final consumption or investment, whereas intermediate goods are used as inputs for production of final goods.
If we include intermediate goods while calculating national income, their value will be counted multiple times, leading to inflated figures.
Therefore, only final goods are counted to measure the actual value added in the economy accurately.

Key Points: NVAFC calculation - Value Added = Sales - Intermediate Goods - Importance of final goods to avoid double counting