SENIOR SCHOOL CERTIFICATE EXAMINATION MARCH-2017

MARKING SCHEME – ECONOMICS (Outside)

Expected Answers / Value Points

(Set-1)

GENERAL INSTRUCTIONS :

- 1. The Marking Scheme carries only suggested value points for the answers. These are only guidelines and do not constitute the complete answers. Students can have their own expression and if the expression is correct, marks should be awarded accordingly.
- 2. Head Examiners/Examiners are hereby instructed that while evaluating the answer books, if the answer is found to be totally incorrect, the (X) should be marked on the incorrect answer and awarded '0' mark.
- 3. Please examine each part of a question carefully and allocate the marks allotted for the part as given in the 'Marking Scheme' below. TOTAL MARKS FOR ANY ANSWER MAY BE PUT IN A CIRCLE ON THE LEFT SIDE WHERE THE ANSWER ENDS.
- 4. Expected/suggested answers have been given in the 'Marking Scheme'. To evaluate the answers, the value points indicated in the marking scheme should be followed.
- 5. For questions asking the candidate to explain or define, the detailed explanations and definitions have been indicated alongwith the value points.
- 6. For mere arithmetical errors, there should be minimal deduction. Only $\frac{1}{2}$ mark should be deducted for such an error.
- 7. Where only two / three or a 'given' number of examples / factors / points are expected, only the first two / three or expected number should be read. The rest are irrelevant and must not be examined.
- 8. There should be no effort at 'moderation' of the marks by the evaluating teachers. The actual total marks obtained by the candidate may be of no concern to the evaluators.
- 9. Higher order thinking ability questions are for assessing a student's understanding / analytical ability.
- 10. As per orders of the Hon'ble Supreme Court, a candidate would now be permitted to obtain a photocopy of his/her Answer Book on payment of the prescribed fee. Examiners/Head Examiners are, therefore,once again reminded that they must ensure that evaluation is carried out strictly as per value points for each answer as given in the Marking Scheme.

General Note: In case of a numerical question, no marks should be awarded if only the final answer has been given, even if it is correct.

B1	Expected Answer / Value Points	Distributio n of Marks
	SECTION-A	
1	(d) All of the above.	1
2	(b) Price of the good falls, expenditure on it falls.	1
3	A curve joining all points representing such bundles of two goods among which the consumer is indifferent is called an indifference curve.	1
4	(a) Perfect competition.	1
5	 Large number of buyers & sellers. Differentiated product. Free entry and exit of firms. (Any one) 	1
6	It is the locus of points representing such combinations of two goods that can be produced by fuller utilization of given resources.	1
	<u>Characteristics</u>:1. It slopes downward from left to right.2. It is concave to the origin.	1x2
7	It is the problem relating to the choice of technique of production.Which technique should be used in production-whether labour intensive or capital intensive.Labour intensive technique uses more of labour as compared to capital while capital intensive technique uses more of capital as compared to labour.	3
8	When demand of a good rises due to a fall in its price, it is called 'increase in quantity demanded' and when demand of a good rises at the same price of the good, it is called 'increase in demand.'	3
	OR	
	Budget set refers to the set of possible combinations of two goods which the consumer can afford with his income at given prices.	1_{2}^{1}
	From the budget set if only such bundles are taken on which total expenditure equals total income and plotted on a graph, we get a line called the budget line.	1_{2}^{1}

9	When a consumer substitutes one good for one unit of another good, the rate at which this substitution takes place is called the (marginal rate of substitution.)						
	As this substitutio	n goes on, the	e marginal rat	e of substituition decl	ines.		
	Example:						
	Combination of	<u>Units of X</u>	<u>Units of Y</u>	Marginal rate of sub	<u>stitution</u>		
	good X and good Y	<u>Y</u>		$\left(\Delta Y \right) / \Delta Y$	_X)		
	А	1	8	-			
	В	2	4	4Y:1X		2	
	С	3	2	2Y : 1X		-	
	D	4	1	1Y:1X			
10	The sum of outpu during a given per	t of a commod riod is called n	dity by all its p narket supply	producers at a given p	rice	1	
	When input price rises (falls), the cost of production increases (decreases).Price of the good remaining the same, it reduces (increases) profits.So the producers produce less(more) and thus market supply decreases (increases).						
	OR						
	 As more an product in product in product in After some increase in fall, but is p Ultimately negative. 	nd more units creases at an creases. etime use of n n total product positive. r total product	of variable fa increasing rat nore units of v t at diminishir falls and mar	ctor are employed, to e initially and margina variable factor results ng rate and marginal p ginal product become	otal al in product es	4	
			(No dia	gram or schedule is r	equired)		
11	In a perfectly com about the market determined by the than the market p	petitive mark .So no seller c e market and price.	et buyers and an charge a p no buyer is w	sellers have full know rice higher than the p illing to pay the price	vledge rice higher	4	

12	$e_d = \frac{Perce}{d}$	1						
	$=\frac{-20}{\frac{2}{10}\times 100}$	= -1	entage	cnan	ge in j	price		1 ¹ ₂
	$-1 = \frac{\text{Perce}}{10}$	ntage o Perce	change entage	in qu chan	iantit ge in I	y dem Price	anded	1
	= Percent	age cha	ange in	quai	ntity d	leman	ded	1^{1}_{2}
			$\frac{3}{10}$ ×	100				2
	Percentage c	hange i	n quant	tity = -	-30%			1
	Demand falls	s by 30%	0					
13	Output AFC 1 60 2 30 3 20 4 15 5 12	<u>MC</u> 20 <u>18</u> <u>16</u> 18 <u>23</u>	AVC 20 19 18 <u>18</u> <u>19</u>	<u>AC</u> <u>80</u> <u>49</u> <u>38</u> <u>33</u> 31				$\frac{1}{2}$ x 12
14	<u>Output</u>	<u>TR</u>	<u>TC</u>		<u>MC</u>	MR		
	1	8	10		8	10		
	2	15	18		7	8		
	3	21	24		6	6		
	4	25	28		4	4	Equilibrium	
	5	33	30		8	2		3
	The condition	ons for p	oroduce	r's eq	uilibriu	ım are	:	
	I. MC = II. Beyor than	MR and nd the l MR .	d evel of	outpu	ıt at w	hich N	IC = MR, MC must be greater	2
	Both produ	these ucer is in	condition n equilil	ons a brium	re sati , when	isfied he pro	at 4 units of output.So the oduces 4 units.	1
15	In oligopoly market, if the product is homogeneous then it is called Perfect oligopoly. When the product is hetrogeneous then it is called imperfect oligopoly.							2
	Under oligopoly, firms are interdependent .There are only a few firms in such a market. If some firm changes its decision regarding its output or price, it will affect other firms. They react, so the firm while taking decision about price and output keeps in mind the reaction of other firms.							4

	OR		
	Market demand and market supply schedule		
	Price Quantity demanded Quantity	<u>supplied</u>	
	5 40 30		2
	6 35 35		2
	7 30 40		
	At price of Rs 6 the quantity demanded and supplied are equal equilibrium price.	,so it is the	
	When the market price is less than the equilibrium price demanded will be more than quantity supplied as show schedule. This is the situation of "excess demand". At a price of is excess demand. This leads to competition among buyers result rise. When price rises demand falls and supply rises. These continue till demand and supply are equal.	e, quantity wn in the f Rs 5 there ting in price se changes	2
	Similarly at a price of Rs 7, there is "excess supply". This w competition among sellers. This will reduce price. When price fa will rise and supply will fall ultimately equilibrium is reached falls to Rs 6.	ill result in Ils demand when price	2
	SECTION-B		
16	(b) Saving account deposits and current account deposits.		1
17	It is the ratio of change in consumption expenditure to change in	n income.	1
18	(a) Greater than 2.		1
19	It is a financial statement showing expected receipts and expenditure of the government during a fiscal year.	d expected	1
20	When in the foreign exchange market the price of foreign current terms of domestic currency, it is depreciation of domestic current	ncy rises in cy.	1
21	Goods are classified as final goods and intermediate goods on the end use. If goods are purchased for consumption or invest would be classified as final goods. For example, machine purchain a factory is a final good. Milk purchased by households is also as it is purchased for consumption.	the basis of ment,these sed for use o final good	
	When a good is purchased for resale or for using it up comproduction during the year, it is called intermediate good. For examterial purchased for producing goods.	mpletely in ample, raw	3
	(Any other relevan	t example)	

22	Under barter system there were difficulties in storing wealth.Wealth is stored to be used in future.All goods cannot be stored.Perishable goods cannot be stored.All goods cannot be transported from one place to another.All goods may not be acceptable as medium of exchange.No single physical good has all these qualities.So in the barter system of exchange there was difficulty in storing wealth.	3
	OR	
	Money serves as a medium of exchange.Goods can be purchased with money.Goods can also be sold for money.Thus money acts as a medium of exchange.	3
23	When the burden of tax and its liability to pay falls on the same person, it is a direct tax. When the burden of a tax and the liability to pay is on different persons, it is an indirect tax.	2
	Direct tax - Income tax, etc.	$\frac{1}{2}$
	Indirect tax - Sales tax, etc.	$\frac{1}{2}$
24	Commercial Banks keep a part of their deposits with central bank. This is called cash reserve ratio. This ratio is decided by the central bank and can be changed from time to time. In times of need, central bank gives loans to commercial banks.	4
	OR	
	When a commercial bank receives deposits it keeps a part of it with the Central bank and a part with itself. These are called legal reserves. The money lent comes back to it as deposits. Again it keeps a part of it with the central bank and a part with itself and lends the rest.	
	This process continues. In this way bank gives loans which is many a times	
	the original deposit. The total credit creation will be $\frac{1}{Legal Reserve Ratio}$	4
25	$C = \overline{C} + mpc(Y)$	$1\frac{1}{2}$
	8000 = 500 + mpc(10000)	1
	$mpc = \frac{7500}{10000} = 0.75$	$\frac{1}{2}$
	So mps = $1 - 0.75 = 0.25$ or $\frac{1}{4}$	1
26	Economic stability means stability of prices.Too much fluctuation in prices is not good for the economy.Government uses taxation policy and expenditure policy in controlling the prices.For example in an inflationary situation,government can reduce its expenditure and this would reduce aggregate demand.During deflationary situation,government can reduce taxes and increase its expenditure.	4

27	 (a) Current account records exports and imports of goods and services and transfer payments whereas capital account records borrowings and lending to and from abroad, investments to and from abroad and changes in foreign exchange reserves. (b) Transactions made independent of the state of balance of payments are called autonomous transaction whereas transactions made on account of the state of balance of payments are called accommodating transactions. 	3 3
28	Precautions to be taken while estimating N.I. by expenditure method.	
	 Expenditure on intermediate goods should not be included otherwise it will result in double counting. II. Transfer payments such as gifts, old age pension etc,should not be included.These payments are not made for factor services. III. Expenditure on financial assets like shares etc. should not be included.This does not result in any production.It is only transfer of money. 	2 X 3
	(or Any other)	
	OR	
	(a) Yes, as it is a factor income earned within domestic territory of India.	
	(b) No,because Russian Embassy is not a part of the domestic territory of India.It is factor income from abroad.	
	(c) No, as profits are not earned within the domestic territory of India.	2 X 3
29	N.I = (i) + (ii) + (iii) + (v) + (vi) - (vii)	2
	= 2000 + 400 + 900 + 500 + 7000 - 50	$1\frac{1}{2}$
	= Rs 10750 Crore.	$\frac{1}{2}$
	N.N.D.I = N.I + Net indirect taxes – Net current transfer to rest of the world.	4
	= 10750 + 300 - 30	1
	= Rs 11020 Crore	$\frac{1}{2}$
		$\frac{1}{2}$



SENIOR SCHOOL CERTIFICATE EXAMINATION MARCH-2017

MARKING SCHEME – ECONOMICS (Outside)

Expected Answers / Value Points

(SET-2)

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General Note: In case of a numerical question, no marks should be awarded if only the final answer has been given, even if it is correct.

B2	Expected Answer / Value Points	Distribution of Marks
	SECTION-A	
1	A curve joining all points representing such bundles of two goods among which the consumer is indifferent is called an indifference curve.	1
2	(a) Perfect competition.	1
3	(d) All of the above.	1
4	 1) Large number of buyers & sellers. 2)Differentiated product. 3)Free entry and exit of firms. (Any one) 	1
5	(b) Price of the good falls,expenditure on it falls.	1
6	When demand of a good rises due to a fall in its price, it is called 'increase in quantity demanded' and when demand of a good rises at the same price of the good, it is called 'increase in demand.'	3
	OR	
	Budget set refers to the set of possible combinations of two goods which the consumer can afford with his income at given prices.	1_{2}^{1}
	From the budget set if only such bundles are taken on which total expenditure equals total income and plotted on a graph, we get a line called the budget line.	1 ¹ ₂
7	This problem relates to the distribution of produced goods and services among the individuals within the economy. It means how should the produce of the economy be distributed among the individuals in the economy.	3
8	It is the locus of points representing such combinations of two goods that can be produced by fuller utilization of given resources.	1
	<u>Characteristics</u> :	
	 It slopes downward from left to right. It is concave to the origin. 	1x2
9	The sum of output of a commodity by all its producers at a given price during a given period is called market supply. When input price rises (falls), the cost of production increases	1
	(decreases).Price of the good remaining the same, it reduces (increases) profits.So the producers produce less(more) and thus market supply decreases (increases).	3

	 As more and product increproduct increproduct incre After sometin increase in to fall,but is pos Ultimately to negative. 	OR more units of variab ases at an increasin ases. ne use of more unit tal product at dimir itive. tal product falls and	ole factor are en g rate initially an s of variable fac hishing rate and marginal produ o diagram or sch	nployed, total nd marginal tor results in marginal product act becomes nedule is required)	4	
10	In a perfectly competitive market buyers and sellers have full knowledge about the market.So no seller can charge a price higher than the price determined by the market and no buyer is willing to pay the price higher than the market price.					
11	When a consumer so rate at which this so substitution.) As this substitution g Example:	2				
	Combination of substitution	<u>Units of X</u>	<u>Units of Y</u>	Marginal rate of		
	good X and good Y			$(\Delta Y/\Delta X)$		
	А	1	8	-		
	В	2	4	4Y:1X	2	
	С	3	2	2Y : 1X		
	D	4	1	1Y : 1X		
12	In oligopoly market, oligopoly. When the oligopoly.	if the product is hou product is hetrog	mogeneous thei eneous then it	n it is called Perfect is called imperfect	2	
	Under oligopoly, firr such a market. If so price, it will affect ot about price and outp	ns are interdepend me firm changes it her firms. They read ut keeps in mind th	ent .There are ts decision rega t, so the firm w e reaction of ot	only a few firms in rding its output or hile taking decision her firms.	4	

					OR		
	Market d						
	Price						
	5 40 30						
	6			35		35	2
	7			30		40	
	At price o equilibriu	of Rs 6 the c m price.	quantity	/ dema	anded a	and supplied are equal, so it is the	
	When the demande schedule. is excess rise.When continue	e market d will be This is the s demand.Thi n price ris till demand	price i more situatio s leads es der and suj	s less than n of "e to com nand pply ar	than quant excess on petition falls a e equa	the equilibrium price, quantity ity supplied as shown in the demand". At a price of Rs 5 there on among buyers resulting in price and supply rises. These changes I.	2
	Similarly competiti will rise a falls to Rs	at a price ion among s and supply 56.	of Rs 5 sellers.7 will fall	7, ther This wi ultima	re is "d Il redu ately e	excess supply".This will result in ce price.When price falls demand quilibrium is reached when price	2
13	<u>Output</u>	<u>Total cost</u>	<u>AVC</u>	<u>MC</u>	<u>AFC</u>		
	0	30	-	-	-		
	1	<u>55</u>	<u>25</u>	25	30		
	2	78	<u>24</u>	<u>23</u>	<u>15</u>		
	3	<u>99</u>	23	<u>21</u>	10		$\frac{1}{2}$ X 12
	4	<u>122</u>	<u>23</u>	23	<u>7.5</u>		
	5	150	<u>24</u>	<u>28</u>	6		
14	<u>Output</u>	<u>TR</u>	<u>TC</u>	MR	<u>MC</u>		
	1	16	14	16	14		
	2	30	27	14	13		
	3	42	39	12	12		3
	4	52	49	10	10	Equilibrium	
	5	60	61	8	12		
	The cond	itions of pro	ducer's	s equili	brium	are:	
	1) M 2) Be th	C = MR eyond the le an MR.	evel of o	output	at whi	ch MC = MR, MC must be greater	2
	Both	these condit	ions ar	e satis	fied at	4 units of output.	
	So the pr	oducer is in	equilib	rium at	t 4 unit	s of output.	1

15	$e_d = \frac{Percentage change in Quantity demanded}{Percentage change in price}$	1
	$= \frac{-20}{\frac{2}{10} \times 100} = -1$	1_{2}^{1}
	$-1 = \frac{Percentage change in quantity demanded}{Percentage change in Price}$ $= \frac{Percentage change in quantity demanded}{\frac{3}{10} \times 100}$ Percentage change in quantity = -30% Demand falls by 30%	1 1 ¹ 1
	SECTION-B	
16	It is the ratio of change in consumption expenditure to change in income.	1
17	It is a financial statement showing expected receipts and expected expenditure of the government during a fiscal year.	1
18	When in the foreign exchange market the price of foreign currency rises in terms of domestic currency, it is depreciation of domestic currency.	1
19	(b) Saving account deposits and current account deposits.	1
20	(a) Greater than 2.	1
21	Income generation Isoduction units Expenditure on Jouds end services	
	A brief explanation of the above diagram. (Complete & correct answer without a diagram should also be awarded full marks).	3
22	When the burden of tax and its liability to pay falls on the same person, it is a direct tax. When the burden of a tax and the liability to pay is on different persons, it is an indirect tax. Direct tax - Income tax, etc. Indirect tax - Sales tax, etc.	2 1 2 1 2

23	Under barter system there were difficulties in storing wealth.Wealth is stored to be used in future.All goods cannot be stored.Perishable goods cannot be stored.All goods cannot be transported from one place to another.All goods may not be acceptable as medium of exchange.No single physical good has all these qualities.So in the barter system of exchange there was difficulty in storing wealth. OR Money serves as a medium of exchange Goods can be purchased with	3
	money.Goods can also be sold for money.Thus money acts as a medium of exchange.	3
24	Economic stability means stability of prices. Too much fluctuation in prices is not good for the economy. Government uses taxation policy and expenditure policy in controlling the prices. For example in an inflationary situation, government can reduce its expenditure and this would reduce aggregate demand. During deflationary situation, government can reduce taxes and increase its expenditure.	4
25	Commercial Banks keep a part of their deposits with central bank. This is called cash reserve ratio. This ratio is decided by the central bank and can be changed from time to time. In times of need, central bank gives loans to commercial banks.	4
	OR	
	When a commercial bank receives deposits it keeps a part of it with the Central bank and a part with itself. These are called legal reserves. The money lent comes back to it as deposits. Again it keeps a part of it with the central bank and a part with itself and lends the rest.	4
	This process continues. In this way bank gives loans which is many a times the original deposit. The total credit creation will be $\frac{1}{Legal Reserve Ratio}$	
26	$C = \overline{C} + mpc(Y)$	$1\frac{1}{2}$
	8000 = 500 + mpc(10000)	1
	$mpc = \frac{7500}{10000} = 0.75$	$\frac{1}{2}$
	So mps = $1 - 0.75 = 0.25$ or $\frac{1}{4}$	1

27	CC' is the given consumption curve steps taken in deriving saving curve from it. Take OS = OC Draw a 45° Line on OX at O. It intersects CC' at point A. Draw a perpendicular for A at OY meeting OY at B. Join SB and extend it to S' SS' is the required saving curve.	2
	Conditions of N L Equilibrium	
	Aggregate demand = Aggregate supply	
	Alternative condition of equilibrium	1 2 2
	Planned S = Planned I.	172
	If AD > AS, inventories fall.So producers produce more.As increases till equals AD, the economy is in equilibrium.	4
	(Correct Explanation from the approach AD < AS also marked)	
28	 Value of only final goods should be included and not the value of intermediate goods as it would result in double counting. Value of production for self consumption should be included as it is also a part of production. Sale/Purchase of second hand goods should not be included as their value had been included when these were produced. (or any other relevant precaution) 	2X3

	OR					
	(a) No. financial assistance to flood victims are not included as it is a transfer payment.	2X3				
	(b) No. It is a factor income to abroad.					
	(c) Yes. Included as it is a factor income from abroad so it is added to NDP to get NI.					
29	$NNP_{mp} = (i) + (iii) + (iv) + (v) + (vi) + (vii) - (viii)$	2				
	= 8000 + 1000 + 600 + 700 + 3000 + 500 - 60	$1\frac{1}{2}$				
	= Rs 13740 Crore	$\frac{1}{2}$				
	GNDI = NNP_{mp} + Depreciation – Net current transfers to abroad	1				
	= 13740 + 200 - 20					
	= Rs 13920 Crore					
		-				
30	(a) Current account records exports and imports of goods and services and transfer payments whereas capital account records borrowings and lending to and from abroad, investments to and from abroad and changes in foreign exchange reserves.	3				
	(b) Transactions made independent of the state of balance of payments are called autonomous transaction whereas transactions made on account of the state of balance of payments are called accommodating transactions.	3				

SENIOR SCHOOL CERTIFICATE EXAMINATION MARCH-2017

MARKING SCHEME – ECONOMICS (Outside)

Expected Answers / Value Points

(SET-3)

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В3	Expected Answer / Value Points	Distribution of Marks
	SECTION-A	
1	(a) Perfect competition.	1
	1) Large number of buyers & sellers.	
2	2) Differentiated product.	1
	3) Free entry and exit of firms. (Any one)	
3	(b) Price of the good falls, expenditure on it falls.	1
4	(d) All of the above.	1
5	A curve joining all points representing such bundles of two goods among which the consumer is indifferent is called an indifference curve.	1
6	It is the locus of points representing such combinations of two goods that can be produced by fuller utilization of given resources.	1
	<u>Characteristics</u> :	
	 It slopes downward from left to right. It is concave to the origin. 	1x2
7	In an economy the resources are limited and these have alternate uses.So every economy faces the problem of what to produce with these resources.Whether to produce more of necessities or more of luxury goods? Whether to have more of agricultural goods or more of industrial goods etc?	3
8	When demand of a good rises due to a fall in its price, it is called 'increase in quantity demanded' and when demand of a good rises at the same price of the good, it is called 'increase in demand.'	3
	OR	
	Budget set refers to the set of possible combinations of two goods which the consumer can afford with his income at given prices.	1_{2}^{1}
	From the budget set if only such bundles are taken on which total expenditure equals total income and plotted on a graph, we get a line called the budget line.	121
9	In a perfectly competitive market buyers and sellers have full knowledge about the market.So no seller can charge a price higher than the price determined by the market and no buyer is willing to pay the price higher than the market price.	4

10	When a consumer substitutes one good for one unit of another good, the rate at which this substitution takes place is called the (marginal rate of substitution.)								
	As this substitution goes on, the marginal rate of substituition declines.								
	Example:								
	Combination of <u>L</u> substitution	<u>Jnits of X</u>	<u>Units of Y</u>	<u>Marginal rate of</u>					
	good X and good Y	$(\Delta Y/_{\Lambda X})$							
	A	1	8	-					
	В	2	4	4Y:1X	2				
	С	3	2	2Y : 1X					
	D	4	1	1Y : 1X					
11	The sum of output of a com during a given period is calle	modity by all i ed market sup	its producers at ply.	a given price	1				
	When input price rises (falls), the cost of production increases (decreases).Price of the good remaining the same, it reduces (increases) profits.So the producers produce less(more) and thus market supply decreases (increases).								
		OR							
	 As more and more units of variable factor are employed, total product increases at an increasing rate initially and marginal product increases. After sometime use of more units of variable factor results in increase in total product at diminishing rate and marginal product fall,but is positive. Ultimately total product falls and marginal product becomes negative. 								
	(No diagram or schedule is required)								
12	$P_{d} = \frac{Percentage change in Quantity demanded}{P_{d}}$								
	Percentage	change in pr	rice						
	$= \frac{-20}{\frac{2}{10} \times 100} = -1$								
	$-1 = \frac{Percentage change in quantity demanded}{Percentage change in quantity demanded}$								
	Percentage change in Price								
	$=\frac{\text{Percentage change in quantity demanded}}{3}$								
	$\frac{1}{10} \times 100$								
	Percentage change in quantity = -30%								
	Demand falls by 30%								

13	<u>Output</u>	<u>AFC</u>		<u>AVC</u>		MC	<u>TC</u>		
	1	120)	40		<u>40</u>	<u>160</u>		
	2	60		56		<u>72</u>	232		
	3	<u>40</u>		54		<u>50</u>	<u>282</u>		
	4	30		<u>54</u>		54	<u>336</u>	6	
	5								
							(To be marked as a whole	e)	
	Note: Row	5 is redu	undant,	so it be	ignor	ed.			
	The questi	on ends a	at 4 uni	ts level	of out	put.			
14	<u>Output</u>	<u>TC</u>	<u>TR</u>	<u>MC</u>	<u>MR</u>				
	1	9	11	9	11				
	2	17	20	8	9				
	3	24	27	7	7				
	1	29	37	5	5	Fai	ulibrium		
		25	25			Lqu			
	5	30	35	/	3			3	
	This condit	ions of pr	oducer	's equil	ibrium	are:			
	1) MC	:= MR							
	2) Bey than M	ond the l IR.	evel of	output	at wh	ich N	MC = MR,MC must be great	er 2	
	The produce output bot	cer is in e h the con	quilibri ditions	um wh of proc	en he lucer's	prod equ	uces 4 units as at this level ilibrium are satisfied.	of 1	
15	In oligopol oligopoly. oligopoly.	y market, When th	if the p e produ	oroduct uct is h	is hor etroge	noge eneo	neous then it is called Perfe us then it is called imperfe	ect 2 ect	
	Under olig such a ma price, it wi about price	opoly, fir rket. If so Il affect o e and out	ms are ome fir ther firi put kee	interde m char ms. The ps in m	epende Iges it: Ivy reac ind the	ent . s deo t, so e rea	There are only a few firms cision regarding its output the firm while taking decisi ction of other firms.	in or 4 on	

	OR	
	Market demand and market supply schedule	
	PriceQuantity demandedQuantity supplied	
	5 40 30	
	6 35 35	
	7 30 40	2
	At price of Rs 6 the quantity demanded and supplied are equal, so it is the equilibrium price.	
	When the market price is less than the equilibrium price, quantity demanded will be more than quantity supplied as shown in the schedule. This is the situation of "excess demand". At a price of Rs 5 there is excess demand. This leads to competition among buyers resulting in price rise. When price rises demand falls and supply rises. These changes continue till demand and supply are equal.	2
	Similarly at a price of Rs 7, there is "excess supply". This will result in competition among sellers. This will reduce price. When price falls demand will rise and supply will fall ultimately equilibrium is reached when price falls to Rs 6.	2
	SECTION-B	
16	When Revenue Expenditure of the government is greater than Revenue receipts during a given fiscal year.	1
17	(a) Greater than 2.	1
18	(b) Saving account deposits and current account deposits.	1
19	When in the foreign exchange market the price of foreign currency rises in terms of domestic currency, it is depreciation of domestic currency.	1
20	It is the ratio of change in saving to change in income.	1
21	Stocks are variables measured at a point of time, whereas flows are variables measured over a period of time.	2
	Example Stock – Population, etc	
	Flow- Growth rate of Population, etc	$\frac{1}{2}$ X2
22	Under barter system there were difficulties in storing wealth.Wealth is stored to be used in future.All goods cannot be stored.Perishable goods cannot be stored.All goods cannot be transported from one place to another.All goods may not be acceptable as medium of exchange.No single physical good has all these qualities.So in the barter system of exchange there was difficulty in storing wealth.	3

	OR						
	Money serves as a medium of exchange.Good can be purchased with money.Goods can also be sold for money.Thus money acts as a medium of exchange.						
		3					
23	When the burden of tax and its liability to pay falls on the same person, it is a direct tax. When the burden of a tax and the liability to pay is on different persons, it is an indirect tax.	2					
	Direct tax - Income tax, etc.						
	Indirect tax - Sales tax, etc.	$\frac{1}{2}$					
24	$C = \overline{C} + mpc(Y)$	$1\frac{1}{2}$					
	8000 = 500 + mpc(10000)	1					
	$mpc = \frac{7500}{10000} = 0.75$	$\frac{1}{2}$					
	10000						
	So mps = $1 - 0.75 = 0.25$ or $-\frac{1}{4}$	1					
25	Commercial Banks keep a part of their deposits with central bank. This is called cash reserve ratio. This ratio is decided by the central bank and can be changed from time to time. In times of need, central bank gives loans to commercial banks.	4					
	OR						
	When a commercial bank receives deposits it keeps a part of it with the Central bank and a part with itself. These are called legal reserves. The money lent comes back to it as deposits. Again it keeps a part of it with the central bank and a part with itself and lends the rest.						
	This process continues. In this way bank gives loans which is many a times the original deposit. The total credit creation will be $\frac{1}{Legal Reserve Ratio}$	4					
26	Capital receipts are those receipts of government which either create liabilities or reduce assets. Capital receipts excluding borrowings are known as non-debt creating capital receipts.	2					
	Example:- Disinvestment, Recovery of loans	1+1					
27	(a) Current account records exports and imports of goods and services and transfer payments whereas capital account records borrowings and lending to and from abroad, investments to and from abroad and changes in foreign exchange reserves	3					
	(b) Transactions made independent of the state of balance of payments are called autonomous transaction whereas transactions made on account of the state of balance of payments are called accommodating transactions.	3					

28	Precautions to be taken while estimating N.I. by expenditure method.	
	 Expenditure on intermediate goods should not be included otherwise it will result in double counting. II. Transfer payments such as gifts, old age pension etc, should not be included. These payments are not made for factor services. III. Expenditure on financial assets like shares etc. should not be included. This does not result in any production. It is only transfer of money. (or Any other) OR a) Yes, as it is a factor income earned within domestic territory of India. b) No, because Russian Embassy is not a part of the domestic territory of India. c) No, as profits are not earned within the domestic territory of India. 	2 X 3 2 X 3
29	$GNP_{mp} = (1) + (11) + (11) + (0) + (0) + (0) + (10) + $	2
	= 2500 + 700 + 7500 + 400 + 350 + 50 + 150 + 70	1_{2}^{1}
	= Rs 11720 Crore	$\frac{1}{2}$
	NNDI = GNP_{mp} – Dep – Net Current Transfers to abroad	1
	= 11720 - 70 - 100	1
	= Rs 11550 Crore	2
		$\frac{1}{2}$

