## SENIOR SCHOOL CERTIFICATE EXAMINATION MARCH-2015

## MARKING SCHEME – ECONOMICS (DELHI) (SET -I)

## **Expected Answers / Value Points**

## **GENERAL INSTRUCTIONS:**

- Please examine each part of a question carefully and then 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.
- **2.** Expected suggested answers have been given in the Marking Scheme. To evaluate the answers the value points indicated in the marking scheme be followed.
- **3.** For questions asking the candidate to explain or define, the detailed explanation and definition have been indicated alongwith the value points.
- **4.** For mere arithmetical errors, there should be minimal deduction. Only ½ mark be deducted for such an error.
- 5. Wherever 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.
- **6.** 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.
- **7.** Higher order thinking ability questions are assessing student's understanding / analytical ability.

General Note: In case of numerical question no mark is to be given if only the final answer is given.

A1	Expected Answer / Value Points	Distribution of Marks
1	$p_1 x_1 + p_2 x_2 = m$	1
2	(a) Shifts to the right.	1
3	(d) Downward sloping straight line	1

4	Good X	Good Y	MRT		
	(Units)	(Units)	IVINI		
	0	10	-		
	1	9	1Y:1X		
	2	7	2Y:1X		
	3	4	3Y:1X		41/
	4	0	4Y:1X		1½
	Since MRT is origin.	increasing,	the PP cur	ve is downward sloping and Concave to the	1½
				(Diagram not required)	
5	health. This	in turn will us raise cou	reduce forc	ople falling ill and, thus can ensure better ed absenteeism from work, raise efficiency action potential. Rise in this potential shifts (Diagram not required)	3
				OR	
	and thus pi	roduction p	otential of	tal from the economy will reduce resources the country will fall. Fall in production rve downwards.	3
				(Diagram not required)	
6	inverse rela	tion betwe price elast	en price ar	demand has a minus sign because there is not demand of a normal good, while the oply has plus sign because there is direct of a good.	3
7	market is so market price	large that a on its own	ny individua by purchasi	nber of buyers in a perfectly competitive all buyer is not in a position to influence the ing more or less. It is because the individual e market is insignificant.	3
8		Pric	P P Q	SHORTAGE B Ceiling  D  Q2 Oly-	1
	good by the equilibrium PA (Or OQ <sub>1</sub> )	governmen price is OP <sub>1</sub> while cons	t. For exam . At this pri ımers dema	mposition of upper limit on the price of a ple, in the diagram OP is price ceiling while ce the producers are willing to supply only and PB (Or $OQ_2$ ). The effect of the ceiling is is created, which may further lead to black	2

	For blind Candidates Only:  Price ceiling means putting the upper limit by the government on the price that can be charged by the producers of a good from the buyers.	1
	Maximum price ceiling, is lower than equilibrium price, leads to rise in demand and fall in supply. This creates shortage of the good in the market.  This may lead to black marketing.	2
9	Price         Exp.         Demand           8         1000         125           10         1000         100	1½
	$E_p = \frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$ $= \frac{8}{125} \times \frac{-25}{2}$ $= -0.8$	1 1 ½
10	Cost in economics refers to the sum of actual money expenditure on inputs and the imputed expenditure in the form of inputs supplied by the owners including normal profit.	1
	If MC < AVC , then AVC falls If MC = AVC, then AVC is constant	3
	If MC > AVC, then AVC rises (Diagram not required)	
	OR  Revenue in Economics refers to the market value of output produced Or receipts from sale of output produced.  If MR > AR, AR rises	1
	If MR = AR, AR is constant  If MR < AR, AR Falls. (Diagram not required)	3
11	Given Px = 3, Py = 3 and MRS = 3, A consumer is said to be in equilibrium when	
	$MRS = \frac{P_{\chi}}{P_{V}}$	
	Substituting values we find that	
	$3 > \frac{3}{3}$	
	i.e. MRS > $\frac{P_{\chi}}{P_{y}}$	
	Therefore consumer is not in equilibrium.	
	MRS > $\frac{P_X}{P_Y}$ means that consumer is willing to pay more for one more unit of X as	3
	compared to what market demands.	
	- The consumer will buy more units of X. - As a result MRS will fall due to the Law of Diminishing Marginal Utility - This will continue till MRS = $\frac{P_x}{P_y}$ and consumer is in equilibrium	
	(Diagram not required)	3

	OR	
	Given $P_x = 4$ , $P_y = 5$ and $MU_x = 5$ , $MU_y = 4$ ,a consumer will be in	
	equilibrium when	
	$\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$	
	Substituting values, we find that	
	$\frac{5}{4} > \frac{4}{5} \text{ Or } \frac{MU_x}{P_x} > \frac{MU_y}{P_y}$	3
	Since per rupee $MU_{\chi}$ is higher than per rupee $MU_{\gamma}$ , consumer is not in equilibrium.	
	The consumer will buy more of X and less of Y. As a result $MU_x$ will fall and $MU_y$ will rise. The reaction will continue till $\frac{MU_x}{P_x}$ and $\frac{MU_y}{P_y}$ are equal and	3
	consumer is in equilibrium.	
12	The Phases are:  Phase: I TP rises at increasing rate i.e. upto A in diagram.  MP rises i.e. upto 'a'	
	Phase: II TP rises at decreasing rate i.e. between A and B. MP falls and	
	remains positive between 'a' and 'b'.	1x3
	<b>Phase : III</b> TP falls i.e. after B. MP falls and is negative i.e. after 'b'	172
	Phase Phase II Phase II Variable	3
	Phase II Phase III × Variable input	
	(Diagram on single axis is also correct)	

(2) TP increto 5 un (3) TP falls  13 The producer' after equilibrius  Suppose MC > more or less  Suppose MC < MC = MR.  MC = MR is not suppose the bom C becomes I then in this case the after MC =	put TP (Unit) 6 20 32 40 40 37 reases at increases at decreases at dec	MP its) (Units) 6 0 14 2 12 0 8 0 0 7 -3 easing rate and Noreasing rat	Or any other relevant numerical example  AP rises upto 2 units.  MP falls but remains positive from 3 om 6 unit onwards.  E (i) MC = MR and (ii) MC > MR  The profitable for the firm to produce nges in MC and MR till MC = MR. The produce more till are the produce more till	3	
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more or less Suppose MC < MC = MR.  MC = MR is not suppose the b MC becomes I  Then in this coin this case the after MC =	depending up	ipon relative chai	nges in MC and MR till MC = MR.	3	
suppose the b MC becomes I Then in this c in this case th after MC =		be profitable for	·		
in this case the after MC =	MC= MR is not a sufficient condition to ensure equilibrium. Given MC = MR, suppose the behaviour of MC and MR is such that if one more unit is produced. MC becomes less than MR.				
	Then in this case it will be profitable for the firm to produce more. Therefore, in this case though MC = MR the producer is not in equilibrium. However, if after MC = MR output MC becomes greater than MR, it will be most advantageous for the firm to produce only upto MC = MR.				
			(Diagram not required)		
14 - Given equilib	orium, deman	nd increases.			
- Price remain	ing unchange	ed, excess deman	d emerges.		
- This leads to	competition	າ among buyers ca	ausing price to rise.		
- Rise in price			emand and rise (expansion) in		
supply .	e causes fall (c	contraction) in de		i	
	e causes fall (c	contraction) in de			
higher price	ntinues to ris		is in equilibrium again at a	6	

	<u>SECTION - B</u>	
15	Aggregate supply is the value of total quantity of final goods and services planned to be produced in an economy during a period.	1
16	(b) $\frac{1}{MPS}$	1
17	(b) Fiscal deficit	1
18	(c) Dividends	1
19	(a) Likely to rise	1
20	$Real \ GDP = \frac{Nominal \ GDP}{Price \ Index} \times 100$	1½
	$200 = \frac{Nominal\ GDP}{110} \times 100$	1
	$Nominal\ GDP = \frac{200 \times 110}{100} = 220$	1/2
	(No marks if only the final answer is given)	
21	<ul><li>(1) Borrowings from and to abroad</li><li>(2) Investments from and to abroad.</li><li>(3) Decreases and increases in foreign exchange reserves.</li></ul>	1x3
	OR	
	<ul> <li>(1) Exports and imports of goods</li> <li>(2) Exports and imports of services</li> <li>(3) Factor income receipts from abroad and payments to abroad.</li> <li>(4) Transfers from and to abroad. (Any Three)</li> </ul>	1x3
22	Sale of machinery to abroad is export of goods and thus recorded in the Current Account.	1½
	Sale of machinery to abroad brings in foreign exchange and thus recorded on the credit side.	1½
	(No marks if the reasons are not given)	
23	The central bank is the sole authority for the issue of currency in the country. It promotes efficiency in the financial system. Firstly, because it leads to uniformity in the issue of currency, Secondly, because it gives Central Bank control over money supply.	4
	OR	
	The Central Bank acts as a banker to the government. The central bank accepts receipts and makes payments for the government and carries out exchange, remittance and other normal banking operations for the government. The central bank manages public debt and also lends to government.	4
	(To be marked as a whole)	

24	<ul> <li>Opening more bank accounts means more bank deposits.</li> <li>More deposits means increase in the lending capacity of the commercial banks.</li> <li>More lending by banks means more investment in the country.</li> <li>More investment means more national income.</li> </ul>	4
25	$Y = \bar{C} + MPC(Y) + I$ Y = 100 + (1 - 0.2)Y + 200	1½ 2
	0.2Y = 300	
	Y = 1500	1/2
	(No marks if only the final answer is given)	
26	(i) Payment of fees to chartered accountant by a firm is intermediate cost to the firm and, therefore not included.	2
	(ii) Payment of corporate tax by a firm is a transfer payment and thus not included.	2
	(iii) Purchase of a refrigerator by a firm for own use is investment expenditure and thus included. (No marks if reason is not given)	2
27	<u>The Inflationary Gap</u> is the amount by which the aggregate demand exceeds aggregate supply at the full employment level. It is called inflationary because it leads to rise in price level.	2
	<b>Repo Rate</b> is the rate of interest at which central bank lends to commercial banks for a short period. When central bank raises Repo Rate, the borrowings by the commercial banks become costly. This forces the commercial banks to raise their lending rates. People borrow less, and therefore spend less. This helps in reducing inflationary gap.	4
	(Diagram not required)	
	OR	
	<u>Deflationary Gap</u> is the amount by which the aggregate demand falls short of aggregate supply at the full employment level. It is called deflationary because it leads to a fall in price level. (Diagram not required)	2
	Open Market Operations refer to buying and selling of government securities by the central bank in the open market. Central bank can reduce deflationary gap by buying securities. Those who sell receive payments by cheques from the central bank. The money flows out from Central bank into the commercial	
	banks. This raises lending capacity of commercial banks. Banks lend more. Spending rises which reduces deflationary gap.	4
28	Government can influence allocation of resources by influencing market mechanism through taxes, subsidies and direct participation in production. Heavy taxes can be imposed on production units engaged in producing harmful products like liquor, cigarettes etc. Tax concessions and subsidies can be given to encourage production of products useful for the masses. Government can directly produce goods and services normally ignored by the private sector due to lack of enough profits.	6
	(To be marked as a whole)	

29	N.I. = ii + v + (vii + x) - xi - viii - xii	1½
	= 600 + 100 + 70 + (-10) - 20 - 60 - 10	1
	= Rs. 670 Crore.	1/2
	PDI = iv - vi - iii - i	1½
	=650-50-30-80	1
	= <i>Rs</i> . 490 Crore	1/2
	(No marks if only the final answer is given)	