

SENIOR SCHOOL CERTIFICATE EXAMINATION JULY-2015

MARKING SCHEME – ECONOMICS

(OUTSIDE DELHI)

Expected Answers / Value Points

(SET-I)

GENERAL INSTRUCTIONS :

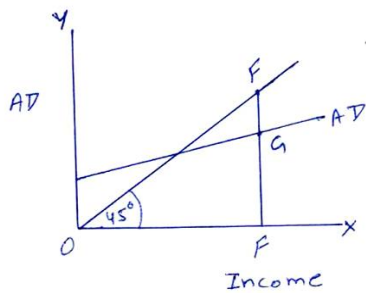
1. Please examine each part of a question carefully and then allocate the marks allotted for the part as given in the marking scheme below. TOTAL MARKS FOR ANY ANSWER MAY BE PUT IN A CIRCLE ON THE LEFT SIDE WHERE THE ANSWER ENDS.
2. Expected suggested answers have been given in the Marking Scheme. To 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 $\frac{1}{2}$ 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.

B1	Expected Answer / Value Points	Distribution of Marks
1	(c) Greater than elasticity of demand at B	1
2	Put a tax on it so that its price rises. (any other relevant measure)	1
3	(c) Rs. 56	1
4	The economy has to decide which commodities should be produced with given resources and the resources are scarce, and have alternative uses.	3
5	When government imposes an upper limit on the price of a good , it is called price ceiling. It is generally imposed on essential items and is fixed below the market determined price. The reason being the equilibrium price is too high for the common people to afford.	3

6	By these institutes skill development will improve. This would result in increase in the production potential of the country. So the PP will shift to the right.	3																																
7	Under diminishing returns to a factor marginal product initially falls and remains positive but ultimately it becomes negative. Accordingly total product increases at a diminishing rate and ultimately starts falling.	3																																
8	The significance of 'barriers to entry' feature of monopoly is that since the monopolist is the only producer, he can always exercise significant influence over market price by changing the supply. It makes monopolist a price maker. <p style="text-align: center;">OR</p> The significance of this feature is that the buyer differentiates between the product produced by different firms which are close substitutes. In such a market there is some element of monopoly enjoyed by a firm, who is in a position to influence the market price of the product it produces to some extent.	3																																
9	The following table shows four such bundles of commodity X and Y which gives the consumer same satisfaction – <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Bundles</th> <th style="text-align: center;">Unit of X</th> <th style="text-align: center;">Unit of Y</th> <th style="text-align: center;">Marginal Rate of Substitution</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">A</td> <td style="text-align: center;">1</td> <td style="text-align: center;">10</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: center;">B</td> <td style="text-align: center;">2</td> <td style="text-align: center;">6</td> <td style="text-align: center;">4Y:1X</td> </tr> <tr> <td style="text-align: center;">C</td> <td style="text-align: center;">3</td> <td style="text-align: center;">3</td> <td style="text-align: center;">3Y:1X</td> </tr> <tr> <td style="text-align: center;">D</td> <td style="text-align: center;">4</td> <td style="text-align: center;">2</td> <td style="text-align: center;">1Y:1X</td> </tr> </tbody> </table> <p style="margin-left: 20px;">For each additional unit of X the consumer is willing to sacrifice less of Y. This is diminishing marginal rate of substitution.</p> <p style="text-align: center;">(any other relevant numerical example)</p> <p style="text-align: center;">OR</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Units</th> <th style="text-align: center;">M.U.</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">3</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">2</td> </tr> </tbody> </table> <p style="text-align: center;">(any other relevant numerical example)</p> <p style="text-align: right;">(Explanation)</p>	Bundles	Unit of X	Unit of Y	Marginal Rate of Substitution	A	1	10	-	B	2	6	4Y:1X	C	3	3	3Y:1X	D	4	2	1Y:1X	Units	M.U.	1	10	2	8	3	5	4	3	5	2	2 2 2
Bundles	Unit of X	Unit of Y	Marginal Rate of Substitution																															
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3	5																																	
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5	2																																	
10	When demand for a good changes due to change in price of the given good it is called 'change in quantity demanded' when demand changes due to a factor other than own price it is called 'change in demand'.	4																																

<p>11</p>	<p>(i) When input price increases, cost of production rises. Price of the product remaining the same, profit falls. This will reduce market supply.</p> <p>(ii) Reduction in per unit tax will reduce the cost of production. Price remaining the same, profits will increase. So the producers will produce more and market supply will increase.</p> <p style="text-align: center;">OR</p> <p>(a) When $MC < AVC$, AVC falls When $MC = AVC$, AVC constant When $MC > AVC$, AVC rises</p> <p>(b) When TC increases at a diminishing rate MC falls When TC increase at an increasing rate MC rises. When TC increases at a constant rate MC is constant</p>	<p style="text-align: right;">3</p> <p style="text-align: right;">3</p> <p style="text-align: right;">1</p> <p style="text-align: right;">1</p> <p style="text-align: right;">1</p> <p style="text-align: right;">1</p> <p style="text-align: right;">1</p> <p style="text-align: right;">1</p>
<p>12</p>	<p>(i) When the good is normal, increase in income of its consumer raises his purchasing power, so he buys more of it.</p> <p>When the good is inferior, then with an increase in income the demand for such good will fall.</p> <p>(ii) Rise in the price of substitute goods makes the given good relatively cheaper. So its demand increases and demand for substitute good falls.</p>	<p style="text-align: right;">1½</p> <p style="text-align: right;">1½</p> <p style="text-align: right;">3</p>
<p>13</p>	<p>(i) False, When price of other goods rise, it becomes more profitable to produce them in place of the given good, so supply curve will shift to left.</p> <p>(ii) False, The difference between AC and AVC is due to AFC. As output is increased AFC falls, so the difference between AC and AVC falls.</p>	<p style="text-align: right;">3</p> <p style="text-align: right;">3</p>
<p>14</p>	<div style="text-align: center;"> </div> <p>When the demand curve DD shift to DD'. There is excess demand (AB) at OP price. Thy buyers compete, price starts rising thus demand starts falling(Contraction) and supply starts rising (expansion). These changes continue till price reaches OP₁. At this price equilibrium quantity is OQ₁.</p> <p><u>For Blind Candidates :</u></p> <p>Excess demand refers to a situation when quantity demanded is more than quantity supplied at the prevailing market price.</p> <p>Same explanation as given above without diagram.</p>	<p style="text-align: right;">2</p> <p style="text-align: right;">4</p> <p style="text-align: right;">2</p> <p style="text-align: right;">4</p>

SECTION – B		
15	(b) Reserve Bank of India	1
16	Deposits that are withdrawn by cheque.	1
17	(a) Recovery of loans	1
18	(c) Fiscal deficit – interest payments	1
19	(a) Wealth.	1
20	<p>(i) For imports (ii) For investment in other countries. (iii) For Foreign travel etc . (any other relevant source)</p> <p style="text-align: center;">Or</p> <p>When price of domestic currency falls under fixed exchange rate system, it is called 'devaluation'. When price of domestic currency falls under flexible exchange rate system, it is called 'depreciation'.</p>	1x3 3
21	$\Delta I = 500 - 300 = 200$ $K = \frac{\Delta Y}{\Delta I} = \frac{2000}{200} = 10$ $K = \frac{1}{MPS}$ $10 = \frac{1}{MPS} \text{ so } MPS = \frac{1}{10}, \text{ hence } MPC = 1 - MPS = \frac{9}{10} = 0.9$ <p style="text-align: right;">Any other alternate method</p>	½ 1 ½ 1
22	 <p>When AD falls short of AS at the full employment income level (OF), the difference (FG) is called deflationary gap.</p> <p>For Blind Candidates</p> <p>The excess of aggregate demand over aggregate supply at full employment is called inflationary gap when aggregate demand is less than aggregate supply at full employment, the difference is called deflationary gap.</p>	1 2 3
23	<p>(i) False, it is recorded in current account as it neither affects foreign exchange assets nor foreign exchange liabilities.</p> <p>(ii) True, all imports and exports of goods are recorded in trade account which is a part of current account, because it is simply import/export of a good.</p>	2 2

<p>24</p>	<p>To Calculate GDP_{mp} by the expenditure method, we add up final expenditures on the goods and services produced by all the economic sectors of an economy. Expenditures incurred on consumption and investment are final expenditures.</p> <p>These are classified into:</p> <ul style="list-style-type: none"> (i) Private final consumption expenditure. (ii) Government final consumption expenditure. (iii) Gross domestic capital formation. (iv) Net exports (=Exports less imports) <p>The sum total of these expenditures is GDP_{mp}.</p> <p style="text-align: center;">OR</p> <p>Precaution :</p> <ul style="list-style-type: none"> (i) Expenditure on intermediate goods should not be included. (ii) Estimated expenditure on production for self consumption should be included. (iii) Transfer payments should not included. (iv) Expenditure on financial assets should not be included. <p style="text-align: right;">(any other relevant precaution)</p>	<p style="text-align: center;">4</p> <p style="text-align: center;">4</p>
<p>25</p>	$GVA_{fc} = (i) + (v) + (ii) - (iv) - (vi)$ $= 3000 + 500 + (-100) - 2000 - 250$ $= Rs. 1150 \text{ Crore.}$	<p style="text-align: center;">1½</p> <p style="text-align: center;">2</p> <p style="text-align: center;">½</p>
<p>26</p>	<p>Budgetary incentives refer to concession in taxation and granting subsidies to those production units which set up their units in economically backward areas. Tax concessions, like lower excise duties aim at reducing cost and thus raising profits.</p> <p>Subsidies aim at reducing prices of products to encourage sales and earning more profits. Thus both aim at raising profits.</p> <p style="text-align: right;">(Any other relevant reason)</p>	<p style="text-align: center;">6</p>
<p>27</p>	<p>Functions of money</p> <ol style="list-style-type: none"> 1. Medium of exchange. 2. Store of value 3. Unit of account 4. Standard of deferred payments. <p style="text-align: right;">(Statement : any two) (Explanation)</p> <p style="text-align: center;">OR</p> <p>Functions of central bank</p> <ol style="list-style-type: none"> 1. Bank of issue 2. Government's Banker 3. Banker's bank. 4. Controller of credit. <p style="text-align: right;">(Statement : any two) (Explanation)</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">4</p> <p style="text-align: center;">2</p> <p style="text-align: center;">4</p>

28	<p>Planned spending refers to people planning to purchase final goods and services during the year. Planned output means the production units planning to produce final goods and services during the year.</p> <p>When planned spending is higher than planned output, the producers find the stocks falling below the desired level. They start raising production. This raises income levels till inventories (stocks) reach the desired level and economy is in equilibrium.</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">4</p>
29	$GNP_{mp} = (ii) + (iii) + (v) + (vii) + (ix) + (viii) + (iv) - (vi)$ $= 3000 + 500 + 800 + 5000 + 1500 + 400 + 200 - 100$ $= Rs. 11300 \text{ Crore.}$ $N.N.D.I = GNP_{mp} - (x) - (iv)$ $= 11300 - (-50) - 200$ $= Rs. 11150 \text{ Crore.}$	<p style="text-align: center;">1 ½</p> <p style="text-align: center;">2</p> <p style="text-align: center;">½</p> <p style="text-align: center;">1</p> <p style="text-align: center;">½</p> <p style="text-align: center;">½</p>