SENIOR SCHOOL CERTIFICATE EXAMINATION
JULY-2015

MARKING SCHEME – ECONOMICS (DELHI)

Expected Answers / Value Points

(SET-I)

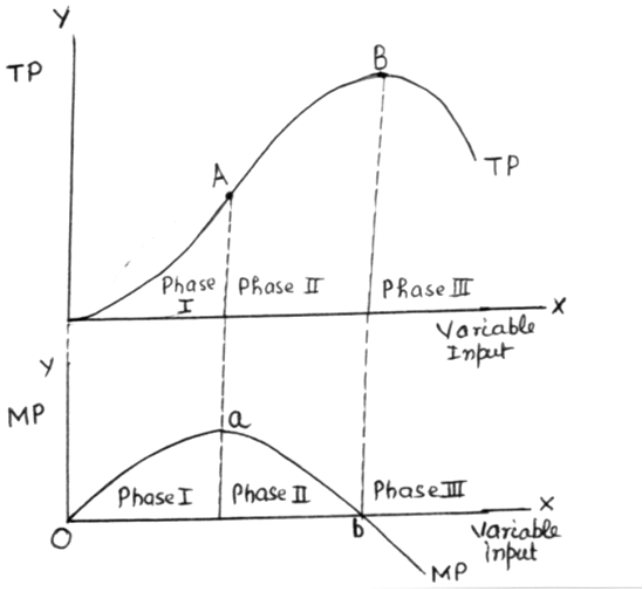
GENERAL INSTRUCTIONS :

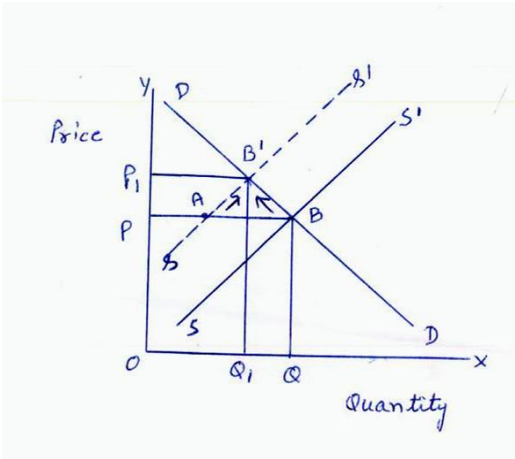
1. Please examine each part of a question carefully and then allocate the marks allotted for the part as given in the marking scheme below. TOTAL MARKS FOR ANY ANSWER MAY BE PUT IN A CIRCLE ON THE LEFT SIDE WHERE THE ANSWER ENDS.
2. Expected suggested answers have been given in the Marking Scheme. To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

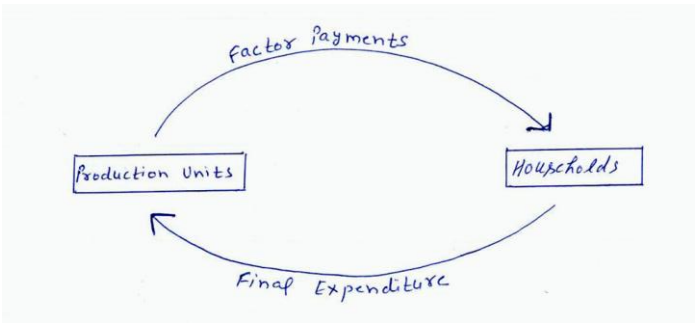
General Note : In case of numerical question no mark is to be given if only the final answer is given.

A1	Expected Answer / Value Points	Distribution of Marks
1	**(c)** Rise in the prices of substitute goods.	**1**
2	**(c)** Rs. 18 Per unit	**1**
3	Reduce price by giving subsidy. **(or any other relevant measure)**	**1**
4	Yes, even in rich countries resources are scarce, having alternative uses and wants are unlimited.	**3**
5	Floods have damaged and reduced resources. Since potential production declines the production possibility frontier shifts to the left.	**3**
6	For some crops fall in price below a certain level is not good for the farmers. Hence the government fixes minimum price for these crops.	**3**

7	There are large number of sellers in perfectly competitive market, so that an individual firm has a negligible share in total supply. As such no individual seller can influence the market price on its own. The seller has no option but to accept the market determined price. It makes the seller a 'Price taker'. **OR** In oligopoly, there are only few firms. If they compete on the basis of price, there is likely to be price war and the firm may loose. So, the firm adopts measures other than price for competing like customer care, after sale service, free gifts, etc. This is non-price competition.	**3** **3**
8	**(a)** True, because Average Product = $\frac{TP}{Variable\ input}$ and since TP is constant and variable input increases, AP will fall. **(b)** False, rise in AC takes place when MC is greater than AC and not necessarily when MC rises.	**1½** **1½**
9	A consumer buys a good upto the point where Price = MU Now suppose price falls, it makes Price < MU Since price is lower than MU, this induces the consumer to buy more units of the good. It shows inverse relation between price and demand. **OR** **(i)** **Nature of the good** : If good is a necessity, its demand is not likely to be affected by change in its price. So, demand for such goods is price – inelastic. On the other hand, demand for luxuries is elastic, because with rise in price consumer may reduce demand for luxuries. **(ii)** **Availability of the close substitutes of the good**. Larger the number of substitutes available more is the choice before the consumer and so more elastic is the demand. **(Any other relevant factor)**	**4** **2** **2**
10	Market demand is sum of the demand of all buyers of a commodity at a given price during a period of time. Factor affecting market demand: **(i)** Number of buyers. **(ii)** Price of the commodity **(iii)** Income of its buyers **(iv)** Prices of the related goods **(v)** Tastes and preferences of the consumers. **(vi)** Distribution of income. **(Statement only)** **(Any Three)**	**1** **1x3**

11	**The two conditions of producer's equilibrium are** **(i)** MC= MR **(ii)** MC becomes greater than MR if more is produced after the point of equilibrium. **Explanation** **(i)** If MC is less than MR. it is profitable to produce more units till MC becomes equal to MR. **(ii)** When MC becomes greater than MR after the MR=MC condition, production of each new unit is sold at a loss, which leads to decline in profits. **OR** **(a) (i)** When MR > AR , AR rises. **(ii)** When MR < AR, AR falls. **(iii)** When MR = AR, AR is constant. **(b) (i)** When MR is positive TR rises. **(ii)** When MR is zero TR is maximum. **(iii)** When MR negative TR falls.	**1** **1** **2** **2** **1x3** **1x3**
12	 Explanation : As variable input is increased : Phase I : TP rises at increasing rate and MP rises i.e. upto A on TP curve. Phase II : TP rises at decreasing rate and MP falls but remains positive between A and B. Phase III : TP falls and MP becomes negative after B. **(Explanation)** **<u>For blind Candidate only</u>** Schedule Explanation (on the above lines)	**3** **3** **3** **3**

13	Given income of the consumer and the prices of goods he buys the consumer is said to be in equilibrium when he spends income in such a way that he gets maximum satisfaction. The two conditions of equilibrium, assuming only two goods consumed, are **(i)** MRS = $\frac{Px}{Py}$ **(ii)** MRS falls as more is consumed of X Explanation : **(1)** Suppose MRS > $\frac{Px}{Py}$. It means that consumer is willing to pay more for good X, then the prevailing market price. Consumer buys more of X and less of Y till MRS = $\frac{Px}{Py}$ again. **(2)** Unless MRS has a tendency to fall as more is purchased the consumer will never reach equilibrium again. **(Note : Explanation MRS < $\frac{Px}{Py}$ is also correct)**	**1** **1** **1** **2** **1**
14	 Rise in price of inputs results in decrease in supply. Supply curve shifts from SS' to ss' . At given price OP there is excess demand equal to AB. This results in competition among buyers. Price start rising , demand starts falling and supply starts rising as shown by arrows. This continues till price rises to OP_1. Market is in equilibrium at a higher price and quantity falls to OQ_1. **<u>For Blind Candidates :</u>** Meaning of excess demand Explanation on same lines as above	**2** **4** **2** **4**
	SECTION - B	
15	**(d)**	**1**
16	**(i)** Money with the public **(ii)** Demand Deposits	**1**
17	**(c)**	**1**
18	**(a)**	**1**
19	**(b)**	**1**

20	**(a)** The sum of APC and APS is equal to 1. **(b)** The higher the MPC the greater is the value of multiplier. **OR** **(a)** Involuntary unemployment exists when willing and able bodied people do not get employment at prevailing wage rate. **(b)** The excess of aggregate demand over aggregate supply at full employment is called inflationary gap.	**1½** **1½** **1½** **1½**
21	**(i)** Importers need foreign exchange for making payments. **(ii)** Making investments abroad. **(iii)** Tourism abroad. **(or any other source of demand)**	**1x3**
22	$S = -100 + 0.2y$ $At\ equilibrium\ S = I$ $I = 5000$ $\therefore 5000 = -100 + 0.2y$ $0.2y = 5100$ $y = 25500$	**1** **1** **½** **½**
23	$NVA_{fc} = i + vi - iv - iii - vii$ $= 300 + 20 - 120 - 30 - 15$ $= Rs.155 crore$	**1½** **2** **½**
24	Goods purchased by a production unit from other production units for resale or for using them completely during the same year are intermediate goods, whereas goods purchased for consumption / investment are final goods. Intermediate good : raw material… etc. Final good : Machine purchased for installation in factory…. etc. **OR**  Production units engage factor owners from households and in return make factor payments to them. The households spend income on goods and services produced by production units. This completes the circular flow of income. **Note : For Blind candidate flow chart is not necessary. Full marks will be awarded if only explanation is given.**	**3** **½** **½** **1** **3**

25	Autonomous transactions are made independently of other transactions in balance of payments. Accommodating transactions are made to cover up deficit or surplus in autonomous transactions. The significance of distinction is that deficit / surplus in balance of payments equals deficit/ surplus in autonomous transactions only.	**2** **2**
26	Inequalities of income and wealth reflect a section of society being deprived of even basic necessities. Thus arises the need for reducing them in the society. • Progressive taxation. • Increasing government's expenditure. **(Explanation)**	**2** **1** **1** **(1x2)**
27	**(i)** Banker to the Government **(ii)** Bankers' bank **(iii)** Controller of credit **(iv)** Bank of issue **(any two)** **(Explanation)** **OR** Bank rate is the rate of interest at which commercial banks can borrow from the central bank. Lowering bank rate encourages commercial banks to reduce their lending rate to public. Since borrowing becomes cheaper, people borrow more. This raises money supply. Raising bank rate has the opposite effect.	**1x2** **2x2** **6**
28	When AD < AS inventories accumulate. As a result producers reduce production, AS falls. This process continue till AD = AS. If AD > AS, inventories fall. To make up for this producer's increase production. AS increases. This process continues till AD= AS.	**3** **3**
29	$N.I. = (i) + (viii) + \{(ii) + (iv)\} + (v) + (iii) - (vi)$ $= 500 + 200 + (100 + 20) + 40 + 30 - 50$ $= Rs.840$ Crore. $GNDI = N.I. + (ix) - (x) + (vi)$ $= 840 + 60 - (-10) + 50$ $= Rs.960$ Crore.	**1 ½** **2** **½** **1** **½** **½**