

**DIRECTORATE OF GOVERNMENT EXAMINATIONS, CHENNAI - 6****HIGHER SECONDARY EXAMINATION SECOND YEAR - MARCH - 2018  
KEY FOR ECONOMICS****Note :**

1. Answers written only in BLACK or BLUE should be evaluated
2. Choose the correct answer and write the option code

**PART - A**

50X1=50

<b>I Choose the Correct Answers:</b>			<b>14 X 1 =14</b>
<b>Q.No</b>	<b>OPTION</b>	<b>ANSWER</b>	
1	B	Human wants and their satisfaction	
2	C	Profit - motive	
3	B	Potential Price – Actual Price	
4	A	Inverse relationship between Price and Quantity	
5	D	All the above	
6	A	Demand = Supply	
7	C	Rent	
8	B	Implicit cost	
9	D	Horizontal	
10	D	Direct Demand	
11	D	Say's law of market	
12	B	J.M. Keynes	
13	D	inflation	
14	D	Canon of equity	
<b>II Fill in the blanks with suitable answers</b>			<b>12 X1 = 12</b>
15	Ocean or Sea		
16	Mixed Economy		
17	Cardinal Utility Analysis or Marginal utility		
18	Upward		
19	Short, Long		
20	Production Function		
21	Nominal Cost		
22	Oligopoly		
23	Opportunity Cost		
24	Multiplier		
25	Hyper inflation / Runway inflation		
26	Canons of taxation		

<b>III</b>	<b>Match the Following</b>	<b>12 x1= 12</b>
27	Tinbergen and Frisch	
28	Laissez Faire Economy	
29	Diamond Jewels	
30	Substitutes	
31	Annual Stock Clearance	
32	Hawley	
33	TR –TC	
34	E.H. Chamberlin	
35	Neo – Classical Theory	
36	Liquidity Preference	
37	Purchasing Power of Money	
38	Revenue and Expenditure are equal	
<b>IV</b>	<b>Answer each of the following questions in a word or two:</b>	<b>12x1=12</b>
39	Deductive Method or Abstract method or Analytical method	
40	Depression	
41	Price – Ratio line	
42	Other things being equal / Ceteris Paribus Condition	
43	Yes	
44	Entrepreneur	
45	Unit cost or TC/Q or Total cost/number of units of output	
46	Taxation / Legislative Method	
47	Innovation Theory	
48	Keynesian Cross	
49	Inflation	
50	Borrowing from the Public	

<b>PART-B</b>		
<b>V.</b>	<b>ANSWER ANY 10 OF THE FOLLOWING QUESTIONS IN 4 OR 5 LINES EACH</b>	<b>10x3=30</b>
51	<p><b>Value - in use</b></p> <ol style="list-style-type: none"> <li>1. Free goods have value in use but no value in exchange.</li> <li>2. They are not scarce</li> <li>3. Example – air,rain,sunshine</li> </ol> <p><b>Value in exchange</b></p> <ol style="list-style-type: none"> <li>1. All economic goods have both value in use and value in exchange</li> <li>2. They are scarce</li> <li>3. Example – all economic goods which command price in the market</li> </ol>	3
52	<p><b>Basic issues of an economic system</b></p> <ol style="list-style-type: none"> <li>1. What to produce and it what quantities? 1</li> <li>2. How to produce? 1</li> <li>3. For whom to produce? 1</li> </ol>	3
53	<p><b>Capitalism</b></p> <ol style="list-style-type: none"> <li>1. The production and distribution of commodities take place through the mechanism of free markets</li> <li>2. A producer, consumer or resource owner has considerable economic freedom.</li> <li>3. Market forces namely supply, demand and price</li> </ol>	3
54	<p><b>Causes for wants</b></p> <ol style="list-style-type: none"> <li>1. Elementary and Psychological</li> <li>2. Social causes</li> <li>3. Customs and habits</li> <li>4. Advertisements</li> </ol>	3
55	<p><b>Giffen paradox</b></p> <p>Sir Robert Giffen discovered that the poor people will demand more of inferior goods.if their prices rise and (demand less if their prices fall). This is called "Giffen paradox". (e.g) inferior goods like ragi and chollam.</p>	3

56	<b>Determinants of shift in demand</b> <ol style="list-style-type: none"> <li>1. Income of the consumer</li> <li>2. Tastes</li> <li>3. Prices of substitutes</li> <li>4. Population</li> <li>5. Government policies</li> <li>6. Technology</li> </ol>	3
57	<b><u>Short period:</u></b> Atleast one of the input is fixed input (or) only variable factor changes <b><u>Long period :</u></b> All the inputs are variable inputs . <b>(any other correct differences marks canbe given)</b>	3
58	<b><u>Types of utility:</u></b> <ol style="list-style-type: none"> <li>1. Form utility</li> <li>2. Place utility</li> <li>3. Time utility</li> <li>4. Possession utility</li> </ol>	3
59	<b>Labour</b> Marshal defines labour as “ the use or exertion of body or mind, partly or wholly with a view to secure an income apart from the pleasure derived from the work”.	3
60	<b>Real cost</b> <ol style="list-style-type: none"> <li>1. Real cost is a subjective concept</li> <li>2. The pains and sacrifices involved in producing commodity</li> <li>3. Foregoing leisure</li> </ol>	3

61	<b>Relationship between MC and AC</b> <ol style="list-style-type: none"> <li>1. When marginal cost is less than average cost ,average cost is falling (<math>MC &lt; AC, AC \downarrow</math>)</li> <li>2. When marginal cost is greater than the average cost, average cost is rising. (<math>MC &gt; AC, AC \uparrow</math>)</li> <li>3. The marginal cost curve must cut the average cost curve at AC's minimum point from below. Thus at the minimum point of AC ,MC is equal to AC.(<math>MC=AC</math>)</li> </ol>	3
62	<b>Three motives of liquidity preference theory</b> <ol style="list-style-type: none"> <li>1. Transaction motive</li> <li>2. Precautionary motive</li> <li>3. Speculative motive</li> </ol>	3
63	<b>Factors of aggregate demand</b> <ol style="list-style-type: none"> <li>1. Propensity to consume</li> <li>2. Inducement to invest</li> </ol>	3
64	<b>Definition of money</b>  Prof. walker has said, "money is what money does ". <b>If any other definition mentioned related to money - marks can be given</b>	3
65	<b>Zero based budget</b>  Every year is considered as a new year Past performances and programmes are not taken into account The budget is viewed as entirely fresh i.e , from zero bases	3
<b>PART – C</b>		
VI.	<b>i. Answer any 6 of the following questions</b>  <b>ii. Answer for each questions should be in a page</b>	<b>6x10=60</b>
66	<b>Merits of socialist economy</b> <ol style="list-style-type: none"> <li>1. Efficient use of resources</li> <li>2. Economic stability</li> <li>3. Maximisation of social welfare</li> <li>4. Absence of monopoly</li> <li>5. Basic needs are met</li> <li>6. No extreme inequality</li> </ol>	10

67	<b>Market Period</b> 1. Market period 3 2. Diagram 4 3. Diagram Explanation 3	10
68	<b>Laws of Returns :</b> 5 <b>Returns to Scale :</b> 5	10
69	<b><u>Relationship between AR and MR curves:</u></b> 1. Constant AR and MR curve table } 5 2. Constant AR and MR curve diagram } 3. Downward sloping AR and MR table } 5 4. Downward sloping AR and MR diagram }	10
70	<b><u>Long – run average cost curve :</u></b> 1. Diagram 6 2. Diagram explanation 4	10
71	<b><u>Product differentiation :</u></b> Product Differentiation Explanation 5 Explain with example 5	10

72	<p><b>FLOW CHART – Keynesian Theory:</b></p> <p style="text-align: center;"><b>Effective Demand = Output = Income = Employment</b></p>	10						
73	<p><b><u>Consumption function :</u></b></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 40%;">1. Meaning</td> <td style="width: 10%; text-align: center;">3</td> </tr> <tr> <td>2. Diagram</td> <td style="text-align: center;">4</td> </tr> <tr> <td>3. Diagram Explanation</td> <td style="text-align: center;">3</td> </tr> </table>	1. Meaning	3	2. Diagram	4	3. Diagram Explanation	3	10
1. Meaning	3							
2. Diagram	4							
3. Diagram Explanation	3							
74	<p><b>Main sources of tax and Non-tax revenue of the state government</b></p>	10						

75	<b><u>Limitations of fiscal policy :</u></b> 1. Size of fiscal measures - 2 Marks 2. Fiscal policy as ineffective anti-cyclical measures - 4 Marks 3. Administrative delay - 2 Marks 4. Other limitations - 2 Marks	10
<b>PART -D</b>		
<b>VII</b>	<b>Answer any 3 of the following :</b>	<b>3x20=60</b>
76	<b><u>Lionel Robbins definition of economics</u></b> 1. Lionel Robbins scarcity definition - 4 Marks 2. Basic Assumption - 4 Marks 3. Explanation - 8 Marks 4. Criticism - 4 Marks	20
77	<b><u>Indifference Curve Approach :</u></b> 1. Indifference curve Definition - 3 Marks 2. Assumption - 4 Marks 3. Table and explanation - 5 Marks 4. Diagram and Explanation - 8 Marks	20
78	<b><u>Methods of measuring price elasticity of demand</u></b> 1. Percentage method with Diagram Explanation - 5 Marks 2. Point (or) slope method with Diagram Explanation - 5 Marks 3. Total outlay method Table (or ) Explanation - 5 Marks 4. Arc method with diagram Explanation - 5 Marks	20
79	<b><u>Monopoly:</u></b> 1. Advantages of monopoly - 10 Marks 2. Disadvantages of monopoly - 10 Marks	20
80	<b><u>Loanable Funds Theory:</u></b> 1. Loanable Theory - 3 Marks 2. Diagram - 7 Marks 3. Explanation - 5 Marks 4. Criticism - 5 Marks	20
81	<b><u>Inflation :</u></b> 1. Effects - 10 Marks 2. Remedies - 10 Marks	20