

Second Terminal Examination SET - 1

Economics Answer Key (Second Year)

Qn. No.	Scoring Key	Marks	Total Score
1	Cash Reserve Ratio (CRR)	1	1
2	Sterilization	1	1
3	Break Even Point	1	1
4	Autonomous Investment	1	1
5	Firm is a price taker/price taker/Infinite number of sellers	1	1
6	b. At zero level of income consumption is positive	1	1
7	d. The supply of the commodity falls	1	1
8	MR = 10	1	1
9	Output multiplier = 3	1	1
10	a. Goods and Service tax (GST) b. Sales of shares of public sector undertakings c. Salary of government employees d. Construction of road by government	1 1 1 1	1 1 1 1
11	Public goods → Light house, National defence Private goods → car, clothes	$\frac{1}{2} + \frac{1}{2}$ $\frac{1}{2} + \frac{1}{2}$	2
12	State and explain the reason	2	2
13	Identify any 2 factors that cause a leftward shift in supply curve (1 x 2) - A rise in input price - A rise in unit tax - Outdated technology	1 1	2
14	For mentioning tax multiplier Mentioning expenditure multiplier Process to reach balanced budget multiplier	$\frac{1}{2}$ $\frac{1}{2}$ 1	2
15	Defining money multiplier Calculation $\frac{M}{H} = 4$	1 1	2
16	For each correct classification Stabilization : b, f, d Allocation : a, e, c	$\frac{1}{2} \times 6$	3
17	For the correct definition of price elasticity of supply(If correct formula is given, give 1 score) For identifying 'A' elastic For identifying 'B' unitary elastic	2 $\frac{1}{2}$ $\frac{1}{2}$	3
18	For a correct diagram – showing an upward shift in the AD For marking the new equilibrium point and level of output	1 1	

	Brief explanation If only correct diagram Only correct explanation	1	
19	a. CU b. DD c. Post office savings deposit d. Broad money e. M_1 f. Total deposit in post office	$\frac{1}{2} \times 6$	
20	Finding market price. Solving the equation Substituting the market price in demand or supply function and finding equilibrium quantity Market price – 50 , equilibrium quantity- 650	2 1	3
21	Mention any 3 features	1 x 3	3
22	For calculating Revenue deficit (If only formula – 1 score) For calculating Fiscal deficit (If only formula – 1 score)	2 2	4
23	a. Liquidity trap b. r_{max} shows the maximum rate of interest that is expected by people. At this rate the demand for money is zero c. For explaining relation between rate of interest and bond price.	1 1 2	4
24	a. For identifying short run supply curve b. Any three factors that influence supply curve	1 3	4
25	For distinguishing MPC & MPS Correct schedule If only formula $c = \bar{c} + c.y$ ($\frac{1}{2}$ score)	1 3	4
26	Explanation of 2 points why GDP cannot be considered as a welfare index If only mentioning the points (1 x 2)	2 x 2	
27	Condition for consumer equilibrium <ul style="list-style-type: none"> - Slope of budget line = slope of IC or - $-\frac{P_1}{P_2} = MRS$ or Tangency between budget line and IC 	1 1 score	5
	For correct diagram and marking consumer equilibrium	2	
	For explanation	2	
28	For drawing the diagram showing equilibrium of fish market Showing leftward shift in supply curve Marking new price and quantity Explanation of , why supply shifts left and what happens to price and quantity	1 1 1 2	
29	a. Minimum Price / floor price b. Excess supply c. Explanation of maximum price, price ceiling, its effects and consequences	1 1 1+1+1	5

30	<p>a. Open market operation b. Changing the bank rate varying the reserve requirement</p> <p>Explaining how each policy can be used to control the inflation The mechanism by which the policy instruments leads to a reduction in the inflation – open market operations – selling up of securities – money supply in the economy falls – demand falls – price level falls.</p>	<p>1 $\frac{1}{2}$ $\frac{1}{2}$ 2 x 3</p>	8
31	<p>Perfect competition Features explaining any two Or mentioning any four ($\frac{1}{2} \times 4 = 2$) Conditions--- Diagrammatic explanation</p>	<p>1 2 1 x 3 2</p>	8
32	<p>i) Steps - Value added method Income method ii) (a) - (c) - (b) - (d)+(e) – 610 crores</p>	<p>3 3 2</p>	8