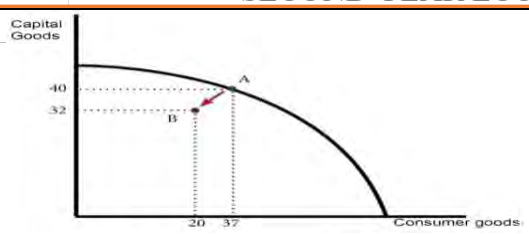
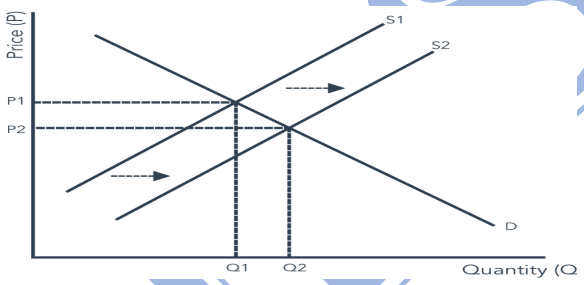
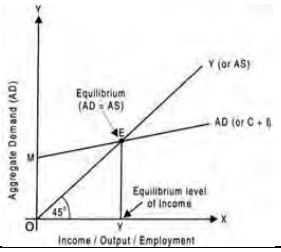
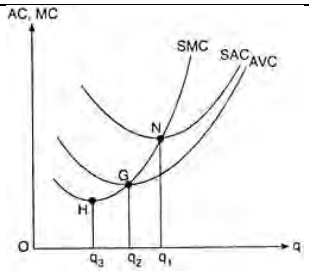
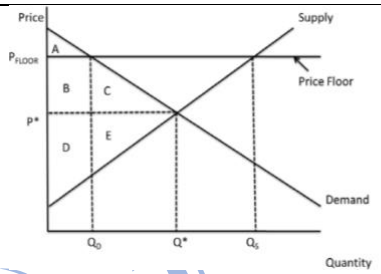
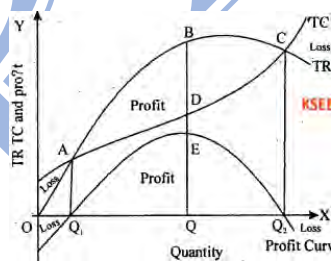
SECOND YEAR HIGHER SECONDARY EXAMINATION – MARCH 2020

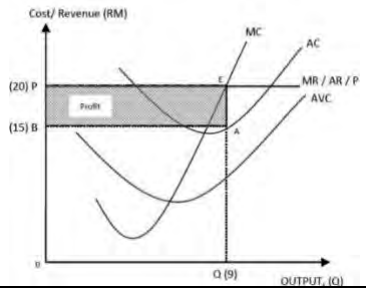
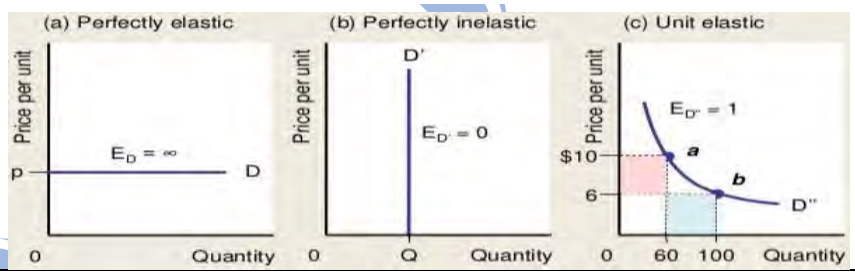
Subject: ECONOMICS ***Code: SY-35***

Qn. no	Sub Qns.	Answer key / Value points	Score	Total	
1		(b) J.M. Keynes	1	1	ANY TEN QUESTIONS
2		(a) Government	1	1	
3		(b) technological progress	1	1	
4		(b) upward rising from the point of orgin.	1	1	
5		(c) 1 April to 31 March	1	1	
6		(c) planning mechanism	1	1	
7		(a) $P_1X_1 + P_2X_2 = M$	1	1	
8		(c) Normal profit	1	1	
9		(b) $e_D > 1$	1	1	
10		(a) Autonomous Consumption	1	1	
11		(b) Recovery of loans	1	1	
12		(c) investments	1	1	
13		<table><tr><td>Labour</td><td>0</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td></tr><tr><td>Total Product</td><td>0</td><td>3</td><td>10</td><td>18</td><td>24</td><td>29</td><td>33</td></tr><tr><td>Marginal Product</td><td>0/-</td><td>3</td><td>7</td><td>8</td><td>6</td><td>5</td><td>4</td></tr><tr><td>Average Product</td><td>-</td><td>3</td><td>5</td><td>6</td><td>6</td><td>5.8</td><td>5.5</td></tr></table>	1 1	2	ANY FIVE QUESTIONS
14		MICRO ECONOMICS ----- Individual Demand, Profit of a Firm MACRO ECONOMICS---- Economic growth, General price level	1 1	2	
15		MPC – It is the ratio between change in consumption and change in income MPS- It is the ratio between change in savings and change in income OR MPC = $\frac{\Delta C}{\Delta Y}$ MPS = $\frac{\Delta S}{\Delta Y}$	1 1	2	
16		It is a market situation in which a few buyers and sellers, buy and sell Homogenous or differentiated products. Price leadership, indeterminate demand curve, interdependence	1 1	2	
17		It is the level of profit which is just enough to cover the explicit and opportunity cost of a firm is called normal profit.(TR=TC) The profit that a firm earns over and above of normal profit is called super normal profit. (TR>TC)	1 1	2	
18		BALANCE OF TRADE: the difference in value over a period of time between a country's imports and exports of goods and services The balance of payments accounts of a country record the payments and receipts of the residents of the country in their transactions with residents of other countries	1 1	2	

19	i.		2	3	
	ii.	A --- Fuller utilisation of resources. B----Under utilisation of resources	1		
20		1) Indifference curves can never intersect each other: 2) Indifference curves are always convex to the origin 3) Higher Indifference curves represent higher levels of satisfaction 4) Indifference curve slope downwards (ANY THREE)	1 1 1	3	
21		Increasing Returns to Scale: It refers to a situation when all factors of production are increased, output increases at a higher rate. Diminishing Returns to Scale: It refers to that production situation, where if all the factors of production are increased in a given proportion, output increases in a smaller proportion. Constant Returns to Scale: It refers to the production situation in which output increases exactly in the same proportion in which factors of production are increased.	1 1 1	3	
22		 It causes increase in quantity supply of onion in Indian markets and then equilibrium price decreases and quantity increases.	3	3	
23		Features / Monopoly / Monopolistic Competition Number of firms / Single / Fairly large Entry of firms / No entry / Freedom of entry Nature of profit in long run / Up normal profit / Normal profit	1 1 1	3	
24		PUBLIC GOODS: Public goods are the ones which are provided by the nature or the government for free use by the public.eg: Police service, fire brigade, national defence, public transport, roads PRIVATE GOODS: Private goods are the ones which are manufactured and sold by the private companies to satisfy the consumer needs and wants. eg: Clothes, cosmetics, footwear, cars, electronic products	3	3	
25		If all the people of the economy increase the proportion of income they save (MPS of the economy increases) the total value of savings in the economy will not increase – it will either decline or remain unchanged. This result is known as the Paradox of Thrift – which states that as people become more thrifty they end up saving less or same as before.	3	3	

ANY SIX QUESTIONS

26	(a)	Value of GDP calculated at current year prices is known as nominal GDP. Value of GDP calculated at base year prices is known as nominal GDP	1 1	4	
	(b)	Real GDP	1		
	(c)	GDP deflator	1		
27		An economy reaches equilibrium when its aggregate demand and aggregate supply are equal (AD=AS). At that point equilibrium national output and aggregate demand is determined. This is shown by the following diagram  	2 2	4	
28	(a)	 	2	4	ANY FOUR QUESTIONS
	(b)	1) If the average cost falls due to an increase in the output, the marginal cost is less than the average cost. 2) If the average cost rises due to an increase in the output, the marginal cost is more than the average cost. 3) Marginal cost is equal to the average cost when the marginal cost is minimum. The MC curve cuts the AC curve at its minimum or optimum point.	2		
29	(a)	Price floor	1		
	(b)	 when government imposes price floor, the market will face excess supply	2 1	4	
30		 **Monopolist** can earn maximum profits when difference between **TR and TC** is maximum. By fixing different prices, a **monopolist** tries to find out the level of output where the difference between **TR and TC** is maximum. The level of output where **monopolist** earns maximum profits is called the **equilibrium** situation.	2 2	4	

31	(a)	The Foreign Exchange Market is a market where the buyers and sellers are involved in the sale and purchase of foreign currencies. The major participants are central banks, commercial banks, brokers, exporters and importers, immigrants, investors, tourists.	2	5	ANY TWO QUESTIONS
	(b)	A fixed exchange rate denotes a nominal exchange rate that is set firmly by the monetary authority with respect to a foreign currency or a basket of foreign currencies. By contrast, a floating exchange rate is determined in foreign exchange markets depending on demand and supply, and it generally fluctuates constantly.	2		
	(c)	Automatic Stabilisation, Flexibility, Avoiding Inflation, Lower Reserves, Uncertainty. (ANY TWO)	1		
32	(a)	Large number of buyers and sellers, homogenous products, freedom of entry and exit, absence of transportation cost. (ANY FOUR)	2	5	
	(b)	Profit maximising conditions are P=MC, MC IS NONDECREASING, P≥AVC 	3		
33	(a)	Revenue deficit= revenue expenditure – revenue receipts ***Fiscal deficit =total expenditure- (revenue receipts + non debt creating capital receipts)*** Primary deficit = gross fiscal deficit-net interest liabilities	1 1 1	5	
	(b)	Printing currency, reduce unwanted expenditure, made tax collection efficient	2		
34	(a)	Price elasticity of demand measures the responsiveness of quantity demanded of a commodity according to change in its price. Nature of commodity, Availability of substitutes, Income Level (ANY TWO)	3	8	ANY TWO QUESTIONS
	(b)		3		
	(c)	$ED = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q} = \frac{10}{2} \times \frac{6}{40} = 0.75$	2		
35	(a)	PRODUCT METHOD OR VALUE ADDED METHOD Under this method National Income can be measured by adding all the final goods and services produced by each firms in the economy during a financial year. Then the problem of Double Counting arises. Double Counting means value of a good or service is added more than once in the calculation of National Income. To avoid double counting we use Value Added Method. Value added or Gross Value Added is difference between value of output and intermediate Consumption. Value Added OR Gross value added = Value of output – Value of intermediate Consumption Value of output = market price × quantity of output Under value added method we calculate NI by adding	3		

		GVA of all firms in the economy during a financial year. we assume that there are N firms in an economy. The NI can be written as follows. GDP ≡ GVA1 + GVA2 + · · · + GVAN GDP≡ $\sum_{i=1}^{N} GVAi$ EXPENDITURE METHOD Under this method of calculating NI on the final expenditure on domestic product. Final expenditure categorized under four heads. The Final Consumption expenditure(Ci), The Final Investment expenditure(Ii), The Government final Consumption expenditure (Gi) and The export revenue (Xi). Then we substract import expenditure from the sum of C+I+G+X. Then the GDP can be written as follows. $GDP \equiv C + I + G + X - M$	3	8	
	(b)	1. Distribution of GDP – how uniform is it: If the GDP of the country is rising, the welfare may not rise as a consequence. This is because the rise in GDP may be concentrated in the hands of very few individuals or firms. 2. Non-monetary exchanges: Many activities in an economy are not evaluated in monetary terms. For example, the domestic services women perform at home are not paid for.	2		
36		Transactive Motive: People hold Money in hand for meeting their day to day expenses is2 called Transactive Motive. Transaction depends on the volume of transactions. When the volume of transaction increases, Transactive Demand for Money also increases. Transactive Demand For Money is a fraction of the volume of transactions in the economy over a period of time. It can be written as follows. M_T^d= ***KT*** Here M_T^d= Transaction demand for money. T= Total volume of transaction K = A positive fraction. In other words K is the inverse of velocity of circulation of money. Velocity of money is the number of times a unit of money changes hands during a period of time. It can be written as follows. M_T^d= $KT \bullet \bullet \bullet \frac{1}{k} M_T^d = T$ . . . $VM_T^d = T$ . . . $M_T^d = T\ V$ In a real Economy Transactive Demand For Money depends on the GDP. If GDP increases, Transactive Demand For Money also increases. Then the equation can be written as follows. M_T^d= KPY $Here\ k = positive\ fraction, P = Price\ level, Y = Real\ GDP$ 2. SPECULATIVE MOTIVE: The desire of people to hold money in order to gain from bonds is called speculative motive. Here bonds mean any assets like gold, land etc. In addition bonds. The relationship between interest rate and bond price is inverse.ie, when the market rate of interest is high the bond price will be less. Suppose the market rate of interest is high ,then the price of the bond will be low. Expecting a fall in Market rate of interest in future, people will invest in bonds now to make profit in future. Then the Speculative Demand For Money will be low here. On the other hand3 suppose the market rate of interest is very low now. Expecting a rise in Market rate of interest in future people will keep Money with them .Here Speculative Demand For Money will be infinity. Such a situation Speculative Demand For Money is perfectly elastic ,it is called Liquidity Trap. Speculative demand for money can be written as follows. $M_S^d = (r_{max-r)/\ (r-r_{min}}$	4 4	8	