HIGHER SECONDARY SECOND TERMINAL EXAMINATION DECEMBER -2019
Economics
Answer Key
(SECOND YEAR)

Qn. No.	Scoring Key	Marks	Total Score	
1	Horizontal straight line parallel to X axis.	1	1	ANY 10 QUESTIONS
2	Taxes	1	1	
3	P= Min AC	1	1	
4	Lumpsum tax	1	1	
5	APC+APS=1	1	1	
6	AR=MR	1	1	
7	M3	1	1	
8	Unitary	1	1	
9	Normal profit	1	1	
10	Constant Returns to Scale	1	1	
11	3	1	1	
12	Liquidity Trap	1	1	
13	Stock→ Money Supply, Transaction demand for Money and Public debt Flow→ Government Expenditure	1 ½ ½	2	ANY 5 QUESTION
14	No deliberate action of government which leads to stabilize the economy is called Automatic Stabilizer. Deliberate action of government which leads to stabilize the economy is called discretionary fiscal policy.	1 1	2	
15	$MPC = \frac{\Delta C}{\Delta Y} = \frac{700}{1000} = 0.7$, $MPS = 1 - MPC, 1 - 0.7 = 0.3$	1		

	MPC+MPS$=\frac{\Delta C}{\Delta Y} + \frac{\Delta s}{\Delta Y} = \frac{\Delta y}{\Delta Y} = 1$	**1**	**2**
16	Supply curve ------ CD Shutdown point------C	**1** **1**	**2**
17	Equilibrium price= 60 Equilibrium quantity=160	**1** **1**	**2**
18	Accepting deposits, giving credit ,discounting bills of exchange, credit creation, transfer of funds(any four)	**1** **1**	**2**
19	Autonomous Consumption= 20 Consumption = 260	**1 ½** **1 ½**	**3**
20	Tax Multiplier$= -\frac{-C}{1-c} = -\frac{-0.8}{1-0.8} = -4$ Government expenditure multiplier$=\frac{1}{1-c} = -\frac{1}{1-0.8} = 5$ Changes in taxes directly affect the individual consumption directly but changes in government expenditure does not affect individual consumption directly.	**1** **1** **1**	**3**
21	Large number of buyers and sellers Homogenous product Freedom of entry and exit Absence of transportation cost (any three)	**1** **1** **1**	**3**
22	Money act as a medium of exchange, It act as store of value, It is a measure of value, it is a standard for deffered payment. In such way money overcome the difficulties of barter system	**1** **1** **1**	**3**
23	(1,4), (2,3),(3,2), (0,5),(5,0),(4,1) Correct budget line	**2** **1**	**3**
24	Production taxes are those imposed on a firm by the virtue of it producing something. It doesn't depend on the actual volume of production. For example, registration fees, land revenue, stamp duties etc. On the other hand, product taxes are paid on the actual volume of production. It is paid per unit of product. For example, excise duty, service tax, sales tax etc.	**1 ½** **1 ½**	**3**
25	Initially LRAC is decreasing ,then it reaches a minimum point, then it raising	**1+1+1**	**3**
26	a) Additional product produced from using of an additional unit of input is known as marginal product. Output produced per unit of input is known as average product. b) When both of them increases MP is above of AP,MP Cuts AP at the maximum of AC	**1** **1** **2**	**4**
27	Supply of hawai chappals decreases and supply curve shifts leftward and then equilibrium price increases and equilibrium quantity decreases.	**2** **2**	**4**

ANY 6 QUESTIONS

ANY 4 QUESTIONS

	Correct graph.			
28	Revenue deficit= 120-75=45 Error in question here is no fiscal deficit according to this data. *(So any attempt)* Primary deficit is the difference between fiscal deficit and interest payments.	**1** **2** **1**	**4**	
29	Parallel upward shift of aggregate demand curve. When investment increases, production increases, then income of the economy increases, consumption increases.	**2** **2**	**4**	
30	GDP$_{MP}$= 44300 GNP$_{MP}$=45600	**2** **2**	**4**	
31	a) Price Ceiling b) Correct diagram c) Long queue in front of ration shops, black markets	**1** **2** **2**	**5**	ANY TWO QUESTIONS
32	a) Equilibrium Income $=\dfrac{\hat{A}}{1-c}=\dfrac{350}{1-0.8}=\dfrac{350}{0.2}=1750$ b) New Equilibrium Income $=\dfrac{\hat{A}}{1-c}=\dfrac{420}{1-0.8}=\dfrac{420}{0.2}=2100$ c) New Equilibrium Income $=\dfrac{\hat{A}}{1-c}=\dfrac{350}{1-0.4}=\dfrac{350}{0.6}=875$	**1** **2** **2**	**5**	
33	Related goods are substitutes and complementary. In case of substitutes price of one good increases, demand for another increases and vice versa In case of complementary goods price of one good increase, demand for another decreases and vice versa	**1** **2** **2**	**5**	
34	a) P=MC OR AR=MC OR MR=MC MC is non decreasing P $\geq$ AVC in short run b) Correct diagram with explanation	**1** **1** **1** **5**	**8**	ANY TWO QUESTIONS
35	a) Moral suasion,direct action, rationing credit any two b) Open market operation,bank rate policy,varying reserve ratio with explanation	**2** **6**	**8**	
36	a) Allocation, Distribution, and Stabilisation b) Revenue budget with its components and explanation Capital budget with its components explanation	**1+1+1** **5**	**8**	