

Senior School Certificate Examination
MARCH – 2008

MARKING SCHEME – ECONOMICS (DELHI)

Expected Answers / Value Points

Questions with ·✘· mark are higher order thinking questions.

GENERAL INSTRUCTIONS :

1. Please examine each part of a question carefully and 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. The answers given in the marking scheme below are suggested answers. The content is thus indicative. The candidates may express the content in various forms. But, for standardization of evaluation it is necessary to follow the marking scheme suggested here on the basis of expected content.
3. For mere arithmetical errors, there should be minimal deduction. Only ½ mark be deducted for such an error.
4. 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.
5. 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.
6. 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.

Q. No.

A1	A2	A3	<u>Expected Answer / Value Points</u>	Distribution of Marks
<u>Section – A</u>				
1	5	4	The value of the next best alternative foregone while making a choice.	1
2	1	5	Market demand is the sum of demands by all the consumers of a good.	1
·✘· 3	2	1	Cost in economics includes actual expenditure on inputs and the imputed value of the inputs supplied by the owners.	1
4	3	2	Revenue refers to receipts from sale of the output or refers to the value of output.	1

	5	4	3	Market is any area in which buyers and sellers are in contact with one another.	1									
	6	10	9	(i) Meaning of the problem (ii) Explanation of the problem	1 2									
✳	7	-	-	<table border="0"> <thead> <tr> <th><u>Price</u></th> <th><u>Demand</u></th> <th><u>Total Expenditure</u></th> </tr> </thead> <tbody> <tr> <td>5</td> <td>20</td> <td>100</td> </tr> <tr> <td>6</td> <td>10</td> <td>60</td> </tr> </tbody> </table> <p>Since with rise in price total expenditure falls, demand for the good is <u>elastic</u>. (No marks if reason is not given)</p>	<u>Price</u>	<u>Demand</u>	<u>Total Expenditure</u>	5	20	100	6	10	60	1 2
<u>Price</u>	<u>Demand</u>	<u>Total Expenditure</u>												
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✳	-	6	-	<table border="0"> <thead> <tr> <th><u>Price</u></th> <th><u>Demand</u></th> <th><u>Total Expenditure</u></th> </tr> </thead> <tbody> <tr> <td>10</td> <td>9</td> <td>90</td> </tr> <tr> <td>9</td> <td>10</td> <td>90</td> </tr> </tbody> </table> <p>Since with fall in price total expenditure remains unchanged price elasticity of demand for the good is <u>one</u>. (No marks if reason is not given)</p>	<u>Price</u>	<u>Demand</u>	<u>Total Expenditure</u>	10	9	90	9	10	90	1 2
<u>Price</u>	<u>Demand</u>	<u>Total Expenditure</u>												
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✳	-	-	10	<table border="0"> <thead> <tr> <th><u>Price</u></th> <th><u>Demand</u></th> <th><u>Total Expenditure</u></th> </tr> </thead> <tbody> <tr> <td>8</td> <td>12</td> <td>96</td> </tr> <tr> <td>7</td> <td>16</td> <td>112</td> </tr> </tbody> </table> <p>Since with fall in price total expenditure rises demand for the good is <u>elastic</u>. (No marks if reason is not given)</p>	<u>Price</u>	<u>Demand</u>	<u>Total Expenditure</u>	8	12	96	7	16	112	1 2
<u>Price</u>	<u>Demand</u>	<u>Total Expenditure</u>												
8	12	96												
7	16	112												
✳	8	7	6	(i) X and Y are complementary. As X and Y are used together when P_x falls demand for X rises, so demand for Y will also rise. (ii) X and Y are <u>substitutes</u> . With fall in P_x , X becomes relatively cheaper than Y which induces the consumer to transfer expenditure from Y to X leading to fall in demand for Y. (No marks be given in each case if reason is not given)	1½ 1½									
	9	8	7	Technological progress raises productivity, reduces cost, raises profits and thus induces the producers to supply more. OR Rise in input prices raises cost, reduces profits resulting in less supply by producers.	3 3									

10	-	-	(1) A single seller market. (2) No close substitutes of the product. (3) Barriers to the entry of new firms. (Or any other relevant feature) (any three)				1×3		
-	9	-	(1) Large number of buyers and sellers. (2) Firms produce differentiated products (3) Perfect knowledge about market. (4) Freedom of entry of new firms and exit of existing firms. (any three)				1×3		
-	-	8	(1) Large number of buyers and sellers. (2) Firms produce homogeneous products. (3) Perfect knowledge about market and technology. (4) Freedom of entry of new firms and exit of the existing firms. (any three)				1×3		
11	12	13	The two conditions are (i) TR-TC is maximum (ii) Profits fall as more output is produced				Statement Explanation Statement Explanation 1 1 1 1		
12	13	11	Output (Units)	AR (Rs.)	MR (Rs.)	TR (Rs.)			
			1	<u>15</u>	15	<u>15</u>			
			2	<u>13</u>	<u>11</u>	<u>26</u>			
			3	<u>11</u>	<u>7</u>	<u>33</u>			
			4	<u>9</u>	3	<u>36</u>			½× 8=4
13	11	12	Output (Units)	TVC (Rs.)	AVC (Rs.)	M.C. (Rs.)			
			1	10	<u>10</u>	<u>10</u>			
			<u>2</u>	<u>16</u>	8	6			
			3	27	<u>9</u>	<u>11</u>			
			<u>4</u>	<u>40</u>	10	13			½× 8=4
			OR						
			Output (Units)	TVC (Rs.)	AVC (Rs.)	M.C. (Rs.)			
			1	<u>12</u>	12	<u>12</u>			
			2	20	<u>10</u>	<u>8</u>			
			<u>3</u>	<u>30</u>	10	10			
			4	40	<u>10</u>	<u>10</u>			½× 8=4

14	16	15	<p>Equilibrium Condition: Ratio of MU to price is same in case of both goods</p> $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$ <p>Explanation : Explain what happens if this condition is not satisfied and how the equilibrium is restored.</p>	1 1 4
15	14	16	<p>Statement of law through TP Statement of law through MP Reasons behind the law OR Three different situations of returns to scale with numerical examples Reasons behind increasing and diminishing returns to scale.</p>	2 2 2 1×3=3 1½×2
16	-	-	<p>Since both demand and supply increase both demand curve and supply curve shift to the right. Since both increase in the same proportion, price remains unchanged at OP but equilibrium quantity increases from OQ₁ to OQ₂.</p> <p><u>For blind candidates:</u> Schedule Explanation with schedule .</p>	3 3 3

-	15	-	<p>Since both demand and supply increase both the demand and supply curves shift to the right. Since <u>increase</u> in demand is greater than <u>increase</u> in supply, price rises from OP_1 to OP_2, and quantity rises from OQ_1 to OQ_2.</p> <p><u>For blind candidates:</u> Schedule Explanation with reference to schedule .</p>	<p>3</p> <p>3</p> <p>3</p> <p>3</p>
-	-	14	<p>Since both demand and supply increase both demand and supply curves shift to the right. Since increase in supply is greater than increase in demand, price falls from OP_1 to OP_2 but quantity increases from OQ_1 to OQ_2.</p> <p><u>For blind candidates:</u> Schedule Explanation with reference to schedule .</p>	<p>3</p> <p>3</p> <p>3</p> <p>3</p>

<u>Section – B</u>				
17	-	-	Involuntary unemployment means that part of the labour force which is both able and willing to work at the prevailing wage rate but do not get work.	1
-	21	-	Full employment means absence of involuntary unemployment. OR It is a situation when all those who are able and willing to work at prevailing wage rate get work.	1
-	-	20	When the economy is in equilibrium at less than full employment level it is under - employment equilibrium.	1
18	-	-	It is the excess of AD over AS at full employment .	1
-	17	-	It is the excess of AS over AD at full employment.	1
-	-	21	Consumption function is the relation between income and consumption.	1
19	18	17	The Central bank is the apex institution of a country's monetary system.	1
20	19	18	1. To provide public goods. 2. To reduce inequalities in distribution of income. 3. To bring economic stability in the country Any other (Any one)	1
21	20	19	A system in which foreign exchange rate is determined by the forces of demand supply of foreign exchange.	1
22	-	-	Value of output = $i + iii - iv + v + ii$ = $100+20-5+10+75$ = Rs. 200 Lakhs	1 $1\frac{1}{2}$ $\frac{1}{2}$
-	26	-	Intermediate consumption = $i - (ii + iii - iv + v)$ = $200-(80+15-5+20)$ =Rs. 90 lakhs	1 $1\frac{1}{2}$ $\frac{1}{2}$
-	-	25	Sales = $(i + iii + iv + ii) - v$ = $(300+20+30+200)-(-50)$ =Rs. 600 lakhs.	1 $1\frac{1}{2}$ $\frac{1}{2}$

23	22	26	When exchange rate rises, exports become cheaper, i.e. more exports per unit of foreign currency. This raises demand for exports. More exports mean more supply of foreign exchange. (Or explanation with any other relevant example).	3
24	23	22	1. Exports and imports of goods. 2. Exports and imports of Services. 3. Transfer receipts and payments. 4. Income receipts and payments. (Any three)	1× 3
25	24	23	Changing of bank rate (the interest rate at which the central bank lends to the commercial banks) to influence credit availability is called bank rate policy. When bank rate is raised, it forces the commercial banks to raise the interest rate at which they lend . This reduces demand for credit. Similarly a lowering of bank rate will increase demand for credit. OR Open market operations refer to the sale and purchase of government securities by the central bank. When the central bank sells securities, people make payments by withdrawing money from the commercial banks. This reduces deposits with commercial banks. This in turn reduces supply of credit by commercial banks. Similarly, buying of securities by central bank increases supply of credit.	1 2 1 2
26	25	24	Government receipts that either create liabilities or reduce assets are called <u>capital receipts</u> . Example: Borrowing, disinvestment etc. (any one) Government receipts that neither create any liability nor reduce any asset are called <u>revenue receipts</u> . Example: Tax, dividend, etc. (any one)	1 ½ 1 ½

27	-	-	$\Delta Y = \Delta I \frac{1}{1-mpc}$ $500 = 125 \frac{1}{1-mpc}$ $500 - 500MPC = 125$ $- 500MPC = 125 - 500 = - 375$ $MPC = 0.75$ <p>(If the calculations are done in other forms, it be treated as correct)</p>	<p>1½</p> <p>2</p> <p>½</p>
-	28	-	$\Delta Y = \Delta I \frac{1}{1-mpc}$ $600 = \Delta I \frac{1}{1-0.75} = \frac{\Delta I}{0.25}$ $150 = \Delta I$ <p>(If the calculations are done in other forms, it be treated as correct)</p>	<p>½</p> <p>2</p> <p>½</p>
-	-	29	$\text{Multiplier} = \frac{1}{1-mpc}$ $= \frac{1}{1-0.9}$ $= 10$ $\Delta Y = \text{Multiplier} \times \Delta I$ $5000 = 10 \times \Delta I$ $\Delta I = \frac{5000}{10} = \text{Rs. 500 Crores}$ <p>(If the calculations are done in other forms, it be treated as correct)</p>	<p>1</p> <p>½</p> <p>½</p> <p>1</p> <p>½</p> <p>½</p>

28	29	27	<p>(1) Transfer of funds of customers. (2) Collection of funds of customers. (3) Purchase and sale of securities on behalf of customers. (4) Collection of interest and dividends on behalf of customers. (5) Payments of bills, insurance premium, etc. as per customer's direction. (6) Acting as executor and trustee of wills, etc.</p> <p style="text-align: right;">(Any four)</p> <p style="text-align: center;"><u>OR</u></p> <p>Explanation of deposits in the form of demand deposits and time deposits <u>OR</u> in the form of current account, fixed /items deposits and savings account.</p> <p style="text-align: right;">(To be marked as whole)</p>	<p>1× 4</p> <p>4</p>
29	27	28	<p>Fiscal deficit means the excess of total expenditure over the total receipts by the government excluding borrowings. A large fiscal deficit mean large amount of borrowings. This in turn creates burden of interest and loan repayment in the future. It may also be inflationary.</p>	<p>1</p> <p>3</p>
30	-	-	<p>$NDP_{fc} = ii + iv + viii + vi - ix + vii$ $= 250 + 50 + 30 + (-10) - 20 + 10$ $= \text{Rs. } 310 \text{ Crores}$</p> <p>$GNDI = NDP_{fc} + v + iii + ix - vii + i$ $= 310 + 25 + 15 + 20 - 10 + (-5)$ $= \text{Rs. } 355 \text{ Crores}$</p>	<p>1</p> <p>1½</p> <p>½</p> <p>1</p> <p>1½</p> <p>½</p>
-	31	-	<p>$GNP_{mp} = viii + (iv + vii) + vi + ii + iii + v - ix + x$ $= 600 + (40 + 10) + 100 + 70 + 30 + 20 - 5 + (-25)$ $= \text{Rs. } 840 \text{ Crores}$</p> <p>$NNDI = GNP_{mp} - iii - i$ $= 840 - 30 - (-5)$ $= \text{Rs. } 815 \text{ Crores}$</p>	<p>1</p> <p>1½</p> <p>½</p> <p>1</p> <p>1½</p> <p>½</p>
-	-	32	<p>$NI = iii + v + vii + ii - vi + ix - iv$ $= 400 + 100 + 50 + (-20) - 30 + 5 - 10$ $= \text{Rs. } 495 \text{ Crores}$</p> <p>$NNDI = NI + vi - ix - i$ $= 495 + 30 - 5 - 15$ $= \text{Rs. } 505 \text{ Crores}$</p>	<p>1</p> <p>1½</p> <p>½</p> <p>1</p> <p>1½</p> <p>½</p>

31	32	30	<p>Equilibrium is determined where $AD=AS$, and $AD=C+I$ and AS is national income. The equilibrium is at E and equilibrium level of income is OM.</p> <p>If $AD < AS$, inventories increase, output falls and so AS falls. These changes continue till $AD=AS$. (Or if $AD > AS$; inventories fall, output rises, and so AS rises till $AD=AS$)</p> <p style="text-align: center;">OR</p> <p>Equilibrium is determined where $S=I$. The equilibrium is at E and equilibrium level of income is OM.</p> <p>If $S > I$, inventories increase, output falls, income falls and so saving falls till $S=I$ again, (or if $S < I$, inventories fall, output rises; income rises, and so savings rise till $S=I$ again)</p> <p><u>For blind candidates</u></p> <p style="text-align: center;">Same as above but based on schedule only.</p> <p style="text-align: right;">Schedule</p> <p style="text-align: right;">Explanation of schedule</p> <p style="text-align: right;">Explanation of equilibrium</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p>
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✱	32	30	31	<p>(i) It is intermediate expenditure to the firm because it is a purchase of services by one production unit (firm) from another production unit. So it is deducted from the value of output of the firm to arrive at value added. (national income)</p> <p>(ii) It is Included in national income by income method as wages in kind paid to employees.</p> <p>(iii) Purchase by foreign tourists is exports and included in national income through the expenditure method. (No marks if reasons are not given)</p>	<p>2</p> <p>2</p> <p>2</p>
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