

SENIOR SCHOOL CERTIFICATE EXAMINATION MARCH-2013

MARKING SCHEME – ECONOMICS (FOREIGN)

SET-3

Expected Answers / Value Points

GENERAL INSTRUCTIONS :

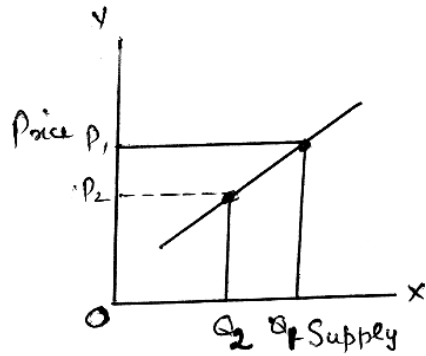
1. Please examine each part of a question carefully and allocate the marks allotted for the part as given in the marking scheme below. TOTAL MARKS FOR ANY ANSWER MAY BE PUT IN A CIRCLE ON THE LEFT SIDE WHERE THE ANSWER ENDS.
2. Expected suggested answers have been given in the Marking Scheme. To evaluate the answers the value points indicated in the marking scheme be followed.
3. For questions asking the candidate to explain or define, the detailed explanations and definitions have been indicated alongwith the value points.
4. For mere arithmetical errors, there should be minimal deduction. Only $\frac{1}{2}$ mark be deducted for such an error.
5. 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.
6. 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.
7. Higher order thinking ability questions are assessing student’s understanding / analytical ability.
8. The Examiners should acquaint themselves with the guidelines given in the Guidelines for Spot Evaluation before starting the actual evaluation.
9. Every Examiner should stay upto sufficiently reasonable time normally 5-6 hours every day and evaluate 20-25 answer books and should devote minimum 15-20 minutes to evaluate each answer book.

Every Examiner should acquaint himself / herself with the marking schemes of all the sets.

General Note : In case of numerical question no mark is to be given if only the final answer is given.

14	<p>There are two conditions :</p> <p>(i) MRS = Ratio of prices</p> <p>(ii) MRS continuously falls</p> <p><u>Explanation :</u></p> <p>(i) Let the two goods be X and Y. The first condition for consumer's equilibrium is that $MRS = P_x/P_y$. Now suppose MRS is greater than P_x/P_y. It means that the consumer is willing to pay more for X than the price prevailing in the market. As a result the consumer buys more of X. This leads to fall in MRS. MRS continues to fall till it becomes equal to the ratio of prices and the equilibrium is established.</p> <p>(Or, alternatively in terms of when $MRS < P_x/P_y$)</p> <p>(ii) Unless MRS continuously falls, the equilibrium cannot be established.</p>	<p>1</p> <p>1</p> <p>3</p> <p>1</p>
15	<p>When demand increases, there is excess demand resulting in competition among buyers. This will raise price. At higher price demand will fall and supply will increase. These change will continue till price rises to a level at which $DD=SS$. New Equilibrium price will be higher, equilibrium quantity will be more.</p> <p style="text-align: center;"><u>OR</u></p> <p>When firms cooperate with each other in determining price and output, it is called collusive oligopoly.</p> <p>The basic features are :</p> <p>(i) Number of firms is few.</p> <p>(ii) There is interdependence between firms.</p> <p>(iii) There are barriers to entry of new firms into industry.</p> <p>(iv) There is non-price competition.</p> <p style="text-align: center;">(Any two)</p>	<p>6</p> <p>1</p> <p>Statements 1×2</p> <p>Explanation 1½×2</p>

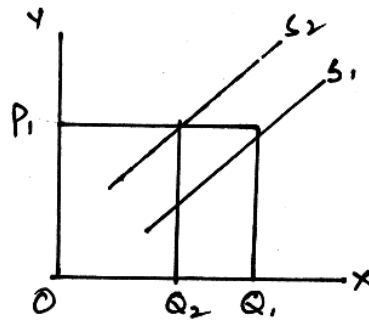
16



1

'Contraction in Supply' means fall in quantity supplied due to fall in price of the good only, other factors remaining unchanged. For example, fall in supply from OQ_1 to OQ_2 is on account fall in price from OP_1 to OP_2 .

2



1

'Decrease in supply' means fall in supply due to a factor other than the price of the good. For example, fall in supply from OQ_1 to OQ_2 is at the same price. It means that some other factor has caused this price change.

2

For the blind candidates

Distinction (on the above lines)

2+2=4

Schedules

1+1=2

SECTION-B

17 It is contribution to total production of final products by the residents of a country during a year.

1

18 Currency with public + demand deposits.

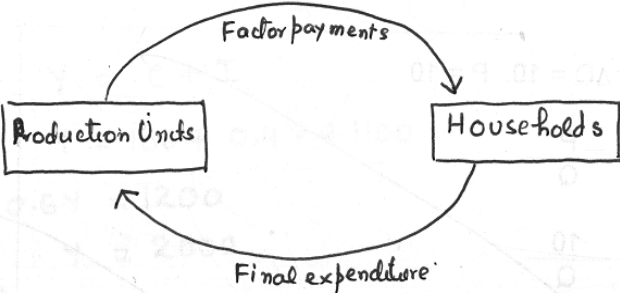
1

19 The central bank can bring down foreign exchange rate by bringing in more foreign currency out of its reserves in the foreign exchange market.

1

(Any other individual response with suitable justification should also be accepted even if there is no reference to the text)

20	Capital expenditure is the expenditure that either creates an asset or reduces a liability.	1
21	Income Tax, etc (direct tax) (any one) Excise duty, etc (indirect tax) (any one)	½ ½
22	Money serving as a medium of exchange means exchange of goods and services for money. It has solved the problem of double coincidence of wants and has facilitated trade.	3
23	(i) Reduction in inequalities of income. (ii) Price stability. (iii) Reallocation of reasons etc. (any three)	1×3=3
24	The current account records transactions relating to income and expenditure, i.e. imports and exports, incomes, and transfers. The capital account records transactions involving changes in foreign exchange assets and liabilities, like borrowing and lending, foreign investment, etc.	1½ 1½
25	Revenue deficit is the excess of revenue expenditure over revenue receipts whereas fiscal deficit is the excess of total expenditure over total receipts excluding borrowings. <u>OR</u> Revenue receipts are receipts that neither reduce an asset nor create a liability. Example : Tax receipts. Capital receipts are receipts that either reduce an asset or create a liability. Example : investment.	3 1 ½ 1 ½
26	Depreciation of foreign currency means fall in exchange rate. It means that foreign buyers will now get less amount of goods from the domestic economy by paying the same amount of foreign exchange. It makes exports costlier. Demand for exports falls.	3
27	$GVA_{fc} = i + ii - v + iii$ $= 8000 + 100 - 5500 + 200$ $= Rs. 2800 \text{ Crore}$	2 1½ ½
28	(i) It will be included in domestic product as it is factor income earned within domestic territory. (ii) It will not be included in domestic product as Russian Embassy is not a part of domestic territory of India. (No marks if the reason is not given)	2 2

	<p style="text-align: center;"><u>OR</u></p>  <p>Incomes are first generated in production units due to the joint efforts of factor owners from households. These incomes are distributed to the factor owners who in turn spend the income on purchasing goods and services produced in production units. This makes the circular flow of incomes complete.</p> <p><i>(Explanation without the use of diagram must be awarded)</i></p>	4
29	<p>Commercial banks are required to keep a certain minimum percentage of deposits as cash reserves with the central bank. Central banks uses these reserves to give loans to the commercial banks to meet their emergent needs. It is called the <u>bankers' bank function</u> of the central bank.</p> <p>Central bank supervises the functioning of commercial banks by making rules regarding licensing, management branch expansion etc.</p>	3 1
30	$N.I. = ii + iii + vii + x - viii$ $= 6000 + 400 + 800 + 500 - (-80)$ $= Rs. 7780 \text{ Crore}$ <p>(No marks if only the final answer is given)</p>	3 2 1
31	<p>(i) $Y = C + I$</p> $Y = 400 + 0.75Y + 2000$ $0.25Y = 2400$ $Y = 9600$ <p>(ii) $C = 400 + 0.75Y$ (given)</p> $= 400 + (0.75 \times 9600)$ $= 400 + 7200$ $= 7600$ <p>(No marks if only the final answer is given)</p>	1 1 ½ ½ 2 ½ ½

32	<p><u>Suppose AD is greater than AS.</u> As a result the producers find their inventories falling faster than expected. To maintain the inventory level, producers produce more. AS starts rising and continues to rise till AD equals AS once again.</p> <p><u>Now suppose AD is less than AS.</u> As a result producers find that the inventories start going above the expected level. To bring down the inventories to the expected level, they start producing less. AS starts falling and continues to fall till AD equals AS once again.</p> <p style="text-align: center;"><u>OR</u></p> <p>Investment multiplier refers to increase in national income as a multiple of a given increase in investment. Its value is determined by Marginal Propensity to Consume. The value equals :</p> <p>Multiplier = $\frac{1}{1-MPC}$ or $\frac{1}{MPS}$</p> <p>Suppose increase in investment is Rs. 1000 and $MPC = 0.8$. The increase in national income is in the following sequence.</p> <ul style="list-style-type: none"> • Increase in investment raises income of those who supply investment goods by Rs. 1000. This is first round increase. • Since $MPC = 0.8$, the income earners spend Rs. 800 on consumption. This raises the income of the suppliers of consumption goods by Rs. 800. This is second round increase. • In the similar way the third round increase is $Rs. 640 = 800 \times 0.8$. In this way national income goes on increasing round after round. • The total increase in income is Rs. 5000 which equals $\Delta Y = \Delta I \times \frac{1}{1 - MPC}$ $\Delta Y = 1000 \times \frac{1}{1 - 0.8} = Rs. 5000$ <p>(Working based on table must be awarded).</p>	<p>3</p> <p>3</p> <p>2</p> <p>4</p>
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