

# SENIOR SCHOOL CERTIFICATE EXAMINATION JULY-2015

## MARKING SCHEME – ECONOMICS (DELHI)

### Expected Answers / Value Points

#### (SET - II)

#### GENERAL INSTRUCTIONS :

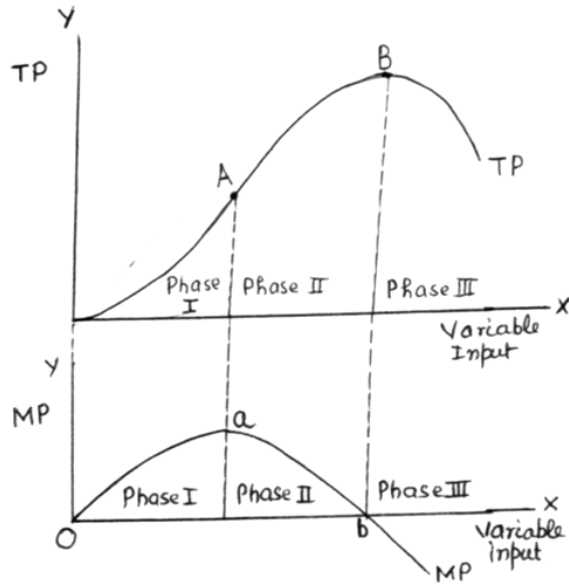
1. Please examine each part of a question carefully and then allocate the marks allotted for the part as given in the marking scheme below. TOTAL MARKS FOR ANY ANSWER MAY BE PUT IN A CIRCLE ON THE LEFT SIDE WHERE THE ANSWER ENDS.
2. Expected suggested answers have been given in the Marking Scheme. To 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 explanation and definition 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.

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

A2	Expected Answer / Value Points	Distribution of Marks
1	Reduce price by giving subsidy. (or any other relevant measure)	1
2	(c) Rise in the prices of substitute goods.	1
3	(c) Rs. 18 Per unit	1
4	The problem relates to distribution of commodities produced among the users. The problem amounts to distribution of national income among factor owners.	3
5	For some crops fall in price below a certain level is not good for the farmers. Hence the government fixes minimum price for these crops.	3

6	Floods have damaged and reduced resources. Since potential production declines the production possibility frontier shifts to the left.	3
7	<p>AR curve of a firm is parallel to the X-axis because the firm is price taker and is able to sell any quantity at this price. It is because of large number of sellers that an individual cannot influence the market price on its own.</p> <p style="text-align: center;"><b>OR</b></p> <p>The significance is that the number of buyers is so large that individual buyer has insignificant share in total market demand and no individual buyer can influence market price on its own.</p>	<p style="text-align: center;">3</p> <p style="text-align: center;">3</p>
8	<p><b>(i)</b> True, <math>AR = \frac{TR}{Output}</math>. When TR is constant AR falls with rise in output.</p> <p><b>(ii)</b> False, Average product falls only when <math>MP &lt; AP</math>.</p>	<p style="text-align: center;">1½</p> <p style="text-align: center;">1½</p>
9	<p>Market demand is sum of the demand of all buyers of a commodity at a given price during a period of time.</p> <p>Factor affecting market demand:</p> <ul style="list-style-type: none"> <li><b>(i)</b> Number of buyers.</li> <li><b>(ii)</b> Price of the commodity</li> <li><b>(iii)</b> Income of its buyers</li> <li><b>(iv)</b> Prices of the related goods</li> <li><b>(v)</b> Tastes and preferences of the consumers.</li> <li><b>(vi)</b> Distribution of income.</li> </ul> <p style="text-align: right;"><b>(Statement only)</b> <b>(Any Three)</b></p>	<p style="text-align: center;">1</p> <p style="text-align: center;">1x3</p>
10	<p>A consumer buys a good upto the point where Price = MU</p> <p>Now suppose price falls, it makes Price &lt; MU</p> <p>Since price is lower than MU, this induces the consumer to buy more units of the good. It shows inverse relation between price and demand.</p> <p style="text-align: center;"><b>OR</b></p> <p><b>(i) Nature of the good :</b> If good is a necessity, its demand is not likely to be affected by change in its price. So, demand for such goods is price – inelastic. On the other hand, demand for luxuries is elastic, because with rise in price consumer may reduce demand for luxuries.</p> <p><b>(ii) Availability of the close substitutes of the good.</b> Larger the number of substitutes available more is the choice before the consumer and so more elastic is the demand.</p> <p style="text-align: right;"><b>(Any other relevant factor)</b></p>	<p style="text-align: center;">4</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p>

11



3

Explanation : As variable input is increased :

Phase I : TP rises at increasing rate and MP rises i.e. upto A on TP curve.

Phase II : TP rises at decreasing rate and MP falls but remains positive between A and B.

3

Phase III : TP falls and MP becomes negative after B.

(Explanation)

**For blind Candidate only**

Schedule

3

Explanation (on the above lines)

3

12

Given income of the consumer and the prices of goods he buys the consumer is said to be in equilibrium when he spends income in such a way that he gets maximum satisfaction.

The two conditions of equilibrium, assuming only two goods consumed, are

(i)  $MRS = \frac{P_x}{P_y}$

1

(ii) MRS falls as more is consumed of X

1

1

Explanation :

(1) Suppose  $MRS > \frac{P_x}{P_y}$ . It means that consumer is willing to pay more for good X, then the prevailing market price. Consumer buys more of X and less of Y till  $MRS = \frac{P_x}{P_y}$  again.

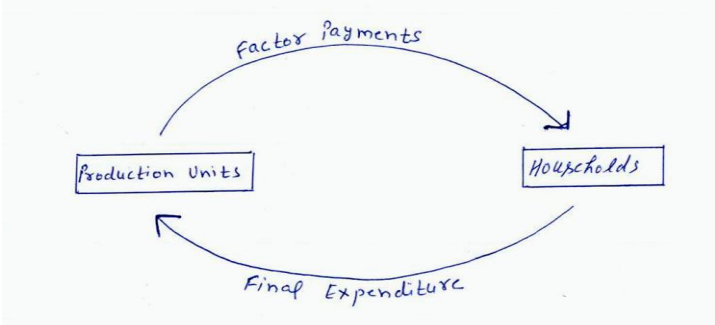
2

(2) Unless MRS has a tendency to fall as more is purchased the consumer will never reach equilibrium again.

(Note : Explanation  $MRS < \frac{P_x}{P_y}$  is also correct)

1

13	<p><b>The two conditions of producer's equilibrium are</b></p> <p>(i) <math>MC = MR</math></p> <p>(ii) <math>MC</math> becomes greater than <math>MR</math> if more is produced after the point of equilibrium.</p> <p><b>Explanation</b></p> <p>(i) If <math>MC</math> is less than <math>MR</math>, it is profitable to produce more units till <math>MC</math> becomes equal to <math>MR</math>.</p> <p>(ii) When <math>MC</math> becomes greater than <math>MR</math> after the <math>MR = MC</math> condition, production of each new unit is sold at a loss, which leads to decline in profits.</p> <p style="text-align: center;"><b>OR</b></p> <p>(a) (i) When <math>MR &gt; AR</math>, <math>AR</math> rises.  (ii) When <math>MR &lt; AR</math>, <math>AR</math> falls.  (iii) When <math>MR = AR</math>, <math>AR</math> is constant.</p> <p>(b) (i) When <math>MR</math> is positive <math>TR</math> rises.  (ii) When <math>MR</math> is zero <math>TR</math> is maximum.  (iii) When <math>MR</math> negative <math>TR</math> falls.</p>	<p>1</p> <p>1</p> <p>2</p> <p>2</p> <p>1x3</p> <p>1x3</p>
14	<div style="text-align: center;"> </div> <p>When the prices of inputs fall, supply increases. Supply curve shifts to <math>SS'</math> and at <math>OP</math> Price there is excess supply equal to <math>AB</math>. This results in competition among sellers. Price starts falling demand starts rising (expansion) and supply starts falling (contraction) as shown by arrows. These changes continue till new price <math>OP_1</math> is reached. Market is in equilibrium again at a lower price and equilibrium quantity rises to <math>OQ_1</math>.</p> <p><b>For Blind Candidates :</b></p> <p>Meaning of excess supply</p> <p>Explanation on same lines as above</p>	<p>2</p> <p>4</p> <p>2</p> <p>4</p>
<b>SECTION - B</b>		
15	(a)	1
16	(b)	1
17	(i) Money with the public (ii) Demand Deposits	1
18	(d)	1

19	(c)	1
20	<p>(a) The sum of MPC and MPS is equal to 1</p> <p>(b) The higher the MPS the lower the value of multiplier.</p> <p style="text-align: center;"><b>OR</b></p> <p>(a) Consumption expenditure at zero level of income.</p> <p>(b) Full employment is the situation when all those who are able and willing to work get employment at prevailing wage rate.</p>	<p>1½</p> <p>1½</p> <p>1½</p> <p>1½</p>
21	<p>(i) Payment in foreign exchange received by the exporters.</p> <p>(ii) Foreign investments in the country.</p> <p>(iii) Foreign tourists</p> <p style="text-align: right;"><b>(or any other)</b></p>	1x3
22	$Y = C + I$ $Y = 500 + 0.9Y + 3000$ $0.1y = 3500$ $\text{so } Y = 35000$	<p>1</p> <p>1</p> <p>½</p> <p>½</p>
23	<p>Goods purchased by a production unit from other production units for resale or for using them completely during the same year are intermediate goods whereas goods purchased for consumption / investment are final goods.</p> <p>Intermediate good : raw material... etc.</p> <p>Final good : Machine purchased for installation in factory.... etc.</p> <p style="text-align: center;"><b>OR</b></p> <div style="text-align: center;">  </div> <p>Production units engage factor owners from households and in return make factor payments to them. The households spend income on goods and services produced by production units. This completes the circular flow of income.</p> <p><b>Note : For Blind candidate flow chart is not necessary. Full marks will be awarded if only explanation is given.</b></p>	<p>3</p> <p>½</p> <p>½</p> <p>1</p> <p>3</p>
24	<p>Autonomous transactions are made independently of other transactions in balance of payments. Accommodating transactions are made to cover up deficit or surplus in autonomous transactions.</p> <p>The significance of distinction is that deficit / surplus in balance of payments equals deficit/ surplus in autonomous transactions only.</p>	<p>2</p> <p>2</p>

25	$NVA_{fc} = i + vi - iv - iii - vii$ $= 300 + 20 - 120 - 30 - 15$ $= \text{Rs. } 155 \text{ crore}$	<p><b>1½</b></p> <p><b>2</b></p> <p><b>½</b></p>
26	<p>(i) Banker to the Government</p> <p>(ii) Bankers' bank</p> <p>(iii) Controller of credit</p> <p>(iv) Bank of issue</p> <p style="text-align: right;"><b>(any two)</b></p> <p style="text-align: right;"><b>(Explanation)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>Bank rate is the rate of interest at which commercial banks can borrow from the central bank. Lowering bank rate encourages commercial banks to reduce their lending rate to public. Since borrowing becomes cheaper, people borrow more. This raises money supply. Raising bank rate has the opposite effect.</p>	<p><b>1x2</b></p> <p><b>2x2</b></p> <p><b>6</b></p>
27	<p>When <math>AD &lt; AS</math> inventories accumulate. As a result producers reduce production, <math>AS</math> falls. This process continues till <math>AD = AS</math>.</p> <p>If <math>AD &gt; AS</math>, inventories fall. To make up for this producer's increase production, <math>AS</math> increases. This process continues till <math>AD = AS</math>.</p>	<p><b>3</b></p> <p><b>3</b></p>
28	<p>Inequalities of income and wealth reflect a section of society being deprived of even basic necessities. Thus arises the need for reducing them in the society.</p> <ul style="list-style-type: none"> <li>• Progressive taxation.</li> <li>• Increasing government's expenditure.</li> </ul> <p style="text-align: right;"><b>(Explanation)</b></p>	<p><b>2</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>(1x2)</b></p>
29	$N.N.P_{fc} = (i) + (viii) + \{(vii) + (v)\} + (iv) - (iii) - (vi)$ $= 500 + 2000 + (250 - 50) + 60 - 100 - 70$ $= \text{Rs. } 2590 \text{ Crore.}$ $N.N.D.I. = N.N.P_{fc} + (iii) - (ix)$ $= 2590 + 100 - (-10)$ $= \text{Rs. } 2700 \text{ Crore.}$	<p><b>1½</b></p> <p><b>2</b></p> <p><b>½</b></p> <p><b>1</b></p> <p><b>½</b></p> <p><b>½</b></p>