SENIOR SCHOOL CERTIFICATE EXAMINATION
JULY-2015

MARKING SCHEME – ECONOMICS

(OUTSIDE 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 ½ 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 : <u>In case of numerical question no mark is to be given if only the final answer is given</u>.

B2	**Expected Answer / Value Points**	**Distribution of Marks**
1	Put a tax on it so that its price rises. **(any other relevant measure)**	**1**
2	**(c)** Rs. 56	**1**
3	**(c)** Greater than elasticity of demand at B	**1**
4	'How to produce' refers to the selection of the technique of production to be used for producing goods. Techniques are classified into labour intensive and capital intensive. Labour intensive technique uses more of labour than capital. Capital – intensive technique uses more of capital than labour. So the choice is between using more capital or more labour.	**3**
5	By these institutes skill development will improve. This would result in increase in the production potential of the country. So the PP will shift to the right.	**3**

<table>
<tr><td>6</td><td>When government imposes an upper limit on the price of a good , it is called price ceiling. It is generally imposed on essential items and is fixed below the market determined price. The reason being the equilibrium price is too high for the common people to afford.</td><td>3</td></tr>
<tr><td>7</td><td>Under increasing returns to a factor total product increases at increasing rate, as more and more units of a variable input are employed. As a result marginal product also increases.</td><td>3</td></tr>
<tr><td>8</td><td>Any decision about price or output taken by a firm under oligopoly affects other firms. Other firms reach to it. So while taking any decision about output or price, a firm takes into account the reaction of other firms to these decisions. It makes oligopoly firms interdependent.

OR

In a perfectly competitive market, buyers treat the product produced by different firms as homogenous. So they are willing to pay the same price for products of different firms. No firm, therefore, can change a price higher than the market determined price.</td><td>3

3</td></tr>
<tr><td>9</td><td>When demand for a good changes due to change in price of the given good it is called ‘change in quantity demanded’ when demand changes due to a factor other than own price it is called ‘change in demand’.</td><td>4</td></tr>
<tr><td>10</td><td>The following table shows four such bundles of commodity X and Y which gives the consumer same satisfaction –

<table>
<tr><th>Bundles</th><th>Unit of X</th><th>Unit of Y</th><th>Marginal Rate of Substitution</th></tr>
<tr><td>A</td><td>1</td><td>10</td><td>-</td></tr>
<tr><td>B</td><td>2</td><td>6</td><td>4Y:1X</td></tr>
<tr><td>C</td><td>3</td><td>3</td><td>3Y:1X</td></tr>
<tr><td>D</td><td>4</td><td>2</td><td>1Y:1X</td></tr>
</table>

For each additional unit of X the consumer is willing to sacrifice less of Y. This is diminishing marginal rate of substitution.

(any other relevant numerical example)

OR

<table>
<tr><th>Units</th><th>M.U.</th></tr>
<tr><td>1</td><td>10</td></tr>
<tr><td>2</td><td>8</td></tr>
<tr><td>3</td><td>5</td></tr>
<tr><td>4</td><td>3</td></tr>
<tr><td>5</td><td>2</td></tr>
</table>

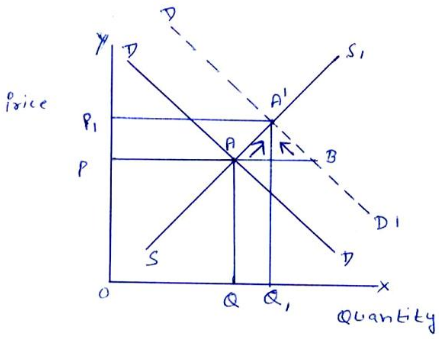
(any other relevant numerical example)

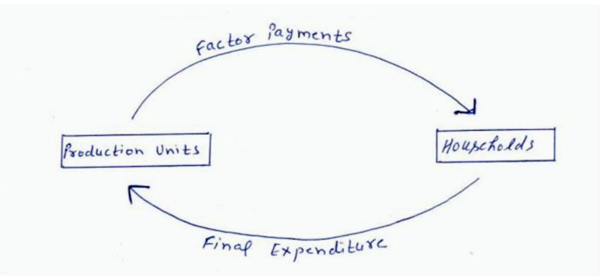
(Explanation)</td><td>2

2

2

2</td></tr>
</table>

11	**(i)** False, When price of other goods rise, it becomes more profitable to produce them in place of the given good, so supply curve will shift to left. **(ii)** False, The difference between AC and AVC is due to AFC. As output is increased AFC falls, so the difference between AC and AVC falls.	**3** **3**
12	Related goods are either substitutes or complements. When price of a substitute good rises, the given good becomes relatively cheaper. As a result its demand rises. Opposite happens when price of the substitute good falls. When price of a complementary good rises, its demand falls. Since the given good is used jointly with the complementary good, the demand of the given good also falls. This establishes inverse relation between price of a complementary good and demand for the given good.	**3** **3**
13	 When the demand curve DD shift to DD'. There is excess demand (AB) at OP price. Thy buyers compete, price starts rising thus demand starts falling(Contraction) and supply starts rising (expansion). These changes continue till price reaches OP_1. At this price equilibrium quantity is OQ_1. **<u>For Blind Candidates :</u>** Excess demand refers to a situation when quantity demanded is more than quantity supplied at the prevailing market price. Same explanation as given above without diagram.	**2** **4** **2** **4**
14	**(i)** When input price increases, cost of production rises. Price of the product remaining the same, profit falls. This will reduce market supply. **(ii)** Reduction in per unit tax will reduce the cost of production. Price remaining the same, profits will increase. So the producers will produce more and market supply will increase. **OR** **(a)** When MC < AVC, AVC falls When MC = AVC, AVC constant When MC > AVC, AVC rises **(b)** When TC increases at a diminishing rate MC falls when TC increase at an increasing rate MC rises. When TC increases at a constant rate MC is constant	**3** **3** **1** **1** **1** **1** **1** **1**

	SECTION – B	
15	**(c)** Fiscal deficit – interest payments	**1**
16	Deposits made for a fixed period.	**1**
17	**(a)** Wealth.	**1**
18	**(a)** Recovery of loans	**1**
19	**(b)** Reserve Bank of India	**1**
20	**(i)** For imports **(ii)** For investment in other countries. **(iii)** For Foreign travel etc . **(any other relevant source)** **Or** When price of domestic currency falls under fixed exchange rate system, it is called 'devaluation'. When price of domestic currency falls under flexible exchange rate system, it is called 'depreciation'.	**1x3** **3**
21	$MPS = \frac{20}{100}$ $K = \frac{1}{MPS} = \frac{1}{\frac{1}{5}} = 5$ $\Delta Y = K.\Delta I$ = 5 x 10,000 = 50,000	**½** **1** **½** **1**
22	When aggregate demand is equal to aggregate supply at less than full employment it is a situation of under employment equilibrium i.e. when equilibrium is at less than full employment.	**3**
23	**(i)** False, it is recorded in current account as it neither affects foreign exchange assets nor foreign exchange liabilities. **(ii)** True, all imports and exports of goods are recorded in trade account which is a part of current account, because it is simply import/export of a good.	**2** **2**
24	 Production units produce goods and services by employing factor of production from households. These units in turn make factor payments to households. Households spend this income on goods and services produced by households. This makes the circular flow complete. **Note : For Blind candidate flow chart is not necessary. Full marks will be awarded if only explanation is given.**	**1** **3**

	OR **Precautions :** **(i)** Transfer payments should not be included. **(ii)** Capital gains from sale of old goods should not be included. **(iii)** Commission etc of brokers on sale of old good should be included. **(iv)** Transaction in financial assets should not be included.	**4**
25	$NVA_{mp} = (iv) + (vii) - (i) - (ii)$ $= 2000 + (-50) - 1000 - 50$ $= Rs. 900$ Crore.	**1½** **2** **½**
26	**Functions of money** **1.** Medium of exchange. **2.** Store of value **3.** Unit of account **4.** Standard of deferred payments. **(Statement : any two)** **(Explanation)** **OR** **Functions of central bank** **1.** Bank of issue **2.** Government's Banker **3.** Banker's bank. **4.** Controller of credit. **(Statement : any two)** **(Explanation)**	**2** **4** **2** **4**
27	Planned spending refers to people planning to purchase final goods and services during the year. Planned output means the production units planning to produce final goods and services during the year. When planned spending is higher than planned output, the producers find the stocks falling below the desired level. They start raising production. This raises income levels till inventories (stocks) reach the desired level and economy is in equilibrium.	**2** **4**
28	$GNP_{mp} = (ii) + (iii) + (v) + (vii) + (ix) + (viii) + (iv) - (vi)$ $= 3000 + 500 + 800 + 5000 + 1500 + 400 + 200 - 100$ $= Rs. 11300$ Crore. $N.N.D.I = GNP_{mp} - (x) - (iv)$ $= 11300 - (-50) - 200$ $= Rs. 11150$ Crore.	**1 ½** **2** **½** **1** **½** **½**
29	Budgetary incentives refer to concession in taxation and granting subsidies to those production units which set up their units in economically backward areas. Tax concessions, like lower excise duties aim at reducing cost and thus raising profits. Subsidies aim at reducing prices of products to encourage sales and earning more profits. Thus both aim at raising profits. **(any other relevant reason)**	**6**