

MARKING SCHEME
Class-XIIth
Sub-ECONOMICS (030)
Pre-Board-II(2022-23)

Note these are expected answer. Marks me be given to the student if he/she writes correct answers other than marking scheme.

Part A- Introductory Macroeconomics

Q.No	Expected Answer	Marks
1.	(b) OR (c)	1
2.	(b)	1
3.	(c)	1
4.	(b)	1
5.	(c) OR (c)	1
6.	(b)	1
7.	(a)	1
8.	(b)	1
9.	(c)	1
10.	(b)	1
11.	<p>Reallocation of Resources: Through the budgetary policy, Government aims to reallocate resources in accordance with the economic (profit maximisation) and social (public welfare) priorities of the country. Government can influence allocation of resources through:</p> <p>(i) Tax concessions or subsidies</p> <p>(ii) Directly producing goods and services:</p> <p>Reducing inequalities in income and wealth: Economic inequality is an inherent part of every economic system. Government aims to reduce such inequalities of income and wealth, through its budgetary policy. Government aims to influence distribution of income by imposing taxes on the rich and spending more on the welfare of the poor. It will reduce income of the rich and raise standard of living of the poor, thus reducing inequalities in the distribution of income.</p> <p style="text-align: center;">Or</p> <p>Capital Expenditure Capital expenditure refers to the expenditure which either creates an asset or causes a reduction in the liabilities of the government.</p> <ul style="list-style-type: none"> ● It is non-recurring in nature. ● It adds to capital stock of the economy and increases its productivity through expenditure on long period development programmes, like Metro or Flyover. <p>Examples: Loan to states and Union Territories, expenditure on building roads, flyovers, factories, purchase of machinery, repayment of borrowings, etc.</p> <p>Revenue Expenditure Revenue expenditure refers to the expenditure which neither creates any asset nor causes reduction in any liability of the government.</p>	<p>1.5+1.5 Total 3</p> <p style="text-align: center;">Or</p> <p>1.5+1.5 Total 3</p>

• It is recurring in nature.
 An expenditure is a revenue expenditure, if it satisfies the following two essential conditions:
 (i) The expenditure must not create an asset of the government. For example, payment of salaries or pension is revenue expenditure as it does not create any asset. However, the amount spent on construction of Metro is not a revenue expenditure as it leads to creation of an asset.
 (ii) The expenditure must not cause decrease in any liability. For example, repayment of borrowings is not revenue expenditure as it leads to reduction in liability of the government. It must be noted that Union Grants to states are treated as revenue expenditure.

12. Multiplier (K) is the ratio of increase in national income due to an increase in investment. Schedule of working of multiplier and its working

Rounds of income generation	Increase in investment (ΔI)	Increase in Income (ΔY)	Increase in Consumption (ΔC)
Round 1	100	100	75 ($= \frac{3}{4}$ of 100)
Round 2	—	75	56.25 ($= \frac{3}{4}$ of 75)
Round 3	—	56.25	42.19 ($= \frac{3}{4}$ of 56.25)
Round 4	—	42.19	31.64 ($= \frac{3}{4}$ of 42.19)
Round 5	—	31.64
.....
<i>Last Round</i>	0.00
	Total	500	400

1+2=3

13. Money is any things which generally accepted as a medium of exchange.
 Functions:
 1. Medium of exchange
 2. Measure of value

Or

1. Banker to Government-The reserve bank of India acts as a banker, agent and a financial advisor to the central government and all the state governments.
2. Banker's Bank Function – There are number of commercial bank in country. There should be some agency top regulate and supervise their proper functioning. Being the apex bank, The RBI regulates and controls the commercial banks. The regulation of banks may be related to their licensing, branch expansion, liquidity of assets, management, Merging, winding up etc.

1 definition+ 1.5+1.5 for each function=4

OR
 2 mark each.
 Max.marks 4

14.

Basis of Difference	Flexible Exchange Rate	Managed Floating Exchange Rate
Meaning/ Determination	Exchange rate determined by the demand and supply forces only.	Exchange rate determined by forces of demand and supply with occasional government intervention.
Name	It is also called free exchange rate system	It is also called dirty floating system.
Fluctuations	As it is determined by demand and supply forces, it is prone to more fluctuations.	Comparatively less fluctuations as government intervenes to

4

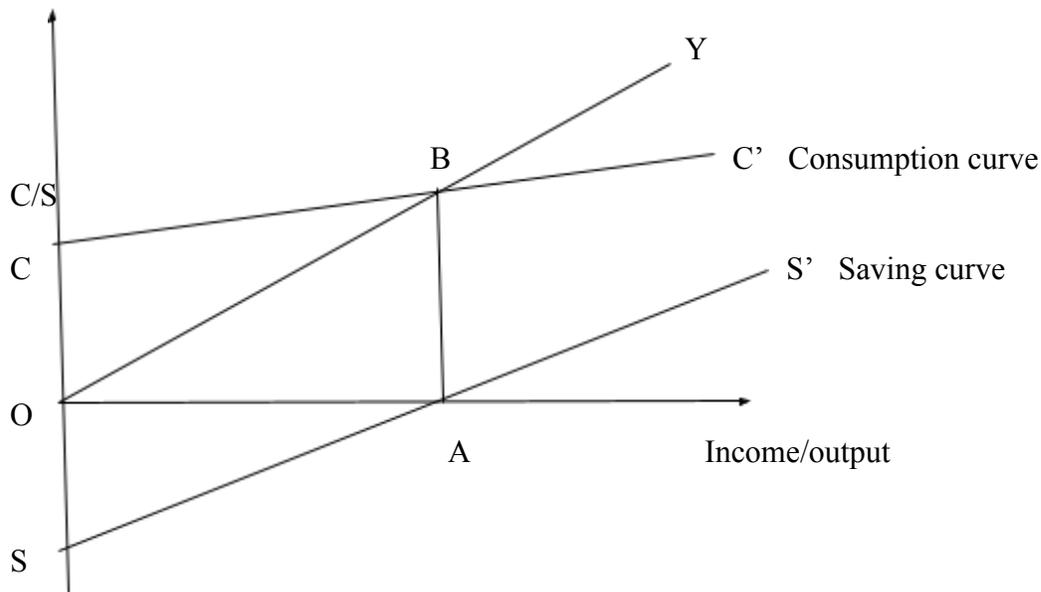
			ensure that the rate does not vary much.
Government intervention	No intervention		Government intervenes by selling or purchasing foreign currency in the international market.
Predictability of Trade	Unpredictable as the exchange rate is flexible in nature.		Comparatively more predictable as the variations in exchange rates are governed by the monetary authorities.

15.				4
	Basis	Final Goods	Intermediate Goods	
	Definition	Final goods are those goods that are manufactured to be consumed directly by the consumer	Intermediate goods are referred to as those goods that are used for producing final goods	
	Nature	Final goods are finished goods	Intermediate goods are goods that are partly prepared and can be referred to as unfinished goods or partly finished goods	
	Uses	Final goods are available for consumption or can be used for capital formation	Intermediate goods are available for reselling by the firms for generating profit	
	Processing needed	Final goods are ready to be consumed and therefore do not require any further processing	Intermediate goods require further processing in order to be consumed	
	Impact on National Income	Final goods are considered to be a part of national income and have an impact on the national income	Intermediate goods are not included in the national income and therefore have no impact	
	Demand for goods	Final goods have inherent demand or direct demand	Intermediate goods do not have natural demand and the demand is derived based on user preference	
<p>Yes, it dependent upon final consumer. When used by a tea seller, it is an intermediate good. Sugar used by a household is a final good.</p>				

16.	(a) $GDP_{mp} = 3050$ (b) Factor income from abroad = 120	1 mark for formula+ 1 marks for putting correct value+1 marks for correct ans total 3. Max marks 6
	<p style="text-align: center;">Or</p> <p>(a) No, it is capital gain. (b) No, It is transfer income. (c) No, as such interest treated transfer income because Gov generally borrowing money to meet out is consumption requirement. (d) Yes it is the part of NFIA.</p>	
		OR 1.5 marks for each correct answer. Max marks 6

17.				
	Incom e	Consumptio n (C)	Auto.Investmen t (I)	saving(S)
	0	40	40	-40

100	120	40	-20
200	200	40	0
300	280	40	20
400	360	40	40
500	440	40	60
600	520	40	80



Derivation of consumption Curve from saving Curve

Steps-

In the given diagram, CC' Is the consumption curve which shows autonomous consumption equal to OC at zero level of income and consumption equal to income at OA level of income.

At zero level of income, saving expenditure is equal to OS which is equal to autonomous consumption of OC at that level of income. So, S is the starting point of savings curve.

At OA level of income, consumption expenditure must be equal to OD=OA so Savings are zero at OA level of income as the whole of Income Is spent on consumption. This gives a point A on the savings curve.

By Joining S and A and extending it further, we get savings curve.

2 marks for schedule 2 marks for figure+2 marks for steps. Max marks 6

18.	(b) OR (a)	1
19.	(a)	1
20.	(d)	1
21.	(b)	1
22.	(d)	1
23.	(c)	1
24.	(d)	1

	<p>Natural disaster Tropical diseases (any other relevant explanation will also evaluate)</p> <p style="text-align: center;">Or</p> <p>(a) Yes, Rural development is critical in the context of the Indian economy’s overall growth and development for the following reasons. 1. A large proportion of the population lives in rural areas, and their development and contributions are extremely beneficial to nation-building efforts. Rural India cannot be developed if it remains backward. 2. The rural economy provides drinking water, milk, food, and raw materials to the urban sectors. As a result, the rural sector’s backwardness would be a major impediment to the economy’s overall progress. 1. 3. Improvements in education, health, and sanitation in villages can aid in the prevention of many urban problems, such as begging, rack picking, and roadside slumming. 2. Agriculture and related activities must be developed in order to provide gainful employment in rural areas and improve overall food production.</p> <p>(b) Organic farming, agricultural system that uses ecologically based pest controls and biological fertilizers derived largely from animal and plant wastes and nitrogen-fixing cover crops. Modern organic farming was developed as a response to the environmental harm caused by the use of chemical pesticides and synthetic fertilizers in conventional agriculture, and it has numerous ecological benefits.</p> <p>Compared with conventional agriculture, organic farming uses fewer pesticides, reduces soil erosion, decreases nitrate leaching into groundwater and surface water, and recycles animal wastes back into the farm. These benefits are counterbalanced by higher food costs for consumers and generally lower yields. Indeed, yields of organic crops have been found to be about 25 percent lower overall than conventionally grown crops, although this can vary considerably depending upon the type of crop. The challenge for future organic agriculture will be to maintain its environmental benefits, increase yields, and reduce prices while meeting the challenges of climate change and an increasing world population.</p> <p>3. (or any other relevant answer)</p>	<p style="text-align: center;">Or</p> <p style="text-align: center;">3+3 marks Max.marks 6</p>
<p>34.</p>	<p>(a) In the initial seven five year plans, India opted for import substitution strategy, which implies discouraging the imports of those goods that could be produced domestically. Import Substitution Strategy not only reduces an economy’s dependence on the foreign goods but also provides impetus to the domestic firms. Government provides various financial encouragements, incentives, licenses to the domestic producers to produce domestically the import substituted goods. This would not only allow the domestic producers to sustain but also enables them to grow as they enjoy the protective environment. They need not to fear from any competition and also not to worry about their market share as license gives them the monopoly status in the domestic market. Being monopolist, they earn more profits and invest continuously in R&D and always look for new and innovative techniques. This gradually improves their competitiveness and when they are exposed to the international market they can survive and compete with their foreign counterparts.</p> <p>(b) The poor performance of Public Sectors Enterprises in eighties made reform increasingly urgent in the context of the broader strategy of the liberalization of the economy to deal with the perceived weaknesses of India’s development strategy in general and public sector enterprises in particular. In this context, this paper tries to analyze the performance of Central Public Sector Enterprises against the backdrop of liberalization measures introduced in 1990s and afterward.</p> <p>Causes-</p>	<p style="text-align: center;">3+3. Max. Marks 6</p>

	<ol style="list-style-type: none">1. Lack of innovation2. No modernization3. No competition <p>(or any other relevant answer)</p>	
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