

SENIOR SCHOOL CERTIFICATE EXAMINATION MARCH-2013

MARKING SCHEME – ECONOMICS (*DELHI*)

SET-2

Expected Answers / Value Points

GENERAL INSTRUCTIONS :

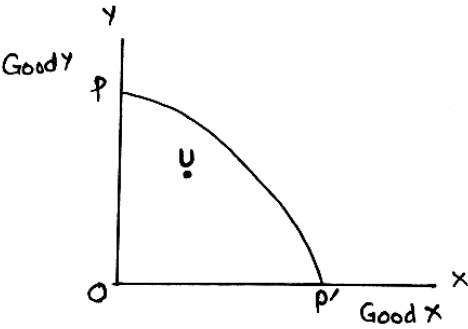
1. Please examine each part of a question carefully and allocate the marks allotted for the part as given in the marking scheme below. TOTAL MARKS FOR ANY ANSWER MAY BE PUT IN A CIRCLE ON THE LEFT SIDE WHERE THE ANSWER ENDS.
2. Expected suggested answers have been given in the Marking Scheme. To evaluate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

A2	Expected Answer / Value Points	Distribution of Marks															
SECTION-A																	
1	Expenditure on raw materials, casual labour, etc (any two)	½×2															
2	Market demand is the sum total of demand by all the buyers of a good at a price during a period.	1															
3	Perfect competition.	1															
4	When the percentage change (rise, fall) in quantity demanded is less than the percentage change (fall, rise) in price.	1															
5	Addition to total cost on producing one more unit.	1															
6	<p>The law of diminishing marginal utility states that as a consumer consumes more and more units of a good, marginal utility from each successive unit consumed goes on falling as is shown in the following schedule.</p> <table border="1" data-bbox="204 929 877 1276" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-decoration: underline;">Units consumed</th> <th style="text-decoration: underline;">Total Utility</th> <th style="text-decoration: underline;">Marginal Utility</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">10</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">18</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">24</td> <td style="text-align: center;">6</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">28</td> <td style="text-align: center;">4</td> </tr> </tbody> </table> <p style="text-align: center;"><u>OR</u></p> <p>The two conditions are :</p> <p>(1) The ratio of marginal utility to price is same in case of all the goods consumed. Suppose the consumer consumes only two goods X and Y, then</p> $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$ <p>(2) Marginal utility has a tendency to fall as more and more units are consumed</p>	Units consumed	Total Utility	Marginal Utility	1	10	10	2	18	8	3	24	6	4	28	4	<p>1</p> <p>2</p> <p>1</p>
Units consumed	Total Utility	Marginal Utility															
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4	28	4															
7	<p>When with increase (decrease) in income of the buyer, the demand for the good decreases (increases), the good is called an <u>inferior good</u>.</p> <p>When with increase (decrease) in income of the buyer, the demand for the good increases (decreases), the good is called <u>normal good</u>.</p>	<p>1½</p> <p>1½</p>															

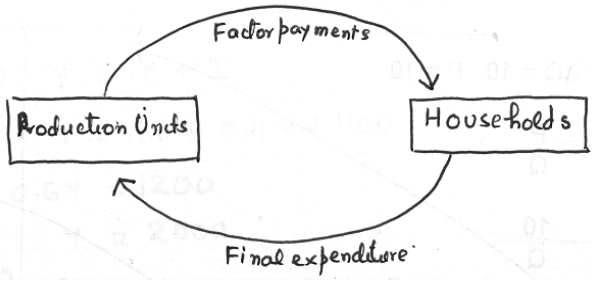
8	<table border="1"> <thead> <tr> <th><u>Price</u></th> <th><u>TR</u></th> <th><u>Qty. Supplied</u></th> </tr> </thead> <tbody> <tr> <td>20</td> <td>400</td> <td>20</td> </tr> <tr> <td>25</td> <td>500</td> <td>20</td> </tr> </tbody> </table> $E_p = \frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$ $= \frac{20}{20} \times \frac{0}{5}$ $= 0$ <p>(No marks to be awarded if only the final answer is given)</p>	<u>Price</u>	<u>TR</u>	<u>Qty. Supplied</u>	20	400	20	25	500	20	<p>1</p> <p>1</p> <p>$\frac{1}{2}$</p> <p>$\frac{1}{2}$</p>												
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10	<p>(i) <u>There is only one single seller</u> in the market so that the seller can influence the market price on its own.</p> <p>(ii) <u>There are no close substitutes</u> so that there is no competition in the market.</p> <p>(iii) <u>There are barriers to entry of new firms</u> so that the seller, if getting above normal profits, can continue to get abnormal profit. (any two features)</p>	<p>$1\frac{1}{2} \times 2$</p>																					

<p>11</p>	 <p>Production below the potential means that total production in the economy is somewhere below the production possibility curve PP', for example at point U in the diagram.</p> <p>When government starts employment generation schemes, and since the below potential production is due to unemployment, the economy moves forward in its attempt to remove unemployment and reach the potential. The movement forward is towards the PP' curve.</p> <p>(Any other individual response with suitable justification should also be accepted even if there is no reference to the text)</p> <p><u>For Blind Candidates</u></p> <p>Schedule</p> <p>Explanation (same as above)</p> <p>(Any other individual response with suitable justification should also be accepted even if there is no reference to the text)</p>	<p>1</p> <p>1</p> <p>2</p> <p>1</p> <p>3</p>
<p>12</p>	$E_P = \frac{\text{Percentage change in demand}}{\text{Percentage change in price}}$ $(-)0.8 = \frac{20}{\text{Percentage change in price}}$ $\text{Percentage change in price} = \frac{20}{0.8} = -25$ <p>i. e. price falls by 25%</p> <p>(No marks if only the final answer is given)</p> <p style="text-align: center;"><u>OR</u></p> <p>(i) More the substitutes available of a good, higher is its price elasticity of demand because in case of price change, the consumer can conveniently shift from one substitute good to another.</p> <p>(ii) More necessary the good is for the consumer, lower is the price elasticity of demand for the good because in case of price change, it becomes difficult to reduce the consumption of the good.</p>	<p>1½</p> <p>1</p> <p>1</p> <p>½</p> <p>2</p> <p>2</p>

13	<p>The conditions are :</p> <p>(1) $MC = MR$</p> <p>(2) $MC > MR$ after equilibrium.</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th><u>Output</u> (units)</th> <th><u>MC</u> (Rs)</th> <th><u>MR</u> (Rs)</th> <th></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>12</td> <td>10</td> <td></td> </tr> <tr> <td>2</td> <td>10</td> <td>10</td> <td></td> </tr> <tr> <td>3</td> <td>9</td> <td>10</td> <td></td> </tr> <tr> <td>4</td> <td>10</td> <td>10</td> <td>Equilibrium</td> </tr> <tr> <td>5</td> <td>12</td> <td>10</td> <td></td> </tr> </tbody> </table> <p>4 units is the equilibrium output at which both the conditions are satisfied.</p>	<u>Output</u> (units)	<u>MC</u> (Rs)	<u>MR</u> (Rs)		1	12	10		2	10	10		3	9	10		4	10	10	Equilibrium	5	12	10		<p>$\frac{1}{2}$</p> <p>$\frac{1}{2}$</p> <p>2</p> <p>1</p>
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1	12	10																								
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4	10	10	Equilibrium																							
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14	<p>There are two conditions :</p> <p>(i) $MRS = \text{Ratio of prices}$</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 style="text-align: center;"><u>OR</u></p> <p>(i) Other goods are of two types : Substitutes and Complements. When price of a substitute good falls, the given good becomes relatively dearer. As a result its demand falls.</p> <p>When price of a complementary good falls (rises) the demand for the complementary good rises (falls) and so the demand for the given good rises (falls) because both the goods are used jointly.</p> <p>(ii) When the consumer treats a good as a <u>normal good</u>, rise (fall) in income leads to rise (fall) in its demand.</p> <p>When the consumer treats a good as an inferior good, rise (fall) in income leads to fall (rise) in its demand.</p>	<p>1</p> <p>1</p> <p>3</p> <p>1</p> <p>$1\frac{1}{2}$</p> <p>$1\frac{1}{2}$</p> <p>$1\frac{1}{2}$</p> <p>$1\frac{1}{2}$</p>																								

15	<p>(i) False. A monopolist can sell more quantity only by lowering the price because the monopolist controls only the supply and not the demand.</p> <p>(ii) True, because when the prevailing market price is higher than the equilibrium price there will be excess supply, and since the sellers will not be able to sell all they want to sell, there will be competition among sellers.</p> <p>(No marks to be given for simply stating true or false unless accompanied by the relevant reason.)</p>	3 3
16	<div style="text-align: center;"> </div> <p>According to the Law of Variable Proportions, when only one input is increased while others are held unchanged, MP and TP change in the following manner :</p> <p>Phase-I : MP increases and TP increases at increasing rate i.e. up to A on TP curve (upto K on MP curve) because there is under utilization of the fixed input.</p> <p>Phase-II : MP decreases but is positive and TP increases at decreasing rate i.e. up to B on TP curve (upto L on MP curve) because there is pressure on fixed input.</p> <p>Phase-III : MP decrease and is negative and TP falls i.e. after B on TP curve (after L on MP curve) because there is too much of variable input in relation to fixed input.</p> <p>For Blind Candidates :</p> <p>Schedule 2</p> <p>Explanation (Same as above) 4</p>	2 4 2 4
SECTION-B		
17	Government budget is a statement of estimated receipts and estimated expenditures of government during a year.	1
18	Excise duty, sales tax, etc. (any two)	$\frac{1}{2} \times 2$
19	<p>Any one example like smoke out of chimneys of factories, release of contaminated water into river, traffic jams or any other (any one)</p> <p>(Any other individual response with suitable justification should also be accepted even if there is no reference to the text)</p>	1
20	Foreign direct investment raises the supply of foreign exchange leading to downward influence on the price of foreign exchange.	1

21	Deposits which can be withdrawn by writing cheque are called demand deposits.	1
22	Exports of goods less imports of goods refers to <u>balance of trade</u> . Adding excess of inflows over the outflows on account of invisibles to the balance of trade is called <u>balance on current account</u> .	3
23	Appreciation of domestic currency means fall in exchange rate, i.e. price of foreign currency. It means that the importers have now to pay less domestic currency to buy one unit worth of foreign currency goods from abroad. Imports become cheaper. This raises demand for imports.	3
24	The problem of double coincidence of wants arises when there is no medium of exchange. In such a case the buyer has to make a search for the seller who also wants to buy the same good which the buyer itself offers for exchange. Money has solved the problem by working as a medium of exchange. The seller can sell the goods in the market in return for money and buy the goods he wants to buy in return for the money.	1½ 1½
25	Objectives : (1) Allocation of resources (2) Reducing inequalities (3) Bringing stability in the economy. (4) Any other (Any one)	1 2
26	Expenditure that neither creates an asset nor reduces a liability is called <u>revenue expenditure</u> . Example : Payment of salaries etc. Expenditure that either creates an asset or reduces a liability is called <u>Capital expenditure</u> . Example : Construction of roads etc. <u>OR</u> Excess of revenue expenditure over revenue receipts is called <u>revenue deficit</u> whereas the excess of total expenditure over total receipts excluding borrowings is called <u>fiscal deficit</u> .	1 ½ 1 ½ 3

27	<p>(i) Capital is stock because it is measured at a point of time.</p> <p>(ii) Saving is flow because it is measured during a period of time.</p> <p>(iii) Gross domestic product is a flow because it is measured during a period of time.</p> <p>(iv) Wealth is stock because it is measured at a point of time.</p> <p>(No marks to be awarded if reason is not given)</p> <p style="text-align: center;"><u>OR</u></p> <div style="text-align: center;">  </div> <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 income complete.</p> <p>(Explanation without the use of diagram must be awarded)</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>4</p>
28	<p>Deposit creation by banks is determined by (1) Fresh deposits and (2) Legal Reserve Ratio. Suppose fresh deposit is Rs. 10000 and LRR is 20%. Initially banks keep Rs. 2000 as cash and lend Rs. 8000. Those who borrow spend this Rs. 8000. It is assumed that this Rs. 8000 comes into banks as a fresh deposit. Banks again keep 20% of it as cash reserve and lend the rest. In this way deposit creation goes on. Total money creation is Rs. 50000.</p> <p>Deposit creation = initial deposit $\times \frac{1}{LRR}$</p> <p>(Relevant answer in any other form be awarded)</p>	<p>3</p> <p>1</p>
29	<p>$Sales = (i + ii + vi + iv) - iii$</p> <p>$= 560 + 60 + 60 + 1000 - (-30)$</p> <p>$= Rs. 1710 \text{ Lakh.}$</p>	<p>2</p> <p>1½</p> <p>½</p>

30	<p>(i) $S = I$ $-100 + 0.6Y = 1100$ $0.6Y = 1100 + 100 = 1200$ $Y = 2000$</p> <p>(ii) $Y = C + I$ $2000 = C + 1100$ $C = 900$</p> <p>(No marks if only the final answers are given)</p>	<p>1 1 $\frac{1}{2}$ $\frac{1}{2}$ 1 1 1</p>																																				
31	<p>$N.I. = i + iii + v - viii - ix - iv + vii$ $= 900 + 400 + 250 - 20 - 30 - 100 + (-40)$ $= Rs. 1360 \text{ Crore}$</p> <p style="text-align: center;"><u>OR</u></p> <p>$NNDI = (i - iv - vi) - ii$ $= (2000 - 60 - 200) - (-200)$ $= Rs. 1940 \text{ Crore}$</p>	<p>3 2 1 3 2 1</p>																																				
32	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Y</th> <th>S</th> <th>C</th> <th>APC</th> <th>ΔC</th> <th>MPC</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>-40</td> <td>40</td> <td></td> <td></td> <td></td> </tr> <tr> <td>50</td> <td>-20</td> <td>70</td> <td><u>1.40</u></td> <td>30</td> <td><u>0.6</u></td> </tr> <tr> <td>100</td> <td>0</td> <td>100</td> <td><u>1</u></td> <td>30</td> <td>0.6</td> </tr> <tr> <td>150</td> <td>30</td> <td>120</td> <td>0.80</td> <td>20</td> <td><u>0.4</u></td> </tr> <tr> <td>200</td> <td>50</td> <td>150</td> <td><u>0.75</u></td> <td>30</td> <td><u>0.6</u></td> </tr> </tbody> </table>	Y	S	C	APC	ΔC	MPC	0	-40	40				50	-20	70	<u>1.40</u>	30	<u>0.6</u>	100	0	100	<u>1</u>	30	0.6	150	30	120	0.80	20	<u>0.4</u>	200	50	150	<u>0.75</u>	30	<u>0.6</u>	<p style="text-align: center;">1×6</p>
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