SENIOR SCHOOL CERTIFICATE EXAMINATION
MARCH-2017
MARKING SCHEME – ECONOMICS (Outside)
Expected Answers / Value Points
(Set-1)

GENERAL INSTRUCTIONS :

1. The Marking Scheme carries only suggested value points for the answers. These are only guidelines and do not constitute the complete answers. Students can have their own expression and if the expression is correct, marks should be awarded accordingly.

2. Head Examiners/Examiners are hereby instructed that while evaluating the answer books, if the answer is found to be totally incorrect, the (X) should be marked on the incorrect answer and awarded '0' mark.

3. 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.

4. Expected/suggested answers have been given in the 'Marking Scheme'. To evaluate the answers, the value points indicated in the marking scheme should be followed.

5. For questions asking the candidate to explain or define, the detailed explanations and definitions have been indicated alongwith the value points.

6. For mere arithmetical errors, there should be minimal deduction. Only ½ mark should be deducted for such an error.

7. Where 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.

8. 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.

9. Higher order thinking ability questions are for assessing a student's understanding / analytical ability.

10. As per orders of the Hon'ble Supreme Court, a candidate would now be permitted to obtain a photocopy of his/her Answer Book on payment of the prescribed fee. Examiners/Head Examiners are, therefore,once again reminded that they must ensure that evaluation is carried out strictly as per value points for each answer as given in the Marking Scheme.

   General Note: In case of a numerical question, no marks should be awarded if only the final answer has been given, even if it is correct.

B1	Expected Answer / Value Points	Distribution of Marks
	SECTION-A	
1	(d) All of the above.	1
2	(b) Price of the good falls,expenditure on it falls.	1
3	A curve joining all points representing such bundles of two goods among which the consumer is indifferent is called an indifference curve.	1
4	(a) Perfect competition.	1
5	1) Large number of buyers & sellers. 2) Differentiated product. 3) Free entry and exit of firms. **(Any one)**	1

6	It is the locus of points representing such combinations of two goods that can be produced by fuller utilization of given resources.
	Characteristics:
	   1. It slopes downward from left to right.
	   2. It is concave to the origin.
		1
		
		1x2

7	It is the problem relating to the choice of technique of production.Which technique should be used in production-whether labour intensive or capital intensive.Labour intensive technique uses more of labour as compared to capital while capital intensive technique uses more of capital as compared to labour.	3
8	When demand of a good rises due to a fall in its price,it is called 'increase in quantity demanded' and when demand of a good rises at the same price of the good,it is called 'increase in demand.' **OR** Budget set refers to the set of possible combinations of two goods which the consumer can afford with his income at given prices. From the budget set if only such bundles are taken on which total expenditure equals total income and plotted on a graph,we get a line called the budget line.	3 $1\frac{1}{2}$ $1\frac{1}{2}$

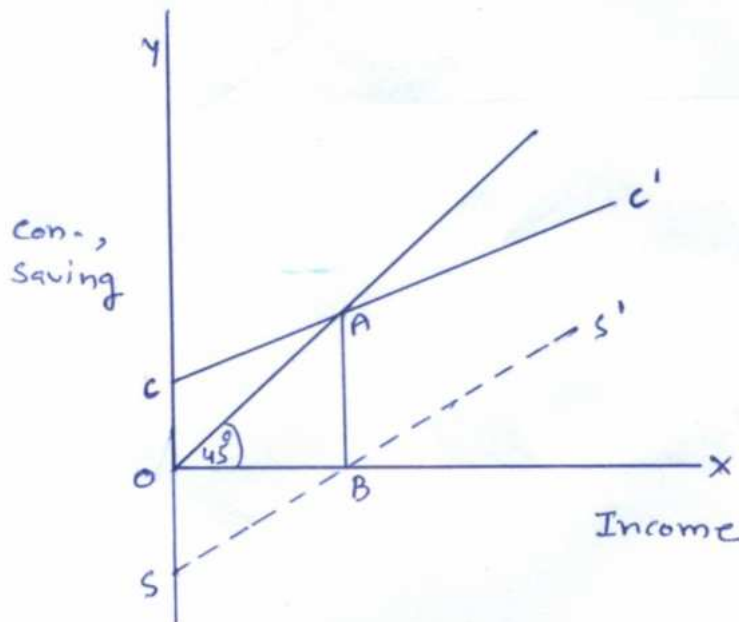|		
9	When a consumer substitutes one good for one unit of another good,the rate at which this substitution takes place is called the (marginal rate of substitution.)	**2**
	As this substitution goes on, the marginal rate of substituition declines.	
	Example:	
	Combination of good X and good Y	Units of X	Units of Y	Marginal rate of substitution $(\Delta Y/\Delta X)$	
	A · · · · 1 · · · · 8 · · · · -	
	B · · · · 2 · · · · 4 · · · · 4Y : 1X	**2**
	C · · · · 3 · · · · 2 · · · · 2Y : 1X	
	D · · · · 4 · · · · 1 · · · · 1Y : 1X	

Combination of good X and good Y | Units of X | Units of Y | Marginal rate of substitution $(\Delta Y/\Delta X)$

A 1 8 -
B 2 4 4Y : 1X
C 3 2 2Y : 1X
D 4 1 1Y : 1X

10	The sum of output of a commodity by all its producers at a given price during a given period is called market supply.	**1**
	When input price rises (falls), the cost of production increases (decreases).Price of the good remaining the same, it reduces (increases) profits.So the producers produce less(more) and thus market supply decreases (increases).	**3**
	OR	
	• As more and more units of variable factor are employed, total product increases at an increasing rate initially and marginal product increases.	
	• After sometime use of more units of variable factor results in increase in total product at diminishing rate and marginal product fall,but is positive.	
	• Ultimately total product falls and marginal product becomes negative.	**4**
	(No diagram or schedule is required)	
11	In a perfectly competitive market buyers and sellers have full knowledge about the market.So no seller can charge a price higher than the price determined by the market and no buyer is willing to pay the price higher than the market price.	**4**

12	$e_d = \dfrac{\text{Percentage change in Quantity demanded}}{\text{Percentage change in price}}$	1
	$= \dfrac{-20}{\frac{2}{10} \times 100} = -1$	$1\frac{1}{2}$
	$-1 = \dfrac{\text{Percentage change in quantity demanded}}{\text{Percentage change in Price}}$	1
	$= \dfrac{\text{Percentage change in quantity demanded}}{\frac{3}{10} \times 100}$	$1\frac{1}{2}$
	Percentage change in quantity = -30% Demand falls by 30%	1

13		
	Output AFC MC AVC AC 1 60 20 20 80 2 30 18 19 49 3 20 16 18 38 4 15 18 18 33 5 12 23 19 31	$\frac{1}{2}$ x 12

14		
	Output TR TC MC MR 1 8 10 8 10 2 15 18 7 8 3 21 24 6 6 4 25 28 4 4 Equilibrium 5 33 30 8 2	
	The conditions for producer's equilibrium are: I. MC = MR and II. Beyond the level of output at which MC = MR, MC must be greater than MR . Both these conditions are satisfied at 4 units of output.So the producer is in equilibrium, when he produces 4 units.	3 2 1

| 15 | In oligopoly market, if the product is homogeneous then it is called Perfect oligopoly. When the product is hetrogeneous then it is called imperfect oligopoly.

 Under oligopoly, firms are interdependent .There are only a few firms in such a market. If some firm changes its decision regarding its output or price, it will affect other firms. They react, so the firm while taking decision about price and output keeps in mind the reaction of other firms. | 2

 4 |

	OR	
	<u>Market demand and market supply schedule</u>	
	<u>Price</u> <u>Quantity demanded</u> <u>Quantity supplied</u>	
	5 40 30	**2**
	6 35 35	
	7 30 40	
	At price of Rs 6 the quantity demanded and supplied are equal,so it is the equilibrium price.	
	When the market price is less than the equilibrium price, quantity demanded will be more than quantity supplied as shown in the schedule.This is the situation of "excess demand". At a price of Rs 5 there is excess demand.This leads to competition among buyers resulting in price rise.When price rises demand falls and supply rises.These changes continue till demand and supply are equal.	**2**
	Similarly at a price of Rs 7, there is "excess supply".This will result in competition among sellers.This will reduce price.When price falls demand will rise and supply will fall ultimately equilibrium is reached when price falls to Rs 6.	**2**
	SECTION-B	
16	(b) Saving account deposits and current account deposits.	**1**
17	It is the ratio of change in consumption expenditure to change in income.	**1**
18	(a) Greater than 2.	**1**
19	It is a financial statement showing expected receipts and expected expenditure of the government during a fiscal year.	**1**
20	When in the foreign exchange market the price of foreign currency rises in terms of domestic currency,it is depreciation of domestic currency.	**1**
21	Goods are classified as final goods and intermediate goods on the basis of the end use.If goods are purchased for consumption or investment,these would be classified as final goods.For example,machine purchased for use in a factory is a final good.Milk purchased by households is also final good as it is purchased for consumption. When a good is purchased for resale or for using it up completely in production during the year, it is called intermediate good.For example, raw material purchased for producing goods. **(Any other relevant example)**	**3**

22	Under barter system there were difficulties in storing wealth.Wealth is stored to be used in future.All goods cannot be stored.Perishable goods cannot be stored.All goods cannot be transported from one place to another.All goods may not be acceptable as medium of exchange.No single physical good has all these qualities.So in the barter system of exchange there was difficulty in storing wealth.	**3**
	OR	
	Money serves as a medium of exchange.Goods can be purchased with money.Goods can also be sold for money.Thus money acts as a medium of exchange.	**3**
23	When the burden of tax and its liability to pay falls on the same person,it is a direct tax.When the burden of a tax and the liability to pay is on different persons,it is an indirect tax.	**2**
	Direct tax - Income tax, etc.	$\frac{1}{2}$
	Indirect tax - Sales tax, etc.	$\frac{1}{2}$
24	Commercial Banks keep a part of their deposits with central bank.This is called cash reserve ratio.This ratio is decided by the central bank and can be changed from time to time.In times of need, central bank gives loans to commercial banks.	**4**
	OR	
	When a commercial bank receives deposits it keeps a part of it with the Central bank and a part with itself. These are called legal reserves.The money lent comes back to it as deposits.Again it keeps a part of it with the central bank and a part with itself and lends the rest.	
	This process continues.In this way bank gives loans which is many a times the original deposit.The total credit creation will be $\dfrac{1}{Legal\ Reserve\ Ratio}$	**4**
25	C = $\bar{C}$ + mpc(Y)	$1\frac{1}{2}$
	8000 = 500 + mpc(10000)	**1**
	mpc = $\dfrac{7500}{10000}$ = 0.75	$\frac{1}{2}$
	So mps = 1 − 0.75 = 0.25 or $\dfrac{1}{4}$	**1**
26	Economic stability means stability of prices.Too much fluctuation in prices is not good for the economy.Government uses taxation policy and expenditure policy in controlling the prices.For example in an inflationary situation,government can reduce its expenditure and this would reduce aggregate demand.During deflationary situation,government can reduce taxes and increase its expenditure.	**4**

| 27 | (a) Current account records exports and imports of goods and services and transfer payments whereas capital account records borrowings and lending to and from abroad,investments to and from abroad and changes in foreign exchange reserves. | 3 |
| | (b) Transactions made independent of the state of balance of payments are called autonomous transaction whereas transactions made on account of the state of balance of payments are called accommodating transactions. | 3 |

28	Precautions to be taken while estimating N.I. by expenditure method.	
	I. Expenditure on intermediate goods should not be included otherwise it will result in double counting.	
	II. Transfer payments such as gifts, old age pension etc,should not be included.These payments are not made for factor services.	
	III. Expenditure on financial assets like shares etc. should not be included.This does not result in any production.It is only transfer of money.	2 X 3
	(or Any other)	
	OR	
	(a) Yes,as it is a factor income earned within domestic territory of India.	
	(b) No,because Russian Embassy is not a part of the domestic territory of India.It is factor income from abroad.	
	(c) No,as profits are not earned within the domestic territory of India.	2 X 3

29	N.I = (i) + (ii) + (iii) + (v) + (vi) - (vii)	2
	= 2000 + 400 + 900 + 500 + 7000 − 50	$1\frac{1}{2}$
	= Rs 10750 Crore.	$\frac{1}{2}$
	N.N.D.I = N.I + Net indirect taxes − Net current transfer to rest of the world.	1
	= 10750 + 300 − 30	$\frac{1}{2}$
	= Rs 11020 Crore	$\frac{1}{2}$

30

CC' is the given consumption curve steps taken in deriving saving curve from it.

Take OS = OC

Draw a 45° Line on OX at O.

It intersects CC' at point A.

Draw a perpendicular for A at OY meeting OY at B.

Join SB and extend it to S'

SS' is the required saving curve.

For Blind Candidates

Conditions of N.I. Equilibrium

Aggregate demand = Aggregate supply

Alternative condition of equilibrium

Planned S = Planned I.

If AD > AS, inventories fall.So producers produce more.As increases till equals AD, the economy is in equilibrium.

(Correct Explanation from the approach AD < AS also marked)

2

4

1 X 2

4