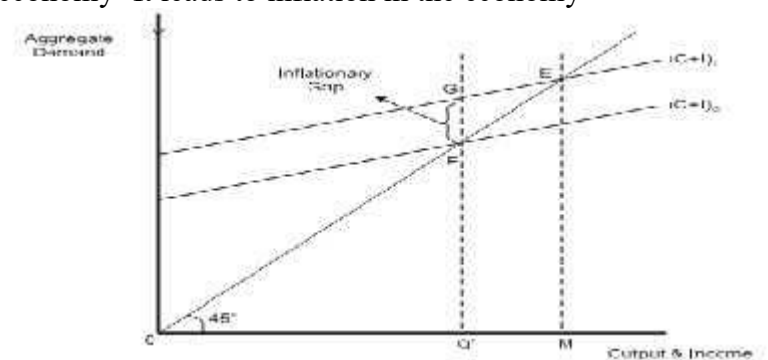
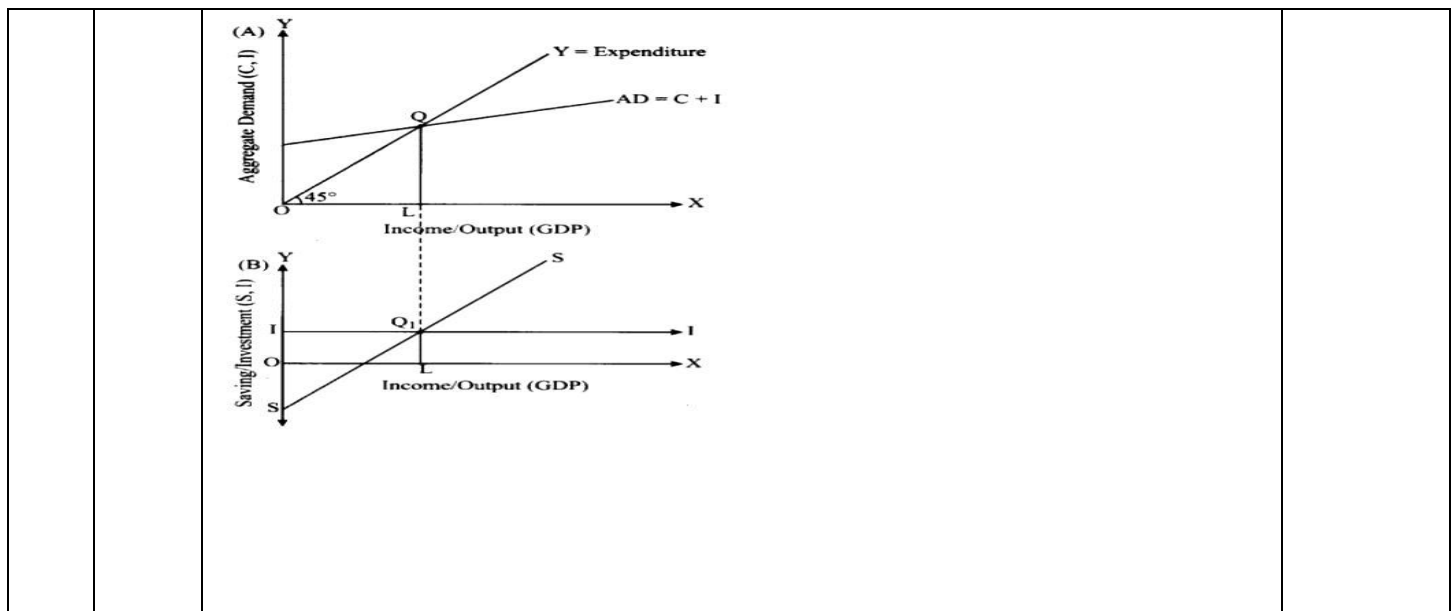


		INDIAN SCHOOL MUSCAT FIRST PRE BOARD EXAMINATION 2023		
		ECONOMICS (030)		
CLASS: XII		MARKING SCHEME		Max. Marks: 80
SE T	Q.No :	VALUE POINTS		MARKS SPLIT UP
Section A – Macro Economics				
	1	A).Margin requirement		1
	2	A).Sale of public sector undertaking		1
	3	D) Balace of payment – Autonomous transactions		1
	4	A).Gifts received from abroad		1
	5	C) $S = (-) 60 + 0.20 Y$		1
	6	D) Banker's Bank		1
	7	A) Statement 1 is true and statement 2 is false		1
	8	D)Assertion (A) is false but Reason (R) is true.		1
	9	C)Public goods		1
	10	B)Statement 1 is false and statement 2 is true		1
	11	<p>The system of exchange in which goods are exchanged for goods. Under barter system it was very difficult to exchange the goods as there is always lacks the double coincidence of wants . It means meeting the two peoples demand at the same time. Money as a medium of exchange it has overcome this problem . Now with money we can buy anything at any time.</p> <p>Or</p> <p>Bank rate is the rate at which central bank gives long term loan to commercial banks. In order to expand the money supply Central bank decreases the bank rate. When bank rate increases , market interest on public borrowing from commercial bank decreases. Thus lending increases and money supply increases in the economy.</p>		3
	12	Refute the given statement. The oil refinery contributes to the GDP and GDP of the economy increase. However increase in GDP doesn't consider as an Increase in welfare. The oil refinery causes negative externalities of production and it never includes in the standard estimation of GDP. So GDP contribution by Oil		3

		refinery cannot be an index of welfare.															
	13	<p>(a) It is an indirect tax the burden of tax cannot be shifted to many(1 mark)</p> <p>(b) Revenue deficit is the excess of revenue expenditure over revenue receipts whereas fiscal deficit is excess of total expenditure over total receipts other than borrowing.</p> <p>Revenue deficit shows amount of dissaving but fiscal deficit shows borrowing requirements of the economy .</p> <p>Revenue deficit occurs without fiscal deficit whereas fiscal deficit occurs when there is revenue deficit.</p> <p>3 points of difference 3 mark</p>	4														
	13	<p>a) The current account and capital account balance together shows overall balance in Bop. If this balance is positive official reserve increases and –ve means reserve decreases.</p> <p>Here overall balance is (17.9bn) + 3.5 bn = - 14.4 . So Forex reserve reduces.</p> <p>b) Trade balance shows the difference between the export of good and import of good.</p> <p>When the value of currency low in country means exchange rate is high due to which export will increase and import will decrease . So BoT is surplus.</p>	4														
	15	<p>Consumption function states the direct relationship between consumption and income. The law of Consumption function states that as Income increases, consumption also increases but increase in consumption is less than proportionate to increase in income, i.e., Consumption is a function of Income.</p> <p>$C = f(y)$, where C is Consumption and Y is Income.</p> <p>total consumption in the economy is the sum of Autonomous Consumption and Induced Consumption.</p> <p>$C = \bar{C} + by$</p> <table border="1" data-bbox="289 1394 917 1774"> <thead> <tr> <th>Y</th> <th>c</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>100</td> </tr> <tr> <td>100</td> <td>175</td> </tr> <tr> <td>200</td> <td>250</td> </tr> <tr> <td>300</td> <td>325</td> </tr> <tr> <td>400</td> <td>400</td> </tr> <tr> <td>500</td> <td>475</td> </tr> </tbody> </table> <p>Or</p> <p>B) Excess demand refers to situation when Aggregate Demand is more than Aggregate Supply ($AD > AS$) corresponding to full employment level in the</p>	Y	c	0	100	100	175	200	250	300	325	400	400	500	475	2+2
Y	c																
0	100																
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500	475																

		<p>economy' It leads to inflation in the economy</p> 	
16		<p>a) Refute the statement. This expenditure is meant for depreciation of the building. So it is an example for intermediate expenditure.</p> <p>b) $NDP_{fc} = 350 + 225 + 450 + 50 + 30 - 15 - 10 = 1080$ rupees.</p>	2 Marks X 3 = 6 marks
17		<p>A) i) Equilibrium level of income determines when planned AD = Planned AS. If expected aggregate demand is not equal to the planned output. Output will tend to adjust up or down until the two are equal.</p> <p>ii) If planned spending (AD) is less than planned output (AS), total demand would be less than total supply of goods and services. This leads to unexpected increase in Inventory stock or unsold goods. So firm will try to reduce the stock by reducing the output. As a result employment falls due to under utilisation of resources and income starts to fall. This process will continue till income and output reaches to the level at which AD = AS and there is no tendency to change.</p> <p>iii) If planned spending (AD) is more than planned output (AS), total demand would be more than total supply of goods and services. This leads to unexpected decrease in Inventory stock or unsold goods. So firm will try to increase the stock by reducing the output. As a result employment rises due to more utilisation of resources and income starts to rise. This process will continue till income and output reaches to the level at which AD = AS and there is no tendency to change.</p> <p>Or</p> <p>B) AD and AS approach and Saving and Investment approach</p> <p>$AD = C + I = AS (C + S)$ So $S = I$</p> <p>Steps can be written according to the diagram</p>	6



Section B – Indian Economic Development

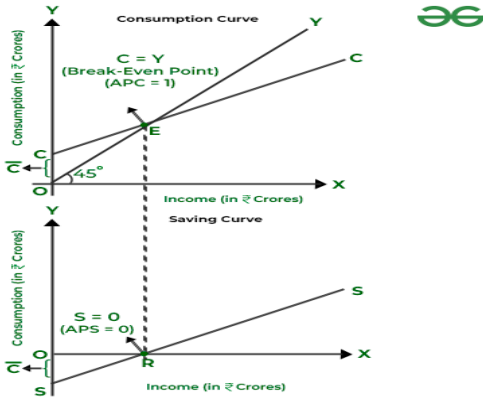
	18	B) De – Nationalization	1
	19	A) Import substitution was the strategy used to save foreign exchange.	1
	20	C)Jan-Dhan Yojana	1
	21	B.)Statement 1 is false and Statement 2 is true.	1
	22	A)The assets of PSEs have been undervalued	1
	23	B)A large section of tenants and sharecroppers neither had resources and technology nor had incentive to invest in agriculture.	1
	24	C)Assertion (A) is true but Reason (R) is false.	1
	25	B)Co operative marketing is initiated to ensure minimum price to the farmers.	1
	26	D)Assertion (A) is false but Reason (R) is true.	1
	27	B)ASEAN	1
	28	The Given picture is about diversification of economic activities in rural areas. Diversification mean alternative farming activities and non-farm activities . It will be solotion to the season unemployment in agriculture. It is important as it gives permanent income and nutritional food to the farmers . The main activities are live stock , fisheries , Horticulture and organic farming.(any relevant explanation)	
	29	A) Green revolution is new agricultural package by using new techniques and fertilizers etc to enhance the productivity.	2+1 =3

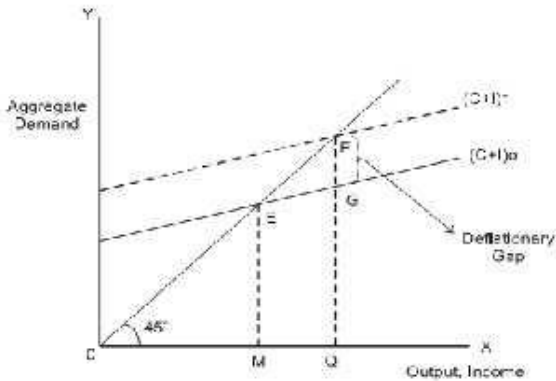
		<p>Though it increased productivity in agriculture government intervention is necessary because</p> <ol style="list-style-type: none"> 1.Green revolution widened the gap between rich and poor farmers 2. It concentrated only on two products 3. Poor farmers could not afford the new technology and they required training to use the new technology. <p>In order to protect the small farmers government gave subsidy to buy new technology .Moreover government started to give training to the farmers and later phase it spread the other farm products too.</p> <p>Or</p> <p>B) Institutional reforms means land reforms . Land reforms in the early planning period failed due to some challenges:</p> <ul style="list-style-type: none"> • There are still many small and marginal farmers in India who pray to the clutches of moneylenders and continue to remain indebted. • Rural poverty still exists. • Land ceiling varies from state to state. • Many plantations were exempt from land ceiling act. • Many people own huge tracts of land under ‘benami’ names. 	
	30	<p>(i) The private sector is governed by a profit motive and hence does not provide education and health facilities at a reasonable cost which may be affordable to all.</p> <p>(ii) Standards of education and health need to be maintained in order to develop human resources effectively and government intervention is needed for this.</p> <p>(iii) Education and health are essential for social upliftment of backward and weaker sections of the society and government intervention in terms of policy and provision of infrastructure are required in education as well as health sector.</p> <p>(iv) Regional disparities are prevalent in education and health in India which can be corrected only through government intervention at all levels as the private sector would not be forthcoming for establishing schools or hospitals in remote or backward areas.</p>	2 + 2 = 4 Marks
	31	<p>A)</p> <ul style="list-style-type: none"> ➤ The population of Pakistan is very small and accounts for roughly 1/10th of China and India. By 2027 India will surpass china in population ➤ Being the largest among the three, China’s density of population is lowest. ➤ Population growth is highest in Pakistan followed by India and China. ➤ The fertility rate is low in china and very high in Pakistan ➤ Sex ratio is low and baised against females in all 3 countries however compared to other two countries India has unfavorable ratio ➤ Urbanisation is high in both Pakistan and China and is very low in India with only 34% of people living in urban areas 	4 Marks for explanatio n

		<p>Or B)</p> <ul style="list-style-type: none"> ➤ Early introduction of new economic reforms due to the failure of great leap forward campaign and great proletarian cultural revolution . ➤ Decentralised planning and existence of small enterprises. ➤ Land reforms and equitable distribution of food grains. ➤ The phenomenal growth in rural industries ➤ Liberalization of prices, fiscal decentralisation, diversified banking system, development of stock markets and rapid growth of non-state industries. ➤ One party rule and strict decision making approach. 	
	32	<p>i) Setting up of CPCB and encourages the use of CNG in urban areas or any other two strategy.</p> <p>ii) (i) limiting the human population to a level within the carrying capacity of the environment(ii) technological progress should be input efficient and not input consuming (iii) renewable resources should be extracted on a sustainable basis, that is, rate of extraction should not exceed rate of regeneration (iv) for non-renewable resources rate of depletion should not exceed the rate of creation of renewable substitutes and (v) inefficiencies arising from pollution should be corrected.(any 3 points)</p>	2 + 2 = 4 Marks
	33	<p>The economic reforms initiated through NEP have benefitted the country in many ways. They have stimulated industrial production, helped to check fiscal deficit and inflation. They also led to a substantial increase in foreign exchange reserves and foreign investment. However, these reforms have led to an increase in the income of those who were already rich. Quality of consumption of only high-income groups has increased and economic growth has not trickled down to the poorer sections of the society.</p> <p>Growth has been concentrated only in some selected areas in the service sector such as telecommunication, information technology, finance. entertainment, travel, hospitality services, real estate, and trade. Vital sectors, such as agriculture and industry, which provided livelihood to millions of people in the country have not benefitted much from reforms thereby increasing income disparities. Besides, large scale production has been promoted under reforms at the cost of small scale industries, again leading to a concentration of economic power with large industrial houses and MNCs. So, we can conclude that economic reforms in India have not promoted social justice and welfare.</p> <p>Or</p> <p>The achievements of India's industrial sector during the first seven plans are impressive indeed. The proportion of GDP contributed by the industrial sector increased in the period from 11.8 per cent in 1950-51 to 24.6 per cent in 1990-91. No longer was Indian industry restricted largely to cotton textiles and jute; in fact, the industrial sector became well diversified by 1990. The promotion of small-</p>	2 + 2 + 2 = 6 Marks

		<p>scale industries gave opportunities to those people who did not have the capital to start large firms to get into business. Protection from foreign competition enabled the development of indigenous industries in the areas of electronics and automobile sectors which otherwise could not have developed.</p> <p>However the policy had some short comings .They are :</p> <ol style="list-style-type: none"> 1.State enterprises continued to produce certain goods and services (often monopolising them) although this was no longer required. 2. no distinction was made between (i) what the public sector alone can do and (ii) what the private sector can also do. 3. Many public sector firms incurred huge losses but continued to function because it is difficult to close a government undertaking even if it is a drain on the nation’s limited resources. 4. The permit license raj prevented certain firms from becoming more efficient 5. The protection from foreign competition is also being criticized on the ground that it continued even after it proved to do more harm than good. 	
34		<ol style="list-style-type: none"> 1.It is necessary to generate employment in the formal sector than in the informal sector because those who work in the informal sector do not get any regular income and do not get protection from the government. Those who work in the formal sector, on the other hand, earn more than those in the informal sector and also enjoy social benefits. It is thus, necessary to generate more employment in the formal sector. 2.Increase in the number of people working in the informal sector is known as informalization of work force.It is due to casualization workforce and impact of globalization . 3.Jobless growth means increasing GDP without generating more employment. This is mainly due to the growth of service sector after the globalization . 	2+2+2

		INDIAN SCHOOL MUSCAT FIRST PRE BOARD EXAMINATION 2023		
		ECONOMICS (030)		
CLASS: XII		MARKING SCHEME		Max. Marks: 80
SET	Q.No :	VALUE POINTS		MARKS SPLIT UP
Section A – Macro Economics				
	1	D) Balace of payment – Autonomous transactions		1
	2	D).Interest Received.		1
	3	A).Margin requirement		1
	4	D) $S = (-) 80 + 0.10 Y$		1
	5	D) Banker's Bank		1
	6	A).Gifts received from abroad		1
	7	D)Assertion (A) is false but Reason (R) is true.		1
	8	A) Statement 1 is true and statement 2 is false		1
	9	C)Public goods		1
	10	B)Statement 1 is false and statement 2 is true		1
	11	<p>The contractual or payment for credit purchases are called deferred payments. Under the barter system there was no credit purchases allowed due to lack of common measure of value. Money, besides being the basis of current transactions, is also the basis of deferred payments, i.e. future payments. Money helps us to pay the rent, interest ,wage etc.</p> <p>Or</p> <p>Reverse repo rate is the rate at which central bank accepts the deposit from the commercial banks. In order to expand the money supply Central bank decreases the Reverse repo rate. When RR rate increases, market interest on public borrowing from commercial bank decreases. Thus lending increases and money supply increases in the economy.</p>		3

12	<p>Refute the given statement. The oil refinery contributes to the GDP and GDP of the economy increase. However increase in GDP doesn't consider as an Increase in welfare. The oil refinery causes negative externalities of production and it never includes in the standard estimation of GDP. So GDP contribution by Oil refinery cannot be an index of welfare.</p>	3
13	<p>First of all, draw a consumption curve CC with OC as autonomous consumption and a 45° line OY representing the income curve as shown in the below graph. The point where the consumption curve CC and income curve OY intersects is the break-even point; i.e., Point E. At this point Consumption is equal to Income and Average Propensity to Consume is one.</p> <p>At zero income level, OC is the autonomous consumption which means that savings at zero income level will be OS. Therefore, the savings curve will start from point S on the negative Y-axis because, at zero level of income, savings are negative. Now the point where the CC curve and OY curve intersects; i.e., point E is the break-even point. It means that at this point $C = Y$, $APC = 1$, and Savings = 0. Therefore, the savings curve will intersect the X-axis at point R. Now, join the points S and R and extend it further to get the Saving Curve SS.</p>  <p>Or</p> <p>If actual aggregate demand , is for a level of output less than the full employment level then a situation of deficient demand exists. Deficient demand causes a deflationary gap which pushes the economy into under employment equilibrium.</p> <p>iii) The deflationary gap is the difference between actual aggregate demand and equilibrium level of output. If, actual aggregate demand is less than equilibrium level of output.</p>	4

		 <p>Point E in the diagram represents underemployment equilibrium.</p>	
14		<p>(a) It is a direct tax the burden of tax cannot be shifted to many(1 mark)</p> <p>(b) Revenue deficit is the excess of revenue expenditure over revenue receipts whereas fiscal deficit is excess of total expenditure over total receipts other than borrowing.</p> <p>Revenue deficit shows amount of dissaving but fiscal deficit shows borrowing requirements of the economy .</p> <p>Revenue deficit occurs without fiscal deficit whereas fiscal deficit occurs when there is revenue deficit.</p> <p>3 points of difference 3 mark</p>	4
15		<p>a) The current account and capital account balance together shows overall balance in Bop. If this balance is positive official reserve increases and –ve means reserve decreases.</p> <p>Here overall balance is $(17.9bn) + 3.5 bn = - 14.4$. So Forex reserve reduces.</p> <p>b) Trade balance shows the difference between the export of good and import of good.</p> <p>When the value of currency low in country means exchange rate is high due to which export will increase and import will decrease . So BoT is surplus.</p>	4
16		<p>a) Refute the statement. This expenditure is meant for depreciation of the building. So it is an example for intermediate expenditure.</p> <p>b) $NNP_{fc} = 350 + 225 + 450 + 50 + 30 - 15 - 10 + -40 = 1040$ rupees.</p>	2 Marks X 3 = 6 marks
17		<p>A) i)Equilibrium level of income determines when planned AD = Planned AS. If expected aggregate demand is not equal to the planned output. Output will tend to adjust up or down until the two are equal.</p> <p>ii) If planned spending (AD) is less than planned output (AS), total demand would be less than total supply of goods and services. This leads to unexpected increase in Inventory stock or unsold goods. So firm will try to reduce the stock</p>	6

by reducing the output. As a result employment falls due to under utilisation of resources and income starts to fall. This process will continue till income and output reaches to the level at which $AD = AS$ and there is no tendency to change.

ii) If planned spending (AD) is more than planned output (AS), total demand would be more than total supply of goods and services. This leads to unexpected decrease in Inventory stock or unsold goods. So firm will try to increase the stock by reducing the output. As a result employment rises due to more utilisation of resources and income starts to rise. This process will continue till income and output reaches to the level at which $AD = AS$ and there is no tendency to change.

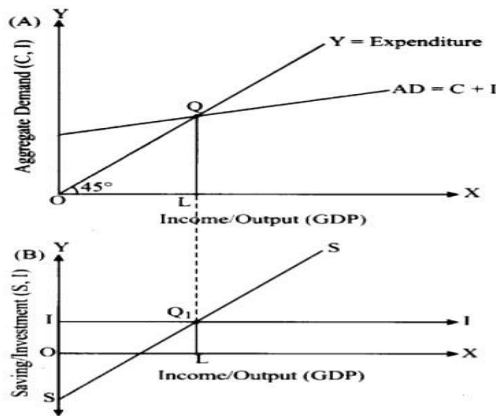
Or

B) AD and AS approach and Saving and Investment approach

$$AD = C + I = AS (C + S)$$

$$\text{So } S = I$$

Steps can be written according to the diagram



Section B – Indian Economic Development

18	A) Import substitution was the strategy used to save foreign exchange.	1
19	B) De – Nationalization	1
20	B.)Statement 1 is false and Statement 2 is true.	1
21	C)Jan-Dhan Yojana	1
22	A)The assets of PSEs have been undervalued	1

23	B)A large section of tenants and sharecroppers neither had resources and technology nor had incentive to invest in agriculture.	1
24	B)Co operative marketing is initiated to ensure minimum price to the farmers.	1
25	C)Assertion (A) is true but Reason (R) is false.	1
26	B)ASEAN	1
27	D)Assertion (A) is false but Reason (R) is true.	1
28	<p>A) Green revolution is new agricultural package by using new techniques and fertilizers etc to enhance the productivity.</p> <p>Though it increased productivity in agriculture government intervention is necessary because</p> <ol style="list-style-type: none"> 1.Green revolution widened the gap between rich and poor farmers 2. It concentrated only on two products 3. Poor farmers could not afford the new technology and they required training to use the new technology. <p>In order to protect the small farmers government gave subsidy to buy new technology .Moreover government started to give training to the farmers and later phase it spread the other farm products too.</p> <p>Or</p> <p>B) Institutional reforms means land reforms . Land reforms in the early planning period failed due to some challenges:</p> <ul style="list-style-type: none"> • There are still many small and marginal farmers in India who pray to the clutches of moneylenders and continue to remain indebted. • Rural poverty still exists. • Land ceiling varies from state to state. • Many plantations were exempt from land ceiling act. • Many people own huge tracts of land under ‘benami’ names. 	3
29	<p>The Given picture is about diversification of economic activities in rural areas. Diversification mean alternative farming activities and non-farm activities. It will be solution to the season unemployment in agriculture.</p> <p>It is important as it gives permanent income and nutritional food to the farmers. The main activities are live stock , fisheries , Horticulture and organic farming.(any relevant explanation)</p>	3
30	<p>A)</p> <ul style="list-style-type: none"> ➤ The population of Pakistan is very small and accounts for roughly 1/10th of China and India. By 2027 India will surpass china in population ➤ Being the largest among the three, China’s density of population is lowest. 	4 Marks for explanation

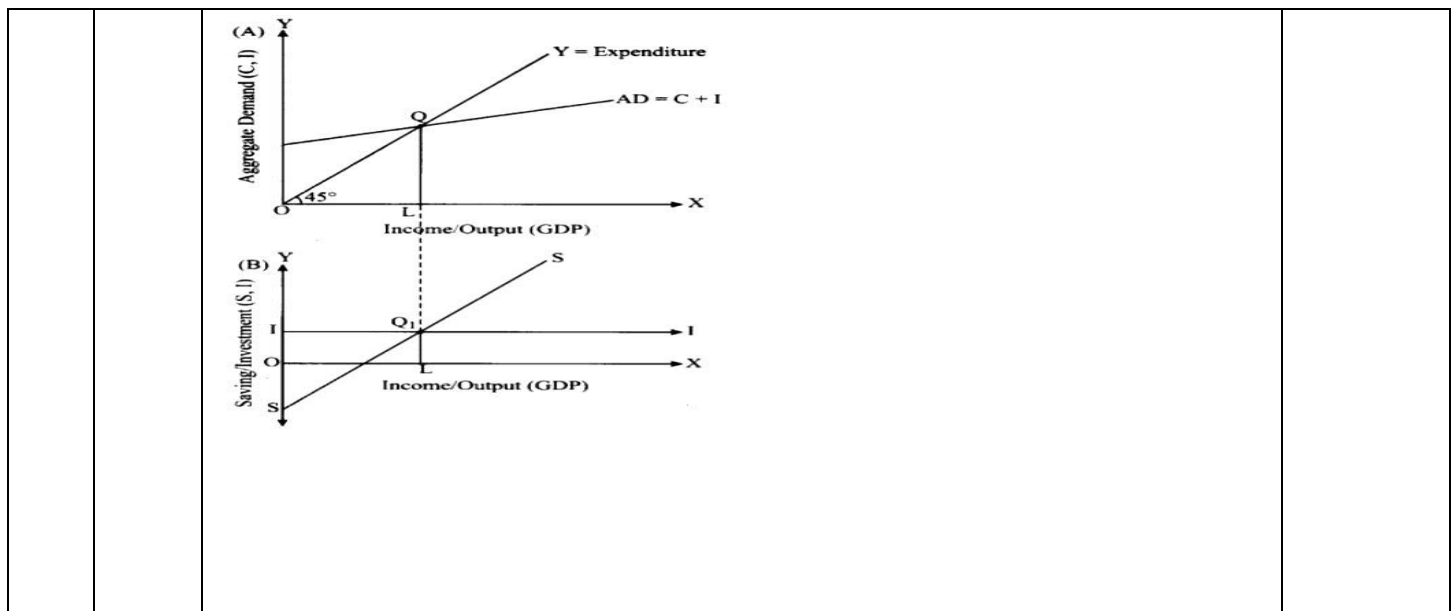
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31	<p>Defend the statement.</p> <p>(i) The private sector is governed by a profit motive and hence does not provide education and health facilities at a reasonable cost which may be affordable to all.</p> <p>(ii) Standards of education and health are poor as it lack quality.</p> <p>(iii) Education and health are essential for social upliftment of backward and weaker sections of the society but its not affordable for them due to the monopoly of private sector.</p> <p>(iv) Regional disparities are prevalent in education and health in India</p>	2 + 2 = 4 Marks
32	<p>iii) Setting up of CPCB and encourages the use of CNG in urban areas or any other two strategy.</p> <p>iv) (i) limiting the human population to a level within the carrying capacity of the environment(ii) technological progress should be input efficient and not input consuming (iii) renewable resources should be extracted on a sustainable basis, that is, rate of extraction should not exceed rate of regeneration (iv) for non-renewable resources rate of depletion should not exceed the rate of creation of renewable substitutes and (v) inefficiencies arising from pollution should be corrected.(any 3 points)</p>	2 + 2 = 4 Marks
33	<p>The economic reforms initiated through NEP have benefitted the country in many ways. They have stimulated industrial production, helped to check fiscal deficit and inflation. They also led to a substantial increase in foreign exchange reserves and foreign investment. However, these reforms have led to an increase in the income of those who were already rich. Quality of consumption of only high-</p>	2 + 2 + 2 = 6 Marks

		<p>income groups has increased and economic growth has not trickled down to the poorer sections of the society.</p> <p>Growth has been concentrated only in some selected areas in the service sector such as telecommunication, information technology, finance. Entertainment, travel, hospitality services, real estate, and trade. Vital sectors, such as agriculture and industry, which provided livelihood to millions of people in the country have not benefitted much from reforms thereby increasing income disparities. Besides, large scale production has been promoted under reforms at the cost of small scale industries, again leading to a concentration of economic power with large industrial houses and MNCs. So, we can conclude that economic reforms in India have not promoted social justice and welfare.</p> <p>Or</p> <p>The achievements of India's industrial sector during the first seven plans are impressive indeed. The proportion of GDP contributed by the industrial sector increased in the period from 11.8 per cent in 1950-51 to 24.6 per cent in 1990-91. No longer was Indian industry restricted largely to cotton textiles and jute; in fact, the industrial sector became well diversified by 1990. The promotion of small-scale industries gave opportunities to those people who did not have the capital to start large firms to get into business. Protection from foreign competition enabled the development of indigenous industries in the areas of electronics and automobile sectors which otherwise could not have developed.</p> <p>However the policy had some short comings .They are :</p> <ol style="list-style-type: none"> 1.State enterprises continued to produce certain goods and services (often monopolising them) although this was no longer required. 2. no distinction was made between (i) what the public sector alone can do and (ii) what the private sector can also do. 3. Many public sector firms incurred huge losses but continued to function because it is difficult to close a government undertaking even if it is a drain on the nation's limited resources. 4. The permit license raj prevented certain firms from becoming more efficient 5. The protection from foreign competition is also being criticized on the ground that it continued even after it proved to do more harm than good. 	
34		<p>1.It is necessary to generate employment in the formal sector than in the informal sector because those who work in the informal sector do not get any regular income and do not get protection from the government. Those who work in the formal sector, on the other hand, earn more than those in the informal sector and also enjoy social benefits. It is thus, necessary to generate more employment in the formal sector.</p> <p>2.Increase in the number of people working in the informal sector is known as informalization of work force.It is due to casualization workforce and impact of globalization .</p> <p>3.Jobless growth means increasing GDP without generating more employment. This is mainly due to the growth of service sector after the globalization .</p>	2+2+2

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	8	A).Gifts received from abroad		1
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	11	Refute the given statement. The oil refinery contribute to the GDP and GDP of the economy increase. However increase in GDP doesn't consider as an Increase in welfare. The oil refinery causes negative externalities of production and it never includes in the standard estimation of GDP. So GDP contribution by Oil refinery cannot be an index of welfare.		3
	12	<p>The system of exchange in which goods are exchanged for goods. Under barter system it was very difficult to measure the value of goods and services. Money as a unit of account enables to measure the value of goods and services. The concept of price emerged because money accepted at all times.</p> <p>Or</p> <p>Repo rate is the rate at which central bank gives short term loan to commercial banks. In order to contract the money supply Central bank increases the repo rate. When repo rate increases , market interest on public borrowing from commercial bank</p>		3

		increases. Thus lending reduces and money supply reduces in the economy.																						
	13	<p>a) The current account and capital account balance together shows overall balance in Bop. If this balance is positive official reserve increases and –ve means reserve decreases.</p> <p>Here overall balance is $(17.9bn) + 3.5 bn = - 14.4$. So Forex reserve reduces.</p> <p>b) Trade balance shows the difference between the export of good and import of good. When the value of currency low in country means exchange rate is high due to which export will increase and import will decrease . So BoT is surplus.</p>	4																					
	14	<p>(a) It is direct tax is a tax imposed on companies profit and the burden of tax cannot be shifted to any one else.(1 mark)</p> <p>(b) Revenue deficit is the excess of revenue expenditure over revenue receipts whereas fiscal deficit is excess of total expenditure over total receipts other than borrowing. Revenue deficit shows amount of dissaving but fiscal deficit shows borrowing requirements of the economy . Revenue deficit occurs without fiscal deficit whereas fiscal deficit occurs when there is revenue deficit.</p> <p>3 points of difference 3 mark</p>	4																					
	15	<p>(A) Saving i.e, $(y= c+s)$. Income which is left after consumption or an abstain from consumption is called Saving.</p> <p>Therefore, $S= Y - C$ Saving function states that saving is directly related to the level of income i.e, as income increases , saving also increases. If consumption is more than Income, saving will be negative. It can be zero when consumption is equal to Income. It becomes positive when consumption is less than Income.</p> <table border="1" data-bbox="289 1367 1252 1745"> <thead> <tr> <th>y</th> <th>c</th> <th>saving</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>100</td> <td>-100</td> </tr> <tr> <td>100</td> <td>175</td> <td>-75</td> </tr> <tr> <td>200</td> <td>250</td> <td>-50</td> </tr> <tr> <td>300</td> <td>325</td> <td>-25</td> </tr> <tr> <td>400</td> <td>400</td> <td>0</td> </tr> <tr> <td>500</td> <td>475</td> <td>25</td> </tr> </tbody> </table> <p>Or</p> <p>(B) Deflationary gap refers to situation when Aggregate Demand is less than Aggregate Supply ($AD < AS$) corresponding to full employment level in the economy. The deficient demand in the economy causes deflation in the economy.(Explanation should be with reference to the daiagram)</p>	y	c	saving	0	100	-100	100	175	-75	200	250	-50	300	325	-25	400	400	0	500	475	25	2+2
y	c	saving																						
0	100	-100																						
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200	250	-50																						
300	325	-25																						
400	400	0																						
500	475	25																						

16	<p>a) Refute the statement. This expenditure is meant for administrative purposes. So it is an example for intermediate expenditure.</p> <p>b) $NDP_{mp} = 1350 + 1225 + 400 + 150 + (-300) - 15 = 3415$ rupees.</p>		<p>2 Marks X 3 = 6 marks</p>
17		<p>A) i) Equilibrium level of income determines when planned $AD = AS$. If expected aggregate demand is not equal to the planned output. Output will tend to adjust up or down until the two are equal.</p> <p>ii) If planned spending (AD) is less than planned output (AS), total demand would be less than total supply of goods and services. This leads to unexpected increase in Inventory stock or unsold goods. So firm will try to reduce the stock by reducing the output. As a result employment falls due to under utilisation of resources and income starts to fall. This process will continue till income and output reaches to the level at which $AD = AS$ and there is no tendency to change.</p> <p>iii) If planned spending (AD) is more than planned output (AS), total demand would be more than total supply of goods and services. This leads to unexpected decrease in Inventory stock or unsold goods. So firm will try to increase the stock by increasing the output. As a result employment rises due to more utilisation of resources and income starts to rise. This process will continue till income and output reaches to the level at which $AD = AS$ and there is no tendency to change.</p> <p>Or</p> <p>B) AD and AS approach and Saving and Investment approach</p> <p>$AD = C + I = AS (C + S)$ So $S = I$</p> <p>Steps can be written according to the diagram</p>	6



Section B – Indian Economic Development

18	A) Import substitution was the strategy used to save foreign exchange.	1
19	C)Jan-Dhan Yojana	1
20	B.)Statement 1 is false and Statement 2 is true.	1
21	A)SAARC	1
22	A)The assets of PSEs have been undervalued	1
23	C)Assertion (A) is true but Reason (R) is false.	1
24	B) De – Nationalization	1
25	B)A large section of tenants and sharecroppers neither had resources and technology nor had incentive to invest in agriculture.	1
26	B)Co operative marketing is initiated to ensure minimum price to the farmers.	1
27	D)Assertion (A) is false but Reason (R) is true.	1
28	<p>The Given picture is about diversification of economic activities in rural areas. Diversification mean alternative farming activities and non-farm activities . It will be solotion to the season unemployment in agriculture.</p> <p>It is important as it gives permanent income and nutritional food to the farmers . The main activities are live stock , fisheries , Horticulture and organic farming.(any relevant explanation)</p>	
29	A) Green revolution is new agricultural package by using new techniques and fertilizers etc to enhance the productivity.	2+1 =3

		<p>Though it increased productivity in agriculture government intervention is necessary because</p> <ol style="list-style-type: none"> 1.Green revolution widened the gap between rich and poor farmers 2. It concentrated only on two products 3. Poor farmers could not afford the new technology and they required training to use the new technology. <p>In order to protect the small farmers government gave subsidy to buy new technology .Moreover government started to give training to the farmers and later phase it spread the other farm products too.</p> <p>Or</p> <p>B) Institutional reforms means land reforms . Land reforms in the early planning period failed due to some challenges:</p> <ul style="list-style-type: none"> • There are still many small and marginal farmers in India who pray to the clutches of moneylenders and continue to remain indebted. • Rural poverty still exists. • Land ceiling varies from state to state. • Many plantations were exempt from land ceiling act. • Many people own huge tracts of land under ‘benami’ names. 	
	30	<p>(i) The private sector is governed by a profit motive and hence does not provide education and health facilities at a reasonable cost which may be affordable to all.</p> <p>(ii) Standards of education and health need to be maintained in order to develop human resources effectively and government intervention is needed for this.</p> <p>(iii) Education and health are essential for social upliftment of backward and weaker sections of the society and government intervention in terms of policy and provision of infrastructure are required in education as well as health sector.</p> <p>(iv) Regional disparities are prevalent in education and health in India which can be corrected only through government intervention at all levels as the private sector would not be forthcoming for establishing schools or hospitals in remote or backward areas.</p>	2 + 2 = 4 Marks
	31	<p>A)</p> <ul style="list-style-type: none"> ➤ The population of Pakistan is very small and accounts for roughly 1/10th of China and India. By 2027 India will surpass china in population ➤ Being the largest among the three, China’s density of population is lowest. ➤ Population growth is highest in Pakistan followed by India and China. ➤ The fertility rate is low in china and very high in Pakistan ➤ Sex ratio is low and baised against females in all 3 countries however compared to other two countries India has unfavorable ratio ➤ Urbanisation is high in both Pakistan and China and is very low in India with only 34% of people living in urban areas 	4 Marks for explanatio n

		<p>Or</p> <p>B)</p> <ul style="list-style-type: none"> ➤ Early introduction of new economic reforms due to the failure of great leap forward campaign and great proletarian cultural revolution . ➤ Decentralised planning and existence of small enterprises. ➤ Land reforms and equitable distribution of food grains. ➤ The phenomenal growth in rural industries ➤ Liberalization of prices, fiscal decentralisation, diversified banking system, development of stock markets and rapid growth of non-state industries. ➤ One party rule and strict decision making approach. 	
	32	<p>v) Setting up of CPCB and encourages the use of CNG in urban areas or any other two strategy.</p> <p>(i) limiting the human population to a level within the carrying capacity of the environment(ii) technological progress should be input efficient and not input consuming (iii) renewable resources should be extracted on a sustainable basis, that is, rate of extraction should not exceed rate of regeneration (iv) for non-renewable resources rate of depletion should not exceed the rate of creation of renewable substitutes and (v) inefficiencies arising from pollution should be corrected.(any 3 points)</p>	
	33	<p>1.It is necessary to generate employment in the formal sector than in the informal sector because those who work in the informal sector do not get any regular income and do not get protection from the government. Those who work in the formal sector, on the other hand, earn more than those in the informal sector and also enjoy social benefits. It is thus, necessary to generate more employment in the formal sector.</p> <p>2.Increase in the number of people working in the informal sector is known as informalization of work force.It is due to casualization workforce and impact of globalization .</p> <p>3.Jobless growth means increasing GDP without generating more employment. This is mainly due to the growth of service sector after the globalization .</p>	2 + 2 + 2 = 6 Marks
	34	<p>The economic reforms initiated through NEP have benefitted the country in many ways. They have stimulated industrial production, helped to check fiscal deficit and inflation. They also led to a substantial increase in foreign exchange reserves and foreign investment. However, these reforms have led to an increase in the income of those who were already rich. Quality of consumption of only high-income groups has increased and economic growth has not trickled down to the poorer sections of the society.</p> <p>Growth has been concentrated only in some selected areas in the service sector such as telecommunication, information technology, finance. entertainment, travel, hospitality services, real estate, and trade. Vital sectors, such as agriculture and industry, which provided livelihood to millions of people in the country have not benefitted much from reforms thereby increasing income disparities. Besides,</p>	1 X 6 = 6 Marks

	<p>large scale production has been promoted under reforms at the cost of small scale industries, again leading to a concentration of economic power with large industrial houses and MNCs. So, we can conclude that economic reforms in India have not promoted social justice and welfare.</p> <p>Or</p> <p>The achievements of India's industrial sector during the first seven plans are impressive indeed. The proportion of GDP contributed by the industrial sector increased in the period from 11.8 per cent in 1950-51 to 24.6 per cent in 1990-91. No longer was Indian industry restricted largely to cotton textiles and jute; in fact, the industrial sector became well diversified by 1990. The promotion of small-scale industries gave opportunities to those people who did not have the capital to start large firms to get into business. Protection from foreign competition enabled the development of indigenous industries in the areas of electronics and automobile sectors which otherwise could not have developed.</p> <p>However the policy had some short comings .They are :</p> <ol style="list-style-type: none"> 1.State enterprises continued to produce certain goods and services (often monopolising them) although this was no longer required. 2. no distinction was made between (i) what the public sector alone can do and (ii) what the private sector can also do. 3. Many public sector firms incurred huge losses but continued to function because it is difficult to close a government undertaking even if it is a drain on the nation's limited resources. 4. The permit license raj prevented certain firms from becoming more efficient 5. The protection from foreign competition is also being criticized on the ground that it continued even after it proved to do more harm than good. 	<p>1 X 6 = 6 Marks</p>
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