



**COMMON PRE-BOARD EXAMINATION**

**SUBJECT: ECONOMICS (030)**

**CLASS XII – SESSION 2022-23**

**Marking scheme**



**Time allowed: 3 Hrs.**

**Maximum marks: 80**

**SECTION A: INTRODUCTORY MACRO ECONOMICS**

- |   |                                     |
|---|-------------------------------------|
| 1. c. Both Statement 1 and 2 are true.  | <b>1mark for the correct answer</b> |
| 2. d. Assertion (A) is false but Reason (R) is true.  | <b>1mark for the correct answer</b> |
| <b>OR</b>   |                                     |
| a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).               |                                     |
| 3. a. Money flow  | <b>1mark for the correct answer</b> |
| 4. b. B-ii  | <b>1mark for the correct answer</b> |
| 5. c. In the Managed floating exchange rate system, the central bank intervenes to moderate exchange rate fluctuations. | <b>1mark for the correct answer</b> |
| 6. c. ₹ 240 crores  | <b>1mark for the correct answer</b> |
| 7. d. no change in output/employment but increase in general price level.   | <b>1mark for the correct answer</b> |
| 8. d. rationalisation of taxes in pro-poor direction.   | <b>1mark for the correct answer</b> |
| 9. c. revenue nature expenditure  | <b>1mark for the correct answer</b> |
| 10. c. i and iii  | <b>1mark for the correct answer</b> |
| 11. Depreciation and Devaluation both imply a fall in external value of a currency;                                     | <b>1 mark for explaining</b>        |

however the term depreciation is used under the floating exchange rate system that is when the exchange rate system is determined by the combined market forces of demand and supply. A currency loses or gains value because of fluctuations in demand and supply.

The term devaluation is used in a system of fixed exchange rates. In this system, the exchange value of a currency is decided by the government. Devaluation of currency is the deliberate action of the government.

Depreciation and devaluation of a currency normally encourages exports from a country, as exports become cheaper for the foreign nationals and foreign currency can now buy more of domestic goods, i.e. the international competitiveness of the goods and services of such a nation gets better.

**OR**

The transactions carried on by monetary authorities of a country, which causes changes in official reserves are termed as official reserve transactions

Autonomous receipts and autonomous payments give rise to either deficit or surplus on balance of payments.

The central bank may finance a deficit by : i. reducing reserves of foreign currency

ii. by borrowing from the IMF or monetary authorities This will be shown as decrease in reserves.

The central bank may use surplus to purchase foreign securities, foreign currency, gold etc. which may result in increase in reserves of the nation.

12. Limitations of using GDP as a measure of welfare:

1. Distribution of GDP:
2. Non monetary exchanges
3. Composition of GDP
4. Externalities

13. We know that consumption function is:  $C = c + bY$  .

At equilibrium level of Income in the economy  $Y = C + I$

Given, Autonomous Consumption  $(C) = ₹ 500$  crores and Ex-ante Investments  $(I) = ₹ 4000$  crores

$$18,000 = 500 + MPC(18,000) + 4,000$$

$$= 18000 - 4500$$

$$= 13,500$$

$$MPC = 0.75$$

**devaluation**

**1 mark for**

**depreciation and**

**1 mark for effect on**

**economy**

**[1\* 3 =3marks]**

**1 mark for definition**

**2 marks for**

**importance**

**1\*3 = 3 marks**

**1 mark for each point**

**1 \* 3= 3 marks**

**[1 mark for formula**

**1 mark for steps**

**1 mark for answer**

**1\* 3 =3marks ]**

14. B. Reserve deposit ratio is the minimum reserves that a commercial bank must maintain as per the instructions of the central bank. Credit creation is inversely related to the reserve deposit ratio.

**1 mark for definition**

**1 mark for definition**

**2 marks for example and conclusion**

For Example suppose the Reserve Ratio is 0.2 and initial deposit is ₹1000

Total Credit Created =  $1/RR \times \text{initial deposit} = 1/0.2 \times 1000 = ₹5,000$

**1 \* 4 = 4 marks**

Whereas, suppose LRR is 0.5 and initial deposit is ₹1,000

Total Credit Created =  $1/0.5 \times 1000 = ₹2,000$

**Thus, increase in reserve deposit will decrease the credit creation power of the banking system.**

15. A. Government seeks to allocate resources with a view to balance the goals of all sections of the society.

**1 mark for each point.**

**1 \* 2 = 2 marks**

1. Production of goods and services which are injurious to health may be discouraged through taxation policy. Similarly,

2. Production of goods of socially beneficial nature may be encouraged through subsidies

B. Revenue receipts are those receipts which neither creates any liabilities nor causes any reduction in the assets of the government. For example: taxes, dividends received from public enterprises etc.

**1 mark for each point.**

**1 \* 2 = 2 marks**

Capital receipts are those receipts which either creates liabilities or causes reduction in the assets of the government. For example: borrowings, disinvestments etc.

**OR**

Basis	Fiscal Deficit	Revenue Deficit
Definition	Fiscal deficit is the excess of the government's total estimated expenditure and its total estimated receipts excluding borrowing  Fiscal Deficit = Total Expenditure – (Revenue Receipts + Non-debt creating capital receipts)	The revenue deficit refers to the excess of government's estimated revenue expenditure over its estimated revenue receipts  Revenue Deficit = Revenue Expenditure – Revenue Receipts

**1 mark for each point.**

**1 \* 2 = 2 marks**

B. When subsidies are lowered,

1. revenue expenditure of the government is reduced. It leads to a cut

in fiscal deficit of the government. As a result borrowings are reduced. It leads to availability of funds to private investors. And hence growth and development of the Economy.

**1 mark for each point.**

**1\* 2= 2 marks**

2. Rate of inflation can be curbed when subsidies are lowered as government expenditure is reduced.

16. A. An economy is said to be operating at under employment equilibrium level, if the planned aggregate expenditure falls short of available output in the economy, corresponding to the full employment level. It results into excess of output available over the anticipated aggregate demand at full employment level. To tackle such a situation the aggregate demand has to be increased up to the level that the stocks can be cleared.

**1 mark for definition+**

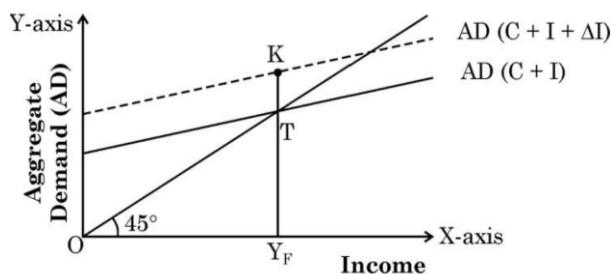
**1 mark for diagram =2 marks.**

**1 mark each for the measures**

**½ mark for point**

**heading + ½ mark for explanation**

**2+2 = 4 marks.**



Following measures may be taken for the same:

- (i) Decrease in taxes: The government under its fiscal policy may decrease the rate of taxes (both direct and indirect taxes). This will ensure greater purchasing power in the hands of general public. This will help to increase aggregate demand and remove the deflationary gap.
  - (ii) Increase in money supply: Central bank through its expansionary monetary policy can increase the money supply in the economy. Central bank can use tools like bank rate, cash reserve ratio, repo and reverse repo rates etc. to ensure greater money in the hands of general public which would in turn increase the aggregate demand in the economy and be helpful in reducing/removing the deflationary gap.
- B. At a lower level of income, a consumer spends a larger proportion of his/her income on consumption expenditure (basic survival requirements). As the income increases, owing to the psychological behavior of a consumer (rational), people tend to consume less and save

**2 marks**

more for future uncertainty.

17. A. 1. The given statement is refuted. Gross investment includes addition to capital stock which also includes replacement for the normal wear and tear (depreciation). Whereas, addition to capital stock in an economy is measured by net investment. So, in an accounting sense, if the value of depreciation becomes zero, only then gross investment will be equal to net investment. **[1 ½ for each question  
1 ½ \*2 = 3 marks]**
2. The given statement is refuted. Net factor income from abroad is the difference between factor income earned from rest of the world and factor income paid to rest of the world. If the value of factor income paid to rest of the world is greater than the factor income earned from rest of the world, the resulting value (net factor income from abroad) can be negative. **3 marks**
- B. Net value added at factor cost = domestic sales + change in stock – single use producer goods – depreciation – taxes on production + exports  
= ₹ 13 crores + ₹2 Crores - ₹ 5 crores - ₹1 crore - ₹ 1 crore + ₹ 7 crores  
= ₹ 15 crores
- Depreciation = value of durable producer goods / life span = ₹ 10 crore / 10 = ₹ 1 crore**

### SECTION B INDIAN ECONOMIC DEVELOPMENT

18. a. Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A) **[1mark for the correct answer ]**
- OR
- a. Statement 1 is true and statement 2 is false.
19. c. To meet the official and war expenses of the British. **1mark for the correct answer**
20. b. B – (ii) **1mark for the correct answer**
21. a. Commune system **1mark for the correct answer**
22. Statement 2 is true and Statement 1 is false **1mark for the correct answer**
23. c. Objective of investment in new agricultural avenues (non-farm activities) increases financial risks for the rural population. **1mark for the correct answer**

24. c. Increase in real per capita income along with equitable distribution both for the present and future generations. **1mark for the correct answer**
25. b. A-iii; B-iv; C-i; D-ii **1mark for the correct answer**
26. d. ceiling on holding **1mark for the correct answer**
27. c. Both Statement 1 and 2 are true. **1mark for the correct answer**
28. Rural Banking has played a crucial role in the process of rural development in India. [ any three points] **1 mark for each point**  
**1 \* 3= 3 marks**
- Gains:
1. The National Bank for Agricultural and Rural development (NABARD) has made significant progress in the field of rural credit.
  2. It cannot be denied that institutional credit has freed the farmers from the trap of money lenders.
- Deficiencies:
3. The rural or institutional credit has invariably been associated with securing or collateral. Consequently, a substantial number of farmers can't avail of credit. Also, commercial banks failed to encourage the habit of thrift among farmers.
  4. In addition to this, the leniency on the part of the Government to collect taxes was another setback in rural banking. This further led to the emergence of the feeling among the farmers of not repaying the borrowed amount. This increases the defaulter's rate and led to financial unfeasibility for the rural banks.
29. The issue is about dichotomy of environment in India. Environmental degradation is occurring because of staggering poverty as well as affluence owing to accelerated production activity. **1 mark for identification of the concept. 1 \*2 marks for two pints**  
**explanation 1\*2 = 2**  
**= 1+2 =3 marks**
1. Environmental degradation is caused by poverty as people are cutting trees, overgrazing their animals and polluting the water bodies as to fulfil their basic requirements.
  2. Affluence in living standard is also causing environmental degradation as due to increase in wealth people are demanding more goods for their luxury and because of which new industries are setting up , producing and usage of vehicle is also increased which is ultimately reducing the quality of environment .

30. A. The given statement is appropriate. 1 mark for each point
1. Modernisation implies use of advanced technology to enhance productivity at a faster pace. With application of modern technology, higher output is obtained at a relatively lower cost. 1 \* 2 = 2 marks
  2. However, in a labour abundant country like India modernisation may lead to an increase in unemployment as modern technology requires lesser labour per unit of output. 1 mark for each point  
1 \* 2 = 2 marks

B. Two fold motive behind systematic destabilisation of indigenous Indian industries in the British era was: -

1. To get raw material from India at cheaper rates to be used for upcoming modern industries in Britain.

To sell finished product produced by the British industries in Indian market at higher prices.

31. Analysis of occupational structure 1 mark for each point
1. The % of workforce engaged in agriculture is highest in India at 43% while that of china and Pakistan stands at 26% and 41% . 1 \* 4 = 4 marks
  2. The % of workforce engaged in industry is highest in China at 28% while that of India and Pakistan stands at 26% and 24% .
  3. The % of workforce engaged in services is highest in China at 46% while that of India and Pakistan stands at 32% and 36% .
  4. These observations points to a fact that China is far ahead of India and Pakistanin industrialization which is a sign of long period growth and development.

OR

- Analysis of demographic profile 1 mark for each point
1. As evident from the table, the rate of growth of population is the highest in Pakistan which stands at 2.1 % per annum. The corresponding rates for india and China are 1.2 % and 0.5% respectively. 1 \* 4 = 4 marks
  2. India has the most skewed sex ratio which reflects preference for male child.

3. The growth rate of population is high in India.
4. The low growth rate of population of China is due to the one child norm.

32. A. following are the main implications of inward looking trade policy (any two)
1. economization of foreign exchange:
  2. increase in domestic production
  3. increase in development
- B. following are the forms of protection
1. tariffs
  2. quotas
33. A. The environment is able to perform its functions uninterruptedly so long as the demand for these functions is within the carrying capacity of the environment. This means that the resources are not extracted beyond the rate of their regeneration. If there is a disequilibrium (demand being more than supply), the environment fails to replenish itself and it will lead to environmental crisis. Thus, to maintain a healthy environment, the carrying capacity of the environment must be valued and respected
- B. Three major steps taken by the government in the direction of improving agricultural marketing system in India, since independence are:
- i. Regulation of markets: This step was necessary in the post independence period so as to create an orderly and transparent marketing condition across India. This policy benefitted both farmers as well as consumers.
  - ii. Physical Infrastructure: This is another important aspect tackled by the government. Improvement of physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages, processing units etc. has been the target of the government since decades.

1 mark for each point  
 ½ mark for point heading and ½ mark for point explanation  
 1 \* 2 = 2 marks  
 ½ mark for identification and ½ mark for explanation  
 1 \* 2 = 2 marks

**1 mark for each point.**  
**1\*3 = 3 marks**

**1 mark for each point**  
**½ mark for point heading and ½ mark for explanation 1 \* 3 = 3 marks**

iii. regulated market yard

**OR**

- A. The given statement is quite appropriate with reference to the 'casualisation of labour' in India.
- i) For casual workers, the rights of the labour are not properly protected by labour laws. Particularly, during pandemic times, as demand for goods and services fell the casual workers were left jobless, without

**1 mark for each appropriate explanation**  
**1\*3 = 3 marks**



any compensation or support.

- ii) During the COVID-19 lockdown millions of casual workers lost their jobs, raising the question of their survival.
- iii) additional health expenditure added to their troubles. Had such workers been working under the formal sector, it would have given them some respite in their difficult times.

**1 mark for each  
appropriate  
explanation**

B. After independence, industrial development of the country could not be left to market forces of supply and demand because

- i. Big push of investment: industrial development needed a big push of investment which private sector could not afford.
- ii. Low inducement to invest: Owing to limited size of the market there was low inducement to invest.
- iii. Socialist pattern of society: the growth process played high priority on socialist pattern of society.

**1\*3 = 3 marks**

34. A. The agricultural sector was adversely affected by the reform process in the following manner- [**any three**]

**1 mark for each point  
1 \* 3 = 3 marks**

- I. Public investment in agriculture sector especially in infrastructure like irrigation, power etc. has been reduced in the reform period
- II. Removal of fertilizer subsidy has increased the cost of production affecting thereby the small and marginal farmers
- III. Increased international competitiveness due to liberalization and reduction of import duties.
- IV. Shift from food crops to cash crops due to export-oriented policy in agriculture

B. The given statement is appropriate.

**3 marks**

- 1. Over the years India has not been able to raise the educational standards to the desired level. Education Commission of 1964-66 had recommended that at least 6 % of GDP should be spent on education so as to make a noticeable rate of growth in educational achievements. However, the current expenditure level has been quite inadequate. Thus, necessary steps must be taken by the government in this direction