FIRST TERM EXAMINATION

APRIL/MAY 2018

CLASS XII

Marking Scheme – SUBJECT-ECONOMICS

<table>
<tr><th>Q.NO.</th><th>Answers</th><th>Marks (with split up)</th></tr>
<tr><td>1</td><td>The utility which can be measured in numbers are called cardinal utility (quantitatively measured)</td><td>1</td></tr>
<tr><td>2</td><td>(a) At increasing rate</td><td>1</td></tr>
<tr><td>3</td><td>An increase in rate of interest discourages the demand for loans</td><td>1</td></tr>
<tr><td>4</td><td>2.5 utils</td><td>1</td></tr>
<tr><td>5</td><td>The problem For whom to produce means how the output of goods and services is to be distributed among people in a society. Who gets more and who gets less? It is concerned with the distribution of income among the factors of production who contribute in the production process.</td><td>3</td></tr>
<tr><td>6</td><td>Utility is the want satisfying power of a commodity.
The Law of diminishing marginal utility states that when a consumer consumes more and more unit of a commodity, the utility derived from each successive unit goes on decreasing.
<table><tr><td>Units if X</td><td>Marginal Utility of X</td></tr><tr><td>1</td><td>50</td></tr><tr><td>2</td><td>45</td></tr><tr><td>3</td><td>40</td></tr><tr><td>4</td><td>35</td></tr><tr><td>5</td><td>30</td></tr></table>
OR

When marginal utility is falling but remain positive total utility increases. When marginal utility is zero, total utility is maximum When marginal utility is negative, total utility falls.

(diagram)</td><td>3</td></tr>
<tr><td>7</td><td>An economy is a system which provides people with the means to work and earn a living.
<table><tr><td>Micro economics</td><td>Macro economics</td></tr><tr><td>It is that part of economic</td><td>It is that part of economic</td></tr></table></td><td>1+3=4</td></tr>
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<tr><td></td><td>
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<tr><td>theory which studies the behavior of individual units of an economy</td><td>theory which studies the behavior of aggregates of the economy as a whole.</td></tr>
<tr><td>It aim to determine price of a commodity</td><td>It aims to determine the general price level of the economy</td></tr>
<tr><td>It is also known as price theory</td><td>It is also known as income and employment theory</td></tr>
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</td><td></td></tr>
<tr><td>8</td><td>It is a situation in which the consumer gets maximum satisfaction with his given income and market price of a commodity.
In case of a single commodity the consumer attains equilibrium when marginal utility in terms of money is equal to price of that commodity. Or MUX = PX. If MUX is greater than price, he will buy more units of the good and if MUX is less than price he will buy less. In both situations he is not in equilibrium.</td><td></td></tr>
<tr><td>9</td><td>An economic problem is the problem of making choice .
(i) Human wants are unlimited
(ii) Resources are limited
(iii)Resources have alternative uses. (explain)
OR
A centrally planned economy is the one in which the resources are owned and controlled by the government. All decisions are taken by the central authority. The central problems are solved by the planning authority.
Ina market economy the resources are owned and controlled by the individuals. All decisions are taken by the market forces of demand and supply. Government does not interfere in the process of decision making.</td><td>1+3

2+2</td></tr>
<tr><td>10</td><td>By an allocation of resources, we mean how much of which resources is devoted to the production of each of the goods and services.
Resources available to an economy are scarce. An economy cannot produce all that the society needs. This compels the economy to utilize its scarce means so that society gets maximum satisfaction. The society has to decide whether to produce more of consumer goods or capital goods. If it produces more of wheat some units of cotton has to be sacrificed.
<table>
<tr><th>Production possibility</th><th>Wheat</th><th>cotton</th></tr>
<tr><td>A</td><td>0</td><td>15</td></tr>
<tr><td>B</td><td>1</td><td>14</td></tr>
<tr><td>C</td><td>2</td><td>12</td></tr>
<tr><td>D</td><td>3</td><td>9</td></tr>
<tr><td>E</td><td>4</td><td>5</td></tr>
<tr><td>F</td><td>5</td><td>0</td></tr>
</table>
</td><td>6</td></tr>
</table>

<table>
<tr><td>11</td><td>Various combinations of two goods which can be produced with given resources and technology, which are fully and efficiently utilized.
The resources available are fixed, given resources are fully and efficiently employed, resources are not equally efficient in the production of all goods.
PPC is downward sloping: it is because to increase the production of one good some units of the other good has to be sacrificed
PPC is concave to the origin: It is because of increasing Marginal Rate of Transformation.
OR
Marginal Opportunity cost is the loss of output of one good when a unit more of other good is produced.
MOC = amount of Good Y lost/amount of good X gained.
<table>
<tr><td>Good X</td><td>Good Y</td><td>MOC =</td></tr>
<tr><td>0</td><td>10</td><td>--</td></tr>
<tr><td>1</td><td>9</td><td>1</td></tr>
<tr><td>2</td><td>7</td><td>2</td></tr>
<tr><td>3</td><td>4</td><td>3</td></tr>
<tr><td>4</td><td>0</td><td>4</td></tr>
<tr><td></td><td></td><td></td></tr>
</table>
(b) Make in India appeal by the Prime Minister of India is an initiative to encourage the producers to launch their production establishments in India. This is expected to increase the inflow of foreign capital in the domestic economy. Resources of the country expected to rise along with the availability of advanced technology. PPC will shift to the right.</td><td>1+1+2+2

3+3</td></tr>
<tr><td>12</td><td>Px=Rs.5 Py =Rs.4 MUx=4 MUy = 5
The consumer attains equilibrium when:
Mux/Px = MUy/Py
Here 4/5 is less than 5/4. Since X is relatively expensive than Y, the consumer will buy less of X and more of Y. As a consequence Mux/Px will start rising whereas MUy/Py will start falling. This process will continue till MUx/Px=MUy/Py and equilibrium gets established.</td><td>6</td></tr>
<tr><td>13</td><td>It refers to the expenditure by the producer on the purchase of all such goods which add to his stock of capital.</td><td>1</td></tr>
<tr><td>14</td><td>Gross domestic product</td><td>1</td></tr>
<tr><td>15</td><td>The counting of the value of the commodity more than once in the computation of national income is called the problem of double counting.</td><td>1</td></tr>
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<tr><td>16</td><td>Real GDP = Nominal GDP/Price Index x 100
150/120 x 100 = 125 billion</td><td>1</td></tr>
<tr><td>17</td><td>In a two sector economy there are only two sectors of economic activity, namely households and firms. Households supply factor services to firms and firms hire factor service from households. Households spend their entire income on consumption. Firms sell what is produced to the households. There are two types of markets. Product market (market for goods and services) and factor market- market for factors of production.</td><td>3</td></tr>
<tr><td>18</td><td>
<table>
<tr><td>Intermediate Goods</td><td>Final Goods</td></tr>
<tr><td>Intermediate Goods are those goods which are used as raw material for further production or purchased for resale.</td><td>Final goods are those goods which are used either for final consumption or for investment.</td></tr>
<tr><td>These goods are within the boundary line of production.</td><td>These goods have crossed the boundary line of production.</td></tr>
<tr><td>Value is yet to be added to these goods by way of further processing or resale.</td><td>Value is not to be added to these goods by way of further processing or resale.</td></tr>
<tr><td>These goods are not included in the estimation of national income.</td><td>These goods are included in the estimation of national income.</td></tr>
<tr><td>Eg: Raw materials.</td><td>Eg: Milk used by house holds</td></tr>
</table>
OR
<table>
<tr><td>Factor Income</td><td>Transfer Receipt</td></tr>
<tr><td>It refers to income received by factors of production for rendering factor services in the process of production</td><td>It refers to income received without rendering any productive services in return.</td></tr>
<tr><td>It is included in both national income and domestic income</td><td>It is neither included in national income nor in domestic income</td></tr>
<tr><td>It is an earning concept</td><td>It is a receipt concept.</td></tr>
<tr><td>Eg: Rent, Interest, profit</td><td>Eg: Scholarship, Charity, Gift.</td></tr>
<tr><td></td><td></td></tr>
</table>
</td><td>3</td></tr>
<tr><td>19</td><td>NVAfc = sales + change in stock-intermediate cost-depreciation-Net indirect tax
2000= sales + 500-3000-700+200
Sales= 2000-500+3000+700-200
=Rs.5000 lakh</td><td>4</td></tr>
<tr><td>20</td><td>Real GDP refers to GDP measured in terms of constant market price.(base year price). Nominal GDP refers to GDP</td><td>2=2=4</td></tr>
</table>

	measured in terms of current market prices. (i) Real GDP enables us to make periodic comparison of the changes in the growth of output (ii) Real GDP facilitates international comparison of economic performance across the countries. OR Domestic product is the money value of final goods and services produced within the domestic territory during a year. The domestic product is a geographic concept. Net factor income is not included. National product is the money value of final goods and services produced by normal residents of a country during a year. The national product is an economic concept.(normal residents) it includes net factor income from abroad. Domestic product can be more than national product when net factor income from abroad is negative.	
21	National Income = private final consumption exp+ Government final consumption exp+ gross domestic capital formation + net exports – depreciation + NFIA –Net indirect tax 600+200+125+10- (-)20-25+5-5 = Rs.930 crores.	4
22	(i) Transfer payments are not included (ii) Sale of second hand goods are not included in national income accounting (iii) Imputed value of owner occupied house is included (iv) Illegal income and windfall gains are not included (v) Sale and purchase of shares are not included. They are financial claims OR (i) Will not be included in national income because it is a transfer payment and does not contribute to the flow of goods and services. (ii) Included in national income accounting because it is a factor income for his services in the past.(deferred wage) (iii) Not included because it is an intermediate cost.	6
23	(i) Distribution of GDP (ii) Non-monetary exchanges (iii) Externalities.	2x3=6
24	Net National Product at Market Price= wages and salaries + social security contribution by employers + Rent & Interest +undistributed profits + dividends + corporation Tax + Mixed Income + net factor income from abroad + NIT 1800+200+6000+400+120+80+1000+(-)70+100 = Rs.9630 crores GDPfc = (ii)+(x)+(i)+(iii)+(vi)+(viii)+(xi)+(ix) 1800+200+6000+400+120+80+1000+50 =Rs.9650 crores.	3+3=6