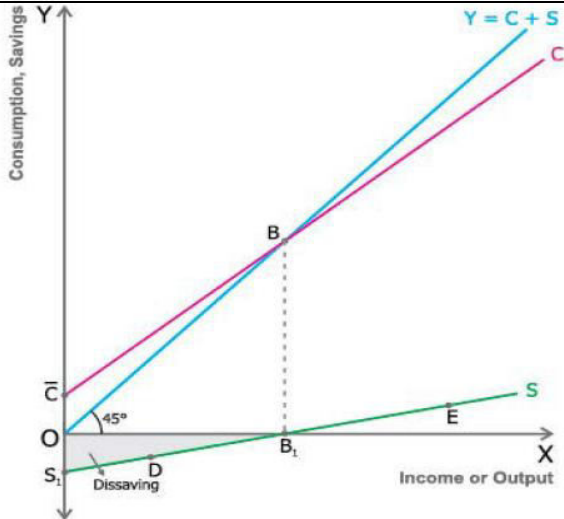


INDIAN SCHOOL MUSCAT
FINAL EXAMINATION
JANUARY 2021
CLASS XII

SET A

Marking Scheme – ECONOMICS [THEORY]

Q.NO.	Answers	Marks (with split up)
PART A - MACRO ECONOMICS		
1.	False	1 Mark
2.	(d) Currency notes and coins	1 Mark
3.	(a) Distribution objective	1 Mark
4.	(b) It neither creates any liability nor reduces any asset of the government.	1 Mark
5.	(c) $S = -100 + 0.25 Y$	1 Mark
6.	(b) Increase in government expenditure	1 Mark
7.	(a) Rising GNP at constant prices	1 Mark
8.	(d) GDP is derived by adding Taxes on Products net of Subsidies on Products to GVA at Basic Prices.	1 Mark
9.	(a) Rising prices.	1 Mark
10.	(c) Output less intermediate cost.	1 Mark
11.	<ul style="list-style-type: none"> Depreciation is used under the floating exchange rate system that is when the currency loses or gains value because of fluctuations in demand and supply. Devaluation is value of a currency is decided by the government. Devaluation of currency is the deliberate value of currency decided by the government. Both 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. <p style="text-align: center;">OR</p> <p>At the exchange rate ₹70 per US\$, it costs ₹700 per shirt in the US but only ₹600 in India. That is, international competitiveness of shirts reduced in India gets better. In that case, all foreign customers would buy shirts from India. Thus, exports of shirts from India will increase.</p>	3 2 marks for distinction 1 mark for affect on exports 3 marks
12.	<p>Balance of Trade (or trade balance) is the difference between value of exports and imports of goods. Its scope is narrower since it records transactions in goods only. Balance of payments is an account which records the transactions in goods, services, incomes, transfers and assets between residents of a country with the</p>	3 1+1 +1/2 +1/2 1 marks each for definition

	<p>(c) It is a Capital Expenditure because it increases asset of the government.</p> <p>(d) It is a Capital Expenditure because it reduces the liability of the government.</p>	
16.	<p>(a) False: Sales by a firm includes sales not only to domestic buyers but also to buyers abroad (i.e. exports).</p> <p>(b) True: GDP_{mp} includes the market value of all final goods and services produced within the domestic territory of a country in a year, regardless of whether production unit is owned by a local company or a foreign entity.</p> <p>Domestic factor income (NDP_{fc}) = Compensation of employees (wages and salaries) (+) Interest received by households (+) Rent and royalty (+) Profit (+) Mixed income of self-employed $= 5,000 + 600 + 700 + 1,200 + 8,000$ $= ₹ 15,500$</p> <p>Net Domestic Product at market price = Domestic factor income (NDP_{fc}) (+) Net indirect tax $= 15,500 + 850$ $= ₹ 16,350$</p>	<p>6</p> <p>1 mark each for T/F with reason $1 + 1 = 2$ marks</p> <p>4 marks</p> <p>1 mark formula 1 for values 1 mark for calculation 1 mark for final answer.</p>
17.	 <p>Derivation of savings curve from consumption curve</p> <p>The given figure shows the derivation of savings curve from consumption curve.</p> <ul style="list-style-type: none"> Step 1: Draw a 45° line from origin. Given consumption curve CC intersects it at B (Break-even point). Corresponding to the Break-even point is the level of income at which consumption equals income ($C = Y$). Therefore, savings is zero ($S = 0$). Step 2: Take OS1 equal to O because at zero income, negative savings is exactly equal to the autonomous consumption. Step 3: From the break-even point B, we draw a perpendicular on X- 	<p>6</p> <p>2 marks for the diagram with proper labelling</p> <p>4 marks for the steps of derivation</p>

	<p>axis which cuts the X-axis at B1. At OB1 level of income, savings must be zero because at this level of income consumption equals income.</p> <ul style="list-style-type: none"> Step 4: Join S1 and B1 and extend it by a straight line to get the savings curve S1S. <p style="text-align: center;">OR</p> <p>(a) The economy will be in full-employment equilibrium if aggregate demand is equal to aggregate supply at full employment. However, the equilibrium level of income/output is not always associated with full employment.</p> <ul style="list-style-type: none"> ◆ If aggregate demand is less than aggregate supply at full employment, then it is a situation of deficient demand in the economy which gives rise to deflationary gap. ◆ On the other hand, if aggregate demand is more than aggregate supply at full employment, then a situation of excess demand exists in the economy which gives rise to inflationary gap. <p>(b) Credit creation by commercial banks in inflationary situation in the economy increases the money supply and hence aggregate demand. It creates the situation of excess demand and inflationary gap if aggregate demand exceeds the full employment level of output/income</p>	<p>2 marks for deficient demand</p> <p>2 marks for excess demand</p> <p>2 marks for credit creation</p>
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PART B - INDIAN ECONOMIC DEVELOPMENT		
18.	(d) Low level of literacy, high mortality rates, low life expectancy and high level of poverty.	1 mark
19.	Inward looking trade strategy, Import Substitution	1 mark
20.	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion(A)	1 mark
21.	(d) Assertion (A) is false but Reason (R) is true	1 mark
22.	(b) Disinvestment	1 mark
23.	(c) It sustains life by providing genetic and biodiversity.	1 mark
24.	(b) Reduced	1 mark
25.	(d) All of these	1 mark
26.	(b) 0.63 ha	1 mark
27.	(c) Increased Marginally	1 mark
28.	(a) False: Modernisation does not refer only to the use of new technology but also to changes in social outlook such as the recognition that women should have the same rights as men. A modern society makes use of the talents of women in the work place	3 ½ mark each for True/False

	<p>– in banks, factories, schools etc.</p> <p>(b) True: A country can have high growth, the most modern technology developed in the country itself, but most of its people are living in poverty. Equity is important to ensure that the benefits of economic prosperity reach the poor sections as well instead of being enjoyed only by the rich.</p>	1 mark each for explanation
29.	<p>Firms spend on giving on-the-job training to their workers. Workers may be trained in the firm itself under the supervision of a skilled worker or sent for off-campus training. After their on-the-job training, firms can recover the benefits of the enhanced productivity owing to the training. Expenditure regarding on-the-job training is a source of human capital formation as the return of such expenditure in the form of enhanced labour productivity is more than the cost of it</p> <p style="text-align: center;">OR</p> <p>To know the level of salaries associated with various types of jobs, whether the educational institutions provide the right type of employable skills and at what cost. This information is necessary to make decisions regarding investments in human capital as well as for efficient utilisation of the acquired human capital stock</p>	3 marks
30.	<p>Measures of deregulation of the industrial sector</p> <ul style="list-style-type: none"> • Industrial licensing was abolished for almost all products except a few product categories – alcohol, cigarettes, hazardous chemicals, industrial explosives, electronics, aerospace and drugs and pharmaceuticals. • The only industries which are now reserved for the public sector are a part of defence equipment, atomic energy generation and railway transport. • Many goods produced by small-scale industries have now been dereserved. • In many industries, the market has been allowed to determine the prices. 	<p>4</p> <p>1 mark each 1 X 4 = 4 marks</p>
31.	<p>Monetary value (monthly per capita expenditure) of the minimum calorie intake that was estimated at 2,400 calories for a rural person and 2,100 for a person in the urban area.</p> <p>Based on this, in 2011-12, the poverty line was defined for rural areas a consumption worth ₹816 per person a month and for urban areas it was ₹1,000.</p> <p>(i) It groups all the poor together and does not differentiate between the very poor and the other poor.</p> <p>(ii) This mechanism takes into account expenditure on food and a few select items as proxy for income. Other factors such as accessibility to basic education, health care, drinking water and sanitation are not considered.</p> <p>(iii) Does not take into consideration social factors that perpetuate poverty such as illiteracy, ill health, lack of access to resources, discrimination or lack of civil and political freedoms.</p> <p style="text-align: center;">OR</p> <p>(a) Prime Minister's Rozgar Yojna (PMRY) – The educated</p>	<p>4</p> <p>Poverty line 2 marks</p> <p>1 mark each</p>

	<p>unemployment from low-income families in rural and urban areas can get financial help to set up any kind of enterprise that generates employment.</p> <p>(b) Mahatma Gandhi National Rural Employment Guarantee Act, 2005 – This Act provides guaranteed wage employment to every rural household whose adult volunteer is to do un- skilled manual work for a minimum of 100 days in a year. The poor unskilled people in rural areas who are ready to work at the minimum wage can report for work in areas where this programme is implemented.</p>	2 marks each
32.	<p>GBD is an indicator used by experts to gauge the number of people dying prematurely due to a particular disease, as well as, the number of years spent by them in a state of ‘disability’ owing to the disease.</p> <p>Urban-Rural and Poor-Rich Divide: People living in rural India do not sufficient medical infrastructure.</p> <ul style="list-style-type: none"> Nearly 70% of the population of India lives in rural areas which has only 20% of the total hospitals of the country. Out of the 6.3 lakh beds in government hospital, only 30% are available in rural areas. Only 38% of the Primary Health Centers have the required number of doctors and only 30% PHCs have sufficient stock of medicines. The PHCs located in the rural areas do not even offer X ray or blood testing facilities. 	<p>4</p> <p>2 marks for GBD</p> <p>2 marks for any two points</p>
33.	<ul style="list-style-type: none"> Rural development is quite a comprehensive term but it essentially means a plan of action for the development of rural areas which are lagging behind in socio-economic development. Inadequate infrastructure, lack of alternate employment opportunities in the industry or service sector, increasing casualisation of employment etc., impede rural development. The impact of this phenomenon can be seen from the growing distress witnessed among farmers across different parts of India. <p>Key Issues in Rural Development</p> <p>Some of the areas which are challenging and need fresh initiatives for development in rural India include:</p> <ul style="list-style-type: none"> Development of human resources including – literacy, more specifically, female literacy, education and skill development – health, addressing both sanitation and public health Land reforms Development of the productive resources of each locality <p style="text-align: center;">OR</p> <ol style="list-style-type: none"> Regulation of markets: The first step was to create orderly and transparent marketing conditions. By and large, this policy benefited farmers as well as consumers. Provision of physical infrastructure: The second component is provision of physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages and processing units. Cooperative marketing: Cooperative marketing, in realising fair prices for farmers’ products, is the third aspect of government 	<p>6</p> <p>2 marks for definition</p> <p>2 marks for need of infrastructure</p> <p>2 marks for key issues</p> <p>Any three</p> <p>2 marks each</p>

	<p>initiative. The success of milk cooperatives in transforming the social and economic landscape of Gujarat and some other parts of the country is testimony to the role of cooperatives.</p> <p>4. Policy instruments: The fourth element is the policy instruments like:</p> <ol style="list-style-type: none"> assurance of minimum support prices (MSP) for agricultural products, maintenance of buffer stocks of wheat and rice by Food Corporation of India and Distribution of food grains and sugar through Public Distribution System (PDS). <p>5. These instruments are aimed at protecting the income of the farmers and providing food grains at a subsidized rate to the poor.</p>	
34.	<p>The given statement is correct.</p> <p><u>INDIA</u></p> <ul style="list-style-type: none"> The annual growth of GDP increased moderately from 5.7% during 1980-90 to 7.3% during 2015-2017. The share of service sector in GDP is the largest (53%). A majority of its people still depend on agriculture. In 2015-2017 about 43% of India workforce was engaged in agriculture. Infrastructure is lacking in many parts of the country. It is yet to raise the level of living of more than one-fourth of its population that lives below the poverty line <p><u>PAKISTAN</u></p> <ul style="list-style-type: none"> The annual growth rate of GDP has fallen from 6.3% during 1980-90 to 5.3% during 2015-2017. The official data of Pakistan indicate rising poverty there. The proportion of poor which was 25 per cent in 1980s started rising again in 1990s. Political instability over a long period of time, over dependence on remittances and foreign aid and volatile performance of agricultural sector are the reasons for the slowdown of the Pakistan economy. However, during the last three years, Pakistan has recovered its economic growth. In 2015-16, GDP growth rate was 4.7%, highest in last 8 years. Many macroeconomic indicators also began to show stable and positive results. <p><u>CHINA</u></p> <ul style="list-style-type: none"> In China, the lack of political freedom and its implication for human rights are major concerns; yet, in the last three decades, it used the 'market system without losing political commitment' and succeeded in raising the level of growth along with alleviation of poverty. China has used the market mechanism to create additional social and economic opportunities. By retaining collective ownership of land holdings and allowing individuals to cultivate lands (Commune Farming), China ensured social security in rural areas. Public investment in infrastructure brought about positive results in 	<p>6</p> <p>2 marks each for any two points each on the three countries.</p>

	human development indicators in China.	
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