

FIRST PRELIMINARY EXAMINATION

SET A

JANUARY 2019

CLASS XII

Marking Scheme – SUBJECT [THEORY]

Q.NO.	Answers	Marks (with split up)																														
1.	What to produce Or For whom to produce	1																														
2.	d) Non diminishing	1																														
3.	The quantity of commodity offered for sale by all firms in the market at a particular price in given period of time. Or The upward movement along the supply curve due to rise in price and rise in quantity supply.	1																														
4.	Total product increases	1																														
5.	<p>A production possibility curve is downward sloping because of MOC. It means society must sacrifice one commodity to produce one more unit of another commodity.</p> <table> <tr> <td>Good1</td><td>Good 2</td><td>MOC</td></tr> <tr> <td>1</td><td>15</td><td>---</td></tr> <tr> <td>2</td><td>14</td><td>1</td></tr> <tr> <td>3</td><td>12</td><td>2</td></tr> <tr> <td>4</td><td>9</td><td>3</td></tr> </table> <p>Or</p> <p>Opportunity cost is defined as the next best alternative sacrifice. Due to MOC a production possibility curve is down ward sloping</p> <table> <tr> <td>Good1</td><td>Good 2</td><td>MOC</td></tr> <tr> <td>1</td><td>15</td><td>---</td></tr> <tr> <td>2</td><td>14</td><td>1</td></tr> <tr> <td>3</td><td>12</td><td>2</td></tr> <tr> <td>4</td><td>9</td><td>3</td></tr> </table>	Good1	Good 2	MOC	1	15	---	2	14	1	3	12	2	4	9	3	Good1	Good 2	MOC	1	15	---	2	14	1	3	12	2	4	9	3	<p>1mark</p> <p>Table 2mark</p> <p>1 mark 2mark</p>
Good1	Good 2	MOC																														
1	15	---																														
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6.	The related goods are of two types , substitute and complimentary good. When the price of substitute rises demand for the commodity under consumption increases because substitute becomes expensive. When the price of complimentary rises demand for the commodity under study decreases because they are jointly demanded. (No need diagram)	1 ½ +1 ½																														
7.	The demand curve under perfect competition is perfectly elastic ie, parallel to X axis .Under this market firms charge uniform price to sell more quantity	2+2																														

	and product has close substitutes. Under monopolistic market firms are able to sell more output at less price so demand curve slopes downward but elastic as there are substitutes available. Or A form of oligopoly market in which firm do not cooperate each other and follow independent price policy. Due to interdependency among the firm, the ruling price is rigid under this market so we cannot find demand curve under this market. (1+ 3)																					
8.	Elasticity of demand = $20\% / 20\% = -1$ (writing the equation can give one mark) % quantity = $1 = x\% / 30\% = 30\%$						2 marks 2marks															
9.		Output	Average fixed cost	Average cost	Average variable cost	Marginal cost	$\frac{1}{2} \times 8 = 4$															
		1	--90--	140	---50-	-50---																
		2	--45--	--90--	45	--40--																
		3	30	--75--	---45-	45																
10.	When a firm sells more output at given price Total revenue increases at constant rate Marginal revenue is constant and positive and average revenue is constant <table><tr><td>Output</td><td>price</td><td>total revenue</td><td>MR</td><td>AR</td></tr><tr><td>1</td><td>10</td><td>10</td><td>10</td><td>10</td></tr><tr><td>2</td><td>10</td><td>20</td><td>10</td><td>10</td></tr></table> Any relevant numbers with constant price. $AR = TR/Q$, $TR = PXQ$ so $AR = P$ Or When Price falls AR falls so MR also Falls bur $AR > MR$ (diagram) When MR falls and Positive TR increases at diminishing rate. MR reaches Zero TR maximum and constant MR is negative TR falls . (MR and TR diagram)						Output	price	total revenue	MR	AR	1	10	10	10	10	2	10	20	10	10	2 3 marks 1 mark 2mark 4 marks
Output	price	total revenue	MR	AR																		
1	10	10	10	10																		
2	10	20	10	10																		
11.	When there is technical progress. Market supply of the commodity increases which results excess supply in the market. Excess supply brings the competition among the sellers in the market and bargaining power of buyer increases. So price falls and qty rises which is illustrated in the diagram.						4+2 marks for diagram															
12.	Cardinal Approach A consumer is in equilibrium when $MU_x = MU_y$ When $MU_x > MU_y$ consumer buys more of X by transferring income from						3+3															

	<p>the consumption of Y. So marginal utility from X diminishes until $MU_x = MU_y$.</p> <p>Ordinal approach A consumer is in equilibrium when $MRS = \text{price ratio}$. When $MRS_{xy} > \text{price ratio}$ means consumer now sacrifices more units of Y than actually required. So consumer loses his utility. Later consumer sacrifices less and less units of Y so MRS diminishes until $MRS_{xy} = \text{price ratio}$ and reaches equilibrium.</p> <p style="text-align: center;">SECTION B (MACRO ECONOMICS)</p>	
13.	D) savings under national saving scheme	1
14.	<p>The gap arises in the economy when actual $AD > AS$ at full employment equilibrium</p> <p style="text-align: center;">Or</p> <p>The situation when Actual AD less than full employment equilibrium output.</p>	1
15.	Repo rate is the interest paid for short term loans by commercial and bank rate for long term loans interest paid by commercial bank to CB	1
16.	The rate of change in consumption is less than rate of change in income	1
17.	<p>The government seeks to reallocate resources in consideration with social welfare when market or private providers fail do so is called allocation function It means provision of public goods like street light or discouraging the production of goods which are injurious to health like wine . On the other hand production of socially useful goods like Khadi is encouraged through subsidies. This function is achieved through budgetary instruments of taxation and expenditure policy</p> <p style="text-align: center;">Or</p> <p>Stabilization function indicates bringing Price stability and Economic stability and achieving stable economic growth. The expenditure policy in Budget uses to remove the problems like unemployment and ensures economic stability in the economy. In order to maintain price stability that is correcting inflation and deflation Government uses taxation policy .</p>	3
18.	<p>Revenue Deficit:-</p> <p>1)It refers to the excess of total revenue expenditure of the government over its total revenue receipts.</p> <p>2) Revenue deficit = Total Revenue expenditure - Total Revenue receipts</p> <p>3) Revenue deficit indicate governments own revenue is insufficient to meet its daily expenditure</p> <p>1) Fiscal deficit is defined as excess of total expenditure over total receipts excluding borrowing during a fiscal year.</p>	1 ½ x 2

	<p>2) Fiscal Deficit = Total Expenditure - Total Revenue other than borrowing</p> <p>Fiscal deficit shows the borrowings requirements of the govt. during the budget year. .</p>	
19.	<p>Currency issued by central bank but deposits created by commercial bank. By creating deposits central bank create adequate credit also depends on the initial deposit and LRR .</p> <p>Commercial bank mainly lend money to investors , so investment in the economy increases. Due the action of investment multiplier national income of the country increases.</p>	4
20.	<p>a) $AD = 200 + .75 \times 2000 = 1950$ MPC : MPS 3:1 since their sum is 1 MPC is $\frac{3}{4}$ and MPS is $\frac{1}{4}$</p> <p>b) Multiplier = $\frac{1}{0.25} = 4$</p>	4
21.	<p>Externalities are the benefits or harms that a third party experience due to production. Benefits are called positive externalities and harms are called negative externalities. There is no market for externalities so the externalities causes over estimation or under estimation of GDP.</p> <p style="text-align: center;">Or</p> <p>The Value of goods and services are calculated on the basis constant or base year price is called Real GDP.</p> <p>No monetary transaction are the exchanges without the use of Money .Eg:Mother cooks for her family members or transaction like barter exchanges. Normal estimates of GDP its value not includes so It causes under estimation of GDP.</p>	4
22.	<ol style="list-style-type: none"> 1. Draw a saving curve which is upward sloping from –ve section to positive in which label –A as dissaving B as breakeven point where $S = 0$. 2. Draw another X and Y axis below the saving curve in which X axis shows income and Y axis shows consumption. 3. Draw 45 degree line and take –A as A to represent autonomous consumption and extend the point B as B' on 45 degree line to show $c = y$ or breakeven point. 4. Draw a straight line starts from A which passes through B' is the consumption curve. (Diagram) <p style="text-align: center;">Or</p> <p>An economy is in equilibrium when planned AD = Planned AS</p> <p>$AS = Y (\text{Income}) = C + S$</p> <p>$AD = C + I$ in a two sector economy.</p> <p>At eqm $C + I = C + S$, So $S = I$</p> <p>Economy can be in eqm both the conditions are satisfied . 3 marks</p> <p>(Diagram) 3 marks with labelling</p>	4+ 2 marks for diagram
23.	a) BoP is a systematic record of all eco transaction between residents and	3+3

	<p>ROW .</p> <p>When Autonomous inflow is not equal to autonomous outflow BoP is imbalance. To correct this balance accommodating items are used because BoP must be balanced.</p> <p>b) The withdrawal causes outflow of forex which leads to decrease in supply of forex. Excess demand for forex rises. Market exchange rate rises.</p>	
24.	<p>a) $GDP_{mp} = GDP_{mp} = 720 + 230 + 150 + 25 + 130 + 75 + 100 + 30 + 20 = 1480$</p> <p>b) Changes in stock $1480 + 400 - 700 = 1180$</p>	4 + 2