

## FIRST PRELIMINARY EXAMINATION

JANUARY 2019

SET C

## CLASS XII

## Marking Scheme – SUBJECT [THEORY]

Q.NO.	Answers	Marks (with split up)																														
1.	d) Non diminishing	1																														
2.	What to produce Or For whom to produce	1																														
3.	Total product increases	1																														
4.	The graphical representation of quantity supplied by all firms at particular price in a given period of time. Or Increase or decrease in supply or shift of the supply curve due to factor influencing supply other than price .	1																														
5.	Depending on the relation with income commodities are inferior good and normal good. When there is rise in income of the consumer demand for normal good increases so demand curve shift to its right. When income rises demand for an inferior good decreases so demand curve shifts to left. ( diagram not required)	1 ½ +1 ½																														
6.	<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>
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	<p>Or</p> <p>When Price falls AR falls so MR also Falls bur <math>AR &gt; MR</math> ( diagram)</p> <p>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 )</p> <p>SECTION B ( MACRO ECONOMICS)</p>	<p>1 mark</p> <p>2mark</p> <p>4 marks</p>
13.	C ) The rate of change in consumption is less than rate of change in income	1
14.	<p>In An economy when actual <math>AD &gt; AS</math> at full employment equilibrium is called excess demand</p> <p>Or</p> <p>Total value of goods and services produced in an economy in year.( NI)</p>	1
15.	Repo rate is for short term loans interest paid by commercial bank and reverse repo rate is the interest paid by central bank to commercial bank	1
16.	D ) savings under national saving scheme	1
17.	<p>Revenue Deficit:-It refers to the excess of total revenue expenditure of the government over its total revenue receipts.</p> <p>Revenue deficit = Total Revenue expenditure - Total Revenue receipts</p> <p>Implication</p> <p>Government is dissaving --- Interest liability increases ---- forced to cut daily consumption expenditure</p>	3
18.	<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>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>	1 ½ x 2
19.	Externalities are the benefits or harms that a third party experience due to production. Benefits are called positive externalities and harms are called	4

	<p>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>	
20.	<p>Sum of ratio = 5 so mpc is <math>4/5 = 0.8</math></p> <p>a) <math>AD = 200 + .80 \times 2000 = 1800</math></p> <p>b) Multiplier = <math>1/0.2 = 5</math></p>	4
21.	<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
22.	<p>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 <math>S = 0</math> .</p> <p>2. Draw another X and Y axis below the saving curve in which X axis shows income and Y axis shows consumption.</p> <p>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 <math>c = y</math> or breakeven point.</p> <p>4. Draw a straight line starts from A which passes through B' is the consumption curve. ( Diagram )</p> <p style="text-align: center;">Or</p> <p>An economy is in equilibrium when planned <math>AD = \text{Planned } AS</math></p> <p><math>AS = Y (\text{Income}) = C + S</math></p> <p><math>AD = C + I</math> in a two sector economy.</p> <p>At eqm <math>C + I = C + S</math> , So <math>S = I</math></p> <p>Economy can be in eqm both the conditions are satisfied . 3 marks</p> <p>( Diagram ) 3 marks with labelling</p>	4+2
23.	<p>a) BoP is a systematic record of all eco transaction between residents and 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</p>	3+3

	rises which means value of domestic currency falls so depreciation of currency	
24.	GDPmp = wages and salaries + rent and royalty + retained earning + c tax + Changes in stock = 1190	4 + 2