

INDIAN SCHOOL MUSCAT
SECOND PRE BOARD EXAMINATION
APRIL - 2021

SUBJECT : ECONOMICS

MARKING SCHEME

SET - C

Ques. No.	Value Points
1	True
2	(b) Increase in government expenditure
3	(c) C-iii
4	(c) inversely, directly
5	(a) Payments of the country exceed receipts of the country
6	(a) Both (A) and (R) are true and (R) is the correct explanation of (A).
7	indirectly
8	(d) Total reserves equal initial deposits
9	(c) Portfolio investment
10	(b) below the line, above the line
11	Rise in exchange rate from 1 \$ = ₹70 to 1 \$ = ₹74 means depreciation of Indian currency. Prices of imports of petroleum will rise. So, imports decrease. The Reserve Bank of India should sell US Dollars from its foreign exchange reserves. As a result, supply of foreign exchange (dollars) in the foreign exchange market increases. It will lead to fall in the foreign exchange rate.
12	Nominal GDP is the value of GDP calculated as per the current market prices Real GDP is the value of GDP calculated as per the selected base year market prices OR Composition of GDP may not be welfare oriented even when the level of GDP tends to rise. There is no direct increase in the welfare of the masses if GDP has risen owing largely to the increase in the production of defence goods.
13	(a) Currency held by the public (b) Net DD held by the commercial Banks (c) Other deposits held by the RBI OR (a) Currency Authority (b) Banker to the government (c) Banker's bank and supervisor (d) Controller of money supply and credit (Explanation)
14	The economy is in equilibrium at the point where the C + I curve intersects the 45o line at point E. The level of desired spending on consumption and investment EXACTLY EQUALS the level of total output. When consumers and firms together buy less goods than firm produces. When AD for a level of output is Less than the equilibrium level OR when $AD < AS$. It means Deflation (also known as Deficient Demand). This leads to an unplanned undesired increase in inventories of unsold goods. Firms would respond to this unplanned inventory increase by

	<p>decreasing employment and output.</p> <p>This process of decrease continues till the economy is back at equilibrium output level and there is no further tendency to change.</p> <p>When AD for a level of output is Greater than the equilibrium level OR when $AD > AS$. It means consumers and firms together buy more goods than firms produce (also known as Excess Demand/Inflation). Firms would respond to this unplanned inventory decrease by increasing employment and output.</p> <p>This process of decrease continues till the economy is back at equilibrium output level and there is no further tendency to change.</p>
15	<p>$MPS = \Delta s / \Delta y = 0.20$</p> <p>Investment multiplier (K) = I / MPS</p> <p>$= 1 / 0.20 = 5$</p> <p>Investment Multiplier (K) = $\Delta y / \Delta I$</p> <p>$5 = 6000 \times \Delta I$</p> <p>$= ₹1,200 \text{ crore}$</p> <p>Increase in investment by ₹1,200 crore is required to attain an additional income of ₹6000 crore.</p>
16	<p>(i) Operating system (OS):</p> <p>$= \text{Rent} + \text{Interest} + \text{profit (corporation tax} + \text{dividend} + \text{undistributed profit)}$</p> <p>$= 800 + 460 + 940 + 300$</p> <p>$= ₹2500$</p> <p>(ii) Domestic Income (NDP_{fc}):</p> <p>$= COE + OS + MISE$</p> <p>$= 2000 + 2500 + 200$</p> <p>$= ₹4700 \text{ crore.}$</p>
17	<p>Revenue receipts are those receipts of government which neither lead to increase in its liabilities nor reduction in its assets. For example: income tax, profit of PSU, dividends, fees and fines etc.</p> <p>Capital Receipts are those receipts of government which either lead to increase in its liabilities or reduction in its assets. For Example: receipts from recovery of loans, borrowings, receipts from disinvestment.</p> <p>Revenue Expenditure are those expenditures of government which neither reduce liabilities of the government nor increase assets of the government</p> <p>In the case of a direct tax, the taxpayer is the person who bears the burden of it. Conversely, in the case of an indirect tax, the taxpayer, shifts the burden on the consumer of goods and services and that is why the incidence falls on different persons (any other relevant point)</p> <p style="text-align: center;">OR</p> <p>1. Revenue Deficit: Revenue deficits are defined as the excess of revenue expenditure over receipts. -</p> <p>Revenue Deficit = Revenue Expenditure - Revenue Receipts</p> <p>2. Fiscal Deficit: Fiscal deficit is a wider concept. It is total borrowings and other liabilities of the government.</p> <p>Fiscal Deficit = Total Expenditure - Total Receipts other Borrowings and other Liabilities</p> <p>3. Primary Deficit: Primary deficit is equal to fiscal deficit reduced by interest payments.</p> <p>Primary Deficit = Fiscal Deficit - Interest Payments</p> <p>Large fiscal deficit means large amount of borrowings and correspondingly large burden of</p>

	<p>interest payments in the future. The implications of fiscal deficit are as follows:</p> <ol style="list-style-type: none"> Causes Inflation. Growing Indebtedness. Reduces Future Growth and Development. <p>Measures to correct deficit</p> <ol style="list-style-type: none"> Monetary Expansion or Deficit Financing: Borrowing from the Public: Disinvestment: Lowering Government Expenditure: Raising Government Revenue
18	(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
19	(d) All of these
20	(b) Structural composition
21	D – (iv)
22	(ii), (i), (iii), (iv)
23	(a) Attract foreign investors.
24	Indebtedness
25	Regional Rural Bank
26	Fiscal policy of the government
27	Irregular rainfall
28	<p>India is very much privileged to have about 15,000 species of plants which have medicinal properties. The traditional health care systems such as Ayurveda, Unani, Tibetan etc. are very useful for treating chronic health problems.</p> <ul style="list-style-type: none"> Traditional cosmetic products are herbal in composition. These products are not only environment-friendly but also are free-from side effects. They do not involve large-scale industrial and chemical processing. They are environment-friendly but also are free-from side effects. They do not involve large-scale industrial and chemical processing.
29	<p>Human capital considers education and health as a means to increase labour productivity. Human capital is a narrow concept which treats human beings as a means to achieve an end which is higher productivity, failing which the investment is not considered to be productive while Human development is based on the idea that education and health are integral to human well-being since only when people have the ability to read and apply their knowledge to derive maximum benefit they will be able to lead a long and healthy life. Human development is a broader concept which considers human beings as ends in themselves. Human welfare can be achieved through investments in education and health. It considers welfare — a right of every individual irrespective of their contribution to labour productivity. Every individual has right to be literate and lead a healthy life.</p> <p style="text-align: center;">OR</p> <ol style="list-style-type: none"> Establishment of Regulated Markets. Government has formed regulated markets to remove most of the evils of an unorganised market system. Functions of regulated markets are: <ol style="list-style-type: none"> Enforcement of standard weights. Fixation of charges, fees, etc. Settling of disputes among the operating parties in the market. Prevention of unlawful deductions and control of wrong practices of middlemen. Providing reliable market information. Provision of Infrastructural Facilities. The government has taken measures to develop; infrastructural facilities like roads, railways, warehouses, godown, cold storages and processing units. Co-operative Market. Co-operative marketing is a measure to ensure a fair price to

	<p>fanners. Member farmers sell their surplus to the co-operative society which substitutes collective bargaining in place of individual bargaining. It links rural credit farming marketing processes to the best advantage of the farmers.</p> <p>4. Important Instruments to Safeguard the Interests of Farmers. The Government has also developed some instruments to safeguard the interests of farmers. These instruments are:</p> <ul style="list-style-type: none"> (i) Fixation of Minimum Support Price (MSP) (ii) Buffer Stock (iii) Public Distribution System (PDS).
30	<p>Yes, the given statement is true.</p> <p>Foreign investment, which includes foreign direct investment (FDI) and foreign institutional investment (FII), has increased from about US \$100 million to US \$36 billion in 2016-17. Similarly, there has been an increase in the foreign exchange reserves from about US \$ 6 billion in 1990-91 to about US \$321 billion in 2014-15. India is one of the largest foreign exchange reserve-holders in the world.</p>
31	<p>Drain of wealth means that economic policies of the British in India were primarily motivated to snatch maximum benefits from India's trade. India's foreign trade generated large export surplus. This export surplus did not result in any flow of gold or silver into India. There was drain of India's wealth into Britain. It is clear from the following facts :</p> <ul style="list-style-type: none"> (i) The surplus was used to make payments for the expenses incurred by the office set up by the colonial government in Britain. (ii) The surplus was used to pay expenses on war fought by the British government. (iii) Surplus was used to pay for the import of invisible items
32	<p>China has the second largest GDP of dollar 19.8 trillion while India's GDP is Dollar 8.7 trillion (about 40% of China's GDP)</p> <p>Pakistan GDP is 0.94 trillion (about 12 % of India's GDP)</p> <p>While many countries are struggling to maintain a growth rate of even 5% China was able to maintain near double digit growth rate for one decade</p> <p>In the 1980's Pakistan was ahead of India, China was having double digit growth while India was at the bottom</p> <p>In 2011-15 China's growth rate decline and Pakistan also met with decline in growth rate at 4%</p>
33	<ul style="list-style-type: none"> (a) True: In pre independent India Dadabhai Naoroji was the first to discuss the concept of poverty line. He used the menu for the prisoner and used appropriate prevailing prices to arrive at what may be called jail cost of living. (b) True: Formal Sector refers to the organised sector of the economy. It includes government departments, public enterprises and private establishments that hire 10 or more workers. Workers of the formal sectors enjoy social security benefits and also they remain protected by the labour laws. (c) False: In the 1990s, the absolute number of poor in rural areas had declined whereas the number of their urban counterparts increased marginally.
34	<ul style="list-style-type: none"> (a) Trickle down approach: This approach is based on the expectation that the positive effects of economic growth will be trickled down or benefit all sections of the society and also the poor people. (b) Poverty alleviation approach: This approach aimed at the creation of income-earning assets and employment generation opportunities. (c) Providing basic amenities: This approach aimed at providing the basic amenities like proper medical and health care facilities, better education, proper sanitation etc. to the poor people. The basic amenities positively affect health, productivity, income earning opportunities and, thereby, alleviate poverty.

OR

	<p>(a) Rapid growth of population and without alternative employment opportunities has resulted in fragmentation of land holding. Income from such small land holding is not sufficient to meet even the basic requirements. Members of scheduled caste and scheduled tribes were not having enough skill and knowledge to participate in emerging employment opportunities in different sectors Urban poverty is the result of over flow of rural poor who migrate to urban areas in search of employment. Slow pace of industrialization failed to absorb the increasing unemployed people. Intermittent nature of work compels indebtedness. (Any other valid explanation)</p> <p>(b) Analysis of Poverty based on the data trend.</p>
--	---