



COMMON PRE-BOARD EXAMINATION 2022-23



Subject: ECONOMICS (030) Marking Scheme

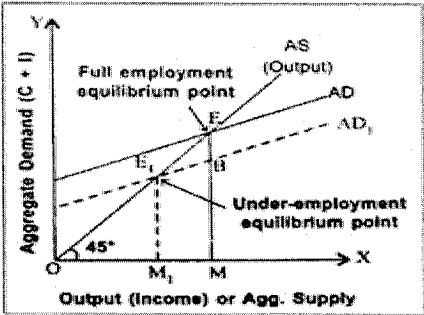
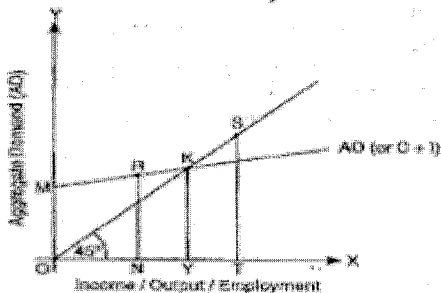
Class: XII

Time: 3 Hours

Date:

Max. Marks: 80

Qn. No	Value points / Particulars	Marks
SECTION - A – MACRO ECONOMICS		
1	c) Statement 1 is true and Statement 2 is false	1
2	a) Rs 4000 Crores	1
3	c) Open Market Policy of Reserve Bank of India.	1
4	a) Both Assertion (A) and Reason (R) are true and (R) is the correct explanation of (A).	1
5	c) Mixed income of the self-employed OR b) NNP at Market Price -Net Indirect Tax	1
6	d) 800 crores OR a) 8000 crores	1
7	b) 1, 2, and 4 are correct	1
8	c) C - iii OR a) A – ii, B- iv, C – i, D- iii	
9	a) Both Assertion (A) and Reason (R) are true and (R) is the correct explanation of (A)	1
10	a) Both Assertion (A) and Reason (R) are true and (R) is the correct explanation of (A).	1
11	National income =GDP at MP -depreciation +NFIA-NIT 850=1100 - depreciation+100-150 Depreciation =1100+100-150-850 =200 cr (For calculation 3 marks)	3
12	a) Currency depreciation is the decrease in the value of one currency relative to another. For example, if the EUR-USD exchange rate moves from 1.15 to 1.00, it means that the euro has depreciated by 13% against the U.S. dollar. OR b) Autonomous Items also known as 'above the line items' – are those international transactions which happen due to profit earning motive . All profit oriented international transactions – like export and import are autonomous transactions.	3

	these transactions do not take place with a view to maintain balance in BoP (For proper explanation of the points 3 marks)	
13	<p>Underemployment equilibrium is a condition where underemployment in an economy is persistently above the norm and has entered a state of equilibrium.</p>  <p>(For diagram and explanation 2 marks)</p> <p>two monetary policy measures are Increase in CRR, Increase in Bank Rate</p> <p>(With explanation 2 x1 =2 marks)</p>	4
14	<p>The equilibrium is reached only when aggregate demand (AD) equals aggregate supply (AS) because at this level there is no tendency for income and output to change.</p> <p>In the diagram the equilibrium is at K where AD intersects 45 line. At this point, AD = AS.</p> <p>When AD is more than AS (say, at point R), then the planned inventory would fall below the desired level. To bring back the Inventory at the desired level, the producers expand the output More output means more income. Rise in output means rise in AS and rise in income means rise in AD. Both continue to rise till they reach K, where AD = AS.</p> <p>When AD is less than AS (say, at point S), then the planned inventory rises above the desired level. To clear the unwanted increase in inventory, firms plan to reduce the output till AD becomes equal to AS.</p> <p>So, equilibrium takes place only at point K, when AD = AS.</p>  <p>(For diagram and explanation 2 +2 = 4 marks)</p>	4
15	<p>Credit Creation :-The main source of funds, which is available to commercial banks, is in the form of deposits from the public.</p>	4

Primary deposits are also known as cash deposits. Such deposits refer to money deposited by the people in the form of cash with the banks. These deposits are withdrawable by the depositors.

A part of these deposits are kept by the bank, to meet the demand for cash of the depositor. This is termed as minimum cash reserves. The banks are able to do with a very small reserve because all depositors do not withdraw money at the same time.

For example, let us suppose that every bank has to keep 20%, of its deposits as cash reserve and advances loans from 80% of its deposits. Bank 'A' receives a primary deposit of Rs. 10,000/- retains, 20% as cash reserve and lends Rs. 8,000/- to a businessman who deposits it in bank Rs. 'B'. The bank 'B' would lend Rs. 6,400/- after retaining Rs. 1,600/- The amount of Rs. 6400/- is deposited in bank 'C', which retains Rs. 1,280/- and lends Rs. 5,120/-. The amount Rs. 5120/- is deposited in bank 'D'. The bank D would lend Rs. 4096/- after retaining Rs. 1024/-. This process ends at the stage where the subsequent banks receive too small amount as primary deposit to advance any loans from it. The following table summarizes this process.

Banks	Primary Deposit	Reserves	Secondary Deposits	Loans
A	10000	2000	8000	8000
B	8000	1600	6400	6400
C	6400	1280	5120	5120
D	5120	1024	4096	4096

(For schedule and explanation 4 marks)

OR

b) Money – Any thing chosen by common consent as a medium of exchange.

(Definition 1 mark)

- Importance of money in consumption
- Importance of money in trade
- Importance of money in budgeting
- Importance of money in national income accounting

(3 points with explanation 3x1=3 marks)

- 16 a) It is a loss of value in use because of normal wear and tear, normal rate of accidental damages and expected or foreseen obsolescence.
Capital loss is a loss of value of fixed assets but these are not in use due to fire, theft or natural calamities etc

(2 points with explanation 2x1=2 marks)

b) Private final consumption exp + Govt final consumption exp+Net domestic capital formation+ Net exports-Net indirect taxes.

$$\text{NI} = 40000 + 10000 + 5000 + (-500) - 300 + (-3000) \\ = 55000 - 3800 = 51200 \text{ crs}$$

(For calculation 4 marks)

2+4=6

17	<p>a) Capital budget is a statement of the government's estimated capital receipts and capital expenditure. Capital budget covers capital items which are of non-recurring nature</p> <p>Revenue budget is a statement of the government's estimated revenue receipts and revenue expenditure for a period of one financial year. Revenue budget covers revenue items which are of recurring nature and are nonredeemable.</p> <p style="text-align: center;">(With explanation 2x 1½ =3 marks)</p> <p>b) Developmental expenses :These expenses are made on the things that directly advance the economic and social progress of the nation. Developmental expenditures are also known as productive expenditures since they contribute to economic growth by boosting the nation's production and the real economy.</p> <p>non Developmental expenses These expenses are made on things that don't immediately advance the economic and social development of the nation. This focuses on tasks associated with fundamental services in general. Examples include costs associated with defense, tax collecting, and administration. (With explanation 2x 1½ =3 marks)</p> <p style="text-align: center;">OR</p> <p>Fiscal deficit is defined as the excess of total expenditures over the total receipts, excluding the borrowings in a year. In other words, this can be defined as the amount that the government needs to borrow in order to meet all expenses.</p> <ol style="list-style-type: none"> 1. Reduced public expenditure 2. Reduction in bonus, leave encashments, and subsidies 3. Increase tax to generate revenue 4. Disinvestment of public sector units <p>Revenue deficits is defined as the excess of total revenue expenditure over the total revenue receipts. In other words, the shortfall of revenue receipts as compared to that of the revenue expenditure is known as <u>revenue deficit</u>.</p> <ol style="list-style-type: none"> 1. By reducing unnecessary spending 2. By raising the rate of taxes and applying new taxes wherever possible <p>Primary deficit is said to be the fiscal deficit of the current year subtracted by the interest payments that are pending on previous borrowings. In other words, the primary deficit is the requirement of borrowing without the interest payment.</p> <p>Reduced public expenditure</p> <ol style="list-style-type: none"> 1. Reduction in bonus, leave encashments, and subsidies 2. Increase tax to generate revenue <p>Disinvestment of public sector unit</p> <p style="text-align: right;">(With explanation 3 x2 = 6 marks)</p>	6
SECTION -B – INDIAN ECONOMIC DEVELOPMENT		
18	d) Low level literacy, low mortality rates and low life expectancy	1

19	c) Planning commission OR b) Second	1
20	d) ii, i, iii OR a) Great Leap Forward	1
21	d) Horticulture	1
22	c) A-ii , B- iii, C – i	1
23	c) Both statements 1 and 2 are true.	1
24	d) Both statements 1 and 2 are false	1
25	d) Ability of the environment to absorb degradation. OR b) Use of bio manures	1
26	a) Both Assertion (A) and Reason (R) are true and (R) is the correct explanation of (A).	1
27	a) Both Assertion (A) and Reason (R) are true and (R) is the correct explanation of (A).	1
28	I Restriction on wasteful luxurious consumption ii Check on population explosion. iii Encourage organic farming. iv Make use of non-conventional energy sources. (Any three with explanation 3x 1 =3 marks)	3
29	a) Regular salaried employees are more in urban areas as considerable section of urban people are able to study in various educational institution and it enables them to look for an appropriate job to suit their qualifications and skills. However, in rural areas, most of the people are illiterate and lack skills, which are needed for regular Employment. (Any three with explanation 3x 1 =3 marks) OR b) The labor force participation rate indicates the percentage of all people of working age who are employed or are actively seeking work. Features are WPR is higher in rural area than urban area Female WPR is lower than male WPR (1+2 =3 marks)	3
30	Growth rate of agriculture declined in all the three countries. Due to improper exploitation of land resources. Industrial growth -in china due to reform- low in Pakistan due to political instability. China is moving ahead of India. (Any four points with explanation 4x 1 =4 marks)	4
31	a) Inefficient economic management in 1980s Highest rate fiscal deficit. High rate of inflation. Decline in foreign currency reserves.	4

	<p>Compulsion from IMF. (Any four with explanation 4x 1 =4 marks)</p> <p>OR</p> <p>b) Fiscal policy reforms were undertaken to improve the expenditure and revenue policies of the government. The following steps were undertaken:</p> <p>(a) Tax Reforms: Tax rates were reduced, tax evasion was plugged and procedures were simplified.</p> <p>(b) Government expenditure was curtailed by cutting down on unnecessary expenses. Borrowings were reduced and all loss-making PSU's were shut down.</p> <p>(c) Disinvestment in PSU's was undertaken to plug the budgetary deficit.</p> <p>(Four with explanation 4x 1 =4 marks)</p>	
32	<p>Factors which contribute to human capital formation:</p> <p>Expenditure on education: Expenditure on educational investment enables one to develop intellectual skills, earn higher income, make better choices in life and provides knowledge to understand the changes taking place in society to stimulate innovation of a nation.</p> <p>Expenditure on health: The role of health in the development of human capital is vital. To prevent a population from being a liability on a country, the government must pay adequate attention towards the health of the public.</p> <p>On-the-job training: Expenditure on on-the-job training is a source of human capital formation because it provides <i>return in the form of increased labour efficiency and productivity</i>. The benefits of training are more than the cost of training given to workers.</p> <p>Migration: People migrate from one place to another in search of better jobs and higher earnings than a previous job. Mostly people migrate from rural areas to urban areas or from one country to another country <i>to receive good returns for their work</i>.</p> <p>Expenditure on information: Many people acquire information about the demand for the product and ways to acquire efficient skills to improve productive efficiency.</p> <p>(Any four with explanation 4x 1 =4 marks)</p>	4
33	<p>a) Rural development refers to the actions and initiatives taken for the social and economic development of the rural or backward areas. (Definition 1 mark)</p> <p>1. Human Capital Formation- Rural areas lack quality human capital..</p> <p>2. Development of Productive Resources- Productive resources help in generating employment opportunities. In rural areas, the main occupation is agriculture that usually suffers from low productivity, lack of infrastructure and disguised unemployment.</p> <p>3. Development of Rural Infrastructure- Infrastructure development is a very crucial issue at the micro level. It provides a support system to all the production activities in the economy, the absence of which makes economic growth and social development impossible</p> <p>4. Land reforms- Land reforms along with technical reforms must be initiated in the rural areas. These enable the use of modern techniques and methods, thereby, increasing the productivity and aggregate volume of farm output.</p> <p>(Any three with explanation 3x 1 =3 marks)</p> <p>b)</p> <p>Climate Change - Diversification reasonably controls the damage that can occur from the unfavorable weather condition</p> <p>Facilitate Several Employment Alternatives. Diversification creates new job opportunities for rural people other than traditional farming.</p> <p>Increases of Income - Opting for Diversification will undoubtedly increase the income and will let the farmers live a comfortable life.</p>	3+3= 6

Exportation - Diversification, especially of non-farming products, makes a sizable export provision for its unique characteristics. India is now on the front line in exporting several agricultural products to multiple countries.

(Any three with explanation 3x 1 =3 marks)

OR

a)

- i. Farmers are vulnerable to defective weighing techniques and misappropriation of accounts.
- ii. Farmers are often ill-informed about market prices and market conditions. Being ignorant, farmers are forced to sell their product at lower prices.
- iii. The farmers lack access to proper storage facilities to store their produce for future sell at better prices.

iv. The farmers cannot avail agricultural credit, leading to their exploitation by the moneylenders and mahajans. (Any three with explanation 3x 1 =3 marks)

b) Micro credit refers to credit and other financial services provided to the poor through Self Help Groups (SHGs) and non government organisations. The Self Help Groups are playing a crucial role in meeting the credit requirements of the poor by inculcating saving habits among the rural households. The individual savings of many farmers are pooled together to meet the financial requirements of the needy members of the SHGs. The members of these groups have been linked with the banks. In other words, SHGs enable the economically poor individual to gain strength as part of a group.

(Any three with explanation 3x 1 =3 marks)

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- a) Employment generation, low capital requirement, suitable for rural areas etc
 - b) Public sector was given primary role in the industrial development of the country. Industries in the private sector could be established only through a license from the government. Main idea of industrial licensing was to encourage industries in the backward regions of the country. Private sector was offered many types of industrial concessions for establishing industries in backward regions like tax holidays and subsidized power supply.
 - c) Import substitution policy aimed at replacing or substituting imports with domestic production. For example, instead of importing vehicles from abroad, the industries were encouraged to produce them in India itself. It will create employment opportunities also
- 3 points with explanation

(Any three with explanation 3x 2 =6 marks)

6
