



**COMMON PRE-BOARD EXAMINATION 2023-24**  
**Subject: ECONOMICS (055)**  
**Class XII**



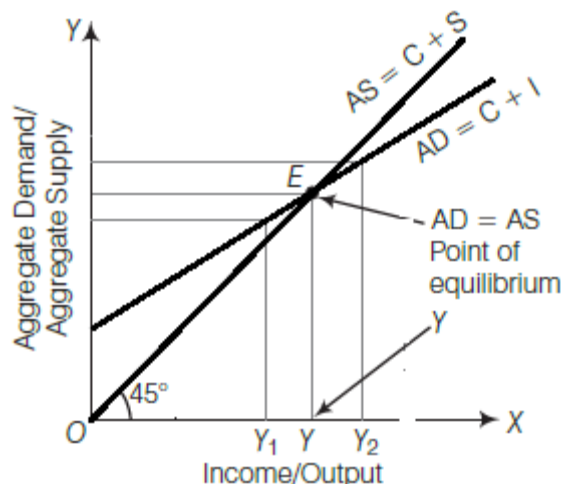
**MARKING SCHEME**

SET	Q.No:	VALUE POINTS	MARKS SPLIT UP
<b>Section A – Macro Economics</b>			
A	1	(d) End-use of goods	1 Mark
A	2	(d) Assertion (A) is false but Reason (R) is true	1 Mark
A	3	(b) Accepting deposits of general public	1 Mark
A	4	(c) Statement 1 is true and Statement 2 is false.	1 Mark
A	5	(c) A—(iv), B—(iii), C—(i), D—(ii)	1 Mark
A	6	(b) Ratio of change in saving to change in income	1 Mark
A	7	(b) $\frac{1}{MPS}$	1 Mark
A	8	(c) A country, rest of the world	1 Mark
A	9	(b) Deficit of ₹650 lakhs	1 Mark
A	10	(b) Domestic currency has appreciated	1 Mark
A	11	<p>(A) Non-Monetary Exchanges: These are those activities in an economy which cannot be evaluated in terms of money due to non-availability of data. e.g. domestic services provided by family members at home, barter exchanges, etc. Although these activities contribute to welfare, they are a major cause of understating of GDP in the economy. Therefore, GDP may not give the true picture of welfare of a country.</p> <p style="text-align: center;">(OR)</p> <p>(B) When GDP represents quantities of final goods and services produced or when GDP is measured on the basis of constant prices, it is called real GDP. (1 Mark)</p> <p><math display="block">\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{Price Index}} \times 100 = \frac{180}{120} \times 100 = ₹150</math></p> <p>(1 Mark each formula, 1 Mark for substituting values and final answer)</p>	<p>3 Marks (To be marked as a whole)</p> <p>1 Mark + 2 Marks = 3 Marks</p>
A	12	<p>(a) Purchase of domestic goods by foreigners (exports)</p> <p>(b) Direct foreign investments and portfolio investments in the home country</p>	1 × 3 = 3 Marks

		(c) Speculative purchases of foreign exchange (d) Remittance of foreign exchange by the residents of the country from abroad.  (any other valid point) 1 Mark each	
A	13	(A) Central bank is a banker, agent and financial advisor to the government (i) As a banker to the government, it manages accounts of the government. (ii) As an agent to the government, it buys and sells securities on behalf of the government. (iii) As an advisor to the government, it frames to policy to regulate the money market. (iv) It gives loan to the government.  (any other valid point – 1 Mark each) (OR) (B) As a Bankers' Bank it has almost the same relation with other banks in the country as a commercial bank has with its customers. As a banker's bank: - (i) Custodian of cash reserves. (ii) Clearing house function. (iii) It provides additional Fund to those Bank temporary difficulties. As a supervisor: - (i) Periodic inspection of banks. (ii) Central bank supervises, regulates and controls the commercial banks.  (any other valid point – 1 Mark each)	1 Mark x 4 = 4 Marks  1 Mark x 4 = 4 Marks
A	14	$MPC = 1 - MPS$ $= 1 - 0.2 = 0.8$ (1 – Mark for MPC) At equilibrium, $Y = C + I$ $Y = \bar{C} + 0.8Y + I$ (1 – Mark) $10000 = \bar{C} + 0.8 \times 10000 + 1500$ $\bar{C} = 10000 - 8000 - 1500$ $\bar{C} = 500$ (1 – mark for substitution of correct values) (1 – Mark for final answer))	1 Mark x 4 = 4 Marks
A	15	(A) Budget (B) (a) Economic upliftment of the economy (C) Reduces (D) (c) Recovery of loans is a revenue receipt.  (1 Mark each)	1 x 4 = 4 Marks
A	16	(a) Component of net factor income from abroad are: (i) Net compensation of employees (ii) Net income from property and entrepreneurship (iii) Net retained earnings of resident companies abroad  (Any two – 1 Mark each) (b) Domestic Income (NDP <sub>fc</sub> ) = Compensation of Employees (i) + Rent and Interest (ii) + Corporate Tax (iv) + Dividend (vii) + Undistributed Profits (viii) + Mixed Income of Self Employed (x) (2 – Marks) $= ₹2000 + ₹800 + ₹460 + ₹940 + ₹300 + ₹200$ (2 – Marks) $= ₹4,700$ crore	2 Marks + 2 Marks + 2 Marks  6 Marks

In an economy, equilibrium level of income and employment is determined when AD (Aggregate Demand) is equal to AS (Aggregate Supply).

(1 Mark)



(1 Mark)

In the above figure, AD represents aggregate demand curve and 45° line is the line of reference, where  $AS = Y$ . Equilibrium level of income Y is determined at point E, where  $AD = AS$ .

At income level  $Y_1$ , Aggregate Demand exceeds Aggregate Supply, leading to an increase in level of income up to point E.

At income level  $Y_2$ , Aggregate Supply exceeds Aggregate Demand leading to a fall in income back towards point E.

(2 Marks)

It is only when  $AS = AD$ , that the equilibrium is struck, because the equality between AS and AD implies that the desired level of output in the economy (as indicated by AS) is exactly equal to the desired level of expenditure (indicated by AD) in the economy. So, the entire output as planned by the producers (during an accounting year) is purchased by the buyers. There are no undesired or unwanted inventories (stock of goods) with the producers.

(2 marks)

1 Mark +  
1 Mark +  
2 + 2 = 4  
Marks  
=  
6 marks

### Section B – Indian Economic Development

A	18	(b) Indian agricultural sector did not suffer during the Colonial rule	1 Mark
A	19	(a) Substituting imports with domestic production	1 Mark
A	20	(c) (A) – 4, (B) – 3, (C) – 1, (D) – 2	1 Mark
A	21	(c) Statement 1 is true and statement 2 is false	1 Mark
A	22	(a) NABARD	1 Mark
A	23	(b) Self-employed worker	1 Mark
A	24	(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)	1 Mark

A	25	(d) Not compromising on the needs of the present generation with respect to the needs of future generations	1 Mark
A	26	(b) The use of Compressed Natural Gas (CNG) as fuel in public transport system can significantly lower air pollution	1 Mark
A	27	(c) Attract foreign investors	1 Mark
A	28	<p>The major hurdles faced includes (any three)</p> <p>(a) Big landlords registered their lands in the name of close relatives, thus escaping from land ceiling legislation.</p> <p>(b) There have been cases in which tenants were evicted &amp; landlords claimed to the actual tillers.</p> <p>(c) Landlords use loopholes in the legislation to their comparative advantages to own a large area of land.</p> <p>(d) The goal of equity was not served fully because of serious loop holes in the legislation.</p>	1 x 3 = 3 Marks
A	29	<p>The Great Leap Forward (GLF) campaign was initiated in China in 1958, which aimed at industrialising the country on a massive scale by encouraging people to set up industries in their backyards. (1 Mark)</p> <p>GLF campaign met with many problems.</p> <ul style="list-style-type: none"> <li>• A severe drought caused havoc in China killing about 30 million people.</li> <li>• When Russia had conflict with China, it withdrew its professionals who had earlier been sent to China to help in the industrialisation process. (1 Mark each)</li> </ul> <p>(OR)</p> <p>The given statement is correct. (1 Mark)</p> <p>(i) In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors. In agriculture commune lands were divided into small plots which were allocated to individual households. They were allowed to keep all income from the land after paying taxes.</p> <p>(ii) In the latter phase, reforms were initiated in the industrial sector. Private sector firms and township and village enterprises were allowed to produce goods. At this stage, State Owned Enterprises (SOE) were made to face competition.</p> <p>(iii) The reform process also involved 'dual pricing'. This means fixing the prices in two ways- farmers and industrial units were required to buy and sell fixed quantities of inputs and output on the basis of prices fixed by the government and the rest were purchased and sold at market prices. Over the years, as production increased, proportion of goods and inputs transacted in the market also increased.</p> <p>(iv) In order to attract foreign investors, special economic zones were set up. (any two - 1 Mark each)</p>	1 Mark + 1 x 2 Marks = 3 Marks
A	30	(A) Human capital refers to the skills which a person acquires through the education, training/or experiences, adding to his/her value to the	2 Marks +

		<p>reproduction process. Human capital represent enhanced productivity of human beings, for example people becoming Engineers, Doctors through investment in education. Investment in human capitals contributes to growth of an economy in the following way. (2 – Marks)</p> <p>(i) Generally, the productivity of an educated, skilled &amp; healthy workforce is relatively higher than an uneducated, un skilled &amp; unhealthy worker such investment may increase the productivity of the employee as a whole.</p> <p>(ii) Human capital formation may promote invention, Innovations &amp; technological improvement. This may create the ability to adopt new technology which increase the production &amp; productivity in the economy. (1 – Mark each)</p> <p>(OR)</p> <p>(B) The prime minister has urged appropriately in the best interest of the farmers of the rural India.</p> <p>(i) Non-farm activities (agro-processing industries, poultry, Craft, handloom) provide alternative avenues for sustainable livelihood</p> <p>(ii) It raises the level of income as the risks due to fluctuations in production and market prices is generally less.</p> <p>(iii) Agriculture in India is mainly a seasonal occupation. During off season, it becomes difficult to find employment and stabilize farmer's income.</p> <p>(iv) It helps in the shift of workforce from agricultural to No farm activities</p> <p>(any other valid point - 1 – Mark each)</p>	<p>1 x 2 = 2 Marks = 4 Marks</p> <p>1 Mark x 4 = 4 Marks</p>
A	31	<p>(A) (a) Informalisation</p> <p>(B) (d) Self- employment</p> <p>(C) (c) Both Economic and Social Backwardness</p> <p>(D) Informal (1 – Mark each)</p>	<p>1 x 4 = 4 Marks</p>
A	32	<p>(a) Liberty indicator are those indicators which represent the degree of civil &amp; political &amp; economic freedom to individuals in a country. (1 – Mark)</p> <p>(i) 'The extent of democratic participation in social and political decision-making'</p> <p>(ii) 'The extent of Constitutional protection given to rights of citizens'</p> <p>(iii) 'The extent of constitutional protection of the Independence of the Judiciary and the Rule of Law' (any one – 1 Mark)</p> <p>(b) The given data in the table provided indicates:</p> <p>(i) China was successful in controlling its annual population growth rate with the implementation of stringent measures in 1970s like the introduction of 'one-child norm'. China was able to check its population growth rate at the rate of 0.5% p.a. in 2015. On the other hand, India stood almost double to China with its population growth rate of 1.2% p.a.</p> <p>(ii) Gender Ratio is low and biased in both the countries (at 929 and 941 respectively) due to preference for the male child. This indicates that the social dynamics of both the countries is similar to each other. (1 – Mark each)</p>	<p>1 Mark + 1 Mark + 2 Marks = 4 Marks</p>

A	33	<p>(a) The industrial sector reforms introduced under the new economic policy are as follows:</p> <ul style="list-style-type: none"> <li>(i) <b>Abolition of industrial Licensing:</b> New industrial policy of 1991 abolished the requirement of licensing except for certain industries that were of national and strategic importance (e.g. defence equipments, industrial explosives, hazardous chemicals, tobacco and alcohol.)</li> <li>(ii) <b>Contraction of public sector:</b> Number of industries reserved for the public sector were reduced.</li> <li>(iii) <b>De-reservation of production areas:</b> many production areas earlier reserved for small scale industries were dereserved.</li> <li>(iv) <b>Expansion of production capacity:</b> Producer's no longer required licence to expand production. Expansion of production to be based on market conditions.</li> <li>(v) <b>Freedom to import capital:</b> liberalisation policy allowed industrialists to import capital goods to upgrade technology. (any other relevant point) (any three – 1 mark each)</li> </ul> <p>(b)</p> <ul style="list-style-type: none"> <li>(i) It was a step towards free-play of the market forces to revitalize the financial sector; making it more vibrant and efficient.</li> <li>(ii) Commercial banks were allowed to decide their own interest rate structure and no longer required to seek approval from the Reserve Bank of India.</li> <li>(iii) It led to substantial rise in institutional funding of production units in the economy. (any other relevant points) (any three – 1 mark each)</li> </ul> <p style="text-align: center;">(OR)</p> <p>(a) Economic reforms have definitely reduced the role of public sector in the Indian economy. The main objective of economic reforms is to make use of privately owned resources for collective welfare of the people. Privatisation means a greater role for private capital and enterprise for collective welfare of the people. It has restricted the areas of public sector to the following areas:</p> <ul style="list-style-type: none"> <li>(i) Essential manufactured goods.</li> <li>(ii) Exploration and exploitation of oil and mineral resources.</li> <li>(iii) Strategic areas, i.e. defence equipment etc. (3 Marks)</li> </ul> <p>(b) Following are the advantages to economy with the introduction of GST.</p> <ul style="list-style-type: none"> <li>(i) Increased ease of doing business;</li> <li>(ii) Reduction in multiplicity of taxes that were present in the indirect tax system, leading to simplification and uniformity;</li> <li>(iii) Helpful in removing the cascading effect of taxes as Input Tax Credit is available across goods and services at every stage of supply;</li> <li>(iv) Reduction in compliance costs as there is need of multiple record keeping for a variety of taxes. Thus, lesser investment of resources and manpower in maintaining records;</li> </ul>	<p>3 Marks + 3 Marks = 6 Marks</p> <p>3 Marks + 3 Marks = 6 Marks</p>
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A	34	<p>(a) As the time gestation between crop sowing and realization of income after production is quite long, farmers borrow from various sources to meet their initial investment on seeds, fertilizers, implements and for other family expenses of marriage, death, religious ceremonies etc. (2 Marks)</p> <p>Self Help Groups (SHGs) have been set up to fill the gap in the formal rural credit system which has proved to be inadequate and has not been fully integrated into the rural, social and community development. (1 Mark)</p> <p>(b) The problems faced by farmers during the initial years of organic farming are (any three)</p> <p>(i) Organic farming requires inputs like organic manure, bio-fertilisers and organic pesticides. Though they are cheaper yet farmers find it difficult to get them.</p> <p>(ii) The yield from organic farming is much less than that of modern agricultural farming.</p> <p>(iii) The price of organic food is high, so it is difficult to sell them.</p> <p>(iv) Organic products generally have more blemishes and shorter shelf life. (any three – 1 Mark each)</p>	<p>2 Marks + 1 Mark + 3 Marks = 6 Marks</p>