SENIOR SCHOOL CERTIFICATE EXAMINATION
MARCH-2016

MARKING SCHEME – ECONOMICS (OUTSIDE DELHI)

Expected Answers / Value Points

(SET-2)

GENERAL INSTRUCTIONS :

1 The Marking Scheme carries only suggested value points for the answers. These are only Guidelines and do not constitute the complete answer. The students can have their own expression and if the expression is correct, the marks be awarded accordingly.

2 As per orders of the Hon'ble Supreme Court, the candidates would now be permitted to obtain photocopy of the Answer Book on request on payment of the prescribed fee. All examiners/Head Examiners are once again reminded that they must ensure that evaluation is carried out strictly as per value points for each answer as given in the Marking Scheme.

3 All the Head Examiners/Examiners are instructed that while Evaluating the answer scripts, if the answer is found to be totally incorrect, the (x) should be marked on the incorrect answer and awarded '0' marks.

4 Please examine each part of a question carefully and allocate the marks allotted for the part as given in the marking scheme below. TOTAL MARKS FOR ANY ANSWER MAY BE PUT IN A CIRCLE ON THE LEFT SIDE WHERE THE ANSWER ENDS.

5 Expected suggested answers have been given in the Marking Scheme. To evaluate the answers the value points indicated in the marking scheme should be followed.

6 For questions asking the candidate to explain or define, the detailed explanations and definitions have been indicated alongwith the value points.

7 For mere arithmetical errors, there should be minimal deduction. Only ½ mark should be deducted for such an error.

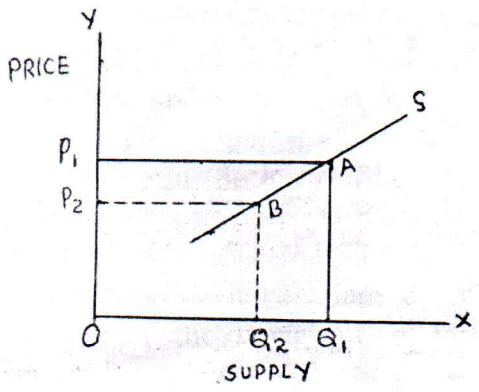
8 Where only two / three or a 'given' number of examples / factors / points are expected only the first two / three or expected number should be read. The rest are irrelevant and must not be examined.

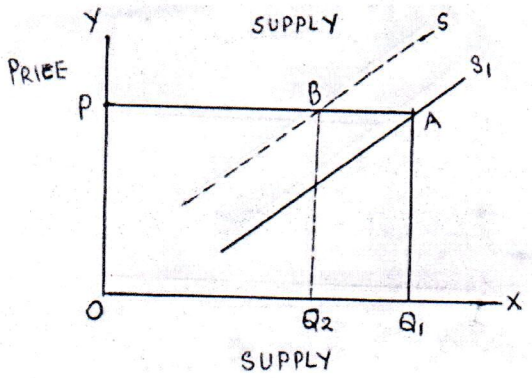
9 There should be no effort at "moderation" of the marks by the evaluating teachers. The actual total marks obtained by the candidate may be of no concern to the evaluators.

10 Higher order thinking ability questions are for assessing a student's understanding / analytical ability.

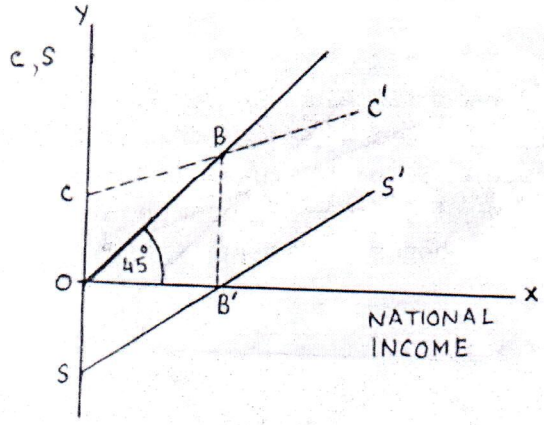
General Note: In case of a numerical question, no marks should be awarded if only the final answer has been given, even if it is correct.

B2	Expected Answer / Value Points	Distribution of Marks
	SECTION - A	
1	(a) Perfect Competition	1
2	(c) Both monopolistic competition and oligopoly	1
3	(c)Equal to AR	1
4	When there is change in 'own price' of the good	1
5	The difference between ATC and AVC decreases.	1
6	For certain goods &services , govt. sets minimum price. This minimum price is called minimum price ceiling. This price is normally set at a level higher than the equilibrium price. This leads to excess supply. Since producers are not able to sell all they want to sell, they illegally sell the good or service below the minimum price. **OR** If the prevailing market price is above the equilibrium price, there will be excess supply. Producers are not able to sell all they want to sell, resulting in competition among the sellers. Price starts falling. As a result demand starts rising and supply stars falling. These changes continue till the equilibrium is reached.	1 2 3
7	The consumer is not in equilibrium because $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$ or $\frac{4}{3} > \frac{3}{3}$ Since per rupee MUx is greater than per rupee MUy, he will start buying more of X and less of Y till MUx falls and MUy rises enough to make $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$	1 2
8	(a) Zero or no change **(b)** 10% fall **(c)** 20% fall	1x3
9	Es = $\frac{\%\ change\ in\ supply}{\%\ changeinPrice}$ $\frac{10}{\frac{2}{10} \times 100} = \frac{10}{20}$ = 0.5	2 1½ ½
10	Utility refers to the amount of satisfaction derived from consumption of a good. As consumer goes on consuming more and more units of a good, utility obtained from consuming each extra unit goes on falling. Ultimately it may become zero or even negative. This is the law of diminishing marginal utility.	1 3

11	Fixed cost refers to the cost which does not change with change in output. Example : rent, interest etc. **(any one)** As output increases AFC goes on falling continuously because AFC = $\frac{TFC}{Output}$ and TFC is constant. **OR** MP refers to increase in TP as one more unit of a variable input is increased. Behaviour : As only variable input is increased - Initially MP increases. - After a point MP decreases and remains positive. - Ultimately MP becomes negative.	(1+1) 2 1 3
12	(a) **Large number of sellers** means that number of firms are large enough so that contribution to total output of the industry by any individual firm is negligible. So, no single firm is in a position to influence the market price on its own by changing its own output. Thus, Price remains unchanged. (b) **Homogeneous products** means that buyers treat products of all the firms as same in all respect as homogeneous product. As such no firm can charge a higher price because no buyer is willing to pay the same. Then Market price remains the same for all the firms. **OR** (a) The main implication of barriers to entry is that such barriers allow only a limited number of firms into oligopoly industries. Such barriers may be in the form of huge capital requirements, patent rights, availability of crucial raw materials etc. (b) A few or few big sellers has the implication that each big seller contributes a fairly large share of total output. This gives an individual seller the power of influencing the market price by changing its own output.	3 3 3 3
13	(a) **Fall in own price reduces**(contracts) supply and the producers moves along the same curve S from A to B when price falls from OP_1 to OP_2 and supply falls from OQ_1 to OQ_2  	2 1 2

	(b) Rise in tax rate increases the cost of the goods. So its Supply decreases. This shifts the supply curve S_1 to S. Price remains unchanged at OP while quantity supplied decreases/falls from OQ_1 to OQ_2.  **For blind Candidates:** (a) Price (Rs.) / Supply (units): 10 / 120; 11 / 100 (b) Price (Rs.) / Supply (units): 10 / 120; 10 / 100 Any other correct schedule Explanation on the same lines as above	1 1+1 2+2
14	The three properties of ICs are : **(1) An IC slope downwards from left to right** It is because to consume more quantity of one good, some quantity of the other goods must be reduced because the utility level remains the same. **(2) An IC is convex towards origin** It is because MRS declines as more is consumed of one good **(3) An IC to the right represent higher level of satisfaction** It is because an IC to the right shows more units of goods consumed and more units of goods consumed are assumed to have more utility **(No diagram is required)**	1 1 1 1 1 1
15	There are three reasons : **(1)** Wants of the people are unlimited **(2)** Resources are limited **(3)** Resources have alternative uses 'For whom to produce' means that how should output produced be distributed among people. How much each person will get will depend on income of the person. Therefore, the problem amounts to how should income be distributed in the society.	3 3

SECTION - B		
16	(c) Autonomous transactions.	1
17	(c) Borrowings less interest payments	1
18	(c) Residents	1
19	Fiscal deficit equals excess of total expenditure over total receipts excluding borrowing of the government.	1
20	'Flows' are variables whose magnitude is measured over a period of time.	1
21	$Y = \bar{C} + MPC(Y) + I$ $1200 = 150 + (0.8 \times 1200) + I$ $I = 1200 - 150 - 960$ = 90	1½ 1 ½
22	$Real\ income = \frac{Nominal\ income}{Price\ Index} \times 100$ $= \frac{500 \times 100}{125}$ = Rs. 400	1½ 1 ½
23	Aggregate demand refers to the value of final goods and services which all sectors of an economy are planning to buy during a year. **Components :** **(1)** Private final consumption expenditure **(2)** Government final consumption expenditure **(3)** Investment expenditure **(4)** Net exports **OR** Less money supply i.e. stock of money with people leaves less purchasing power in their hands. Therefore, people demand less goods and services. AD falls.	1 ½x4=2 3
24	CRR refers to the percentage of deposits which commercial banks are legally required to keep with the central bank. Raising CRR reduces funds with the commercial banks for lending. Credit creation is thus decreased.	4
25	Final sales of cars raises GDP, because final sales are final products. Cars provide convenience in transportation but at the same time it causes traffic jams, air pollution and noise pollution reducing the welfare of the people. Pollution has bad effects on the health of the people.	4
26	Money serves as a medium of exchanging goods and services. People sell goods for money and use the money for buying goods they want. It has removed the problem of double coincidence of wants faced in the barter system.	4

	OR Deferred payments are postponed payments to be made in future. Such payments arise on account of borrowing and lending activities. It has removed the problem of absence of financial institutions in the barter system. It has also removed the problem of trading in wider areas.	4
27	$NNP_{mp} = ii + x + viii + v - iv$ $= 500 + 100 + 80 + (-20) - (20)$ $= Rs.640$ Crore $Private\ Income = (NNP_{mp} - vi) - ix + iii + vii - i$ $= 640 - 120 - 60 + 30 + 70 - 10$ $= Rs.550$Crore	2 1½ ½ 1 ½ ½
28	**(a)** Indians lending abroad is recorded in capital account of BOP account because it leads to creation of foreign exchange assets. It is recorded on the debit side because it leads to outflow of foreign exchange **(b)** Lending abroad increases demand for foreign exchange. Supply of foreign exchange remains unchanged, exchange rate may rise.	4 2
29	Given saving curve SS' **(1)** Draw a 45° line from the origin. **(2)** Take OC equal to OS on the Y-axis **(3)** Draw a perpendicular line from B to B' on OX-axis whichintersect 45° line at point B. **(4)** Join C and B and extend it to get consumption curve CC'  **For blind Candidates:** Consumption function $C = \bar{C} + MPC(Y)$ Derivation of Saving function for consumption; Subtracting each side from Y $Y - C = Y - [\bar{C} + MPC(Y)]$ $S = Y - \bar{C} - MPC(Y)$:.1 – MPC=MPS $= -\bar{C} + Y - MPC(Y)$ $= -\bar{C} + Y\,(1 - MPC)$ $= -\bar{C} + MPS(Y)$	4 2 2 4

30	**Revenue expenditure**: is expenditure that neither creates any assets nor reduces any liability while capital expenditure creates either assets or reduces liabilities.	2
	Taxes and expenditure can be used to alter distribution of income. Government can impose higher taxes on incomes of the rich and goods and services consumed by them. The money so collected can be spent on providing free goods and services to the poorer sections of the society. This will reduce disposable income of the rich and raise that of the poor. This can alter distribution of income.	4
	OR	
	Direct tax is the tax whose liability to pay and incidence lies on the same person on whom it is levied. Indirect tax is the tax whose liability to pay and incidence lie on different persons.	2
	The govt. can influence allocation of resources for production of different goods and services through its budget. When the govt. wants that more resources be used in the production of some goods, it provides incentives to the producers in the form of tax concessions and subsidies.	4