

रोल नं.

Roll No.

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परीक्षार्थी कोड को उत्तर-पुस्तिका के मुख-पृष्ठ पर अवश्य लिखें ।

Candidates must write the Code on the title page of the answer-book.

- कृपया जाँच कर लें कि इस प्रश्न-पत्र में मुद्रित पृष्ठ 11 हैं ।
- प्रश्न-पत्र में दाहिने हाथ की ओर दिए गए कोड नम्बर को छात्र उत्तर-पुस्तिका के मुख-पृष्ठ पर लिखें ।
- कृपया जाँच कर लें कि इस प्रश्न-पत्र में 32 प्रश्न हैं ।
- कृपया प्रश्न का उत्तर लिखना शुरू करने से पहले, प्रश्न का क्रमांक अवश्य लिखें ।
- इस प्रश्न-पत्र को पढ़ने के लिए 15 मिनट का समय दिया गया है । प्रश्न-पत्र का वितरण पूर्वाह्न में 10.15 बजे किया जाएगा । 10.15 बजे से 10.30 बजे तक छात्र केवल प्रश्न-पत्र को पढ़ेंगे और इस अवधि के दौरान वे उत्तर-पुस्तिका पर कोई उत्तर नहीं लिखेंगे ।
- Please check that this question paper contains 11 printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains 32 questions.
- Please write down the Serial Number of the question before attempting it.
- 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

अर्थशास्त्र

ECONOMICS

निर्धारित समय : 3 घण्टे

Time allowed : 3 hours

अधिकतम अंक : 100

Maximum Marks : 100

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सामान्य निर्देश :

- (i) दोनों खण्डों के सभी प्रश्न अनिवार्य हैं ।
- (ii) प्रत्येक प्रश्न के निर्धारित अंक उसके सामने दिए गए हैं ।
- (iii) प्रश्न संख्या 1 – 5 तथा 17 – 21 अति लघूत्तरात्मक प्रश्न हैं, जिनमें प्रत्येक का 1 अंक है । इनका प्रत्येक का उत्तर एक वाक्य में ही अपेक्षित है ।
- (iv) प्रश्न संख्या 6 – 10 और 22 – 26 लघूत्तरात्मक प्रश्न हैं, जिनमें प्रत्येक के 3 अंक हैं । प्रत्येक का उत्तर सामान्यतः 60 शब्दों से अधिक नहीं होना चाहिए ।
- (v) प्रश्न संख्या 11 – 13 और 27 – 29 भी लघूत्तरात्मक प्रश्न हैं, जिनमें प्रत्येक के 4 अंक हैं । प्रत्येक का उत्तर सामान्यतः 70 शब्दों से अधिक नहीं होना चाहिए ।
- (vi) प्रश्न संख्या 14 – 16 और 30 – 32 व्याख्यात्मक उत्तर वाले प्रश्न हैं, जिनमें प्रत्येक के 6 अंक हैं । प्रत्येक का उत्तर सामान्यतः 100 शब्दों से अधिक नहीं होना चाहिए ।
- (vii) तारांकित (*) प्रश्न मूल्याधारित प्रश्न हैं ।
- (viii) उत्तर संक्षिप्त तथा तथ्यात्मक होने चाहिए तथा यथासंभव ऊपर दी गई सीमा के अंतर्गत ही दिए जाने चाहिए ।

General Instructions :

- (i) All questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each.
- (iii) Questions No. 1 – 5 and 17 – 21 are very short-answer questions carrying 1 mark each. They are required to be answered in **one sentence** each.
- (iv) Questions No. 6 – 10 and 22 – 26 are short-answer questions carrying 3 marks each. Answers to them should normally not exceed 60 words each.
- (v) Questions No. 11 – 13 and 27 – 29 are also short-answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.
- (vi) Questions No. 14 – 16 and 30 – 32 are long-answer questions carrying 6 marks each. Answers to them should normally not exceed 100 words each.
- (vii) Questions marked star (*) are value-based questions.
- (viii) Answers should be brief and to the point and the above word limit should be adhered to as far as possible.

SECTION A

1. सहयोगी अल्पाधिकार से क्या अभिप्राय है ? 1
What is meant by collusive oligopoly ?
2. उत्पादन फलन की परिभाषा दीजिए । 1
Define production function.
3. पूर्ति की परिभाषा दीजिए । 1
Define supply.
- *4. सरकार ने बड़ी संख्या में तकनीकी प्रशिक्षण संस्थाएँ शुरू की हैं । उत्पादन संभावना सीमा के संदर्भ में इसका आर्थिक मूल्य बताइए । 1
Large number of technical training institutions have been started by the government. State its economic value in the context of production possibilities frontier.
5. माँग को कब पूर्णतया बेलोचदार कहा जाता है ? 1
When is demand called perfectly inelastic ?
6. प्रति इकाई कर फ़र्म द्वारा वस्तु की पूर्ति को कैसे प्रभावित करता है ? समझाइए । 3

अथवा

आर्थिक सहायता फ़र्म द्वारा वस्तु की पूर्ति को कैसे प्रभावित करती है ? समझाइए ।

How does change in per unit tax influence the supply of a good by a firm ? Explain.

OR

How does subsidy influence the supply of a good by a firm ? Explain.

7. उत्पादन संभावना वक्र नीचे की ओर ढलवाँ क्यों होता है ? समझाइए । 3
Why is a production possibilities curve downward sloping ? Explain.

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8. एक वस्तु की माँग की कीमत लोच (–) 1 है। कीमत में कितने प्रतिशत परिवर्तन से माँग 20 इकाई से बढ़कर 30 इकाई हो जाएगी ? परिकलन कीजिए। 3

Price elasticity of demand of a good is (–) 1. Calculate the percentage change in price that will raise the demand from 20 units to 30 units.

9. एक पूर्ण प्रतियोगी बाज़ार में क्रेताओं की अधिक संख्या के प्रभाव की व्याख्या कीजिए। 3

Explain the implication of large number of buyers in a perfectly competitive market.

10. बाज़ार की किस स्थिति में औसत सम्प्राप्ति (आगम) सदैव सीमांत सम्प्राप्ति (आगम) के बराबर होती है ? समझाइए। 3

Under what market condition does Average Revenue always equal Marginal Revenue ? Explain.

11. परिवर्ती अनुपातों के नियम के अनुसार कुल उत्पाद में परिवर्तन के विभिन्न चरण बताइए। रेखाचित्र का प्रयोग कीजिए। 4

State the different phases of change in total product according to the Law of Variable Proportions. Use diagram.

नोट : निम्नलिखित प्रश्न केवल दृष्टिहीन परीक्षार्थियों के लिए प्रश्न संख्या 11 के स्थान पर है।

Note : The following question is for the **Blind Candidates** only in lieu of Q. No. 11.

परिवर्ती अनुपातों का नियम समझाइए। 4

Explain the Law of Variable Proportions.

12. यह मानते हुए कि एक उपभोक्ता केवल दो वस्तुओं का उपभोग करता है, उपयोगिता विश्लेषण की सहायता से उपभोक्ता संतुलन की शर्तें समझाइए।

4

अथवा

एक उपभोक्ता केवल दो वस्तुओं X और Y का उपभोग करता है और संतुलन में है। समझाइए कि कैसे जब वस्तु X की कीमत गिरती है, तो वस्तु X की माँग बढ़ती है। उपयोगिता विश्लेषण का उपयोग कीजिए।

Assuming that a consumer consumes only two goods, explain the conditions of consumer's equilibrium with the help of Utility Analysis.

OR

A consumer consumes only two goods X and Y and is in equilibrium. Show that when price of good X falls, demand for good X rises. Use Utility Analysis.

13. एक वस्तु की एक उपभोक्ता द्वारा माँग और बाज़ार माँग के बीच अंतर बताइए। वे कारक भी बताइए जो एक व्यक्ति द्वारा माँग में कमी लाते हैं।

4

Distinguish between demand by an individual consumer and market demand of a good. Also state the factors leading to fall in demand by an individual consumer.

14. बाज़ार में एक वस्तु के 'पूर्ति आधिक्य' से क्या अभिप्राय है? इसके उस वस्तु के बाज़ार पर पड़ने वाले प्रभावों की शृंखला समझाइए। रेखाचित्र का उपयोग कीजिए।

6

What is meant by 'excess supply' of a good in a market? Explain its chain of effects on the market for that good. Use diagram.

नोट: निम्नलिखित प्रश्न केवल दृष्टिहीन परीक्षार्थियों के लिए प्रश्न संख्या 14 के स्थान पर है।

Note: The following question is for the **Blind Candidates** only in lieu of Q. No. 14.

बाज़ार में एक वस्तु के 'पूर्ति आधिक्य' से क्या अभिप्राय है? इसके उस वस्तु के बाज़ार पर पड़ने वाले प्रभावों की शृंखला समझाइए। तालिका का उपयोग कीजिए।

6

What is meant by 'excess supply' of a good in a market? Explain its chain of effects on the market for that good. Use a schedule.

15. अनधिमान वक्र विश्लेषण में उपभोक्ता संतुलन की शर्तें बताइए और इन शर्तों के पीछे औचित्य समझाइए ।

6

अथवा

अनधिमान वक्रों की तीन विशेषताओं की व्याख्या कीजिए ।

State the conditions of consumer's equilibrium in the Indifference Curve Analysis and explain the rationale behind these conditions.

OR

Explain the three properties of the Indifference Curves.

16. एक फ़र्म के बारे में निम्नलिखित सूचना से, सीमांत लागत और सीमांत सम्प्राप्ति (आगम) के आधार पर फ़र्म का संतुलन उत्पादन ज्ञात कीजिए । कारण बताइए । इस उत्पादन पर लाभ भी ज्ञात कीजिए ।

6

उत्पादन (इकाई)	कुल सम्प्राप्ति (आगम) (₹)	कुल लागत (₹)
1	8	10
2	16	18
3	24	23
4	32	31
5	40	41

From the following information about a firm, find the firm's equilibrium output in terms of marginal cost and marginal revenue. Give reasons. Also calculate profit at this output.

Output (units)	Total Revenue (₹)	Total Cost (₹)
1	8	10
2	16	18
3	24	23
4	32	31
5	40	41

SECTION B

17. समग्र आपूर्ति की परिभाषा दीजिए । 1
Define aggregate supply.
18. अवमूल्यन से क्या अभिप्राय है ? 1
What is devaluation ?
19. केन्द्रीय बैंक से क्या अभिप्राय है ? 1
What is a central bank ?
20. समष्टि अर्थशास्त्र में 'अत्यधिक माँग' से क्या अभिप्राय है ? 1
What is meant by 'excess demand' in macroeconomics ?
21. 'प्राथमिक घाटा' से क्या अभिप्राय है ? 1
What is 'primary deficit' ?
22. मुद्रा का 'आस्थगित भुगतान का मानक' कार्य समझाइए । 3

अथवा

मुद्रा का 'मूल्य संचय' कार्य समझाइए ।

Explain the 'standard of deferred payment' function of money.

OR

Explain the 'store of value' function of money.

23. समझाइए कि भुगतान संतुलन 'घाटा' किस प्रकार मापा जाता है । 3
How is balance of payment 'deficit' measured ? Explain.

24. घरेलू मुद्रा की 'मूल्यवृद्धि' से क्या अभिप्राय है ? इसका निर्यातों पर क्या प्रभाव पड़ने की संभावना होती है और कैसे ?

3

What is 'appreciation' of domestic currency ? What is its likely effect on exports and how ?

25. गैर-मौद्रिक लेनदेन से क्या अभिप्राय है ? इसका एक उदाहरण दीजिए और इसके सकल देशीय उत्पाद के लोगों के कल्याण के सूचक के रूप में प्रयोग पर प्रभाव की व्याख्या कीजिए ।

3

What are non-monetary exchanges ? Give an example. Explain their impact on use of gross domestic product as an index of welfare of the people.

26. कारण देते हुए बताइए कि सरकारी बजट में निम्नलिखित को राजस्व व्यय माना जाएगा या पूँजीगत व्यय :

- (i) छात्रवृत्ति पर व्यय
- (ii) पुल निर्माण पर व्यय

3

Giving reason, state whether the following is a revenue expenditure or a capital expenditure in a government budget :

- (i) Expenditure on scholarships
- (ii) Expenditure on building a bridge

- *27. सरकार ने गरीबों को शिक्षा और स्वास्थ्य जैसी सेवाएँ मुफ्त प्रदान करने पर अधिक व्यय करना शुरू कर दिया । यह किस आर्थिक मूल्य को दर्शाता है ? समझाइए ।

4

Government has started spending more on providing free services like education and health to the poor. Explain the economic value it reflects.

28. मुद्रा आपूर्ति की अवधारणा और इसके घटक समझाइए ।

4

अथवा

केन्द्रीय बैंक का 'करेन्सी प्राधिकारी' कार्य समझाइए ।

Explain the concept of money supply and its components.

OR

Explain the 'currency authority' function of central bank.

29. एक अर्थव्यवस्था, जो कि संतुलन में है, के बारे में निम्नलिखित आँकड़ों से 'सीमांत उपभोग प्रवृत्ति' का परिकलन कीजिए :

4

राष्ट्रीय आय = 800

स्वतंत्र (स्वायत्त) उपभोग व्यय = 100

निवेश व्यय = 100

Calculate 'Marginal Propensity to Consume' from the following data about an economy which is in equilibrium :

National income = 800

Autonomous consumption expenditure = 100

Investment expenditure = 100

30. दो वैकल्पिक दृष्टिकोणों से राष्ट्रीय आय का निर्धारण समझाइए । रेखाचित्र का उपयोग कीजिए ।

6

अथवा

दिए गए उपभोग वक्र से बचत वक्र प्राप्त करने में लिए जाने वाले चरण बताइए । रेखाचित्र का उपयोग कीजिए ।

Explain national income determination through the two alternative approaches. Use diagram.

OR

Outline the steps in deriving saving curve from the given consumption curve. Use diagram.

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नोट : निम्नलिखित प्रश्न केवल दृष्टिहीन परीक्षार्थियों के लिए प्रश्न संख्या 30 के स्थान पर है ।

Note : The following question is for the **Blind Candidates** only in lieu of Q. No. 30.

राष्ट्रीय आय निर्धारण के दो वैकल्पिक दृष्टिकोणों की व्याख्या कीजिए ।

6

अथवा

उपभोग फलन और बचत फलन की व्याख्या कीजिए ।

Explain the two alternative approaches of national income determination.

OR

Explain the consumption function and saving function.

31. निम्नलिखित से 'राष्ट्रीय आय' और 'सकल राष्ट्रीय प्रयोज्य आय' का परिकलन कीजिए :

4, 2

	(₹ अरब में)
(i) निवल आयात	60
(ii) विदेशों को निवल पूँजीतर (चालू) हस्तांतरण	(-) 10
(iii) निवल घरेलू अचल पूँजी निर्माण	300
(iv) सरकारी अंतिम उपभोग व्यय	200
(v) निजी अंतिम उपभोग व्यय	700
(vi) अचल पूँजी का उपभोग	70
(vii) स्टॉक में निवल परिवर्तन	30
(viii) विदेशों को निवल कारक आय	20
(ix) निवल अप्रत्यक्ष कर	100

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Calculate 'National Income' and 'Gross National Disposable Income' from the following :

(₹ in Arab)

(i)	Net imports	60
(ii)	Net current transfers to abroad	(-) 10
(iii)	Net domestic fixed capital formation	300
(iv)	Government final consumption expenditure	200
(v)	Private final consumption expenditure	700
(vi)	Consumption of fixed capital	70
(vii)	Net change in stocks	30
(viii)	Net factor income to abroad	20
(ix)	Net indirect tax	100

32. राष्ट्रीय आय का अनुमान लगाते समय निम्नलिखित के साथ क्या व्यवहार किया जाना चाहिए ? अपने उत्तर के समर्थन में कारण बताना आवश्यक है ।

6

- (i) कर्मचारियों को बोनस का भुगतान
- (ii) वर्ष के दौरान स्टॉक में वृद्धि
- (iii) टैक्सी चालक द्वारा टैक्सी का क्रय

How should the following be treated while estimating national income ?
You must give reason in support of your answer.

- (i) Bonus paid to employees
- (ii) Addition to stocks during a year
- (iii) Purchase of taxi by a taxi driver

SENIOR SCHOOL CERTIFICATE EXAMINATION

MARCH-2014

MARKING SCHEME – ECONOMICS (Foreign)

(SET -2)

Expected Answers / Value Points

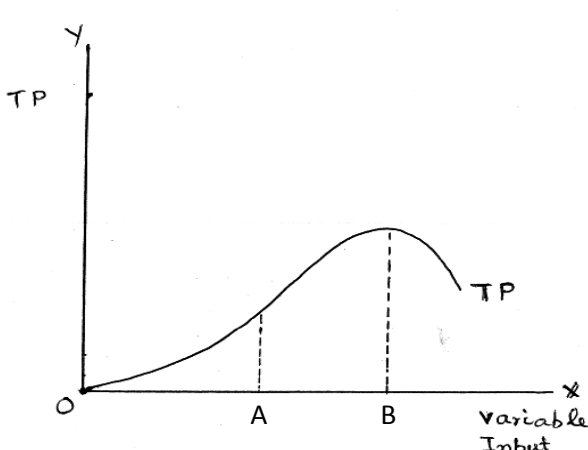
GENERAL INSTRUCTIONS :

1. 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.
2. Expected suggested answers have been given in the Marking Scheme. To evaluate the answers the value points indicated in the marking scheme be followed.
3. For questions asking the candidate to explain or define, the detailed explanations and definitions have been indicated alongwith the value points.
4. For mere arithmetical errors, there should be minimal deduction. Only $\frac{1}{2}$ mark be deducted for such an error.
5. Wherever 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.
6. 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.
7. Higher order thinking ability questions are assessing student’s understanding / analytical ability.
8.  indicates value based questions.

General Note : In case of numerical question no mark is to be given if only the final answer is given.

C2	Expected Answer / Value Points	Distribution of Marks
1	When in an oligopoly market firms co-operate with each other in determining price and output , it is called collusive oligopoly	1
2	Production function refers to the relationship between inputs and output.	1
3	Supply refers to the quantity of a good producers of that good are willing to supply at a price during a period of time.	1
 4	The economic value of technical training is that it raises the production potential of the country by raising the efficiency of the labor.	1

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5	The demand of a good is called perfectly inelastic when with the change in the price there is no change in demand for the good.	1
6	Suppose per unit tax is raised. This raises cost of producing the good. Price remaining unchanged, profits decline. This is disincentive to producers who supply less. OR Suppose government gives subsidy on production of good. This raises total revenue. Cost remaining unchanged profit rise. This provides incentive to the producers to supply more.	3 3
7	PPC is downward sloping because to produce more of one good, the economy has to produce less of the other good. It is because resources are fixed.	3
8	$E_p = \frac{\text{Percent change in demand}}{\text{percent change in price}}$ $-1 = \frac{\frac{10}{20} \times 100}{\text{percent change in price}} = \frac{50}{\% \text{ change in price}}$ $\text{percent change in price} = \frac{50}{-1} = -50$ Price falls by 50% (No marks if only the final answer is given)	1½ 1 ½
9	The large number of buyers is assumed to be so large that an individual buyer's share in total purchases is so negligible that he cannot influence the market price on its own by purchasing more or less. The outcome is that price remains unchanged.	3
10	It is under the market condition when a firm can sell more at the given price that AR = MR throughout as production is increased by the firm. It is because the firm is a price taker. It means that price, which is same as AR, remains unchanged throughout. By the average – marginal relationship, AR remains unchanged only when AR = MR throughout.	3
11		2

	The different phases in the law of variable proportions are Phase : I TP rises at an increasing rate and MP rises, as is upto A. Phase : II TP rises at decreasing rate and MP falls but remains positive, i.e. B. Phase : III TP falls and MP and MP becomes negative after B. <u>FOR THE BLIND CANDIDATES :</u> On the same lines as above (without diagram) but with reasons.	2 4
12	Assuming that the only, two goods the consumer consumes are X and Y, the condition of equilibrium are : (1) $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$ (2) MU falls as more is consumed <u>Explanation :</u> (1) Suppose $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$. The consumer will not be in equilibrium because per rupee MU from x is greater than per rupee MU from Y. This will induce the consumer to buy more of x by reducing expenditure on Y. It will lead to fall in MU_x and rise in MU_y, till $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$. (2) Unless MU falls as more is consumed of a good the consumer will not reach equilibrium. (Explanation based on $\frac{MU_x}{P_x} < \frac{MU_y}{P_y}$ is also correct.) OR According to the utility analysis, the consumer is in equilibrium when $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$ Now, given that P_x falls, then $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$ Since per rupee MU_x is higher than per rupee MU_y, the consumer will buy more of X and less on Y.	1 ½ 2 ½ 4
13	Demand by an individual refers to the quantity of a good the consumer is willing to buy at a price during a period of time .While market demand refers to the quantity of a good the consumers of that good are willing to buy at a price during a period of time . The factors leading to fall in demand by an individual consumers are : 1) Rise in own price of the normal good . 2) Fall in the price of substitute good . 3) Rise in the price of complementary good . 4) Fall in the income of the consumers in case of a normal good . 5) Rise in income of the consumers in case of an inferior good . 6) Decline in taste for the good (any four) (or any other)	2 (½x4=2)

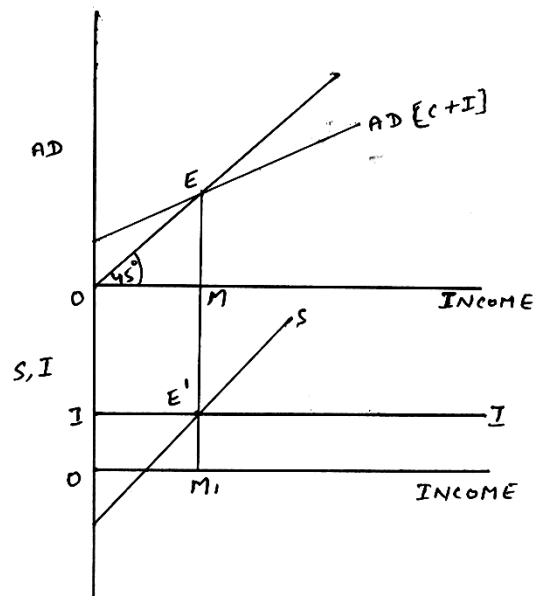
14	Excess supply for a good in a market occurs when the actual price of the good is higher than the equilibrium price. In diagram excess supply at the actual price OP_2 is D_1S_1. At this price producers will not be able to sell all they want to sell. Its chain of effects are : • There will be competition between sellers leading to fall in price. • Fall in price will reduce supply along the supply curve S and lead to rise in demand along the demand curve D as indicated by the arrows. • The trend will continue till the market reaches equilibrium at E. For the blind candidates Schedule : Meaning of excess supply and chain of effects (on the above line)	2 4 2 4
15	Let the only two goods the consumer consumes are X and Y. The two conditions of equilibrium are (1) $MRS = \frac{P_x}{P_y}$ (2) MRS falls as more of X is consumed in place of Y. Explanation : (1) Suppose $MRS > \frac{P_x}{P_y}$ i.e. consumer is not in equilibrium it means that to obtain one more unit of X consumer is willing to sacrifice more units of Y as compared to what is required in the market. The consumer buys more of X. MRS falls and continues to fall till it is equal to $\frac{P_x}{P_y}$ and the consumer is in equilibrium. (2) Unless MRS falls as consumer consumes more of X, the consumer will not reach equilibrium again. (Explanation based on $MRS < \frac{P_x}{P_y}$ is also correct) OR The Three properties are (i) IC slopes downwards from left to right. (ii) IC is strictly convex (iii) IC to the right has higher utility.	1 1 3 1 1x3=3

	Explanation : (1) Slope downwards because to consume more of good on the x-axis , the consumer must give up some quantity of good on the Y-axis so that the consumer remains on the same level of satisfaction. (2) Strictly convex because it is assumed that MRS continuously falls due to the law of diminishing marginal utility. (3) IC to the right has higher utility level because it is assumed that higher consumption means higher utility.	1x3=3																														
16	<table><tr><td>Output</td><td>TR</td><td>TC</td><td>MR</td><td>MC</td></tr><tr><td>1</td><td>8</td><td>10</td><td>8</td><td>10</td></tr><tr><td>2</td><td>16</td><td>18</td><td>8</td><td>8</td></tr><tr><td>3</td><td>24</td><td>23</td><td>8</td><td>5</td></tr><tr><td>4</td><td>32</td><td>31</td><td>8</td><td>8</td></tr><tr><td>5</td><td>40</td><td>41</td><td>8</td><td>10</td></tr></table> Equilibrium The producer is in equilibrium at 4 units of output Reason (1) MC = MR (2) MC > MR after equilibrium Profit = TR – TC =32- 31 = 1	Output	TR	TC	MR	MC	1	8	10	8	10	2	16	18	8	8	3	24	23	8	5	4	32	31	8	8	5	40	41	8	10	2 1 1 1 1
Output	TR	TC	MR	MC																												
1	8	10	8	10																												
2	16	18	8	8																												
3	24	23	8	5																												
4	32	31	8	8																												
5	40	41	8	10																												
	SECTION – B																															
17	Aggregate supply refers to the values of final goods and services planned to be produced in an economy during a given year.	1																														
18	Devaluation is said to occur when the exchange rate is increased by the official action (government) under the fixed exchange rate system.	1																														
19	The central bank is the apex bank engaged in regulating commercial banks.	1																														
20	When at the full employment level of income AD exceeds AS, the difference is called excess demand.	1																														
21	Primary deficit refers to fiscal deficit less interest payments.	1																														
22	Deferred payments mean payment contracted to be made at some future date. Money serves as a standard of such deferred payments, like in borrowing and lending activities. It has made possible the creation of banking system. OR The significance of money as a store of value is that money can be stored for use in future. One can use one’s present income in future because money comes in convenient denominations and is easily portable.	3 3																														
23	BOP deficit occurs when autonomous foreign exchange receipts fall short of autonomous payments. Autonomous transactions are those which are not influenced by other transactions in BOP.	3																														

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24	Appreciation of domestic currency occurs when market determined exchange rate falls.	1
	It signifies that foreign buyers will be able to buy less from one unit of currency. This makes exports costly for the foreign buyers. As a result exports are likely to decline.	2
25	Non-monetary exchanges refer to the goods and services produced but not exchanged through money, like the domestic services rendered by the members of a family to each other. The value of these services is many a times difficult to estimate and so it escapes national income estimation. These exchanges however have positive effect on the welfare of the people.	3
26	(i) Expenditure on scholarships is revenue expenditure because it neither creates any assets nor reduces liability.	1½
	(ii) Expenditure on building a bridge is capital expenditure because it leads to creation of assets	1½
27	Spending on free services to the poor raises their standard of living and at the same time helps in reduction in income inequalities. It also helps in raising production potential of the country by raising the efficiency level of the working class among the poor.	4
28	Stock of money in a country on a particular day is termed as money supply. It has two components : currency with public outside banks and demand deposits. Demand deposits are deposits which can be withdrawn by writing cheques. Both the components are usable for carrying out transactions at will.	4
	OR Currency authority function means that the central bank has the sole authority to issue currency. It brings uniformity in note circulation. It also gives power to the central bank to directly control money supply.	4
29	$Y = \bar{C} + MPC(Y) + I$	1½
	$800 = 100 + MPC(800) + 100$	1
	$800 MPC = 800 - 100 - 100 = 600$	1
	$MPC = 600/800 = 0.75$	½
	(No marks if only the final answer is given)	

30

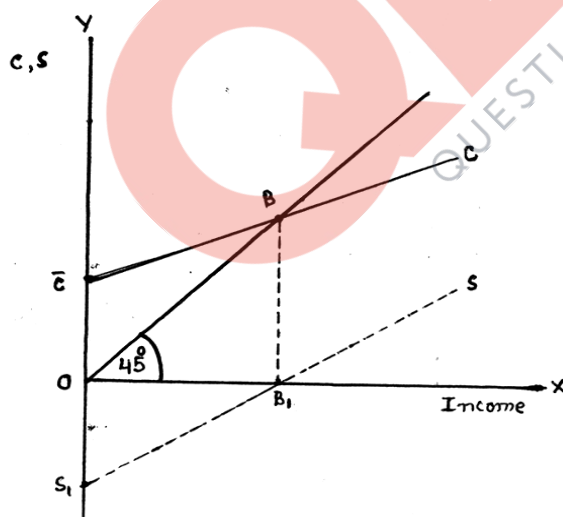


3

The two alternative approaches of national income determination are

- (1) $AD = AS$ which is on E in the upper part of diagram when AD curve intersects the 45° line with equilibrium income OM. 1½
- (2) $S = I$ which is E1 in the lower part of the diagram when saving curve intersects the investment curve at E1 with OM as the equilibrium income level. 1½

OR



3

Steps :

- (i) Given consumption Curve $\bar{C}C$, take OS_1 equal to $O\bar{C}$
- (ii) Draw a perpendicular from B to intersect X-axis on B_1 .
- (iii) Join S_1 and B_1 and extend to obtain the saving curve.

3

	<u>For the Blind Candidates :</u> - Derivation of the two approaches Explanation OR - Consumption function : Meaning Explanation of components - Saving function : Meaning Explanation of component	6 6
31	$N.I = v + iv + (iii + vii) - i - ix - viii$ $= 700 + 200 + (300 + 30) - 60 - 100 - 20$ $= Rs\ 1050\ arab$ $GNDI = NI + vi + ix - ii$ $= 1050 + 70 + 100 - (-10)$ $= Rs\ 1240\ arab$ (No marks if only the final answer is given)	2 1½ ½ 1 ½ ½
32	(i) <u>Bonus</u> should be included because it is compensation paid to employees. (ii) <u>Addition to stocks</u> should be included because it is investment a final expenditure. (iii) <u>Purchase of a taxi</u> by taxi driver should be included because it is final expenditure on investment. (No marks if the reason is not given)	2 2 2