

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 लघुत्तरात्मक 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 लघुत्तरात्मक 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 लघुत्तरात्मक 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 limits should be adhered to as far as possible.

SECTION A

1. परिवर्ती लागत की परिभाषा दीजिए । 1
Define variable cost.
- *2. सरकार ने विदेशी पूँजी को प्रोत्साहित करना शुरू कर दिया है । उत्पादन संभावना सीमा के संदर्भ में इसका आर्थिक मूल्य क्या है ? 1
The government has started promoting foreign capital. What is its economic value in the context of Production Possibilities Frontier ?
3. एक उत्पाद की बाज़ार पूर्ति से क्या अभिप्राय है ? 1
What is market supply of a product ?
4. अपूर्ण अल्पाधिकार से क्या अभिप्राय है ? 1
What is imperfect oligopoly ?
5. एकदिष्ट अधिमान से क्या अभिप्राय है ? 1
What is meant by monotonic preferences ?
6. औसत सम्प्राप्ति (आगम) सदैव कीमत के बराबर क्यों होती है ? 3
Why is Average Revenue always equal to price ?
7. समझाइए तकनीकी प्रगति किस प्रकार एक फर्म द्वारा किसी वस्तु की पूर्ति का निर्धारक है । 3

अथवा

समझाइए आगतों की कीमतें किस प्रकार एक फर्म द्वारा किसी वस्तु की पूर्ति का निर्धारक है ।

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Explain how technological progress is a determinant of supply of a good by a firm.

OR

Explain how input prices are a determinant of supply of a good by a firm.

8. अल्पाधिकार में फर्मों की संख्या कम क्यों होती है ? समझाइए । 3
Why is the number of firms small in oligopoly ? Explain.
9. उत्पादन संभावना वक्र अवतल क्यों होता है ? समझाइए । 3
Why is Production Possibilities Curve concave ? Explain.
10. एक उपभोक्ता ₹ 10 प्रति इकाई कीमत पर एक वस्तु की 27 इकाइयाँ खरीदता है । जब कीमत गिर कर ₹ 9 प्रति इकाई हो जाती है, तो माँग बढ़ कर 30 इकाई हो जाती है । 'व्यय विधि' द्वारा वस्तु की माँग की कीमत लोच के बारे में आप क्या कह सकते हैं ? 3
A consumer buys 27 units of a good at a price of ₹ 10 per unit. When the price falls to ₹ 9 per unit, the demand rises to 30 units. What can you say about price elasticity of demand of the good through the 'expenditure approach' ?
11. दी गई वस्तु की पूरक वस्तु की कीमत में परिवर्तन आने से दी गई वस्तु की माँग पर क्या प्रभाव पड़ता है ? एक उदाहरण की सहायता से समझाइए । 4
How does change in price of a complementary good affect the demand of the given good ? Explain with the help of an example.
12. कारण देते हुए 'परिवर्ती अनुपातों का नियम' समझाइए । 4
Giving reasons, explain the 'Law of Variable Proportions'.
13. एक उपभोक्ता केवल दो वस्तुओं X और Y का उपभोग करता है और संतुलन में है । दिखाइए कि जब वस्तु X की कीमत बढ़ती है, तो उपभोक्ता वस्तु X की कम मात्रा खरीदता है । उपयोगिता विश्लेषण का उपयोग कीजिए । 4

अथवा

किसी वस्तु की दी गई कीमत के आधार पर उपभोक्ता कैसे तय करेगा कि वह उस वस्तु की कितनी मात्रा खरीदे ? उपयोगिता विश्लेषण का उपयोग कीजिए ।

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A consumer consumes only two goods X and Y and is in equilibrium. Show that when the price of good X rises, the consumer buys less of good X. Use utility analysis.

OR

Given the price of a good, how will a consumer decide as to how much quantity of that good to buy ? Use utility analysis.

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

उत्पादन (इकाई)	कुल सम्प्राप्ति (आगम) (₹)	कुल लागत (₹)
1	6	7
2	12	13
3	18	17
4	24	23
5	30	31

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

Output (units)	Total Revenue (₹)	Total Cost (₹)
1	6	7
2	12	13
3	18	17
4	24	23
5	30	31

15. एक वस्तु का बाज़ार संतुलन में है । वस्तु की माँग में 'वृद्धि' होती है । बाज़ार के दोबारा संतुलन में आने तक इस परिवर्तन के कारण होने वाले प्रभावों की श्रृंखला समझाइए । रेखाचित्र का प्रयोग कीजिए ।

Market of a commodity is in equilibrium. Demand for the commodity 'increases'. Explain the chain of effects of this change till the market again reaches equilibrium. Use diagram.

नोट : निम्नलिखित प्रश्न केवल दृष्टिहीन परीक्षार्थियों के लिए प्रश्न संख्या 15 के स्थान पर है ।

Note : The following question is for the **Blind Candidates** only in lieu of Q. No. 15.

एक वस्तु का बाज़ार संतुलन में है । वस्तु की माँग में 'वृद्धि' होती है । बाज़ार के दोबारा संतुलन में आने तक इस परिवर्तन के कारण होने वाले प्रभावों की शृंखला समझाइए । पहले और बाद के संतुलनों पर कीमतों की तुलना भी कीजिए ।

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Market for a commodity is in equilibrium. Demand for the commodity 'increases'. Explain the chain of effects of this change till the market again reaches equilibrium. Also compare prices at old and new equilibriums.

16. समझाइए क्यों एक अनधिमान वक्र (अ) नीचे की ओर ढलवाँ और (ब) उत्तल होता है ।

6

अथवा

संख्यात्मक उदाहरण की सहायता से 'प्रतिस्थापन की सीमांत दर' की अवधारणा समझाइए । अनधिमान वक्र पर इसका व्यवहार भी समझाइए ।

Explain why is an indifference curve (a) downward sloping and (b) convex.

OR

Explain the concept of 'Marginal Rate of Substitution' with the help of a numerical example. Also explain its behaviour along an indifference curve.

खण्ड ब

SECTION B

17. समष्टि अर्थशास्त्र में 'माँग आधिक्य' से क्या अभिप्राय है ?

1

What is 'excess demand' in macroeconomics ?

18. राजकोषीय घाटा की परिभाषा दीजिए ।

1

Define fiscal deficit.

19. 'नियंत्रित अस्थायी (लचीली) विनिमय दर' से क्या अभिप्राय है ?

1

What is 'managed floating exchange rate' ?

20. सावधि जमाओं से क्या अभिप्राय है ? 1
What are time deposits ?
21. पूर्ण रोज़गार से क्या अभिप्राय है ? 1
What is full employment ?
22. सरकारी बजट के संदर्भ में निम्नलिखित राजस्व प्राप्ति है या पूँजीगत प्राप्ति और क्यों ? 3
(i) कर प्राप्तियाँ
(ii) विनिवेश
- Is the following a revenue receipt or a capital receipt in the context of government budget and why ?
(i) Tax receipts
(ii) Disinvestment
23. देशीय (घरेलू) मुद्रा की मूल्यवृद्धि के निर्यातों पर प्रभाव की व्याख्या कीजिए । 3
Explain the effect of appreciation of domestic currency on exports.
24. बाह्य कारणों (बाहरी प्रभावों) से क्या अभिप्राय है ? किसी धनात्मक बाहरी प्रभाव का उदाहरण दीजिए और इसका लोगों के कल्याण पर पड़ने वाला प्रभाव समझाइए । 3
What are externalities ? Give an example of a positive externality and its impact on welfare of the people.
25. मुद्रा का 'लेखा की इकाई' कार्य का महत्त्व समझाइए । 3

अथवा

मुद्रा का 'आस्थगित भुगतान का मानक' कार्य का महत्त्व समझाइए ।

Explain the significance of the 'Unit of Account' function of money.

OR

Explain the significance of the 'Standard of Deferred Payment' function of money.

26. भुगतान संतुलन लेनदेनों में 'स्वायत्त' (स्वतंत्र) और 'समायोजन' हेतु लेनदेनों में अंतर बताइए । 3

Distinguish between 'autonomous' and 'accommodating' Balance of Payments transactions.

27. एक अर्थव्यवस्था, जो कि संतुलन में है, के बारे में निम्नलिखित आँकड़ों से स्वायत्त (स्वतंत्र) उपभोग व्यय का परिकलन कीजिए : 4

राष्ट्रीय आय	=	500
सीमांत बचत प्रवृत्ति	=	0.30
निवेश व्यय	=	100

Calculate Autonomous Consumption Expenditure from the following data about an economy which is in equilibrium :

National income	=	500
Marginal propensity to save	=	0.30
Investment expenditure	=	100

- *28. उच्च आय वर्ग पर कर की दरें बढ़ा दी गई हैं । यह किस आर्थिक मूल्य को दर्शाता है ? समझाइए । 4

Tax rates on higher income group have been increased. Which economic value does it reflect ? Explain.

29. केन्द्रीय बैंक का 'सरकार का बैंकर' कार्य समझाइए । 4

अथवा

केन्द्रीय बैंक का 'बैंकों का बैंक' कार्य समझाइए ।

Explain 'Banker to the Government' function of the central bank.

OR

Explain 'Bankers' Bank' function of the central bank.

30. एक देश की राष्ट्रीय आय का अनुमान लगाते समय निम्नलिखित के साथ क्या व्यवहार किया जाना चाहिए ? अपने उत्तर का कारण अवश्य बताएँ ।

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- (i) वृद्ध माता-पिता की देखभाल करना
- (ii) निगम कर का भुगतान
- (iii) सरकार द्वारा पुलिस सेवाएँ देने पर व्यय

How should the following be treated in estimating national income of a country ? You must give reason for your answer.

- (i) Taking care of aged parents
- (ii) Payment of corporate tax
- (iii) Expenditure on providing police services by the government

31. बचत और निवेश फलन की सहायता से समझाइए कि अर्थव्यवस्था कब संतुलन में होती है । यह भी समझाइए कि जब अर्थव्यवस्था संतुलन में न हो, तो अर्थव्यवस्था में क्या परिवर्तन आते हैं । रेखाचित्र का प्रयोग कीजिए ।

6

अथवा

बचत वक्र से उपभोग वक्र प्राप्त करने के दौरान लिए जाने वाले चरण बताइए । रेखाचित्र का प्रयोग कीजिए ।

When is an economy in equilibrium ? Explain with the help of Saving and Investment functions. Also explain the changes that take place in an economy when the economy is not in equilibrium. Use diagram.

OR

Outline the steps required to be taken in deriving the Consumption Curve from the given Saving Curve. Use diagram.

नोट : निम्नलिखित प्रश्न केवल दृष्टिहीन परीक्षार्थियों के लिए प्रश्न संख्या 31 के स्थान पर है ।

Note : The following question is for the **Blind Candidates** only in lieu of Q. No. 31.

निवेश की परिभाषा दीजिए । बचत और निवेश फलन द्वारा राष्ट्रीय आय का संतुलन समझाइए । यह भी समझाइए कि जब अर्थव्यवस्था संतुलन में न हो, तो अर्थव्यवस्था में क्या परिवर्तन आते हैं ।

6

अथवा

उपभोग फलन से क्या अभिप्राय है ? बचत फलन से इसे कैसे प्राप्त किया जा सकता है ? समझाइए ।

Define Investment. Explain national income equilibrium through Saving and Investment function. Also explain the changes that take place in an economy when the economy is not in equilibrium.

OR

What is Consumption Function ? How can it be derived from the Saving Function ? Explain.

32. निम्नलिखित से 'बाज़ार कीमत पर निवल राष्ट्रीय उत्पाद' और 'सकल राष्ट्रीय प्रयोज्य आय' का परिकलन कीजिए :

4, 2

	(₹ अरब में)
(i) अंतिम स्टॉक	10
(ii) अचल पूँजी का उपभोग	40
(iii) निजी अंतिम उपभोग व्यय	600
(iv) निर्यात	50
(v) आरंभिक स्टॉक	20
(vi) सरकारी अंतिम उपभोग व्यय	100
(vii) आयात	60
(viii) निवल घरेलू अचल पूँजी निर्माण	80
(ix) विदेशों को निवल चालू (पूँजीतर) हस्तांतरण	(-) 10
(x) विदेशों को निवल कारक आय	30

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Calculate 'Net National Product at Market Price' and 'Gross National Disposable Income' from the following :

(₹ in Arab)

(i)	Closing stock	10
(ii)	Consumption of fixed capital	40
(iii)	Private final consumption expenditure	600
(iv)	Exports	50
(v)	Opening stock	20
(vi)	Government final consumption expenditure	100
(vii)	Imports	60
(viii)	Net domestic fixed capital formation	80
(ix)	Net current transfers to abroad	(-) 10
(x)	Net factor income to abroad	30

SENIOR SCHOOL CERTIFICATE EXAMINATION

MARCH-2014

MARKING SCHEME – ECONOMICS (Outside)

(SET - 3)

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.

B3	Expected Answer / Value Points	Distribution of Marks
1	The cost which changes with change in output is called variable cost.	1
2	It will increase inflow of foreign capital. Its economic value is the rise in production potential due to increase in resources.	1
3	Market supply of good is the sum total of quantities that all the producers of that good are willing to supply at a price during a period of time.	1
4	If in an oligopoly market the firms produce differentiated products, it is called imperfect oligopoly.	1

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5	Monotonic preferences refers to a situation when consumption increases total utility also increases alongwith.	1									
6	$\text{Given } AR = \frac{TR}{Q}$ $\text{Since } TR = P \times Q$ $AR = \frac{P \times Q}{Q} = P$	3									
7	Technological progress leads to reduction in cost of producing output. Price remaining unchanged, less cost means more profit. This increases supply of the good. OR Suppose input prices rise. This raises cost. Price of the good remaining unchanged, profits fall. This discourages the producer so supply will decrease. Opposite happens if the input prices fall.	3 3									
8	The main reason why the number of firms is small is that there are barriers which prevent entry of firms into industry. Patents, large capital requirement control over the crucial raw materials, etc. prevent new firms from entering the industry. Only those who are able to cross these barriers enter.	3									
9	A typical PP curve is downward sloping and concave, i.e. its slope is increasing, because marginal Rate of Transformation (MRT) increases as we move downwards along the curve. MRT increases because no resource is equally efficient in production of all goods. As the resources are transferred from one good to another MRT increases because less and less efficient resources are to be transferred each time.	3									
10	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Price.</th> <th style="text-align: left;">Qty.</th> <th style="text-align: left;">Total exp.</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>27</td> <td>270</td> </tr> <tr> <td>9</td> <td>30</td> <td>270</td> </tr> </tbody> </table> Since with change in price total expenditure remains unchanged, price elasticity of demand is unitary i.e. equal to (-)1. (No mark if the percentage method is used)	Price.	Qty.	Total exp.	10	27	270	9	30	270	1 2
Price.	Qty.	Total exp.									
10	27	270									
9	30	270									
11	Change in price of a complementary good affects the demand for the given good. Suppose X is the given good and Y is the complementary good. Suppose price of Y rises. This decreases demand for the complementary good Y. Since X and Y are used jointly, demand for X will also fall. It establishes inverse relation between price of the complementary good and demand for the given good.	4									
12	The Law of Variable Proportions states that as only one input is increased, others remaining unchanged, Total Product (TP) changes in three phases. Phase : I TP rises at an increasing rate. Phase : II TP rises at decreasing rate Phase : III TP falls										

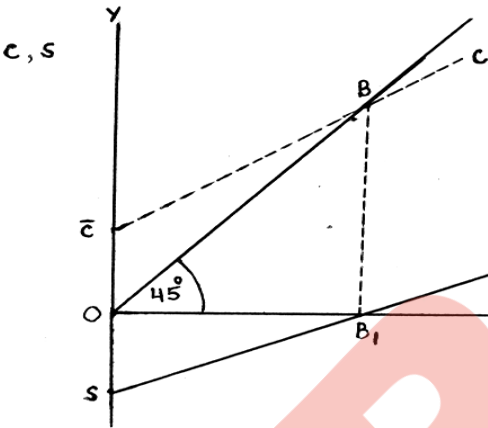
	Reason : Phase : I TP rises at an increasing rate because in the beginning as the quantity of the variable input is increased efficient utilization of fixed input takes places due to specialization. This raises efficiency of the variable input. Phase : II TP now rises at a decreasing rate because as the variable input is increased, there is pressure on fixed inputs leading to decline in efficiency. Phase : III TP starts falling because the quantity of the variable input becomes too much in relation to the fixed input. (Diagram not required. To be marked as a whole.)	4																														
13	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 rises, then $\frac{MU_x}{P_x} < \frac{MU_y}{P_y}$ Since per rupee MU_x is lower than per rupee MU_y, the consumer will buy less of X and more of Y. It shows that when P_x rises, demand for X falls. OR While buying a unit of a good the consumer compares price with marginal utility (MU). So long as the price the consumer is willing to pay (i.e. MU) is higher than the market price, the consumer will go on buying. As the consumer buys more, MU falls due to the law of Diminishing Marginal Utility. The consumer stops buying when MU or Price he is willing to pay is equal to market price i.e. $MU = P$. If the consumer still buys more, MU will become lower than price; a position a rational consumer will not accept.	4 4																														
14	<table><tr><td>Output</td><td>TR</td><td>TC</td><td>MR</td><td>MC</td></tr><tr><td>1</td><td>6</td><td>7</td><td>6</td><td>7</td></tr><tr><td>2</td><td>12</td><td>13</td><td>6</td><td>6</td></tr><tr><td>3</td><td>18</td><td>17</td><td>6</td><td>4</td></tr><tr><td>4</td><td>24</td><td>23</td><td>6</td><td>6</td></tr><tr><td>5</td><td>30</td><td>31</td><td>6</td><td>8</td></tr></table> Equilibrium The producer is in equilibrium at 4 units of output Reason : At this level of output the conditions of producers equilibrium given below are satisfied : (1) $MC = MR$ (2) $MC > MR$ after equilibrium Profit = $TR - TC = 24 - 23 = 1$	Output	TR	TC	MR	MC	1	6	7	6	7	2	12	13	6	6	3	18	17	6	4	4	24	23	6	6	5	30	31	6	8	2 1 1 1
Output	TR	TC	MR	MC																												
1	6	7	6	7																												
2	12	13	6	6																												
3	18	17	6	4																												
4	24	23	6	6																												
5	30	31	6	8																												

15	- OP_1 is the equilibrium price and OQ_1 is equilibrium quantity. When demand increases, the demand curve shifts to the right. D_2 is new demand curve. - This creates an excess demand E_1A_1 at the existing price OP_1. - The excess demand causes competition among buyers resulting in rise in price . - Rise in price leads to fall in demand and rise in supply as indicated by the arrows. - These changes continue till the market reaches new equilibrium at E_2 with a higher price OP_2 and higher quantity OQ_2. <u>For the Blind Candidate</u> • Increase in demand result in excess demand • It causes competition among buyers resulting in rise in price • Price rise reduces demand and increases supply. • Excess demand is reduce • These changes continue till demand and supply are equal at new price. • New price is higher than old price	2 4 6
16	(i) <u>Indifference Curve Slopes Downwards:</u> because in order to consume More units of X good the consumer must give up some quantity of Y good, so that consumer remains on the same level of satisfaction at each point of Indifference Curve. (ii) <u>Indifference Curve is convex to the origin :</u> Because it is assumed that Marginal Rate of Substitution falls continuously as the consumer moves downwards along the curve. It is due to the Law of Diminishing Marginal Utility. OR Marginal Rate of Substitution (MRS) means the rate at which a consumer is willing to sacrifice quantity of one good to obtain one more unit of the other good.	3 3 1

	Let the two goods consumed be A and B. Suppose the following combinations of these two goods have the same utility level for him : <table> <tr> <th>Good A</th><th>Good B</th><th>MRS</th></tr> <tr> <td>1</td><td>8</td><td>-</td></tr> <tr> <td>2</td><td>4</td><td>4B : 1A</td></tr> <tr> <td>3</td><td>1</td><td>3B : 1A</td></tr> </table> The consumer is willing to sacrifice 4B to obtain second unit of A. For the third unit of A, he is willing to sacrifice less because marginal utility of A decreases as he consumes more of A.	Good A	Good B	MRS	1	8	-	2	4	4B : 1A	3	1	3B : 1A	3 2
Good A	Good B	MRS												
1	8	-												
2	4	4B : 1A												
3	1	3B : 1A												
	<u>SECTION - B</u>													
17	Excess demand refers to AD exceeding AS at the full employment level of income.	1												
18	When total government expenditure exceeds total government receipts excluding borrowing, the difference is called fiscal deficit.	1												
19	Managed floating exchange rate is flexible exchange rate which can be moderated by the intervention of the central bank through buying and selling of foreign currencies in the open market.	1												
20	Time deposits are deposits which have fixed period of maturity Or which can be withdrawn only after a specified period of time.	1												
21	Full employment is a situation in which all those who are able and willing to work at given wage rate find work.	1												
22	(i) Tax Receipts are revenue receipts because these neither create any liability nor reduce asset. (ii) Disinvestments are capital receipts because it reduces assets.	1 ½ 1 ½												
23	Appreciation of domestic currency means fall in the price of foreign currency in term of domestic currency. Fall in exchange rate mean exports becoming costlier for the foreign buyers because they will now get less goods and services for each unit of foreign currency. This will reduce demand for exports	3												
24	Externalities refer to the benefits (or harms) a firm or an individual causes to another for which it is not paid (or penalised) Example : Use of public parks by the people for pleasure for which no payments are made by the public (or any other example). It increases welfare through positive effect on health.	1 2												
25	The unit of account function means that monetary unit is treated as the standard unit for quoting prices or borrowing & lending activities etc. This function has made possible keeping of accounts and the emergence of the banking system.	3												

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	OR	
	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.	3
26	Autonomous transactions are those which are not influenced by other transactions in Balance of Payment Account. Accommodating transactions are those which are undertaken to cover deficit / Surplus in BOP.	3
27	$Y = \bar{C} + MPC(Y) + I$ $500 = \bar{C} + (1 - 0.3)500 + 100$ $\bar{C} = 500 - 350 - 100 = 50$ (No marks if only the final answer is given)	1½ 1½ 1
28	This will reduce the inequalities of income as the difference between disposable incomes of higher income and lower income groups will fall. This will also provide more resource to the government for spending on welfare of the poor-	4
29	Central bank is banker to the government like commercial banks are to the public. It accepts deposits from government and gives loans to the government in times of need. OR Commercial banks are required to keep a certain minimum percentage of deposits as cash reserve with the central bank. Central bank user these reserves to meet emergency requirements of the commercial banks. It is called bankers' bank functions of the central bank.	4 4
30	(i) <u>Taking care of aged parents</u> Should be included because it is a productive service rendered to the parents. (ii) <u>Payments of corporation tax</u> should not be included because any tax payment is a transfer payment as no good or service is provided in return (iii) <u>Expenditure on providing police services by government</u> should be included because expenditure on any free service provided by government is government's final consumption expenditure. (No marks if the reason is not given)	2 2
31		2

	The economy is in equilibrium at that income level at which saving = investment. The equilibrium level of income is OM as at this level $S=I$ When the economy is not in equilibrium saving is not equal to investment : Suppose $S > I$. It means $AD < AS$. This leads to piling up of inventories with the producers. In order to bring down inventories to the desired level , producers cut down production which brings down AS. The trend continues till $AD = AS$ again and $S = I$ where the economy is in equilibrium. Similarly if $S < I$, then $AD > AS$. There is decrease in inventories. Producers increase production, AS rises. This continues till $AD = AS$. OR  Steps : SS' is the given S- Curve. Draw a 45° line from origin - Take $O\bar{C}$ equal to OS on the Y-axis. - Draw a perpendicular (or line parallel to the y-axis) from B_1 till it intersects the 45° line at B. - Join $\bar{C}$ and B and extend the same to get C-curve For the Blind Candidates : - Definition of Investment. - Equilibrium on the same lines as above without diagram - When not in equilibrium on the same line as above OR - Definition of consumption function. - Derivation with explanation.	1 3 3 3 1 2 3 1 5
32	$NNP_{mp} = iii + vi + (viii + i - v) + (iv - vii) - X$ $= 600 + 100 + 80 + 10 - 20 + 50 - 60 - 30$ $= \text{Rs } 730 \text{ arab}$ $GNDI = NNP_{mp} + ii - ix$ $= 730 + 40 - (-10)$ $= \text{Rs } 780 \text{ arab}$	2 $1\frac{1}{2}$ $\frac{1}{2}$ 1 $\frac{1}{2}$ $\frac{1}{2}$