



## BANGALORE SAHODAYA SCHOOLS COMPLEX ASSOCIATION (BSSCA)

### PRE-BOARD EXAMINATION (2023-2024)

#### ECONOMICS /GRADE XII/MARKING SCHEME

Date: 22/12/2023

Max. Marks: 80

Subject: Economics (Set-B)

Time: 3 Hrs

Q. No	Answer Key	Marks allotted
1	c. Statement 1 is true and statement 2 is false OR d. Depreciation of machines	1
2	b. Reallocation of resources	1
3	c. Profits of public sector enterprise	1
4	a. 1,2 and 3 are correct	1
5	d. Assertion (A) is false but Reason (R) is true.	1
6	b. The Bretton Woods system	1
7	b. Credit side in current account	1
8	a. Both statements are true	1
9	c. APS	1
10	d. Both b and c	1
11	Demand for foreign exchange increases and exchange rate increases. OR Fixed exchange rate - system where exchange rate is fixed by the government Flexible Exchange rate - system where exchange rate is determined by market forces of supply and demand Managed floating - System where foreign exchange rate is determined by market forces and central bank influences exchange rate by bulk buying and bulk selling.	3 1 1 1

12	<p>When GDP of given year is estimated on the basis of price of the same year, it is called nominal GDP.</p> <p>When GDP of a given year is estimated on the basis of price of base year, it is called real GDP.</p> <p><math>\text{GDP deflator} = \text{Nominal GDP}/\text{Real GDP} * 100</math></p> <p><math>2500/3000 * 100 = 83.3</math></p> <p>The price level has fallen</p>	$\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ 1																				
13	<p>Credit Multiplier = <math>1/LRR</math></p> <p><math>k = 5</math></p> <p><math>\text{Total money creation} = \text{Initial Deposit} * 1/LRR</math></p> <p><math>1000 * 5 = 5000</math></p> <table border="1" data-bbox="319 848 1283 1035"> <thead> <tr> <th data-bbox="319 848 695 887">Rounds of transactions</th><th data-bbox="695 848 838 887">Deposits</th><th data-bbox="838 848 1129 887">Legal Reserves</th><th data-bbox="1129 848 1283 887">Loans</th></tr> </thead> <tbody> <tr> <td data-bbox="319 887 695 925">First round</td><td data-bbox="695 887 838 925">1000</td><td data-bbox="838 887 1129 925">200</td><td data-bbox="1129 887 1283 925">800</td></tr> <tr> <td data-bbox="319 925 695 963">Second Round</td><td data-bbox="695 925 838 963">800</td><td data-bbox="838 925 1129 963">160</td><td data-bbox="1129 925 1283 963">640</td></tr> <tr> <td data-bbox="319 963 695 1001">Third Round</td><td data-bbox="695 963 838 1001">640</td><td data-bbox="838 963 1129 1001">128</td><td data-bbox="1129 963 1283 1001">512</td></tr> <tr> <td data-bbox="319 1001 695 1035"></td><td data-bbox="695 1001 838 1035">5000</td><td data-bbox="838 1001 1129 1035">1000</td><td data-bbox="1129 1001 1283 1035">4000</td></tr> </tbody> </table> <p>According to this scheme, banks were advised to open zero balance accounts involving minimum formalities. Hence the initial deposits increased and hence total credit created also increased thereby increasing economic growth.</p> <p>OR</p> <p>Carrying out all banking business of the government</p> <p>Granting loans and advances</p> <p>Managing public debt</p> <p>Advisor</p> <p>Agent to the government</p> <p>(Any four)</p>	Rounds of transactions	Deposits	Legal Reserves	Loans	First round	1000	200	800	Second Round	800	160	640	Third Round	640	128	512		5000	1000	4000	1 2 1 4
Rounds of transactions	Deposits	Legal Reserves	Loans																			
First round	1000	200	800																			
Second Round	800	160	640																			
Third Round	640	128	512																			
	5000	1000	4000																			
14	<p>a. <math>\text{Revenue Deficit} = \text{Revenue Expenditure} - \text{Revenue Receipt}</math></p> <p><math>\text{Fiscal deficit} = \text{Total Expenditure} - \text{Total Receipts excluding borrowings}</math></p> <p>b. By calculating the share of revenue deficit in fiscal deficit</p> <p>c. Yes, when there is a deficit in the capital budget. Also if there is a capital deficit surpassing revenue deficit surplus.</p>	$\frac{1}{2}$ $\frac{1}{2}$ 1 1																				

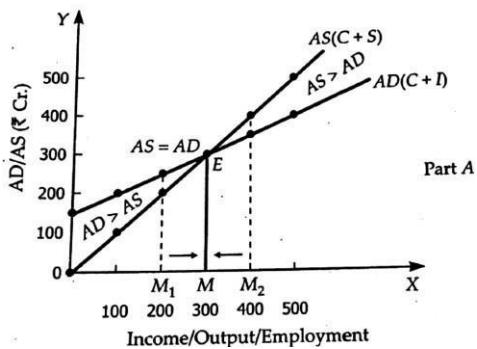
	d. There can be long term implications – it can lead to dissaving, disinvestment, debt trap etc.	1
15	<p>Given that <math>CC</math> is the consumption curve and <math>OY</math> is the income curve, we derive saving curve as following</p> <ol style="list-style-type: none"> <li>1. We take <math>OS = OC</math> as <math>OC</math> is autonomous consumption (<math>\bar{C}</math>) defined at zero level of income. It implies that saving at zero level of income will be <math>OS</math> (<math>-\bar{C}</math>). Thus we get a point <math>S</math> on negative <math>Y</math> axis from where the saving curve will start.</li> <li>2. Point <math>E</math> on consumption curve indicates break even point (consumption = income) implying <math>APC=1</math> and zero savings. Hence saving curve will intersect <math>X</math> axis at point <math>E_1</math> (Alternatively perpendicular from point <math>E</math> to <math>E_1</math> may also be drawn).</li> <li>3. We join points <math>S</math> and <math>E_1</math> and by extending the straight line upwards, we get the saving curve <math>SE_1S</math> or <math>SS</math>.</li> </ol> <p>Point <math>E</math> on the graph denotes <math>APC=1</math>. At this point the aggregate income is just sufficient to cover the aggregate consumption needs of the economy (<math>C = Y</math>). This point is called the Break Even point.</p>	3
16	<p>a. When Intermediate consumption =zero</p> <p>b. When factor income from abroad = factor income to abroad or <math>NFIA = 0</math></p> <p><u>Calculation of GDPmp by income method</u></p> $NDPfc = COE + OS + MI$ $GDPmp = COE + (Rent + Interest + Profit) + Mixed income + Consumption of fixed capital + (Indirect tax - Subsidies)$ $GDP mp = 200 + (120 + 150 + 250) + 20 + 30 + (60 - 10)$ $GDPmp = Rs 820 \text{ crores}$ <p><u>Calculation Closing stock</u></p> $CS = GDPmp - PFCE - GFCE - GFCF + Opening stock - Net exports$ $CS = 820 - 450 - 50 - 300 + 10 - (-10) = Rs 40 \text{ crores}$	<p>1</p> <p>1</p> <p>1/2</p> <p>1/2</p> <p>1</p> <p>1/2</p> <p>1/2</p> <p>1</p>

17

The equilibrium level of income is determined where planned level of aggregate demand is equal to planned level of aggregate supply.

$$AD=AS$$

$$C+I=C+S$$



1

1

1

$AD > AS \rightarrow$  Inventory level starts falling, production expands.

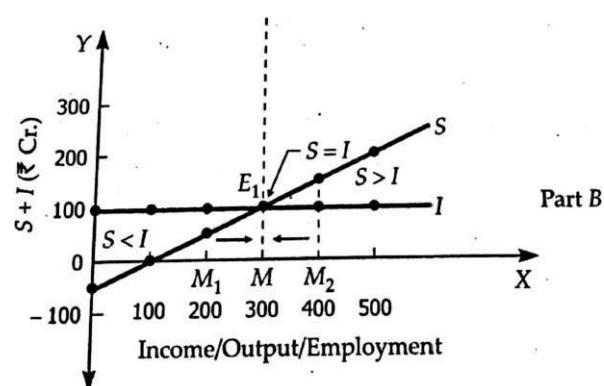
$AS > AD \rightarrow$  Accumulation of inventories, production level falls.

Paradox of thrift - If all the people of the economy increase proportion of saving, the total value of savings in economy will not increase, it will either decline or remain unchanged. This feature is referred to as paradox of thrift.

OR

The equilibrium level of income is determined at a point where planned savings is equal to planned investment

$$S=I$$



1

2

1

1

1

1

$S > I \rightarrow$  accumulation of inventories, production reduces.

$S < I \rightarrow$  inventory level falls, production expands.

Autonomous investment - Expenditure on capital goods which is independent of level of income and not influenced by expected profitability

Induced investment is motivated by expected profitability and level of income in the economy

1

2

<b>SECTION B INDIAN ECONOMIC DEVELOPMENT</b>		
18	a. High birth rate and high death rate	1
19	c. Green Revolution	1
20	c. Simplification of tax procedures	1
21	a. Both statements are true	1
22	b. (A) is False AND (R) is True	1
23	b. Both A and B	1
24	b. A-(ii) (b) B-(iii) (c) C-(iv) (d) D-(i)	1
25	b.130	1
26	a. Debt trap diplomacy	1
27	c. It involves comparatively higher carbon footprints and carbon emissions	1
28	<p>There are public and private benefits associated with health and education sectors</p> <p>Expenditures on education and health make substantial long term impact and cannot be reversed easily</p> <p>Private parties may exploit charging unaffordable prices</p> <p>Standardization required</p> <p>Basic right of all</p> <p>(Any three)</p>	1 ½ 1 ½
29	<p>Essential commodities became scarce.</p> <p>Export surplus didn't benefit India as it was used for meeting expenses incurred by British</p> <p>OR</p> <p>Monopoly control over India's trade - more than half of trade with Britain.</p> <p>Rest of the trade with other countries like China, Sri Lanka, Iran.</p> <p>Exports mainly consisted of primary products</p> <p>Imports consisted of finished products.</p>	1 ½ 1 ½ 1 ½ 1 ½

30	<p>The two aspects related to diversification – one relates to change in cropping pattern and the other relates to a shift of workforce from agriculture to allied activities.</p> <p>Agricultural diversification is essential due to the following reasons</p> <ol style="list-style-type: none"> <li>Reduce risk related to agriculture</li> <li>Higher income</li> <li>Agriculture already overcrowded.</li> </ol> <p>OR</p> <p>Merits (Any 2)</p> <p>Inputs are cheaper</p> <p>Generates income</p> <p>More nutritional value</p> <p>Labour intensive - more suitable for a country like India</p> <p>Environmentally sustainable.</p> <p>Demerits</p> <p>Spreading awareness can be constraint</p> <p>Marketing can be a problem</p> <p>Yields are less - large scale production is difficult</p> <p>Shorter shelf life</p>	1 3 2 2
31	<p>The proportion of informal sector is the highest in India among the given countries.</p> <p>It is a bane for the country.</p> <p>If majority of the population is not getting social security benefits and minimum wage, it can impact the social welfare of a country which is not good for any economy in the long run. Income inequality can increase.</p> <p>Productivity of labour resources can go down.</p>	1 1 2
32	<p>Carrying capacity - refers to the population of species that an ecosystem can sustainably support. It implies that resource extraction is not above the rate of regeneration and waste generated are within the assimilating capacity of the environment.</p> <p>If it exceeds, there will be natural decrease in numbers.</p>	1

	<p>The challenge here is between balancing rising population, infrastructural needs and the precarious geography. For instance, tourism is a potential revenue earning source, however if constructions are unplanned, and not within the carrying capacity, the growth in revenue from such sources may lead to an increase in the state income but it is not sustainable in the long run.</p>	2
33	<p><u>Colonial period</u></p> <p>Zamindari system</p> <p>Commercialisation of agriculture</p> <p>Stagnation of agriculture</p> <p><u>Post independence period</u></p> <p>Land reforms and land ceiling</p> <p>Green Revolution and Subsidies</p> <p>OR</p> <p><u>Trade policies during post independence period</u></p> <p>Import substitution</p> <p>Inward looking trade strategy</p> <p>High tariffs and quota</p> <p><u>Trade reforms during post reform period</u></p> <p>Quantitative restrictions were removed</p> <p>Tariffs reduced</p> <p>Removal of licensing procedures</p>	3 3 3
34	<p>a. China - BRI</p> <p>Connecting East Asia, Europe, Africa, Latin America</p> <p>India - Modern day spice route - Middle East and Europe</p> <p>(Brief explanation is required based on information from the passage)</p> <p>b. Impact on trade</p> <p>Impact on GDP</p> <p>Production potential can be impacted(Any relevant point can be given marks)</p>	3 3

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