



**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**

<b>Q. No</b>	<b>Answer Key</b>	<b>Marks allotted</b>
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>GDP deflator = Nominal GDP/Real GDP *100</p> <p>2500/3000*100 = 83.3</p> <p>The price level has fallen</p>	<p>½</p> <p>½</p> <p>½</p> <p>½</p> <p>1</p>																				
13	<p>Credit Multiplier = 1/LRR</p> <p>k= 5</p> <p>Total money creation = Initial Deposit *1/LRR</p> <p>1000*5= 5000</p> <table border="1"><thead><tr><th>Rounds of transactions</th><th>Deposits</th><th>Legal Reserves</th><th>Loans</th></tr></thead><tbody><tr><td>First round</td><td>1000</td><td>200</td><td>800</td></tr><tr><td>Second Round</td><td>800</td><td>160</td><td>640</td></tr><tr><td>Third Round</td><td>640</td><td>128</td><td>512</td></tr><tr><td></td><td>5000</td><td>1000</td><td>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	<p>1</p> <p>2</p> <p>1</p> <p>4</p>
Rounds of transactions	Deposits	Legal Reserves	Loans																			
First round	1000	200	800																			
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	5000	1000	4000																			
14	<p>a. Revenue Deficit = Revenue Expenditure- Revenue Receipt</p> <p>Fiscal deficit= Total Expenditure – Total Receipts excluding borrowings</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>	<p>½</p> <p>½</p> <p>1</p> <p>1</p>																				

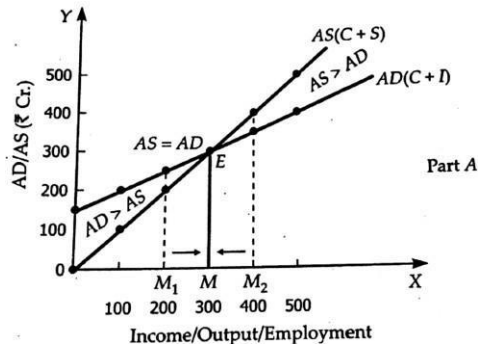


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The equilibrium level of income is determined where planned level of aggregate demand is equal to planned level of aggregate supply.

$$AD=AS$$

$$C+I=C+S$$



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

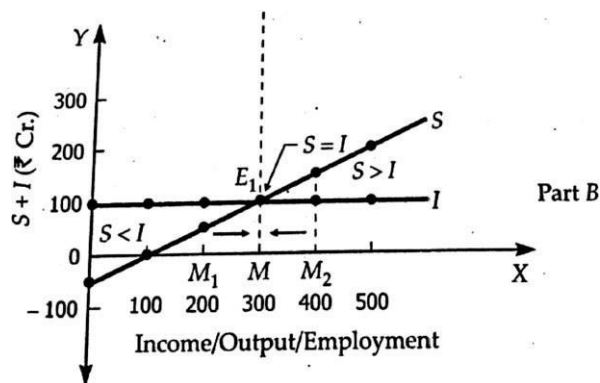
$AS > AD \rightarrow$  Accumulation of inventories, production level falls.

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

$$S=I$$



$S > I \rightarrow$  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

	<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>	<p>1 ½</p> <p>1 ½</p>
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>	<p>1 ½</p> <p>1 ½</p> <p>1 ½</p> <p>1 ½</p>

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>	<p>1</p> <p>3</p> <p>2</p> <p>2</p>
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. Productivity of labour resources can go down.</p>	<p>1</p> <p>1</p> <p>2</p>
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>	<p>1</p> <p>1</p>

