

Strictly Confidential: (For Internal and Restricted use only)
Senior School Certificate Examination July 2019 Marking
Scheme –ECONOMICS (030)
(PAPER CODE –58/1/3) SET 3

General Instructions: -

1. You are aware that evaluation is the most important process in the actual and correct assessment of the candidates. A small mistake in evaluation may lead to serious problems which may affect the future of the candidates, education system and teaching profession. To avoid mistakes, it is requested that before starting evaluation, you must read and understand the spot evaluation guidelines carefully. **Evaluation is a 10-12 days mission for all of us. Hence, it is necessary that you put in your best efforts in this process.**
2. Evaluation is to be done as per instructions provided in the Marking Scheme. It should not be done according to one's own interpretation or any other consideration. Marking Scheme should be strictly adhered to and religiously followed. **However, while evaluating, answers which are based on latest information or knowledge and/or are innovative, they may be assessed for their correctness otherwise and marks be awarded to them.**
3. The Head-Examiner must go through the first five answer books evaluated by each evaluator on the first day, to ensure that evaluation has been carried out as per the instructions given in the Marking Scheme. The remaining answer books meant for evaluation shall be given only after ensuring that there is no significant variation in the marking of individual evaluators.
4. Evaluators will mark(✓) wherever answer is correct. For wrong answer 'X' be marked. Evaluators will not put right kind of mark while evaluating which gives an impression that answer is correct and no marks are awarded. This is most common mistake which evaluators are committing.
5. If a question has parts, please award marks on the right-hand side for each part. Marks awarded for different parts of the question should then be totaled up and written in the left-hand margin and encircled. This may be followed strictly.
6. If a question does not have any parts, marks must be awarded in the left hand margin and encircled. This may also be followed strictly
7. If a student has attempted an extra question, answer of the question deserving more marks should be retained and the other answer scored out.
8. No marks to be deducted for the cumulative effect of an error. It should be penalized only once.
9. A full scale of marks 0-80 has to be used. Please do not hesitate to award full marks if the answer deserves it.
10. Every examiner has to necessarily do evaluation work for full working hours i.e. 8 hours every day and evaluate 20 / 25 answer books per day.
11. Ensure that you do not make the following common types of errors committed by the Examiner in the past:-
 - Leaving answer or part thereof unassessed in an answer book.
 - Giving more marks for an answer than assigned to it.
 - Wrong transfer of marks from the inside pages of the answer book to the title page.
 - Wrong question wise totaling on the title page.
 - Wrong totaling of marks of the two columns on the title page.
 - Wrong grand total.
 - Marks in words and figures not tallying.
 - Wrong transfer of marks from the answer book to online award list.
 - Answers marked as correct, but marks not awarded. (Ensure that the right tick mark is correctly and clearly indicated. It should merely be a line. Same is with the X for incorrect answer.)
 - Half or a part of answer marked correct and the rest as wrong, but no marks awarded.
12. While evaluating the answer books if the answer is found to be totally incorrect, it should be marked as (X) and awarded zero (0)Marks.
13. Any unassessed portion, non-carrying over of marks to the title page, or totaling error detected by the candidate shall damage the prestige of all the personnel engaged in the evaluation work as also of the Board. Hence, in order to uphold the prestige of all concerned, it is again reiterated that the instructions be followed meticulously and judiciously.
14. The Examiners should acquaint themselves with the guidelines given in the Guidelines for spot Evaluation before starting the actual evaluation.
15. Every Examiner shall also ensure that all the answers are evaluated, marks carried over to the title page, correctly totaled and written in figures and words.
16. The Board permits candidates to obtain photocopy of the Answer Book on request in an RTI application and also separately as a part of the re-evaluation process on payment of the processing charges.

Q.No.	Expected Answer / Value Points	Marks Distribution						
	SECTION A – MICRO ECONOMICS							
1	Opportunity cost	1						
2	$(P_1)(X_1) + (P_2)(X_2) = M$ <p style="text-align: center;">OR</p> <p>Marginal utility (MU): MU can be defined as the addition to the total utility (TU) by consuming one extra unit of the commodity.</p>	1 1						
3	(c) Utils	1						
4	<p>Leftward Shift in demand curve:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">(i) Fall in the price of substitute goods</td> <td style="width: 50%;">(ii) Rise in the price of Complementary goods</td> </tr> <tr> <td>(iii) Decrease in the size of population</td> <td>(iv) Unfavourable Change in taste</td> </tr> <tr> <td colspan="2">(v) Fall in income of the consumer (in case of normal goods)</td> </tr> </table> <p style="text-align: center;">OR</p> <p>Price Elasticity of Demand is defined as the degree of responsiveness of change in quantity demanded for a good due to a change in its price.</p>	(i) Fall in the price of substitute goods	(ii) Rise in the price of Complementary goods	(iii) Decrease in the size of population	(iv) Unfavourable Change in taste	(v) Fall in income of the consumer (in case of normal goods)		1
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(iii) Decrease in the size of population	(iv) Unfavourable Change in taste							
(v) Fall in income of the consumer (in case of normal goods)								
5	In order to produce additional unit of commodity X, lesser and lesser units of good Y are scarified i.e. the rate of sacrifice decreases. Therefore, the shape of the production possibility curve will be convex to origin, sloping downward from left to right.	3						
6	<p>As output increases, Average fixed Cost (AFC) curve decreases continuously but never touches to any axis. It is because, when total fixed cost is divided by incremental units of output, the resultant AFC curve falls and takes the shape of a rectangular hyperbola. (to be marked as a whole)</p> <p style="text-align: center;">OR</p> <p>Average Variable Cost (AVC) curve is U-shaped due to the application of law of variable proportions. Initially, Average Variable Cost (AVC) curve falls due to increasing returns to a factor with better utilisation of fixed and variable factors. After reaching its minimum level (optimum level), AVC starts increasing with every increase in output due to diminishing returns to a factor.</p> <p style="text-align: right;">(to be marked as a whole)</p>	3 1 2						
7	<p>(a) The given statement is false. The quantity of a good that a consumer demands can increase or decrease with rise in income. This depends upon the nature of the good i.e. normal good or an inferior good. With increase in income of an individual, the demand for normal good rises whereas demand for inferior good falls.</p> <p>(b) The given statement is false. The demand curve in this situation will be downward sloping from left to right due to inverse relationship between price and its quantity demanded.</p> <p style="text-align: center;">(no marks to be allotted if the reason is not given or wrongly given)</p> <p style="text-align: center;">OR</p> $E_d = \frac{\text{Percentage change in quantity demanded}}{\text{Percentage Change in price}}$ $= \frac{100\%}{10\%}$ <p style="text-align: right;">(ignoring minus sign)</p>	2 2 1 1						

	= 10 Shape of demand curve is flatter (away from origin)	1 1																								
8	The given statement is true. Under Perfect Competition the equilibrium price is determined by the industry through the market forces of demand and supply. This price is to be accepted by the all individual firms which have negligible share in the total market output and cannot influence the market price. Thus, the firms under perfect competition are a price taker and industry is the price maker. (no marks to be allotted if the reason is not given or wrongly given)	4																								
9	<table border="1"> <thead> <tr> <th>Output sold (in units)</th><th>Total cost (in ₹)</th><th>Average cost (in ₹)</th><th>Marginal cost (in ₹)</th></tr> </thead> <tbody> <tr> <td>1</td><td>30</td><td><u>30</u></td><td><u>30</u></td></tr> <tr> <td>2</td><td><u>40</u></td><td><u>20</u></td><td>10</td></tr> <tr> <td>3</td><td><u>36</u></td><td>12</td><td>- 4</td></tr> <tr> <td>4</td><td>48</td><td><u>12</u></td><td><u>12</u></td></tr> </tbody> </table> <p style="text-align: center;">OR</p> <p>Revenue</p> <p>AR</p> <p>0 MR Qty</p>	Output sold (in units)	Total cost (in ₹)	Average cost (in ₹)	Marginal cost (in ₹)	1	30	<u>30</u>	<u>30</u>	2	<u>40</u>	<u>20</u>	10	3	<u>36</u>	12	- 4	4	48	<u>12</u>	<u>12</u>	$(\frac{1}{2} \times 8 = 4)$ 2				
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	<ul style="list-style-type: none"> Both the curves are downward sloping, under imperfect competition. MR curves lies half way under the AR curve. MR curve can be negative, while AR curve remains positive. <p style="text-align: center;">OR</p> <table border="1"> <thead> <tr> <th>Quantity (in units)</th><th>Price (in ₹)</th><th>AR (in ₹)</th><th>MR (in ₹)</th></tr> </thead> <tbody> <tr> <td>0</td><td>10</td><td>-</td><td>-</td></tr> <tr> <td>1</td><td>8</td><td>8</td><td>8</td></tr> <tr> <td>2</td><td>6</td><td>6</td><td>4</td></tr> <tr> <td>3</td><td>4</td><td>4</td><td>0</td></tr> <tr> <td>4</td><td>2</td><td>2</td><td>-4</td></tr> </tbody> </table> <p style="text-align: right;">(Any other valid Schedule)</p> <ul style="list-style-type: none"> Under imperfect competition, AR and MR are equal at first level of output. Both (MR and AR) fall with increase in number of units sold. MR curve can be zero and negative, while AR remains positive. 	Quantity (in units)	Price (in ₹)	AR (in ₹)	MR (in ₹)	0	10	-	-	1	8	8	8	2	6	6	4	3	4	4	0	4	2	2	-4	1 ½ ½ 2 ½ ½ 1 ½ ½
Quantity (in units)	Price (in ₹)	AR (in ₹)	MR (in ₹)																							
0	10	-	-																							
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2	6	6	4																							
3	4	4	0																							
4	2	2	-4																							

10	<p>In case of two goods A and B, a consumer will at equilibrium when:</p> <ul style="list-style-type: none"> • $\frac{MU \text{ of Good } A}{Price \text{ of Good } A} = \frac{MU \text{ of Good } B}{Price \text{ of Good } B}$ • MU falls as consumption increases <p>If the price of Good B rises, the per rupee Marginal Utility derived from the consumption of Good A will be more than the consumption of Good B. This will create a situation where:</p> $\frac{MU \text{ of Good } A}{Price \text{ of Good } A} > \frac{MU \text{ of Good } B}{Price \text{ of Good } B}$ <p>This will induce the consumer to reallocate his expenditure from Good B (less satisfying) to Good A (more satisfying). Therefore, consumer will buy more of Good A and less of Good B.</p> <p>As a result, MU derived from consumption of Good A decreases gradually while the MU derived from consumption of Good B increases. Eventually, this process will continue till</p> $\frac{MU \text{ of Good } A}{Price \text{ of Good } A} = \frac{MU \text{ of Good } B}{Price \text{ of Good } B}.$ <p>OR</p> <p>Two Properties of indifference Curve (IC) :-</p> <ol style="list-style-type: none"> 1) Indifference curve (IC) is Convex to the point of origin: it is because of diminishing marginal rate of Substitution. In order to gain an additional unit of Good X, the consumer is willing to give up lesser and lesser units of good Y. This is due to application of law of diminishing marginal utility. 2) Indifference curve Slopes downwards from left to right: As a consumer consumes more units of one commodity he must give up the consumption of some units of the other commodity, so that his level of satisfaction remains unchanged. (any other property with valid explanation) 	1 1 1 3 3																																			
11	<table border="1" data-bbox="306 1005 910 1374"> <thead> <tr> <th>Quantity sold (in units)</th> <th>Price (in ₹)</th> <th>Total Cost (in ₹)</th> <th>MC (in ₹)</th> <th>MR (in ₹)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>10</td> <td>12</td> <td>2</td> <td>10</td> </tr> <tr> <td>2</td> <td>10</td> <td>24</td> <td>12</td> <td>10</td> </tr> <tr> <td>3</td> <td>10</td> <td>40</td> <td>16</td> <td>10</td> </tr> <tr> <td>4</td> <td>10</td> <td>50</td> <td>10</td> <td>10</td> </tr> <tr> <td>5</td> <td>10</td> <td>56</td> <td>6</td> <td>10</td> </tr> <tr> <td>6</td> <td>10</td> <td>57</td> <td>1</td> <td>10</td> </tr> </tbody> </table> <p>The conditions for produces to be in equilibrium are-</p> <ol style="list-style-type: none"> (i) Marginal revenue (MR) is equal to marginal cost (MC). (ii) $MC > MR$ after the point of equilibrium. <p>Since the both the conditions are not satisfied simultaneously, therefore the equilibrium will not be possible.</p>	Quantity sold (in units)	Price (in ₹)	Total Cost (in ₹)	MC (in ₹)	MR (in ₹)	1	10	12	2	10	2	10	24	12	10	3	10	40	16	10	4	10	50	10	10	5	10	56	6	10	6	10	57	1	10	2 1 1 2
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5	10	56	6	10																																	
6	10	57	1	10																																	
12	<p>The market for a good is in equilibrium when demand for the commodity is equal to the supply of the commodity. Due to innovation in technology, the marginal cost (MC) falls which will lead to an increase in the total market supply of the commodity. This will create excess supply of the commodity in the market leading to competition among sellers to clear their unsold inventories.</p> <p>In such a situation, the supply will contract due to law of supply. The market (both demand and supply) will adjust itself to a lower equilibrium price. Thus, as a result the equilibrium price will fall and equilibrium quantity will rise. (Any other relevant explanation)</p>	6																																			

SECTION B – MACRO ECONOMICS		
13	Governor of Reserve Bank of India (RBI) Or $\text{Money Multiplier} = \frac{1}{\text{Legal Reserve Ratio}}$	1 1
14	a) Loans advanced by world bank or d) Tax receipts (marks should be allotted for either of the two)	1
15	a) Short term borrowings by commercial banks	1
16	Revenue deficit refers to excess of Government's revenue expenditure over its revenue receipts.	1
17	The given statement is not correct. The situation of unintended accumulation of inventories arises when ex-ante aggregate demand is lesser than the ex-ante aggregate supply. This would pile up the stock with the producers, thus to tackle this situation the economy must increase AD. (no marks to be allotted if the reason is not given or wrongly given) Or b) The value of Average Propensity to Consume (APC) can be greater than unit (1). This is because total consumption can be greater than total income, due to the existence of autonomous consumption. (no marks to be allotted if the reason is not given or wrongly given)	3 1 2
18	a) The given statement is true; an excess of aggregate demand over full employment level of aggregate supply represents a situation of inflationary gap. Hence, the production cannot be increased beyond this level. Increase in Aggregate Demand here onwards, will increase only the general price level. b) The given statement is false. Let the value of MPS = x Therefore, MPC = 4x We know that; $MPC + MPS = 1$ $x + 4x = 1$ $5x = 1$ $MPS (x) = 1/5 = 0.20$ Substituting the value of MPS in $K = \frac{1}{MPS} = \frac{1}{0.20} = 5$ Thus, the value of multiplier is 5 and not 4. (no marks to be allotted if the reason is not given or wrongly given)	1 ½ 1 ½
19	Legal Reserve Ratio (LRR) is the minimum reserve that a commercial bank must maintain as per the instructions of the central bank. Credit creation is inversely related to the legal reserve deposit ratio. For example – suppose the LRR is 0.20 and initial deposits are Rs 1,000. $\begin{aligned}\text{Total credit creation} &= \frac{1}{\text{Legal Reserve Ratio}} \times \text{Initial Deposits} \\ &= \frac{1}{0.20} \times 1,000 = ₹ 5,000\end{aligned}$ Now suppose, if the LRR is 0.50 and initial deposits are Rs 1,000.	1 1

	<p>Total credit creation = $\frac{1}{\text{Legal Reserve Ratio}} \times \text{Initial Deposits}$</p> $= \frac{1}{0.50} \times 1,000 = ₹2,000$ <p>Thus, any increase in LRR will decrease the credit creation power of the commercial banks (banking system). (Any other relevant example should be evaluated)</p> <p style="text-align: center;">Or</p> <p>Banker's Bank:- As the bankers to the banks, the central bank holds surplus cash reserves. It also lends to commercial banks when they are in need of funds. Central bank also provides a large number of routine banking functions to the commercial banks. It also acts as a supervisor and a regulator of the banking system. (any other relevant explanation)</p>	1 1 4																																			
20	<p>(i) = GVO – (iv) – (ii) – (IT – iii)</p> $100 = GVO - 185 - 30 - (0 - 15)$ $GV0 = 100 + 200$ $= ₹ 300 \text{ Crs.}$	1 1 1 1																																			
21	<p>The given statement is true. Reallocation of resources refers to re-distribution of resources from one use to another. The government reallocates resources with a view to balance the goals of profit maximisation (by firms) and social welfare (by government). Production of goods which are injurious to health is discouraged through taxation. On the contrary, production of socially useful goods is encouraged through subsidies. If the private sector does not take initiative in certain activities, government directly controls them like water supply, sanitation etc. (to be marked as a whole)</p>	4																																			
22	<p>a) Wages received by an Indian working in British embassy in India is not a part of economic territory of India, as British Embassy is a part of Economic territory of Britain.</p> <p>b) Financial aid is a transfer income as no factor service is provided in return. Hence, it is not included while estimating the value of GDP.</p> <p>c) Purchase of second hand machinery from abroad is not included as the value of imports are deducted while estimation GDP of a country.</p> <p style="text-align: center;">Or</p> <p>Real National Income and Nominal National Income: When National Income (Product) of the current year is estimated on the basis of price prevailing in the current year, it is called Nominal National income whereas</p> <p>When national income (product) of the current year is estimated on the basis of price prevailing in the base year, it is called Real National income.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Commodities</th> <th>Quantity of the Current Year (Q1)</th> <th>Quantity of the Base (Q0)</th> <th>Price of the Current Year (P1)</th> <th>Price of the Base Year (P0)</th> <th>P0Q1 (Real NI)</th> <th>P1Q1 (Nominal NI)</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>10</td> <td>5</td> <td>20</td> <td>10</td> <td>100</td> <td>200</td> </tr> <tr> <td>B</td> <td>20</td> <td>10</td> <td>30</td> <td>20</td> <td>400</td> <td>600</td> </tr> <tr> <td>C</td> <td>5</td> <td>2</td> <td>50</td> <td>40</td> <td>200</td> <td>250</td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td></td> <td></td> <td>700</td> <td>1,050</td> </tr> </tbody> </table> <p>In the above example the Real NI ($\sum P_0 Q_1$) = ₹ 700 and Nominal NI ($\sum P_1 Q_1$) = ₹ 1,050</p>	Commodities	Quantity of the Current Year (Q1)	Quantity of the Base (Q0)	Price of the Current Year (P1)	Price of the Base Year (P0)	P0Q1 (Real NI)	P1Q1 (Nominal NI)	A	10	5	20	10	100	200	B	20	10	30	20	400	600	C	5	2	50	40	200	250	Total					700	1,050	2 2 2 3 3
Commodities	Quantity of the Current Year (Q1)	Quantity of the Base (Q0)	Price of the Current Year (P1)	Price of the Base Year (P0)	P0Q1 (Real NI)	P1Q1 (Nominal NI)																															
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