Strictly Confidential: (For Internal and Restricted use only) Senior School Certificate Examination July 2019 Marking Scheme –ECONOMICS (030) (PAPER CODE –58/1/2) SET 2

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($\sqrt{}$) 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	(c) Utils	1
2	Leftward Shift in demand curve: (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) (any one valid reason)	1
	OR 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.	1
3	$(P_1)(X_1) + (P_2)(X_2) = M$	1
	OR Marginal utility (MU): MU can be defined as the addition to the total utility (TU) by consuming one extra unit of the commodity.	1
4	Opportunity cost	1
5	In order to produce an additional unit of commodity X, same units of good Y are scarified i.e rate of sacrifice remains constant therefore the shape of production possibility curve will be a straight line downward sloping from left to right.	3
6	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) OR	3
	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. (to be marked as a whole)	1 2
7	(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.	2
	(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 the quantity demanded.(no marks to be allotted if the reason is not given or wrongly given)	2
	OR	1
	$E_{d} = \underline{Percentage change in Quantity Demanded}$ (ignoring minus sign)	1
	Percentage change in Price	1
	$=\frac{20\%}{10\%}$	1

	= 2					
S	hape of demand cur	ve will be flatter (Av	way from origin)			
U de m	emand and supply. Th	ition the equilibrium is price is to be accep not influence the mar e maker.	ted by the all indivi ket price. Thus, the	dual firms which have n	ugh the market forces of egligible share in the total npetition are a price taker n or wrongly given)	4
9	Out put	Total cost	Average cost	Marginal cost		
	(in units)	(in ₹)	(in ₹)	(in ₹)		
	1	20	<u>20</u>	<u>20</u>		
	2	<u>30</u>	<u>15</u>	10		(½×8=4
	3	<u>36</u>	12	<u>6</u>		
	4	40	<u>10</u>	<u>4</u>		
	biagram: y- a		В	X		
	,	Output	B of variable input	AP X – axis		2 1/2
	 When, MP is When, MP is 	Output	of variable input P rises (from A to constant and max	X – axis B).\ MP imum (At point B).		2 1/2
SA	 When, MP is When, MP is When, MP is 	Output Output O Unit of Segreater than AP; Al Sequal to AP; AP is of	of variable input P rises (from A to constant and max	X – axis B).\ MP imum (At point B).	ΑΡ	2 1/2

$ \begin{vmatrix} 1 & 10 & - 10 \\ 2 & 20 & > 15 \\ \hline \\ 3 & 15 & - 15 \\ \hline \\ 3 & 15 & - 15 \\ \hline \\ 4 & 7 & < 13 \\ \hline \\ 5 & 0 & < 104 \\ \hline \\ 6 & -4 & < 8 \\ \hline \\ \hline \\ 10 & 0 & 0 & < 0 & < 0 & - 0 & $										
3 15 = 15 4 7 <		1	10	=	10					
4 7 <		2	20	>	15					
1 5 0 <		3	15	=	15					
6 -4 <		4	7	<	13					
(any other relevant schedule with explanation) 2 ½ • When, MP is greater than AP; AP rises (At 2 rd unit of variable factor employed). 11/2 • When, MP is lequal to AP; AP fails (4 th unit to 6 th unit of variable factor employed). 11/2 10 In case of two goods A and B, a consumer will at equilibrium when: 1 • <i>MU of Good A Price of Good B</i> 11/2 • MU falls as consumption increases 1 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: 1 MU of Good A rice of Good B is consumer to reallocate his expenditure from Good B (less satisfying) to Good A (more satisfying). Therefore, consumer will bu more of Good A and less of Good B. As a result, NU derived from consumption of Good A decreases gradually while the MU derived from consumption of Good B increases. Eventually, this process will continue till MU of Good A = MU of Good B. 3 <i>Nu</i> of Good A = MU of Good B : Nu of Good B : 3 <i>Nu</i> of Good A = MU of Good B : Nu of Good B : 3 <i>Nu</i> of Good A = MU of Good B : Nu of Good B : 3 <i>Nu</i> of Good A = MU of Good B : Nu of Good A : Nu of Good A : 3 <i>Nu</i> of Good A = MU of Good B : Nu of Good B : 3 3		5	0	<	10.4					
 When, MP is greater than AP; AP rises (At 2rd unit of variable factor employed). When, MP is equal to AP; AP is constant and maximum (At 3rd unit of variable factor employed). When, MP is lesser than AP, AP falls (4th unit to 6th unit of variable factor employed). In case of two goods A and B, a consumer will at equilibrium when: MU of Good A Price of Good B MU of Good A, and B, a consumer will at equilibrium when: MU of Good A Price of Good B MU alls as consumption increases 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:		6	-4	<	8					
• When, MP is lesser than AP, AP falls (4 th unit to 6 th unit of variable factor employed). 1 ^{1/2} 10 In case of two goods A and B, a consumer will at equilibrium when: 1 11 MI of Good A = MUG Good B MUG Good B 11 Price of Good A = MUG Good B 1 11 NU falls as consumption increases 1 11 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: 1 12 MU of Good A Price of Good A MU of Good B 13 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. 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 3 MU of Good A Price of Good B 0 11 MU of Good A Price of Good B 3 14 MU of Good A Price of Good A 3 15 MU drived from consumption of Good A is creases gradually while the MU derived from consumption of Good A (the consumer is willing to gio an B 3 15 MU of Good A Price of Good B <td< td=""><td></td><td>• When, MP is equal to AP; AP is co</td><td>rises (At 2nd unit of</td><td>variable factor emplo</td><td>oyed).</td><td>2 1/2</td></td<>		• When, MP is equal to AP; AP is co	rises (At 2 nd unit of	variable factor emplo	oyed).	2 1/2				
10 MU of Goad A Price of Good A Price of Good B MU falls as consumption increases 1 1 1			lls (4 th unit to 6 th uı	nit of variable factor o	employed).	1 1/2				
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will adjust itself to a lower equilibrium price. Thus, as a result the equilibrium price will fall and		commodity. Due to innovation in technolo in the total market supply of the commo	gy, the marginal co dity. This will creat	st (MC) falls which w e excess supply of t	ill lead to an increase	6				
		will adjust itself to a lower equilibrium								
(to be marked as a whole) (Any other relevant explanation)		equilibrium quantity win rise.								

r								
12	Quantity sold (in units)	Price (in ₹)	Total Cost (in ₹)	MC (in ₹)	MR (in ₹)			
	1	20	50	40	20			
	2	20	80	30	20			
	3	20	100	20	20		2	
	4	20	105	5	20			
	5	20	125	20	20			
	6	20	150	25	20			
	i. (MR) Marginal revenue is ii. MC is greater than MR, a	s equal to	marginal cos				1 1	
	Thus, produces achieve equilibriu conditions are satisfied simultaneo		units of outpu	ut. It is t	ecause a	t this level of output both the	2	
	SE	CTION	B – MACRO	ECON	OMICS			
13	a) Loans advanced by world bank or d) Tax receipts (marks should be allotted for either of the two)							
14	a) Short term borrowings by commercial banks							
15	Revenue deficit refers to excess of Government's revenue expenditure over its revenue receipts.							
16	Governor of Reserve Bank (RBI) Or							
	Money Multiplier = $\frac{1}{Legal Reserve Ra}$	ıtio					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)						3	
	b) The value of Average Propensity	Or v to Cons		n he gre	ator that	unit (1)	1	
	This is because total consumption.						2	
	(no marks to be allotted if the reason is not given or wrongly given)							
18	(a) The given statement is far investment with the production (b) The given statement is transformed matrix income. MPC = $\left(\frac{\Delta c}{\Delta y}\right)$	iction uni	it during a per	riod of ti	ne		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.	1
	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.	
	Total credit creation = $\frac{1}{Legal Reserve Ratio}$ x Initial Deposits	1
	= $\frac{1}{0.20}$ x 1,000 = ₹ 5,000	
	Now suppose, if the LRR is 0.50 and initial deposits are Rs 1,000.	
	Total credit creation = $\frac{1}{Legal Reserve Ratio}$ x Initial Deposits	1
	= $\frac{1}{0.50}$ x 1,000 = ₹2,000	
	Thus, any increase in LRR will decrease the credit creation power of the commercial banks (banking system). (Any other relevant example should be evaluated)	1
	Or	
	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)	4
20	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)	4
21	Depreciation $=$ (i)- (iv)-(iii) - (ii)	1 1/2
	$= (1)^{-} (1)^{-} (1)^{-} (1)^{-} = 300 - 185 - (-15) - 100$	1 1⁄2
	= 200 - 185 + 15 = 215-185 = \gtrless 30 Crs.	1/2
	= 213 - 185 = 300 CTS.	1/2
22	(a) Autonomous transactions are those international economic transactions which take place due to some economic motive such as profit maximisation. These transactions are independent of the state of country's BOP.	
	Whereas;	
	Accommodating transactions are those international economic transactions that occur to cover deficit/ surplus arising out of autonomous transactions. BOP transactions are influenced by the state of BOP.	2
		3
	b) (i) <u>Foreign Exchange Rate</u> : It is the rate at which one currency can be converted into another currency.	1
	(ii) Foreign Currency : foreign currency is the currency other than domestic currency.	1
	(iii) <u>Devaluation of currency</u> : reduction in the value of domestic currency by the government with respect to a given foreign currency.	1
23	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	2
	territory of India, as British Embassy is a part of Economic territory of Britain.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.	2
	•	

is estimate me en nation inc	come and Nominal d on the basis of come (product) of t alled Real National i Quantity of the	price prevailing i whereas he current year is	n the current yea				3
year, it is ca	alled Real National i	he current year is	s estimated on th				
year, it is ca	alled Real National i		s estimated on th				
nmodities	Quantity of the			e basis of price	e prevai	ling in the	
	Current Year (Q1)	Quantity of the Base (Q ₀)	Price of the Current Year (P1)	Price of the Base Year (Po)	PoQ1 (Real NI)	P1Q1 (Nominal NI)	3
	10	5	20	10	100	200	
	20	10	30	20	400	600	
	5	2	50	40	200	250	
al					700	1,050	
		[P₀Q1) = ₹ 700 and	d Nominal NI (∑Po	Q1) = ₹ 1,050			
S = -250	+ 0.25Y	(Given)					
(a) Equilibri	ium level of income in	the economy exist	when;				
2	S = I						1/2
Substitut	te the values of saving	and investment					
-250 + 0	.25Y = 2000						1
0.25Y =	2000 + 250						1⁄2
0.25Y = 2	2250						
$\mathbf{Y} = \frac{22}{0}$	250 25						1/2
Y =₹	5 9000 Crs.						
(b) $C = c$	+b(Y)						1⁄2
= 25	50 + 0.25 (5000)						1/2
= 25	50 + 1250						
= 1,:	5000						1/2
AD = C	+ I						1
AD = 15	300 + 2000 = 3500	Units.					1
(ne above exa S = -250 (a) Equilibri Substitut $-250 + 0$ $0.25Y = 2$ $0.25Y = 2$ $Y = \frac{22}{0}$ $Y = \frac{2}{0}$ (b) C = ć $= 25$ $= 25$ $= 1,$ $AD = C$	10 10 20 5 al be above example the Real NI (Σ S = -250+ 0.25Y (a) Equilibrium level of income in S = I Substitute the values of saving -250 + 0.25Y = 2000 0.25Y = 2000 + 250 0.25Y = 2250 Y = $\frac{2250}{0.25}$ Y = ₹ 9000 Crs. (b) C = ć + b(Y) = 250 + 0.25 (5000) = 250 + 1250 = 1,5000 AD = C + I	10 5 20 10 5 2 al 5 e above example the Real NI (∑PoQ1) = ₹ 700 and S = -250+ 0.25Y (Given) (a) Equilibrium level of income in the economy exist S = I Substitute the values of saving and investment -250 + 0.25Y = 2000 0.25Y = 2000 0.25Y = 2000 + 250 0.25Y = 2000 + 250 0.25Y = 2250 Y = $\frac{2250}{0.25}$ Y = ₹ 9000 Crs. Y = $\frac{2250}{0.25}$ Y = ₹ 9000 Crs. (b) C = $6 + b(Y)$ = 250 + 0.25 (5000) = 250 + 1250 = 1,5000 AD = C + I $AD = C + I$	10 5 20 20 10 30 5 2 50 al 30 2 be above example the Real NI (∑PoQ1) = ₹ 700 and Nominal NI (∑Po S = 1 Substitute the values of saving and investment -250 + 0.25Y = 2000 0.25Y = 2000 0.25Y = 2000 + 250 255 Y = ₹ 9000 Crs. 250 (b) C = ć + b(Y) = 250 + 0.25 (5000) 250 + 1250 = 1,5000 AD = C + I	10 5 20 10 20 10 30 20 5 2 50 40 al 1 1 1 ne above example the Real NI (ΣPoQ1) = ₹ 700 and Nominal NI (ΣPoQ1) = ₹ 1,050 S = -250+ 0.25Y (Given) (a) Equilibrium level of income in the economy exist when: S = 1 Substitute the values of saving and investment -250 + 0.25Y = 2000 0.25Y = 2000 0.25Y = 2000 + 250 0.25Y = 2000 0.25Y = 2250 Y = $\frac{2250}{0.25}$ Y = $\frac{2250}{0.25}$ Y = ₹ 9000 Crs. (b) C = $6 + b(Y)$ = 250 + 0.25 (5000) = 250 + 1250 = 1,5000 AD = C + I	10 5 20 10 100 20 10 30 20 400 5 2 50 40 200 al 1 1 1 700 ne above example the Real NI (ΣPoQ1) = ₹ 700 and Nominal NI (ΣPoQ1) = ₹ 1,050 S = -250 + 0.25 Y (Given) (Given) (a) Equilibrium level of income in the economy exist when; S = 1 Substitute the values of saving and investment -250 + 0.25 Y (Given) 0.25 Y = 2000 0.25 Y = 2000 0.25 Y = 2000 + 250 0.25 Y = 2000 0.25 Y = 2250 Y = $\frac{2250}{0.25}$ Y = $\frac{2250}{0.25}$ Y = ₹ 9000 Crs. (b) C = $\dot{c} + b(Y)$ = 250 + 1250 = 250 + 1250 = 1,5000 = 1,5000 AD = C + 1	10 5 20 10 100 200 20 10 30 20 400 600 5 2 50 40 200 250 al 1 1 1 700 1,050 te above example the Real NI (Σ PoQ1) = ₹ 700 and Nominal NI (Σ PoQ1) = ₹ 1,050 5 2 50 te above example the Real NI (Σ PoQ1) = ₹ 700 and Nominal NI (Σ PoQ1) = ₹ 1,050 5 5 2 50 se above example the Real NI (Σ PoQ1) = ₹ 700 and Nominal NI (Σ PoQ1) = ₹ 1,050 5 5 1 5 te above example the Real NI (Σ PoQ1) = ₹ 700 and Nominal NI (Σ PoQ1) = ₹ 1,050 5 5 5 5 S = 1 Substitute the values of saving and investment -250 + 0.25Y = 2000 0.25Y = 2000 + 250 0.25Y = 2250 $Y = \frac{2250}{0.25}$ $Y = \frac{2250}{0.25}$ $Y = \frac{2250}{0.25}$ $Y = \frac{2250}{0.25}$ $Y = \frac{250 + 0.25 (5000)}{0.25Y = 250 + 0.25 (5000)}$ $= 250 + 1250$ $= 1,5000$ AD = C + I AD = C + I