

MARKING SCHEME
Senior Secondary School Examination 2023
ECONOMICS (Subject Code–030)
[Paper Code : 58/5/1]

Maximum Marks: 80

Q. No.	EXPECTED ANSWER / VALUE POINTS	Marks																				
SECTION -A (Macro Economics)																						
1.	<p>‘Money is an asset which can be stored for use in future.’ In the light of given statement, identify the function of money. (Choose the correct alternative)</p> <p>(a) A measure of value (b) A standard of deferred payment (c) A store of value (d) A medium of exchange</p> <p>Ans. (c) A store of value</p>	1																				
2.	<p>“Considering the depreciation of Indian Currency (₹) in the international market, the Reserve Bank of India (RBI) has decided to purchase Indian currency (₹) in the open market.” This represents _____ exchange rate system. (Fill up the blanks with correct alternative)</p> <p>(a) fixed (b) flexible (c) managed floating (d) manipulated</p> <p>Ans. (c) managed floating</p>	1																				
3.	<p>Read the following statements carefully: Statement 1: In a two sector economy, consumption expenditure and investment expenditure are the two components of Aggregate Demand. Statement 2: Aggregate demand curve always start from point of origin with positive slope. In the light of given statements, choose the correct alternative from the following:</p> <p>(a) Statement 1 is true and Statement 2 is false. (b) Statement 1 is false and Statement 2 is true. (c) Both statements 1 and 2 are true. (d) Both statements 1 and 2 are false.</p> <p>Ans. (a) Statement 1 is true and Statement 2 is false</p>	1																				
4.	<p>‘Deficit’ in Balance of Payment (BOP) refers to the excess of _____. (Choose the correct alternative)</p> <p>(a) Current account payments over Current account receipts (b) Capital account payments over Capital account receipts (c) Autonomous payments over Autonomous receipts (d) Accommodating payments over Accommodating receipts</p> <p>Ans. (c) Autonomous payments over Autonomous receipts</p>	1																				
5. (A)	<p>From the statements given in Column I and Column II, choose the correct pair.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 40%; text-align: center;">Column I</th> <th style="width: 10%;"></th> <th style="width: 40%; text-align: center;">Column II</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">A.</td> <td>Vegetable grown in the Personal garden</td> <td style="text-align: center;">(i)</td> <td>Non marketing activity</td> </tr> <tr> <td style="text-align: center;">B.</td> <td>A car used as a taxi</td> <td style="text-align: center;">(ii)</td> <td>Consumer good</td> </tr> <tr> <td style="text-align: center;">C.</td> <td>An air-conditioner used by household</td> <td style="text-align: center;">(iii)</td> <td>Capital good</td> </tr> <tr> <td style="text-align: center;">D.</td> <td>Scholarship given to students by government</td> <td style="text-align: center;">(iv)</td> <td>Factor income</td> </tr> </tbody> </table>		Column I		Column II	A.	Vegetable grown in the Personal garden	(i)	Non marketing activity	B.	A car used as a taxi	(ii)	Consumer good	C.	An air-conditioner used by household	(iii)	Capital good	D.	Scholarship given to students by government	(iv)	Factor income	1
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	<p>Alternatives: (a) A-(i) (b) B-(ii) (c) C-(iii) (d) D-(iv) Ans. (a) A-(i)</p> <p style="text-align: center;">OR</p> <p>Complete the table:</p> <table border="1" data-bbox="178 338 1385 600"> <thead> <tr> <th>Producer</th> <th>Value of output</th> <th>Intermediate Consumption</th> <th>Value Added</th> </tr> </thead> <tbody> <tr> <td>Farmer</td> <td>2000</td> <td>-</td> <td>2000</td> </tr> <tr> <td>Baker</td> <td>__(i)___</td> <td>2000</td> <td>2000</td> </tr> <tr> <td>Retail Seller</td> <td>4,400</td> <td>__(iii)___</td> <td>400</td> </tr> <tr> <td>Total</td> <td>__(ii)___</td> <td>6,000</td> <td>__(iv)___</td> </tr> </tbody> </table> <p>Alternatives: (a) 4000, 10400, 4000, 4000 (b) 4000, 10400, 4000, 4400 (c) 2000, 6000, 6000, 4400 (d) 4000, 10400, 6000, 4000 Ans. (b) 4000,10400,4000,4400</p>	Producer	Value of output	Intermediate Consumption	Value Added	Farmer	2000	-	2000	Baker	__(i)___	2000	2000	Retail Seller	4,400	__(iii)___	400	Total	__(ii)___	6,000	__(iv)___	1
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<p>6. (A)</p> <p>(B)</p>	<p>If in an economy, the Investment Multiplier is 4 and Autonomous Consumption is ₹30 crore, the relevant consumption function would be _____. (Fill up the blank with correct alternative) (a) $C=30+0.75 Y$ (b) $C=(-) 30+ 0.25 Y$ (c) $C=30+0.25 Y$ (d) $C=(-) 30 - 0.25 Y$ Ans. (a) $C= 30 + 0.75 Y$</p> <p style="text-align: center;">OR</p> <p>If increase in National Income is equal to increase in Savings, the value of Marginal propensity to Consume would be _____. (Fill up the blank with correct alternative) (a) equal to unity (b) greater than one (c) less than one (d) equal to zero Ans. (d) equal to zero</p>	1																				
<p>7.</p>	<p>Read the following statements carefully: Statement 1: Money supply (M_1) in India does not include 'demand deposits' with commercial banks. Statement 2: Money supply (M_1) refers to, assets available with the Commercial Banks during a particular period of time. In the light of the given statements, choose the correct alternative. (a) Statement 1 is true and Statement 2 is false. (b) Statement 1 is false and Statement 2 is true. (c) Both statements 1 and 2 are true. (d) Both statements 1 and 2 are false. Ans. (d) Both statements 1 and 2 are false</p>	1																				
<p>8. (A)</p>	<p>Suppose, the price of one UK Pound (£) has increased from ₹70 to ₹80, owing to market forces. This means that value of Indian Currency (₹) has _____. (Choose the correct alternative) (a) appreciated (b) depreciated (c) revalued (d) devalued Ans. (b) depreciated</p>	1																				

OR

(B) Suppose, Country X, has more inflation than Country Y. Which of the following is most likely situation to happen in such a case, assuming other factors being constant?
(Choose the correct alternative)

- (a) A surplus trade balance in Country X
- (b) A deficit trade balance for Country X
- (c) A rise in exports from Country X to Country Y
- (d) A deficit trade balance for Country Y

Ans. (b) A deficit trade balance for Country X

1

9. Read the following statements - Assertion(A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): Full employment refers to, absence of involuntary unemployment.

Reason (R): Under full employment situation, all willing and able bodied people get employment at prevailing wage rate.

Alternatives:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true, but Reason (R) is false.
- (d) Assertion (A) is false, but Reason (R) is true.

Ans. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

1

10. In an economy, the value of Marginal Propensity to Save (MPS) is 0.25, what will be the value of increase in income, if investments increased by ₹200 crores?

- (a) ₹ 200 crores
- (b) ₹ 150 crores
- (c) ₹ 1,000 crores
- (d) ₹ 800 crores

Ans. (d) ₹ 800 crore

1

11. Suppose only one Good 'X' is produced in the country. Output of Good X during year 2018 and 2019 were 100 units and 110 units respectively. The market price of the product during the two years was ₹ 50 and ₹ 55 per unit respectively.

Calculate the percentage change in Real Gross Domestic Product (GDP) in year 2019 using 2018 as the base year.

Ans.

Year	Output (in units)	Market Price (₹ per unit)	Real GDP (in ₹)
2018 (Base Year)	100	50	5,000
2019 (Current Year)	110	55	5,500

1/2

1/2

$$\begin{aligned} \text{Percentage (\%) Change in Real GDP} &= \frac{\text{Change } (\Delta) \text{ in Real GDP}}{\text{Base Year Real GDP}} \times 100 \\ &= \frac{5,500 - 5,000}{5,000} \times 100 \\ &= 10\% \end{aligned}$$

1/2

1

1/2

(Any other relevant method to be allotted marks)

3

<p>12. (a)</p>	<p>Giving valid reasons, state whether the following statements are true or false: (i) Dividend received from investment abroad is recorded on the credit side of the capital account. (ii) Depreciation of the Indian Currency will lead to promotion of Indian exports. Ans. (i) False. Dividend received from investment abroad is recorded on the credit side of current account, as neither assets nor liabilities of the country get affected. (ii) True. Depreciation of the Indian currency will lead to promotion of Indian exports. As Indian exports become relatively cheaper for the rest of the world, thereby increasing the international competitiveness of Indian exports. (No marks to be allotted if reason is wrongly given/ not given)</p> <p style="text-align: center;">OR</p>	<p style="text-align: right;">1 ½</p> <p style="text-align: right;">1 ½</p> <p style="text-align: right;">3</p>
<p>(b)</p>	<p>Distinguish between Autonomous transactions and Accommodating transactions. Ans. Autonomous transactions are those international economic transactions which are independent of the state of Balance of Payments (BOP). These transactions generally take place with ‘economic motive’. Such transactions are called ‘above the line’ transactions in the Balance of Payments account.</p> <p style="text-align: center;">Whereas;</p> <p>Accommodating transactions are those international economic transactions which are undertaken (by competent authorities) to cover the surplus or deficit in Balance of Payments. These transactions are independent of any economic motive. Such transactions are called ‘below the line’ transactions in the Balance of Payments account.</p>	<p style="text-align: right;">1 ½</p> <p style="text-align: right;">1 ½</p> <p style="text-align: right;">3</p>
<p>13.</p>	<p>If planned savings exceeds planned investments in an economy, explain its likely impact on income, output and employment. Ans. When planned savings exceeds planned investments it means households are planning to consume less than what the firms expected them to consume. This will lead to unintended accumulation of inventories. To restore the desired/intended level of inventories, producers may contract production which in turn reduces the employment, output and income level. (To be marked as a whole)</p>	<p style="text-align: right;">4</p>
<p>14.</p>	<p>As per the following news published in “The Hindu” on 6th August, 2022: “The Monetary Policy Committee (MPC) of the Reserve Bank of India raised the Repo Rate by 50 basis points.” Identify and explain the likely cause and consequences behind this type of action taken by the Reserve Bank of India. Ans. Inflation in the economy may be the cause behind the rise in repo rate by the Monetary Policy Committee (MPC) of Reserve Bank of India (RBI). This step may force commercial banks to increase the lending rates. It may discourage the borrowings by the general public. This may lead to fall in Aggregate Demand and thus may result in fall in rate of inflation. (Any other valid explanation to be allotted marks)</p>	<p style="text-align: right;">1</p> <p style="text-align: right;">3</p> <p style="text-align: right;">4</p>
<p>15. (a)</p>	<p>Explain the role of Central Bank as Governments' agent and advisor. Ans. As Government’s agent, the Central Bank accepts receipts and makes payment on behalf of the government. For instance, Central Bank issues government securities such as bonds, treasury bills, etc. It makes all arrangements in connection with the floatation, conversion or redemption of these securities. It manages the national debt on behalf of the government.</p>	<p style="text-align: right;">4</p>

	<p>As the Government's financial advisor, the Central Bank advises the government on all economic, financial and monetary matters. (To be marked as a whole)</p> <p style="text-align: center;">OR</p>	
(b)	<p>Define Reverse Repo Rate. Discuss briefly, how this instrument helps in controlling credit creation by commercial banks.</p> <p>Ans. Reverse Repo Rate is the rate of interest at which commercial banks can park their surplus funds with the Central Bank.</p> <p>In order to control the credit creation capacity of the commercial banks, the Central Bank may increase/decrease Reverse Repo Rate. This induces commercial banks to transfer more/less funds to the Central Bank which in turn reduces/ increases the lending capacity of the commercial banks.</p> <p>As a result, credit creation by commercial banks may be reduced/ increased.</p>	<p>1</p> <p>3</p> <p>4</p>
16.	<p>How should the following be treated in estimating National Income of a Country? Give valid reasons.</p> <p>(i) Profits earned by Foreign Banks in India.</p> <p>(ii) Expenditure on upgradation of fixed asset by a firm.</p> <p>Ans.</p> <p>(i) Profits earned by foreign banks in India should not be included in the National Income because it is a factor income paid to non-residents.</p> <p>(ii) Expenditure on upgradation of fixed asset by a firm should be included in the National Income, as it is a part of capital formation.</p>	<p>1 ½</p> <p>1 ½</p>
(II)	<p>Suppose in a financial year, the Gross Domestic Product (GDP) at market price of a country was ₹1,100 crore. Net factor income from Abroad was ₹100 crore, the net indirect taxes was ₹150 crore and National income was ₹850 crore.</p> <p>Calculate the value of depreciation, on the basis of above information.</p> <p>Ans. National Income (NNP_{FC}) = Gross Domestic Product at Market Price (GDP_{MP}) – Depreciation + Net factor income from abroad – Net Indirect Taxes</p> $850 = 1,100 - \text{Depreciation} + 100 - 150$ $\text{Depreciation} = 1,100 + 100 - 150 - 850$ <p>Depreciation = ₹ 200 crore</p> <p style="text-align: center;">OR</p>	<p>1 ½</p> <p>½</p> <p>½</p> <p>½</p> <p>6</p>
(b) (I)	<p>"While estimating Gross Domestic Product (GDP) by expenditure method, entire focus is on expenditures incurred by the residents of the country."</p> <p>Do you agree with the given statement? Give valid reason in support of your answer.</p> <p>Ans. No. This is because Gross Domestic Product (GDP) by expenditure method takes into account the aggregate spending on all the final goods and services in the domestic territory, whether incurred by the residents or non-residents during a given period of time.</p> <p style="text-align: right;">(To be marked as a whole)</p>	3
(II)	<p>Calculate the value of Domestic Income from the following data:</p>	

	<p>The growth rate of China has decelerated to an average of 6.8%, over the period 2015-17. In the recent past India has posted a decent rise in the growth rate. While India had lesser growth rate in the decade of 1980's, it has enhanced well by registering an average growth rate of 7.3%, over the period 2015-17. (To be marked as a whole)</p>	
31.	<p>State the meaning of 'Privatisation'.</p> <p>Ans. Privatisation refers to shedding of the ownership or management of a government owned enterprise.</p>	1
(a)	<p>'Agriculture sector has been adversely affected by the Economic reform process.' Comment.</p> <p>Ans. The agricultural sector was adversely affected by the economic reform process in India as public investment in agriculture sector especially in infrastructure has fallen to a great extent. Furthermore, the partial removal of fertiliser subsidy has led to increase in the cost of production, which has severely affected the small and marginal farmers. Moreover, there has been a shift from production for the domestic market towards export- oriented production focusing on cash crops putting pressure on prices of food grains.</p> <p>(To be marked as a whole)</p>	3
(i)		
(ii)	<p>OR</p> <p>State and explain any two main causes behind infrastructural development by British rule.</p> <p>Ans. Two main causes behind infrastructural development by British rule were:</p> <ul style="list-style-type: none"> • Mobilisation of army: The roads were built primarily to serve the purpose of mobilising the army within India and drawing out raw materials from the countryside to the nearest railway station or the port. • Maintenance of law and order: The introduction of the electric telegraph in India served the purpose of maintaining law and order. <p>(Any other valid cause to be allotted marks)</p>	<p>$\frac{1}{2} + \frac{1}{2}$</p> <p>$\frac{1}{2} + \frac{1}{2}$</p>
(b)		4
32.	<p>State, with valid reasons whether, the following statements are true or false:</p> <p>(a) "Higher productivity and production are the outcome of investment in human resources."</p> <p>(b) Rising population is not the cause for quality of human capital formation.</p> <p>Ans. (a) True. Investment in human resource stimulates innovation and creates ability to absorb new technology. Technical skills acquired through sources of human capital formation such as education, training and sound health etc. helps labour supply to make better use of given resources. Hence, productivity and production increases.</p> <p>(b) False. Rapid rise in population adversely affects the quality of human capital. It reduces per head availability of existing facilities that results in a fall in quality of life. In turn, this leads to a reduction in the capacity to acquire specialised skills and knowledge.</p>	<p>2</p> <p>2</p>
(a)		4
(i)		
(ii)	<p>Define Agricultural diversification.</p> <p>Ans. Agricultural diversification relates to change in cropping pattern or shift of workforce from agriculture to other allied activities.</p>	2
(a)		
(i)		
(ii)	<p>State the meaning of organic farming. Discuss how does it help in promoting sustainable development.</p> <p>Ans. Organic farming refers to a whole system of farming that restores, maintains and enhances the ecological balance.</p> <p>Organic farming is the system of farming that relies upon the use of organic inputs for cultivation such as animal manures and composts. Organic produce has more nutritional value. It is pesticide free which helps in soil conservation.</p> <p>Consequently, organic farming is conducive to sustainable development.</p>	<p>1</p> <p>3</p>

OR

<p>(b) (i)</p>	<p>Discuss the need for promoting women’s education in India. Ans. The need to promote education for women in India is imminent. It helps in improving economic independence and social status of women. Women education makes a favourable impact on fertility rate and health care of women and children. (To be marked as a whole)</p>	<p>3</p>
<p>(ii)</p>	<p>Explain absorptive capacity of environment with example. Ans. Absorptive capacity means the ability of the environment to absorb degradation. For instance, high population and the affluent consumption in the developing countries and production standards of the developed nations have placed a huge stress on the environment. Many resources are becoming extinct and the wastes generated are beyond the absorptive capacity of the environment. (To be marked as a whole)</p>	<p>3</p>
<p>6</p>		
<p>34.</p>	<p>Read the following text carefully and answer the given questions on the basis of the same and common understanding: India urged the World Trade Organisation (WTO) to relax rules to allow the country to export food grains from its public stocks to the nations facing food crisis. India can help, reduce food insecurity but there is hesitation on the part of the WTO, in relaxing its rules. India's Finance Minister said food, fuel and fertilizers are global public goods and ensuring access of these for developing and emerging economies is critical. She also shared India's experiences, including robust gains in agriculture production, citizen centric food security programmes and innovative delivery mechanisms such as the 'One Nation one Ration Card' Scheme. (Source: The Economic Times; July 16, 2022)</p> <p>State and discuss any two objectives of World Trade Organisation.</p>	
<p>(a)</p>	<p>Ans. Objectives of World Trade Organisation (WTO) are:</p> <ul style="list-style-type: none"> • It helps in providing greater market access to all member countries as it provides equal opportunities to all countries in the international market. • It facilitates bilateral and multilateral trade by removing tariff and non-tariff barriers. <p style="text-align: right;">(Any other valid objective to be allotted marks)</p>	<p>2</p> <p>2</p>
<p>(b)</p>	<p>Name any two steps taken by India to strengthen the food security. Ans. Two steps taken by India to strengthen food security are:</p> <ul style="list-style-type: none"> • Robust gains in agriculture production. • Citizen-centric food security programme. <p style="text-align: right;">(Any other valid step to be allotted marks)</p>	<p>1</p> <p>1</p> <p>6</p>

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