SENIOR SCHOOL CERTIFICATE EXAMINATION
MARCH-2018
MARKING SCHEME – ECONOMICS (DELHI/HARYANA)
58/1,2,3 (CD)
Expected Answers / Value Points

GENERAL INSTRUCTIONS :

1   The Marking Scheme carries only suggested value points for the answers. These are only guidelines and do not constitute the complete answers. Students can have their own expression and if the expression is correct, marks should be awarded accordingly.

2   As per orders of the Hon'ble Supreme Court,a candidate would now be permitted to obtain a photocopy of his/her Answer Book on payment of the prescribed fee. Examiners/Head Examiners are, therefore, once again reminded that they must ensure that evaluation is carried out strictly as per value points for each answer as given in the Marking Scheme.

3   Head Examiners/Examiners are hereby instructed that while evaluating the answer books, if the answer is found to be totally incorrect, the (X) should be marked on the incorrect answer and awarded '0' mark.

4   Please examine each part of a question carefully and allocate the marks allotted for the part as given in the 'Marking Scheme' below. TOTAL MARKS FOR ANY ANSWER MAY BE PUT IN A CIRCLE ON THE LEFT SIDE WHERE THE ANSWER ENDS.

5   Expected/suggested answers have been given in the 'Marking Scheme'. To evaluate the answers, the value points indicated in the marking scheme should be followed.

6   For questions asking the candidate to explain or define, the detailed explanations and definitions have been indicated along with the value points.

7   For mere arithmetical errors, there should be minimal deduction. Only ½ mark should be deducted for such an error.

8   Where only two / three or a 'given' number of examples / factors / points are expected, only the first two / three or expected number should be read. The rest are irrelevant and must not be examined.

9   There should be no effort at 'moderation' of the marks by the evaluating teachers. The actual total marks obtained by the candidate may be of no concern to the evaluators.

10 Higher order thinking ability questions are for assessing a student's understanding / analytical ability.

General Note: In case of a numerical question, no marks should be awarded if only the final answer has been given, even if it is correct.

Expected Answers / Value Points

Question No.			SECTION - A	Marks
1.	2	3	The value of next best alternative foregone.	**1**
2.	3	2	At zero level of output	**1**
3.	4	1	(b) Price of the good	**1**
4.	1	4	(d) 1.5	**1**
5.	6	5 (ORUpDown)	This problem deals with the situation where an economy must decide as to what goods or services it must produce and in what quantity. It is because the resources are scarce/limited and can be put to alternative uses. **(to be marked as a whole)** Or Production Possibility Frontier may shift away from origin, due to the following: i. Increase in resources ii. Improvement in technologies	**3** **1 ½** **1 ½**
6.	5	6	$E_d = \dfrac{\Delta Q}{\Delta P} \times \dfrac{P}{Q}$ $-2 = \dfrac{100}{\Delta P} \times \dfrac{20}{200}$ $-2\,(\Delta P) = 10$ $\Delta P = -5$ New Price = Original Price (P) $+\Delta P = 20+(-)5 = ₹15$	**1** **1** **½** **½**
7.	8	9	Budget Line equation: $m = P_xQ_x + P_yQ_y$; where m=income Accordingly: $100 = 10Q_x + 5Q_y$ **OR** Marginal Rate of Substitution is defined as **'the rate at which a consumer is willing to sacrifice units of a good to obtain one more unit of the other good.** Marginal Rate of Substitution diminishes as the consumer moves downward along the same indifference curve. It shows that consumer is willing to sacrifice lesser units of a Good Y, in order to gain one additional unit of Good X. This happens due to the operation of law of diminishing marginal utility.	**1** **3** **1** **3**

8	9	7	A producer is said to be in equilibrium when he produces that level of output at which :	
			(a) MC = MR	**1**
			(b) MC > MR after the MC = MR output level	**1**
			Explanation to the conditions:	
			Condition – 1 MC=MR	
			Suppose when a producer starts producing a good, with the given factors and finds MR > MC he goes on producing because every new unit produced adds to profits.	**1**
			As he goes on producing more units of the good he may face an output level when MC = MR and this output level satisfies MC = MR condition of equilibrium.	
			Condition – 2 MC>MR after the MC=MR output level	
			After MC = MR level, if MC > MR, every new unit produced is sold at a loss. So, he would not like to produce more units thereafter.	
			Therefore, only that output level at which MC = MR, and beyond which MC > MR, is the output at which the producer is in equilibrium.	**1**
			(Diagram not required).	
9.	7	8	'Freedom of Entry', signifies that there are no barriers to the entry ofnew firms into industry. When the existing firms are earning supernormal profits, the new firms, attracted by the prospects of profit,enter the industry. This raises market supply which in turn leads tofall in market price and consequently profits. The entry continuestill each firm is earning just the normal profits.	
			'Freedom to exit', signifies that there are no barriers which restrictthe existing firms from leaving the industry. The firms try to leavewhen they are facing losses. As the firms start leaving market supply falls leading to rise in market price and consequently reduction in losses. The firms continue to leave till the losses are wiped out and each existing firm is earning just the normal profits.	**4**
			(to be marked as a whole)	
10.	12	11	Assuming that a consumer is consuming only two goods X and Y, the conditions of consumer's equilibrium (Utility Analysis) are:	
			a) $\dfrac{MU_X}{P_X} = \dfrac{MU_Y}{P_Y}$	**1**
			b) MU of a good falls as more units of the goods are consumed.	**1**
			Explanation	
			(i) Suppose $\dfrac{MU_X}{P_X} > \dfrac{MU_Y}{P_Y}$ The consumer will not be in equilibrium because per rupee MU of X is greater than per rupee MU of Y. This will induce the consumer to buy more of X by reducing expenditure on Y, leading to fall in MU_x and rise in MU_y. This	**3**

			will continue till the consumer attains the condition of	
			$$\frac{MU_X}{P_X} = \frac{MU_Y}{P_Y}$$ $$\left(\textbf{Explanation based on } \frac{MU_X}{P_X} < \frac{MU_Y}{P_Y} \textbf{ is also correct} \right)$$ (ii) Unless MU of a good falls, as more units are consumed the consumer will not reach the equilibrium. **(Diagram not required)**	1
11.	10	12	**Examiners please check:** MC curves intersects ATC and AVC curves at their minimum points. **(ii)** Vertical distance between ATC curve and AVC curve goes on declining as output increases.	3
			Relationship among MC, AVC & AC : When MC < ATC or AVC , ATC or AVC falls MC = ATC or AVC , ATC or AVC constant MC > ATC or AVC , ATC or AVC rises	3
			For Blind Candidates: Any suitable schedule	3
12.	11	10	'Price Floor' is the minimum price fixed by the government below which sellers cannot sell their product. Since this price is normally set above the equilibrium price, there is excess supply in the market. As the seller may not be able to sell all that he wants to sell, he may illegally attempt to sell the product at a price below the floor price.	2
			OR Market of a good is in equilibrium. If the demand for the good decreases this creates an excess supply of the good at the existing price, in the market. - The excess supply creates competition among sellers, resulting in fall in price, because sellers will not be able to sell all that they want to sell at the existing price. - Fall in price leads to rise in demand and fall in supply. - These changes continue till the market reaches new equilibrium.	4
				6
SECTION B				
13.	16	14	Pollution created by factories/vehicles **(or any other relevant example)**	1
14.	15	13	d) All of the above	1
15.	14	16	Currency held by public and demand deposits held by banks.	1

16.	13	15	Aggregate Supply refers to the estimated money value of all the final goods and services planned to be produced in an economy.	**1**
17.	18	17 (OR Up Down)	Any economic variable which is measured at a point of time is known as stock, e.g. capital,etc.	**1 ½**
			Whereas, any economic variable measured during a period of time is known as flow, e.g. income, etc. **(any other relevant example)**	**1 ½**
			OR	
			Capital goods are those durable goods which are used in production of goods and services,	**1 ½**
			Whereas consumption goods are those goods which are used for satisfaction of wants by the consumers.	**1 ½**
18.	17	18	Investment Multiplier is a measure of the effect of change in initial investment on change in final national income.	**1**
			There exist a direct relation between MPC and multiplier, i.e. higher the value of MPC, higher will be investment multiplier $$K = \frac{1}{1-MPC}$$	**2**
19.	20	21	Policy adopted by the Central Bank of an economy in the direction of credit control or money supply is known as Monetary Policy.	**1**
			Instruments of Monetary Policy are Bank Rate, Repo Rate, Reverse Repo Rate, Cash Reserve Ratio.**(any three)**	**1x3=3**
20.	21	19	Full Employment is a situation where those who are able and willing to work are getting work at the prevailing wage rate.	**1**
			When Aggregate Demand is greater than Aggregate Supply at full employment, such a situation is known as Excess Demand or Inflationary Gap. It is called inflationary becausethis leads to a rise in general price level of the economy. **(diagram not necessary)**	**3**
			OR	
			Two alternative ways of determining equilibrium level of income are:	
			i. Aggregate Demand − Aggregate Supply Approach (AD-AS Approach)	**1**
			ii. Saving-Investment Approach (S-I Approach).	**1**
			Interrelation between the two approaches: AD=AS (AD-AS approach) C+I = C+S I=S (S-I approach) **(diagram not required)**	**2**
21.	19	20	Ex-ante consumption refers to the consumption expenditure planned to be incurred during a period.	**1**
			Autonomous Consumption refers to the consumption expenditure which does not depend upon the level of income, i.e. the consumption at zero level of income. **Whereas**, Induced Consumption expenditure is directly determined by the level of income.	**3**

22.	23	23	Government Budget is defined as a statement of planned receipts and planned expenditure of the government during a fiscal year.
			
			Its major components are:
			  i. **Revenue Receipts**: the receipts which neither create a liability nor lead to reduction in assets.
			  ii. **Capital Receipts**: the receipts which either create a liability or lead to reduction in assets.
			  iii. **Revenue Expenditures**: the expenditure which does not lead to any creation of assets or reduction in liabilities.
			  iv. **Capital expenditures**: the expenditure which leads to creation of assets or reduction in liabilities.
			 OR OBJECTIVES OF GOVERNMENT BUDGET:
			a. Allocation of resources in the economy
			There are many non-profitable economic activities which are not undertaken by the private sector like, water supply, sanitation, etc., but are necessarily undertaken by government in public interest. So Government can undertakethese activities in order to create social welfare. In addition, government can encourage the private sector through tax concessions, subsidies, etc., to undertake certain production in public interest.
			b. Economic stability
			Economic stability means absence of large-scale fluctuation in prices. Such fluctuations create uncertainties in the economy. Government can exercise control over these fluctuations through taxes and expenditure.
			For example, under inflationary situations, government may discourage spending by increasing taxes or reducing its own expenditure whereas, under deflationary conditions, government may encourage spending by giving tax concession, subsidies, etc.
				2
				
				1x4=4
				
				3
				
				3

23.	22	24	**Fixed Exchange Rate:** is the exchange rate determined by the government for conversion of domestic currency into foreign currency. **Flexible Exchange Rate:**is the rate of exchange which is determined by the market forces of demand and supply in the foreign exchange market. **Managed Floating Exchange Rate**: Floating rate influenced by buying and selling foreign exchange by the central bank in the foreign exchange market.	**2** **2** **2**
24.	24	22	a) Operating Surplus = (ii)+ [(iv) + (vii) + (viii)] = 800+ 460+940+300 = ₹2500 crore b) Domestic Income = (i)+ Operating Surplus + (x) = 2,000 + 2500 + 200 = ₹4,700 crores **(any other correct alternative)**	**1½** **1** **½** **1½** **1** **½**