

Marking Scheme
SECTION - A (Macro Economics)

Ques. No	Description	Marks
1	Decreases	1
2	An intermediate good refers to that good which is purchased during the year by a firm from another for the purpose of further production/resale.	1
3	b) Zero	1
4	i) CRR, ii) SLR, iii) Bank Rate, iv) Repo rate, v) Reverse repo rate (any two) Or Demand deposits are the deposits which can be withdrawn on demand by the depositors from banks.	$\frac{1}{2} + \frac{1}{2}$ 1
5	a) price stability in the economy.	1
6	Zero	1
7	True	1
8	Primary Deficit = Fiscal Deficit - Interest Payments	1
9	c) Remittances to relative staying abroad - (iii) Debit side of current Account of Balance of Payments	1
10	Revenue	1
11	Generally it is considered that an increase in the Gross Domestic Product (GDP) of any economy (India in this case) ensures increase in welfare of the people of the country. However, this may not always be correct. Some of the prime reasons for the same are: a) unequal distribution and composition of GDP, b) non-monetary transactions in the economy which are not accounted for in GDP, and c) occurrence of externalities in the economy (both positive and negative).	3
12	We know that consumption function is: $C = \bar{c} + MPC \cdot Y$ At equilibrium level of Income in the economy $Y = C + I$ Given, Autonomous Consumption ($\bar{C}$) = ₹ 500 crores and Ex-ante Investments (I) = ₹ 4000 crores $18,000 = 500 + MPC(18,000) + 4,000$ $MPC(18,000) = 18000 - 4500$ $MPC = 13,500/18,000$ $MPC = 0.75$ Or $MPS = \left(\frac{\text{Change in Savings}}{\text{Change in Income}} \right) = \left(\frac{\Delta S}{\Delta Y} \right) = \frac{20}{100} = 0.20$ Investment Multiplier (K) = $\frac{1}{MPS} = \frac{1}{0.20} = 5$ Investment Multiplier (K) = $\frac{\text{Change in Income}}{\text{Change in Investment}} = \left(\frac{\Delta Y}{\Delta I} \right)$ $5 = \frac{\text{Change in Income}}{\text{Change in Investment } (\Delta I)}$ Change in Investment (ΔI) = ₹ 1200 crores Increase in investment by ₹ 1200 crores is required to attain additional income of ₹ 6000 crores.	$\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ 1 $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$

Goods	Price of Current Year (P ₁) (in ₹)	Price of Base Year (P ₀) (in ₹)	Quantity of Current Year (Q ₁) (in units)	Nominal GDP (P ₁ Q ₁)	Real GDP (P ₀ Q ₁)
A	20	10	100	2,000	1,000
B	10	5	200	2,000	1,000
C	30	20	50	1,500	1,000
				$\sum P_1 Q_1 = 5,500$	$\sum P_0 Q_1 = 3,000$

In the above example the difference between Real GDP ($\sum P_0 Q_1$) and Nominal GDP ($\sum P_1 Q_1$) is $5,500 - 3,000 = ₹2,500$.
This is only the monetary difference as the quantity sold in the market remains unchanged and the variation in the value of GDP is merely due to the change in the prices in the economy.

b)

$$\text{Depreciation on capital asset} = \frac{\text{Cost of the capital asset} - \text{Scrap Value}}{\text{Estimated life of the capital asset}}$$

$$\text{Depreciation} = \frac{1000 - 0}{20}$$

$$\text{Depreciation} = ₹50 \text{ crores}$$

Or

a) Yes, the given statement is correct. In a two sector economy, the firms produce goods and services and make factor payments to the households. The factor income earned by the households will be used to buy the goods and services which would be equal to income of firms. The aggregate consumption expenditure by the households in the economy is equal to the aggregate expenditure on goods and services produced by the firms in the economy (Income of the producers).

b) Compensation of Employees = (iii) – (v) – (iv) – (vi+ii+i+vii)
= 200 – 50 – 10 – (25+45+20+5)
= ₹45 crores.

17

An economy is said to be operating at under employment equilibrium level, if the planned aggregate expenditure falls short of available output in the economy, corresponding to the full employment level. It results into excess of output available over the anticipated aggregate demand at full employment level. To tackle such a situation the aggregate demand has to be increased up to the level that the stocks can be cleared.

Following measures may be taken for the same:

i) **Decrease in taxes:** The government under its fiscal policy may decrease the rate of taxes (both direct and indirect taxes). This will ensure greater purchasing power in the hands of general public. This will help to increase aggregate demand and remove the deflationary gap.

30	The given statement is true to its character. The foreign investments, both Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII), have increased from about US \$100 million in 1990-91 to US \$ 74 billion recently. This has changed the status of India from a 'begging bowl' in 1990's to a 'self-dependent' economy in the present ages. Due to the opening up of the Indian Economy, she has become one of the largest foreign exchange reserve holders in the world. India been able to register an increase in the foreign exchange reserves from about US \$ 6 billion in 1990-91 to about US \$ 321 billion in 2014-15.	2 2
31	a) Disinvestment: Privatisation of the public sector enterprises (PSEs) by selling off a part/whole of the equity to the general public or any private sector player is known as disinvestment. b) Outsourcing: Hiring of regular service from external sources, mostly from foreign countries, which was previously provided internally or from within the country is known as outsourcing. OR a) Import Substitution: The policy aimed at replacing or substituting imports with domestic production by protecting the domestic industries from foreign competition is known as Import Substitution. b) Quota : Quantitative restrictions on imports for the protection of the domestic firms from foreign competition. Under this quantity of goods which can be imported is specified by the state.	2 2 2 2
32	a) The given data shows that the annual growth rate of population is maximum in Pakistan standing at 2.1%, whereas; the same stands at a meager 0.5% in case of China (might be a direct result of the One Child Policy adopted). The annual population growth rate of India is in the danger zone of more than 1% p.a. India will be overtaking China as the most populous country in the world in near future. b) Amongst the three countries stated above, India has most skewed data sex ratio (929 female per 1000 male). This is one of the major concerns for the demographers in India.	3 1
33	Mahatma Gandhi had always maintained that the real growth of India lies in the growth of villages. The importance of rural development in India lies in the fact that 2/3rd of the population still (directly or indirectly) depends on agriculture and around 1/3rd of the rural population still lives in abject poverty. Some of the prime areas for the development of the rural India may be quoted as follows: • Infrastructure development – is the key to any development process. Basic infrastructure requirement like electricity, irrigation, credit availability, transport facilities, construction of village roads and feeder	2

	roads to nearby highways, etc. are the area which still need attention of the government so as to gain commanding heights. • Alleviation of poverty - poverty in rural India is an area that should be taken up as a mission for improvement in the living conditions of particularly those living at the bottom of pyramid. This problem may be tackled by emphasizing on greater access to productive employment opportunities. • Development of Human Capital – Rural human capital must be developed by taking sincere steps in the direction of education and health.	2 2
34	The health system in India has undoubtedly improved over the years but the pace of improvement has been unreasonably slow and truly we carry an unhealthy health system. Following may be the most important concerns ailing Indian health system: • Low Public Expenditure – In India the health expenditure as a percentage of GDP is abysmally low as compared to some of the major developing countries. It stood at around 4.7% of the total GDP in the year 2014-15. • Urban Rural Divide – People living in rural India do not have sufficient medical infrastructure. Nearly 70% of the population lives in rural areas which have only 20% of the total hospitals of the country. • Women and child health issues - More than 50 per cent of married women in the age group of 15–49 years have iron deficiency, which has contributed to maternal deaths. Infant Mortality Rate per 1,000 live births in India is 34. Malnutrition and inadequate supply of vaccines lead to the death of millions of children every year. Or The period between 1990 to 2012 had been a significant one. Introduction of Economic Reforms in India has changed everything in India. Variables shown in the given graph show that GDP growth rate has taken an upwards tread over the years whereas the situation of Employment growth rate has seen major fluctuations while going down in overall trend. GDP growth rate has increased from a meager 3.4% in 1991 to 7.8% in 2012. However the employment growth rate has shown declining trends from 1.5% in 1991 to 1.12% in 2012. Between the period 1999-2005 the employment generation rate was at peak since independence i.e. 2.28% p.a. with the corresponding GDP growth rate standing at a decent 6.1% p.a. The gap between the two variables is maximum between the period 2005-10 when the employment growth rate hit the lowest in history of Independent India i.e. 0.28%. In the same period the GDP growth rate had hit the highest level since independence to the tune of 8.7% p.a. Indian economy has witnessed the peculiar phenomena of ‘jobless growth’ over all these years. Learning from the situation government had put in serious efforts on employment front and brought it to a level of 1.12% p.a. between the period 2010-12. In all the period between 1990-2012 has been a real roller coaster ride for the India economy on the two front of GDP and Employment Growth rate.	2 2 2 6