ECONOMICS (030)
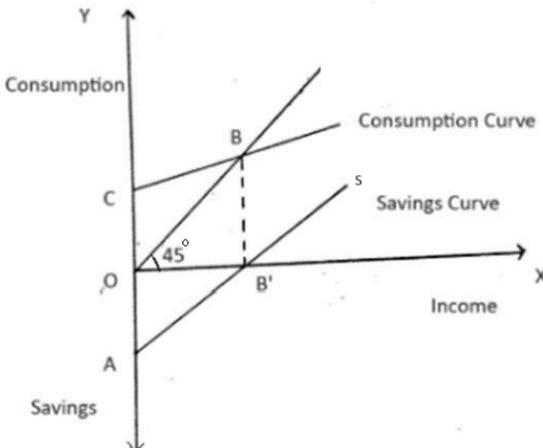
CLASS XII (2024-25)

MARKING SCHEME

Q.NO.	SECTION A – MACRO ECONOMICS	MARKS
1.	D. Assertion (A) is false, but Reason (R) is true.	1
2.	C. Redistribution of income	1
3.	B. Net Product Taxes	1
4.	B. flexible	1
5.	A. (i) **For Visually Impaired Candidates:** B. 45^0	1 1
6.	B. fiscal	1
7.	A. Statement 1 is true and Statement 2 is false.	1
8.	D. Autonomous Consumption, Induced Consumption and Autonomous Investment	1
9.	C. Both Statements 1 and 2 are true.	1
10.	C. deficit, 0.74 **For Visually Impaired Candidates:** C. Receipts < Payments on current account	1 1
11. (A)	Domestic Income (NDP_{FC}) = i + iv + ii + iii + vii + vi – v – x – viii = 800+170+150+120+500+140–20 – 40 – 70 = ₹ 1,750 crore **OR**	1 ½ 1 ½
11. (B)	Steps pertaining to the estimation of National Income under the Income method: 1. Identify and classify production units into distinct heads namely primary, secondary, and tertiary sector. 2. Estimate and classify the factor payments in different categories as Compensation of Employees, Operating Surplus, and Mixed Income. The sum of factor payments represents the contribution of the sectors to Domestic Income (NDP_{FC}). 3. Finally, estimate and add the value of Net Factor Income from Abroad (NFIA) to arrive at National Income (NNP_{FC}).	 1 1 1
12.	Tax revenue collection by the government may be categorized as: • **Direct Taxes:** It refers to those taxes whose impact and incidence lie on the same entity. In other words, the liability of paying direct taxes can't be shifted.	½ + 1 ½ + 1

	• **Indirect Taxes:** It refers to those taxes whose impact and incidence may lie on different entities. In other words, the liability of paying indirect taxes can be shifted.	
13.	(I) Foreign Portfolio Investments in India in the fiscal year 2023-24 will be recorded on the credit side of the capital account of the Balance of Payments (BOP) account. It is recorded on the credit side, as it results in the inflow of foreign exchange. Furthermore, such transactions are documented in the capital account as they reflect the change in the ownership of financial assets between the residents of a country and rest of the world.	3
	(II) Balance of Payments deficit occurs when autonomous receipts fall short of autonomous payments during a given fiscal year in an economy.	1
14. **(A)**	Given consumption curve (C) intersecting 45° line at B (Break-even level of income). Steps for derivation of saving curve from the consumption curve are as follows: 1. Take OA on the negative intercept on Y-axis equals to OC (Autonomous consumption) having positive intercept on Y-axis, as a starting point of the saving curve.	1
	2. Draw a perpendicular from point B (where, Y=C) intersecting the X-axis at B' (where S=0) which is another point on the saving curve.	1
	3. Join point A to point B' extending the line till point S to get the saving curve (AS).	1
		1
	For Visually Impaired Candidates: Given consumption curve (C) intersecting 45° line at B (Break-even level of income). Steps for derivation of saving curve from the consumption curve are as follows: 1. Take OA on the negative intercept on Y-axis equals to OC (Autonomous consumption) having positive intercept on Y-axis, as a starting point of the saving curve. 2. Draw a perpendicular from point B (where, Y=C) intersecting the X-axis at B' (where S=0) which is another point on the saving curve. 3. Join point A to point B' extending the line till point S to get the saving curve (AS).	4
	OR	

| 14. (B) | Given,
Autonomous Consumption ($\bar{c}$) = ₹ 40 crore
Investment expenditure (I) = ₹ 100 crore
For economy A, Marginal Propensity to Consume (MPC) = 0.6
For economy B, Marginal Propensity to Consume (MPC) = 0.8
(I) At break-even level for economy A; Y = C
$\quad\quad\quad\quad\quad$ Y = 40 + 0.6Y
$\quad\quad\quad\quad\quad$ 0.4Y = 40
$\quad\quad\quad\quad\quad$ Y = ₹ 100 crore
(II) Equilibrium level of income for economy B; Y = C + I
$\quad\quad\quad\quad\quad$ Y = $\bar{c}$ + (MPC) x Y + I
$\quad\quad\quad\quad\quad$ Y = 40 + 0.8Y + 100

$\quad\quad\quad\quad\quad$ Y = ₹ 700 crore | ½
½
½
½
½
½
½

½ |

| 15. | The working process of the increase in investment on the National Income, is based on the assumption that one's expenditure is another's income.
In Round 1, the investment in infrastructure undertaken by the government of 1,000 crore, will generate an additional income by the like amount (1,000 crore). Since Marginal Propensity to Save (MPS) is 0.2 i.e. MPC is 0.8 it will lead to an increase in the consumption expenditure by 800 crore (80% of 1,000) and saving by 200 crore (20% of 1,000).
As one's expenditure is another's income, an increase in consumption expenditure results in an increase in income by 800 crore in the subsequent round. This process continues till the sum of the change in savings becomes equal to the change in the investment. | 4 |

Round	Increase in investment (ΔI) (in crore)	Increase in income (ΔY) (in crore)	Increase in consumption (ΔC) (in crore)	Increase in savings (ΔS) (in crore)
1	1,000	1,000	800	200
2	—	800	640	160
3	—	640	512	128
—	—	.	.	.
Total	1,000	5,000	4,000	1,000

Investment Multiplier = $\frac{1}{1-\text{MPC}}$

$\quad\quad\quad\quad\quad\quad = \frac{1}{1-0.8} = 5$

Thus, the above schedule indicates that an increase in investment (ΔI) of 1,000 crore leads to a total increase in national income (ΔY) by 5,000 crore, which is 5 times the increase in investment.

| 16. | (I) The evolution of money has taken place over the centuries in different forms such as:
• Metal currencies: Gold or silver coins (which have intrinsic value) were used for economic transactions as these were used as standardised representation of value. | ½ + 1

½ + 1 |

	• Paper currency: Currency is issued in paper (or polymer) form by the Central Bank. It is a liability of the issuing Central Bank and an asset of the holding public. (II) Yes. The introduction of CBDC provides significant benefits such as reduced dependency on cash, lower transaction costs, and reduced settlement risk. It leads to a more robust, efficient, trusted, and regulated payment option. However, there are associated risks such as cyber-attacks and technology preparedness, but they need to be carefully evaluated against the potential benefits.	3
17. (A)	(I) Percentage change in Real GDP = $\frac{\text{Change in Real GDP}}{\text{Real GDP}}$ X 100	1 ½
	= $\frac{(4,500 - 4,000)}{4,000}$ x 100	1
	= 12.5 %	½
	(II) The public investment on the construction of a multi-lane flyover may impact the Gross Domestic Product (GDP) positively as good quality infrastructure (like an effective transport system) generally attracts higher investments in an economy and may lead to an increase in employment opportunities. It may also lead to a reduction in travel time and lower average transportation costs. Consequently, it may increase the well-being of citizens.	3
	OR	
17. (B)	(I) The given statement is defended. Consumption goods are those goods that directly satisfy the wants of the consumer whereas, capital goods are those final goods that are used for further production. A good can be considered as a consumption good or a capital good. It depends upon the economic nature of its use. For example, machinery purchased by a household can be classified as a consumption good whereas, if it is purchased by a firm for further production, then as a capital good.	4
	(II) The massive destruction of capital assets caused by the recent natural calamities in the hill states of Himachal Pradesh and Uttarakhand can be considered as capital loss. Capital loss refers to the loss in the value of fixed assets due to unforeseen circumstances like natural disasters, theft, fires, etc.	2
	SECTION B – INDIAN ECONOMIC DEVELOPMENT	
18.	A. (i) and (ii) **For Visually Impaired Candidates:** A. (i) only	1 1
19.	A. Statement 1 is true and Statement 2 is false.	1
20.	D. Assertion (A) is false, but Reason (R) is true.	1
21.	C. public and private sector	1
22.	D. (i), (ii), (iii), and (iv)	1
23.	D. Change in the role of the Reserve Bank of India from facilitator to regulator	1

24.	C. One Child Norm	1
25.	B. Central Pollution Control Board	1
26.	D. Jobless Growth	1
27.	C. Operation Flood	1
28. (A)	Disinvestment aimed to boost financial discipline and modernisation. The government exceeded its mobilisation target but assets of Public Sector Enterprises (PSEs) had been undervalued, resulting in significant losses to the government. Moreover, the proceeds were primarily used to cover shortfalls of government revenue instead of investing in social infrastructure or the development of PSE. **OR**	3
28. (B)	Globalisation is indeed an essential outcome of liberalisation of an economy. The removal or reduction of restrictions in the industrial sector, financial sector, trade and investment policy etc. opened the doors of the Indian economy to the rest of the world. Hence, liberalisation acted as a catalyst for globalisation. It fostered international trade integrating the Indian economy with the global economy.	3
29.	Yes. Measurement of the development level in an economy is a comprehensive approach where liberty indicators should be considered along with other socio-economic parameters. Liberty indicators measure the extent of democratic participation in social and political decision-making. These indicators are significant as they reflect the degree of civil liberties, political rights and economic freedom within a society. With the incorporation of liberty indicators, policymakers can gain a more holistic understanding of an economy's development status.	3
30.	The fast-paced economic growth in China can be traced back to the following reforms introduced in 1978: • In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors. For instance, in agriculture commune lands were divided into small plots, which were allocated to individual households. They were allowed to keep all income from the land after paying stipulated taxes. • In the subsequent phase, reforms were initiated in the industrial sector. Private sector firms, in general, and township and village enterprises, in particular, were allowed to produce goods. At this stage, State Owned Enterprises were made to face competition.	2 2
31. (A)	Under the Delhi Declaration, the G-20 member countries have agreed to elevate efforts to limit Global Warming. To achieve this, these nations have decided to reduce greenhouse gas emissions. It has been agreed to devise an effective approach to transitioning from conventional sources of energy to non-conventional sources of energy. Wind energy and solar power serve as good illustrations of environmental friendly sources of energy that contribute to achieving sustainable development. **OR**	4
31.		

(B)	An increase in human capital causes economic growth is unclear, owing to the problems pertaining to the estimation of quantifiable relation between the two. Educational yardsticks like years of schooling, teacher-pupil ratio, enrolment rates etc. may not reflect educational quality accurately. Whereas, human capital measures may show convergence between developing and developed nations, however, there's no empirical evidence to prove income per capita convergence. Hence, education may improve, but cannot guarantee similar progress in real income across different countries.	**4**
32.	(I) Under the Saansad Adarsh Gram Yojana (SAGY), introduced by the Government of India, Members of Parliament (MPs) need to identify and develop one village from their constituencies. MPs were to develop three villages as model villages, covering over 2,500 villages. MPs were expected to facilitate a village development plan, motivate villagers to take up activities and build infrastructure in the areas of health, nutrition, and education. (II) Two examples of allied activities are: • Livestock • Fisheries **For Visually Impaired Candidates in lieu of 32 (I) :** Under the Saansad Adarsh Gram Yojana (SAGY), introduced by the Government of India, Members of Parliament (MPs) need to identify and develop one village from their constituencies. MPs were to develop three villages as model villages, covering over 2,500 villages. MPs were expected to facilitate a village development plan, motivate villagers to take up activities and build infrastructure in the areas of health, nutrition, and education.	**3** **½** **½** **3**
33.	(I) Two major sources of data on the workforce and employment: • decennial population census • nationwide quinquennial surveys by NSSO (II) The given statement is defended. Labour force refers to the number of persons who are either employed or unemployed, whereas, workforce refers to all the people who are actively engaged in economic activities. Hence, labour force is a wider term than the workforce. (III) Self-employed are those workers who own and operate an enterprise to earn their livelihood.	**1** **1** **3** **1**
34. (A)	(I) Under the Industrial Policy Resolution (IPR) 1956, the policymakers reserved a category of industries for the private sector, however, the sector was kept under state control through a system of licenses. No new industry was allowed unless a license was obtained from the government. It was easier to obtain a license if the industrial unit was established in an economically backward area. In addition, such units were given certain benefits such as tax holidays and subsidised electricity. The purpose of this policy was to promote regional equality. (II) Several notable scholars, such as Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai, made earnest efforts to	**4**

		calculate national income during the colonial era. Among these scholars, the estimates provided by V.K.R.V. Rao were considered very significant. However, the majority of these studies revealed that the country's overall real output growth during the first half of the 20th century remained below 2%, with a meagre annual per capita output growth of just 0.5%.	**2**
		OR	
(B)		(I) Throughout the colonial period, India's foreign trade was characterized by a significant export surplus. However, this surplus had detrimental consequences for the country's economy. This export surplus did not bring gold or silver into India. Instead, it was used to cover expenses incurred by an office set up by the colonial government in Britain, the expenses on the war fought by the British government, and the import of invisible items, all contributed to the drain of India's wealth.	**3**
		(II) 'Self-reliance' was adopted as a central planning objective in India's development strategy by the policymakers due to the following reasons:	
		• To reduce the dependence on foreign nations, the stress was laid on mobilising domestic resources.	**1 ½**
		• It was feared that the dependence on imported food supplies, foreign technology, and foreign capital may increase foreign interference in our policies.	**1 ½**