

# SENIOR SCHOOL CERTIFICATE EXAMINATION JULY-2015

## MARKING SCHEME – ECONOMICS (OUTSIDE DELHI)

### Expected Answers / Value Points (SET-III)

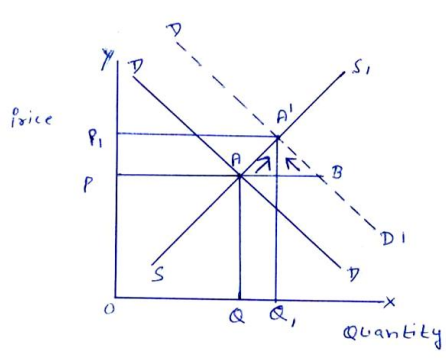
#### GENERAL INSTRUCTIONS :

1. Please examine each part of a question carefully and then 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.
2. Expected suggested answers have been given in the Marking Scheme. To evaluate the answers the value points indicated in the marking scheme be followed.
3. For questions asking the candidate to explain or define, the detailed explanation and definition have been indicated alongwith the value points.
4. For mere arithmetical errors, there should be minimal deduction. Only  $\frac{1}{2}$  mark be deducted for such an error.
5. Wherever 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.
6. 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.
7. Higher order thinking ability questions are assessing student’s understanding / analytical ability.

*General Note : In case of numerical question no mark is to be given if only the final answer is given.*

B3	Expected Answer / Value Points	Distribution of Marks
1	(c) Rs. 56	1
2	(c) Greater than elasticity of demand at B	1
3	Put a tax on it so that its price rises. (any other relevant measure)	1
4	‘For whom to produce’ means that among whom the goods produced shall be allocated. Goods are produced for those who can pay for these, i.e. those who have incomes. So the problem amounts to how should the income be distributed among people.	3

5	When government imposes an upper limit on the price of a good , it is called price ceiling. It is generally imposed on essential items and is fixed below the market determined price. The reason being the equilibrium price is too high for the common people to afford.	3																																
6	By these institutes skill development will improve. This would result in increase in the production potential of the country. So the PP will shift to the right.	3																																
7	<table border="1" data-bbox="159 414 1133 761"> <thead> <tr> <th>Units of Variable factor</th> <th>M.P.</th> <th>Phases</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>8</td> <td rowspan="2">Phase I : MP rises</td> </tr> <tr> <td>2</td> <td>10</td> </tr> <tr> <td>3</td> <td>7</td> <td rowspan="2">Phase II : MP falls but positive</td> </tr> <tr> <td>4</td> <td>0</td> </tr> <tr> <td>5</td> <td>- 5</td> <td>Phase III : MP is negative</td> </tr> </tbody> </table> <p style="text-align: right;"><b>Any other relevant schedule</b></p>	Units of Variable factor	M.P.	Phases	1	8	Phase I : MP rises	2	10	3	7	Phase II : MP falls but positive	4	0	5	- 5	Phase III : MP is negative	3																
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8	<p>Under perfect competition, an individual firm is a price taker and has no influence on market price. The firm is free to sell any quantity at the market determined price. As such the AR curve of a firm is parallel to the X-axis.</p> <p style="text-align: center;"><b>OR</b></p> <p>Under monopolistic competition, a firm enjoys some influence in determining market price of its product. The firm can sell more only by lowering the price. It makes the firm's AR curve downward sloping.</p>	3																																
9	<p>The following table shows four such bundles of commodity X and Y which gives the consumer same satisfaction –</p> <table border="1" data-bbox="159 1232 1133 1512"> <thead> <tr> <th>Bundles</th> <th>Unit of X</th> <th>Unit of Y</th> <th>Marginal Rate of Substitution</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>1</td> <td>10</td> <td>-</td> </tr> <tr> <td>B</td> <td>2</td> <td>6</td> <td>4Y:1X</td> </tr> <tr> <td>C</td> <td>3</td> <td>3</td> <td>3Y:1X</td> </tr> <tr> <td>D</td> <td>4</td> <td>2</td> <td>1Y:1X</td> </tr> </tbody> </table> <p>For each additional unit of X the consumer is willing to sacrifice less of Y. This is diminishing marginal rate of substitution.</p> <p style="text-align: right;"><b>(any other relevant numerical example)</b></p> <p style="text-align: center;"><b>OR</b></p> <table border="1" data-bbox="159 1680 446 1960"> <thead> <tr> <th>Units</th> <th>M.U.</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>10</td> </tr> <tr> <td>2</td> <td>8</td> </tr> <tr> <td>3</td> <td>5</td> </tr> <tr> <td>4</td> <td>3</td> </tr> <tr> <td>5</td> <td>2</td> </tr> </tbody> </table> <p style="text-align: right;"><b>(any other relevant numerical example)</b></p> <p style="text-align: right;"><b>(Explanation)</b></p>	Bundles	Unit of X	Unit of Y	Marginal Rate of Substitution	A	1	10	-	B	2	6	4Y:1X	C	3	3	3Y:1X	D	4	2	1Y:1X	Units	M.U.	1	10	2	8	3	5	4	3	5	2	2
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10	When demand for a good changes due to change in price of the given good it is called 'change in quantity demanded' when demand changes due to a factor other than own price it is called 'change in demand'.	4
11	 <p>When the demand curve DD shift to DD'. There is excess demand (AB) at OP price. Thy buyers compete, price starts rising thus demand starts falling(Contraction) and supply starts rising (expansion). These changes continue till price reaches OP<sub>1</sub>. At this price equilibrium quantity is OQ<sub>1</sub>.</p> <p><b>For Blind Candidates :</b></p> <p>Excess demand refers to a situation when quantity demanded is more than quantity supplied at the prevailing market price.</p> <p>Same explanation as given above without diagram.</p>	2  4  2  4
12	<p><b>Causes for rightward shift in demand curves :</b></p> <ul style="list-style-type: none"> <li>(i) Increase in income if the good is normal.</li> <li>(ii) Rise is price of substitute good.</li> <li>(iii) Fall in price of complementary good.</li> </ul> <p style="text-align: right;"><b>(any other relevant cause) (Explanation)</b></p>	1x3   1x3
13	<ul style="list-style-type: none"> <li>(i) When input price increases, cost of production rises. Price of the product remaining the same, profit falls. This will reduce market supply.</li> <li>(ii) Reduction in per unit tax will reduce the cost of production. Price remaining the same, profits will increase. So the producers will produce more and market supply will increase.</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>(a) When <math>MC &lt; AVC</math>, AVC falls</li> <li style="padding-left: 20px;">When <math>MC = AVC</math>, AVC constant</li> <li style="padding-left: 20px;">When <math>MC &gt; AVC</math>, AVC rises</li> <li>(b) When TC increases at a diminishing rate MC falls</li> <li style="padding-left: 20px;">when TC increase at an increasing rate MC rises.</li> <li style="padding-left: 20px;">When TC increases at a constant rate MC is constant</li> </ul>	3  3  1 1 1 1 1 1
14	<ul style="list-style-type: none"> <li>(i) False, When price of other goods rise, it becomes more profitable to produce them in place of the given good, so supply curve will shift to left.</li> <li>(ii) False, The difference between AC and AVC is due to AFC. As output is increased AFC falls, so the difference between AC and AVC falls.</li> </ul>	3  3

<b><u>SECTION – B</u></b>		
<b>15</b>	<b>(a)</b> Recovery of loans	<b>1</b>
<b>16</b>	It is the ratio of deposits which commercial banks have to keep as reserve with the central bank.	<b>1</b>
<b>17</b>	<b>(b)</b> Reserve Bank of India	<b>1</b>
<b>18</b>	<b>(a)</b> Wealth.	<b>1</b>
<b>19</b>	<b>(c)</b> Fiscal deficit – interest payments	<b>1</b>
<b>20</b>	<p><b>(i)</b> For imports  <b>(ii)</b> For investment in other countries.  <b>(iii)</b> For Foreign travel etc .</p> <p style="text-align: right;"><b>(any other relevant source)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>When price of domestic currency falls under fixed exchange rate system, it is called 'devaluation'. When price of domestic currency falls under flexible exchange rate system, it is called 'depreciation'.</p>	<p><b>1x3</b></p> <p><b>3</b></p>
<b>21</b>	<p><math>MPS = 0.2</math> so <math>MPC = 0.8</math></p> <p><math>C = 500 + 0.8Y</math></p> <p><math>Y = C + I</math></p> <p><math>= 500 + 0.8Y + 2000</math></p> <p><math>.2y = 2500</math></p> <p><math>y = 12500</math></p>	<p><math>\frac{1}{2}</math></p> <p><math>\frac{1}{2}</math></p> <p><math>\frac{1}{2}</math></p> <p><b>1</b></p> <p><math>\frac{1}{2}</math></p>
<b>22</b>	<p><b>(i)</b> APS can have a negative value because at very low level of income there is dissaving.</p> <p><b>(ii)</b> MPS cannot have a negative value as it is the ratio of <math>\Delta S</math> and <math>\Delta Y</math> and <math>\Delta S</math> and <math>\Delta Y</math> can be at the most zero.</p>	<p><b>1½</b></p> <p><b>1½</b></p>
<b>23</b>	<p>In trade account import and export of goods are recorded.</p> <p>In current account import and export of goods and services are recorded. Factor income and transfer payment are also recorded.</p>	<b>4</b>
<b>24</b>	<p>Goods purchased by a production unit from other production units for resale or for using them completely during the same year are <b>intermediate</b> goods, goods purchased for consumption / investment are <b>final</b> goods.</p> <p>Milk purchased by a restaurant is intermediate good, because it is purchased for reselling.</p> <p style="text-align: center;"><b>OR</b></p> <ol style="list-style-type: none"> <li>1. Include the value of final product only.</li> <li>2. Sale of second hand goods not included.</li> <li>3. Include value of own account production in total output.</li> <li>4. Imputed value of owner occupied house should be included</li> </ol> <p style="text-align: right;"><b>(any other relevant point)</b></p>	<p><b>1½ x2</b></p> <p><b>1</b></p> <p><b>1x4</b></p>

