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Senior Secondary School Examination

Compartment/Improvement Examination, 2021

Marking Scheme – ECONOMICS (030)

(PAPER CODE – 58/1/1)

General Instructions: -

1. You are aware that evaluation is the most important process in the actual and correct assessment of the candidates. A small mistake in evaluation may lead to serious problems which may affect the future of the candidates, education system and teaching profession. To avoid mistakes, it is requested that before starting evaluation, you must read and understand the spot evaluation guidelines carefully. **Evaluation is a timed mission for all of us. Hence, it is necessary that you put in your best efforts in this process.**
2. **“Evaluation policy is a confidential policy as it is related to the confidentiality of the examinations conducted, Evaluation done and several other aspects. Its’ leakage to the public in any manner could lead to derailment of the examination system and affect the life and future of millions of candidates. Sharing this policy/document to anyone, publishing in any magazine and printing in News Paper/Website etc may invite action under IPC.”**
3. Evaluation is to be done as per instructions provided in the Marking Scheme. It should not be done according to one’s own interpretation or any other consideration. Marking Scheme should be strictly adhered to and religiously followed. **However, while evaluating, answers which are based on latest information or knowledge and/or are innovative, they may be assessed for their correctness otherwise and marks be awarded to them.**
4. The Head-Examiner must go through the first five answer books evaluated by each evaluator on the first day, to ensure that evaluation has been carried out as per the instructions given in the Marking Scheme. The remaining answer books meant for evaluation shall be given only after ensuring that there is no significant variation in the marking of individual evaluators.
5. If a question has parts, please award marks on the right-hand side for each part. Marks awarded for different parts of the question should then be totaled up and written in the left-hand margin and encircled.
6. Evaluators will mark(\checkmark) wherever the answer is correct. For wrong answer ‘X’ be marked. Evaluators will not put the right kind of mark while evaluating which gives an impression that the answer is correct and no marks are awarded. **This is the most common mistake which evaluators are committing.**

7. If a question does not have any parts, marks must be awarded in the left hand margin and encircled.
8. If a student has attempted an extra question, the answer of the question deserving more marks should be retained and the other answer scored out.
9. No marks to be deducted for the cumulative effect of an error. It should be penalized only once.
10. A full scale of 80 marks has to be used. Please do not hesitate to award full marks if the answer deserves it.
11. Every examiner has to necessarily do evaluation work for full working hours i.e. 8 hours every day and evaluate 20 answer books per day in main subjects and 25 answer books per day in other subjects (Details are given in Spot Guidelines).
12. Ensure that you do not make the following common types of errors committed by the Examiner in the past:-
 - Leaving the answer or part thereof unassessed in an answer book.
 - Giving more marks for an answer than assigned to it.
 - Wrong transfer of marks from the inside pages of the answer book to the title page.
 - Wrong question wise totaling on the title page.
 - Wrong totaling of marks of the two columns on the title page.
 - Wrong grand total.
 - Marks in words and figures not tallying.
 - Wrong transfer of marks from the answer book to online award list.
 - Answers marked as correct, but marks not awarded. (Ensure that the right tick mark is correctly and clearly indicated. It should merely be a line. Same is with the X for incorrect answers.)
 - Half or a part of the answer marked correct and the rest as wrong, but no marks awarded.
13. While evaluating the answer books, if the answer is found to be totally incorrect, it should be marked as (X) and awarded zero (0) Marks.
14. Any unassessed portion, non-carrying over of marks to the title page, or totaling error detected by the candidate shall damage the prestige of all the personnel engaged in the evaluation work as also of the Board. Hence, in order to uphold the prestige of all concerned, it is again reiterated that the instructions be followed meticulously and judiciously.
15. The Examiners should acquaint themselves with the guidelines given in the Guidelines for spot Evaluation before starting the actual evaluation.
16. Every Examiner shall also ensure that all the answers are evaluated, marks carried over to the title page, correctly totaled and written in figures and words.
17. The Board permits candidates to obtain a photocopy of the Answer Book on request in an RTI application and also separately as a part of the re-evaluation process on payment of the processing charges.

[illegible]

	<p style="text-align: center;"><u>Case study 1</u></p> <p>Read the following text carefully and answer question numbers 7-10: Government of India announced a lockdown for all the economic and non-economic activities (except emergency ones and selected essential ones) to fight this scare caused by COVID-19 pandemic. This has caused:</p> <ul style="list-style-type: none"> • A massive wave of involuntary unemployment particularly in the unorganised and informal sector. • Fall in demand of a large number of goods and services. • Shortage of supply of essentials (specific to health and household) and a lot more. <p>To overcome the situation of lack of consumption demand in the market period, The government is expected to continue its consumption and investment expenditure. These types of government expenditures are expected to push the disposable income of the common man. To ensure a rise in consumption and investment expenditure of the household sector.</p> <p>The Reserve Bank of India's survey for the month of July 2020 indicates that consumer confidence fell to an all-time low. a majority of respondent's reporting pessimism relating to employment, inflation and income.</p>	
7.	<p>State; whether the following statement is true or false: "Involuntary unemployment was the outcome of lockdown in India". Answer: - True</p>	1
8.	<p>_____ in government expenditure may reduce the deflationary gap. (Fill in the blank with correct answer) Answer: - Increase</p>	1
9.	<p>Private consumption expenditure is directly related to _____(income / savings) of the households. (Fill in the blank by choosing the correct alternative) Answer: - income</p>	1
10.	<p>Identify the correct statement from the following: (a) Under the situation of inflationary gap, Aggregate Demand exceeds Aggregate Supply, at full employment level of income. (b) Under the situation of inflationary gap, Aggregate Demand falls short of Aggregate Supply, at full employment level of output. Answer:- (a)Under the situation of inflationary gap, Aggregate Demand exceeds Aggregate Supply, at full employment level of income.</p>	1

11.	<p>“Increase in domestic income always leads to an increase in national income.” Do you agree with the given statement? Support your answer with a valid example.</p> <p>Answer: - No, it is not always necessary that an increase in domestic income leads to an increase in national income.</p> <p>We know that,</p> <p style="text-align: center;">National Income = Domestic Income + Net Factor Income from Abroad</p> <p>The following data justifies the above-mentioned condition:</p> <p style="text-align: right;">(All figures are in ₹ crores)</p> <table><tr><td></td><td>2018-19</td><td>2019-20</td><td>Net Change</td></tr><tr><td>Domestic Income</td><td>160</td><td>200</td><td>Increases by ₹ 40 crores</td></tr><tr><td>Net Factor Income from Abroad</td><td>60</td><td>15</td><td>Decreases by ₹ 45 crores</td></tr><tr><td>National Income</td><td>220</td><td>215</td><td>Decreases by ₹ 5 crores</td></tr></table> <p>In the above example, in spite of the rise in the domestic income, the national income is falling by ₹ 5 crores.</p> <p>(Any other valid answer/presentation should be allotted marks accordingly)</p>		2018-19	2019-20	Net Change	Domestic Income	160	200	Increases by ₹ 40 crores	Net Factor Income from Abroad	60	15	Decreases by ₹ 45 crores	National Income	220	215	Decreases by ₹ 5 crores	<div>½</div> <div>2½</div>
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12.	<p>(a) “Trade deficit must exist if a country is facing a situation of current account deficit.” Justify the given statement.</p> <p>Answer: - The given statement is refuted, as we know that:</p> <p>Trade Deficit will arise if a country’s imports of visible items are more than the exports of visible items. Whereas; the Current Account Deficit (CAD) occurs when the foreign exchange payments on account of visible, invisibles and current transfers are in excess over the foreign exchange receipts on account of visible, invisibles and current transfers.</p> <p>Trade Deficit is a narrower concept as compared to the Current Account Deficit. Thus, a country may face a situation of CAD, even if the country has trade surplus, with greater negative balances on account of services and unilateral transfers.</p> <p style="text-align: right;">(To be marked as a whole)</p> <p style="text-align: center;">Or</p> <p>(b) “Capital account transactions lead to future claims.” Defend or refute the given statement with valid arguments.</p> <p>Answer: - The given statement is defended.</p> <p>Capital account records all international transactions of assets, where assets are different forms of wealth holding instruments. For example: money, bonds, stocks, government debts, external borrowings etc. All these instruments create future claims, one way or another.</p> <p>Thus, we may say that capital account transactions give rise to future claims.</p> <p style="text-align: right;">(To be marked as a whole)</p>	<div>3</div> <div>3</div>																

13.	<p>“Money multiplier plays a vital role in determining the credit creation power of the banking system.” Elaborate the statement with a suitable numerical example.</p> <p>Answer: - The credit creation by commercial banks depends on money multiplier, as lower the money multiplier lesser will be the total credit creation and vice-versa.</p> <p style="text-align: center;">Total Credit Creation= Initial Deposits X Money Multiplier</p> <p>Money multiplier is inversely related to Reserve ratio.</p> <p>Suppose the Reserve Ratio is 0.2 and Initial Deposits are ₹10,000.</p> <p>Money Multiplier = $1 / \text{Reserve Ratio} = 1/0.2 = 5$ times</p> <p>Total Credit Created = ₹ 10,000 X 5 = ₹ 50,000</p> <p>If Reserve Ratio increased by the central bank to 0.5 keeping the initial deposits same at ₹10,000.</p> <p>Money Multiplier = $1 / \text{Reserve Ratio} = 1/0.5 = 2$ times.</p> <p>Total Credit Created = ₹ 10,000 X 2 = ₹ 20,000</p> <p>Thus, with the same initial deposits total credit creation decreases with the decrease in value of money multiplier.</p> <p style="text-align: center;">(Any other valid example or explanation must be allotted marks accordingly)</p>	<p>1</p> <p>1 ½</p> <p>1 ½</p>
14.	<p>a. State the meaning of “Deficient Demand.” Suggest any two monetary policy tools used to reduce deficient demand.</p> <p>Answer: Deficient Demand refers to the situation when Aggregate Demand falls short of Aggregate Supply corresponding to full employment level in an economy. Following are two monetary policy tools used to reduce Deficient Demand: -</p> <ol style="list-style-type: none"> 1. Open Market Operations: Under this situation, the Central Bank may purchase government securities, which in turn may raise the credit creation capacity of the commercial banks. Consequently, Aggregate Demand may increase. 2. Bank Rate Policy: Under the given situation, the Central Bank may lower the Bank Rate. It may reduce the cost of borrowings, which in turn may increase the demand for credit in the economy and Aggregate Demand may increase. <p style="text-align: center;">(Any other valid instrument with relevant explanation to be allotted marks accordingly)</p> <p style="text-align: center;">Or</p> <p>b. In an economy, Investment increases by ₹ 1000 crore and Marginal Propensity to Save is 0.25.</p> <p>Calculate:</p> <p>(i) Investment multiplier (K)</p> <p>(ii) Total increase in income (ΔY)</p> <p>Answer:</p> <p>Given that: $MPS=0.25$ and $\Delta I = ₹1000$ crores</p> <p>(i) Investment multiplier (K) = $1/MPS = 1/0.25 = 4$</p> <p>(ii) Total increase in income (ΔY) =</p> $K = \frac{\Delta Y}{\Delta I}$ $4 = \frac{\Delta Y}{1000}$ $\Delta Y = ₹4000 \text{ crores}$	<p>1</p> <p>1 ½</p> <p>1 ½</p> <p>2</p> <p>2</p>
15.	<p>Define:</p> <p>a. Autonomous Consumption Expenditure</p> <p>b. Average Propensity to Consume</p>	

	<p>Answer:-</p> <p>a. Autonomous Consumption Expenditure is that expenditure which must be undertaken even at zero level of income.</p> <p>b. Average propensity to consume (APC) is the consumption per unit of income i.e., C/Y</p>	<p>2</p> <p>2</p>																																																	
16.	<p>a.</p> <table><tr><td>Year</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr><tr><td>Nominal GDP</td><td>6.5</td><td>8.4</td><td>9</td></tr><tr><td>GDP Deflator</td><td>100</td><td>140</td><td>125</td></tr></table> <p>On basis of the hypothetical information given above, state for which year are Real GDP and Nominal GDP equal.</p> <p>Answer: - REAL GDP = $\frac{NOMINAL\ GDP}{GDP\ DEFLATOR} \times 100$</p> <table><tr><td>YEAR</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr><tr><td>Nominal GDP</td><td>6.5</td><td>8.4</td><td>9</td></tr><tr><td>GDP Deflator</td><td>100</td><td>140</td><td>125</td></tr><tr><td>Real GDP = $\frac{NOMINAL\ GDP}{GDP\ DEFLATOR} \times 100$</td><td>6.5</td><td>6</td><td>7.2</td></tr></table> <p>Real GDP and Nominal GDP equal in the year 2016-17.</p> <p>(Any other answer provided by student should be allotted marks)</p> <p style="text-align: center;">OR</p> <p>b. (i) Calculate the value of ‘Sales’ from the following data:</p> <table><tr><td>S. No.</td><td>Items</td><td>Amount (in Rs Crore)</td></tr><tr><td>1.</td><td>Net Value Added at Factor cost</td><td>800</td></tr><tr><td>2.</td><td>Subsidies</td><td>40</td></tr><tr><td>3.</td><td>Change in Stock</td><td>(-) 70</td></tr><tr><td>4.</td><td>Sales</td><td>?</td></tr><tr><td>5.</td><td>Intermediate Consumption</td><td>450</td></tr><tr><td>6.</td><td>Consumption of Fixed Capital</td><td>40</td></tr></table>	Year	2016-17	2017-18	2018-19	Nominal GDP	6.5	8.4	9	GDP Deflator	100	140	125	YEAR	2016-17	2017-18	2018-19	Nominal GDP	6.5	8.4	9	GDP Deflator	100	140	125	Real GDP = $\frac{NOMINAL\ GDP}{GDP\ DEFLATOR} \times 100$	6.5	6	7.2	S. No.	Items	Amount (in Rs Crore)	1.	Net Value Added at Factor cost	800	2.	Subsidies	40	3.	Change in Stock	(-) 70	4.	Sales	?	5.	Intermediate Consumption	450	6.	Consumption of Fixed Capital	40	<p>1</p> <p>4</p> <p>1</p>
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	<p>Sales = (1) + (6) + (-2) + (5) - (3) = 800 + 40 + (-40) + 450 - (-70) = ₹ 1320 Crore</p> <p>c. "Circular Flow of Income principle is based on the assumption one's expenditure is other's income." Justify the given statement.</p> <p>Answer- In a two sector economy model households and firms co-exist in the economy. Households render factor services to the firms and receive factor income, which will be spent on purchase of goods and services produced by the firms. Income received from the sale of goods and services becomes equal to factor payments made to the factors of production.</p> <p>Thus, we may say that the circular flow of income model is based on the assumption that one's expenditure is other's income.</p> <p>(To be marked as a whole) (Diagram not mandatory)</p>	<p>2 1 1</p> <p>2</p>
17.	<p>a. "Through its budgetary policy, the government allocates resources as per the requirements of the country." Do you agree with the given statement? support your answer with the valid reasons.</p> <p>b. Define 'Direct Tax'.</p> <p>Answer: - a. Government seeks to allocate resources through its budgetary policies. It tries to allocate its available resources. The government may influence the allocation of resources through:</p> <ol style="list-style-type: none"> Taxation policy - Heavy taxes may be imposed on harmful products to discourage their production and subsidies may be provided on the production of socially useful products to encourage their production. Government may directly undertake production of certain goods and services in the areas where the private sector may not be willing to participate in production activities. <p>b. Direct tax: It is a tax in which the incidence and impact of tax-payment falls on the same entity. i.e., the burden of payment can't be shifted by the taxpayer.</p>	<p>2 2 2</p>
SECTION- B (INDIAN ECONOMIC DEVELOPMENT)		
18	<p>Under the Industrial Policy Resolution of 1956, industries were classified in (two/three) categories.</p> <p>(Fill in the blank by choosing the correct alternative)</p> <p>Answer: - three</p>	1
19	<p>Study the following statements — Assertion (A) and Reason (R): Assertion(A): During colonial rule, both mortality rates and infant mortality rates were very high. Reason (R): British never paid any heed towards improvement of public health facilities in India. Choose the correct alternative from the following: A. Both Assertion (A) and Reason (R) are true.</p>	

	B. Both Assertion (A) and Reason (R) are false. Answer: - (A) Both Assertion (A) and Reason (R) are true.				1
20	Choose the correct pair of statements given in columns I and II below :				
		Column I		Column II	
	a.	Subsidies	i.	Maximum quantity of goods that can be imported	
	b.	Karve Committee, 1955	ii.	Using small-scale industries to promote rural development	
	c.	Import Substitution Policy	iii.	To encourage farmers for adopting new technology	
	d.	Quota	iv.	To protect domestic firms	
Alternatives A. a-i B. b-ii C. c-iii D. d-iv Answer: - B. b-ii or d-iv (Marks to be allotted to either of the options)					1
21	(a) Opening of _____ canal significantly reduced the cost of transportation of goods between Britain and India. (Fill in the blank by correct answer) Answer: - Suez				1
	OR (b) Define "Tariffs". Answer:- Tariffs are defined as a tax imposed on the goods imported from abroad so as to make them expensive and discourage their usage in the domestic market.				1
22	In India the maternal mortality rate is higher _____ (China/Pakistan). (Fill in the blank by choosing the correct alternative) Answer: - China				1
23	Study the following information and fill in the blank by choosing the correct alternative.				1
		Country A	Country B	Country C	
	Human Development Index (HDI) Value	0.648	0.759	0.562	
Country _____ (A/B/C) can be termed as the best on the HDI indicator. Answer: - B					
	Case study 2 Study the following text carefully an answer question numbers 24 - 27: This is the story of Simran Agro Ltd’s Project Simran. Project simran was aimed at strengthening farmers capacity for enhancing productivity by ensuring usage of high-quality inputs. Project Simran used agricultural best practices for the same. Simran Agro works towards providing fair price markets to the farmers. tomato is the major crop of the area.				

	<p>Objectives of Project Simran:</p> <ul style="list-style-type: none"> • To set up an ideal tomato crop management system for farmers. • To implement modern technology. • To provide marketing support to the farmers. <p>Project Simran used the soil testing technique for selection of seeds. It procured all the inputs for farmers, to reduce the production cost. Training by agro-scientists has also helped in reducing crop failures.</p>	
24	<p>Project Simran adopted agriculture best practices for ensuring_____ (Fill in the blank with the correct answer) Answer:- farmers capacity for enhancing productivity</p>	1
25	<p>State any one objective associated with project Simran. Answer: - a. To set up an ideal tomato crop management system for farmers. b. To implement modern technology. c. To provide marketing support to the farmers. (any one)</p>	1
26	<p>Contribution of_____ (agro-scientists/agro-engineers) played an important role in reducing crop failure. (Fill in the blank with the correct alternative) Answer: - agro-scientists</p>	1
27	<p>_____ (Use of better technology/use of costly technology) may not generally lead to higher income for the farmers. (Fill in the blanks by choosing the correct alternative) Answer: - Use of better technology</p>	1
28	<p>(a) "Infrastructure contributes positively to the economic development of a country" Do you agree with the given statement? explain with a valid argument. Answer: - A well-established infrastructure of a nation contributes positively to the economic development of a country. It is an important factor responsible for ensuring higher growth rate. According to economists, it raises productivity, induces investment, increases market size, facilitates employment and generates more income. Thus, it works as an essential support system for economic development of the country. (To be marked as a whole) (Any other valid explanation should be allotted marks accordingly)</p> <p style="text-align: center;">OR</p> <p>(b) Is environmental crisis a recent phenomenon? if so why? Answer:- Yes, it is a recent phenomenon. In the early days, demand for environmental resources was less than their supply. In other words, the rate of resource extraction was less than the rate of regeneration of resources. Hence environmental problem did not arise. But with population explosion and with advent of industrial revolution and increasing urbanisation, demand for resources is more than their supply. Shortage of supply is because of overuse and misuse of resources. It is a reversal of supply-demand relationship. (To be marked as a whole) (Any other valid explanation should be allotted marks accordingly)</p>	<p style="text-align: center;">3</p> <p style="text-align: center;">3</p>

	<p style="text-align: center;">OR</p> <p>State and discuss any two major "Tax Reforms" taken under the new economic Policy of 1991.</p> <p>Two major tax reforms undertaken by the Government of India in 1991 were:</p> <ul style="list-style-type: none"> • Simplification of tax payment procedures in order to encourage better compliance on the part of taxpayers, many procedures have been simplified and the rates also substantially lowered. • Rationalisation of direct tax as it was felt that high rates of income tax were an important reason for tax evasion. It is now widely accepted that moderate rates of income tax encourage savings and voluntary disclosure of income. 	<p>2</p> <p>2</p>
32	<p>Discuss any two similar developmental strategies followed by India and Pakistan after 1947.</p> <p>Answer:-</p> <p>The two similar developmental strategies followed by India and Pakistan after 1947 were:</p> <ol style="list-style-type: none"> Both the countries had started planning their development strategies in similar ways – using five-year plans. India initiated the process in 1951–56, Pakistan announced its first five-year plan (Medium-Term Development Plan) in 1956. India and Pakistan adopted similar strategies, such as creating a large public sector and raising public expenditure on social development. <p>(Any other valid argument with correct explanation should be allotted marks accordingly)</p>	<p>2</p> <p>2</p>
33	<p>a) What is meant by the poverty line? State any two limitations of poverty line.</p> <p>Answer: - (a) Poverty line is the minimum threshold level of income/per capita expenditure considered adequate for the population of a nation.</p> <p>Limitations of poverty line:</p> <ol style="list-style-type: none"> The segregation among the various categories of poor is generally ignored. There are many factors, other than income and assets, which are associated with poverty, like accessibility to basic education, health care, drinking water etc which have been ignored. (Any other valid limitation) <p>(b) State the meaning of Morbidity Rate".</p> <p>Answer: - Morbidity rate means propensity to fall ill, It may affect productivity of workers. Activities like Air pollution and safety hazards connected to transportation also affect morbidity, particularly in densely populated areas.</p>	<p>1</p> <p>1 ½</p> <p>1 ½</p> <p>2</p>
34	<p>(a) Comments upon the following statements:</p> <ol style="list-style-type: none"> Traditional knowledge and practices are still applicable in ensuring sustainable development. A well-structured rural banking system is important for the development of a nation. <p>Answer: -</p> <ol style="list-style-type: none"> The given statement holds valid grounds as traditionally, Indian people have been following environment friendly practices. They have been more a component of the environment and not its controller. For ages our 	

	<p>agriculture system, healthcare system, housing, transport etc. were knitted with steps to protect and preserve the environment. Only recently we have drifted away from the traditional systems and caused large-scale damage to the environment.</p> <p>We must look back and work in the direction of reconnecting to the traditional knowledge and practices to ensure sustainable development.</p> <p>(To be marked as a whole) (Any other valid explanation should be allotted marks accordingly)</p>	3
	<p>ii. Mahatma Gandhi once said that the real progress of India did not mean simply the growth and expansion of industrial urban centres but mainly the development of villages. Growth of the rural economy depends primarily on infusion of capital, as the time gestation between crop sowing and realisation of income after production is quite long.</p> <p>Informal sources of credit exploited small and marginal farmers leading to debt- trap. Thus, the expansion and promotion of rural banking is important for the development of a nation.</p> <p>(To be marked as a whole) (Any other valid explanation should be allotted marks accordingly)</p> <p>OR</p> <p>(i) Capital formation is the key to eradication of poverty.</p> <p>Answer: - The given statement is true. Capital formation is defined as an addition made to the stock of capital in an economy. It enhances the productivity and production in an economy. Any addition to the productive capacity may lead to greater employment opportunities and higher income. This may prove to be the key to eradication of poverty.</p> <p>(To be marked as a whole) (Any other valid explanation should be allotted marks accordingly)</p>	3
	<p>(ii) Skill formation is a key factor of ensuring 'economic development'.</p> <p>Ans. The given statement is true because addition to the skills have a direct relation with the earning capacity of the masses. Skill-rich population of a nation may enhance the standards of living of the people. Skill formation improves the rate of participation in the process of growth. Benefits of economic growth are shared by a larger percentage of the population which may lead to greater economic development.</p> <p>(To be marked as a whole) (Any other valid explanation should be allotted marks accordingly)</p>	3