केन्द्रीय माध्यमिक शिक्षा बोर्ड, दिल्ली
सीनियर स्कूल सर्टिफिकेट परीक्षा (कक्षा बारहवीं)
परीक्षार्थी प्रवेश–पत्र के अनुसार भरे

विषय Subject : ECONOMICS (030)

परीक्षा का दिन एवं तिथि
Day & Date of the Examination : SATURDAY, 30/3/13

उत्तर देने का माध्यम
Medium of answering the paper : ENGLISH

प्रश्न पत्र के ऊपर लिखा कोड को दर्शाए
Write Code No. as written on the top of the Question paper : 58/1

अतिरिक्त उत्तर पुस्तिका (ओं) की संख्या
No. of supplementary answer-book(s) used 1

कोई शारीरिक अक्षमता से प्रभावित हो तो संबंधित वर्ग में ✓ का निशान लगाएं।
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B = दृष्टिहीन, D = मूक व बधिर, H = शारीरिक रूप से विकलांग, S = स्पास्टिक, C = डिस्लेक्सिक
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Each letter be written in one box and one box be left blank between each part of the name. In case Candidate's Name exceeds 24 letters, write first 24 letters.

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सीनियर स्कूल सर्टिफिकेट परीक्षा (कक्षा बारहवीं)
SENIOR SCHOOL CERTIFICATE EXAMINATION (CLASS XII)

केन्द्रीय माध्यमिक शिक्षा बोर्ड, दिल्ली
CENTRAL BOARD OF SECONDARY EDUCATION, DELHI

प्रमाणित किया जाता है कि मैंने / हमने इस उत्तर-पुस्तिका का मूल्यांकन प्रश्न पत्र के समुचित सेट के अनुसार और पूर्ण रूप से मूल्यांकन पद्धति के अनुसार किया है।

Certified that I/we have evaluated this answer book according to the correct set of question paper and strictly as per the marking scheme.

Section - A

1 Marginal Revenue is the addition to total revenue due to sale of an additional output.

2 Rightward shift of demand curve indicates increase in demand, i.e., more is demanded at the same price.

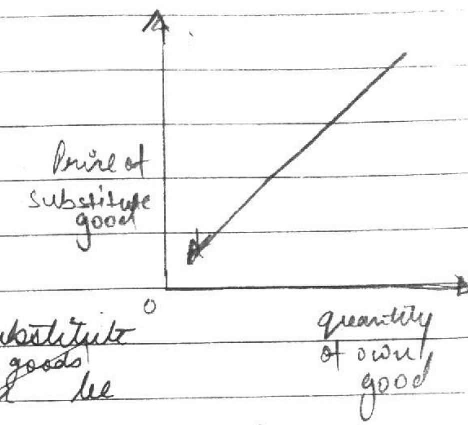
3 Under Perfect Competition, firm is a price taker.

4 Demand for a good is said to be perfectly inelastic when there is no change in the quantity demanded at any price. At all prices, quantity demand remains unchanged.

PTO

5. Increase in number of firms leads to increase in supply.

6. Demand for a good may be affected by rise in prices of other goods in following two ways.



(1) SUBSTITUTE GOODS.

If the other good ~~[illegible]~~ is a substitute to our own commodity, i.e., both goods can be used in place of each other, then a rise in the price of that good will increase the demand for our own good.

(2) COMPLEMENTARY GOODS

If the goods are complementary goods, that is, both are used together to satisfy the want, then a rise in the price of other good will lead to decrease in the demand for our own good

7

$q_1 = 10$ $\quad$ $p_1 = ₹5$

$E = 1.25$ $\quad$ $p_2 = 7$

$q_2 = ?$ $\quad$ $\Delta p = 7 - 5 = 2$

$$E = \frac{\frac{\Delta q}{q_1}}{\frac{\Delta p}{p_1}}$$

Elasticity = $\dfrac{\text{Change in quantity supplied}}{\text{Change in price}}$

$$1.25 = \frac{\frac{\Delta q}{10}}{\frac{2}{5}}$$

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$$1.25 \times \frac{2}{5} = \frac{\Delta q}{10}$$

$$\Delta q = 1.25 \times \frac{2}{\cancel{5}} \times \cancel{10}^{2}$$

$$\Delta q = 1.25 \times 4$$

$$\Delta q = 5$$

$$q_2 = q_1 + \Delta q$$

$$q_2 = 10 + 5 = \boxed{15 \text{ units}}$$

Hence, the firm will supply 15 units at ₹7/unit.

8

DIMINISHING MARGINAL RATE OF SUBSTITUTION

Marginal Rate of substitution implies the rate at which consumer is willing to sacrifice units of good-Y for ~~[illegible]~~ additional unit of good-X.

PTO

Quantity - Good-X	Quantity Good-Y	MRS.
0	20	-
1	~~20~~ 15	5
2	10	4
3	6	3
4	3	2
5	[illegible]	1

Quantity Good X	Quantity Good - Y	MRS.
1	20	-
2	15	5
3	11	4
4	8	3
5	6	2

We can observe that as more and more of good-X is consumed, consumer is becoming less willing to sacrifice good-Y.

First he is ready to give up 5 units of Good-Y for an additional unit of Good-X but later he is willing to sacrifice only 4, and then 3 and so on.

This is the law of diminishing Marginal rate of substitution where ~~when~~ with every additional unit of Good-X, consumer ~~[illegible]~~ is ready to give up less and lesser of Good-Y.

This is due to the law of diminishing marginal utility. Since consumption of Good-X is increasing, its utility falls and similarly utility of Good-Y is ~~decreasing~~ increases. Due to this reason, consumer is willing to sacrifice less and less.

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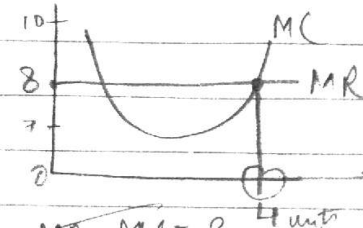
Output	MR	MC
1	8	10
2	8	8
3	8	7
4	8	8
5	8	9



MR = MC = 8

For producer to be in equilibrium it is necessary that –

① MR (Marginal Revenue) = MC (Marginal cost)

② MC (Marginal cost) is rising at that point

Even though MR = MC at output 2 and 4 but MC is rising only at output 4.

Thus equilibrium of producer will be at output 4. Before and after this output, producer will not be able to maximise his profit.

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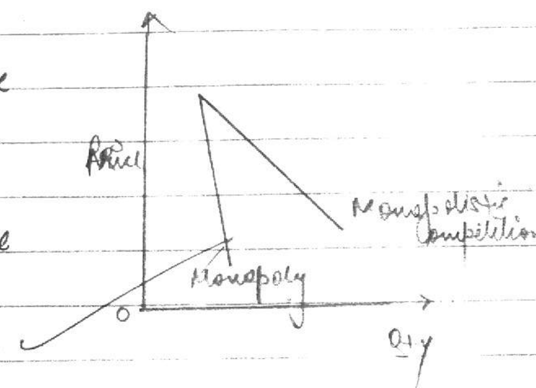
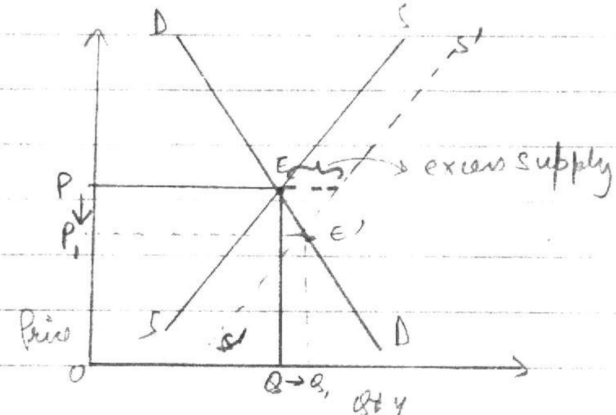
10. Demand curve of a firm under Monopolistic competition is more elastic than monopoly -



In a monopoly, there is a single seller of goods with no close substitutes.
In a monopolistic competition, there are large number of firms selling differentiated but closely related products. Due to large availability of close substitutes in case of monopolistic competition, the demand curve is more elastic.
A slight change in price can shift the consumers to other goods but in a monopoly, people have no choice and

thus elasticity of demand curve under monopoly is less.

11 Let Equilibrium price be P as shown in the figure.



To bring down the equilibrium price of essential medicine through market forces, supply must be increased.

More no. of firms can produce the essential medicine, or subsidies may be granted in production of these, which will in turn increase the supply.

CHANGES IN MARKET

- With increase in supply of medicine, there will be a situation of excess supply at the same price.

- Due to excess supply, producers will lower the price to attract more consumers.

- Supply will contract and demand will extend till
Quantity supply = Quantity demand.
Then equilibrium point will be achieved.
(In the diagram at E' with lower price P_1 and higher quantity Q_1)

12 OPPORTUNITY COST –

- Opportunity cost is the cost of next best alternative foregone.

Production Possibility schedule.

Good-X	Good-Y	M.O.C.
1	10	-
2	9	1
3	7	2
4	4	3
5	0	4

Due to limited resources and given technology, more of a good can be produced only by sacrificing some units of other good. This sacrifice is called the opportunity cost of producing Good-1 in terms of Good-2.

In the schedule, to produce 1 additional unit of good-X (from 1 to 2), 1 unit of Good-Y had to be sacrificed and then later on 2 units, 3 units and so on. Thus opportunity cost of producing 1 additional unit of Good-X from unit 1 to 2 is ~~at~~ the 1 unit of Good-Y.

PTO

Marginal opportunity cost (MOC) of Good-X is the amount of good-Y sacrificed to produce an additional unit of good-X ~~is the~~.

13

$q_1 = 300$

$q_2 = 318$

$\Rightarrow \Delta q = 18$

$\frac{\Delta p}{p_1} \times 100 = 5$ (% fall in price of good)

$$E = \frac{\frac{\Delta q}{q_1} \times 100}{\frac{\Delta p}{p_1} \times 100}$$

$$= \frac{\frac{\cancel{18}^{6}}{\cancel{300}} \times \cancel{100}}{5}$$

$$E = \frac{6}{5}$$

$\epsilon = 1 \cdot 2$

Price elasticity = 1·2

14. PROPERTIES OF INDIFFERENCE CURVE -

① NEGATIVELY SLOPED -

Indifference curve is negatively sloped, i.e., when one unit of a commodity increases, some units of the other commodity decreases so that consumer remains in the same indifference curve., and attains same level of satisfaction. This is due to monotonic preferences of a consumer

② ~~MONOTONIC PR~~ CONVEX TO THE ORIGIN

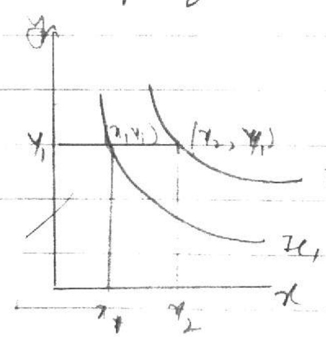
PTO

To increase units of one commodity, some portion of other commodity has to be sacrificed and this <u>sacrifice goes on decreasing</u>. This means, that a consumer on an indifference curve is less and lesser willing to sacrifice units of good-Y to get an additional unit of good-X.

(3) HIGHER INDIFFERENCE CURVE - HIGHER SATISFACTION

Higher indifference curve offers higher level of satisfaction. This is due to monotonic preferences of a consumer. At higher indifference curve, there is more of at least one good and ~~no~~ less of the other, which gives him greater satisfaction.

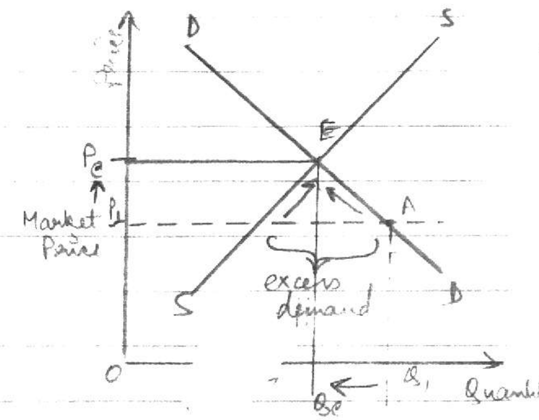
eg. IC_2 gives greater satisfaction than IC_1



$x_2 > x_1$
$Y_1 = Y_1$

15

If equilibrium price of a good is greater than its market price, it implies there must be a situation of excess ~~supply~~ demand at the market price



~~At~~ the market price, producers are not willing to sell as much as is demanded by the consumers.

1) This will lead to a rise in the price. ~~at~~

2) At higher price, producers are willing to supply more, thus the supply expands.

3) On the other hand, consumers are willing to buy less at higher price, the demand contracts.

PTO

4) This expansion of supply and contraction of demand continues till

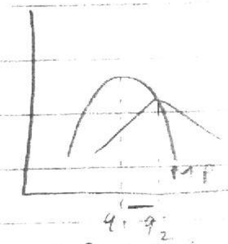
$\boxed{\text{Quantity demand} = \text{Quantity supply}}$

in the market.

5) Thus equilibrium is achieved at a higher price Pe and lesser quantity Qe.

16

(i) False. Average product may increase even when Marginal product is falling.
- Average Product will increase as long as Average Product is less than Marginal product. (AP < MP)



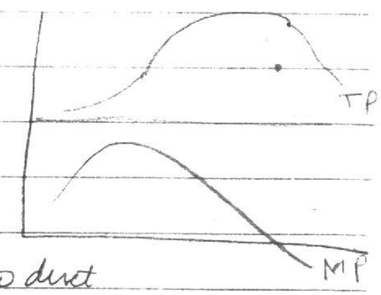
from q_1–q_2 MP falling, but AP rising

(ii) False - Average fixed cost goes on falling with increase in level of output but never becomes zero. - Average fixed ~~cost~~ is fixed cost

P.T.O

per unit and total fixed cost is constant and positive, so Average fixed cost can never be zero but falls with increase in output.

(iii) True



Under diminishing returns to a factor Total product continues to increase till marginal product reaches zero.

— Marginal product is an addition to Total product and thus Total product will increase as long as marginal product (MP) is positive. It will be at maximum when MP is zero and then fall when MP becomes negative. Under diminishing returns total product will increase although at a decreasing rate.

PTO

Section B

17 (1) Vegetables used by restaurant for making food.

(2) Bread purchased by baker for resale. ~~wheat used by bakery to make cakes~~.

18 Currency with the public, (C)
demand deposits with the bank (DD)
and other deposits with the RBI (OD)

$M_1 = C + DD + OD$

19 To reduce the consumption of a product harmful for health, its supply can be reduced / production can be decreased which ~~will~~ lead to a rise in their prices and it may become less attractive for consumers to buy.

20 - Reserve Bank of India can help bringing down the foreign exchange rate by ~~buying~~ selling ~~more of~~ selling foreign exchange.

21 - Revenue deficit is the excess of revenue expenditure over revenue receipts in the budget.

22 -

MEDIUM OF EXCHANGE

Money is used as a medium of exchange. Goods are exchanged for money. Money is generally ~~used~~ accepted medium of exchange and is used for making all the payments. Due to this, acts of sale and purchase have separated.

eg. To buy shoes, money can be paid. There is no need to find a person who is ready to offer shoes in return of any good we are offering.

PTO →

- Money as a medium of exchange has increased economic activities
- It has led to growth and development of trade.

23

REVENUE RECEIPTS.	CAPITAL RECEIPTS
1) Revenue receipts are those receipts which do not create liability and nor reduce assets.	1) Capital receipts are those receipts which either create liability or reduce assets.
2) These may be tax or non-tax revenue receipts	2) These may be debt creating or non-debt creating capital receipts.
eg. Tax receipts	eg Borrowing from foreign institutions.

24 REDUCE INEQUALITIES OF INCOME

Budgetary policy relates to tax and expenditure policy of the government. It can be used to reduce inequalities of income by employing progressive taxes.

Progressive taxes are those taxes which increase with increase in income and their real burden is on the rich.

Government can impose progressive income tax so that the rich pay more tax while the poor section pays less. Subsidies may also be granted to lower income groups.

This will help in reducing the inequality of income.

PTO

24

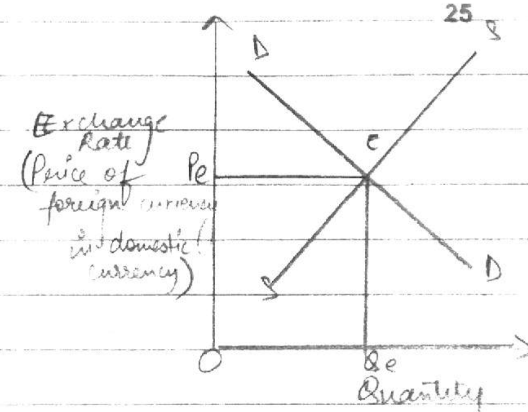
25 - DEPRECIATION OF DOMESTIC CURRENCY -

Depreciation of domestic currency implies that domestic currency becomes cheaper in relation to foreign currency. This makes the domestic goods cheaper in international market. Thus, leading to rise in exports. People from abroad become more willing to buy our goods.

26 -

Exchange rate is determined by the forces of demand and supply. in the foreign exchange market.

- Demand for foreign exchange is inversely related to its price.



- Supply of ~~for~~ foreign exchange is directly related to its price.

When quantity demanded of foreign exchange becomes equal to quantity supply of foreign exchange, equilibrium exchange rate is determined.

In the figure, at point E, Quantity demand = Quantity supply and thus Pe is the exchange rate.

PTO

27 Let the sales be x.

Net value added at factor cost NVA_{FC} = Sales x

Net value added at factor cost NVA_{FC} =	Sales	x
	+ Closing stock	600
	− Opening stock	−100
	− Intermediate consumption	−3,000
	− Consumption of fixed capital	−700
	± Subsidies	200
		$x - 3{,}000$

$NVA_{FC} = 2000$

$2000 = x - 3000$

$x = 2000 + 3000$

$x =$ ₹ 5,000

Sales = ₹ 5,000 lakhs.

28 →

STOCKS	FLOWS
1) Stocks are those variables which are measured at a point of time.	1) Flows are those variables which are measured over a period of time.
2) They do not have time dimension	2) They have a time dimension
eg 1) capital stock 2) supply of money.	eg 1) capital formation 2) income

29 →

Commercial banks are an important source of credit creation in the country.

→ PTO

Commercial banks create credit in the form of <u>demand deposits</u>.

By way of experience commercial banks know that all the depositors would not come to withdraw all their deposits at a point of time. Thus, they keep a reserve out of the deposits and use the rest of money for credit creation.

<u>Assuming CRR to be 10%.</u>
(CRR is the amount that commercial banks have to deposit with the RBI).

<u>eg Suppose Mr. X deposits ₹ 1,000 in the bank.</u>

Then 1,000 will be the primary deposits of the bank.

Bank's Balance sheet

Liabilities			Assets	
1) Primary Deposits		1000	1) Cash (CRR = 100)	1,000
2) Secondary Deposit	Round-1 (i)	900	(i) loan (CRR = 90)	900
	Round-2 (ii)	810	(ii) loan (CRR = 81)	810
	Round-3 (iii)	729	(iii) loan	729
		10,000		10,000.

1) With primary deposits of ₹1,000 banks will deposit
Round-1 10% (₹100) in RBI and use ₹900 to create credit in the form of demand deposits.

Round-2
2) Then with ₹900 which is with the bank as demand

deposits, further loan will be given after depositing (10% ⇒ ₹ 90) with RBI.

This process will continue till ~~secondary~~ deposits become zero.

Thus, with ₹ 1,000 ~~cred~~ primary deposits, commercial bank could create credit worth ₹ 10,000.

This is the credit creation role of commercial banks.

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30. Y (Income) = 5000

Autonomous consumption ($\bar{C}$) = 500

MPC = 0.4

Consumption (C)

$C = \bar{C} + MPC(Y)$

$C = 500 + 0.4(5000)$

$C = 500 + 2000$

$C = ₹2500$ (Consumption expenditure = ₹2,500

At equilibrium, $Y = AD$

and $AD = C + I$

$\Rightarrow$

$Y = C + I$

$5000 = 2500 + I$

$I = ₹2500$ Investment expenditure ₹ 2,500

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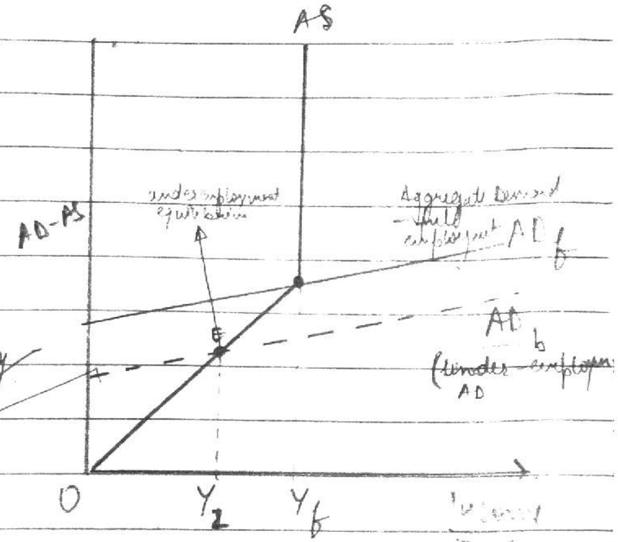
3)

~~Under equilibri~~

Under-employment equilibrium.
is a situation where aggregate demand on the given level of income falls short of the aggregate supply corresponding to full employment level. ~~There~~ a deficient demand situation



eg. ~~At~~ Y_1 income although AD=AS.
but AD_b is less than AD_f (full employment Aggregate demand)

Under-employment is a situation where all the people who are willing to work and are able to work at the existing wage rate are not getting work. When AD=AS in this situation - it is called under-employment equilibrium.

Contd.

Fictitious Roll No.
(To be entered by Board)

अपना अनुक्रमांक इस उत्तर - पुस्तिका पर न लिखें
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अतिरिक्त उत्तर - पुस्तिका (ओं) की संख्या
Supplementary Answer-Book(s) No. 1

Measures to reach full-employment equilibrium -

(1) ~~Consumption~~ Expenditure by the government can increase the aggregate demand to full employment equilibrium.

(2) Reduction of taxes by the government will help in increasing disposable incomes of people and will in turn increase consumption expenditure. This consumption expenditure will raise aggregate demand.

PTO

32. Gross National Disposable Income

	₹ Crores
Net domestic product at factor cost (NDP_{FC})	3000
+ Consumption of fixed capital	200
− Net factor income to abroad	150
+ Indirect tax	300
− Subsidies	100
+ Net current transfers from rest of the world	250
	₹ 3,500 Crores

Gross National Disposable Income = ₹ 3,500 crores