

ECONOMICS (030)

MARKING SCHEME- PRACTICE QUESTION PAPER 2020-21

| Q.NO | ANSWERS | MARKS |
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| | PART A - MACRO ECONOMICS | |
| 1 | c. Consumer good Or b. 130 | 1 1 |
| 2 | Central Bank | 1 |
| 3 | b. Government of India | 1 |
| 4 | a. A- i | 1 |
| 5 | C. Managed floating is also known as dirty floating | 1 |
| 6 | a.Credit , capital | 1 |
| 7 | Deflationary gap | 1 |
| 8 | a. Non essential | 1 |
| 9 | More | 1 |
| 10 | d. Both (b) and (c) | 1 |
| 11 | a. Because increase in income inequalities will not lead to increase in welfare inspite of rise in GDP. b. The given statement is false as Real GDP will increase only when there is an increase in quantity of output in an economy as it is measured at constant prices. | 1 ½ 1 ½ |
| 12 | a. The given statement is false as appreciation of the Indian currency occurs when less rupees are to be paid for U.S dollars b. The given statement is false as flexible exchange rate is determined by the forces of supply and demand of foreign exchange in the international money market. Or The given statement is refuted as devaluation and depreciation are not the same thing. Devaluation is fall in the value of a currency in respect to foreign exchange done by the government under fixed exchange rate system. Whereas in depreciation,government plays no role. It is fall in market price of a currency due to change in demand and supply forces in the international money market.It happens under flexible exchange rate system. | 1 ½ 1 ½ 3 |
| 13 | The components of money supply are :- 1. Currency held by the public 2. Demand deposits of people with the commercial banks 3. Other deposits with reserve bank | 4 |

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| 14 | <p>a. Total increase income . 75% of the income is spent on consumption. $MPC = \Delta C / \Delta Y = 75 / 100 = 0.75$ Multiplier (K) = $1 / 1 - MPC = 1 / 1 - 0.75 = 1 / 0.25 = 4$ crore We know $K = \Delta Y / \Delta I$ $\Rightarrow \Delta Y = K \times \Delta I$</p> | 2 |
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| | <p>$\Delta Y = 4 \times 1000$ $= 4000$ crore</p> <p>b. Total increase in consumption expenditure (ΔC) $MPC = \Delta C / \Delta Y$ $= MPC \times \Delta Y$ $= 0.75 \times 4000$ $= 3000$ crores</p> <p style="text-align: center;">Or</p> <p>MPC refers to the ratio of change in consumption to change in income. $MPC = \Delta C / \Delta Y$</p> <p>Relationship between MPC and MPS $MPC + MPS = 1.$ This is because the additional income is either consumed or saved. We know that, $MPC = \Delta C / \Delta Y$. And $MPS = \Delta S / \Delta Y$ We also know that, $\Delta C + \Delta S = \Delta Y$ So, $MPC + MPS = \Delta C / \Delta Y + \Delta S / \Delta Y$ $= \frac{\Delta C + \Delta S}{\Delta Y}$</p> <p>We also know that, $\Delta C + \Delta S = \Delta Y$ Therefore, $\Delta Y / \Delta Y = 1$ Hence, $MPC + MPS = 1$</p> | <p>2</p> <p>1</p> <p>3</p> |
| 15 | <p>CRR is the minimum percentage of net demand & time liabilities, to be kept by commercial banks with the central bank. In case of excess demand, the central bank increases CRR. It decreases the cash availability with the commercial banks and reduces their credit creating power. It reduces excess demand in the economy. Vice versa for Deficient demand.</p> | 4 |

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| 16 (a) | <p>The given statement can be defended. GDP as an index of welfare have the following limitations</p> <ol style="list-style-type: none"> 1. Distribution of income: GDP as an index of welfare loses significance if the distribution of income is unequal & inequality rises with rise in GDP. 2. Composition of GDP : if luxuries are produced more then the essential items or the production of harmful products increases then GDP growth becomes meaningless . 3. Non monetary exchanges: Larger the non monetary transactions greater the underestimation of GDP as an index of welfare. 4. Externalities : GDP index does not take account of externalities, Benefits or harms of economic activities without the payment or penalty do not form part of market transactions. Environmental pollution reduces welfare while open gym increases. So, GDP is not properly accounted as an index of welfare. (Any other valid point) | 4 |
| (B) | <p>Payment of fees to a lawyer engaged by a firm is not included in national income because it is intermediate expenditure of the firm.</p> <p style="text-align: center;">Or</p> <p>NNP_{fc} = Compensation of employees + Rent + Interest + Profit + mixed income of self employed - Net factor income to abroad = ₹ 3000 + ₹ 600 + ₹ 700 + ₹ 1000 + ₹ 8000 - ₹ 60 crores = ₹ 13,740 crores So, NNP_{fc} is rupees 13,240 crore.</p> | 2 3 2 1 |

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| 17 | <ol style="list-style-type: none"> a. Subsidies: It is a revenue expenditure as it does not create any asset for the government and nor it causes any reduction in liability of the government. b. Grants : It is a revenue expenditure as it does not cause any reduction in liability or rise in assests of the government. c. Expenditure on school building: It is a capital expenditure as it creates assets of the government. | 2 2 2 |
| PART B – INDIAN ECONOMIC DEVELOPMENT | | |
| 18 | a. 1853 | 1 |
| 19 | b. Socialist economy | 1 |
| 20 | A Or A | 1 |
| 21 | False | 1 |
| 22 | d. iv | 1 |

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| 23 | Manufacturing | 1 |
| 24 | Diversification | 1 |
| 25 | Allied | 1 |
| 26 | Livelihood | 1 |
| 27 | Rabi | 1 |
| 28 | <p>'Economic growth occurs when GDP rises' :</p> <ul style="list-style-type: none"> - The GDP is a good indicator of economic growth of an economy. - Economic growth implies a consistent increase in GDP or a consistent increase in the level of output means flow of goods and services in the economy. <p>Economic growth, in terms of increase in the level of output becomes meaningless if population of a country tends to grow at a pace close to the growth rate of output.</p> <p style="text-align: center;">Or</p> <p>Formal workers : Regular workers</p> <ul style="list-style-type: none"> • Works in organized sector of the economy • Are entitled to social security benefits like provident fund , gratuity, pension etc. • Are protected by various labour laws against uncertainties of the market <p>Informal worker : Daily wagers or casual workers</p> <ul style="list-style-type: none"> • Works in unorganised sector of the economy • Are not entitled to social security benefits • Cannot form trade unions • Not protected by labour laws and are therefore highly vulnerable to uncertainties of the market. | <p>3</p> <p>1 ½</p> <p>1 ½</p> |

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| 29 | <p>Limitations of rural credit in India:</p> <ul style="list-style-type: none"> • Insufficiency of credit availability • Lesser attention to poor farmers • Inadequate institutional coverage <p>1 Insufficiency of credit availability :The sources of institutional financing or volume of rural credit are insufficient to meet the agricultural credit requirements so farmers still depend on money lenders for their credit needs.</p> <p>2. Institutional credit sources are suffering from the problems of large overdue because loan default rate is chronically high.</p> <p>3.Recovery of agricultural loans has become a serious problem in the functioning of rural banking institutions.</p> | 3 |

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| 30 | British intended to achieve some objectives through their policies of infrastructure as some efforts have been made to develop basic infrastructure like roads, railways, ports ,water transport, Post and telegraph.The main motive behind these infrastructure development was to provide basic amenities for their own convenience,better administrative control,ferry army in insurgency, to improve foreign trade to make more profit. | 4 |
| 31 | <p>Protection of small scale industries and regulation of large scale industries was prevalent before 1991 because India adopted the policy of protecting small scale industries from high competition from large scale industries. India wanted it's small scale industries to flourish so it regulated large scale industries through licencing policy.Development of small scale industries was important to generate employment opportunities,beside social justice.It also helped in regional balanced growth.</p> <p style="text-align: center;">Or</p> <p>Globalisation refers to integration of domestic economy with the economies of the rest of the world through free flow of trade, capital, technology and knowledge by removing of barriers on international trade and capital movement.</p> <p>Outsourcing refers to a system of hiring business services from the outside world which are also available in home ccountry..These services include call centres, clinical advice, record keeping etc.</p> <p>Outsourcing is an important outcome of the process of globalisation of the Indian economy.</p> <p>Availability of cheap & skilled labour in India or relative low wage rate for the skilled workers lead India to become a favourite destination of outsourcing in the world.</p> | 4 4 |
| | Revolutionary growth of IT industry in India. | |
| 32 | <p>India ,Pakistan and China, the contribution of agriculture to GDP were 15.4 , 24.4 and 7.9 per cent, respectively, but the proportion of workforce that works in this sector is more in India. In Pakistan, about 42.3 per cent of people work in agriculture, whereas, in India, it is 47 percent. Productivity is lowest in India.</p> <p>22.6% of Pakistan workforce is engaged in industry but it produce 19.1 % of GDP. In India industry work force account for 22% but produce goods worth 23.1% of GDP. In China industries contribute to GDP at 40.5 % and employee 28.8 % of workforce. So,productivity in China is highest.</p> <p>In all the three countries, service sector contributes highest shares of GDP. Thus, in all the three countries the service sector is emerging as a major player of development. It contributes more to GDP and, at the same contributing to a large percentage share in employment.</p> | 4 |

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| 33 | <p>a) - Poverty put more pressure on the environment so it can be said that poverty alleviation should be given more importance than environmental degradation.</p> <p>A large number of Indian population is absolutely poor & lives in rural areas. These people are dependent on fuelwood & causes a massive erosion to natural capital.</p> <p>(Any other relevant point)</p> <p>b) "Sustainable development is a process to be taken as a daily life activity" is a true statement.</p> <p>Sustainable development can never be achieved in a day. It needs consistent efforts. Each & every daily life activity should be done keeping sustainable development as a primary concern. If we would wait for a campaign or any day observance then it would not be enough to achieve. Water conservation, waste segregation, bio compost by kitchen waste, use of renewable energy & avoidance of single use plastic are some ways to be adopted to sustainable development.</p> <p>(Any other relevant point)</p> <p style="text-align: center;">Or</p> <p>a) Female workers in rural areas are unwilling to migrate for outside jobs because they are illiterate & unskilled. They hardly get any dignified job opportunities outside. Rural women have to manage household chores along with work. There is a lack of transport facilities also.</p> <p>b) In the given data, the occupational structure has changed from 1959-51 to 2017-18 as 72.72 percent of the workforce was engaged in the primary sector, which fell to 43.8 percent. Approximately 29% of the workforce shifted from this sector. In the secondary sector, it rises from 10.02 to 24.7 percent. 14.7 percent of the workforce have increased in the secondary sector.</p> <p>In the tertiary sector, the workforce has increased from 17.26% to 31.5%.</p> <p>So, there is a significant fall in the primary sector & the shift is towards the secondary as well as the tertiary sector.</p> | 3 3 3 3 |
| 34 | <p>a) The given statement is false because a higher percentage of the workforce in rural areas does not suggest higher productivity. This means low productivity of the workers & disguised unemployment in rural areas.</p> <p>B) The given statement is false. Workforce is the difference between labour force and persons who are part of the labour force but are not employed.</p> <p>C) The given statement is true. Lack of warehousing / storage facilities causes a reduction in the revenue of farmers as lack of storage causes harm to the agricultural produce.</p> | 2 2 2 |