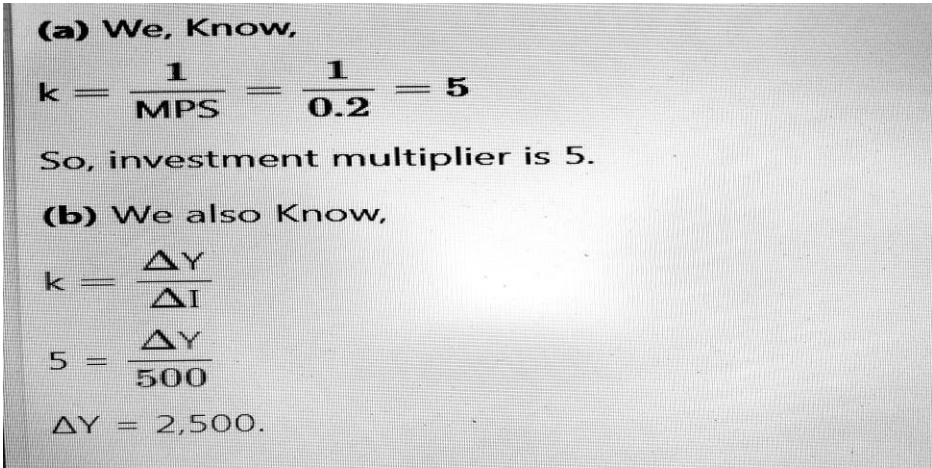


B.K BIRLA CENTRE FOR EDUCATION
PRE BOARD - I EXAMINATION. SESSION (2023-24)
CLASS XII, Subject-ECONOMICS

Marking Scheme

Q.NO	SECTION A-MACRO ECONOMICS	M A R K S																				
1	d) Statement 1 is incorrect and statement 2 is correct	1																				
2	c) Banker's Bank and supervision	1																				
3	c) Real	1																				
4	b) Rs. 35,000 crores	1																				
5	b. National Income is likely to rise	1																				
6	c) Imports become cheaper	1																				
7	revenue expenditure	1																				
8	c) (i) and (iii)	1																				
9	b) AD < AS	1																				
10	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Income (Y)</th> <th style="text-align: left;">Savings (S)</th> <th style="text-align: left;">Consumption (C)</th> <th style="text-align: left;">APS</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>-40</td> <td>40</td> <td></td> </tr> <tr> <td>50</td> <td><u>-20</u></td> <td>70</td> <td><u>-0.40</u></td> </tr> <tr> <td>100</td> <td>0</td> <td>100</td> <td>0</td> </tr> <tr> <td>150</td> <td>30</td> <td><u>120</u></td> <td>0.20</td> </tr> </tbody> </table> <p>b) (i) (-) 20,(ii) (-) 0.40 (iii) 120</p>	Income (Y)	Savings (S)	Consumption (C)	APS	0	-40	40		50	<u>-20</u>	70	<u>-0.40</u>	100	0	100	0	150	30	<u>120</u>	0.20	1
Income (Y)	Savings (S)	Consumption (C)	APS																			
0	-40	40																				
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100	0	100	0																			
150	30	<u>120</u>	0.20																			
11	 <p>(a) We, Know,</p> $k = \frac{1}{MPS} = \frac{1}{0.2} = 5$ <p>So, investment multiplier is 5.</p> <p>(b) We also Know,</p> $k = \frac{\Delta Y}{\Delta I}$ $5 = \frac{\Delta Y}{500}$ $\Delta Y = 2,500.$	1 ½ +1 ½																				
12	<p>Net Domestic Product at Factor Cost</p> <p>= Private final consumption expenditure + Government final consumption expenditure + Net domestic capital formation - Net imports - Net indirect tax</p> <p>= ` 800 Crore + ` 200 crore + ` 100 crore - (-) ` 20 crore - ` 120 crore</p> <p>= ` 800 Crore + ` 200 crore + ` 100 crore + ` 20 crore - ` 120 crore</p>	3																				

	<p>=` 1000 crore</p> <p>Net Domestic Product at Factor Cost =` 1000 crore</p> <p style="text-align: center;">Or</p> <p>B) 1. Transfer income like scholarships, donations, charity, old age pensions etc. are not included in the National income because such receipts are not connected with any productive activity</p> <p>2. Income from sale of second-hand goods will not be included in National Income however any brokerage or commission received by broker or commissionagent on sale of such goods will be included.</p> <p>3. Income from sale of shares, bonds and debentures will not be included as such transactions do not contribute to current flow of goods and services.</p> <p>4. Windfall gains like income from lotteries, horse race etc. are not included as there is no productive activity connected with them.</p> <p>5. Imputed value of services provided by owners of production units will be included as these are productive activities and add to the flow of goods and services.</p> <p>6. Payment out of past savings like death duties, gift tax, interest tax etc. are not included in National Income because they are paid out of wealth or past saving and do not add to current flow of goods and services.</p> <p>(Any three)</p>	3
13	<p>Money creation or credit creation is one of the most important activities of commercial banks. The money (or deposit or credit creation) by the commercial banks is determined by the amount of initial deposit and the legal reserve ratio (LRR). Suppose the amount of initial deposit is Rs. 10000 and LRR is 0.20. The banks will keep 20% i.e. Rs.2,000 as reserve and lend the remaining Rs. 8,000. Those who borrow, will spend this money. It is assumed that Rs. 8,000 come back to the banks. This raises total deposits to Rs.18,000.</p> <p>Banks again keep 20% of Rs.8,000,i.e. Rs.1,600 as reserve and lend Rs.6,400. This further raises the amount of deposits with the banks. In this way, deposits go on increasing @ 80% of the last deposit. The number of times, the total deposits will become, is determined by the deposit or money multiplier:</p> <p>Money Multiplier =1/LRR = 1/.20 = 5</p> <p>The total deposits will be : Initial Deposit x Money Multiplier =10,000 x 5 = Rs. 50,000.</p> <p>(to be marked as a whole)</p>	4

14	<p>A) The implications of fiscal deficit are as follows:</p> <ol style="list-style-type: none"> 1. Fiscal deficit indicates the total borrowing requirements of the government. Borrowings not only involve repayment of principal amount, but also require payment of interest. Interest payments increase the revenue expenditure, which leads to revenue deficit. It creates a vicious circle of fiscal deficit and revenue deficit. As a result, country is caught in a debt trap. 2. Government mainly borrows from Reserve Bank of India (RBI) to meet its fiscal deficit. RBI prints new currency to meet the deficit requirements. It increases the money supply in the economy, which leads to increase in general price level and creates inflationary pressure. 3. Government also borrows from rest of the world, which raises its dependence on other countries. 4. Borrowings increase the financial burden for future generations. It adversely affects the future growth and development prospects of the country. <p>Greater fiscal deficit implies greater borrowings by the government. So, it must not be allowed to rise beyond manageable limits. A high fiscal deficit is inherently bad for the health of an economy.</p> <p style="text-align: center;">Or</p> <p>B) Reallocation of Resources: Through the budgetary policy, Government aims to reallocate resources in accordance with the economic (profit maximisation) and social (public welfare) priorities of the country. Government can influence allocation of resources through:</p> <ol style="list-style-type: none"> (i) Tax concessions or subsidies: To encourage investment, government can give tax concession, subsidies etc. to the producers. For example, Government discourages the production of harmful consumption goods (like liquor, cigarettes etc.) through heavy taxes and encourages the use of 'Khadi products' by providing subsidies. (ii) Directly producing goods and services: There are many non-profitable economic activities, which are not undertaken by the private sector like, water supply, sanitation, law and order, national defence, etc. These are called 'Public Goods. Such activities are necessarily undertaken by the government in public interest & to raise social welfare. 	<p>1+</p> <p>1+</p> <p>1+</p> <p>1</p> <p>2+</p> <p>2</p>
15	<p>a) True</p> <p>b) Current Account Deficit (CAD) refers to excess of payments for value of import of visible items, invisible items and unilateral transfers over the receipts from value of export of visible items, invisible items and unilateral transfers. Whereas; Trade deficit refers to the excess of the payments for value of import of visible items over the value of receipts of export of visible items.</p>	<p>1</p> <p>1</p> <p>½</p> <p>1</p> <p>½</p>

	<p>b) i) Yes, it is included in the national income because it adds to the current flow of goods and services. Therefore, its imputed value should be included.</p> <p>ii) Yes, it is included in the national income by income method since it is a part of 'wages in kind' paid to employees.</p>	<p>½ +1 ½ +1</p>
18	(D)	1
19	(B – ii)	1
20	b) To reduce and prevent circulation of black money in the market	1
21	d) both b and c	1
22	d) Statement 1 is false and statement 2 is true.	1
23	An establishment with four hired workers is known as informal sector establishment.	1
24	(c) "One Earth-One Family-One Future".	1
25	b (0.759)	1
26	b) Both Assertion (A) and Reason (R) are true and Reason(R) is not the correct explanation of Assertion (A).	1
27	d)(iv) , (i), (ii), (iii)	1
28	<p>A) The Indian education pyramid is steep, indicating lesser and lesser number of people reaching the higher education level.</p> <p>Moreover, the level of unemployment among educated youth is the highest. As per NSSO data, in the year 2011-12, the rate of unemployment among youth males who studied graduation and above in rural areas was 19 per cent.</p> <p>Their urban counterparts had relatively less level of unemployment at 16 per cent. The most severely affected ones were young rural female graduates as nearly 30 per cent of them are unemployed.</p> <p>In contrast to this, only about 3-6 per cent of primary level educated youth in rural and urban areas were unemployed.</p> <p>Therefore, the government should increase allocation for higher education and also improve the standard of higher education institutions, so that students are imparted employable skills in such institutions.</p> <p>(to be marked as a whole)</p> <p style="text-align: center;">Or</p> <p>Need for government intervention in education and health arises primarily on account of the following facts:</p> <p>(i) These sectors need huge investment with a very high fixed expenditure.</p> <p>(ii) It is difficult to expect private investors to invest in health and education unless they are allowed to recover their huge costs through high price of these services.</p> <p>(iii) People in a poor country like ours cannot afford high price for education and health..</p>	<p>3</p> <p style="text-align: right;">3</p>

	<p>(iv) Individual consumers of these services are unaware about the quality and costs of these services, which leads to the exploitative behaviour of private service provider. Government intervention is to ensure that these service providers adhere to stipulated standards.</p> <p>(v) When basic education and healthcare is considered as rights of citizens, the government needs to make provision for free of cost education and health services, at least for the backward sections of the society.</p> <p>(any three)</p>	
29	<p>The given statement is quite appropriate with reference to the 'casualization of labor' in India.</p> <p>a) For casual workers, the rights of labor are not properly protected by labor laws. Particularly, during pandemic times, as demand for goods and services fell the casual workers were left jobless, without any compensation or support.</p> <p>b) During the COVID-19 lockdown, millions of casual workers lost their jobs, raising the question of their survival. Also, additional health expenditures added to their troubles. Had such workers been working in the formal sector, it would have given them some respite in their difficult times.</p>	<p>1 ½ +1 ½</p>
30	<p>Due to the following reasons, the agricultural sector appears to be adversely affected by the reform process:</p> <p>(i) Public investment in agricultural sector, especially in infrastructure which includes irrigation, power, roads, market linkages and research and extension, has been reduced in the reform period.</p> <p>(ii) The removal of fertiliser subsidy has led to increase in the cost of production. which has severely affected the small and marginal farmers.</p> <p>(iii) Various changes in policies like reduction in import duties on agricultural products, removal of Minimum Support Price (MSP) and lifting of quantitative restrictions on agricultural products have increased the threat of international competition to the Indian farmers.</p> <p>(iv) Export-oriented policy strategies in agriculture have marked a shift from production for the domestic market towards production for the export market focusing on cash crops in lieu of production of foodgrains.</p>	<p>1+ 1+ 1+ 1</p>
31	<p>One Child Policy : This policy was launched in the year 1979 (after a decade-long two child policy) to control the size and growth rate of population of China. It was modified in the beginning of mid 1980s to allow rural parents a second child if</p>	<p>2+ 2</p>

	<p>the first was our daughter. One child policy lasted for around 35 years, when in late 2015 government announced a reversal to two child limit to avoid the demographic crisis. This policy was the major reason for low population growth.</p> <p>Effects:This measure led to a decline in the sex ratio defined as the proportion of females per 1000 males. One child norm and the resultant decline in the growth of population have also led to an ageing population in China. After a few decades, there will be more elderly people in proportion to young people in China. This will force China to take steps to provide social security measures with fewer workers to contribute actively in the economic activities.</p>	
32	<p>A) (i) False: British pursued discriminatory tariff policy which allowed tariff free export of raw material from India and tariff free import of British industrial products in India. This enabled the British industrial products to capture the Indian markets.</p> <p>(ii) True: The tillers of the soil could not leave agriculture despite their continuous exploitation. This was because of the lack of vocational avenues outside agriculture.</p> <p style="text-align: center;">Or</p> <p>B) The basic objective of British government to develop infrastructure was not to provide basic amenities to the people, but to serve their own colonial interest.</p> <ul style="list-style-type: none"> • The Roads were built for mobilizing the army within India and for drawing out raw materials from the countryside to the nearest railway station or port and to send these to England or other lucrative foreign destinations. • Railways were developed by the Britishers mainly for three reasons: <ul style="list-style-type: none"> i. To have effective control and administration over the vast Indian territory; ii. To earn profits through foreign trade by linking railways with major ports; iii. To make profitable investment of British fund in India. • The system of Electric Telegraph was introduced at a high cost to serve the purpose of maintaining law and order. <p>(to be marked as a whole)</p>	<p>2</p> <p>2</p> <p>4</p>
33	<p>A) Steps taken by Indian government for developing rural markets:</p> <ol style="list-style-type: none"> 1. The concept of regulated markets was introduced where a market committee regulated the sale and purchase of products. This committee consisted of farmers, traders and government agents. Using proper scales and weights the marketing system introduced greater transparency and ensured that farmers received good price for their products. 2. The government introduced cold storages and warehouses which farmers to sell product in market when attractive price can be obtained. Railways also offered transport facilities for selling of product to city market and earn good profit. 3. The government started co-operative marketing for making farmers get access to fair price policies. Farmers get better bargains for the sale in the market. 4. MSP or Minimum Support Policy determines a price that a farmer may charge 	3

	<p>in exchange for his products in the open market. The policy of MSP protects a farmer in case there is a fall in price. It is especially beneficial as farming in India is prone to uncertainties.</p> <p>(Any three)</p> <p>B) Non-farm activities like poultry, craft, animal husbandry, handloom, dairying, etc., are alternative ways of attaining sustainable livelihood and raising the income level. The income level is raised because of the less chances of risk faced by farmers in farm activities because of fluctuations in production and market prices.</p> <p>Besides, in India, agriculture is mainly a seasonal occupation and during the off-season, the farmers find it difficult to find other employment opportunities and stabilise their income. Therefore, the Prime Minister has urged to increase the rural income by increasing non-farm activities.</p> <p>(to be marked as a whole)</p> <p style="text-align: center;">Or</p> <p>C) Credit offered to poor through the SHGs (Self Help Groups) and non-governmental organisations is known as micro finance organisations and they offer micro credit. The SHGs play a significant role in meeting credit requirements of the poor and also encourage savings among the rural people. Money is pooled from the individual accounts of many farmers to finance the requirements of members. Finance done from SHGs reduce cost of transaction for borrowers and lenders. The National Bank for Agricultural and Rural Development (NABARD) provides loan/credit at reduced rates. This type of finance is becoming the preferred choice for small farmers due to ease of credit and faster disbursal.</p> <p>(to be marked as a whole)</p> <p>D) After all these initiatives, the system was successful in parts. Following are some of the obstacles that prevented a successful agricultural marketing system:</p> <ol style="list-style-type: none"> 1. Farmers do not have a knowledge of market prices and market conditions that leads to sale of produce at a price lower than expected. 2. Insufficient storage spaces making farmers sell their produce at low rates 3. Lack of availability of transportation makes farmers unable to reach new markets 4. Large number of intermediaries are involved which reduces customer interaction and farmers get paid less 5. Farmers become easy targets of false weighing techniques 6. Lack of institutional credit forces farmers to borrow from moneylenders at high interest rate <p>(to be marked as a whole)</p>	<p>3</p> <p>3</p> <p>3</p>
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34	<p>(i) global warming and ozone depletion</p> <p>(ii) 1. As the reserves are exhausted huge amount of money should be spent on research to explore new resources.</p> <p>2. Rise in expenditure on health due to decline in air and water. 3. Increased financial commitment for the government due to global warming and ozone depletion.</p> <p>(Any two)</p> <p>(iii) 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.</p> <p>But with the population explosion and with advent of industrial revolution and increasing organization demand for resources, the pressure on the absorptive capacity of the environment has increased tremendously. We are now faced with increased demand for environmental resources and services but their supply is limited due to overuse and misuse of resources. It is a reversal of supply and demand relationship.</p>	<p>1</p> <p>2</p> <p>3</p>
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