Series OSR/1/C

रोल नं.
Roll No.

परीक्षार्थी कोड को उत्तर-पुस्तिका के मुख-पृष्ठ पर अवश्य लिखें ।

Candidates must write the Code on the title page of the answer-book.

- कृपया जाँच कर लें कि इस प्रश्न-पत्र में मुद्रित पृष्ठ **11** हैं ।
- प्रश्न-पत्र में दाहिने हाथ की ओर दिए गए कोड नम्बर को छात्र उत्तर-पुस्तिका के मुख-पृष्ठ पर लिखें ।
- कृपया जाँच कर लें कि इस प्रश्न-पत्र में **32** प्रश्न हैं ।
- **कृपया प्रश्न का उत्तर लिखना शुरू करने से पहले, प्रश्न का क्रमांक अवश्य लिखें ।**
- इस प्रश्न-पत्र को पढ़ने के लिए 15 मिनट का समय दिया गया है । प्रश्न-पत्र का वितरण पूर्वाह्न में 10.15 बजे किया जाएगा । 10.15 बजे से 10.30 बजे तक छात्र केवल प्रश्न-पत्र को पढ़ेंगे और इस अवधि के दौरान वे उत्तर-पुस्तिका पर कोई उत्तर नहीं लिखेंगे ।
- Please check that this question paper contains **11** printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains **32** questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

अर्थशास्त्र

ECONOMICS

निर्धारित समय : 3 घण्टे
Time allowed : 3 hours

अधिकतम अंक : 100
Maximum Marks : 100

सामान्य निर्देश :

(i)   दोनों खण्डों के **सभी** प्रश्न अनिवार्य हैं ।

(ii)   प्रत्येक प्रश्न के निर्धारित अंक उसके सामने दिए गए हैं ।

(iii) प्रश्न संख्या **1 – 5** तथा **17 – 21** अति लघुत्तरात्मक प्रश्न हैं, जिनमें प्रत्येक का **1** अंक है । इनका प्रत्येक का उत्तर **एक वाक्य** में ही अपेक्षित है ।

(iv)   प्रश्न संख्या **6 – 10** और **22 – 26** लघुत्तरात्मक प्रश्न हैं, जिनमें प्रत्येक के **3** अंक हैं । प्रत्येक का उत्तर सामान्यतः **60** शब्दों से अधिक नहीं होना चाहिए ।

(v)   प्रश्न संख्या **11 – 13** और **27 – 29** भी लघुत्तरात्मक प्रश्न हैं, जिनमें प्रत्येक के **4** अंक हैं । प्रत्येक का उत्तर सामान्यतः **70** शब्दों से अधिक नहीं होना चाहिए ।

(vi)   प्रश्न संख्या **14 – 16** और **30 – 32** व्याख्यात्मक उत्तर वाले प्रश्न हैं, जिनमें प्रत्येक के **6** अंक हैं । प्रत्येक का उत्तर सामान्यतः **100** शब्दों से अधिक नहीं होना चाहिए ।

(vii) तारांकित (*) प्रश्न मूल्याधारित प्रश्न हैं ।

(viii) उत्तर संक्षिप्त तथा तथ्यात्मक होने चाहिए तथा यथासंभव ऊपर दी गई सीमा के अंतर्गत ही दिए जाने चाहिए ।

General Instructions :

(i)   **All** questions in both the sections are compulsory.

(ii)   Marks for questions are indicated against each.

(iii) Questions No. **1 – 5** and **17 – 21** are very short-answer questions carrying **1** mark each. They are required to be answered in **one sentence** each.

(iv)   Questions No. **6 – 10** and **22 – 26** are short-answer questions carrying **3** marks each. Answers to them should normally not exceed **60** words each.

(v)   Questions No. **11 – 13** and **27 – 29** are also short-answer questions carrying **4** marks each. Answers to them should normally not exceed **70** words each.

(vi)   Questions No. **14 – 16** and **30 – 32** are long-answer questions carrying **6** marks each. Answers to them should normally not exceed **100** words each.

(vii) Questions marked star (*) are value-based questions.

(viii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

*1. उत्पादन क्षमता के संदर्भ में शिक्षा के विस्तार से प्राप्त आर्थिक मूल्य का नाम बताइए ।   *1*

Name the economic value achieved through the spread of education in the context of production potential.

2. वस्तु की माँग की परिभाषा दीजिए ।   *1*

Define demand for a good.

3. परिवर्ती लागतों के दो उदाहरण दीजिए ।   *1*

Give two examples of variable costs.

4. वस्तु की पूर्ति को पूर्णतया लोचदार कब कहा जाता है ?   *1*

When is supply of a good said to be perfectly elastic ?

5. उत्पादन बढ़ने पर औसत स्थिर लागत क्यों घटती है ?   *1*

Why does average fixed cost fall with increase in output ?

6. पूर्ति वक्र के दाँई ओर खिसकने के किन्हीं दो कारणों की व्याख्या कीजिए ।   *3*

Explain any two causes of a rightward shift in supply curve.

7. 'क्या उत्पादन करें' की समस्या क्यों उत्पन्न होती है ? समझाइए ।   *3*

Why does the problem of 'what to produce' arise ? Explain.

8. उत्पादन के प्रत्येक स्तर पर सीमान्त लागत का परिकलन कीजिए :   *3*

उत्पादन (इकाइयाँ)	1	2	3	4	5	6
औसत परिवर्ती लागत (₹)	26	22	20	20	22	24

Calculate marginal cost at each level of output :

Output (units)	1	2	3	4	5	6
Average variable cost (₹)	26	22	20	20	22	24

9. एक वस्तु की कीमत में 20 प्रतिशत वृद्धि होने से उसकी पूर्ति 200 इकाई से बढ़कर 240 इकाई हो जाती है । इसकी पूर्ति की कीमत लोच का परिकलन कीजिए ।   *3*

Supply of a good rises from 200 units to 240 units as a result of 20 percent rise in its price. Calculate its price elasticity of supply.

10. A और B प्रतिस्थापन वस्तुएँ हैं । A की कीमत में वृद्धि के B की माँग पर प्रभाव की व्याख्या कीजिए । *3*

अथवा

माँग में "वृद्धि" के किन्हीं दो कारणों की व्याख्या कीजिए ।

A and B are substitute goods. Explain the effect of rise in price of A on the demand for B.

OR

Explain any two causes of "increase" in demand.

11. ₹ 10 प्रति इकाई की कीमत पर एक वस्तु की माँग मात्रा 1500 इकाई है । इसकी माँग की कीमत लोच (–) 1·5 है । जब इसकी कीमत घटकर ₹ 8 प्रति इकाई हो जाती है, तो इसकी माँग मात्रा कितनी होगी ? परिकलन कीजिए । *4*

अथवा

माँग की कीमत लोच का परिकलन करने की ज्यामितीय विधि की व्याख्या कीजिए ।

The quantity demanded of a good is 1500 units at the price of ₹ 10 per unit. Its price elasticity of demand is (–) 1·5. Calculate its quantity demanded, when its price falls to ₹ 8 per unit.

OR

Explain the geometric method of calculating price elasticity of demand.

12. एक पूर्ण प्रतियोगी बाज़ार की मुख्य विशेषताएँ बताइए । *4*

State the main features of a perfectly competitive market.

13. एक उपभोक्ता केवल दो वस्तुओं का उपभोग करता है और संतुलन में है । दिखाइए कि एक वस्तु की कीमत और माँग में विपरीत सम्बन्ध होता है । उपयोगिता विश्लेषण की सहायता से समझाइए । *4*

A consumer consumes only two goods and is in equilibrium. Show that price and demand for a good are inversely related. Explain using utility analysis.

14. अनधिमान वक्र विश्लेषण की सहायता से उपभोक्ता के संतुलन की व्याख्या कीजिए । *6*

अथवा

एक उपभोक्ता केवल दो वस्तुओं का उपभोग करता है । उपयोगिता विश्लेषण की सहायता से उपभोक्ता के संतुलन की व्याख्या कीजिए ।

Explain consumer's equilibrium with the help of indifference curve analysis.

OR

A consumer consumes only two goods. Explain consumer's equilibrium with the help of utility analysis.

15. कारण बताते हुए उत्पादन का वह स्तर ज्ञात कीजिए जिस पर उत्पादक संतुलन की स्थिति में होगा । (सीमान्त लागत और सीमान्त आगम (संप्राप्ति) विधि का प्रयोग कीजिए) *6*

उत्पादन (इकाइयाँ)	1	2	3	4	5
कुल लागत (₹)	21	39	54	72	93
कुल आगम (₹)	18	36	54	72	90

Giving reasons find out the level of output at which producer will be in equilibrium. (Use marginal cost and marginal revenue approach)

Output (units)	1	2	3	4	5
Total Cost (₹)	21	39	54	72	93
Total Revenue (₹)	18	36	54	72	90

16. एक वस्तु के पूर्ति आधिक्य का अर्थ समझाइए और इसके वस्तु की कीमत, माँग और पूर्ति पर प्रभावों की शृंखला की व्याख्या कीजिए । (रेखाचित्र का प्रयोग कीजिए) *6*

Explain the meaning of excess supply of a commodity and its chain of effects on price, demand and supply of the commodity. (use diagram)

नोट : *निम्नलिखित प्रश्न केवल **दृष्टिहीन परीक्षार्थियों** के लिए प्रश्न संख्या 16 के स्थान पर है ।*

Note : *The following question is for the **Blind Candidates** only in lieu of Q. No. 16.*

एक वस्तु के 'पूर्ति आधिक्य' का अर्थ समझाइए और इसके वस्तु की कीमत, माँग और पूर्ति पर प्रभावों की शृंखला की व्याख्या कीजिए । (तालिका का प्रयोग कीजिए) *6*

Explain the meaning of 'excess supply' of a commodity and its chain of effects on price, demand and supply of the commodity. (use a schedule)

SECTION B

17. मध्यवर्ती वस्तुओं के दो उदाहरण दीजिए ।

Give two examples of intermediate goods.

1

18. निवेश की परिभाषा दीजिए ।

Define investment.

1

19. सावधि जमाएँ क्या होती हैं ?

What are time deposits ?

1

20. प्रत्यक्ष कर क्या होता है ?

What is a direct tax ?

1

21. सरकारी बजट क्या होता है ?

What is a government budget ?

1

22. निवेश गुणक का अर्थ समझाइए । इसका न्यूनतम और अधिकतम मूल्य क्या हो सकता है ?

Explain the meaning of investment multiplier. What can be its minimum and maximum value ?

3

23. भुगतान संतुलन खाते के चालू खाते और पूँजीगत खाते में इनके घटकों के आधार पर भेद कीजिए ।

Distinguish between current account and capital account of the balance of payments account on the basis of its components.

3

24. आय के चक्रीय प्रवाह की व्याख्या कीजिए ।

Explain the circular flow of income.

3

25. मुद्रा के 'मूल्य संचय' कार्य की व्याख्या कीजिए ।

3

अथवा

"सरकार के बैंकर" के रूप में केन्द्रीय बैंक की भूमिका की व्याख्या कीजिए ।

Explain the 'store of value' function of money.

OR

Explain the role of central bank as a "Banker to the government".

26. औसत बचत प्रवृति का अर्थ बताइए । औसत उपभोग प्रवृति के साथ इसका क्या सम्बन्ध होता है ?   3

Give the meaning of average propensity to save. What is its relation with average propensity to consume ?

27. वाणिज्यिक बैंक साख निर्माण किस प्रकार करते हैं ? एक उदाहरण की सहायता से समझाइए ।   4

अथवा

खुले बाज़ार के कार्यकलाप का अर्थ समझाइए । केन्द्रीय बैंक मुद्रा पूर्ति को नियंत्रित करने के लिए इसका प्रयोग कैसे करता है ?

How do commercial banks create credit ? Explain with the help of an example.

OR

Explain the meaning of open market operations. How is it used by the central bank to control money supply ?

28. निम्नलिखित आँकड़ों से "कारक लागत पर निवल मूल्य संवृद्धि" का परिकलन कीजिए :   4

(₹ लाखों में)

(i)	मध्यवर्ती उपभोग	300
(ii)	स्टॉक में परिवर्तन	50
(iii)	निवल अप्रत्यक्ष कर	70
(iv)	बिक्री	500
(v)	अचल पूँजी का उपभोग	20
(vi)	आयात	40

Calculate "Net value added at factor cost" from the following data :

		(₹ in Lakhs)
(i)	Intermediate consumption	300
(ii)	Change in stock	50
(iii)	Net indirect taxes	70
(iv)	Sales	500
(v)	Consumption of fixed capital	20
(vi)	Imports	40

*29. केन्द्रीय बैंक विदेशी मुद्रा की कीमत बढ़ने पर नियंत्रण रखने के लिए कदम उठाता है । समझाइए इसमें कौन-से आर्थिक मूल्य शामिल हैं जो कि आम आदमी से सम्बन्धित हैं ।   *4*

The central bank takes steps to control rise in the price of foreign exchange. Explain the economic values it involves as far as the common man is concerned.

30. "वैयक्तिक प्रयोज्य आय" का परिकलन कीजिए :   *6*

		(₹ करोड़ों में)
(i)	निजी क्षेत्र को कारक लागत पर निवल देशीय उत्पाद से अर्जित आय	700
(ii)	निगम कर	40
(iii)	विदेशों से निवल कारक आय	(–) 20
(iv)	मूल्यह्रास	50
(v)	निजी निगमित क्षेत्र की बचतें	150
(vi)	सरकार से चालू हस्तांतरण	80
(vii)	राष्ट्रीय ऋण पर ब्याज	60
(viii)	परिवारों द्वारा दिए गए प्रत्यक्ष कर	70
(ix)	विदेशों को निवल चालू हस्तांतरण	(–) 10

अथवा

राष्ट्रीय आय का परिकलन कीजिए : 6

		(₹ करोड़ों में)
(i)	निवल देशीय पूँजी निर्माण	150
(ii)	सरकारी अन्तिम उपभोग व्यय	300
(iii)	विदेशों से निवल कारक आय	(–) 20
(iv)	निजी अन्तिम उपभोग व्यय	600
(v)	मूल्यह्रास	30
(vi)	निवल निर्यात	50
(vii)	निवल अप्रत्यक्ष कर	90
(viii)	शेष विश्व से निवल चालू हस्तांतरण	40

Calculate "Personal disposable income" :

		(₹ in Crores)
(i)	Net domestic product at factor cost accruing to private sector	700
(ii)	Corporation tax	40
(iii)	Net factor income from abroad	(–) 20
(iv)	Depreciation	50
(v)	Savings of private corporate sector	150
(vi)	Current transfers from government	80
(vii)	National debt interest	60
(viii)	Direct taxes paid by households	70
(ix)	Net current transfers to abroad	(–) 10

OR

Calculate national income :

<div align="right">(₹ in Crores)</div>

(i)	Net domestic capital formation	150
(ii)	Government final consumption expenditure	300
(iii)	Net factor income from abroad	(–) 20
(iv)	Private final consumption expenditure	600
(v)	Depreciation	30
(vi)	Net exports	50
(vii)	Net indirect taxes	90
(viii)	Net current transfers from rest of the world	40

31. (अ) समग्र माँग और समग्र आपूर्ति के बीच अंतर बताइए ।

(ब) एक अर्थव्यवस्था के बारे में दिए गए निम्नलिखित आँकड़ों से इसकी आय के संतुलन स्तर का परिकलन कीजिए : *6*

    (i) सीमान्त उपभोग प्रवृत्ति   = 0·8

    (ii) निवेश   = 5000

    (iii) स्वायत्त उपभोग   = 500

(a) Distinguish between Aggregate Demand and Aggregate Supply.

(b) From the following data about an economy, calculate its equilibrium level of income :

    (i) Marginal propensity to consume   =   0·8

    (ii) Investment   =   5000

    (iii) Autonomous consumption   =   500

32. सरकारी बजट के संसाधनों के आबंटन और आय वितरण उद्देश्यों की व्याख्या कीजिए । *6*

Explain the objectives of resource allocation and income distribution in a government budget.

SENIOR SCHOOL CERTIFICATE EXAMINATION
JULY-2014
MARKING SCHEME – ECONOMICS (DELHI)
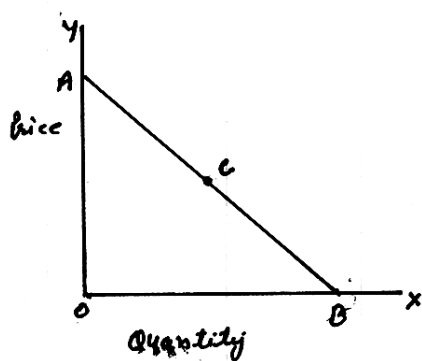## (SET-III)
Expected Answers / Value Points

GENERAL INSTRUCTIONS :

1. Please examine each part of a question carefully and 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 explanations and definitions have been indicated alongwith the value points.

4. For mere arithmetical errors, there should be minimal deduction. Only ½ 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.

8. ☼ indicates value based questions.

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

A3	Expected Answer / Value Points	Distribution of Marks
	SECTION - A	
☼ 1	It will result in increase in efficiency leading to economic growth.	**1**
2	It is the quantity of a good that a consumer is willing to buy at a given price during a period of time.	**1**
3	Expenditure on raw material, casual labour etc. (Any two)	**½ x2**

4	When any quantity of a commodity can be produced at the given price.	1
5	As TFC is fixed, increase in output results in fall in AFC.	1
6	**(i) <u>Use of improved technology</u>** leads to fall in cost and thus rise in profits. Price remaining unchanged, supply curve shifts to the right. **(ii) <u>Fall in prices of factor inputs</u>** reduces cost and thus raises profit. Price remaining unchanged, supply curve shifts to the right. **(iii)** Any other **(Any two)**	1½ 1½
7	It arises because resources are scarce and have alternative uses. Since many goods and services can be produced from these resources, the problem is that which of these should be produced.	3

8	Output	AVC	TVC	MC	½ x6
	1	26	26	**26**	
	2	22	44	**18**	
	3	20	60	**16**	
	4	20	80	**20**	
	5	22	110	**30**	
	6	24	144	**34**	

9	% change in price = 20	
	% change in supply = $\frac{40}{200} \times 100 = 20$	1
	Es $= \frac{\%\ change\ in\ supply}{\%\ change\ in\ price}$	1
	Es $= \frac{20}{20}$	½
	$= 1$	½

10	When price of A rises, B becomes relatively cheaper. So it is substituted for A. Thus demand for B will rise. **OR** Causes of increase in demand : **(i)** Rise in price of substitute good. **(ii)** Fall in price of complementary good. **(Brief explanation)** **(Any other relevant cause)**	3 1½ 1½

11	$e_d = \frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$	1
	$-1.5 = \frac{10}{1500} \times \frac{\Delta Q}{-2}$	1½
	$\Delta Q = 450$ unit	½
	Quantity demanded at Rs. 8 is $Q + \Delta Q = 1500 + 450 = 1950$ units	1

OR

On a straight line downward sloping demand curve AB, price elasticity of demand at point C

$$E_d = \frac{\text{Lower segment}}{\text{Upper segment}}$$

$$= \frac{CB}{AC}$$

12	Main features of a perfectly competitive market : **(i)** There are very large number of buyers and sellers **(ii)** The products are homogenous. **(iii)** There is free entry and exit of firms. **(iv)** Buyers and sellers have perfect knowledge of the market.	1x4

13	For the consumer to be in equilibrium, equilibrium condition to be fulfilled is: $$\frac{MUx}{Px} = \frac{MUy}{Py}$$ Suppose the price of x falls , then $$\frac{MUx}{Px} > \frac{MUy}{Py}$$ Since per rupee MUx is higher, the consumer will buy more of X. Thus there is an inverse relationship between price and demand for a good.	4

14	Let the two goods the consumer consumes be X and Y. The two conditions of equilibrium are : (1) MRS = $\frac{P_x}{P_y}$ (2) MRS falls as more of X is consumed in place of Y. **Explanation :** **(1)** Suppose MRS $> \frac{P_x}{P_y}$ i.e. consumer is not in equilibrium. It means that to obtain one more unit of X consumer is willing to sacrifice more units of Y as compared to what is required in the market. The consumer buys more of X. MRS falls and continues to fall till it is equal to $\frac{P_x}{P_y}$ and the consumer is in equilibrium. **(2)** Unless MRS falls as consumer consumes more of X , the consumer will not reach equilibrium again. (Explanation based on MRS $< \frac{P_x}{P_y}$ is also correct)	1 1 3 1

Assuming that the only two goods the consumer consumes are X and Y, the conditions of equilibrium are :

(1) $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$

1

(2) MU falls as more is consumed

1

Explanation : **(1)** Suppose $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$ .The consumer will not be in equilibrium because per rupee MU of X is greater than per rupee MU of Y. This will induce the consumer to buy more of X by reducing expenditure on Y. It will lead to fall in MUx and rise in MUy. This will continue till $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$.

3

(2) Unless MU falls as more of a good is consumed the consumer will not reach equilibrium.

(Explanation based on $\frac{MU_x}{P_x} < \frac{MU_y}{P_y}$ is also correct.)

1

15

Output	TC	TR	MC	MR
1	21	18	21	18
2	39	36	18	18
3	54	54	15	18
4	72	72	18	18
5	93	90	21	18

2

The conditions of producer's equilibrium are

1

(1) MC must be equal to MR

1

(2) Beyond the level of output at which MC=MR, MC must be greater than MR.

Both these conditions are satisfied at 4 units of output, so producer is in equilibrium if he produces 4 units of output.

2

16

When at the given price of a commodity its quantity supplied is greater than its quantity demanded then there is **"excess supply"** of this commodity.

1

2

At price OP¹ there excess supply equals to AB. This result in competition among sellers. Price will falls as a result there will be expansion of demand and contraction of supply as shown by arrows in the diagram.

These changes continue till price falls to OP at which quantity demanded and supplied are equal to OQ.

3

	For the blind Candidates	**2**
	Price **Supply** **Demand**	
	10 40 30	
	9 35 35	
	8 25 40	
	(Or any other schedule)	**1**
	At price 10/- there is excess supply equal to (40-30) = 10 units	
	Explanation (Same as given above)	**3**

SECTION - B

17	Bread, sugar etc. purchased by a restaurant	**1**
18	Addition made to the stock of capital during the year.	**1**
19	Time deposits are deposits which can be withdrawn after a fixed period.	**1**
20	A tax whose impact and incidence fall on the same person.	**1**
21	It is a statement of expected receipts and expenditure of the government during a financial year.	**1**
22	The ratio of increase in income to increase in investment $\left(\frac{\Delta Y}{\Delta I}\right)$ is called investment multiplier.	**1**
	Investment Multiplier K=$\frac{1}{MPS}$ OR K=$\frac{1}{1-MPC}$	
	The minimum value of MPS is zero (MPC=1), in this case value of Multiplier is infinity which is its maximum value.	**1**
	The maximum value of MPS is 1 (MPC=0). In this case K=1 which is its minimum value.	**1**
23	**The current account of BOP records :** Exports and imports of goods, Exports and imports of services, Income receipts and payments and Transfer receipts and payment. **Whereas the capital account records :** Borrowings from and to abroad , Investments from and to abroad and Decrease and increase in foreign exchange reserves.	**3**
24	**1.** Incomes are created in production units. **2.** Production units distribute this income to households in return for factor services provided. **3.** Households spend this income on goods and services produced by the production units, thus making the circular flow of income complete. **(Diagram Not necessary)**	**3**
25	Money as a store of value implies that it can be stored for use in future. One can use one's present income in the future because money comes in the convenient denominations and is easily portable.	**3**
	OR	
	Central bank is banker to the government like commercial banks are to the public. It accepts deposits from government and gives loans to the	

	government in times of need.	3
26	Average propensity to save is the ratio of saving and income i.e. S/Y. The sum of average propensity to save and average propensity consume is 1.	1 2
27	Money creation (or deposit creation or credit creation) by the banks is determined by (i) the amount of the initial fresh deposits and (ii) the Legal Reserve Ratio (LRR) the minimum ratio of deposit legally required to be kept as liquid assets by the banks. It is assumed that all the money that goes out of banks is redeposited into the banks. Let the LRR be 20% and there is a fresh deposits of Rs. 10,000. As required the banks keep 20% i.e. Rs. 2000 as reserves. Suppose the banks lend the remaining Rs. 8000. Those who borrow, use this money for making payments. As assumed those who receive payments, put the money back into the banks. In this way banks receive fresh deposits of Rs. 8000. The banks again keep 20% i.e. Rs. 1600 as reserves and lend Rs. 6400, which is also 80% of the last deposit. The money again comes back to the banks leading to a fresh deposit of Rs. 6400.The money goes on multiplying in this way , and ultimately total money creation is Rs. 50000. Given the amount of fresh deposit and the LRR, the total money creation is : $$\text{Total money creation} = Initial\ deposit \times \frac{1}{LRR}$$ **OR** Purchase or sale of government securities by central bank in the open market is called open market operations. When central bank wants to increase money supply, it buys Govt. securities and money supply increases. When it wants to decrease money supply it sells government securities and money supply decreases.	4 4
28	$NVA\ at\ F.C. = (iv) + (ii) - (i) - (iii) - (v)$ $\qquad\qquad = 500 + 50 - 300 - 70 - 20$ $\qquad\qquad = $ Rs. 160 lakhs.	2 1½ ½
29	Controlling rise in price of foreign exchange makes imports cheaper. The economic value is that common man now has to pay less for goods and services imported.	4
30	$Personal\ Disposable\ Income\ =$ $\quad (i) + (iii) + (vi) + (vii) - (ix) - (ii) - (v) - (viii)$ $\quad = 700 + (-20) + 80 + 60 - (-10) - 40 - 150 - 70$ $\quad = Rs.570\ Crore$ **OR** $N.I. = (iv) + (ii) + (i) + (vi) + (iii) - (vii))$ $\quad = 600 + 300 + 150 + 50 + (-20) - 90$ $\quad = Rs.990\ Crore$	3 2 1 3 2 1

31	(a) AD is total planned demand for goods and services in an economy. Whereas AS is total planned output of goods and services in an economy.	2
	(b) $Y = C + I$; $C = \bar{C} + MPC(Y)$ $\quad = \bar{C} + MPC(Y) + I$ $Y = 500 + .8(Y) + 5000$ $.2Y = 5500$ $Y = 27500$	2 1½ ½
32	(a) Government can influence allocation of resources through budget in many ways. It can encourage or discourage production of selected goods through taxes and subsidies. For discouraging, it can impose taxes. For encouraging it can give subsidies. Government can also directly participate in production of goods and services. (b) Government can influence inequalities of income through taxes and public expenditure. It can impose taxes on the rich reducing their disposable income. The amount so collected can be spent on the poor for raising their standard of living.	 3x2