Series OSR/1/C



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 निर्देशः

- (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.

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SECTION A

*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.	सीमान्त उपयोगिता की परिभाषा दीजिए । Define marginal utility.	1
3.	स्थिर लागतों के दो उदाहरण दीजिए । Give two examples of fixed costs.	1
4.	वस्तु की पूर्ति के "घटने" का एक कारण बताइए । Give one reason for "decrease" in supply of a good.	1
5.	उत्पादन बढ़ने पर औसत स्थिर लागत क्यों घटती है ? Why does average fixed cost fall with increase in output ?	1
6.	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.	
7.	पूर्ति वक्र के दाँईं ओर खिसकने के किन्हीं दो कारणों की व्याख्या कीजिए।	3
	Explain any two causes of a rightward shift in supply curve.	

8. उत्पादन के प्रत्येक स्तर पर औसत परिवर्ती लागत का परिकलन कीजिए :

उत्पादन (इकाइयाँ)	1	2	3	4	5	6
सीमान्त लागत (₹)	13	9	8	10	15	17

Calculate average variable cost at each level of output :

Output (units)	1	2	3	4	5	6
Marginal cost (₹)	13	9	8	10	15	17

9. एक वस्तु की कीमत 10 प्रतिशत बढ़ने से उसकी पूर्ति 150 इकाई से बढ़कर 180 इकाई हो जाती है । इसकी पूर्ति की कीमत लोच का परिकलन कीजिए ।
10 percent increase in the price of a good raises its supply from 150 units to 180 units. Calculate its price elasticity of supply.

- 10. 'क्या उत्पादन करें' की समस्या क्यों उत्पन्न होती है ? समझाइए । Why does the problem of 'what to produce' arise ? Explain.
- 11. एक पूर्ण प्रतियोगी बाज़ार की मुख्य विशेषताएँ बताइए।

State the main features of a perfectly competitive market.

12. 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 ।

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.

13. ₹ 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 ।

अथवा

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

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The quantity demanded of a good is 1500 units at the price of \neq 10 per unit. Its price elasticity of demand is (-) 1.5. Calculate its quantity demanded, when its price falls to \neq 8 per unit.

OR

Explain the geometric method of calculating price elasticity of demand.

14. 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)

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

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)

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)

15. उत्पादन के किस स्तर पर उत्पादक संतुलन की स्थिति में होगा ? अपने उत्तर के लिए कारण दीजिए । (सीमान्त लागत और सीमान्त आगम (संप्राप्ति) विधि का प्रयोग कीजिए)

उत्पादन (इकाइयाँ)	1	2	3	4	5
कुल आगम (संप्राप्ति) (₹)	6	12	18	24	30
कुल लागत (₹)	7	13	18	24	31

At what level of output will the producer be in equilibrium ? Give reasons for your answer. (Use marginal cost and marginal revenue approach)

Output (units)	1	2	3	4	5
Total Revenue (₹)	6	12	18	24	30
Total Cost (₹)	7	13	18	$\overline{24}$	31

6

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नोट: निम्नलिखित प्रश्न केवल **दृष्टिहीन परीक्षार्थियों** के लिए प्रश्न संख्या 14 के स्थान पर है। Note: The following question is for the **Blind Candidates** only in lieu of Q. No. 14.

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.

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SECTION B

17.	राष्ट्रीय उत्पाद की परिभाषा दीजिए । Define national product.	1
18.	उपभोग वस्तुओं की परिभाषा दीजिए । Define consumption goods.	1
19.	सरकारी बजट क्या होता है ? What is a government budget ?	1
20.	अप्रत्यक्ष करों के दो उदाहरण दीजिए । Give two examples of indirect taxes.	1
21.	सावधि जमाएँ क्या होती हैं ? What are time deposits ?	1
22.	औसत बचत प्रवृति का अर्थ बताइए । औसत उपभोग प्रवृति के साथ इसका क्या सम्बन्ध होता है ? Give the meaning of average propensity to save. What is its relation with average propensity to consume ?	3

- 23. निवेश गुणक का अर्थ समझाइए । इसका न्यूनतम और अधिकतम मूल्य क्या हो सकता है ? 3
 Explain the meaning of investment multiplier. What can be its minimum and maximum value ?
- 24. 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.

- **25.** आय के चक्रीय प्रवाह की व्याख्या कीजिए। Explain the circular flow of income.
- 26. मुद्रा के 'मूल्य संचय' कार्य की व्याख्या कीजिए ।

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".

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

		(₹ 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

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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

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

अथवा

खुले बाज़ार के कार्यकलाप का अर्थ समझाइए । केन्द्रीय बैंक मुद्रा पूर्ति को नियंत्रित करने के लिए इसका प्रयोग कैसे करता है ? 4

4

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 ?

*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 । 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.

/	יר ר	21
(₹	कराड़ा	म)
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(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)	मूल्यहास	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 :

(₹ करोड़ों में)

30

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- (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) मूल्यहास
- (vi)
 निवल निर्यात
 50
- (vii) निवल अप्रत्यक्ष कर 90
- (viii) शेष विश्व से निवल चालू हस्तांतरण

Calculate "Personal disposable income" :

(₹ in Crores)

(;)	Not domestic product at factor cost	
(1)	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 :

(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) स्वायत्त उपभोग और प्रेरित उपभोग के बीच अंतर बताइए ।
 - (ब) एक अर्थव्यवस्था के बारे में दिए गए निम्नलिखित आँकड़ों से इसकी आय के संतुलित स्तर का परिकलन कीजिए :
 - (i) सीमान्त उपभोग प्रवृत्ति = 0.5
 - (ii) स्वायत्त उपभोग = 300
 - (iii) निवेश = 6000
 - (a) Distinguish between autonomous consumption and induced consumption.
 - (b) From the following data about an economy, calculate its equilibrium level of income :
 - (i) Marginal propensity to consume = 0.5
 - (ii) Autonomous consumption = 300
 - (iii) Investment = 6000
- 32. निम्नलिखित में भेद कीजिए :
 - (अ) राजस्व प्राप्तियाँ और पूँजीगत प्राप्तियाँ
 - (ब) राजस्व घाटा और राजकोषीय घाटा

Distinguish between the following :

- (a) Revenue receipts and Capital receipts
- (b) Revenue deficit and Fiscal deficit

6

SENIOR SCHOOL CERTIFICATE EXAMINATION JULY-2014

MARKING SCHEME – ECONOMICS (DELHI)

(SET-II)

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.

A2	Expected Answer / Value Points				
	SECTION - A				
1	It will result in increase in efficiency leading to economic growth.	1			
2	Addition to total utility when one more unit of a good is consumed	1			
3	Expenditure on rent of factory building, salary of permanent worker etc.	½ x 2			
4	Imposition of unit tax , rise in price of factor input etc. (any one)	1			

5	As TFC is fixed, increase in output results in fall in AFC.					1	
6	When price of A rises, B becomes relatively cheaper. So it is substituted for A. Thus demand for B will rise.					3	
	OR Causes of increase in demand :						
	(i) Rise in pr	rice of subst	titute good.				
	(ii) Fall in pr	rice of comp	olementary	good.		1½	
		(Brief Expla	nation)		1½	
					(Any other relevant cause)		
7	(i) <u>Use of i</u>	mproved to	echnology	leads to	fall in cost and thus rise in profits. Price	1%	
-	remainii	ng unchang	ed, supply o	curve shi	fts to the right.	-/-	
	(ii <u>) Fall in pr</u>	<u>ices of fact</u>	<u>or inputs</u> r	educes c	ost and thus raises profit. Price remaining	172	
	(iiii) Any oth	ea, supply c	urve shifts	to the hg	gnt.		
					(Any two)		
8	Output	MC	TVC	AVC			
0	1	13	13	13			
	2	9	22	11		½ X 6	
	3	8	30	10			
	4	10	40	10			
	5	15	55 72	11			
	0	1/	12	12			
9	Percentage	Change in p	rice = 10				
	Percentage change in supply $=\frac{30}{450} \times 100 = 20$				1		
	% change in supply						
	$Es = \frac{1}{\% change in price}$					1	
	$=\frac{20}{20}$					-	
					7 2		
	= 2						
10	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.						
11	Main featu	res of a per	fectly comp	oetitive r	narket :		
	(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.						
12							
12			e in equilib	num, eq			
	$\frac{m \sigma x}{P x} = \frac{m \sigma y}{P y}$	<u>×</u>					
	Suppose th	e price of x	falls , then				
	MUx MU	y	,				
	$\frac{1}{Px} > \frac{1}{Py}$	·				4	
	Since per r	upee <i>MUx</i> i	is higher, th	e consur	mer will buy more of X.	-	
	Thus there is an inverse relationship between price and demand for a good.						

13	$e_d = \frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$	1
	$-1.5 = \frac{10}{1500} \times \frac{\Delta Q}{-2}$	1½
	$\Delta Q = 450 \text{ unit}$	1/2
	Quantity demanded at Rs. 8 is $Q + \Delta Q = 1500 + 450 = 1950$ units	1
	OR	-
	Brice O Alan Lidy By X	
	On a straight line downward sloping demand curve AB, price elasticity of demand at noint C	
	$E_{d} = \frac{Lower segment}{Upper segment}$	4
	$=\frac{CB}{AC}$	
14	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
	Price production of the second	2
	At price OP^1 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.	3
	These changes continue till price falls to OP at which quantity demanded and supplied are equal to OQ.	
	For the blind Candidates Price Supply Demand	
	10 40 30 9 35 35 8 25 40 (Or any other schedule)	2
	At price 10/- there is excess supply equal to (40-30) = 10 units	1
	Explanation (Same as given above)	3

15	Output	TR	тс	MR	MC		
_	1	6	7	6	7		
	2	12	13	6	6		2
	3	18	18	6	5		2
	4	24	24	6	6		
	5 The two co	30 Inditions	31 of prod	ט ucer's ec	/ Juilibrium	are	
	(i) MC - M	R	o. p. o.				1
	(ii) Beyond	the leve	el of out	put at wł	nich MC =	MR, MC must be greater than MR	1
	Both these equilibrium	e condit 1 at 4 un	ions are its of ou	e satisfie tput.	d at 4	units of output, so the producer is in	2
16	Let the two	o goods t	the cons	umer co	nsumes b	e X and Y.	
	The two co	nditions	ofequi	librium a	re :		1
	(1) MRS = $\frac{1}{F}$	$\frac{x}{y}$					1
	(2) MRS fal	ls as mo	re of X is	s consum	ied in pla	ce of Y.	L
	Explanatio	n :					
	(1) Suppos	e MRS >	$\frac{P_{\chi}}{P_{\chi}}$ i.e. c	onsumer	r is not in	equilibrium. It means that to obtain	2
	one m	ore unit	of X con	sumer is	willing to	o sacrifice more units of Y as compared	5
	to what is required in the market. The consumer buys more of X. MRS falls and						
	contin	ues to fa	ll till it is	s equal to	$p \frac{P_x}{P_y}$ and	the consumer is in equilibrium.	
	(2) Unless MRS falls as consumer consumes more of X , the consumer will not reach equilibrium again.						1
	(Explanation based on MRS < $\frac{P_x}{P_y}$ is also correct)						
					OR		
	Assuming t	hat the	only two	goods t	he consu	mer consumes are X and Y, the	
	$MU_x = N$	or equili 40 _y	brium a	re:			1
	$(1) \frac{P_{\chi}}{P_{\chi}} = -$	$P_{\mathcal{Y}}$					
	(2) MU falls	s as mor	e is cons	Sumed	1 ₂₂		1
	<u>Explanatio</u>	<u>n</u> : (1) Տւ	uppose -	$\frac{1}{P_x} > \frac{1}{P_y}$	$\frac{2}{r}$.The cc	nsumer will not be in equilibrium	
	because pe	er rupee	MU of X	is great	er than p	er rupee MU of Y. This will induce the	
	consumer	to buy m	iore of X	by redu	cing expe ^{MU} x	nditure on Y. It will lead to fall in MUX MU_{y}	3
	and rise in	iviuy. Th	IS WIII CO	ontinue t	$\prod \frac{P_x}{P_x} =$	P_y .	
	(2) Unless	MU fall	s as mo	ore of a	good is	consumed the consumer will not reach	1
	(Explanatio	 on based	on $\frac{MU_{\chi}}{MU_{\chi}}$	$< \frac{MU_y}{m}$ is	also corr	ect.)	-
	, ,		P_{χ}	Py	נבר	TION - B	
	Sum of fact	torincor	necocr	uing to p	ormalina	sidents of a country during a year from	
17	their contri	ibution t	ines accr io produ	ction at l	nome and	abroad.	1
10	Goods that	are aco	uired fo	r satisfac	tion of w	ants.	1
10	20040 (114)						–

19	It is a statement of expected receipts and expenditure of the government during a financial year.	1
20	Service tax, excise duty etc. (any other relevant example)	½ x 2
21	Time deposits are deposits which can be withdrawn after a fixed period.	1
22	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
23	The ratio of increase in income to increase in investment $\left(\frac{\Delta Y}{\Delta I}\right)$ is called investment multiplier.	1
	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
24	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
25	 Incomes are created in production units. Production units distribute this income to households in return for factor services provided. 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
26	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. OR	3
	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
27	NVA at F.C. = (iv) + (ii) - (i) - (iii) - (v)	2
	= 500 + 50 - 300 - 70 - 20	1½
	= Rs. 160 lakhs.	1/2

28	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 : Total money creation = Initial deposit $\times \frac{1}{LRR}$	4						
	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						
\$ 29	ontrolling rise in price of foreign exchange makes imports cheaper. The economic 4 alue is that common man now has to pay less for goods and services imported.							
30	Personal Disposable Income = (i) + (iii) + (mii) + (mii) + (iii) +							
	= 700 + (-20) + 80 + 60 - (-10) - 40 - 150 - 70							
	= Rs.570 Crore	1						
	OR	_						
	N.I. = (iv) + (ii) + (i) + (vi) + (iii) - (vii))	3						
	= 600 + 300 + 150 + 50 + (-20) - 90	2						
	= Rs.990 Crore	1						
31	(a) Autonomous consumption expenditure is not influenced by income. Whereas induced consumption is consumption expenditure that changes with change in income.	2						
	(b) $Y = C + I; C = \overline{C} + MPC(Y)$							
	$= \bar{C} + MPC(Y) + I$	2						
	Y = 300 + 0.5Y + 6000	1½						
	0.5Y = 6300							
	Y = 12600	<i>Y</i> 2						

32	(a) Revenue receipts are receipts that neither reduce assets nor create liability, whereas capital receipts are receipts that either create liability or reduce assets.	3
	(b) Revenue deficit is the excess of revenue expenditure over revenue receipts. Whereas fiscal deficit is the excess of total expenditure over total receipts excluding borrowings.	3