

Series ONS

SET-2

कोड नं. **58/2**
Code No.

रोल नं.

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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 12 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 30 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 12 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 30 questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minute 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 सामने उनके अंक दर्शाए गये हैं।
- (iii) प्रश्न संख्या 1 - 5 और 16 - 20 अति लघु उत्तरीय प्रश्न हैं, प्रत्येक प्रश्न 1 अंक का है। सभी प्रश्नों के उत्तर एक वाक्य में देना है।
- (iv) प्रश्न संख्या 6 - 8 और 21 - 23 लघु उत्तरीय प्रश्न हैं, प्रत्येक प्रश्न 3 अंक का है। सभी प्रश्नों के उत्तर सामान्यतः 60 शब्दों से अधिक न हों।
- (v) प्रश्न संख्या 9 - 11 और 24 - 26 यह भी लघु उत्तरीय प्रश्न हैं, प्रत्येक प्रश्न के 4 अंक हैं। सभी प्रश्नों के उत्तर सामान्यतः 70 शब्दों से अधिक न हों।
- (vi) प्रश्न संख्या 12 - 15 और 27 - 30 दीर्घ उत्तरीय प्रश्न हैं, प्रत्येक प्रश्न के 6 अंक हैं। सभी प्रश्नों के उत्तर सामान्यतः 100 शब्दों से अधिक न हों।
- (vii) उपरोक्त प्रश्नों के उत्तर संक्षिप्त एवं सही होने चाहिए तथा यथासंभव निर्देशानुसार शब्द सीमा के भीतर उत्तर दिया जाना चाहिए।

Instructions :

- (i) *All questions in both sections are compulsory.*
- (ii) *Marks for questions are indicated against each question.*
- (iii) *Question No. 1 - 5 and 16 - 20 are very short answer questions carrying 1 mark each. They are required to be answered in one sentence.*
- (iv) *Question No. 6 - 8 and 21 - 23 are short answer questions carrying 3 marks each. Answers to them should not normally exceed 60 words each.*
- (v) *Question No. 9 - 11 and 24 - 26 are also short answer questions carrying 4 marks each. Answers to them should not normally exceed 70 words each.*
- (vi) *Question No. 12 - 15 and 27 - 30 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100 words each.*
- (vii) *Answers should be brief and to the point and the above word limit be adhered to as far as possible.*

खण्ड - अ
SECTION - A

1. इस बाजार में एक फर्म का माँग वक्र पूर्णतया लोचदार होता है : 1

(सही विकल्प चुनिए) :

- (a) पूर्ण प्रतियोगिता
- (b) एकाधिकार
- (c) एकाधिकारिक प्रतियोगिता
- (d) अल्पाधिकार

Demand curve of a firm is perfectly elastic under :

(Choose the correct alternative)

- (a) Perfect competition
- (b) Monopoly
- (c) Monopolistic competition
- (d) Oligopoly

2. विभेदी उत्पाद इसकी एक विशेषता है : 1

(सही विकल्प चुनिए) :

- (a) केवल एकाधिकारिक प्रतियोगिता की
- (b) केवल अल्पाधिकार की
- (c) एकाधिकारिक प्रतियोगिता और अल्पाधिकार दोनों की
- (d) एकाधिकार की

Differentiated products is a characteristic of :

(Choose the correct alternative) :

- (a) Monopolistic competition only
- (b) Oligopoly only
- (c) Both monopolistic competition and oligopoly
- (d) Monopoly

3. एक फर्म एक वस्तु की कितनी भी मात्रा दी गयी कीमत पर बेच सकती है। फर्म की सीमांत सम्प्राप्ति (आगम) : 1

(सही विकल्प चुनिए) :

- (a) औसत सम्प्राप्ति से अधिक होगी
- (b) औसत सम्प्राप्ति से कम होगी
- (c) औसत सम्प्राप्ति के समान होगी
- (d) शून्य होगी

A firm is able to sell any quantity of a good at a given price. The firm's marginal revenue will be :

(Choose the correct alternative) :

- (a) Greater than Average Revenue
- (b) Less than Average Revenue
- (c) Equal to Average Revenue
- (d) Zero

4. “माँग मात्रा में परिवर्तन” कब होता है ? 1

When does “change in quantity demanded” take place ?

5. जैसे-जैसे उत्पादन में वृद्धि की जाती है, औसत कुल लागत और औसत परिवर्ती लागत के बीच अंतर को क्या होता है ? 1

What happens to the difference between Average Total Cost and Average Variable Cost as production is increased ?

6. न्यूनतम कीमत सीमा से क्या अभिप्राय है ? इसके परिणाम समझाइए।

3

अथवा

यदि वर्तमान बाजार कीमत संतुलन कीमत से अधिक हो, तो इसके कारण पड़ने वाले प्रभावों की शृंखला समझाइए।

What is minimum price ceiling ? Explain its implications.

OR

If the prevailing market price is above the equilibrium price, explain its chain of effects.

7. एक उपभोक्ता केवल दो वस्तुओं X और Y का उपभोग करता है। X और Y की सीमान्त उपयोगिताएँ क्रमशः 4 और 3 हैं। X और Y प्रत्येक की कीमत ₹ 3 प्रति इकाई है। क्या उपभोक्ता संतुलन में है ? उसकी आगे की प्रतिक्रिया क्या होगी ? कारण दीजिए।

3

A consumer consumes only two goods X and Y. Marginal utilities of X and Y are 4 and 3 respectively. Price of X and price of Y is ₹ 3 per unit. Is consumer in equilibrium ? What will be further reaction of the consumer ? Give reasons.

8. वस्तु की कीमत में 10 प्रतिशत वृद्धि का उसकी माँग पर क्या प्रभाव होगा यदि माँग की कीमत लोच (a) शून्य, (b) - 1, (c) - 2 हो।

3

What will be the effect of 10 percent rise in price of a good on its demand if price elasticity of demand is (a) Zero, (b) - 1, (c) - 2.

9. जब वस्तु की कीमत ₹ 10 से बढ़कर ₹ 12 प्रति इकाई हो जाती है, उत्पादक 10 प्रतिशत अधिक आपूर्ति करता है। पूर्ति की कीमत लोच ज्ञात कीजिए।

4

When price of a good rises from ₹ 10 to ₹ 12 per unit, the producer supplies 10 percent more. Calculate price elasticity of supply.

10. उपयोगिता की परिभाषा दीजिए। ह्रासमान सीमांत उपयोगिता नियम समझाइए। 4

Define utility. Explain the Law of Diminishing Marginal Utility.

11. अचल लागत की परिभाषा दीजिए। एक उदाहरण दीजिए। कारण बताते हुए समझाइए कि जैसे-जैसे उत्पादन में वृद्धि की जाती है औसत अचल लागत का व्यवहार क्या रहता है? 4

अथवा

सीमांत उत्पाद की परिभाषा दीजिए। जब केवल एक आगत में वृद्धि की जाय और अन्य आगतों को स्थिर रखा जाय तो सीमांत उत्पाद का व्यवहार बताइए।

Define fixed cost. Give an example. Explain with reason the behaviour of Average Fixed Cost as output is increased.

OR

Define marginal product. State the behaviour of marginal product when only one input is increased and other inputs are held constant.

12. एक पूर्ण प्रतियोगी बाजार में निम्नलिखित के परिणामों की व्याख्या कीजिए : 6
- (a) विक्रेताओं की बड़ी संख्या
 - (b) समरूप उत्पाद

अथवा

एक अल्पाधिकार बाजार में निम्नलिखित के परिणामों की व्याख्या कीजिए :

- (a) नई फर्मों के प्रवेश में रुकावटें
- (b) केवल कुछ या कुछ बड़े उत्पादक

Explain the implications of the following in a perfectly competitive market :

- (a) Large number of sellers
- (b) Homogeneous products.

OR

Explain the implications of the following in an oligopoly market :

- (a) Barriers to entry of new firms
- (b) A few or a few big sellers

13. (a) वस्तु X की अपनी कीमत गिरने और (b) वस्तु X पर कर की दर बढ़ने का पूर्ति वक्र पर पड़ने वाला प्रभाव समझाइए। रेखाचित्रों का प्रयोग कीजिए। 6

Examine the effect of (a) fall in the own price of good X and (b) rise in tax rate on good X, on the supply curve. Use diagrams.

दृष्टिहीन परीक्षार्थियों के लिए प्रश्न संख्या 13 के स्थान पर।

(a) वस्तु X की अपनी कीमत गिरने और (b) वस्तु X पर कर की दर बढ़ने का पूर्ति पर प्रभाव समझाइए। तालिका का प्रयोग कीजिए।

For blind candidates in lieu of Q. No 13.

Examine the effect of (a) fall in the own price of good X and (b) rise in tax rate of good X on supply of a good. Use schedule.

14. अनधिमान वक्रों की तीन विशेषताओं की व्याख्या कीजिए। 6

Explain three properties of indifference curves.

15. एक अर्थव्यवस्था में केन्द्रीय समस्याएँ क्यों पैदा होती हैं? “किसके लिए उत्पादन किया जाय” केन्द्रीय समस्या समझाइए। 6

Why do central problems of an economy arise? Explain the central problem of “for whom to produce”?

खण्ड - ब
SECTION - B

16. भुगतान संतुलन लेखा में जो विदेशी विनिमय लेनदेन अन्य लेनदेनों से प्रभावित नहीं होते, यह कहलाते हैं : (सही विकल्प चुनिए) 1

- (a) चालू लेनदेन
- (b) पूँजीगत लेनदेन
- (c) स्वतंत्र लेनदेन
- (d) समायोजन हेतु लेनदेन

Foreign exchange transactions which are independent of other transactions in the Balance of Payments Account are called :

(Choose the correct alternative)

- (a) Current transactions
- (b) Capital transactions
- (c) Autonomous transactions
- (d) Accommodating transactions

17. प्राथमिक घाटा इसके समान होता है : 1
(सही विकल्प चुनिए)

- (a) ऋण
- (b) ब्याज भुगतान
- (c) ऋण घटा ब्याज भुगतान
- (d) ऋण और ब्याज भुगतान दोनों

Primary deficit equals :

(Choose the correct alternative)

- (a) Borrowings
- (b) Interest payments
- (c) Borrowings less interest payments
- (d) Borrowings and interest payments both

18. निम्नलिखित को प्राप्त कारक आय का योग राष्ट्रीय आय कहलाता है : 1

(सही विकल्प चुनिए)

- (a) नागरिक
- (b) आर्थिक क्षेत्र
- (c) निवासी
- (d) निवासी और गैर-निवासी दोनों

National income is the sum of factor incomes accruing to :

(Choose the correct alternative)

- (a) Nationals
- (b) Economic territory
- (c) Residents
- (d) Both residents and non-residents

19. राजकोषीय घाटा की परिभाषा दीजिए। 1

Define fiscal deficit.

20. प्रवाह की परिभाषा दीजिए। 1

Define flows.

21. एक अर्थव्यवस्था संतुलन में है। निवेश व्यय ज्ञात कीजिए : 3

राष्ट्रीय आय = 1200

स्वतंत्र उपभोग व्यय = 150

सीमांत उपभोग प्रवृत्ति = 0.8

An economy is in equilibrium. Find investment expenditure :

National income = 1200

Autonomous consumption expenditure = 150

Marginal Propensity to consume = 0.8

22. यदि मौद्रिक आय ₹ 500 हो और कीमत सूचकांक 125 हो तो वास्तविक आय का परिकलन कीजिए। 3

If nominal income is ₹ 500 and price index is 125, calculate real income.

23. समग्र माँग से क्या अभिप्राय है? इसके घटक बताइए। 3

अथवा

समझाइए कि मुद्रा आपूर्ति पर नियंत्रण रखने से अधिमाँग को कैसे कम किया जा सकता है।

What is aggregate demand? State its components.

OR

Explain how controlling money supply is helpful in reducing excess demand.

24. ऋण सृजन का नियंत्रण करने में 'नकद जमा अनुपात' की भूमिका समझाइए। 4

Explain the role of Cash Reserve Ratio in controlling credit creation.

25. पेट्रोल और डीजल कारों की बिक्री, विशेषतया बड़े शहरों में निरंतर बढ़ रही है। इसके सकल घरेलू उत्पाद और कल्याण पर पड़ने वाले प्रभावों की व्याख्या कीजिए। 4

Sale of petrol and diesel cars is rising particularly in big cities. Analyse its impact on gross domestic product and welfare.

26. मुद्रा का 'विनिमय का माध्यम' कार्य समझाइए। इसने वस्तु विनिमय से संबंधित समस्या का समाधान कैसे किया है? 4

अथवा

मुद्रा का 'आस्थगित भुगतान का मानक' कार्य समझाइए। इसने वस्तु विनिमय से संबंधित समस्या का समाधान कैसे किया है?

Explain the 'medium of exchange' function of money. How has it solved the related problem created by barter?

OR

Explain the 'standard of deferred payment' function of money. How has it solved the related problem created by barter?

27. 'बाजार कीमत पर निवल राष्ट्रीय उत्पाद' तथा निजी आय का परिकलन कीजिए।

4,2

	(करोड़ ₹)
(i) विदेशों को निवल चालू हस्तांतरण	10
(ii) निजी अंतिम उपभोग व्यय	500
(iii) सरकार से चालू हस्तांतरण	30
(iv) विदेशों को निवल कारक आय	20
(v) निवल निर्यात	(-) 20
(vi) निवल अप्रत्यक्ष कर	120
(vii) राष्ट्रीय ऋण पर ब्याज	70
(viii) निवल देशीय पूँजी निर्माण	80
(ix) सरकार को प्राप्त आय	60
(x) सरकारी अंतिम उपभोग व्यय	100

Calculate Net National Product at Market Price and Private income.

	(₹ crores)
(i) Net current transfers to abroad	10
(ii) Private final consumption expenditure	500
(iii) Current transfers from government	30
(iv) Net factor income to abroad	20
(v) Net exports	(-) 20
(vi) Net indirect tax	120
(vii) National debt interest	70
(viii) Net domestic capital formation	80
(ix) Income accruing to government	60
(x) Government final consumption expenditure	100

28. भारतीय निवेशक विदेशों में उधार देते हैं। निम्नलिखित प्रश्नों का उत्तर दीजिए : 6

(a) भुगतान संतुलन लेखा के किस उपलेखा और किस पक्ष पर यह उधार दर्ज होगा ? कारण दीजिए।

(b) इस उधार का बाजार विनिमय दर पर प्रभाव समझाइए।

Indian investors lend abroad. Answer the following questions :

(a) In which sub-account and on which side of the Balance of Payments Account such lending is recorded ? Give reasons.

(b) Explain the impact of this lending on market exchange rate.

29. बचत वक्र से उपभोग वक्र प्राप्त कीजिए और ऐसा करने में लिए जाने वाले चरण बताइए। रेखाचित्र का प्रयोग कीजिए। 6

Given saving curve, derive consumption curve and state the steps in doing so. Use diagram.

दृष्टिहीन विद्यार्थियों के लिए प्रश्न संख्या 29 के स्थान पर।

उपभोग फलन समझाइए। उपभोग फलन से बचत फलन प्राप्त कीजिए।

For the Blind Candidates in lieu of Q. No. 29.

Explain consumption function. Derive saving function from consumption function.

30. राजस्व व्यय और पूँजीगत व्यय में क्या अंतर है ? समझाइए कर और सरकारी व्यय किस प्रकार समाज में आय के वितरण को प्रभावित करने में सहायक हो सकते हैं। 6

अथवा

प्रत्यक्ष कर और अप्रत्यक्ष कर में क्या अंतर है ? संसाधनों के आवंटन को प्रभावित करने में सरकारी बजट की भूमिका समझाइए।

What is the difference between revenue expenditure and capital expenditure ? Explain how taxes and government expenditure can be used to influence

OR

What is the difference between direct tax and indirect tax ? Explain the role of government budget in influencing allocation of resources.

SENIOR SCHOOL CERTIFICATE EXAMINATION MARCH-2016

MARKING SCHEME – ECONOMICS (OUTSIDE DELHI)

Expected Answers / Value Points

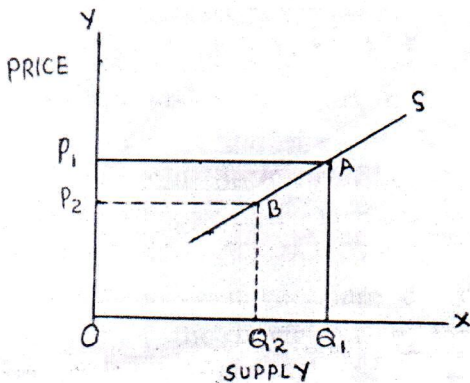
(SET-2)

GENERAL INSTRUCTIONS :

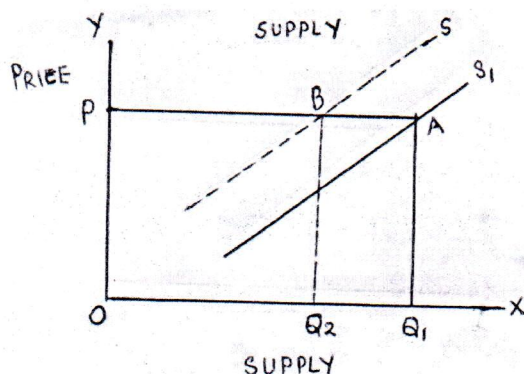
- 1 The Marking Scheme carries only suggested value points for the answers. These are only Guidelines and do not constitute the complete answer. The students can have their own expression and if the expression is correct, the marks be awarded accordingly.
- 2 As per orders of the Hon'ble Supreme Court, the candidates would now be permitted to obtain photocopy of the Answer Book on request on payment of the prescribed fee. All examiners/Head Examiners are once again reminded that they must ensure that evaluation is carried out strictly as per value points for each answer as given in the Marking Scheme.
- 3 All the Head Examiners/Examiners are instructed that while Evaluating the answer scripts, if the answer is found to be totally incorrect, the (x) should be marked on the incorrect answer and awarded '0' marks.
- 4 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.
- 5 Expected suggested answers have been given in the Marking Scheme. To evaluate the answers the value points indicated in the marking scheme should be followed.
- 6 For questions asking the candidate to explain or define, the detailed explanations and definitions have been indicated alongwith the value points.
- 7 For mere arithmetical errors, there should be minimal deduction. Only $\frac{1}{2}$ mark should be deducted for such an error.
- 8 Where 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.
- 9 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.
- 10 Higher order thinking ability questions are for assessing a student's understanding / analytical ability.

General Note: In case of a numerical question, no marks should be awarded if only the final answer has been given, even if it is correct.

B2	Expected Answer / Value Points	Distribution of Marks
SECTION - A		
1	(a) Perfect Competition	1
2	(c) Both monopolistic competition and oligopoly	1
3	(c) Equal to AR	1
4	When there is change in 'own price' of the good	1
5	The difference between ATC and AVC decreases.	1
6	For certain goods & services, govt. sets minimum price. This minimum price is called minimum price ceiling. This price is normally set at a level higher than the equilibrium price. This leads to excess supply. Since producers are not able to sell all they want to sell, they illegally sell the good or service below the minimum price. OR If the prevailing market price is above the equilibrium price, there will be excess supply. Producers are not able to sell all they want to sell, resulting in competition among the sellers. Price starts falling. As a result demand starts rising and supply starts falling. These changes continue till the equilibrium is reached.	1 2 3
7	The consumer is not in equilibrium because $\frac{MU_x}{P_x} > \frac{MU_y}{P_y} \text{ or } \frac{4}{3} > \frac{3}{3}$ Since per rupee MU_x is greater than per rupee MU_y, he will start buying more of X and less of Y till MU_x falls and MU_y rises enough to make $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$	1 2
8	(a) Zero or no change (b) 10% fall (c) 20% fall	1x3
9	$E_s = \frac{\% \text{ change in supply}}{\% \text{ change in Price}}$ $\frac{\frac{10}{2} \times 100}{10} = \frac{10}{20}$ $= 0.5$	2 1½ ½
10	Utility refers to the amount of satisfaction derived from consumption of a good. As consumer goes on consuming more and more units of a good, utility obtained from consuming each extra unit goes on falling. Ultimately it may become zero or even negative. This is the law of diminishing marginal utility.	1 3

11	Fixed cost refers to the cost which does not change with change in output. Example : rent, interest etc. (any one) As output increases AFC goes on falling continuously because $AFC = \frac{TFC}{Output}$ and TFC is constant. OR MP refers to increase in TP as one more unit of a variable input is increased. Behaviour : As only variable input is increased - Initially MP increases. - After a point MP decreases and remains positive. - Ultimately MP becomes negative.	(1+1) 2 1 3
12	(a) Large number of sellers means that number of firms are large enough so that contribution to total output of the industry by any individual firm is negligible. So, no single firm is in a position to influence the market price on its own by changing its own output. Thus, Price remains unchanged. (b) Homogeneous products means that buyers treat products of all the firms as same in all respect as homogeneous product. As such no firm can charge a higher price because no buyer is willing to pay the same. Then Market price remains the same for all the firms. OR (a) The main implication of barriers to entry is that such barriers allow only a limited number of firms into oligopoly industries. Such barriers may be in the form of huge capital requirements, patent rights, availability of crucial raw materials etc. (b) A few or few big sellers has the implication that each big seller contributes a fairly large share of total output. This gives an individual seller the power of influencing the market price by changing its own output.	3 3 3 3
13	(a) Fall in own price reduces (contracts) supply and the producers moves along the same curve S from A to B when price falls from OP_1 to OP_2 and supply falls from OQ_1 to OQ_2 	2 1 2

(b) Rise in tax rate increases the cost of the goods. So its Supply decreases. This shifts the supply curve S_1 to S . Price remains unchanged at OP while quantity supplied decreases/falls from OQ_1 to OQ_2 .



For blind Candidates:

(a)	Price (Rs.)	Supply (units)	(b)	Price (Rs.)	Supply (units)
	10	120		10	120
	11	100		10	100

Any other correct schedule

Explanation on the same lines as above

14 The three properties of ICs are :

(1) An IC slope downwards from left to right

It is because to consume more quantity of one good, some quantity of the other goods must be reduced because the utility level remains the same.

(2) An IC is convex towards origin

It is because MRS declines as more is consumed of one good

(3) An IC to the right represent higher level of satisfaction

It is because an IC to the right shows more units of goods consumed and more units of goods consumed are assumed to have more utility

(No diagram is required)

15 There are three reasons :

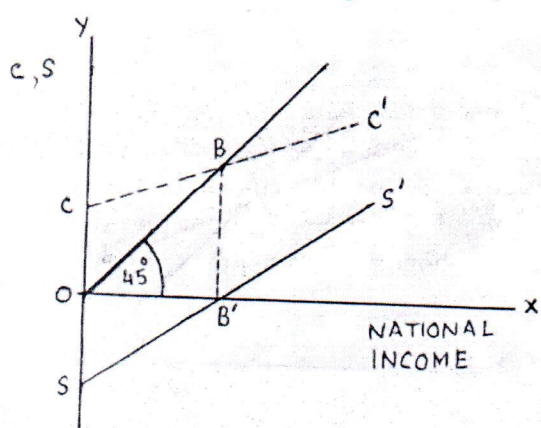
(1) Wants of the people are unlimited

(2) Resources are limited

(3) Resources have alternative uses

'For whom to produce' means that how should output produced be distributed among people. How much each person will get will depend on income of the person. Therefore, the problem amounts to how should income be distributed in the society.

SECTION - B		
16	(c) Autonomous transactions.	1
17	(c) Borrowings less interest payments	1
18	(c) Residents	1
19	Fiscal deficit equals excess of total expenditure over total receipts excluding borrowing of the government.	1
20	'Flows' are variables whose magnitude is measured over a period of time.	1
21	$Y = \bar{C} + MPC(Y) + I$ $1200 = 150 + (0.8 \times 1200) + I$ $I = 1200 - 150 - 960$ $= 90$	1½ 1 ½
22	$Real\ income = \frac{Nominal\ income}{Price\ Index} \times 100$ $= \frac{500 \times 100}{125}$ $= Rs. 400$	1½ 1 ½
23	Aggregate demand refers to the value of final goods and services which all sectors of an economy are planning to buy during a year. Components : (1) Private final consumption expenditure (2) Government final consumption expenditure (3) Investment expenditure (4) Net exports OR Less money supply i.e. stock of money with people leaves less purchasing power in their hands. Therefore, people demand less goods and services. AD falls.	1 ½x4=2 3
24	CRR refers to the percentage of deposits which commercial banks are legally required to keep with the central bank. Raising CRR reduces funds with the commercial banks for lending. Credit creation is thus decreased.	4
25	Final sales of cars raises GDP, because final sales are final products. Cars provide convenience in transportation but at the same time it causes traffic jams, air pollution and noise pollution reducing the welfare of the people. Pollution has bad effects on the health of the people.	4
26	Money serves as a medium of exchanging goods and services. People sell goods for money and use the money for buying goods they want. It has removed the problem of double coincidence of wants faced in the barter system.	4

	OR Deferred payments are postponed payments to be made in future. Such payments arise on account of borrowing and lending activities. It has removed the problem of absence of financial institutions in the barter system. It has also removed the problem of trading in wider areas.	4
27	$NNP_{mp} = ii + x + viii + v - iv$ $= 500 + 100 + 80 + (-20) - (20)$ $= \text{Rs. } 640 \text{ Crore}$ $\text{Private Income} = (NNP_{mp} - vi) - ix + iii + vii - i$ $= 640 - 120 - 60 + 30 + 70 - 10$ $= \text{Rs. } 550 \text{ Crore}$	2 1½ ½ 1 ½ ½
28	(a) Indians lending abroad is recorded in capital account of BOP account because it leads to creation of foreign exchange assets. It is recorded on the debit side because it leads to outflow of foreign exchange (b) Lending abroad increases demand for foreign exchange. Supply of foreign exchange remains unchanged, exchange rate may rise.	4 2
29	Given saving curve SS' (1) Draw a 45° line from the origin. (2) Take OC equal to OS on the Y-axis (3) Draw a perpendicular line from B to B' on OX-axis which intersect 45° line at point B. (4) Join C and B and extend it to get consumption curve CC'  For blind Candidates: Consumption function $C = \bar{C} + MPC(Y)$ Derivation of Saving function for consumption; Subtracting each side from Y $Y - C = Y - [\bar{C} + MPC(Y)]$ $S = Y - \bar{C} - MPC(Y)$ $= -\bar{C} + Y - MPC(Y)$ $= -\bar{C} + Y(1 - MPC)$ $= -\bar{C} + MPS(Y)$ $\therefore 1 - MPC = MPS$	4 2 2 4

30	<u>Revenue expenditure</u>: is expenditure that neither creates any assets nor reduces any liability while <u>capital expenditure</u> creates either assets or reduces liabilities. <u>Taxes and expenditure</u> can be used to alter distribution of income. Government can impose higher taxes on incomes of the rich and goods and services consumed by them. The money so collected can be spent on providing free goods and services to the poorer sections of the society. This will reduce disposable income of the rich and raise that of the poor. This can alter distribution of income. OR Direct tax is the tax whose liability to pay and incidence lies on the same person on whom it is levied. Indirect tax is the tax whose liability to pay and incidence lie on different persons. The govt. can influence allocation of resources for production of different goods and services through its budget. When the govt. wants that more resources be used in the production of some goods, it provides incentives to the producers in the form of tax concessions and subsidies.	2 4 2 4
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