

MARKING SCHEME

1. (c) OR (b)
2. (b)
3. (b)
4. (a) OR (d)
5. (c)
6. (c)
7. (b)
8. (d)
9. (c) OR (c)
10. (b)
11. Increased expenditure by government on public goods like defence, maintaining law and order etc. increases their availability to the people of the country. For example, more expenditure on maintaining law and order raises the sense of security among the people. Any such expenditure raises welfare of the people.

OR

This will reduce the inequalities of income as the difference between disposable incomes of higher income and lower income groups will fall. This will also provide more resource to the government for spending on welfare of the poor, e.g. free services like education and health to the poor people.

12. The term fiscal deficit is the difference between the government's total expenditure and its total receipts (excluding borrowing). Such borrowings are generally financed by issuing new currency which may lead to inflation. However, if the borrowings are for the infrastructural developmental purposes this may lead to capacity building and may not be inflationary.
13. Primary deposits refer to initial deposits with the commercial banks.
 Deposits creation is a process by which a commercial bank creates total deposits number of times the primary deposits. Deposit multiplier = $1/\text{Reserve Deposit Ratio} = 1/0.25 = 4$. Total deposit creation = Initial Deposits x Deposit multiplier = `2,000 x 4 = `8,000

Total lending by the banking system = $8,000 - 2,000 = `6,000$

14.

Y	ΔY	C	ΔC	S	ΔS	APS	APC	MPS
400	-	240	-	160	-	0.4	0.6	-
800	400	440	200	360	200	0.45	0.55	0.5
1000*	200	520	80	480	120	0.48	0.52	0.6

*APC = C/Y . when $APC = 0.52$, $C = 520$. Therefore, $0.52 = 520/Y \Rightarrow Y = 520/0.52 = 1000$

15. In a fixed exchange rate system, when the government increases the exchange rate (thereby, making domestic currency cheaper in terms of a foreign currency) is called Devaluation of domestic currency.

USA has a valid point of argument as devaluation of a currency encourages exports of a country. As exported goods become cheaper in the international market giving a competitive edge for the goods of domestic country (China).

Devaluation of the value of domestic currency promotes the exports of the country and may adversely impact the production and sale of importing country (USA).

16. (a) Generally it is considered that an increase in the Gross Domestic Product (GDP) of any economy (India in this case) ensures increase in welfare of the people of the country. However, this may not always be correct. GDP is not the best indicator of the economic welfare of a country.

Some of the prime reasons for the same are (any two)

- (i) Unequal distribution and composition of GDP,
- (ii) Non-monetary transactions in the economy which are not accounted for in GDP, and
- (iii) Occurrence of externalities in the economy (both positive and negative).

$$(b) \text{ Mixed income of self-employed} = (i) - [(viii) + (xii) + (v)]$$

$$= 71,000 - (15,000 + 30,000 + 1,000)$$

$$\text{Mixed income of self-employed} = `25,000 \text{ crore}$$

$$\text{Government Final consumption expenditure} = (i) - [(x) + (ii) + (v) + (ix)] + (vi) = (xi) = 71,000 - (40,000 + 10,000 + 1,000 + 5,000) + 2,000 + 3,000 = `20,000 \text{ crore}$$

OR

- (a) Yes, the given statement is correct. In a two sector economy, the firms produce goods and services and make factors payments to the households will be used to buy the goods and services which would be equal to income of firms. The aggregate consumption expenditure by the households in the economy is equal to the aggregate expenditure on goods and services produced by the firms in the economy (Income of the producers)

- (b) National Income (vi) = Wages and Salaries (viii) + Operating surplus + Mixed Income (i) + NFIA (ii) Operating Surplus = (vi) - (viii) - (i) - (ii) = 5,000 - 2,000 - 700 - 150 = `1,950 crore.

$$\text{National Income (vi)} = \text{PFCE (iii)} + \text{GFCE (x)} + \text{vGDCF (vii)} + \text{Net Exports (ix)} - \text{Consumption of Fixed Capital (xi)} - \text{Net indirect Taxes (v)} + \text{NFIA (ii)}$$

$$\text{Net exports} = (vi) - (iii) - (x) - (vii) + (xi) = (v) - (ii) = 5,000 - 2,200 - 1,300 - 1,100 + 200 + 150 - 150 = `600 \text{ crore}$$

17. (a) The consumption function describes the relation between consumption and income.

$$C = C + by$$

C = consumption expenditure by households

Y = Level of income in the economy

\bar{C} = Autonomous consumption.

b = slope of the consumption function.

Components:-

(1) Autonomous consumption

(2) Induced consumption

(b) At every point on the 45° line, consumption is equal to income.

Thus the 45° line tells us whether consumption is equal to, greater than or less than income.

18. (c) OR (b)

19. (a) OR (a)

20. (c) OR (a)

21. (b)

22. (c) OR (a)

23. (c)

24. (d)

25. (d)

26. (a)

27. (a)

28. Still the need to promote education for women in India is imminent for various reasons such as:-

(1) Improving economic independence and social status of women to save them from exploitation.

(2) Women education makes a favourable impact on fertility rate and health care of women and children.

OR

Govt. expenditure on education is expressed in two ways:-

(1) As a percentage of total govt. expenditure.

(2) As a percentage of GDP

Educational Achievement in India

(1) Adult literacy rate,

(2) Primary education completion rate

(3) Youth literacy rate

In 2009, Govt. of India enacted Right to Education Act. Govt. of India started 'Education Cess' on all union taxes. Promotion of higher education and new loan schemes for students.

29. (1) The yield from organic farming are less than modern farming in initial years.

2. Organic produce may also have more blemishes and a shorter shelf life than sprayed produce.

3. Choice in production of off-season crops is quite limited in organic farming.

4. Marketing of organically produced goods is another major problem.

30. a) In urban areas, the worker population ratio is about 34 where as in rural India, the ratio is about 35. People in rural area have limited resources. People cannot stay at home as their economic condition may not allow them to do so. Urban areas, a considerable section is able to study and have a variety of employment opportunities.

b) Compared to males, less females are found to be working. For every 100 urban females, only about 14 are engaged in some economic activities. In rural area for every 100 rural women about 18 participate in the employment market. The reasons are given below.

➤ Families discourage female members from taking up jobs.

- May household activities in which urban women are engaged are not considered as productive work while women working on farms are considered as a part of the workforce.
- Earnings of urban male workers are generally higher than rural males and so urban families do not want female to work.

31. The given statement is correct:

1. In the initial phase, reforms initiated in agriculture, foreign trade and investment sectors.
2. In the later phase, reforms were initiated in the industrial sector. SOEs were made to face competition.
3. The reform process also involved 'dual pricing'
4. Special economic zones were set up.

OR

The given statement is correct.

- 1) Declining growth rate
- 2) Re-emergence of poverty – Reason for re-emergence of poverty are:-
 - (a) Volatile performance of agricultural sector
 - (b) Over dependence of on remittances and foreign aid.
 - (c) Political instability over a long period of time.

32. (a) In the 1980's China was having double digit growth and India's GDP growth rate was only 5.7.

b) In 2015 -17 there has been a decline in China's growth rate, whereas, India's growth rate was 7.3

33. (a) Service Sector

b) During the reform period, the growth of agriculture has declined because of the following reasons:-

- Public investment in agriculture especially in infrastructure has fallen in the reform period.
- The removal of fertilizer subsidy has led to increased in the cost of production.
- Increased international competition.
- Because of export oriented policy, production of cash crops instead of food grains increased.

c) Cheaper imports.

Inadequate investment in infrastructure.

OR

(a) Critics point put that the assets of PSEs have been undervalued and sold to the private sector. There has been a substantial loss to the government. The government envisaged that proceeds from disinvestment could be effectively utilized to improve the performance of the PSEs.

(b) Statement is correct:-

In recent times, outsourcing has intensified because of the growth of fast mode of communication, especially IT. Low wage rates and availability of skilled manpower in India made it a destination for global outsourcing after 1991.

34. (a) The use of Compressed Natural Gas (CNG) as fuel in public transport system has significantly lowered air pollution and the air has become cleaner.

- b) With the help of photovoltaic cells, solar energy can be converted to capture solar energy and then convert the energy into electricity. This technology is extremely useful for remote areas and for places where supply of power through grid or power lines is either not possible or proves very costly. This technique is also totally free from pollution.
- c) The statement is true. Owing to the rise in air pollution, monitoring and maintaining good air quality is the need of the hour. Better air quality helps to reduce medical issues like asthma and other respiratory problems.