

# MARKING SCHEME – PRE BOARDS 2020-21

## CLASS XII ECONOMICS

Q.No	ANSWERS	Marks
<b>PART A – MACRO ECONOMICS</b>		
1	(a) OR (d)	1
2	Release	1
3	d	1
4	a	1
5	d	1
6	b	1
7	Increase	1
8	d	1
9	Inflationary gap	1
10	a	1
11	a) False, gross domestic capital formation can be lesser than gross fixed capital formation if change in stock is negative. b) True, because increase in price can cause increase in national income at current prices without increase in quantum of goods and services produced.	1.5  1.5



15	<p>Full employment refers to a situation where there is no involuntary unemployment i.e., those who are willing to work at the current wage rate get work.</p> <p>When aggregate demand is more than aggregate supply at full employment income level, it is the situation of excess demand. Since AD is not equal to AS it is not an equilibrium situation. Excess demand brings inflation in the economy therefore excess demand is also called inflationary gap. When AD is greater than AS at full employment, the producers over utilise the resources to meet the excess demand. As a result, demand for inputs increases, prices of inputs increase, cost rises, leading to rise in the product prices. This leads to inflation in the economy.</p> <p style="text-align: center;"><b>OR</b></p> <p>The two alternative ways of determining equilibrium level of income are:  AD=AS approach  S= I approach</p> <p>The equilibrium level of national income is determined at the point where aggregate demand equals aggregate supply. AD=AS  Assuming that there is no foreign trade or government, AD is the sum of consumption and investment  AD= C+I</p> <p>Since aggregate supply is the same as national income and national income is usable either for making consumption or for savings we can say  AS= C+S</p> <p>Putting all the information in the form of equations we get  AD=AS  C+I= C+S  I=S. or S= I</p> <p>These are the two approaches of looking at equilibrium.</p>	1  3         4
16	<p>b) NVA FC=RENT + WAGES + INTEREST + PROFIT  NVA FC=60+120+80+110=370  GVO MP= 740  NVO FC= GVO MP -depreciation-NIT  =740-30-15=695</p> <p>Intermediate consumption=NVO FC-NVA FC  =695-370  = Rs 325 lakh</p> <p>a) The two approaches are:  Take the value added instead of total output  Take the value of final products only</p>	2  2  2



21	a	1
22	d	1
23	b	1
24	b	1
25	b	1
26	A, True	1
27	a	1
28	<p>Firms make expenditure on giving on the job training to their workers. It may be in the form of training under the supervision of a skilled worker in the firm itself or off campus training .(brief explanation) Expenditure regarding on the job training is a source of human capital formation as the return of such expenditure is in the form of enhanced labour productivity which is more than the cost of training.</p> <p style="text-align: center;"><b>OR</b></p> <p>Workers can be divided on the basis of status of employment as self employed, regular salaried employees and casual wage labourers. Self employed workers have decreased from 62% to 52%. Yet Self-employment continues to be the major employment provider over the years. More than 50% of workforce is still self employed. Regular salaried employees have increased somewhat over the years from about 15% to 23% Still about one-fourth of the workforce continues to work as casual wage labourers which is a highly vulnerable category of the workforce. The process of moving from self employment and regular salaried employment to casual wage work reflects casualisation of workforce.</p>	<p>3</p> <p>3</p>

29	<p>Monthly per capita expenditure method of measuring poverty can be criticized on a number of counts</p> <ol style="list-style-type: none"> <li>1. It doesn't differentiate between the very poor and the other poor and groups all the poor together. It identifies the poor as a group but not those poor people who need help the most.</li> <li>2. The method takes into account expenditure on food and few other select items as proxy for income which is questionable.</li> <li>3. Other than income and assets, accessibility to basic education, health care, drinking water and sanitation are also important factors that should be considered to develop poverty line.</li> <li>4. Social factors responsible for poverty have not been accounted for.</li> </ol> <p>(At least three valid arguments)</p>	1×3
30	<p>Equity is the planning objective being indicated here in the statement. It is important to ensure that the benefits of economic prosperity reach the poor sections of the population also instead of being enjoyed only by the rich. So along with growth, modernization and self reliance, equity is also important. It is important to improve the general living standard of people which growth, modernization and self-reliance, even together cannot ensure.</p> <p>Every Indian should be able to meet his or her basic needs for food, shelter, education, health care and inequality in the distribution of wealth should be reduced. Equity aims to raise the standard of living of all people and promote social justice.</p>	4
31	<p>Lessons that can be learnt are:</p> <ol style="list-style-type: none"> <li>1. Pakistan has faced political instability, overdependence on remittances and foreign aid along with volatile performance of agriculture sector, and these have been the reasons for the slowdown of the economy.</li> <li>2. In China, the lack of political freedom and its implications for human rights are major concerns.</li> <li>3. However China successfully used the market system without losing its political commitment and succeed in raising the level of growth along with alleviation of poverty.</li> <li>4. China also successfully used the market mechanism to create additional social and economic opportunities.</li> <li>5. In China collective ownership of land was retained and yet individuals were allowed to cultivate lands. It ensured social security in the rural areas.</li> <li>6. Social infrastructure was provided even prior to the reforms, enhancing human development in China.</li> </ol> <p>(Any four valid points)</p>	1×4



