MARKING SCHEME – PRE BOARDS 2020-21 CLASS XII ECONOMICS

Q.No	ANSWERS	Marks
	PART A - MACRO ECONOMICS	
1	(a) OR (d)	1
2	Release	1
3	d	1
4	а	1
5	d	1
6	b	1
7	Increase	1
8	d	1
9	Inflationary gap	1
10	а	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	1.5
	produced.	1.5

12	Depreciation of foreign currency means fall in exchange rate. It implies that foreign buyers will now get less amount of goods from the domestic economy by paying the same amount of foreign exchange .It makes exports costlier. Demand for exports falls. OR Managed Floating Exchange Rate is the flexible exchange rate with intervention by the central bank through the market for foreign exchange to reduce fluctuations in the rate. When foreign exchange rate is too	3
	high, the central bank starts selling the foreign currency from its reserves. When it is too low, Central banks starts buying foreign currency in the market.	3
	a) The statement is refuted. Commercial banks do create money. Currency with the public and demand deposits with commercial banks are the two components of money supply.	
13	While currency is issued by the central bank, the demand deposits are created by commercial banks. b) The statement is defended.	2
	LRR, legal reserve ratio and the size of the money multiplier are inversely related. Lesser the value of legal reserve ratio, more is the value of the money multiplier and vice versa.	2
	Multiplier = 1/1-b =1/1-0.8=5	1
14	Multiplier = Change in income/Change in investment 5 = change in income/1000 Change in income = 5000	1
	Change in income = 5000	

	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. 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.	1
	OR	
15	The two alternative ways of determining equilibrium level of income are: AD=AS approach S=Lapproach	
15	S= I approach The aquilibrium level of national income is determined at the point	
	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	
	Since aggregate supply is the same as national income and national	
	income is usable either for making consumption or for savings we can	
	say	4
	AS= C+S	
	Putting all the information in the form of equations we get AD=AS	
	C+I= C+S	
	I=S. or S= I	
	These are the two approaches of looking at equilibrium.	
	b) NVA FC=RENT + WAGES + INTEREST + PROFIT	
	NVA FC=60+120+80+110=370	_
	GVO MP= 740 NVO FC= GVO MP -depreciation-NIT	2
	=740-30-15=695	2
16	Intermediate consumption=NVO FC-NVA FC	
	=695-370	
	= Rs 325 lakh	
	a) The two approaches are:	2
	Take the value added instead of total output	
	Take the value of final products only	

17	a) Revenue deficit refers to the excess of total revenue expenditure over total revenue receipts. The pandemic is likely to increase government expenditure on provision of health services to the people. Due to the slow down and the subsequent lockdowns in the economy and, decrease in the levels of economic activity, the government is likely to collect less tax revenue. Both the factors may contribute to the rise in revenue deficit. b) Distribution of income can be influenced using taxes and expenditure policy of the government. Government can impose higher rates of taxes on the income of the rich and the goods consumed by the rich. Second, government can spend more amount on providing free services to the poor like education, health etc. This will raise disposable income of the poor. In this way the gap between the rich and the poor can be reduced. OR a) Fiscal deficit in a government budget refers to the excess of total expenditure over the sum of revenue receipts and non debt capital receipts. Fiscal deficit indicates borrowing requirements of the government during the budget. It shows how comment is living beyond its means. b) Income received from sources other than taxes are classified as non tax revenue. The main sources are interest, dividends, profits and external grants.(brief explanation)	3+3
	PART B – INDIAN ECONOMIC DEVELOPMENT	
18	d	1
19	С	1
20	b Or b	1

		T
21	a	1
22	d	1
23	b	1
24	b	1
25	b	1
26	A, True	1
27	a	1
	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. OR	3
28	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.	3

29	Monthly per capita expenditure method of measuring poverty can be criticized on a number of counts 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. 2. The method takes into account expenditure on food and few other select items as proxy for income which is questionable. 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. 4. Social factors responsible for poverty have not been accounted for. (At least three valid arguments)	1×3
30	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. 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.	4
31	Lessons that can be learnt are: 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. 2.In China, the lack of political freedom and its implications for human rights are major concerns. 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. 4. China also successfully used the market mechanism to create additional social and economic opportunities. 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. 6. Social infrastructure was provided even prior to the reforms, enhancing human development in China. (Any four valid points)	1x4

	Demographic conditions during the British rule suggested all the features of a backward economy. There was uneven-ness in India's population growth but after 1921 population grew continuously and rapidly. Both birth date and death rate of population were high. The overall literacy rate was less than 16 percent and infant mortality high. Life expectancy I was as low as 44 years and the health facilities were in a poor state. Water and air borne diseases widespread and so was poverty. The overall standard of living of common people in India was very low.	4
32	The Economic reforms have not been able to benefit agriculture where the growth rate has been decelerating. NEP neglected the agricultural sector as compared to industry, trade and service sector. Lack of public investment in agricultural sector. Removal of fertilizer subsidy adversely affecting small and marginal farmers. Adverse effect of policy changes. Shift towards cash crops leading to rise and food grain prices. (A brief explanation of any four relevant arguments)	4
33	a) Sustainable development is the development which will allow all future generations to have a potential average quality of life, that is, at least as high, as is being enjoyed by the current generation. The basic aim of sustainable development is to ensure that present generation should leave a stock of quality of life for the next generation, which is no less that what we have inherited. So, intergenerational equity refers to the need to ensure that present needs are fulfilled without compromising on the ability of the future generations to meet their needs. b) 'Carrying Capacity' implies broadly two things 1. Resource extraction should remain below the rate of resource regeneration. 2. Generation of waste should be within the absorption capacity of the environment. If these two conditions are not fulfilled, the environment fails to perform its vital functions of life sustenance and it leads to a situation of environmental crisis.	3

	OR Men in urban areas are able to earn higher incomes, so females are discouraged to take up jobs.	2x3
34	The main drawbacks of our healthcare system are; 1. Inequitable distribution of health services across different parts of the country. 2. Prevalence of communicable diseases like AIDS, SARS, COVID etc 3. Poor sanitation facilities. 4. Lack of man power. 5. Privatisation of health care with private sector providing expensive facilities beyond the reach of the poor 6. Poor maintenance of healthcare centres. 7. Poor state of women's health. (Brief explanation of any 6 points) OR a) True. Workers in the informal sector have uncertain and irregular employment. They are not protected by labour laws either. b) True. Mini-hydel Plants are environment friendly as they do not change the land use pattern of the areas where they are located. They meet the local demand for power and do away with the need for large scale transmission towers, cables etc c) False, more women are working in rural areas. They have to contribute to the family income, which is low.	6