

MARKING SCHEME - PRACTICE PAPER -

2020-21 CLASS XII ECONOMICS (030)

Q.No.	ANSWERS	Marks
	PART A - MACRO ECONOMICS	
1.	(c) National Income of a country Or (d) Rs 1000	1
2.	(c) an intermediate good	1
3	(b) Fiscal deficit;	1
4.	(b) B – ii	1
5.	(a) Inverse	1
6.	(a) Current ,Capital	1
7.	festive season	1
8.	(a) 6 months	1
9.	increase	1
10.	(d) 29%	1
11.	Intermediate goods: Intermediate goods are those goods which are within the boundary line of production and not ready for use by their final users. These goods are purchase for further sale or are to be use as raw material by the producers. example, coal used in factory Final goods: Final goods refer to those goods which used either for consumption or for investment. They are ready for use in the sense that no value has to be added. Example, milk purchased by household for consumption.	3
12.	(a) False: Autonomous transactions take place in both current and capital accounts (b) True: Foreign investment are recorded in the capital account of BOP as it cause a change in assets of the country. Or The given statement is refuted .Deficit occurs due to autonomous transactions. To remove the deficit, accommodating transactions are carried out	3
13.	Following observations may be noted in this regard: Observation 1: Credit creation accelerates the process of growth by expanding the availability of credit for purpose of investment. Observation2: Credit creation contribute to the process of growth by expanding size of the market (or aggregate demand), as the availability of credit for the purchase of consumer durables increases.	2+2
14.	(i) For equilibrium level of income $Y=C+I$ $Y=100+0.7Y+500$ $Y-0.7Y=600$	2

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	<p style="text-align: center;">Y=2000</p> <p>Equilibrium level of income= 2000 (ii) Consumption(C) =100+0.7Y =100+0.7 X 2000=100+1400=1500</p> <p style="text-align: center;">Or</p> <p>(i) Ex-ante investments: Ex-ante investments refers to the amount of investments which investors plan to invest at different levels of income in an economy.</p> <p>(ii) Involuntary unemployment: Involuntary unemployment refers to a situation in which all those people, who are willing and able to work at the existing wage rate, do not get work</p>	<p>2</p> <p>2+2</p>
15.	<p>(i) To correct excess demand Central Bank can raise the bank rate. This forces commercial bank to increase lending rates. This reduces demand for borrowing by the public for investment and consumption. Aggregate demand falls.</p> <p>(ii) When there is excess demand Central Bank sells securities. This leads to flow of money out of the commercial bank to the central bank. This reduces deposits with the banks leading to decline in their lending capacity. Borrowing decline aggregate demand declines.</p>	2+2
16.	<p>(i) Fees paid to mechanic by a firm are not included because it is an intermediate cost of the firm and to avoid the double earning.</p> <p>(ii) Interest paid by an individual is not included because the loan is taken to meet consumption expenditure and therefore interest paid on such a loan is not a factor payment.</p> <p>(iii) Expenditure on purchase a car by a firm is included because it is an investment expenditure, a final expenditure.</p> <p style="text-align: center;">Or</p> <p>National Income by Income method = Mixed income of self-employed + Compensation of employees + Rent + Interest + Profit + Net factor income from abroad = 35 + 250 + 75 + 25 + 100 + (-5) = 480 crores</p> <p>National income by Expenditure method = Final consumption expenditure of Private sector + Final consumption expenditure of government sector + Gross domestic fixed capital formation + (Closing stock – Opening stock) + Net Exports – Consumption of fixed capital + Net Factor Income from abroad - Net Indirect Tax = 350 + 100 + 70 + (25 - 15) + (10 - 20) -10 + (-5) -25; = 480 crores</p>	<p>2+2+2</p> <p>3+3</p>
17.	<p>(1) Receipt from sale of shares of a public sectors undertaking is a capital receipt, as it causes reduction in assets of government.</p> <p>(2) Borrowing from public is a capital receipt, as it creates liability for the government.</p> <p>(4) Income tax received by government is revenue receipt, because it neither creates liability nor leads to reduction in asset of government.</p>	2+2+2

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PART B - INDIAN ECONOMIC DEVELOPMENT		
18	(d) All of the above.	1
19	(B) 1881	1
20	a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1
21	b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)	1
22	(c) C – iii	1
23	(a) Agriculture	1
24	food grains	1
25	agriculture tools	1
26	U.S.	1
27	rural areas	1
28	<p>National Food for Work Programme (NFFWP):</p> <ul style="list-style-type: none">• It was launched in 2004• The objective of Intensifying the generation of supplementary wage employment• It was initially implemented in 150 most backward districts of the country• The Programme was implemented as a 100 percent Centrally sponsored scheme• This programme was incorporated in Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005 <p style="text-align: center;">Or</p> <p>Green revolution: The combined use of HYV seeds and increased use of fertilizers and developed irrigation of production of food is called as Green revolution. It led to increase in the production of food grains especially of rice and wheat .</p> <p>Golden revolution: Rapid growth in the production of the horticultural crops such as fruits ,vegetables, flowers etc is known as Golden revolution .</p> <p>It led to increase in production of fruits, vegetables, flowers, spices etc .</p>	3
29	(i) Because of availability of educational institutions regular salaried employees are more in urban areas than rural areas. As such they get better opportunities for their skill. (ii) Whereas ,in rural areas, majority of the people are illiterate and lack skills, which are needed for regular employment.	3
30	Fiscal policy reforms were undertaken to improve the expenditure and revenue policies of the government. The following steps were undertaken: (a) Tax Reforms: Tax rates were reduced, tax evasion was plugged and procedures were simplified. (b) Government expenditure was curtailed by cutting down on unnecessary expenses. Borrowings were reduced and all loss-making PSU's were shut down. (c) Disinvestment in PSU's was undertaken to plug the budgetary deficit.	4
31	Import substitution policy aimed at replacing or substituting imports with domestic production. For example, instead of importing vehicles from abroad, the industries were encouraged to produce them in India itself. It was introduced in India because the government wanted to protect the domestic industries from foreign competition. It was assumed that if domestic industries are	4

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	protected, they will learn to compete in the course of time. Or Yes the Navratna policy of the government has helped in improving the performance a public sector undertaking in India. The government has decided to give special treatment to some of the important profit making PSUs and they were given the status of navratnas. These navratnas were granted financial and operational autonomy in the working of the companies. Some PSUs are IOCL, BPCL, ONGC, SAIL, BHEL, NTPC, MTNL, GAIL etc.	
32	China has succeeded in placing greater reliance on Industrial sector compared to India . It is due to (i) GLF , a campaign launched in China in 1958 focusing on widespread Industrialization of the Country . (ii) Policy of reforms and opening up launched in 1978 which gave big push to china's manufacturing exports.	4
33	The following are the suggestions. . 1.Non-agricultural employment opportunities are to be created. 2..creating awareness about the programmes initiated by the Govt among the rural people. 3 Development of small – scale and cottage industries. 4 Imparting technical knowledge to the rural people. (with brief explanation) Or The factors contributing to land degradation are: (a) Loss of vegetation due to deforestation (b) Unsustainable fuel wood and fodder extraction (c) Shifting agriculture (d) encroachment into forest lands (e) Forest fires and overgrazing (f) Non-adoption of adequate soil conservation measures (g) Improper crop rotation (h) Indiscriminate use of agro-chemicals such as fertilizers and pesticides (i) Improper planning and management of irrigation systems (any six points with brief explanation)	6
34	(a) False: India was an independent, prosperous and self sufficient economy before the British rule. (b) False: On-the-job-training is a source of human capital formation as it increases the skill and efficiency of the workers and leads to an increase in production and productivity (c) True: Coal is classified as a nonrenewable energy source because it takes millions of years to form.	2+2+2