

## **QB365 - Question Bank Software**

MARKING SCHEME - PRACTICE PAPER- 2020-21 CLASS XII ECONOMICS (030)

Q.NO	ANSWER	MARKS
1	(c) -Stock, point of time.	1
2	(b)	1
3	Raises the inflow of foreign currency in india.	1
4	Money can be defined as "anything which is generally accepted in exchange of goods and services or repayment of debts"	1
5	Demand deposit are those deposits which are repayable by the bank on demand.	1
6	(b)	1
7	$K=\Delta Y/\Delta I$ Or $1/MPS=\Delta Y/\Delta I$ Or $1/0.25=\Delta Y/250$ Or change in income =1000	1/2  1/2
8	(a)	1
9	(b)	1
10	(b)	1
11	A) National income greater than domestic income only when net factor income from abroad is positive. In other words, when factor income from abroad is more than factor income to abroad. B) Nominal GDP has its limitations as a measure of economic welfare as it can increase even though output /production remain constant or decline because of rise in price. When GDP measured at constant price then it's truly reflect the level of economic growth or welfare and only can increase when output	1+1/2  1+1/2
12	Components of capital account cause change in assets or liabilities status of the resident and government of the country. Components a) Foreign direct investment-foreign direct investment and foreign institutional investment. b) Foreign loans –credit granted by international institutions or foreign governments.	1  1  1

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	<p>C) Change in foreign exchange reserve because of private official transection.</p> <p>OR</p> <p>1- Huge development and investment programme.</p> <p>2- Huge external borrowings.</p> <p>3- Inflation</p> <p>4- trade cycles</p> <p>5- limited export receipt and higher import payments.</p> <p>any three with correct explanation</p>	
13	<p><math>C=100 + 0.75Y</math>                      Break-even point income is equal to consumption or <math>Y=C</math>                      Or <math>Y=100+0.75Y</math>                      OR <math>Y-0.75Y=100</math>  <math>Y=400</math>                      Now, Value of multiplier  <math>K=1/1-mpc</math>  <math>K=1/1-0.75</math>  <math>K=1/0.25</math>  <math>K= 4</math></p>	<p>2</p> <p>2</p>
14	<p>Money multiplier: it is the multiple by which total deposit increased due to primary deposit.</p> <p>Money creation (or credit creation) by commercial banks depends on two factors</p> <p>1) amount of initial deposit</p> <p>2) LRR</p> <p>Credit creation=initial deposit x 1/LRR</p> <p>Numerical example</p>	<p>1</p> <p>2</p> <p>1</p>
15	<p>A) Value of investment multiplier directly depends upon MPC. More of MPC means more value of investment multiplier. Hence investment multiplier is minimum at minimum value of MPC and minimum value of MPC is 0. So we can say that when MPC is equal to 0 value of multiplier is minimum.</p> <p>B) initial level of equilibrium level of income =1200 cr</p>	4

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change in income = 2000 - 1200 = 800 cr  
 it is given MPC=3/4 MPS  
 as MPC + MPS=1  
 so MPC = 3/4  
 also K = 1/1-MPC so K = 1/1-3/4  
 =4  
 now  
 K = change in income / change in investment  
 4 = 800 / change in investment  
 hence change in investment = 200 cr

OR

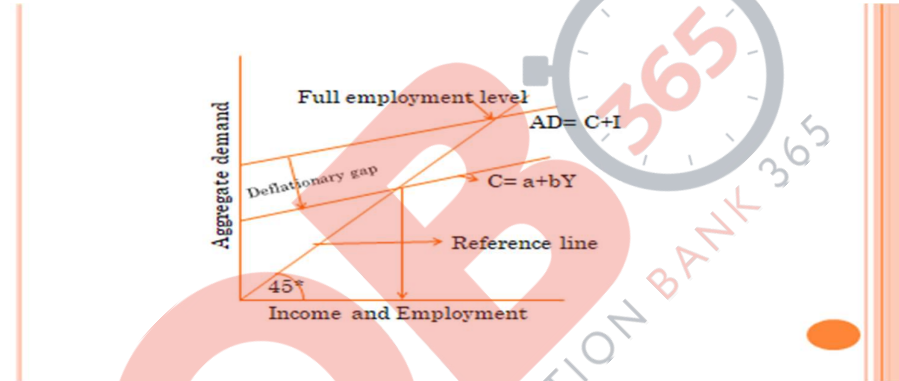


Diagram with correct explanation

4

16	<p>By output method  <math>NNP_{FC} = (i + v + viii) - iii + xi - iv</math>  <math>(300 + 200 + 700) - 150 + 20 - 120 = 950</math></p> <p>By expenditure method  <math>NNP_{FC} = (ii + x) + (vi + vii) + ix - iv + xi</math>  <math>= (750 + 150) + (220 - 20) - 50 - 120 + 20</math>  <math>= 900 + 200 - 150</math>  <math>= 950</math></p> <p>OR</p> <p>1) Old age pension received without rendering any productive service in return. This is unilateral or one</p>	3
		3
		2

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	<p>sided payment and hence considered as transfer payment. Whereas retirement payment is for rendering service to the institution and hence only payable to the person. Retirement pension is earned income so it is included in national income.</p> <p>2) Export is produced within domestic territory therefore forms a part of domestic income.</p> <p>3) Final goods either purchased by consumers for personal use or by producers for investment, these are not for resale or further production. Whereas intermediate goods purchased as raw, material or for resale in the same year. So if we include intermediate goods in domestic income it leads to double counting.</p>	2  2
17	<p>A) Main components of capital receipt. 1) recovery of loans. 2) disinvestment 3) borrowings 4) small savings Any 3 with correct explanation B) Reallocation of resources – with correct explanation.</p>	3  3
18	(b) Railways	1
19	(b) Liberalisation	1
20	(d) Calorie intake	1
21	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1
22	(c) India controlled its population after 1980 due to one child policy	1
23	(b) communication	1
24	Indirectly	1
25	(b) It helps in economic development	1
26	(d) All of the above	1
27	1987	1
28	Direct employment generation through recruitment in government undertakings.	3

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	<p>Indirect employment generation through raising its production and thereby generating employment opportunities in the linked industries.</p> <p>Or</p> <p>Majority population live in villages.</p> <p>It will create employment opportunities and prevent stress migration.</p> <p>It will create opportunities of education and skill development.</p>	
29	<p>Global warming is the observed and projected increase in the average temperature of earth's atmosphere and oceans.</p> <p>It is due to an increase in the greenhouse gas concentrations, like water vapour, carbon dioxide, methane and ozone in the atmosphere.</p>	3
30	<p>It helps in predicting areas of food insecurity and vulnerability.</p> <p>It circulates information regarding emerging technology.</p> <p>It is generating employment opportunities.</p> <p>It makes the village a knowledge centre.</p>	4
31	<p>Reduction of public investment, removal of subsidy, shift towards cash crops, and liberalisation and reduction in import duties.</p> <p>Or</p> <p>Better technology and growth of IT, Cheap and skilled manpower, Better performance of some service sectors, and economic reforms.</p>	4
32	<p>China is ahead of India and Pakistan in human development indicators. It has better ranking in terms of income indicators such as GDP, health indicators, access to sanitation, literacy, life expectancy or malnourishment. Pakistan's performance in education, sanitation and access to water is better than India. India has the largest share of poor in absolute terms.</p>	4
33	<p>(a) Subsidies are important to reduce inequalities of income. It enables the farmers to afford farm inputs.</p> <p>(b) A good indicator of economic growth is steady increase in the GDP. It enables people to enjoy a more rich and varied life. Equity too aims to raise the standard of living of all people.</p>	3 3
34	<p>High growth of population, Brain-Drain, Insufficient resources, Unemployment or underutilisation of resources, and</p>	6

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	<p>imbalances in distribution of resources between school and university education etc. Or Development of infrastructure, upgradation of agricultural practices to raise productivity, motivating the poor to acquire skills, generating employment opportunities for the identified poor, and awareness about benefits of family planning etc.</p>	6
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