

**MARKING SCHEME - SAMPLE QUESTION PAPER 2020-21****CLASS XII ECONOMICS (030)**

<b>Q.No</b>	<b>ANSWERS</b>	<b>Marks</b>
	<b>PART A - MACRO ECONOMICS</b>	
1	a. stock, flow. Or c. ₹ 240 crores	1 1
2	release	1
3	c. currency held by the public and demand deposits with commercial bank.	1
4	b. B-ii	1
5	c. In the Managed floating exchange rate system, the central bank intervenes to moderate exchange rate fluctuations.	1
6	a. credit, current	1
7	increase	1
8	c) rise in aggregate demand	1
9	inflationary gap	1
10	d. no change in output/employment but increase in general price level.	1
11	a. The given statement is false as Gross Domestic Product is the result of sum of Gross Value Added by all the producing units/firms in an economy, during an accounting year. b. The given statement is false as intermediate goods are generally non-durable in nature. They are the goods used as raw material and they lose their identity in the production process for the creation of a new commodity, during an accounting year.	1½ 1½
12	a. The given statement is false as the Current Account of Balance of Payments records unilateral transfers along with exports and imports of goods and services. b. The given statement is false as the borrowings from abroad are recorded in the Capital Account of Balance of Payments on the credit side as it results in an inflow of foreign currency in the economy. or	1½ 1½

	<p>The given statement is refuted as the Current Account Deficit (CAD) is a broader concept. CAD occurs when the foreign exchange payments on account of visible, invisibles and current transfers are in excess over the receipts of visible, invisibles and current transfers.</p> <p>A country may face a situation of CAD, even if the country has trade surplus, with greater negative balances on account of services and unilateral transfers.</p>	3
13	<p>a. Money multiplier is the process by which the commercial banks create credit, based upon the reserve ratio and initial deposits.</p> <p>b. Reserve deposit ratio is the minimum reserves which a commercial bank must maintain as per the instructions of the Central Bank.</p> $\text{Credit Creation} = \frac{1}{\text{reserve ratio}}$ <p>Thus, credit creation is inversely related to the reserve deposit ratio.</p> <p><b>For Example:</b> Suppose the Reserve Ratio is 0.2 and initial deposit is ₹ 1000 crores.</p> $\begin{aligned} \text{Total Credit Created} &= \frac{1}{\text{reserve ratio}} \times \text{initial deposits} \\ &= \frac{1}{0.2} \times 1000 \\ &= ₹ 5,000 \text{ crores.} \end{aligned}$ <p>Now, suppose reserve ratio is increased to 0.5</p> $\begin{aligned} \text{Total Credit Created} &= \frac{1}{\text{reserve ratio}} \times \text{initial deposits} \\ &= \frac{1}{0.5} \times 1000 \\ &= ₹ 2,000 \text{ crores.} \end{aligned}$ <p>Thus, on the basis of the above illustration we can say that there exists an inverse relation between reserve and credit creation.</p>	1           3
14	<p>Given , Consumption function(C)=200+0.5Y, Investment(I)=400, Level of income (Y)=1500</p> <p>At Equilibrium level → AD = AS</p> <p>Y = C+I</p> <p>thus, Y = (200 + 0.5Y) + 400</p> <p>Y - 0.5 Y = 600</p> <p>Y = 600/0.5 = ₹ 1200 crores.</p> <p>The equilibrium level of income = ₹ 1200 crores.</p> <p>The given income (₹ 1500 crores) is greater than equilibrium level of income (₹ 1200 crores). Therefore, the economy is not in equilibrium.</p> <p>Or</p> <p><b>i) Ex-ante savings</b> - Ex ante savings refers to the planned savings of an economy at different levels of income.</p> <p><b>ii) Full employment</b> – It refers to a situation, where all the willing and capable resources get a gainful job at prevailing wage rate. It is a situation where there is</p>	½ ½ 1 ½ ½  1  2 2

	no involuntary unemployment.													
15	<p>The situation suggests that Aggregate Demand is less than Aggregate Supply. Following two fiscal measures may be taken to control it:</p> <p>a. <b>Decrease in Taxes</b> - To curb the situation, the government may decrease the taxes. This may increase the purchasing power in the hands of the general public. This may increase the Aggregate Demand in the economy to bring it equal to the Aggregate Supply.</p> <p>b. <b>Increase in Government Expenditure</b> - The government may also increase its expenditure. This may increase the purchasing power in the hands of the general public which in turn may increase the Aggregate Demand in the economy to bring it equal to the Aggregate Supply.</p>	2 2												
16	<p>a. The given statement is defended; as it is difficult to measure the monetary value of the services performed by a woman (homemaker). Therefore, these activities may not be considered as an economic activity.</p> <p>b. Compensation given to the victims of a cyclone is an example of a social welfare measure taken by the government. However, it is not included in estimation of national income as it is a transfer payment which does not lead to corresponding flow of goods and services.</p> <p style="text-align: center;">OR</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Nations/ Years</th> <th style="text-align: center;">2018-19</th> <th style="text-align: center;">2019-20</th> <th style="text-align: center;">Growth Rate of GDP = <math>\frac{\text{Change in GDP}}{\text{Base Year GDP}} \times 100</math> (Base year = 2018-19)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">X</td> <td style="text-align: center;">₹2,000 crores</td> <td style="text-align: center;">₹ 4,000 crores</td> <td style="text-align: center;">= <math>\frac{2000}{2,000} \times 100</math> = 100%</td> </tr> <tr> <td style="text-align: center;">Y</td> <td style="text-align: center;">₹1,20,000 crores</td> <td style="text-align: center;">₹2,00,000 crores</td> <td style="text-align: center;">= <math>\frac{80,000}{1,20,000} \times 100</math> = 66.67%</td> </tr> </tbody> </table> <p>Nation X has registered a GDP growth rate of 100% and has performed better on the front of GDP rise as compared to Nation Y that has registered a GDP growth rate of 66.67%.</p>	Nations/ Years	2018-19	2019-20	Growth Rate of GDP = $\frac{\text{Change in GDP}}{\text{Base Year GDP}} \times 100$ (Base year = 2018-19)	X	₹2,000 crores	₹ 4,000 crores	= $\frac{2000}{2,000} \times 100$ = 100%	Y	₹1,20,000 crores	₹2,00,000 crores	= $\frac{80,000}{1,20,000} \times 100$ = 66.67%	3 3 4 2
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17	<p>a. <b>Allocation of resources:</b> Government seeks to allocate resources with a view to balance the goals of all sections of the society. Production of goods and services which are injurious to health may be discouraged through taxation policy. Similarly, production of</p>													

	<p>goods of socially beneficial nature may be encouraged through subsidies. If the private sector does not take initiative in certain activities (Public Goods), the government may directly control them like water supply and sanitation etc.</p> <p>b. Government budget can be used as an effective tool in the process of employment generation in various ways. Investment in infrastructural projects like construction of flyovers, bridges, expansion of roads etc. creates jobs for different sections of the workforce. In rural/urban areas government can provide jobs through various employment generation schemes like MGNREGA, SJSRY, PMRY etc.</p>	3
		3
	<b>PART B - INDIAN ECONOMIC DEVELOPMENT</b>	
18	b. Dr. Manmohan Singh	1
19	b. second	1
20	Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1
	Or	
	Both Assertion (A) and Reason (R) are true and Reason (R) is not 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	b. China	1
24	irregular rainfall	1
25	indebtedness	1
26	Regional Rural Banks	1
27	Land Development Banks	1
28	<p>The given statement is defended as in the recent past India has witnessed many foreign nationals visiting for surgeries, organ transplant, dental and even cosmetic care. The prime reason for this phenomenon can be quoted as:</p> <p>i. Health services in India offer latest medical technologies with qualified professionals.</p> <p>ii. All these medical services are less costly in India as compared to</p>	<p>1 ½</p> <p>1 ½</p>

	<p>similar health care services in other countries.</p> <p>Or</p> <p>Two major steps taken by the government in the direction of improving agricultural marketing system in India, since independence are:</p> <ol style="list-style-type: none"> <li>i. <b>Regulation of markets:</b> This step was necessary in the post-independence period so as to create an orderly and transparent marketing condition across India. This policy benefitted both farmers as well as consumers.</li> <li>ii. <b>Physical Infrastructure:</b> This is another important aspect tackled by the government. Improvement of physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages, processing units etc. has been the target of the government since decades.</li> </ol>	<p>1 ½</p> <p>1 ½</p>
29	<p>In the recent years, India has witnessed an unprecedented shift of the workforce from the formal sector to informal sector. This process whereby, the proportion of informal worker in the total workforce increases is known as informalisation of workforce.</p>	3
30	<p>The agricultural sector was adversely affected by the reform process in the following manner-</p> <ol style="list-style-type: none"> <li>(i) Public investment in agriculture sector especially in infrastructure like irrigation, power etc. has been reduced in the reform period</li> <li>(ii) Reduction of fertilizer subsidy has increased the cost of production affecting thereby the small and marginal farmers</li> <li>(iii) Increased international competitiveness due to liberalisation and reduction of import duties.</li> <li>(iv) Shift from food crops to cash crops due to export-oriented policy in agriculture led to a rise in prices of food-grains.</li> </ol>	<p>1</p> <p>1</p> <p>1</p> <p>1</p>
31	<p>The given statement is correct; in the early post-independence period the aim of the government's policy was to reduce the dependence on the foreign countries for goods, services, technology and capital. It stressed on the use of domestic resources to avoid foreign interference, as it was feared that the dependence on the imported food supplies, foreign technology and foreign capital may increase foreign interference in the policies of our country.</p> <p>Similarly, the main thrust of the 'Atmanirbhar Bharat' is also to make India an economy that is self-reliant and self-sufficient.</p> <p>or</p> <p>Two steps taken by the government of India on financial sector under the Economic Reforms of 1991 were:</p>	4

	<p>a. <b>Change in the role of Reserve Bank of India (RBI):</b> The role of RBI was reduced from regulator to facilitator of financial sector. This means that financial sector was given greater autonomy (to take decisions) on many matters independent of RBI.</p> <p>b. <b>Origin of Private Banks:</b> The reform process led to establishment of private sector banks of Indian as well as foreign origin.</p>	<p>2</p> <p>2</p>
32	<p>The given data shown that China has gained economic strength over the years. When many developed countries were finding it difficult to maintain a growth rate of even 5%, China was able to maintain near double-digit growth during the decade of 1980s. The growth rate of China has decelerated to an average of 6.8%, over the period 2015-17.</p> <p>In the recent past India has posted a decent rise in the growth rate. While India had maintained a reasonable growth rate of 5.7% in the decade of 1980's it has shown great calibre and character in the period 2015-17 by registering an average of 7.3%, over the period 2015-17.</p> <p>Nevertheless, Indian elephant has to travel a long distance before it could present itself as a real threat to the growth story of the Chinese dragon.</p>	4
33	<p>a. The environment is able to perform its functions uninterruptedly so long as the demand for these functions is within the carrying capacity of the environment. This means that the resources are not extracted beyond the rate of their regeneration.</p> <p>If there is a disequilibrium (demand being more than supply), the environment fails to replenish itself and it will lead to environmental crisis. Thus, to maintain a healthy environment, the carrying capacity of the environment must be valued and respected.</p> <p>b. The calorie based norms is not an adequate measure to identify the poor as this method does not differentiate between the very poor and the other poor. This mechanism takes into account expenditure on food and a few other items as proxy for income. It ignores many other vital factors associated with poverty; for instance, the accessibility to basic education, health care, drinking water and sanitation.</p> <p style="text-align: center;">Or</p> <p>a. Lesser women are found in regular salaried employment in India, because:</p> <p>(i) jobs generally require skills and high level of literacy.</p> <p>(ii) lack of mobility among women in India due to social constraints.</p> <p>b. The given data indicates that over the given period, the proportion of workforce in primary sector has gone down from</p>	<p>3</p> <p>3</p> <p>2</p>

	<p>64% in 1993-94 to 24.3% in 2011-12, this account to nearly a fall of 20% over the years. Whereas, the employment share of both secondary and the services sector has increased in India.</p> <p>The share of secondary sector has gone up by approximately 9% (from 16% in 1993-94 to 24% approximately in 2011-12), the corresponding figure for services sector has gone up by 7% (from 20% in 1993-94 to 27% approximately in 2011-12).</p> <p>These sectoral changes have been very significant in the growth journey of India, showing the gradual shift of the workforce from primary sector to the secondary and tertiary sector.</p>	4
34	<p>a. The given statement is false as there have been different factors (like massive rate of growth of population, unequal distribution of wealth, skewed benefits accruing from green revolution etc.) due to which benefits of increase in the Gross Domestic Product have not trickled down completely to the people at the bottom of population pyramid.</p> <p>b. The given statement is true. Human Capital Formation (investment in education/health) not only increases the productivity of the available human resources but also stimulates innovations and creates ability to adopt and adapt to the new technologies.</p> <p>c. The given statement is false, as generally, there exists a positive correlation between infrastructural growth and national income. Infrastructure is the support system for an economy which facilitates greater productive activities, higher levels of output/income and improvement of quality of life in an economy.</p>	2 2 2