

Strictly Confidential: (For Internal and Restricted use only)
Senior Secondary School Term II Examination, 2022
Marking Scheme – ECONOMICS (SUBJECT CODE — 030)
(PAPER CODE — 58/1/3)

General Instructions: -

1. You are aware that evaluation is the most important process in the actual and correct assessment of the candidates. A small mistake in evaluation may lead to serious problems which may affect the future of the candidates, education system and teaching profession. To avoid mistakes, it is requested that before starting evaluation, you must read and understand the spot evaluation guidelines carefully.
2. **“Evaluation policy is a confidential policy as it is related to the confidentiality of the examinations conducted, Evaluation done and several other aspects. Its’ leakage to public in any manner could lead to derailment of the examination system and affect the life and future of millions of candidates. Sharing this policy/document to anyone, publishing in any magazine and printing in News Paper/Website etc may invite action under IPC.”**
3. Evaluation is to be done as per instructions provided in the Marking Scheme. It should not be done according to one’s own interpretation or any other consideration. Marking Scheme should be strictly adhered to and religiously followed. **However, while evaluating, answers which are based on latest information or knowledge and/or are innovative, they may be assessed for their correctness otherwise and marks be awarded to them. In class-XII, while evaluating two competency based questions, please try to understand given answer and even if reply is not from marking scheme but correct competency is enumerated by the candidate, marks should be awarded.**
4. The Head-Examiner must go through the first five answer books evaluated by each evaluator on the first day, to ensure that evaluation has been carried out as per the instructions given in the Marking Scheme. The remaining answer books meant for evaluation shall be given only after ensuring that there is no significant variation in the marking of individual evaluators.
5. Evaluators will mark(✓) wherever answer is correct. For wrong answer ‘X’ be marked. Evaluators will not put right kind of mark while evaluating which gives an impression that answer is correct and no marks are awarded. **This is most common mistake which evaluators are committing.**
6. If a question has parts, please award marks on the right-hand side for each part. Marks awarded for different parts of the question should then be totaled up and written in the left-hand margin and encircled. This may be followed strictly.
7. If a question does not have any parts, marks must be awarded in the left-hand margin and encircled. This may also be followed strictly.
8. If a student has attempted an extra question, answer of the question deserving more marks should be retained and the other answer scored out.
9. No marks to be deducted for the cumulative effect of an error. It should be penalized only once.

10. A full scale of 40 marks (example 0-40 marks as given in Question Paper) has to be used. Please do not hesitate to award full marks if the answer deserves it.
11. Every examiner has to necessarily do evaluation work for full working hours i.e. 8 hours every day and evaluate 30 answer books per day in main subjects and 35 answer books per day in other subjects (Details are given in Spot Guidelines). This is in view of the reduced syllabus and number of questions in question paper.
12. Ensure that you do not make the following common types of errors committed by the Examiner in the past:-
 - Leaving answer or part thereof unassessed in an answer book.
 - Giving more marks for an answer than assigned to it.
 - Wrong totaling of marks awarded on a reply.
 - Wrong transfer of marks from the inside pages of the answer book to the title page.
 - Wrong question wise totaling on the title page.
 - Wrong totaling of marks of the two columns on the title page.
 - Wrong grand total.
 - Marks in words and figures not tallying.
 - Wrong transfer of marks from the answer book to online award list.
 - Answers marked as correct, but marks not awarded. (Ensure that the right tick mark is correctly and clearly indicated. It should merely be a line. Same is with the X for incorrect answer.)
 - Half or a part of answer marked correct and the rest as wrong, but no marks awarded.
13. While evaluating the answer books if the answer is found to be totally incorrect, it should be marked as cross (X) and awarded zero (0) Marks.
14. Any unassessed portion, non-carrying over of marks to the title page, or totaling error detected by the candidate shall damage the prestige of all the personnel engaged in the evaluation work as also of the Board. Hence, in order to uphold the prestige of all concerned, it is again reiterated that the instructions be followed meticulously and judiciously.
15. The Examiners should acquaint themselves with the guidelines given in the Guidelines for spot Evaluation before starting the actual evaluation.
16. Every Examiner shall also ensure that all the answers are evaluated, marks carried over to the title page, correctly totaled and written in figures and words.
17. The Board permits candidates to obtain photocopy of the Answer Book on request in an RTI application and also separately as a part of the re-evaluation process on payment of the processing charges.

MARKING SCHEME

Senior Secondary School Examination TERM–II, 2022

ECONOMICS (Subject Code — 030)

[Paper Code — 58/1/3]

Maximum Marks: 40

Q. No.	EXPECTED ANSWER / VALUE POINTS	Marks
1.	<p>Justify the following statement with valid argument: ‘At higher levels of income people generally have lower Marginal Propensity to Consume (MPC).’</p> <p>At a lower level of income, a consumer generally spends a larger proportion of his/her income on consumption expenditure (basic survival requirement). As the income increases, owing to the psychological behaviour of a rational consumer he tends to save more.</p> <p>Hence, at higher levels of income people generally have lower Marginal Propensity to Consume (MPC).</p> <p style="text-align: right;">(to be marked as a whole)</p>	2
2.	<p>a) State any two harmful effects of Global warming. Two harmful effects of global warming are: (i) Melting of Polar ice, resulting in rise in sea level and coastal flooding. (ii) Increase in incidence of tropical diseases. (any other valid point/reason/argument should be awarded marks accordingly)</p> <p style="text-align: center;">OR</p> <p>(b) State any two advantages of ‘sustainable development’. Two advantages of sustainable development are: (i) Minimises environmental problems. (ii) Provides better potential average quality of life to all future generations. (any other valid point/reason/argument should be awarded marks accordingly)</p>	1
		1
		2
		1
		1
		2
3.	<p>‘In any country, as the income rises the composition of infrastructure requirements changes significantly.’ Do you agree with the given statement? Support your answer with suitable argument.</p> <p>Yes, as the income rises, the composition of infrastructure requirements changes significantly.</p> <ul style="list-style-type: none"> For low-income countries, basic infrastructure services like irrigation, transport and power are kept on priority. As economies develop, most of their basic consumption demands are met, the share of agriculture in the economy shrinks and more services related infrastructure is required. <p>For example: Power, Transportation, Telecommunication and IT related infrastructural services are needed more in high income countries.</p> <p style="text-align: right;">(to be marked as a whole) (any other valid point /reason/ argument is to be awarded marks accordingly)</p>	2

4.	<p>a) Using a suitable example, distinguish between positive externalities and negative externalities.</p> <p>Positive externalities refer to benefits caused by one entity to another, without being paid for it.</p> <p>Whereas, negative externalities refer to the harms caused by one entity to another, without being penalised for it.</p> <p>For example: A new park developed by the municipal corporation raises the welfare of the locality, is an example of positive externalities. In case the same park is used by people for anti-social activities which leads to insecurity among the residents, is an example of negative externalities.</p> <p style="text-align: center;">(any other example to be awarded marks)</p> <p style="text-align: center;">OR</p> <p>(b) Using a suitable example, distinguish between stock variables and flow variables.</p> <p>Stock variables are those variables whose quantity is measured at a particular point of time.</p> <p>Whereas, flow variables are those variables whose quantity is measured over a period of time.</p> <p>For example: Wealth is a stock variable and Income is a flow variable.</p> <p style="text-align: center;">(any other suitable example to be awarded marks)</p>	<p>1/2</p> <p>1/2</p> <p>1</p> <hr/> <p>2</p> <hr/> <p>1/2</p> <p>1/2</p> <p>1</p> <hr/> <p>2</p>
5.	<p>Calculate equilibrium level of income for a hypothetical economy, for which it is given that:</p> <p style="padding-left: 40px;">(i) Autonomous Investments (I_0) = ₹ 10,000 crores, and (ii) Consumption Function; $C = 2000 + 0.75Y$; where C = Consumption and Y = Income.</p> <p>Given, $C = 2000 + 0.75Y$ $I = ₹ 10,000$ crores</p> <p>At the equilibrium level, $Y = C + I$</p> <p>Therefore, $Y = 2000 + 0.75Y + 10,000$</p> $Y - 0.75Y = 12000$ <p>Equilibrium level of Income (Y) = ₹ 48,000 crores</p> <p style="text-align: center;">OR</p> <p>(b) Calculate, Change of Income (ΔY) for a hypothetical economy, for which it is given that:</p> <p style="padding-left: 40px;">(i) Change in Investment (ΔI) = ₹ 5000 crores. (ii) Marginal Propensity to Consume (MPC) = 0.75</p> <p>Given, $\Delta I = ₹ 5000$ crores $MPC = 0.75$</p> <p>As we know</p> $\text{Multiplier } (K) = \frac{1}{1-MPC} = \frac{1}{1-0.75} = \frac{1}{0.25} = 4$	<p>1/2</p> <p>1/2</p> <p>1/2</p> <p>1/2</p> <hr/> <p>2</p> <hr/> <p>1/2</p>

	<p>We know, $K = \frac{\Delta Y}{\Delta I}$</p> <p>$4 = \frac{\Delta Y}{5000}$</p> <p>Change in Income (ΔY) = ₹ 20,000 crore</p>	<p>½</p> <p>½</p> <p>½</p> <p>2</p>
6.	<p>(a) Estimate the value of Nominal Gross Domestic Product (GDP) for a hypothetical economy. The values of Real Gross Domestic Product (GDP) and Price Index are given as ₹ 500 crore and 125 respectively.</p> <p>Given,</p> <p>Real GDP = ₹ 500 crore</p> <p>Price index = 125</p> <p>Price index = $\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$</p> <p>$\therefore 125 = \frac{\text{Nominal GDP}}{500} \times 100$</p> <p>Or, Nominal GDP = $\frac{125 \times 500}{100}$</p> <p>Nominal GDP = ₹ 625 crore</p> <p style="text-align: center;">OR</p> <p>(b) Giving valid reasons explain, which of the following will not be included in the estimation of National Income of India?</p> <p>(i) Purchase of shares of Sethi Ltd. by an investor in the Bombay Stock Exchange.</p> <p>(ii) Salaries paid by Indian Embassy situated at Japan, to the local workers.</p> <p>(iii) Depreciation on capital assets charged by firms.</p> <p>(i) Purchase of shares of Sethi Ltd. by an investor in the Bombay Stock Exchange is a transaction, which is a mere paper claim and do not lead to any value addition and thus will not be included.</p> <p>(ii) Salaries paid by Indian Embassy situated at Japan, to the local workers is a factor income paid to non-residents and thus will not be included.</p> <p>(iii) Depreciation on capital assets is not included as it is a mere accounting entry that is needed to accommodate regular wear and tear of capital.</p>	<p>1</p> <p>1</p> <p>½</p> <p>½</p> <p>3</p> <p>1</p> <p>1</p> <p>1</p> <p>3</p>
7.	<p>Using a hypothetical example, elaborate the working of investment multiplier in an economy.</p> <p>The working of multiplier is based on the fact one's expenditure is other's income. Suppose the increase in investment is by ₹ 4,000 crore and marginal propensity to consume is 0.5:</p>	<p>½</p>

	<table><tr><th>Round</th><th>Increase in investment (ΔI) (₹ in crore)</th><th>Increase in income (ΔY) (₹ in crore)</th><th>Increase in consumption (ΔC) (₹ in crore)</th><th>Increase in savings (ΔS) (₹ in crore)</th></tr><tr><td>1</td><td>4000</td><td>4000</td><td>2000</td><td>2000</td></tr><tr><td>2</td><td>—</td><td>2000</td><td>1000</td><td>1000</td></tr><tr><td>3</td><td>—</td><td>1000</td><td>500</td><td>500</td></tr><tr><td>4</td><td>—</td><td>500</td><td>250</td><td>250</td></tr><tr><td>—</td><td>—</td><td>.</td><td>.</td><td>.</td></tr><tr><td>—</td><td>—</td><td>.</td><td>.</td><td>.</td></tr><tr><td>Total</td><td>4000</td><td>8000</td><td>4000</td><td>4000</td></tr></table>	Round	Increase in investment (ΔI) (₹ in crore)	Increase in income (ΔY) (₹ in crore)	Increase in consumption (ΔC) (₹ in crore)	Increase in savings (ΔS) (₹ in crore)	1	4000	4000	2000	2000	2	—	2000	1000	1000	3	—	1000	500	500	4	—	500	250	250	—	—	.	.	.	—	—	.	.	.	Total	4000	8000	4000	4000	1 ½
Round	Increase in investment (ΔI) (₹ in crore)	Increase in income (ΔY) (₹ in crore)	Increase in consumption (ΔC) (₹ in crore)	Increase in savings (ΔS) (₹ in crore)																																						
1	4000	4000	2000	2000																																						
2	—	2000	1000	1000																																						
3	—	1000	500	500																																						
4	—	500	250	250																																						
—	—	.	.	.																																						
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Total	4000	8000	4000	4000																																						
	<p>The above table shows that an increase in investment of ₹ 4,000 crore leads to a total increase of ₹ 8,000 crore in income.</p> <p>(any alternative presentation to be awarded marks)</p> <p>Working Note:</p> $K = \frac{1}{1-MPC} = \frac{1}{1-0.5} = \frac{1}{0.5} = 2$ $K = \frac{\Delta Y}{\Delta I}$ $2 = \frac{\Delta Y}{4000}$ $\Delta Y = 8000 \text{ crore}$ <p>(marks not to be deducted if working note is not given)</p>	1																																								
		3																																								

8.	<p>Compare and analyse the health status of India and China, on the basis of any two indicators from the given schedule:</p> <p>Indicators of Health in India in Comparison with other nations, 2015-17.</p> <table><tr><th>S.No.</th><th>Indicators</th><th>India</th><th>China</th><th>USA</th><th>Sri Lanka</th></tr><tr><td>(i)</td><td>Infant Mortality Rate/1000 live births</td><td>34</td><td>8</td><td>5.7</td><td>7.5</td></tr><tr><td>(ii)</td><td>Under-5, Mortality Rate/1000 live births</td><td>39.4</td><td>9.3</td><td>6.6</td><td>8.8</td></tr><tr><td>(iii)</td><td>Infants Immunised (DTP) in %</td><td>88</td><td>99</td><td>95</td><td>99</td></tr><tr><td>(iv)</td><td>Government Health spendings as a % of GDP</td><td>3.9</td><td>5.7</td><td>16.8</td><td>3</td></tr></table> <p>Sources: HDI 2018 and WDI 2018</p> <p>Comparison of India and China on the basis of Health Indicators:</p> <ol style="list-style-type: none">India has a higher Infant Mortality Rate (34/1000 live births) as compared to China (8 /1000 live births) due to lack of health facilities.India has as a higher Under- 5 Mortality Rate (39.4/1000 live birth) as compared to China (9.3/1000 livebirths) due to malnutrition and lack of access to healthcare facilities.Infant immunisation (DTP) in % is higher for China (99%) as compared to India (88%) because less than 20% of Indian population	S.No.	Indicators	India	China	USA	Sri Lanka	(i)	Infant Mortality Rate/1000 live births	34	8	5.7	7.5	(ii)	Under-5, Mortality Rate/1000 live births	39.4	9.3	6.6	8.8	(iii)	Infants Immunised (DTP) in %	88	99	95	99	(iv)	Government Health spendings as a % of GDP	3.9	5.7	16.8	3	1½x2
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	<p>utilizes public health services.</p> <p>4) Government health spending as a percentage of GDP is lower in India (3.9) than China (5.7). India is showing a lower government spending as percentage of GDP. It is much below the needs of the economy, given the size of its population.</p> <p style="text-align: center;">(any two valid points to be awarded marks)</p>	3
9.	<p>‘Keynes suggested the use of various tools to deal with the situation of Inflationary Gap prevailing in an economy.’</p> <p>State and discuss any two monetary policy measures to combat the situation of Inflationary Gap in a hypothetical economy.</p> <p>Two monetary measures to control inflationary pressures in the economy are:</p> <p>(i) To deal with the situation of inflation, the Central Bank may increase the repo rate. An increase in repo rate will force the commercial banks to increase their lending rates which will make borrowing costlier to the general public. Consequently, Aggregate Demand will fall and help in correcting inflationary gap in the economy.</p> <p>(ii) To deal with the situation of inflation, reverse repo rate may be increased by the Central Bank. It will encourage the commercial banks to park their surplus funds with Central Bank. As a result, credit creating capacity of the commercial banks will be reduced. Consequently, Aggregate Demand will fall and help in correcting inflationary gap in the economy.</p> <p style="text-align: center;">(any other monetary measure to be awarded marks)</p>	<p>2 ½</p> <p>2 ½</p>
10.	<p>(i) 'In the recent past the Government of India has taken vital steps to revive and popularise Indian System of Medicine (ISM)'.</p> <p>Do you agree with the given statement? Justify your answer with valid reasons.</p> <p>The given statement is true. Indian Systems of Medicine (ISM) have huge potential and can solve a large part of health care problems because they are effective, safe and less expensive. Under AYUSH project, the government has stressed upon precautionary medication.</p> <p>Recently serious efforts have been undertaken by the Government to set up a framework to promote research in the field of ISM.</p> <p>(ii) 'Casualization of workforce has become a perennial problem of the Indian economy.' Justify the given statement with valid arguments.</p> <p>Casualisation of workforce has become a perennial problem for India because of:</p> <ul style="list-style-type: none"> ○ Slower growth rate of employment in the organised sector. ○ Rapidly expanding construction and allied services have led to increase in demand for casual labour. ○ Self-employed small and marginal farmers are becoming casual workers due to lower earnings in agricultural activities. <p style="text-align: center;">(to be marked as a whole)</p>	<p>2</p> <p>3</p>
11.	<p>(a) (i) From the following data, calculate the value of Gross National Product at Factor Cost (GNP_{FC}):</p>	5

S. No.	Items	Amount in (₹ Crore)	
(i)	Compensation of Employees	12,000	
(ii)	Rent and Interest	1,800	
(iii)	Indirect taxes	1,120	
(iv)	Profits	1,500	
(v)	Depreciation	1,100	
(vi)	Subsidies	210	
(vii)	Net Factor Income from Abroad	(-)120	
(viii)	Mixed Income of Self Employed	1,300	
$GNP_{FC} = (i) + (ii) + (iv) + (v) + (vii) + (viii)$ $= 12000 + 1800 + 1500 + 1100 + (-)120 + 1300$ $= ₹ 17,580 \text{ crore}$			1½ 1 ½
(ii) Distinguish between Rent and Royalty. Rent is a factor income earned by the owners for lending their services such as land, building etc. Royalty is the income earned by a person /institution for lending Intellectual Property Rights and rights of sub soil assets.			1 1
OR			5
(b)(i) Calculate the value of 'Net Value Added at Factor Cost' (NVA_{FC}) using the given data:			
S. No.	Items	Amount in(₹ '000)	
(i)	Sale of Rice in the market.	580	
(ii)	Purchase of Tractor and Thrasher	400	
(iii)	Procurement of Rice by the government	20	
(iv)	Self consumption of Rice during the year	15	
(v)	Expenditure on running and maintenance of Tractor and Thrasher.	20	
(vi)	Fertilizer subsidies received from the government	3	
$NVA_{FC} = (i) + (iii) + (iv) - (v) + (vi)$ $= 580 + 20 + 15 - 20 + 3$ $= ₹ 598 \text{ thousand}$			1 ½ 1 ½
(ii) Distinguish between 'value of output' and 'value addition'. Value of output is the estimated money value of final goods and services, inclusive of change in stock and production for self-consumption. Whereas, Value added is the excess of value of output over the value of intermediate consumption.			1 1
			5

	<p>Case Study: Read the following text carefully and answer, Q. No.-12 and 13, given below:</p> <p>Chinese Economy Risks Deeper Slowdown than Markets Realise - (Bloomberg, 24th October, 2021)</p> <p>China's Economy risks slowdown faster than global investors realise. It is pushing to cut its dependence on real-estate. It has started regulating sectors from education to technology, as it is facing power shortage and the pandemic.</p> <p>Many economists have warned that the GDP growth rate will fall to 8.2% this year and to below 5% in the next year.</p> <p>China is now planning to stabilise debt growth, curb inequality and channelise resources into hi-tech manufacturing. Data released in last week already showed a sharp slow down in third quarter GDP growth to 4.9% from 7.9% in the previous quarter. There is more pain likely to come as electricity shortage persist, while new COVID 19 infections are expected to rise in coming days.</p> <p>Even before the pandemic hit, China was surprising economists with slower-than-expected growth rate caused by the easing off debt risks. China's Premier Li Keqiang, announced in March a growth target of "above 6%" in the coming financial year.</p> <p>China has signalled, in recent weeks that it could loosen some policies like telling banks to pick up the pace of mortgage lending as a short term stimulus. Governor of People's Bank of China Yi Gang, recently said he sees an expansion of about 8% for this year.</p> <p>China's slowdown comes as the global recovery from COVID-19 risks loses momentum. Among those at risks from falling investments in China are commodity exporters like Australia, South Africa, Chile, Peru and Brazil. Slower trades could also hit countries like Malaysia, Singapore and Thailand.</p> <p>The other risk is that China's policy-makers may struggle to flick the switch back to growth model if they feel that's needed. Economists noted that the electricity shortages that are crimping industrial production will make it harder to cushion growth by boosting investment in infrastructure. That kind of policy could only work next year once the power crunch eases.</p>	
12.	<p>State and discuss any two reasons that exhibit slowdown in the Chinese economy.</p> <p>Two reasons exhibiting the slowdown in Chinese economy are</p> <ul style="list-style-type: none"> (i) Investment in China is expected to fall due to fall in demand from commodity exporters such as Australia, South Africa, Chile, Peru and Brazil. (ii) Electricity shortages cramped industrial production; it will make it harder to cushion growth by boosting investment in infrastructure. <p>(any other valid point/ reason/argument to be awarded marks)</p>	<p>1 ½</p> <p>1 ½</p> <hr/> <p>3</p>

13.	<p>Discuss briefly any two measures, which you may suggest as an economic advisor to the Government of China.</p> <p>Two measures to curb the situation may be quoted as:</p> <p>(i) Suggesting banks to pick up the pace of mortgage lending as a short-term stimulus.</p> <p>(ii) Planning to cut dependence on real estates and regulate sectors from education to technology.</p> <p>(any other valid point/ reason/argument to be awarded marks)</p>	<p>1 ½</p> <p>1 ½</p> <hr/> <p>3</p>
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