## KENDRIYA VIDYALAYA SANGATHAN – AHMEDABAD REGION PRE-BOARD EXAM: 17-18

## **CLASS: XII**

## **SUBJECT: ECONOMICS(MARKING SCHEME)**

	खंड – अ / Section - A				
Q.NO	QUESTION	MARKS			
1.	(B) upward shift of the PPC				
2.	(D) None of the above	1			
3.	Budget line shows the combination of two goods which consumer can consume with given(Fix) income and prices.				
4.	The % change in price more than % change in Quantity demanded				
5.	Economy has to decide what type of goods is to be produced and in what quantities.  The economy has to make 'choice' because resources are limited and they have alternative uses. The choice can be made between consumer goods or capital goods or luxuries goods or war time goods.				
6.	1. As total revenue increases with increasing rate and marginal revenue also increases 2. Total revenue increases with diminishing rate, marginal revenue fall but positive 3. Total revenue fall , marginal revenue becomes negative 4. Total revenue highest, marginal revenue becomes zero (Any three)  OR  Diagram:-  (i) Elastic supply  (ii) Unitary elastic supply  (iii) Inelastic supply				
7.	Consumer Equilibrium =	1+2+1			

8.	(i) False, The difference between ATC and AVC increases with decrease in the level of output. (ii) False, When Marginal cost rises, Average cost will also rise before intersection point MC rises but AC falls.					2+2		
9.	Floor price or minimum price is a rule (Law) which holds the market price above the equilibrium price.  Examples: Price of sugarcane, cotton, wheat, rice etc.  This policy helps the farmer to sell whatever they produce and guarantee them minimum income.  Diagram					3+1		
10.	(i) Rise in income in cash of Normal Goods- Increase in Demand 2 (ii) Fall in prices of Substitute Goods –Decrease in Demand 2 Diagram 2						2+2+2	
	Producer's equilibrium refers to a position at which the producer gets maximum profit with minimum cost. conditions:  a. MC = MR and b. MC should be rising at the point of equilibrium. diagram:  OR					er	2+2+2	
11.	Output	TR	TC	MR	MC	Profit		
	1	6	7	6	7	-1		
	2	12	13	6	6	-1		
	3	18	17	6	4	1		3+1+2
	4	24	23	6	6	1		
	5	30	31	6	8	-1		
	Equilibrium =3, Profit = 1, Explanation=2							
12.	<ul><li>(i)Equilibrium price and quantity both increase.</li><li>(ii)Equilibrium price No change and quantity increase.</li><li>(iii)Equilibrium price Decreases and quantity increase.</li><li>(With diagram)</li></ul>				2+2+2			

## खंड – ब / Section - B

13.	(A) Currency appreciation	1
14.	(B) Negative	1
15.	Situation in which people want to work on existing wage rate but they have no job.	1
16.	The rate at which one currency is exchanged for another.	1

17.	Reallocation of resources: It means managed and proper distribution of resources. It charges taxes on those areas which are already developed and spends money on backward areas to promote balanced economic development.  OR  Economic Stability: It means absence of fluctuations in prices. Economic stability encourages the investment and increase the growth rate of economy. Through expenditure and revenue policy the government maintains the economic stability.	3
18.	Capital receipts are those which either create a liability or lead to reduction in assets.  The main components are: Recoveries of loans from state govt., union territory govt. & other parties.Borrowings from the market, Reserve bank & other sources.Other receipts like disinvestment.	1.5
19.	(i) Yes, it will be included in national product as factor income from abroad.  (ii) No ,Financial help is a transfer payment because no factor service is provided in return. It is, therefore, not included in national income.  OR  Definition of GDP  a. The GDP and population, b. GDP and the level of prices of the country. c. High GDP may be due to the large contribution made by a few industrialists d. Level of unemployment is not taken into account. e. GDP and ecological degradation, (Any three)	2+2 1+3
20.	Y= $C^-$ +bY+I	1+1+2
21.	Distinguish between current account and capital account of BOP account: Meaning Component	4
22.	Explanation Example: suppose initial deposits in the bank are ₹ 1000 and LRR is 20% Table and Formula: Total Deposit = 1 / LRR X Initial Deposit = 1/0.2 X 1000 = 5000₹.	3+3

23.	Inflationary gap may be defined as an excess of aggregate demand over aggregate supply at the full employment level  Diagram  Measures:  Central bank will increase the Bank Rate, increase the CRR, increase the increase SLR, Sale the securities in Open market, increase the reverse repo rate, increase the repo rate (any two)  OR	2+2+2
	it possible that the economy operates at under employment equilibrium in case of Deflationary gap, it may be defined as an excess of aggregate supply over aggregate demand at the full employment level.  Diagram  Measures:  a. The Government should increase its expenditure on public programme.  b. The Government should decrease the taxes.	2+2+2
24.	a. NNP <sub>FC</sub> =i+ xiv + (ix + x + xi)+ ii +iv = (450+50)+(350+100+150)+400+(-20) = 500+600+400-20 =1480 b. NNP <sub>FC</sub> = iii + xii + (vii +xiii)+ viii + iv - v =900+450+(240+40)+(-30)+(-20)-100 =900+450+280-30-20-100 =1630-150 =1480	3+3