

HMJ/C

58/C/2

Q. NO.	SECTION- A MACRO ECONOMICS	Marks
	EXPECTED ANSWER	
1	<p>Define Current Account Surplus.</p> <p>Answer: Current Account Surplus (CAS) refers to excess of the receipts from value of export of visible items, invisible items and unilateral transfers over the payments for value of import of visible items, invisible items and unilateral transfers.</p> <p style="text-align: center;">OR</p> <p>Equilibrium in Balance of Payments is achieved when the net value of all the receipts and payments is _____ (zero/positive). (Fill in the blank with the correct alternative)</p> <p>Answer: zero</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">1</p>
2	<p>_____ (Aggregate Demand/Aggregate Supply) refers to total ex-ante expenditure in an economy during an accounting year. (Fill in the blank with the correct alternative)</p> <p>Answer: Aggregate Demand</p>	1
3	<p>If Marginal Propensity to Save (MPS) is equal to zero, the value of investment multiplier will be _____. (Fill in the blank with the correct answer)</p> <p>Answer: not defined (∞)</p>	1
4	<p>State whether the following statement is true or false : “Industrial waste driven into rivers is an example of positive externality.”</p> <p>Answer: False</p>	1
5	<p>If Autonomous Consumption (C) is greater than zero, it indicates that the National Income of the economy will be _____.</p> <p>(A) rising (B) falling (C) zero (D) constant</p> <p>Answer: Marks should be allotted to any of the option answered by the student.</p>	1
6	<p>State two components of Money Supply.</p> <p>Answer: Two components of Money Supply are: a. Currency with public b. Demand deposits of commercial banks</p>	$\frac{1}{2} + \frac{1}{2}$

<p>12</p>	<p>From the following data, calculate: (a) Consumption Expenditure and (b) Investment Expenditure for the economy.</p> <table border="1" data-bbox="395 506 1564 727"> <thead> <tr> <th>S. No.</th> <th>Particulars</th> <th>Amount (in ₹)</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Equilibrium level of income</td> <td>5,000</td> </tr> <tr> <td>(ii)</td> <td>Autonomous consumption</td> <td>500</td> </tr> <tr> <td>(iii)</td> <td>Marginal Propensity to Save</td> <td>0.4</td> </tr> </tbody> </table> <p>Answer: a) We know that: Consumption expenditure = $c + bY$ = $500 + 0.6 (5,000)$ = ₹ 3,500 crores</p> <p>b) Also, at equilibrium level, $Y = C + I$ $5,000 = 3,500 + I$ $I = ₹ 1,500$ crores</p>	S. No.	Particulars	Amount (in ₹)	(i)	Equilibrium level of income	5,000	(ii)	Autonomous consumption	500	(iii)	Marginal Propensity to Save	0.4	<p>1/2 1/2 1/2 1/2 1/2 1/2</p>
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<p>13</p>	<p>Distinguish between fiscal deficit and revenue deficit in a Government Budget.</p> <p>Answer:</p> <table border="1" data-bbox="395 1339 1564 2029"> <thead> <tr> <th>Basis</th> <th>Fiscal Deficit</th> <th>Revenue Deficit</th> </tr> </thead> <tbody> <tr> <td>Definition</td> <td>Fiscal deficit is the excess of the government's total estimated expenditure and its total estimated receipts excluding borrowing</td> <td>The revenue deficit refers to the excess of government's estimated revenue expenditure over its estimated revenue receipts</td> </tr> <tr> <td></td> <td>Fiscal Deficit = Total Expenditure – (Revenue Receipts + Non-debt creating capital receipts)</td> <td>Revenue Deficit = Revenue Expenditure – Revenue Receipts</td> </tr> </tbody> </table>	Basis	Fiscal Deficit	Revenue Deficit	Definition	Fiscal deficit is the excess of the government's total estimated expenditure and its total estimated receipts excluding borrowing	The revenue deficit refers to the excess of government's estimated revenue expenditure over its estimated revenue receipts		Fiscal Deficit = Total Expenditure – (Revenue Receipts + Non-debt creating capital receipts)	Revenue Deficit = Revenue Expenditure – Revenue Receipts	<p>2+2</p>			
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<p>14</p>	<p>“A country deliberately keeps the value of its currency low under the managed floating system.” Discuss briefly how it will affect the exports of the country.</p> <p>Answer: If a country deliberately keeps the value of its currency low as compared to the foreign exchange, to keeps its currency cheaper vis-a-vis foreign currency, under the managed floating system. Such a step ensures international competitiveness of the goods and services of the country in the international market leading to an increase in the exports of the country to the rest of the world. (to be marked as a whole)</p>	<p>4</p>												

	<p style="text-align: center;">OR</p> <p>On which side and in which sub-account of Balance of Payments, will 'foreign investment in India' be recorded? State valid reason for your answer.</p> <p>Answer: 'Foreign investment in India' will be recorded on the credit side of the Capital account in the Balance of Payment account.</p> <p>'Foreign investment in India' is of capital nature (increasing the assets of the country) also leading to inflow of foreign currency of the country.</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">2</p>						
<p>15</p>	<p>Describe the 'Bank of currency issue' function of the Central Bank.</p> <p>Answer: In most of the economies across the world there exists a centralised system of currency issues. Central Bank of a country has monopoly over the currency issue. It has the sole responsibility of printing and putting in circulation all types of currency notes (with a few exceptions).</p> <p>This centralised and monopolised system of currency notes issue ensures uniformity of the currency system. It also helps in easier control over the monetary system. (to be marked as a whole)</p>	<p style="text-align: center;">4</p>						
<p>16</p>	<p>(a) Discuss briefly how the money received from the sale of a second hand car will be undertaken in estimation of national income</p> <p>Answer: a) The money received from the sale of a second hand car will not be included in the national income of the country as it does not contribute to the current flow of goods in the economy.</p> <p>(b) Distinguish between 'Real Gross Domestic Product' and 'Nominal Gross Domestic Product'</p> <p>Answer:</p> <table border="1" data-bbox="389 2116 1568 2675"> <thead> <tr> <th data-bbox="389 2116 612 2262">Basis</th> <th data-bbox="612 2116 1096 2262">Real Gross Domestic Product</th> <th data-bbox="1096 2116 1568 2262">Nominal Gross Domestic Product</th> </tr> </thead> <tbody> <tr> <td data-bbox="389 2262 612 2675">Definition</td> <td data-bbox="612 2262 1096 2675">Real Gross Domestic Product (GDP) is defined as the market value of all final goods and services produced in a year, measured at the prices of base year.</td> <td data-bbox="1096 2262 1568 2675">Nominal Gross Domestic Product (GDP) is the market value of all final goods and services, produced in a year, measured at the prices of current year</td> </tr> </tbody> </table>	Basis	Real Gross Domestic Product	Nominal Gross Domestic Product	Definition	Real Gross Domestic Product (GDP) is defined as the market value of all final goods and services produced in a year, measured at the prices of base year.	Nominal Gross Domestic Product (GDP) is the market value of all final goods and services, produced in a year, measured at the prices of current year	<p style="text-align: center;">2</p> <p style="text-align: center;">2+2</p>
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<p>17</p>	<p>(a) “To boost the falling demand in the economy, Reserve Bank of India recently reduced Repo Rate and Reverse Repo Rate.” Elaborate the rationale behind the steps taken by the Central Bank.</p> <p>Answer: The steps taken by the Central Bank to boost the falling demand in the economy are justified as the reduction in the Repo rate and Reverse Repo Rate will increase the availability of funds in the market through the commercial banks.</p> <p>Rationale: A decrease in Repo/Reverse Repo Rate will push the commercial banks to reduce the lending rate and will eventually make the borrowings cheaper to the general public. As a result the consumption demand in the economy may increase.</p> <p style="text-align: right;">(to be marked as a whole)</p> <p>(b) Define involuntary unemployment.</p> <p>Answer: 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 style="text-align: center;">OR</p> <p>What is meant by deflationary gap? State any two monetary measures to correct the situation of deflationary gap.</p> <p>Answer: Deflationary gap is the amount by which the actual aggregate demand falls short of the level of aggregate demand required to establish the full employment equilibrium.</p> <p>Two monetary measures to control deflationary gap are as under:</p> <ol style="list-style-type: none"> i. Cash Reserve Ratio (CRR): Lowering the CRR may raise the lending capacity of the commercial banks. This may lead to rise in the aggregate demand in the economy. ii. Open Market Operation (OMO): The Central Bank may purchase the government securities in the open market to pump additional funds into the hands of the general public. <p style="text-align: center;">(any other valid answer should be allotted marks)</p>	<p>4</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p>
<p>SECTION- B INDIAN ECONOMIC DEVELOPMENT</p>		
<p>18</p>	<p>Define ‘Jobless Growth’</p> <p>Answer: Jobless growth refers to the situation, when an economy is able to produce more goods and services without a proportionate increase in employment opportunities.</p>	<p>1</p>
<p>19</p>	<p>In China, commune system is related to _____ sector. (Fill in the blank with the correct alternative)</p> <p>(A) agriculture (B) industry (C) service (D) informal</p> <p>Answer: (A) agriculture</p>	<p>1</p>

27	<p>In which of the following type of unemployment, is the marginal productivity of the worker zero? (Choose the correct alternative)</p> <p>(A) Structural unemployment (B) Involuntary unemployment (C) Seasonal unemployment (D) Disguised unemployment</p> <p>Answer: (D) Disguised unemployment</p>	1
28	<p>State and discuss any two principal causes of environmental degradation.</p> <p>Answer: Two principal causes behind environmental degradation:</p> <ol style="list-style-type: none"> Population Rise - Rising population is one of the major causes for degradation of the environment as it adds to the burden on natural resources, leading to environmental crisis. Consumption Levels: It has been observed that the developing and developed nations have witnessed affluent consumption levels in the past bringing disequilibrium in the demand and supply of the natural resources, pushing the world to the threshold of the environmental crisis. <p style="text-align: center;">(any other valid argument to be allotted marks)</p> <p style="text-align: center;">OR</p> <p>Mention any two advantages of organic farming in India.</p> <p>Answer: Advantages of Organic farming:</p> <ol style="list-style-type: none"> Provides healthy food grown through natural processes. Generates higher income through exports, as demand for these organically grown crops is rising at a faster rate than chemical grown food. 	<p>1 ½</p> <p>1 ½</p> <p>1 ½</p> <p>1 ½</p>
29	<p>“Human capital formation gives birth to innovation, invention and technological improvements.”</p> <p>Do you agree with the given statement? Support your answer with valid arguments.</p> <p>Answer: Investment in human capital formation enhances efficiency, skill, capabilities implying economic growth. Human Capital formation stimulates innovation and creates ability to absorb new technology. Technical skills acquired through sources of human capital formation such as education, training and sound health etc. provides opportunity to labour supply to make better use of given resources.</p> <p>(any other valid argument to be allotted marks) (to be marked as whole)</p>	3



30	<p>“India is often called as ‘outsourcing hub’ of the world.” State and discuss the prime reasons for this name given to India.</p> <p>Answer: Reasons for India as outsourcing destination-</p> <ol style="list-style-type: none"> Availability of skilled manpower- India has vast skilled manpower which enhances the faith of MNCs for investment in India. Favourable Government policies- MNCs get various types of lucrative offers from the Indian government such as tax holidays, tax concessions etc. <p>(any other valid argument should be allotted marks)</p> <p style="text-align: center;">OR</p> <p>Discuss briefly the rationale behind choosing ‘self-reliance’ as an objective for the planning process of the Indian economy.</p> <p>Answer: ‘Self-reliance’ as an objective for the planning process of the Indian economy was promoted by the policy makers to avoid dependence on the foreign countries on account of goods, capital and technology. It was feared that dependence on imported food supplies, foreign technology and foreign capital may make India’s sovereignty vulnerable to foreign interference in our policies. (to be marked as whole)</p>	<p>2</p> <p>2</p> <p>4</p>
31	<p>Compare India and Pakistan on the basis of their demography</p> <p>Answer: India and Pakistan can be compared on demographic front as follows (as per the World Bank Report 2015):</p> <ol style="list-style-type: none"> The population growth rate of the two nations is growing rapidly. Indian population is growing at around 1.2% p.a. whereas that of Pakistan is growing at around 2.1% p.a. The fertility rate of the two nations depicts the clear reason for the difference in the population growth rate. The fertility rate on an average of India stands at 2.3 kids per female and that of Pakistan stands at 3.7 kids per female. The sex ratio of the two nations stand quite near to each other, showing preference of male child in both the nations. India stands at 929 females per 1000 males and Pakistan stands at 947 females per 1000 males. (any two points) <p>(any other valid answer/argument to be marked) (marks should not be deducted if data is not provided, as data is only indicative in nature)</p>	2+2
32	<p>The policy of liberalisation changed the role of Reserve Bank of India (RBI) from ‘a regulator’ to ‘a facilitator’ in the financial sector. Defend or refute the given statement with valid arguments.</p> <p>Answer: The given statement is defended. Financial institutions in India are regulated through various norms of the Reserve Bank of India (RBI).</p>	



	<p>As a regulator (prior to liberalisation), RBI used to fix interest rate structure for the commercial banks, however, as a facilitator (post-liberalisation) the RBI now facilitates the free market forces to act accordingly. In the post liberalisation era, greater autonomy has been ensured for financial institutions for their functioning.</p> <p>(to be marked as a whole) (Any other valid argument to be marked accordingly)</p>	4
33	<p>(a) Define worker-population ratio. What does it signify? Answer: Worker-population ratio is calculated by dividing the total number of workers in a country by the population of the country and multiplying it by 100. Worker-population ratio is an indicator which is used for analysing the employment situation in the country. This ratio is useful in knowing the proportion of population that is actively contributing to the production of goods and services of a country.</p> <p>(b) Discuss any two reforms which have been initiated recently to meet the energy crisis in India. Answer: Two major reforms to meet energy crisis in India are as follows: i) Improvement in Plant Load Factor has increased the operational efficiency of the power stations. ii) Check on transmission and distribution losses have reduced the transmission losses and saved a lot of funds for the telecom distribution companies.</p> <p style="text-align: center;">OR</p> <p>“In India, the Poverty Alleviation Programmes have been found unsatisfactory due to many reasons.” Comment on any three such reasons. Answer: Poverty Alleviation Programmes (PAPs) have been found unsatisfactory on the following counts: i. The staff members responsible for the implementation of PAPs could not work efficiently because of complex procedures. ii. Lack of monitoring and follow up actions also lead to the failure of PAPs. iii. Control of the power groups of the villages, over the delivery mechanism of the PAPs, was another reason for the unsatisfactory results. (any other valid point should be marked) (any other valid answer/argument to be marked)</p>	2 2 1 1 2 2 2
34	<p>(a) “Infrastructure facilities raise productivity in tertiary sector of the economy.” Defend or refute the statement with valid argument.</p> <p>Answer: (a) The given statement is defended. Infrastructural facilities</p>	



