<table>
<tr><th>A1</th><th>Expected Answer / Value Points</th><th>Distribution of Marks</th></tr>
<tr><td colspan="3">SECTION-A</td></tr>
<tr><td>1</td><td>Rent , Salary of permanent employee, etc. (any two)</td><td>½×2</td></tr>
<tr><td>2</td><td>Addition to total cost on producing one more unit.</td><td>1</td></tr>
<tr><td>3</td><td>When the percentage change (rise, fall) in quantity demanded is less than the percentage change (fall, rise) in price.</td><td>1</td></tr>
<tr><td>4</td><td>Market demand is the sum total of demand by all the buyers of a good at a price during a period.</td><td>1</td></tr>
<tr><td>5</td><td>Perfect competition.</td><td>1</td></tr>
<tr><td>6</td><td>When with increase (decrease) in income of the buyer, the demand for the good decreases (increases), the good is called an <u>inferior good</u>.

When with increase (decrease) in income of the buyer, the demand for the good increases (decreases), the good is called <u>normal good</u>.</td><td>1½

1½</td></tr>
<tr><td>7</td><td>The law of diminishing marginal utility states that as a consumer consumes more and more units of a good, marginal utility from each successive unit consumed goes on falling as is shown in the following schedule.

<table>
<tr><th><u>Units consumed</u></th><th><u>Total Utility</u></th><th><u>Marginal Utility</u></th></tr>
<tr><td>1</td><td>10</td><td>10</td></tr>
<tr><td>2</td><td>18</td><td>8</td></tr>
<tr><td>3</td><td>24</td><td>6</td></tr>
<tr><td>4</td><td>28</td><td>4</td></tr>
</table>

<u>OR</u>

The two conditions are :
(1) The ratio of marginal utility to price is same in case of all the goods consumed. Suppose the consumer consumes only two goods X and Y, then
$$\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$$
(2) Marginal utility has a tendency to fall as more and more units are consumed</td><td>1

2

2

1</td></tr>
</table>

*These answers are meant to be used by evaluators

<table>
<tr><td>8</td><td>

Price	TR	Qty. Supplied
20	100	5
30	300	10

$$E_S = \frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$$

$$= \frac{20}{5} \times \frac{5}{10}$$

$$= 2$$

(No marks to be awarded if only the final answer is given)</td><td>1

1

½

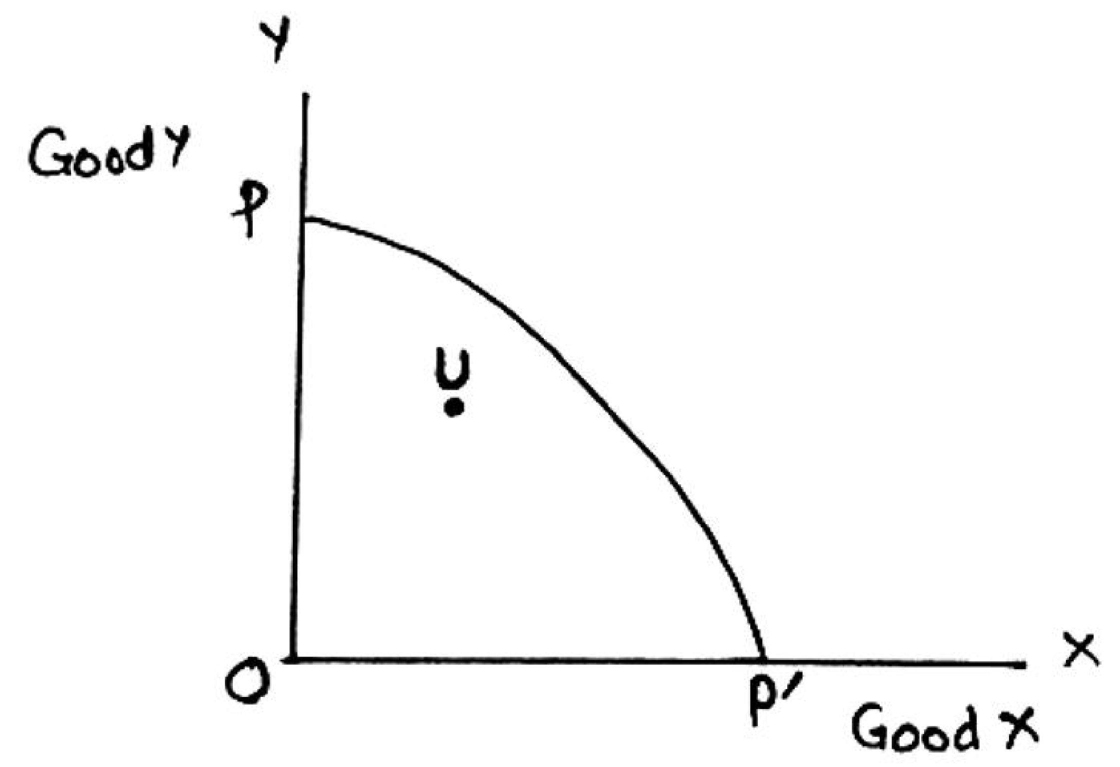
½</td></tr>
<tr><td>9</td><td>

Units of lab.	AP	MP
1	8	8
2	10	12
3	10	10
4	9	6
5	8	4
6	7	2

</td><td>½×6</td></tr>
<tr><td>10</td><td>The feature implies that the number of sellers (firms) in the market is so large that no individual seller on its own can influence the market price. It is because the individual seller's share in the total market supply is negligible.

Also, the number of buyers in the market is so large that no individual buyer on its own can influence the market price. It is because the individual buyer's share in total demand is negligible.</td><td>1½

1½</td></tr>
</table>

Q. No.	Answer	Marks
11	 Production below the potential means that total production in the economy is somewhere below the production possibility curve PP', for example at point U in the diagram. When government starts employment generation schemes, and since the below potential production is due to unemployment, the economy moves forward in its attempt to remove unemployment and reach the potential. The movement forward is towards the PP' curve. **(Any other individual response with suitable justification should also be accepted even if there is no reference to the text)** **<u>For Blind Candidates</u>** Schedule Explanation (same as above) **(Any other individual response with suitable justification should also be accepted even if there is no reference to the text)**	1 1 2 1 3
12	The conditions are : (1) MC = MR (2) MC > MR after equilibrium. Output (units) | MC (Rs) | MR (Rs) 1 | 12 | 10 2 | 10 | 10 3 | 9 | 10 4 | 10 | 10 | Equilibrium 5 | 12 | 10 4 units is the equilibrium output at which both the conditions are satisfied.	½ ½ 2 1

<table>
<tr><td>13</td><td>

$E_P = \frac{\text{Percentage change in demand}}{\text{Percentage change in price}}$

$(-)0.4 = \frac{\text{Percentage change in demand}}{5}$

Percentage change in demand $= -0.4 \times 5 = -2$

i.e. demand falls by 2 percent

(No marks if only the final answer is given)

OR

Stating any two relevant factors clearly, like number of substitutes, number of uses of the good, income level of the consumer or any other. (Any two)

Explanation of each</td><td>1½

1½

1

½×2

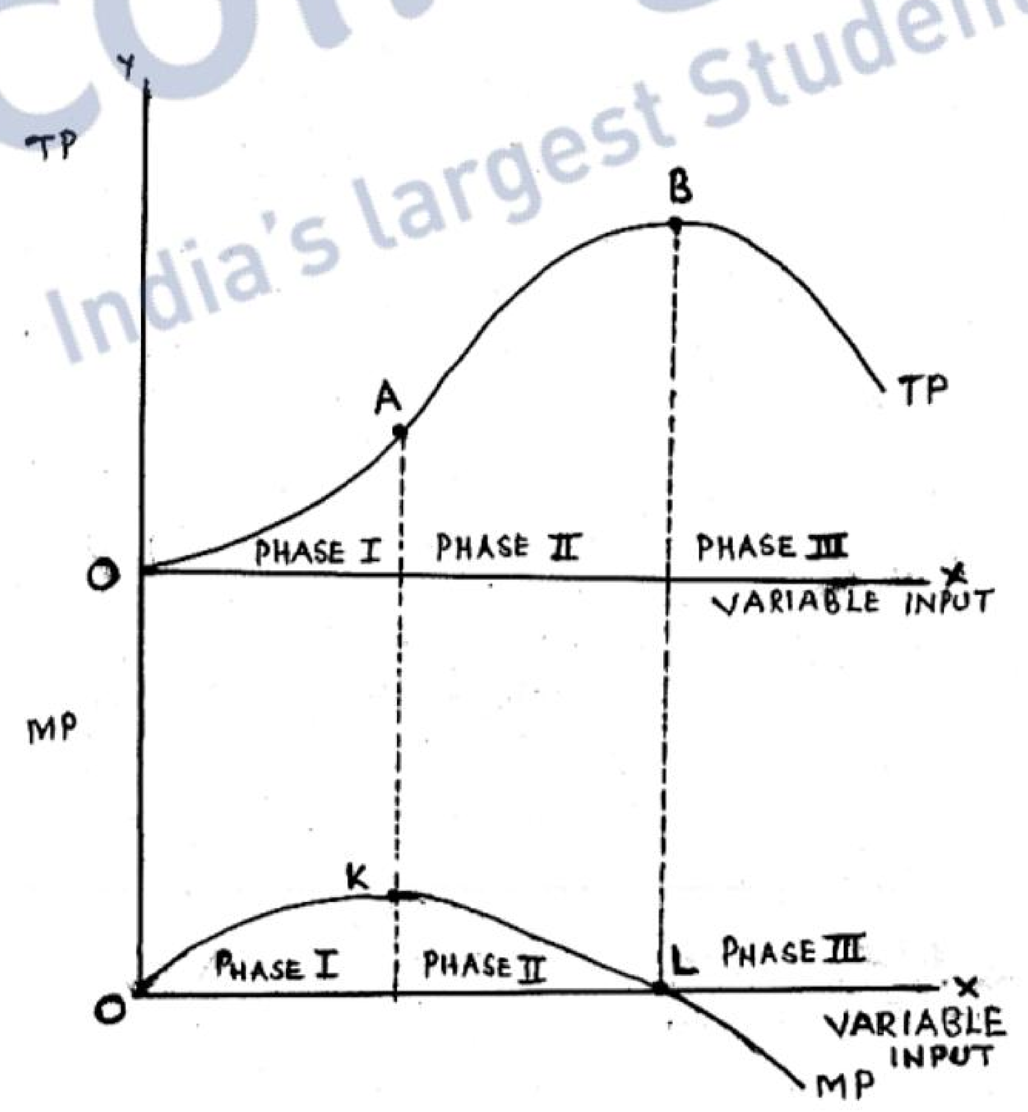
1½×2</td></tr>
<tr><td>14</td><td>

(i) False. A monopolist can sell more quantity only by lowering the price because the monopolist controls only the supply and not the demand.

(ii) True, because when the prevailing market price is higher than the equilibrium price there will be excess supply, and since the sellers will not be able to sell all they want to sell, there will be competition among sellers.

(No marks to be given for simply stating true or false unless accompanied by the relevant reason.)</td><td>3

3</td></tr>
<tr><td>15</td><td>



According to the Law of Variable Proportions, when only one input is increased while others are held unchanged, MP and TP change in the following manner :

Phase-I : MP increases and TP increases at increasing rate i.e. up to A on TP curve (upto K on MP curve) because there is under utilization of the fixed input.

Phase-II : MP decreases but is positive and TP increases at decreasing rate i.e. up to B on TP curve (upto L on MP curve) because there is pressure on fixed input.

Phase III : MP decrease and is negative and TP falls i.e. after B on TP curve (after L on MP curve) because there is too much of variable input in relation to fixed input.

For Blind Candidates :

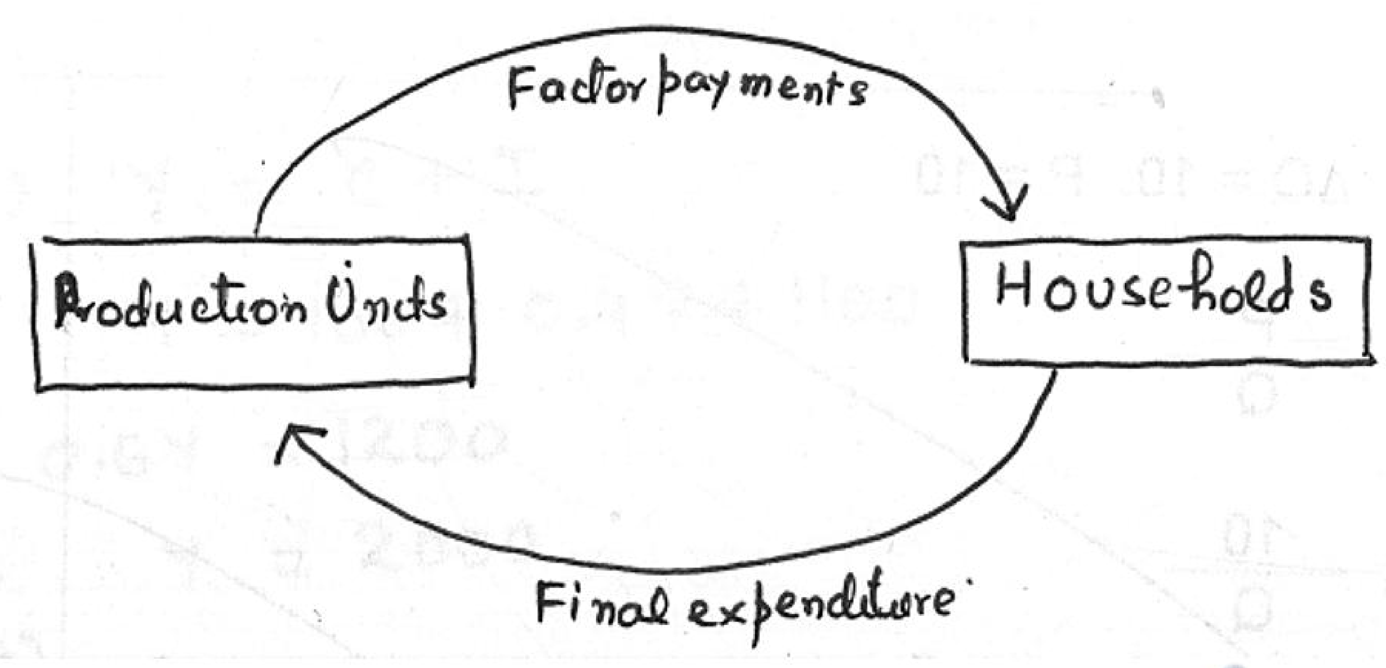
Schedule
Explanation (Same as above)</td><td>2

4

2
4</td></tr>
</table>

16	There are two conditions : (i) MRS = Ratio of prices (ii) MRS continuously falls <u>Explanation</u> : (i) Let the two goods be X and Y. The first condition for consumer's equilibrium is that MRS = Px/Py. Now suppose MRS is greater than Px/Py. It means that the consumer is willing to pay more for X than the price prevailing in the market. As a result the consumer buys more of X. This leads to fall in MRS. MRS continues to fall till it becomes equal to the ratio of prices and the equilibrium is established. (Or, alternatively in terms of when MRS < Px/Py) (ii) Unless MRS continuously falls, the equilibrium cannot be established. <u>OR</u> (i) Other goods are of two types : Substitutes and Complements. When price of a substitute good falls, the given good becomes relatively dearer. As a result its demand falls. When price of a complementary good falls (rises) the demand for the complementary good rises (falls) and so the demand for the given good rises (falls) because both the goods are used jointly. (ii) When the consumer treats a good as a <u>normal good</u>, rise (fall) in income leads to rise (fall) in its demand. When the consumer treats a good as an inferior good, rise (fall) in income leads to fall (rise) in its demand.	1 1 3 1 1½ 1½ 1½ 1½
	SECTION-B	
17	Foreign direct investment raises the supply of foreign exchange leading to downward influence on the price of foreign exchange.	1
18	Deposits which can be withdrawn by writing cheque are called demand deposits.	1
19	Any one example like smoke out of chimneys of factories, release of contaminated water into river, traffic jams or any other (any one) **(Any other individual response with suitable justification should also be accepted even if there is no reference to the text)**	1
20	Excise duty, sales tax, etc. (any two)	½×2
21	Government budget is a statement of estimated receipts and estimated expenditures of government during a year.	1
22	The problem of double coincidence of wants arises when there is no medium of exchange. In such a case the buyer has to make a search for the seller who also wants to buy the same good which the buyer itself offers for exchange. Money has solved the problem by working as a medium of exchange. The seller can sell the goods in the market in return for money and buy the goods he wants to buy in return for the money.	1½ 1½

23	Expenditure that neither creates an asset nor reduces a liability is called revenue expenditure. Example : Payment of salaries etc. Expenditure that either creates an asset or reduces a liability is called Capital expenditure. Example : Construction of roads etc. OR Excess of revenue expenditure over revenue receipts is called revenue deficit whereas the excess of total expenditure over total receipts excluding borrowings is called fiscal deficit.	1 ½ 1 ½ 3
24	Objectives : (1) Allocation of resources (2) Reducing inequalities (3) Bringing stability in the economy. (4) Any other (Any one) Explanation	1 2
25	Appreciation of domestic currency means fall in exchange rate, i.e. price of foreign currency. It means that the importers have now to pay less domestic currency to buy one unit worth of foreign currency goods from abroad. Imports become cheaper. This raises demand for imports.	3
26	Exports of goods less imports of goods refers to balance of trade. Adding excess of inflows over the outflows on account of invisibles to the balance of trade is called balance on current account.	3
27	$Sales = (i + ii + vi + iv) - iii$ $= 560 + 60 + 60 + 1000 - (-30)$ $= Rs. 1710$ Lakh.	2 1½ ½

28	(i) Capital is stock because it is measured at a point of time. (ii) Saving is flow because it is measured during a period of time. (iii) Gross domestic product is a flow because it is measured during a period of time. (iv) Wealth is stock because it is measured at a point of time. (No marks to be awarded if reason is not given) OR  Incomes are first generated in production units due to the joint efforts of factor owners from households. These incomes are distributed to the factor owners who in turn spend the income on purchasing goods and services produced in production units. This makes the circular flow of income complete. (Explanation without the use of diagram must be awarded)	1 1 1 1 4
29	Banker to the government means that central bank gives the same banking facilities to the government which commercial banks give to the general public. The central bank does not give such facilities to the general public. The central bank keep accounts of government, gives them loans, works as agent in matters of collection of taxes, etc.	4
30	(i) $Y = C + I$ $Y = 100 + 0.4Y + 1100$ $0.6Y = 1200$ $Y = 2000$ (ii) $C = 100 + 0.4Y$ (Given) $= 100 + (0.4 \times 2000)$ $= 100 + 800 = 900$ (No marks if only the final answers are given)	1 1 ½ ½ 2 1

31	<table><tr><th>Income</th><th>C</th><th>MPS</th><th>APS</th></tr><tr><td>0</td><td>80</td><td>-</td><td>-</td></tr><tr><td>100</td><td>140</td><td>0.4</td><td>-0.4</td></tr><tr><td>200</td><td>200</td><td>0.4</td><td>0</td></tr><tr><td>300</td><td>240</td><td>0.4</td><td>0.20</td></tr><tr><td>400</td><td>260</td><td>0.8</td><td>0.35</td></tr></table>	1×6
32	$N.I. = i + iii + v - viii - ix - iv + vii$ $= 900 + 400 + 250 - 20 - 30 - 100 + (-40)$ $= Rs. 1360$ Crore OR $NNDI = (i - iv - vi) - ii$ $= (2000 - 60 - 200) - (-200)$ $= Rs. 1940$ Crore	3 2 1 3 2 1