ANSWER KEY

SECOND YEAR HIGHER SECONDARY EXAMINATION MARCH 2020

SUBJECT : ECONOMICS Code No: SY 35

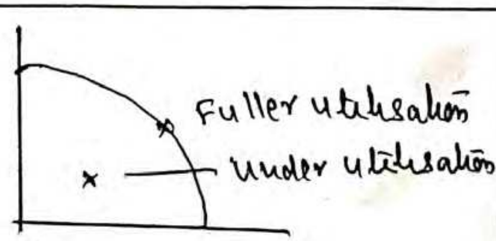
Qn. No	Answer Key / Value Points	Score	Total Score
1.	b) J. M. Keynes	1	1
2.	a) Government	1	1
3.	b) Technological Progress	1	1
4.	b) Upward rising from the point of origin	1	1
5	c) 1 April to 31 March	1	1
6	c) Planning Mechanism	1	1
7	a) $P_1X_1 + P_2X_2 = M$	1	1
8	c) normal Profit	1	1
9	b) $e_D > 1$	1	1
10	a) Autonomous consumption	1	1
11	b) Recovery of Loans	1	1
12	c) Investment	1	1

ANY TEN QUESTIONS

Qn. No	Answer Key / Value Points	Score	Total Score
13	(see table below)	1+1	2
14	Micro Economics : Individual demand, Profit of a Firm Macro Economics : Economic growth, General Price level	½×4	2

Table for Q. 13:

Labour	0	1	2	3	4	5	6
Total Product	0	3	10	18	24	29	33
Marginal Product	–	3	7	8	6	5	4
Average Product	–	3	5	6	6	5.8	5.5

Qn. No:	Answer key / Value Points	Score	Total Score
15	MPC and MPS meaning or equation ~~MPS~~ MPC – Ratio of change in consumption to change in Income or $\frac{\Delta C}{\Delta Y}$ MPS – Ratio of change in Saving to change in Income or $\frac{\Delta S}{\Delta Y}$	1+1	2
16	Definition of oligopoly collusion or competition (Non-collusive)	1 $\frac{1}{2}+\frac{1}{2}$	2
17	Normal Profit – Minimum level of profit that is needed to keep a firm in the existing business (TR = TC) Super normal Profit – Profits over and above the normal Profit (TR>TC)	1+1	2
18	Balance of Payment – Record the transactions in goods, services and assets between the residents of a country and rest of the world Balance of Trade – Difference between value of exports and imports of goods of a country in a given period of time (Any one difference between BoT and BoP give 2 score)	1+1	2
19.	PPC Marking Points 	1 1+1	3

ANY FIVE QUESTIONS

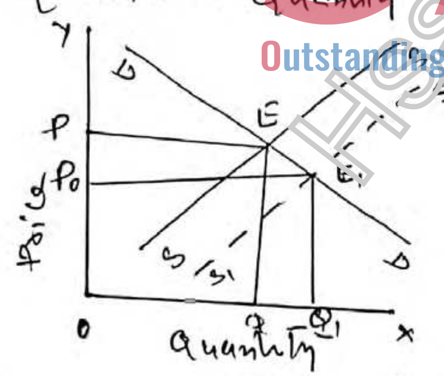
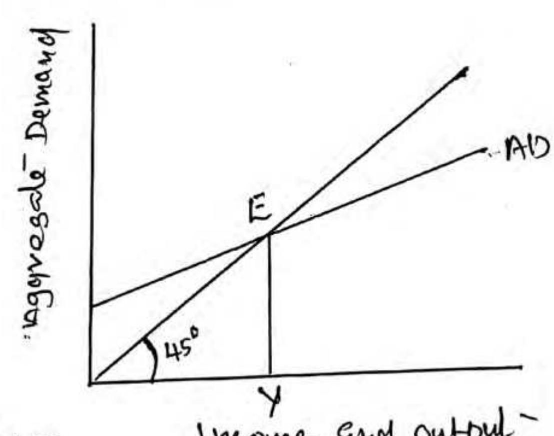
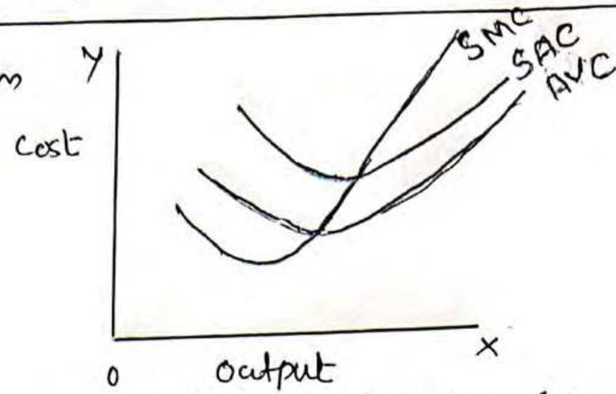
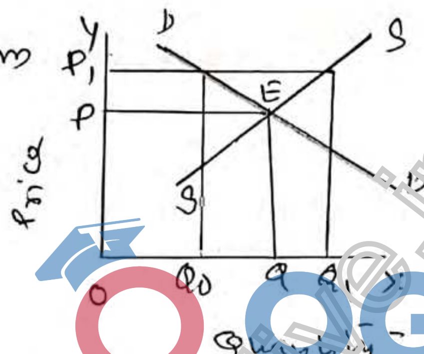
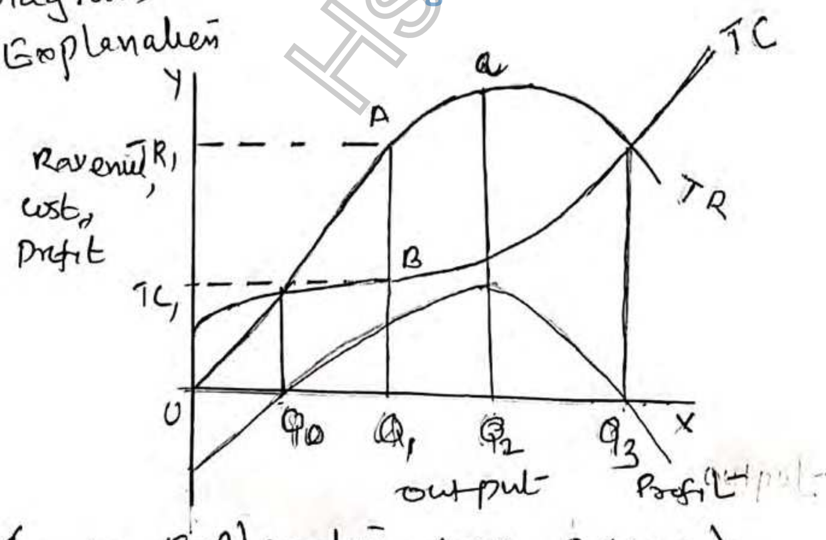
<table>
<tr><th>Qn. No.</th><th>Answer Key / value Points</th><th>Score</th><th>Total score</th></tr>
<tr><td>20</td><td>IC slopes downwards from left to right
Higher Indifference curve gives greater level of satisfaction
IC curves never intersects each other
IC convex to the point of origin
(Any three features)</td><td>1+1+1
1+1</td><td>3</td></tr>
<tr><td>21</td><td>Increasing Returns to Scale (IRS)
Constant Returns to Scale (CRS)
Diminishing Returns to Scale (DRS)
(only three points give full score)</td><td>1+1+1</td><td>3</td></tr>
<tr><td>22</td><td>Equilibrium price decreases
Equilibrium Quantity increases


Diagram or Explanation give full Score</td><td>3</td><td>3</td></tr>
<tr><td>23</td><td><table>
<tr><th>Features</th><th>Monopoly</th><th>Monopolistic Competition</th></tr>
<tr><td>Number of Firms</td><td>Single</td><td>Fairly Large</td></tr>
<tr><td>Entry of Firms</td><td>No</td><td>Freedom of Entry</td></tr>
<tr><td>Nature of Profit in the long run</td><td>Super Normal</td><td>Normal</td></tr>
</table></td><td>½×6</td><td>3</td></tr>
</table>

Qn No.	Answer key / Value Points	Score	Total Score
24	Public goods – meaning	1	
	Private goods – meaning	1	
	One Example: Public goods National defence, roads, Public administration etc	1/2	3
	Private goods clothes, Cars, food item, etc.	1/2	
25	If all the people of the economy increases the proportion of income they save, the total value of saving in the economy will not increase – It will either decline or remain unchanged	3	3
26	a) Nominal GDP – GDP at current prevailing prices	1+1	
	Real GDP – GDP at constant prices		
	b) Real GDP	1	4
	c) GDP Deflator	1	
27			
	Diagram	2	
	Explanation	2	4

Any six Questions

Qn No.	Answer key / Value Points	Score	Total Score
28	a) Diagram 	2	
	b) Any Two Relationship between SAC and SMC	1+1	4
29	a) Price Floor / Minimum Price Fixation / support price	1	
	b) Diagram 	2	
	Explanation	1	4
30	Diagram	3	
	Explanation 	1	
	(only Explanation give 2 score)		4
31	a) The Market in which national currencies are traded for one another is known as foreign Exchange Market	1	

ANY FOUR QUESTIONS

Qn No.	Answer key / value points	Score	Total Score
	Commercial Banks, Foreign Exchange brokers, and other authorised dealers, and Monetary authorities are the major Participants	1	
	b) Fixed Exchange - The Government or Monetary authority fix the exchange Rate Flexible exchange - The exchange Rate is determined by the Market forces of demand and supply	1+1	
	c) Credibility, flexibility, Automatic stabilisation, etc. (Any Two correct answer from a, b, c, give full score 5)	1	5
32	a) Large number of buyers and sellers Homogeneous Product, Freedom of entry and exit, Perfect knowledge	$\frac{1}{2}\times 4$	
	b) Diagram which fulfill the three conditions of profit maximisation 1. Price must be equal to MC 2. MC must be non decreasing at equilibrium 3. Price must be greater than or equal to AVC ($P \geq AVC$)	3	5
33	Revenue Deficit = Revenue Expenditure − Revenue Receipts Fiscal Deficit = Total Expenditure − (Revenue Receipts + Non debt creating Capital Receipts) Or Fiscal Deficit = Total Expenditure − Total Receipts Excluding borrowing		

ANY TWO QUESTIONS

Qn NO.	Answer key / Value points	Score	Total Score
	Primary Deficit = Fiscal Deficit – Net Interest liabilities	1+1+1	
	b) Reduces government expenditure, Increase Public Revenue, etc.. (Any two Relevant measures)	1+1	5
34	Definition of Price elasticity of demand	1	
	Nature of the good, Availability of close ~~subst~~ substitutes, expenditure on the good, etc.. (Any Two factors)	2	
	b) Demand curves of 1) Perfectly elastic 2) Perfectly inelastic 3) Unitary elastic	1+1+1	
	c) formula	1	
	Answer (0.75)	1	8
	(Correct Answer any Two, give full score 8)		
35	a) Explanation Product Method	3	
	Explanation Expenditure Method	3	
	b) Two limitations: Distribution of GDP, Non monetary exchange, Externalities, etc.	2	8
	(Entry level – 2 score)		
36	Explanation – Transaction Motive	4	
	Explanation – Speculative Motive	4	
	(Entry level – 2 score)		8

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