

रोल नं. 

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Roll No.

परीक्षार्थी कोड को उत्तर-पुस्तिका के मुख-पृष्ठ पर अवश्य लिखें ।

Candidates must write the Code on the title page of the answer-book.

- कृपया जाँच कर लें कि इस प्रश्न-पत्र में मुद्रित पृष्ठ **11** हैं ।
- प्रश्न-पत्र में दाहिने हाथ की ओर दिए गए कोड नम्बर को छात्र उत्तर-पुस्तिका के मुख-पृष्ठ पर लिखें ।
- कृपया जाँच कर लें कि इस प्रश्न-पत्र में **32** प्रश्न हैं ।
- कृपया प्रश्न का उत्तर लिखना शुरू करने से पहले, प्रश्न का क्रमांक अवश्य लिखें ।
- इस प्रश्न-पत्र को पढ़ने के लिए 15 मिनट का समय दिया गया है । प्रश्न-पत्र का वितरण पूर्वाह्न में 10.15 बजे किया जाएगा । 10.15 बजे से 10.30 बजे तक छात्र केवल प्रश्न-पत्र को पढ़ेंगे और इस अवधि के दौरान वे उत्तर-पुस्तिका पर कोई उत्तर नहीं लिखेंगे ।
- Please check that this question paper contains **11** printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains **32** questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

## अर्थशास्त्र

## ECONOMICS

निर्धारित समय : 3 घण्टे

Time allowed : 3 hours

अधिकतम अंक : 100

Maximum Marks : 100



### सामान्य निर्देश :

- (i) दोनों खण्डों के सभी प्रश्न अनिवार्य हैं ।
- (ii) प्रत्येक प्रश्न के निर्धारित अंक उसके सामने दिए गए हैं ।
- (iii) प्रश्न संख्या 1 – 5 तथा 17 – 21 अति लघूत्तरात्मक प्रश्न हैं, जिनमें प्रत्येक का 1 अंक है । इनका प्रत्येक का उत्तर एक वाक्य में ही अपेक्षित है ।
- (iv) प्रश्न संख्या 6 – 10 और 22 – 26 लघूत्तरात्मक प्रश्न हैं, जिनमें प्रत्येक के 3 अंक हैं । प्रत्येक का उत्तर सामान्यतः 60 शब्दों से अधिक नहीं होना चाहिए ।
- (v) प्रश्न संख्या 11 – 13 और 27 – 29 भी लघूत्तरात्मक प्रश्न हैं, जिनमें प्रत्येक के 4 अंक हैं । प्रत्येक का उत्तर सामान्यतः 70 शब्दों से अधिक नहीं होना चाहिए ।
- (vi) प्रश्न संख्या 14 – 16 और 30 – 32 व्याख्यात्मक उत्तर वाले प्रश्न हैं, जिनमें प्रत्येक के 6 अंक हैं । प्रत्येक का उत्तर सामान्यतः 100 शब्दों से अधिक नहीं होना चाहिए ।
- (vii) तारांकित (\*) प्रश्न मूल्याधारित प्रश्न हैं ।
- (viii) उत्तर संक्षिप्त तथा तथ्यात्मक होने चाहिए तथा यथासंभव ऊपर दी गई सीमा के अंतर्गत ही दिए जाने चाहिए ।

### General Instructions :

- (i) All questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each.
- (iii) Questions No. 1 – 5 and 17 – 21 are very short-answer questions carrying 1 mark each. They are required to be answered in **one sentence** each.
- (iv) Questions No. 6 – 10 and 22 – 26 are short-answer questions carrying 3 marks each. Answers to them should normally not exceed 60 words each.
- (v) Questions No. 11 – 13 and 27 – 29 are also short-answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.
- (vi) Questions No. 14 – 16 and 30 – 32 are long-answer questions carrying 6 marks each. Answers to them should normally not exceed 100 words each.
- (vii) Questions marked star (\*) are value-based questions.
- (viii) Answers should be brief and to the point and the above word limit should be adhered to as far as possible.



खण्ड अ

SECTION A

- \*1. सरकार ने बड़ी संख्या में तकनीकी प्रशिक्षण संस्थाएँ शुरू की हैं। उत्पादन संभावना सीमा के संदर्भ में इसका आर्थिक मूल्य बताइए। 1  
Large number of technical training institutions have been started by the government. State its economic value in the context of production possibilities frontier.
2. उपयोगिता की परिभाषा दीजिए। 1  
Define utility.
3. परिवर्ती लागत का अर्थ बताइए। 1  
Give the meaning of variable cost.
4. उत्पादन फलन की परिभाषा दीजिए। 1  
Define production function.
5. सहयोगी अल्पाधिकार से क्या अभिप्राय है? 1  
What is meant by collusive oligopoly?
6. उत्पादन संभावना वक्र नीचे की ओर ढलवाँ क्यों होता है? समझाइए। 3  
Why is a production possibilities curve downward sloping? Explain.
7. जब एक वस्तु की कीमत ₹ 15 प्रति इकाई से घटकर ₹ 12 प्रति इकाई हो जाती है, तो इसकी माँग में 25 प्रतिशत की वृद्धि होती है। माँग की कीमत लोच ज्ञात कीजिए। 3  
When price of a good falls from ₹ 15 per unit to ₹ 12 per unit, its demand rises by 25 percent. Calculate price elasticity of demand.



8. प्रति इकाई कर फ़र्म द्वारा वस्तु की पूर्ति को कैसे प्रभावित करता है ? समझाइए । 3

**अथवा**

आर्थिक सहायता फ़र्म द्वारा वस्तु की पूर्ति को कैसे प्रभावित करती है ? समझाइए ।

How does change in per unit tax influence the supply of a good by a firm ? Explain.

**OR**

How does subsidy influence the supply of a good by a firm ? Explain.

9. बाज़ार की किस स्थिति में औसत सम्प्राप्ति (आगम) सदैव सीमांत सम्प्राप्ति (आगम) के बराबर होती है ? समझाइए । 3

Under what market condition does Average Revenue always equal Marginal Revenue ? Explain.

10. एक पूर्ण प्रतियोगी बाज़ार में क्रेताओं की अधिक संख्या के प्रभाव की व्याख्या कीजिए । 3

Explain the implication of large number of buyers in a perfectly competitive market.

11. यह मानते हुए कि एक उपभोक्ता केवल दो वस्तुओं का उपभोग करता है, उपयोगिता विश्लेषण की सहायता से उपभोक्ता संतुलन की शर्तें समझाइए । 4

**अथवा**

एक उपभोक्ता केवल दो वस्तुओं X और Y का उपभोग करता है और संतुलन में है । समझाइए कि कैसे जब वस्तु X की कीमत गिरती है, तो वस्तु X की माँग बढ़ती है । उपयोगिता विश्लेषण का उपयोग कीजिए ।

Assuming that a consumer consumes only two goods, explain the conditions of consumer's equilibrium with the help of Utility Analysis.

**OR**

A consumer consumes only two goods X and Y and is in equilibrium. Show that when price of good X falls, demand for good X rises. Use Utility Analysis.



12. एक घटिया वस्तु और एक सामान्य वस्तु में अंतर बताइए । क्या एक वस्तु जो कि एक उपभोक्ता के लिए घटिया है, सभी उपभोक्ताओं के लिए घटिया होती है ? समझाइए । 4

Distinguish between an inferior good and a normal good. Is a good which is inferior for one consumer also inferior for all the consumers ? Explain.

13. परिवर्ती अनुपातों के नियम के अनुसार कुल उत्पाद में परिवर्तन के विभिन्न चरण बताइए । रेखाचित्र का प्रयोग कीजिए । 4

State the different phases of change in total product according to the Law of Variable Proportions. Use diagram.

**नोट :** निम्नलिखित प्रश्न केवल दृष्टिहीन परीक्षार्थियों के लिए प्रश्न संख्या 13 के स्थान पर है ।

**Note :** The following question is for the **Blind Candidates** only in lieu of Q. No. 13.

परिवर्ती अनुपातों का नियम समझाइए । 4

Explain the Law of Variable Proportions.

14. अनधिमान वक्र विश्लेषण में उपभोक्ता संतुलन की शर्तें बताइए और इन शर्तों के पीछे औचित्य समझाइए । 6

**अथवा**

अनधिमान वक्रों की तीन विशेषताओं की व्याख्या कीजिए ।

State the conditions of consumer's equilibrium in the Indifference Curve Analysis and explain the rationale behind these conditions.

**OR**

Explain the three properties of the Indifference Curves.



15. एक फ़र्म के बारे में निम्नलिखित सूचना से, सीमांत लागत और सीमांत सम्प्राप्ति (आगम) के आधार पर फ़र्म का संतुलन उत्पादन ज्ञात कीजिए। कारण बताइए। इस उत्पादन पर लाभ भी ज्ञात कीजिए।

6

उत्पादन (इकाई)	कुल सम्प्राप्ति (आगम) (₹)	कुल लागत (₹)
1	8	10
2	16	18
3	24	23
4	32	31
5	40	41

From the following information about a firm, find the firm's equilibrium output in terms of marginal cost and marginal revenue. Give reasons. Also calculate profit at this output.

Output (units)	Total Revenue (₹)	Total Cost (₹)
1	8	10
2	16	18
3	24	23
4	32	31
5	40	41

16. बाज़ार में एक वस्तु के 'माँग आधिक्य' से क्या अभिप्राय है ? इसके उस वस्तु के बाज़ार पर पड़ने वाले प्रभावों की शृंखला समझाइए। रेखाचित्र का उपयोग कीजिए।

6

What is 'excess demand' for a good in a market ? Explain its chain of effects on the market for that good. Use diagram.

**नोट :** निम्नलिखित प्रश्न केवल दृष्टिहीन परीक्षार्थियों के लिए प्रश्न संख्या 16 के स्थान पर है।

**Note :** The following question is for the **Blind Candidates** only in lieu of Q. No. 16.

बाज़ार में एक वस्तु के 'माँग आधिक्य' से क्या अभिप्राय है ? इसके उस वस्तु के बाज़ार पर पड़ने वाले प्रभावों की शृंखला समझाइए। तालिका का उपयोग कीजिए।

6

What is 'excess demand' for a good in a market ? Explain its chain of effects on the market for that good. Use a schedule.



खण्ड ब

SECTION B

17. केन्द्रीय बैंक से क्या अभिप्राय है ? 1  
What is a central bank ?
18. समष्टि अर्थशास्त्र में 'अभावी माँग' का अर्थ बताइए । 1  
Give meaning of 'deficient demand' in macroeconomics.
19. समग्र आपूर्ति की परिभाषा दीजिए । 1  
Define aggregate supply.
20. 'प्राथमिक घाटा' से क्या अभिप्राय है ? 1  
What is 'primary deficit' ?
21. वस्तुओं के निर्यात की वस्तुओं के आयात पर अधिकता को क्या कहते हैं ? 1  
What is excess of exports of goods over the imports of goods called ?
22. गैर-मौद्रिक लेनदेन से क्या अभिप्राय है ? इसका एक उदाहरण दीजिए और इसके सकल देशीय उत्पाद के लोगों के कल्याण के सूचक के रूप में प्रयोग पर प्रभाव की व्याख्या कीजिए । 3  
What are non-monetary exchanges ? Give an example. Explain their impact on use of gross domestic product as an index of welfare of the people.
23. मुद्रा का 'आस्थगित भुगतान का मानक' कार्य समझाइए । 3  
अथवा  
मुद्रा का 'मूल्य संचय' कार्य समझाइए ।  
Explain the 'standard of deferred payment' function of money.

OR

Explain the 'store of value' function of money.



24. कारण देते हुए बताइए कि सरकारी बजट में निम्नलिखित को राजस्व व्यय माना जाएगा या पूँजीगत व्यय :

(i) छात्रवृत्ति पर व्यय

(ii) पुल निर्माण पर व्यय

3

Giving reason, state whether the following is a revenue expenditure or a capital expenditure in a government budget :

(i) Expenditure on scholarships

(ii) Expenditure on building a bridge

25. समझाइए कि भुगतान संतुलन 'घाटा' किस प्रकार मापा जाता है ।

3

How is balance of payment 'deficit' measured ? Explain.

26. रुपये के मूल्यहास से क्या अभिप्राय है ? इसका भारत के आयातों पर क्या प्रभाव पड़ सकता है और कैसे ?

3

What is depreciation of Rupee ? What is its likely impact on Indian imports and how ?

27. मुद्रा आपूर्ति की अवधारणा और इसके घटक समझाइए ।

4

अथवा

केन्द्रीय बैंक का 'करेन्सी प्राधिकारी' कार्य समझाइए ।

Explain the concept of money supply and its components.

OR

Explain the 'currency authority' function of central bank.

28. एक अर्थव्यवस्था, जो कि संतुलन में है, के बारे में निम्नलिखित आँकड़ों से 'स्वतंत्र (स्वायत्त) उपभोग व्यय' का परिकलन कीजिए :

4

राष्ट्रीय आय = 900

सीमांत बचत प्रवृत्ति = 0.10

निवेश व्यय = 80





Calculate 'Autonomous Consumption Expenditure' from the following data about an economy which is in equilibrium :

National income	=	900
Marginal propensity to save	=	0.10
Investment expenditure	=	80

\*29. सरकार ने गरीबों को शिक्षा और स्वास्थ्य जैसी सेवाएँ मुफ्त प्रदान करने पर अधिक व्यय करना शुरू कर दिया। यह किस आर्थिक मूल्य को दर्शाता है? समझाइए।

4

Government has started spending more on providing free services like education and health to the poor. Explain the economic value it reflects.

30. निम्नलिखित से 'बाज़ार कीमत पर सकल राष्ट्रीय उत्पाद' और 'निवल राष्ट्रीय प्रयोज्य आय' का परिकलन कीजिए :

4, 2

(₹ अरब में)

(i) विदेशों को निवल कारक आय	(-) 10
(ii) विदेशों को निवल पूँजीतर (चालू) हस्तांतरण	20
(iii) मज़दूरी तथा वेतन	400
(iv) निगम कर	50
(v) निगम कर देने के पश्चात् लाभ	150
(vi) नियोजकों द्वारा सामाजिक सुरक्षा अंशदान	50
(vii) किराया	100
(viii) ब्याज	70
(ix) स्व-नियोजितों की मिश्रित आय	300
(x) निवल अप्रत्यक्ष कर	140
(xi) अचल पूँजी का उपभोग	80



Calculate 'Gross National Product at Market Price' and 'Net National Disposable Income' from the following :

(₹ in Arab)

(i)	Net factor income to abroad	(-) 10
(ii)	Net current transfers to abroad	20
(iii)	Wages and salaries	400
(iv)	Corporation tax	50
(v)	Profit after corporation tax	150
(vi)	Social security contributions by employers	50
(vii)	Rent	100
(viii)	Interest	70
(ix)	Mixed income of self-employed	300
(x)	Net indirect tax	140
(xi)	Consumption of fixed capital	80

31. राष्ट्रीय आय का अनुमान लगाते समय निम्नलिखित के साथ क्या व्यवहार किया जाना चाहिए ? अपने उत्तर के समर्थन में कारण बताना आवश्यक है ।

6

- (i) कर्मचारियों को बोनस का भुगतान
- (ii) वर्ष के दौरान स्टॉक में वृद्धि
- (iii) टैक्सी चालक द्वारा टैक्सी का क्रय

How should the following be treated while estimating national income ?  
You must give reason in support of your answer.

- (i) Bonus paid to employees
- (ii) Addition to stocks during a year
- (iii) Purchase of taxi by a taxi driver



32. दो वैकल्पिक दृष्टिकोणों से राष्ट्रीय आय का निर्धारण समझाइए। रेखाचित्र का उपयोग कीजिए।

6

अथवा

दिए गए उपभोग वक्र से बचत वक्र प्राप्त करने में लिए जाने वाले चरण बताइए। रेखाचित्र का उपयोग कीजिए।

Explain national income determination through the two alternative approaches. Use diagram.

OR

Outline the steps in deriving saving curve from the given consumption curve. Use diagram.

**नोट:** निम्नलिखित प्रश्न केवल दृष्टिहीन परीक्षार्थियों के लिए प्रश्न संख्या 32 के स्थान पर है।

**Note:** The following question is for the **Blind Candidates** only in lieu of Q. No. 32.

राष्ट्रीय आय निर्धारण के दो वैकल्पिक दृष्टिकोणों की व्याख्या कीजिए।

6

अथवा

उपभोग फलन और बचत फलन की व्याख्या कीजिए।

Explain the two alternative approaches of national income determination.

OR

Explain the consumption function and saving function.




# SENIOR SCHOOL CERTIFICATE EXAMINATION MARCH-2014

## MARKING SCHEME – ECONOMICS (Foreign) (SET -1)

### Expected Answers / Value Points

#### GENERAL INSTRUCTIONS :

1. Please examine each part of a question carefully and allocate the marks allotted for the part as given in the marking scheme below. TOTAL MARKS FOR ANY ANSWER MAY BE PUT IN A CIRCLE ON THE LEFT SIDE WHERE THE ANSWER ENDS.
2. Expected suggested answers have been given in the Marking Scheme. To evaluate the answers the value points indicated in the marking scheme be followed.
3. For questions asking the candidate to explain or define, the detailed explanations and definitions have been indicated alongwith the value points.
4. For mere arithmetical errors, there should be minimal deduction. Only  $\frac{1}{2}$  mark be deducted for such an error.
5. Wherever only two / three or a “given” number of examples / factors / points are expected only the first two / three or expected number should be read. The rest are irrelevant and must not be examined.
6. There should be no effort at “moderation” of the marks by the evaluating teachers. The actual total marks obtained by the candidate may be of no concern to the evaluators.
7. Higher order thinking ability questions are assessing student’s understanding / analytical ability.
8.  indicates value based questions.

*General Note* : In case of numerical question no mark is to be given if only the final answer is given.

C1	Expected Answer / Value Points	Distribution of Marks
1	The economic value of technical training is that it raises the production potential of the country by raising the efficiency of the labor.	1
2	Amount of satisfaction obtained from consuming goods and services is utility.	1



6	PPC is downward sloping because to produce more of one good, the economy has to produce less of the other good. It is because resources are fixed.	3
7	$E_p = \frac{\text{Percent change in demand}}{\text{percent change in price}}$ $= \frac{25}{\frac{-3}{15} \times 100} = \frac{25}{-20}$ $= -1.25$ <p style="text-align: right;">(No marks if only the final answer is given)</p>	1  1½  ½
8	<p>Suppose per unit tax is raised. This raises cost of producing the good. Price remaining unchanged, profits decline. This is disincentive to producers who supply less.</p> <p style="text-align: center;"><b>OR</b></p> <p>Suppose government gives subsidy on production of good. This raises total revenue. Cost remaining unchanged profit rise. This provides incentive to the producers to supply more.</p>	3  3
9	It is under the market condition when a firm can sell more at the given price that AR = MR throughout as production is increased by the firm. It is because the firm is a price taker. It means that price, which is same as AR, remains unchanged throughout. By the average – marginal relationship, AR remains unchanged only when AR = MR throughout.	3
10	The large number of buyers is assumed to be so large that an individual buyer's share in total purchases is so negligible that he cannot influence the market price on its own by purchasing more or less. The outcome is that price remains unchanged.	3
11	<p>Assuming that the only, two goods the consumer consumes are X and Y, the condition of equilibrium are :</p> <p>(1) <math>\frac{MU_x}{P_x} = \frac{MU_y}{P_y}</math></p> <p>(2) MU falls as more is consumed</p> <p><b>Explanation :</b> (1) Suppose <math>\frac{MU_x}{P_x} &gt; \frac{MU_y}{P_y}</math>. The consumer will not be in equilibrium because per rupee MU from X is greater than per rupee MU from Y. This will induce the consumer to buy more of X by reducing expenditure on Y. It will lead to fall in MU<sub>x</sub> and rise in MU<sub>y</sub>, till <math>\frac{MU_x}{P_x} = \frac{MU_y}{P_y}</math>.</p> <p>(2) Unless MU falls as more is consumed of a good the consumer will not reach</p>	1  ½  2  ½

OR

According to the utility analysis, the consumer is in equilibrium when

$$\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$$

Now, given that  $P_x$  falls, then

$$\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$$

Since per rupee  $MU_x$  is higher than per rupee  $MU_y$ , the consumer will buy more of X and less on Y.

4

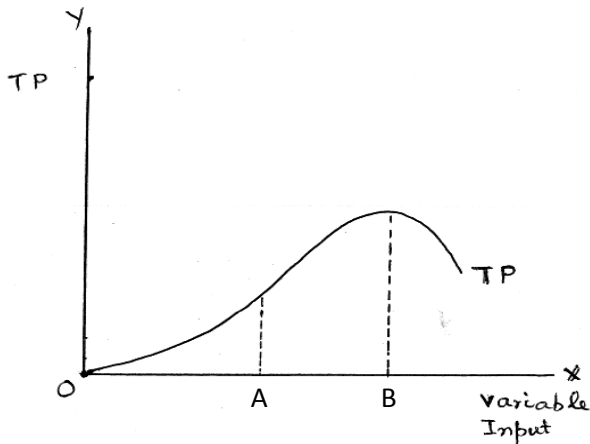
12 When with the rise in income of the consumer demand for a good increases, that good is a normal good for that consumer. If with rise in income demand for the good decreases than that good is inferior for that consumer.

2

A good is not necessarily inferior for all the consumers. A good which is inferior for a higher income consumer may be a normal good for the lower income consumer. It is not the consumer but the income level of the consumer which determines whether a good is normal or inferior.

2

13



2

The different phases in the law of variable proportions are

**Phase : I** TP rises at an increasing rate and MP rises, as is upto A.

**Phase : II** TP rises at decreasing rate and MP falls but remains positive, i.e.

B.

**Phase : III** TP falls and MP and MP becomes negative after B.

2

**FOR THE BLIND CANDIDATES :**

On the same lines as above (without diagram) but with reasons.

4



**14** Let the only two goods the consumer consumes are X and Y.  
 The two conditions of equilibrium are  
 (1)  $MRS = \frac{P_x}{P_y}$   
 (2) MRS falls as more of x is consumed in place of Y.

**Explanation :**

(1) Suppose  $MRS > \frac{P_x}{P_y}$  i.e. consumer is not in equilibrium it means that to obtain one more unit of X consumer is willing to sacrifice more units of Y as compared to what is required in the market. The consumer buys more of X. MRS falls and continue to fall till it is equal to  $\frac{P_x}{P_y}$  and the consumer is in equilibrium.

(2) Unless MRS falls as consumer consumes more of X , the consumer will not reach equilibrium again.

(Explanation based on  $MRS < \frac{P_x}{P_y}$  is also correct)

**OR**

**The Three properties are**

(i) IC slopes downwards from left to right.  
 (ii) IC is strictly convex  
 (iii) IC to the right has higher utility.

**Explanation :**

(1) Slope downwards because to consume more of good on the x-axis , the consumer must give up some quantity of good on the Y-axis so that the consumer remains on the same level of satisfaction.

(2) Strictly convex because it is assumed that MRS continuously falls due to the law of diminishing marginal utility.

(3) IC to the right has higher utility level because it is assumed that higher consumption means higher utility.

1  
1

3  
1

1x3=3

1x3=3

**15**

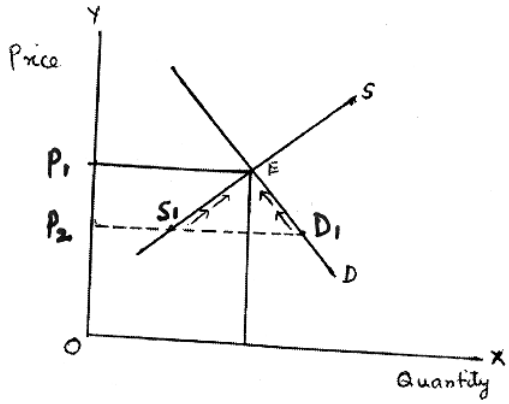
Output	TR	TC	MR	MC	
1	8	10	8	10	
2	16	18	8	8	
3	24	23	8	5	
4	32	31	8	8	<b>Equilibrium</b>
5	40	41	8	10	

The producers is in equilibrium at 4 units of output

**Reason (1)** MC = MR  
**(2)** MC > MR after equilibrium

2  
1  
1  
1  
1

16



2

Excess demand for a good in a market occurs when actual price of the good is lower than the equilibrium price. A is in diagram at the actual price  $OP_2$ , excess demand is  $S_1D_1$ . At this price the consumer will not be able to buy all that they want to buy at  $OP_2$ . Its chain of effects are :

4

- There will be competition among the buyers leading to rise in price.
- Rise in price will increase supply along the S- Curve and reduce demand along the D-Curve as indicated by the arrows.
- The trend will continue till the market reaches equilibrium at E.

**FOR THE BLIND CANDIDATES :**

On the same lines based on a schedule

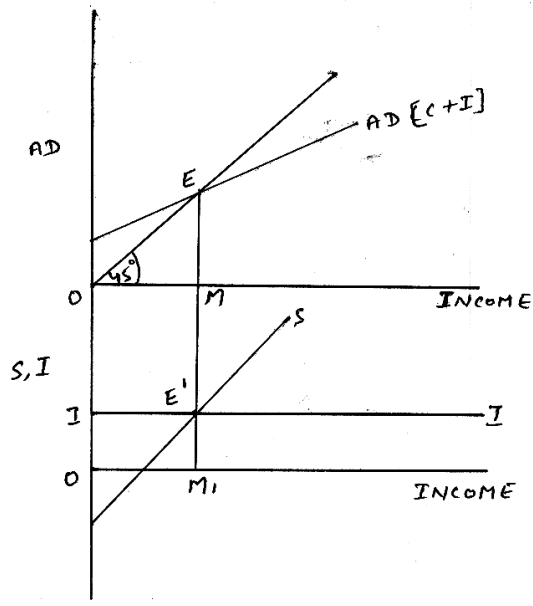
6

**SECTION – B**

17	The central bank is the apex bank engaged in regulating commercial banks.	1
18	When AD falls short of AS at the full employment level of income the difference between AS and AD is called deficient demand.	1
19	Aggregate supply refers to the values of final goods and services planned to be produced in an economy during a given year.	1
20	Primary deficit refers to fiscal deficit less interest payments.	1
21	Balance of trade	1
22	Non-monetary exchanges refer to the goods and services produced but not exchanged through money, like the domestic services rendered by the members of a family to each other. The value of these services is many a times difficult to estimate and so it escapes national income estimation. These exchanges however have positive effect on the welfare of the people.	3



	<b>OR</b>	
	The significance of money as a store of value is that money can be stored for use in future. One can use one's present income in future because money comes in convenient denominations and is easily portable.	<b>3</b>
<b>24</b>	(i) Expenditure on scholarships is revenue expenditure because it neither creates any assets nor reduces liability. (ii) Expenditure on building a bridge is capital expenditure because it leads to creation of assets	<b>1½</b> <b>1½</b>
<b>25</b>	BOP deficit occurs when autonomous foreign exchange receipts fall short of autonomous payments. Autonomous transactions are those which are not influenced by other transactions in BOP.	<b>3</b>
<b>26</b>	When exchange rate rises, the value of domestic currency, rupee in case of India, falls. It is depreciation of rupee. It makes imports costly because to import one unit of foreign currency worth of goods and services, the domestic purchasers have to part with more rupees,. Since imports become costly, imports fall.	<b>1</b> <b>2</b>
<b>27</b>	Stock of money in a country on a particular day is termed as money supply. It has two components : currency with public outside banks and demand deposits. Demand deposits are deposits which can be withdrawn by writing cheques. Both the components are usable for carrying out transactions at will.  <b>OR</b> Currency authority function means that the central bank has the sole authority to issue currency. It brings uniformity in note circulation. It also gives power to the central bank to directly control money supply.	<b>4</b> <b>4</b>
<b>28</b>	$Y = \bar{C} + MPC(Y) + I$ $900 = \bar{C} + (1 - 0.10)900 + 80$ $\bar{C} = 900 - 810 - 80 = 10$ <p style="text-align: center;">(No marks if only the final answer is given)</p>	<b>1½</b> <b>1½</b> <b>1</b>
<b>29</b>	Spending on free services to the poor raises their standard of living and at the same time helps in reduction in income inequalities. It also helps in raising production potential of the country by raising the efficiency level of the working class among the poor.	<b>4</b>
<b>30</b>	$GNN_{mp} = (iii + vi) + vii + viii + (iv + v) + ix + xi + x - i$ $= 400 + 50 + 100 + 70 + 50 + 150 + 300 + 80 + 140 - (-10)$ $= Rs. 1350 \text{ Arab.}$ $NNDI = GNP_{mp} - xi - ii$ $= 1350 - 80 - 20$ $= Rs. 1250 \text{ Arab}$	<b>2</b> <b>1½</b> <b>½</b> <b>1</b> <b>½</b> <b>½</b>
<b>31</b>	(i) <b>Bonus</b> should be included because it is compensation paid to employees.	<b>1</b>



3

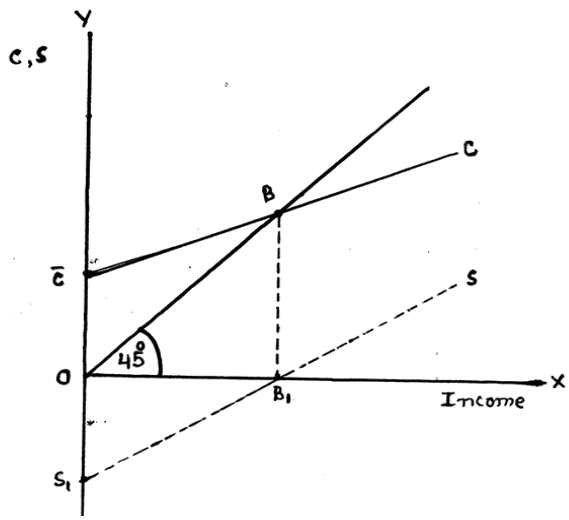
The two alternative approaches of national income determination are

- (1)  $AD = AS$  which is on E in the upper part of diagram when AD curve intersects the  $45^\circ$  line with equilibrium income OM.
- (2)  $S = I$  which is E1 in the lower part of the diagram when saving curve intersects the investment curve at E1 with OM as the equilibrium income level.

1½

1½

OR



3

**For the Blind Candidates :**

- Derivation of the two approaches  
Explanation

**6**

**OR**

- Consumption function :      Meaning  
  Explanation of components
- Saving function :        Meaning  
                                  Explanation of component

**6**