

### MARKING SCHEME SAMPLE QUESTION PAPER 3

1	c) Both Statements 1 and 2 are true	1
2	c) GNP at current prices	1
3	b) Zero	1
4	d) Capital, debit	1
5	a) Medium of exchange	1
6	c) 400000	1
7	c) Both Statements 1 and 2 are true	1
8	b) B-2	1
9	a) OR	1
10	c) Income from abroad	1
11	(i) False, because Balance of Trade only records the export and import of visible items, i.e. goods. (ii) False, because external assistance are included in the current account of Balance of Payments as unilateral receipts.	3
12	No, I am not agree with the assertion made here. It is up to the user to decide if a machine is a finished product or not. When a machine is purchased by a household, it is referred to as a final good. On the other hand, if a machine is purchased by a business, it is referred to as a final good. However, if it is purchased by a company for resale, it is referred to as an intermediate good.	1½
13	Yes, all the given values are correct $S = -50 + 0.2Y$ $\Rightarrow S = -50 + 0.2(2000) = -50 + 400 = ₹ 350 \text{ crores}$ At equilibrium level of income: $Y = C + S$ $\Rightarrow 2,000 = C + 350$ $\Rightarrow C = 2000 - 350 = 1,650 \text{ (in ₹ crores)}$ $MPC + MPS = 1$ $\Rightarrow MPC + 0.2 = 1$ $\Rightarrow MPC = 1 - 0.2 = 0.8$	1½ 1½ 1
14	(A) An economy is said to be operating at under employment equilibrium level, if the planned aggregate expenditure falls short of available output in the economy, corresponding to the full employment level. It results in excess of output available over the anticipated aggregate demand at full employment level. To tackle such a situation the aggregate demand has to be increased up to the level that the stocks can be cleared. The following measures may be taken for the same:	

	<ul style="list-style-type: none"> <li>Decrease in taxes: The government under its fiscal policy may decrease the rate of taxes (both direct and indirect taxes). This will ensure greater purchasing power in the hands of the general public. This will help to increase aggregate demand and remove the deflationary gap.</li> <li>Increase in money supply: Central bank through its expansionary monetary policy can increase the money supply in the economy. Central banks can use tools like bank rates, cash reserve ratios, repo and reverse repo rates etc. to ensure greater money in the hands of the general public which would in turn increase the aggregate demand in the economy and be helpful in reducing/removing the deflationary gap.</li> </ul>	
	<p style="text-align: center;"><b>OR</b></p> <p>(B) The given instance where the Reserve Bank of India has sold government securities in the secondary market indicates inflation as a possible cause behind the action taken by RBI. By selling off the government securities, RBI withdraws money from circulation and thereby reducing the lending capacity of the commercial banks. In this process, the economy will experience a contraction of credit, leading to a reduction in consumption and investment demand. Consequently, the inflationary pressure in the economy will get eased out.</p>	
16	<p>(A) Revenue Expenditure does not result in creation of assets or reduction of liability. Such expenditures are incurred for the normal running of government departments and maintenance of services. For example: salaries, old age pensions, interest payments, subsidies, grants etc.</p> <p>(B) Zero primary deficits means that the government has to resort to borrowings only to make interest payments.</p> <p>(C) Because tax neither creates a liability for the govt nor reduces assets of the government.</p> <p style="text-align: center;"><b>OR</b></p> <p>(A) Direct taxes are those that are imposed right away on a person's property or income. These taxes are paid directly to the government by the general public. Examples include income tax, wealth tax, corporate tax, and other taxes.</p> <p>Indirect taxes are levied on people's income and assets as a result of their consumer spending. These taxes are levied on one person, but they are paid by another. Examples include customs duties, excise duties, sales taxes, service taxes, and other taxes.</p> <p>(A) Revenue deficit = Revenue expenditure - Revenue receipts = <math>100 - 80 = 20</math></p> <p>Fiscal deficit = Total expenditure - Total Receipts excluding borrowing</p> <p><math>= (100 + 110) - (80 + 95) = 210 - 175 = 35</math></p> <p>Primary deficit = Fiscal deficit - Interest payments = <math>35 - 10 = 25</math></p>	1 1½ ½   3  3
17	<p>(a) 1. Profits earned by a foreign bank branch in India are included in India's domestic income because they are earned within the country's borders.</p>	3

	<p>2. Since the embassy in New Delhi is not part of India's domestic territory, salaries paid to its employees will not be included in the country's domestic income.</p> <p>3. Interest received by an Indian resident from his or her foreign enterprises is not included in India's domestic income because it is a factor income.</p> <p>(b) Doubt counting is the process of calculating the value of goods multiple times at each stage of production.</p> <p>The following methods can be used to avoid it:</p> <ol style="list-style-type: none"> <li>When estimating national income, use the value-added technique.</li> <li>Calculating national income only on the basis of the final commodity's worth.</li> </ol>	3
18	a) I and II	1
19	c) The fertility rate is very low in China and very high in Pakistan	1
20	b) Both 1 and 3	1
21	b) Self help group	1
22	a) Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion(A).	1
23	c) The density of population of a country is the true indicator of its human development levels.	1
24	d) Assertion is false but reason is true	1
25	c) Statement 1 is correct and statement 2 is incorrect	1
26	c) Both Statements 1 and 2 are true.	1
27	A-1	1
28	<p>(A) Reasons for low agricultural productivity during the colonial period:</p> <ul style="list-style-type: none"> <li>Land settlement systems: Under the zamindari system, the zamindars exploited the cultivators. They were only bothered about rent collection rather than improving the condition of the land.</li> <li>Terms of Revenue settlement: The terms of revenue settlement forced the Zamindars to act in the above manner. Dates for depositing specified sums of revenue were fixed, failing which the zamindars were to lose their rights.</li> <li>Low level of technology</li> <li>Lack of irrigation facilities</li> <li>Negligible use of fertilizers</li> <li>Lack of investment in terracing, flood control, drainage, and desalinization of soil.</li> </ul> <p>(B) The main aims of the economic policies pursued by the colonial government in India were:</p> <ul style="list-style-type: none"> <li>Protection and promotion of British economic interests.</li> <li>Systematic deindustrialization leading to a stagnant economy.</li> <li>Making India a raw material supplier for the upcoming modern industries in Britain.</li> <li>Making India a sprawling market for the finished products of those industries.</li> </ul>	3
29	Education increases the productive capacity and productivity of Ravya by her increased skills. Further, education increases the acceptability of modern techniques and also facilitates a primitive economy to break the shackles of tradition and backwardness. An investment in educational sector has two fold benefits. It not only increases the income earning capacity but also reduces the skewed distribution of income thereby forming an egalitarian society. The investment in educational sector has long lasting returns. It not only enhances the present economic condition but also improves the future prospects of a country. The importance of education is not only limited to making people educated. but also in facilitating an underdeveloped economy to solve different but interrelated macro economic problems like, poverty, income inequality, population, investments, under utilisation of resources.	3
30	<p>The reasons for the low population growth in China are:</p> <ul style="list-style-type: none"> <li>One Child Policy: For many years, China has rigidly enforced the "one child" restriction. This rigidly enforced rule meant that many Chinese couples could only</li> </ul>	4

	<p>have one child for more than three decades. If they possessed more than one, they risked hefty penalties and varied degrees of harassment from local authorities.</p> <p>China's Communist Party authorities implemented the strategy in 1980 in order to slow the country's out-of-control population growth. This approach also resulted in a decrease in China's sex ratio, or the proportion of females per thousand males.</p> <p>However, in 2015, one child policy was ruled out in China, thus allowing families to have two children owing to massive decline in population growth.</p> <ul style="list-style-type: none"> <li>• Costs of Raising Children: In China, raising a child is expensive, especially in cities, thus it acts as a hindrance for the couples to think of another child.</li> <li>• Better Socio-Economic Position of Women: The average improvement in female socioeconomic position over the last 20 years has contributed to a decline in population rate.</li> </ul>	
31	<p>(A) (i) True, as it increase income sources, reduce risk and improve nutrition availability.  (ii) True , as they charge high interest rate on loans.</p> <p>OR</p> <p>A person who is involved in the production activity and contributes to the generation of GDP is referred to as worker. As here Meena works in the cloth shop to support her husband and contributes to GDP by rendering her services, so, she can be considered as a worker.</p>	2 2 4
32	<p>The given image depicts the ways of promoting sustainable development strategies.</p> <p>(i) Solar energy  (ii) Wind energy  (iii) Geo thermal energy</p>	1 3
33	<p>(A) 1. In some areas, the former zamindars continued to own large areas of land while making use of some loopholes in the legislation.  2. In some cases, tenants were evicted and zamindars claimed to be self cultivators.  3. Even after getting the ownership of land, the poorest of the agricultural labourers did not benefit from land reforms.</p> <p>(B) Green Revolution led to an increase in the production of food grains. With the use of modern technology, extensive use of fertilizers , pesticides and HYV seeds there was a significant increase in the agricultural productivity and product per farm land. In addition, the spread of marketing system, abolition of intermediaries and easy availability of credit has enabled farmers with greater portion of marketable surplus. All these factors enabled the government to procure sufficient food grains to build the buffer stock and to provide cushion against the shocks of famines and shortages.</p> <p>OR</p> <p>(A) Although, the mismanagement and wrong planning in PSUs may lead to misallocation and, consequently, to wastage of the scarce resources and finance but PSUs do have some positive and useful advantages.</p> <ol style="list-style-type: none"> <li>1. <i>Enhancing Nation's Welfare</i>: The main motive of the PSU was to provide goods and services that add to the welfare of the country as a whole. For example, schools, hospitals, electricity, etc. These services not only enhance welfare of country's population but also enhance the future prospects of economic growth and development.</li> <li>2. <i>Long Gestation Projects</i>: It was not feasible and economically viable for the private sectors</li> </ol>	3 3

	<p>to invest in the big and wide projects like basic industries and electricity, railways, roads, etc. This is because these projects need a very huge initial investment and have long gestation period. Hence, PSU is the most appropriate to invest in these projects.</p> <p>3. <i>Basic Framework</i>: An important ideology that was inherited in the initial five year plans was that the public sector should lay down the basic framework for industrialisation that would encourage the private sector at the latter stage of industrialisation.</p> <p>4. <i>Socialist Track</i>: In the initial years after independence, Indian planners and thinkers were more inclined towards socialist pattern. It was justified on the rational ground that if the government controls the productive resources and production, then it won't mislead the country's economic growth. This was the basic rationale to set up PSUs. These PSUs produce goods not according to the price signals but according to the social needs and economic welfare growth of the country.</p> <p>5. <i>Reduce Inequality of Income and Generate Employment Opportunities</i>: It was assumed that in order to reduce inequalities of income, eradicate poverty and to raise the standard of living, government sector should invest in the economy via PSUs</p> <p>(B) No, modernisation as a planning objective does not contradict employment generation. In fact both modernisation and employment generation are positively correlated. While modernisation refers to the use of new and modern technology in production process that may make some people lose their jobs in the initial stages. But gradually, the use of modern technology and input will raise the productivity and, consequently, the income of the people that will further raise the demand for goods and services. In order to fulfill this increased demand, there will be more job opportunities that will lead more people to be hired and, hence, more employment opportunities will be generated. Hence, both modernisation and employment generation are not contradictory but are complementary to each other</p>	
34	<p>1. I defend this statement, because formal sector provide regular salary, paid leave and better working conditions.</p> <p>2. Formal organisation</p> <p>3. Medium , Small and Micro Enterprises</p>	<p>2</p> <p>2</p> <p>2</p>