

**KENDRIYA VIDYALAYA SANGATHAN, BENGALURU REGION
FIRST PRE-BOARD EXAMINATION 2024-2025**

Class – XII

Subject: Economics

**MARKING SCHEME
FIRST PRE-BOARD EXAMINATION 2024-25**

Q. No	Answer	Mk
1	b	1
2	a	1
3	d	1
4	b	1
5	d	1
6	b	1
7	a	1
8	b	1
9	b	1
10	c	1
11	a) Revenue receipts as it neither creates any liability nor reduces government asset. b) Capital receipt because it leads to decrease in government asset.	1.5x 2
12	<p>“Externalities refer to the benefits or harms a firm or individual causes to another for which they are not paid or penalized.</p> <p>There are 2 types of externalities:</p> <p>a) Positive externalities: - When activities of one result in benefits of the other without receiving and payment. Such benefits are called positive externalities. Example of positive Externalities: -</p> <ol style="list-style-type: none"> 1. Construction of a flyover or a highway reduces transport costs and journey time of its users who have not contributed anything towards its cost. 2. Use of Public Parks by the people for pleasure for which no payments are made by the public. It increases welfare through positive effect on health. <p>b) Negative Externalities: - When activities of one result in harm of the other without penalizing. Such harm is called positive externalities. Examples of Negative Externalities.</p> <ol style="list-style-type: none"> 1. Smoke emitted by factories causing air pollution. It results in health hazards thus reduces economic welfare. But factories does not pay to the public for risking their health 2. Industrial waste is driven into rivers, causing water pollution. it causes health problems. But Industries does not pay or penalized for it.(Meaning and any two examples – 3 marks) <p style="text-align: center;">OR</p> <p>Precautions of Product Method/value-added method</p> <ol style="list-style-type: none"> 1. Production for self-consumption should be included. 2. The sale of second-hand goods is not to be included. 3. Production from illegal activities is not to be included. 3. The value of services rendered by housewives/family members is not to be included. (Any two points with explanation– 3 marks) 4. 	1.5x 2

13	<p>i) Given $S = -200 + 0.25Y$ Income (Y) = 2,000 At the equilibrium level, $S = I$ $-200 + 0.25Y \Rightarrow I = -200 + 0.25(2000) \Rightarrow I = -200 + 500 = 300$</p> <p>ii) At $Y=0$, $S = -200 + 0.25(0) \Rightarrow S = -200$ S Autonomous Consumption ($C \text{ bar}$) = $-(S \text{ bar})$ $= -(-200) = 200$</p> <p>iii) Investment Multiplier</p> $K = 1/MPS = 1/0.25 = 4$ <p style="text-align: center;">OR</p> <p>Given, change in initial investment (ΔI) = 1,200 crore and Marginal propensity to save (MPS) = 0.2</p> <p>WKT, Multiplier (K) = $1/(MPS) = 1/0.2 = 5$</p> <p>Increase in Income (ΔY) = $K\Delta I = 5 * 1,200 = ₹6,000 \text{ cr}$</p>	4
14	<p>Investment Multiplier refers to increase in national income as a multiple of a given increase in Investment. Its value is determined by MPC. The value equals: Multiplier = $1/1-MPC$ or $1/MPS$</p> <p>Example: Suppose increase in investment is Rs.1000 and $MPC = 0.8$. The increase in National Income is in the following sequence.</p> <p>(i) Increase in investment raises income of those who supply investment goods by Rs.1000. This is the first-round increase.</p> <p>(ii) Since $MPC = 0.8$, the income earners spend Rs.800 on consumption. This raises the income of the suppliers of consumption goods by Rs.800, This is second round increase.</p> <p>(iii) In the similar way, the third-round increase is Rs.640 = 800×0.8. In this way national income goes on increasing round after round.</p> <p>(iv) The total increase in income is Rs.5,000 which equals. $\Delta Y = \Delta I \times 1/1-MPC$ $\Delta Y = 1000 \times 1/1-0.8 = \text{Rs.}5000$</p>	4
15	<p>a) The given situation depicts depreciation of Indian Rupee</p> <p>b) Impact of home currency depreciation on the exports of nation: Domestic currency depreciation refers to a decrease in the value of domestic currency (₹) in relation to foreign currency (\$) as a result of market forces. For example: 1 \$ US = ₹ 80 (before) 1 \$ US = ₹ 82 (after depreciation)</p> <p>Because of the depreciation of Indian currency, the purchasing power of dollar has increased while the purchasing power of the rupee has decreased. This means Indian goods have become relatively cheaper in the US as one US dollar can now buy more goods and services from India. Hence depreciation of Indian Rupee will lead to increase in Indian exports</p>	1+3
16	<p>a) Cash reserve ratio refers to the minimum percentage of total deposits of a bank which is required to be kept with the central bank in the form of cash.</p> <p>b) During times of inflation, the central bank reduces the cash reserve ratio. As a result, the lending capacity of the commercial banks reduces. This decreases the availability of money supply and credit in the economy. In this way, an increase in CRR helps in reducing inflation. (Meaning with proper explanation 2+4)</p>	2+4

17	<p>A) Capital is a stock variable as it is measured at a point of time. We often find producers estimating their capital stock at the end of the year, which refers to a point of time or a particular date. Investment means addition to the stock of capital during an accounting year. It is measured for the year. If a firm has a stock of 10 machines as on March 31, 2023, and has 15 machines as on March 31, 2024, it has added 5 machines to the stock of its capital during the year. This is its investment.</p> <p>B) Gross Value Added at Market Price = Domestic sales + Change in stocks + Exports - Single use producer goods = 200 lakhs + (-) 10 lakh + 10 lakh - 120 lakh = 200 lakh-10 lakh + 10 lakh - 120 lakh = 80 lakh</p> <p style="text-align: center;">OR</p> <p>i) Capital goods are those goods which are used as fixed assets by the producers in the production of other goods and services. These goods are repeatedly used in the production of other goods and services. Example: Plant and machinery. On the other hand, Consumer (or Consumption) goods, are those goods which satisfy the consumer's wants directly. These goods are used as final goods by their final users. Example: Pen, bread, butter, vegetables, etc. Capital goods, as fixed assets of the producers, are to be treated as final goods whereas in case of consumer (or consumption) goods, it depends on their 'end-use'. Example: Kerosene oil used by households is a final good but when used by the firms to clean their machinery is to be treated as an intermediate good.</p> <p>ii) Price Index= Nominal GDP /Real GDP x 100 = 312 /260 ×100 = 120</p>	3+3
18	c	1
19	b	1
20	d	1
21	c	1
22	c	1
23	b	1
24	d	1
25	c	1
26	b	1
27	c	1
28	<p>Yes, the Navratna policy has helped improve the performance of public sector undertakings (PSUs) in India:</p> <p>Autonomy: The policy granted PSUs more autonomy in terms of finances, management, and operations. This allowed them to make decisions and perform better.</p> <p>Efficiency: The policy encouraged efficiency and innovation, which helped PSUs function better in a changing economy.</p> <p>Competition: The policy helped PSUs become more competitive and grow in both domestic and international markets.</p> <p>Self-reliance: The policy helped PSUs become self-reliant and financially self-sufficient.</p> <p style="text-align: center;">OR</p> <p>The Green Revolution was based on the use of High Yielding Varieties (HYVs) of seeds, which required reliable irrigation and financial resources to buy better inputs. Because of this, the Green Revolution was restricted to the more affluent states of Punjab, Andhra Pradesh, and Tamil Nadu. Further, the use of HYV seeds primarily benefitted the rice and wheat growing regions. Thus, the benefit of the Green Revolution was initially restricted to few states and the crops of wheat and rice only.</p>	3
29	a) China's vast worker pool led to its explosive growth of its export-driven economy over the past decade, but, now, it faces a labour shortage due to one-child norm.	3

	<p>b) Lack of skilled workers because of one child norm since late 1970s is pushing up wages and adding to the burden of companies already facing shrinking global markets.</p> <p>c) For China, the demographics pose a huge challenge requiring difficult and innovative decisions in terms of policies on social welfare funding, population Control and employment and labour development. This lead China to allow couples to have two children first (2016) and then three children (2021).</p>							
30	<p>It is true that human capital and human development are two different concepts.</p> <table border="1"> <tr> <td>Human capital is a comparatively narrow concept</td> <td>Human development is a comparatively broader concept</td> </tr> <tr> <td>It considers that health and education are the best means to improve the productivity of the labour force</td> <td>It considers that health and education help in the overall development of the individual, as a healthy individual with proper education can take decisions that will help them lead a happy and healthy life</td> </tr> <tr> <td>In case of human capital, health and education are not useful as long as they do not result in improved productivity</td> <td>Human development considers that human welfare is increased by having good health and proper education even if they do not result in any improvements in productivity</td> </tr> </table>	Human capital is a comparatively narrow concept	Human development is a comparatively broader concept	It considers that health and education are the best means to improve the productivity of the labour force	It considers that health and education help in the overall development of the individual, as a healthy individual with proper education can take decisions that will help them lead a happy and healthy life	In case of human capital, health and education are not useful as long as they do not result in improved productivity	Human development considers that human welfare is increased by having good health and proper education even if they do not result in any improvements in productivity	4
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31	<p>a) Agricultural marketing refers to the process of assembling, storing, processing, transporting, packaging, grading and distributing different agricultural commodities across the country. (1 Mark)</p> <p>b) Agricultural diversification is essential for sustainable livelihoods because: -there is greater risk in depending exclusively on farming for livelihood. -To provide supplementary gainful employment to rural people and to enable them to overcome poverty by earning high income. (3 Mark)</p> <p style="text-align: center;">OR</p> <p>I agree with the given statement. The basic aim of sustainable development is to ensure that present generation should leave stock of quality of life for the next generation, which is no less than what we have inherited. Sustainable development can be achieved by following:</p> <p>i) Restrict use of renewable resources: Renewable resources should be extracted on a sustainable basis, that is, rate of extraction should not exceed rate of regeneration.</p> <p>ii) Substitute non-renewable with renewable resources: As non-renewable resources are depleted, renewable substitutes must be developed, so as to maintain the flow of services over time.</p> <p>iii) Become Input Efficient: Technological progress should be made to become input efficient and not Input consuming. It means efforts should be made to produce more per unit of input. It will reduce the exploitation of resources.</p> <p>iv) Control Pollution: Pollution emissions should be limited to the absorption capacity of the environment</p>	4						
32	<p>The Great Leap Forward GLF campaign was started by Mao in China in 1958 to modernize Chinese economy. The aim of this campaign was to transform aggregarian economy into a modern economy through the process of rapid industrialization. Under this program, people were encouraged to set up industries in their backyards. In rural areas, communes were set up. Under the commune system, people collectively cultivated lands' campaign met with many problems. A severe drought caused havoc in China, killing about 30 million people.</p>	4						
33	<p>a) In India, people mainly migrate from rural to urban areas due to lack of employment opportunities, low wages, inadequate access to basic amenities like healthcare and</p>	3+3						

	<p>education in rural areas, while urban areas offer better job prospects, higher income and improved living standards.</p> <p>b) Expenditure on migration is a source of human capital formation because increased income in the migrated place is more than the increase in cost due to migration.</p>	
34	<p>a) The given statement is defended.</p> <p>-Demand in foreign markets was destroyed by imposing heavy duty on exports of Indian handicrafts.</p> <p>- In the domestic market was destroyed by allowing duty free import of British goods in the Indian market.</p> <p>b) Growth refers to the increase in countries capacity to produce goods and services in an economy. Equity refers to decrease in inequality of income and wealth. When the objective of economic growth and equity are achieved.It leads to development with social justice, which may increase the per capita availability of goods and services.</p> <p style="text-align: center;">OR</p> <p>i) India is often called the outsourcing hub of the world due to the following reasons.</p> <ul style="list-style-type: none"> • Availability of cheap labour • Availability of skilled manpower • Favourable government policies. <p>ii) The given statement is defended.</p> <p>Before Liberalisation RBI used to regulate and control the financial institutions like commercial banks, investment banks etc.. After 1991, RBI shifted its role from a controller to a facilitator of the financial sector. This means greater autonomy was granted to the financial sector for taking decisions on different matters without consulting the RBI. This was done in order to encourage private sector participation, increase competition and allowing market forces to operate in the financial sector.</p>	3+3