2021

Updated as per Portion Omitted from the Syllabus for the Year 2020-2021

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ECONOMICS

EVALUATION PLAN

1. (a) Written Examination : **80 marks**

   (b) Application Based Test : **20 marks**

   Total : **100 Marks**

2. Unitwise Distribution of Marks :

Ch. No.	Unit	Total Marks	Marks with Option
1.	Introduction to Micro and Macro Economics	07	10
2.	Utility Analysis	07	10
3 A	Demand Analysis	08	12
3 B	Elasticity of Demand	08	12
4.	Supply Analysis	07	10
5.	Forms of Market	07	10
6.	Index Numbers	08	11
7.	National Income	08	12
8.	Public Finance in India	08	12
9.	Money Market and Capital Market	08	11
10.	Foreign Trade in India	04	06
	Total	**80**	**116**

3. QUESTION PAPER PATTERN

Time : 3 Hours **Marks : 80**

Q. No.	Nature of Question	Marks as per Questions	No. of Questions to Attempt	Marks with out Option	Marks with Option
1.	**From the following types of sub questions any 4 will be asked** (1) Choose the Correct Option	1	5	5	5
	(2) Complete the Correlation	1	5	5	5
	(3) Give Economic Term	1	5	5	5
	(4) Find the Odd Word Out	1	5	5	5
	(5) Complete the Following Statements	1	5	5	5
	(6) Choose the Wrong Pair	1	5	5	5
	(7) Assertion and Reasoning Questions	1	5	5	5
	(8) Identify the Right Group of Pairs from the Given Option	1	5	5	5
	Total Marks		**20**	**20**	**20**
2.	(A) Identify and Explain the Concept	2	Any 3 Out of 5	6	10
	(B) Distinguish Between	2	Any 3 Out of 5	6	10
3.	Answer the Following Questions	4	Any 3 Out of 5	12	20
4.	State with Reasons Whether you Agree or Disagree with Following Statements	4	Any 3 Out of 5	12	20
5.	Study the Following Table, Figure, Passage and Answer the Questions Given Below It.	4	Any 2 Out of 3	8	12
6.	Answer in Detail	8	Any 2 Out of 3	16	24
	Total Marks			**80**	**116**

NON-EVALUATIVE PORTION FOR THE ACADEMIC YEAR 2020-21

Sr. No.	Name of the Chapter / Subtopic	Page No.	Column	Content kept for self study	Details/ Suggestions/ Instructions regarding content kept for self study
1.	**Ch. 1 :** Introduction to Microeconomics and Macroeconomics	1 & 2	2	You should know ……… who have contributed to the development of macroeconomics.	Should be considered for internal evaluation
		3 4	2 1	Importance of Microeconomics ………… It also studies how taxes affect social welfare	”
		5 6	2 1 & 2	Importance of macroeconomics , You should know ……….. Microeconomics and Macroeconomics at a glance.	”
2.	**Ch. 2 :** Utility Analysis	11	1	You should know ………… Total Utility at previous level.	”
		14	1 & 2	Significance of the Law ……………… Hence he would buy additional units of a commodity only at a lower price.	”
3.	**Ch. 3 (A) :** Demand Analysis	19	1 & 2	Reasons justifying downward sloping demand curve are as follows : ………… Thus, the total demand of commodity increases with fall in price.	”
		25	1 & 2	You should know ………… from the sale of the output produced at a given level of employment during a year.	”
4.	**Ch. 3 (B) :** Elasticity of Demand	27	2	You should know ……….. Necessary goods for which demand remains constant with increase in income of the consumer.	”

		28	1	You should know …… ………… Zero cross elasticity : Non-related goods. For example, tea and books	Should be considered for internal evaluation
		33 & 34	1 & 2 1 & 2	Factors affecting the elasticity of demand, Importance of elasticity of demand …………. If the proportion of expenditure is large, then demand for the product is relatively elastic.	,,
5.	**Ch. 4 :** Supply Analysis	39	1 & 2	Determinants of supply ………………….. If all factors are favourable, supply of a commodity will be more and vice versa.	,,
		43	1	You should know …… ………….. It refers to the minimum amount of sales proceeds which entrepreneurs expect to receive from the sale of output at a given level of employment.	,,
6.	**Ch. 5 :** Forms of Market	49	1 & 2	Types of monopoly, You should know……….. electricity charges are different for domestic and commercial uses.	,,
7.	**Ch. 6 :** Index Numbers	53 & 54	2 1	You should know ………… Quantity of the commodity consumed or purchased in the current year.	,,
		58 & 59	2 1	Limitations of index numbers ……………… it cannot be used for any other purpose	,,
8.	**Ch. 7 :** National Income	63	2	You should know ……………(Net fall in stock of natural capital + pollution load) with adjacent picture.	,,
		67	1	You should know …………….. to produce various goods and services.	,,

		68 & 69	2 1 & 2	Importance of National Income …….. disparities in the income of different sections of the society.	Should be considered for internal evaluation
9.	**Ch. 8 :** Public Finance in India	72	1 & 2	Classification of Public Expenditure …………… For example, administrative costs, war expenditure, etc. These are unproductive in nature.	,,
		74	1 & 2	You should know ……………. such a tax cannot be considered as a good tax.	,,
		78 & 79	1 1 & 2	Types of budget, Importance of budget ………………… immense changes since last 100 years.	,,
10.	**Ch. 9 :** Money Market and Capital Market in India	87 & 88	2 1	Problems of Indian Money Market ……………… Delays in upgradation of technology hampers the working of the money market.	,,
		90 & 91	1 & 2	Problems of Capital Market ……………. The stock exchange in India lacks informational efficiency compared to advanced countries.	,,
11.	**Ch. 10 :** Foreign Trade of India	96 & 97	1 & 2 1	Trends in India's Foreign Trade since 2001 ………… The share of iron and steel in import expenditure declined from 4.9 % to 2.1 % in 2016-17.	,,

PART 1

MODEL PRACTICE PAPER

(WITH FULL SOLUTION AND MARKING SCHEME)

ECONOMICS

Time : 3 Hours] **[Max. Marks : 80**

Note : *(1) All questions are compulsory.*

(2) Draw neat tables/diagrams wherever necessary.

(3) Figures to the right indicate full marks.

(4) Write answers to all main questions on a new page.

Q. 1. (A) Complete the following statements by choosing the correct alternatives : **(5) [20]**

(1) In the law of diminishing marginal utility, Alfred Marshall assumes that marginal utility of money …………………………..

(a) increases *(b) remains constant*

(c) decreases *(d) rises and then falls*

(2) Demand curve is parallel to X-axis in case of ……………………

(a) perfectly elastic demand *(b) perfectly inelastic demand*

(c) relatively elastic demand *(d) relatively inelastic demand*

(3) Index number is a …………………… tool.

(a) historical *(b) geographical*

(c) statistical *(d) linguistic*

(4) …………………….. is the quantitative tool of credit control.

(a) Moral Suasion *(b) Credit Rationing*

(c) Fixing Margin Requirement *(d) Statutory Liquidity Ratio*

(5) Duty levied on …………………… is special levy.

(a) television *(b) telephone*

(c) opium *(d) notebook*

(B) Find the odd word out : **(5)**

(1) **Harmful Products :** Alcohol, Poison, Opium, Milk.

(2) **Necessary Goods :** Salt, Medicine, Milk, Perfume.

(3) **Type of Bank Accounts :** Saving a/c, D-mat a/c, Recurring a/c, Current a/c.

(4) **Exceptions to the Law of Supply :** Urgency of cash, Agricultural produce, Labour, Mobile phone.

(5) **Feature of Monopoly :** Single seller, Large number of buyers, Selling cost, Price discrimination.

(C) Complete the correlation : **(5)**

(1) Transportation of good : Place utility : : Furniture from wood : $\boxed{}$

(2) Microeconomics : Individual income : : Macroeconomics : $\boxed{}$

(3) $\boxed{}$: Central bank : : SBI : Commercial bank

(4) Rise in price : Expansion of supply : : Fall in production cost : $\boxed{}$

(5) Pen and ink : Complementary goods : : Car and milk : $\boxed{}$

(D) Give an economic term : **(5)**

(1) Reward of entrepreneur.

(2) Number of firms producing identical product.

(3) Compulsory contribution from the person to the government without reference to special benefits confirmed.

(4) The additional utility derived from the consumption of an additional (last) unit of a commodity.

(5) A situation where less quantity is demanded at higher price.

Q. 2. (A) Identify and explain the concepts from the given illustrations :

(Any THREE) (6) [12]

(1) Due to rise in prices of mango, Sheetal demanded only three dozen mangoes instead of five dozen.

(2) Razak, instead of demanding more, reduced the demand of vegetable ghee as his salary increased.

(3) ABC firm sold 10 chairs charging ₹ 1000 each and received ₹ 10000.

(4) Maharashtra purchased wheat from Punjab.

(5) Tina deposited a lump sum amount of ₹ 50,000 in the bank for a period of one year.

(B) Distinguish between : (Any THREE) **(6)**

(1) Utility and Usefulness

(2) Expansion of Supply and Contraction of Supply

(3) Direct Tax and Indirect Tax

(4) Simple Index Numbers and Weighted Index Numbers

(5) Money Market and Capital Market

Q. 3. Answer the following questions in brief : (Any THREE) **[12]**

(1) Explain the concept of market and the types of market on the basis of place.

(2) Explain the concept of Theory of Welfare. Explain the scope of microeconomics with reference to the theory of welfare.

(3) Explain the concept of Price Index Number. Explain the steps in constructing price index number.

(4) Explain any four problems of capital market in India.

(5) Explain the concept of Balance of Trade.

Q. 4. State with reasons whether you agree or disagree with the following statements : **(Any THREE) [12]**

(1) A seller is a price taker in monopoly.

(2) Transfer payments are excluded from the measurement of national income.

(3) Index numbers cannot be constructed without a base year.

(4) Microeconomics is known as Income Theory.

(5) Gross National Product and Gross Domestic Product are same concepts.

Q. 5. Study the following table, diagram, passage and answer the questions given below : (Any TWO) **[8]**

(1) Study the following table and answer the questions :

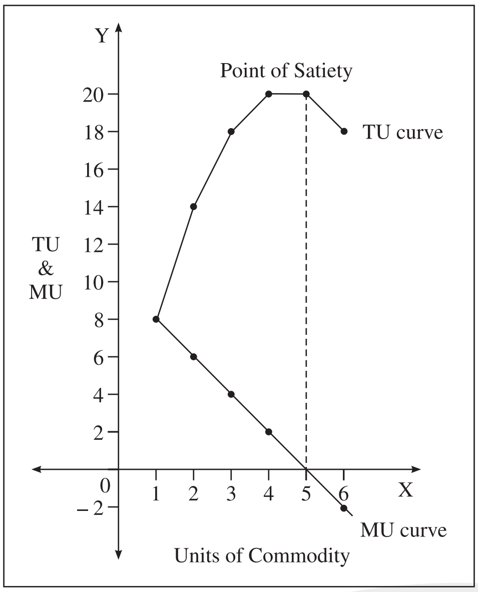
Price (₹)	A's SS + B's SS + C's SS +	Market Supply (Units per day)
1	10 + 20 + 30 =	60
2	20 + 30 + 40 =	90
3	30 + 40 + 50 =	120
4	40 + 50 + 60 =	150
5	50 + 60 + 70 =	180

Questions :

(i) Explain the concept of Market Supply Schedule. **(2)**

(ii) Draw a market supply curve. **(2)**

(2) Study the following diagram and answer the questions :



Questions :

(i) Explain the nature of Total Utility Curve. **(2)**

(ii) Explain the concept of Point of Satiety with reference to the diagram. **(2)**

(3) Study the following passage and answer the questions :

The Green Gross National Product (Green GNP or GGNP) is an index of economic growth with the environmental consequences of that growth factored into a country's conventional GDP. Green GDP monetizes the loss of biodiversity, and accounts for costs caused by climate change. Some environmental experts prefer physical indicators such as "waste per capita" or "carbon dioxide emissions per year", which may be aggregated to indices such as the "Sustainable Development Index".

Calculating green GDP requires that net natural capital consumption, including resource depletion, environmental degradation, and protective and restorative environmental initiatives, be subtracted from traditional GDP. Green GNP can be said as the measurement of the National Income or Output adjusted for the depletion of natural resources/ degradation of environment. Let's take an example, for instance the National Income (NNP) for a current year is 10,000 units and the degradation of environment in the same year is quantified at 1000 units. The Green GNP will thus result to be 9000 units!

The role of Green Economy, aims at Sustainable Consumption and Production and Resource Efficiency for Sustainable Development : Sustainable Consumption and Production aims to improve production processes and consumption practices to reduce resource consumption waste generation and emissions across the full life cycle of processes and products – while Resource Efficiency refers to the ways in which resources are used to deliver value to society and aims to reduce the amount of resources needed, and emissions and waste generated, per unit of product or service. The Green Economy provides a macro-economic approach to sustainable economic growth with a central focus on investments, employment and skills.

Questions :

(i) Explain the concept of GGNP. **(2)**

(ii) Comment on the calculation of GGNP. **(2)**

Q. 6. Answer the following questions in detail : (Any TWO) **[16]**

(1) What is non tax revenue of government? Explain non tax sources of revenue of government.

(2) What is the meaning of Demand? Explain the determinants of demand.

(3) What is Elasticity of Demand? Explain the importance of elasticity of demand.

प्र. क्र.
Q. No.

1 (A)

Note : Five statements with four options each will be given in the question paper. Students are expected to write the proper alternative in the answer sheet.

(1) remains constant

(2) perfectly elastic demand

(3) statistical

(4) Statutory Liquidity Ratio

(5) opium

(Each correct answer carries 1 mark; Total 5 marks.)

1 (B)

Note : Five questions with four words each will be given in the question paper. Students are expected to find out the odd word from each and write the same in the answer sheet.

(1) **Odd word** – Milk

(2) **Odd word** – Perfume

(3) **Odd word** – D-mat a/c

(4) **Odd word** : Mobile phone

(5) **Odd word** : Selling cost

(Each correct answer carries 1 mark; Total 5 marks.)

प्र. क्र.
Q. No. 1 (C)

Note : Five questions with three words and one blank in each will be given in the question paper. Students are expected to find the correlation between the three words and fill in the blank. Then write the same in the question paper.

(1) Form utility

(2) National Income

(3) The Reserve Bank of India

(4) Increase in supply

(5) Unrelated goods

(Each correct answer carries 1 mark; Total 5 marks.)

1 (D)

Note : Five statements will be given in the question paper. Students are expected to write statements in answer sheet and write the answer against them.

(1) Reward of entrepreneur – Profit.

(2) Number of firms producing identical product – Industry.

(3) Compulsory contribution from the person to the government without reference to special benefits confirmed – Tax.

(4) The additional utility derived from the consumption of an additional (last) unit of a commodity – Marginal Utility

(5) A situation where less quantity is demanded at higher price – Contraction of Demand.

(Each correct answer carries 1 mark; Total 5 marks.)

प्र. क्र.
Q. No. 2 (A)

Note : Five concepts will be given in the question paper. Students are expected to write answer to any three questions. However, answers for all five questions are given here. Write to the point answers.

(1) (A) Identified concept : Contraction in demand.

(B) Explanation of concept : Other factors remaining constant, a fall in demand due to a rise in price is called contraction in demand.

(2) (A) Identified concept : Negative income elasticity of demand.

(B) Explanation of concept : When demand for certain goods decreases due to a rise in the income of the consumer, such goods are said to have negative income elasticity of demand. (Inverse relation between the demand and income) Inferior/Giffen goods have negative income elasticity of demand.

Inferior/Giffen Goods' Demand ↓	Income ↑

(3) (A) Identified concept : Total revenue.

(B) Explanation of concept : Total revenue is the total sales proceeds of a firm by selling a commodity at a given price. It is the total income of a firm. Total Revenue = Price × Quantity. In the given illustration, ABC firm's Total Revenue = 1000 × 10 = ₹ 10,000.

(4) (A) Identified concept : Internal/Home trade (Inflow of goods)

(B) Explanation of concept : Internal trade is the purchase (inflow) and sale (outflow) of goods and services within the geographical boundaries of a nation.

(5) (A) Identified concept : Fixed deposit.

(B) Explanation of concept : A fixed deposit is a type of deposit in which a person deposits a certain amount in the form of a deposit in a commercial bank for a fixed period of time. He can withdraw the amount from the deposit after a specified period.

[Each correct answer carries 2 marks (1 mark each for identifying the concept; 1 mark each for explaining the concept) ; Total 6 marks.]

प्र. क्र.
Q. No. 2 (B)

Note : Five pairs will be given in the question paper. Students are expected to distinguish between any three. However, answers for all five questions are given here. At least two points explaining the difference are to be written in the answer.

(1)	Utility	Usefulness
	(1) Meaning :	
	The want satisfying capacity of a commodity is called utility.	A quality of a commodity benefitting a consumer is called usefulness.
	(2) Interrelationship :	
	A commodity possessing utility may not be possessing usefulness.	A commodity possessing usefulness definitely possesses utility.

(2)	Expansion of Supply	Contraction of Supply
	(1) Meaning :	
	A rise in supply caused by rise in the price while other factors remaining constant is called expansion (extension) in supply.	A fall in supply caused by fall in price while other factors remaining constant is called contraction of supply.
	(2) Equilibrium Point :	
	In expansion of supply, the new equilibrium point of price and supply moves upwards from the left to the right on the same supply curve.	In contraction of supply, the new equilibrium point of price and supply moves downwards from the right to the left on the same supply curve.

प्र. क्र.
Q. No. 2 (B)

(3)	Direct Tax	Indirect Tax
	(1) Meaning :	
	A tax which is levied on the income or property of an individual and so in which the impact and incidence of tax is on same head is called direct tax.	A tax which is levied on goods and services and so in which the impact of tax is on one person (seller) and the incidence of tax is on another person (buyer) is called indirect tax.
	(2) Examples :	
	Income tax, property tax, etc. are the examples of direct tax.	Goods and Services Tax, Custom Duty, etc. are the examples of indirect tax.

(4)	Simple Index Numbers	Weighted Index Numbers
	(1) Meaning :	
	Index numbers measured by giving equal importance (weight) to every commodity are known as simple index numbers.	Index numbers measured by giving suitable importance (weight) to every commodity on the basis of their quantity are known as weighted index numbers.
	(2) Nature :	
	The measurement of simple index numbers is comparatively simple.	The measurement of weighted index numbers is comparatively complex.

प्र. क्र.
Q. No. 2 (B)

(5)

Money Market	Capital Market
(1) Meaning :	
A type of financial market in which short-term finance is provided is called the money market.	A type of financial market in which the medium term and long term finance is provided is called the capital market.
(2) Constituents :	
The Reserve Bank of India, commercial banks, co-operative banks, development financial institutions, Discount and Finance House of India, indigenous bankers, money lenders, unregulated non-bank financial intermediaries, etc. are the constituents of money market in India.	Government securities market, Industrial securities market, development financial institutions, financial intermediaries, etc. are the constituents of capital market in India.

(Each point carries 1 mark; Each correct answer carries 2 marks; Total 6 marks.)

प्र. क्र.
Q. No. 3

Note : Five questions will be given in the question paper. Students are expected to write answers to any three questions. However, answers of all five questions are given here. At least four points must be written in the answer.

(1) (A) Meaning : Market is a network of dealings between potential buyers and potential sellers.

(B) Types of markets on the basis of place : The types of markets on the basis of the place are as follows :

(i) Local market : Local market is a market in which sellers sell and consumers buy a product in the region or area in which it is produced.

(ii) National market : National market is a domestic market in a given country. It is a market in which buyers and seller trade goods and services within the national borders. Each national market is governed by the regulation of its own country.

(iii) International market : International market is a worldwide (global) market in which buyers and sellers trade in goods and services across the national borders. International market is governed by the international regulations.

(2) (A) Meaning : Theory of Welfare lies within the scope of microeconomics. Theory of Welfare basically deals with efficiency in the allocation of resources. Efficiency in allocation of resources is attained when it results in the maximum satisfaction of people in an economy.

(B) Scope of microeconomics with reference to the Theory of Welfare : Microeconomics studies the following three efficiencies in its scope :

(i) Efficiency in production : Efficiency in production means to produce maximum possible amount of goods from the given amount of resources. Microeconomics analyses how efficiency in production can be obtained.

प्र. क्र.
Q. No. 3

(ii) Efficiency in consumption : Efficiency in consumption means distribution of produced goods and services among the people for consumption in such a way as to maximise total satisfaction of society. Microeconomics analyses how efficiency in consumption can be obtained.

(iii) Overall economic efficiency : Overall economic efficiency means producing those goods which are most desired by people in society. Microeconomics analyses how overall economic efficiency can be obtained.

(3) (A) Meaning :

(1) Price index number is a type of index number derived by multiplying the ratio of sum of the prices of various commodities of the current year and sum of the prices of various commodities of the base year by 100.

(2) The formula for measuring price index number is as follows :

$$\text{Price Index Number } P_{01} = \frac{\sum P_1}{\sum P_0} \times 100$$

(B) Steps in constructing price index number :

(1) $\sum P_1$ = Adding the prices of various commodities of the current year.

(2) $\sum P_0$ = Adding the prices of various commodities of the base year.

(3) $\frac{\sum P_1}{\sum P_0} \times 100$ = Multiplying the ratio of sum of the prices of various commodities of the current year and sum of the prices of various commodities of the base year by 100.

प्र. क्र.
Q. No. 3

(4) The following are the problems of capital market in India :

(i) Financial Scams, Insider trading and Price manipulation : Financial scams are on the rise in the Indian capital market. Rising financial scandals have increased the distrust of the general public and as a result, investors' confidence in investing in the capital market has waned. As a result, capital markets face irreparable losses in the form of declining public confidence.

Some individuals have access to confidential information of companies. Such individuals, for personal gains, buy and sell securities on the basis of the unpublished confidential information of companies. Some individuals deliberately raise or lower the price of shares by buying and selling shares of certain companies for personal gain. Such illegal transactions are adversely affect the smooth functioning of the capital market of India.

(ii) Inadequate debt instruments : In the capital market of India, debt instruments include bonds, debentures, etc. Due to narrow investor base, high cost of issuance, restrictions on entry of small and medium enterprises into the capital market, etc., there is relatively few trading in debt securities.

(iii) Decline in the volume of trade : Capital market investors can trade online. As a result, capital market investors in various parts of the country prefer to invest in securities listed in premier stock exchanges like in the Bombay Stock Exchange and in the National Stock Exchange. As a result, there has been a sharp decline in trade in regional stock exchanges in India.

(iv) Lack of information efficiency : If the company's current stock price incorporates all the information about the company, then a market is said to be informationally efficient. However, the efficiency of information in the Indian stock market is relatively low compared to other developed countries. As a result, investors do not get the expected return on investment and thus lose faith in the capital market.

प्र. क्र.
Q. No. 3

(5) The concept of balance of trade can be explained with the help of the following points :

(i) Balance of trade is the difference between the value of a country's exports and imports for a given period. Balance of trade is also referred to as the international trade balance.

(ii) According to Bentham, "Balance of trade of a country is the relation over a period between the values of her exports and imports of physical goods."

(iii) According to Samuelson, "if export value is greater than the import value it is called as trade surplus and if import value is greater than export value, then it is called as trade deficit."

(iv) It is clear from the above definitions that balance of trade includes the value of imports and exports of visible goods and invisible goods.

(Write at least four points in the answer. Each correct answer carries 4 marks; Total 12 marks.)

प्र. क्र.
Q. No. 4

Note : Five statements will be given in the question paper. Students are expected to write answers to any three questions. However, answers for all five questions are given here. Write three points of explanation/reasons after stating 'agree' or 'disagree'.

(1) No, I disagree with this statement.

Reasons :

(i) In a monopoly market, there is a single seller or a single producer. Under monopoly, monopolist has no rivals and he faces no competition.

(ii) Under monopoly, entry of other firm is strictly restricted. Under monopoly, many entry barriers such as natural, economic, technological or legal do not allow competitors to enter the market.

(iii) In monopoly, the monopolist's individual supply itself becomes the market supply and the firm itself becomes the industry. Therefore in monopoly, monopolist can set any price for his product. Similarly, he can also follow the technique of price discrimination for maximising the profit.

Thus, a seller is not a price taker but a price maker in monopoly.

(2) Yes, I agree with this statement.

Reasons :

(i) Some people from an economy receives pension, unemployment allowances, etc.

(ii) Though pension, unemployment allowances, etc. is considered as an individual's income, it is not an earned income.

(iii) Individual receives this income from government's expenditure. Therefore it becomes difficult to decide whether or not to include such income in national income. Therefore, transfer payments are excluded from the measurement of national income.

प्र. क्र.
Q. No. 4

(3) Yes, I agree with this statement.

Reasons :

(i) Index numbers measures the changes in an economic variable in present times with reference to the year in the past. This year in the past is known as base year.

(ii) For the calculation of index numbers, the normal year from the past is selected as the base year. The base year should be normal, i.e. it should be free from natural calamities, warlike conditions, emergencies, etc. Similarly, it should not be too distant in the past.

(iii) While preparing index numbers with reference to the base year, it is denoted by the suffix 'o'. The base year's index of a selected variable is assumed as 100. The index numbers are measured for the current year on the basis of the past year.

Thus, index numbers cannot be constructed without the base year.

(4) No, I disagree with this statement.

Reasons :

(i) Income Theory lies within the scope of macroeconomics.

(ii) Microeconomics explains how the prices of a variety of goods and services are determined. Thus, theories of demand, supply, production function and cost fall within the scope of microeconomics.

(iii) Microeconomics also explains how the prices of factors of production, viz., land, labour, capital and entrepreneur are determined. Thus, theories of rent, wages, interest and profit fall within the scope of microeconomics.

Therefore, microeconomics, is not known as Income Theory but is known as Price Theory.

प्र. क्र.
Q. No. 4

(5) No, I disagree with this statement.

Reasons :

(i) Gross National Product is the total measure of the flow of goods and services at market value resulting from current production during a year in a country, including net income from abroad.

(ii) Gross Domestic Product is the gross market value of all final goods and services produced within the domestic territory of a country during a period of one year. Net income from abroad is excluded from Gross Domestic Product.

(iii) The formula of Gross National Product is as follows : GNP = C + I + G + (X-M) + (R-P).

Whereas, the formula of Gross Domestic Product is as follows : GDP = C + I + G + (X-M).

Therefore, Gross National Product and Gross Domestic Product are not same concepts, but are different concepts.

(Each correct answer carries 4 marks; 1 mark each for stating 'Agree' or 'Disagree'; 3 marks each for writing correct reasons; Total 12 marks.)

प्र. क्र.
Q. No. 5

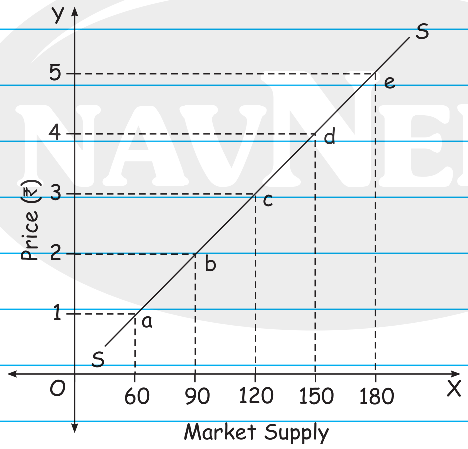
Note : One table, diagram and passage and questions based on them will be given in the question paper. Students are expected to write answers to any two questions. However, answers for all three questions are given here.

(1) (i) (a) The sum of the total quantities of a commodity supplied by all sellers at different prices during a given period of time is market supply.

(b) Market supply schedule is a tabular representation of the sum of the total quantities of a commodity supplied by all sellers at different prices during a given period of time.

(c) Market supply schedule indicates the direct relationship between the price and the quantity supplied.

(ii) Market Supply Curve :



(2) (i) (a) Initially, the total utility curve slopes upward from the left to the right, then it becomes parallel to the X axis and at last, it slopes downword from the right to the left.

(b) Total utility curve may have positive, zero and negative slope.

(ii) (a) The various units of a commodity consumed in quick succession leads to decrease in intensity of want and increase in the satisfaction.

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(b) At a particular point, (at 5th unit in the given diagram) consumer's want gets fully satisfied. This point is called as a point of satiety. A rational consumer refuses to consume the next unit of consumption after the point of satiety.

(3) (i) Concept of GGNP : The concept of GGNP can be explained with the help of the following points :

(a) Meaning : The Green Gross National Product (Green GNP or GGNP) is an index of economic growth with the environmental consequences of that growth factored into a country's conventional GDP. Green GDP monetises the loss of biodiversity, and accounts for costs caused by climate change.

(b) Indicators of GGNP : "Waste per capita" or "Carbon dioxide emissions per year" are some of the indicators of GGNP. The value of these indicators may be aggregated to calculate indices such as the "Sustainable Development Index".

(ii) Calculation of GGNP : The calculation of GGNP can be explained with the help of the following points :

(a) GGNP is calculated by subtracting the value of net natural capital consumption including resource depletion, environmental degradation and protective and restorative environmental initiatives from the value of GDP. Thus, GGNP can be said as the measurement of the National Income or Output adjusted for the depletion of natural resources/ degradation of environment.

(b) For example, for instance the National Income (NNP) for a current year is 10,000 units and the degradation of environment in the same year is quantified at 1000 units. The Green GNP will thus result to be 9000 units.

(Each correct answer carries 4 marks; Total 8 marks.)

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Note : Three questions will be given in the question paper. Students are expected to write answers to any two questions. However, answers for all three questions are given here. At least four big or eight small points must be written in detail.

(1) (A) Meaning of non tax revenue of government : Revenue received by government through the sources other than direct taxes and indirect taxes is known as non tax revenue of government.

(B) Non-tax sources of revenue of the government : Non tax sources of revenue of the government are as follows :

(i) Fees : Fee is paid by citizens in return for certain specific services rendered by the government. For example, education fee, registration fee, etc.

(ii) Prices of public goods and services : Modern governments sell various types of commodities and services to the citizens. A price is a payment made by the citizens to the government for the goods and services sold to them. For example, railway fares, postal charges, etc.

(iii) Special Assessment : The payment made by the citizens of a particular locality in exchange for certain special facilities given to them by the authorities is known as 'special assessment.' For example, local bodies can levy a special tax on the residents of a particular area where extra/special facilities of roads, energy, water supply, etc. are provided.

(iv) Fines and Penalties : The government imposes fines and penalties on those who violate the laws of the country. The objective of the imposition of fines and penalties is not to earn income, but to discourage the citizens from violating the laws framed by the government. For example, fines for violating traffic rules. However, the revenue from this source is comparatively limited.

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(v) Gifts, grants and donations : The government may also earn some income in the form of gifts by the citizens and others. The government may also receive grants from the foreign governments and institutions for general and specific purposes. Foreign aid has become an important source of development finance for a developing country like India. However, this source of revenue is uncertain in nature.

(vi) Special levies : The government levies duties on those commodities, the consumption of which is harmful to the health and well-being of the citizens. Like fines and penalties, the objective of special levies is not to earn income, but to discourage citizens from the consumption of harmful commodities. For example, duties levied on wine, opium and other intoxicants.

(vii) Borrowings : The government borrows from the citizens in the form of deposits, bonds, etc. Government also gets loans from foreign governments and international organizations such as IMF, World Bank, etc. In modern times, loans are becoming more and more popular source of revenue for the governments.

(2) (A) Meaning : Demand refers to a desire backed by the ability to pay and the willingness to pay for a particular commodity. Demand has relation with price, place and time.

(B) Determinants of demand : The determinants of demand are as follows :

(i) Price : Price is one of the most important factors that affect market demand. Usually, larger quantity is demanded at a lower price and vice versa.

(ii) Income : Income is yet another important factor that affects market demand. Income affects the purchasing power of a consumer. Income and demand are directly related to each other. Normally, demand rises with increasing income and vice versa.

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(iii) Prices of substitutes goods and prices of complementary goods : Market demand also gets influenced by the prices of substitutes. If a substitute is available at a lower price, people demand the substitute good in greater quantities than the commodity in question. For example, if the price of tea falls, demand for coffee tends to fall.

Similarly, Market demand also gets affected by the prices of complementary goods. If the price of a complementary good rises, the demand of the commodity in question tends to fall. For example, if the price of petrol rises, demand for cars tends to fall.

(iv) Nature of products : If a commodity is a necessity and its use is unavailable, then its demand will continue to be the same irrespective of change in its price. For example, demand for salt, medicines, etc. Thus, nature of commodity determines the demand.

(v) Size of Population : Demand for various goods and services get affected by the size as well as the composition of population. An increase in population leads to an increase in demand for a variety of goods and services. On the other hand, decrease in population leads to decrease in demand for a variety of goods and services.

(vi) Expectations about future prices : Expectations about future prices also determines the demand. For example, if consumers expect fall in the price of a particular commodity in the near future, they will demand less quantities of such commodity though its present price is comparatively less and vice versa.

(vii) Advertisements : Nowadays, the market demand for goods and services gets highly influenced by advertisements and other promotional activities. Attractive advertisements, sales promotion schemes and effective salesmanship lead to increase in demand for various goods and services. For example, demand for toothpastes, cosmetics, etc.

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(3) <u>(A) Meaning</u> : Elasticity of demand can be explained with the help of the following points :

(i) The elasticity of demand is a technical term which describes the responsiveness of change in quantity demanded to fall or rise in its price or the responsiveness of change in quantity demanded to change in other factors such as change in the income of the consumer or change in the prices of other goods.

(ii) According to Alfred Marshall, "Elasticity of demand is great or small according to the amount demanded which rises much or little for a given fall in the price and quantity demanded falls much or little for a given rise in price."

<u>(B) Importance of elasticity of demand</u> : The importance of elasticity of demand can be explained with the help of the following points :

<u>(i) Importance to producers</u> : The concept of elasticity of demand helps the seller in fixing the prices of his products. If the demand for a commodity sold by the producer is inelastic, the producer can charge higher price for such a commodity and can earn the maximum profit. On the other hand, if the demand for a commodity sold by the producer is elastic, the producer can charge lower price for such a commodity and can earn the profit by its maximum sale.

<u>(ii) Importance to the Government</u> : The concept of elasticity of demand helps the finance minister and the government in framing the taxation policy. If the demand for a particular commodity is inelastic, the government can collect more revenue by imposing heavy taxes on such a commodity. Therefore, generally heavy taxes are imposed on commodities like cigarettes, liquor, etc. On the other hand, if the demand for a particular commodity is elastic, the government can impose low taxes and can encourage sale of such a commodity and can collect revenue from it.

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(iii) Importance in factor pricing : The concept of elasticity of demand also helps in the determination of wages of workers. For example, the demand for skilled employees performing higher intellectual work is less elastic, therefore they can demand more salary. On the other hand, the demand for unskilled labourer performing physical work is more elastic, therefore they have to accept comparatively low wages.

(iv) Importance in foreign trade : The concept of elasticity of demand is helpful to the government in determining the terms and conditions for international trade and framing the export and import policy. If the demand for a commodity exported is inelastic, the country can raise the price of that commodity in the international market. On the other hand, if the demand for a commodity exported is elastic, the country can focus on its maximum export at low price in the international market.

(v) Public utilities : The concept of elasticity of demand is helpful to government in taking decisions regarding manufacturing and selling various goods and services by various sectors in a mixed economy. In order to avoid the exploitation of the consumers and to promote the social welfare, public sector manufactures and sells certain goods and services having less elastic demand. For example, public utilities like railways have inelastic demand. Therefore to avoid the exploitation of consumers, the government can either subsidise or nationalise such public utilities. On the other hand, government allows private sector to produce and sell those commodities having relatively elastic demand.

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(vi) Proportion of expenditures : The concept of elasticity of demand is also helpful in taking decisions regarding consumption of various goods and services. If a proportion of expenditure on a particular product in a person's total income is small and recurring, the demand for such a product is relatively inelastic. For example, expenditure on a newspaper. Consumer can regularly consume such a commodity. On the other hand, if a proportion of expenditure on a particular product in a person's total income is large and occasional, the demand for such a product is relatively elastic. With proper economic planning, a consumer can consume such a commodity. For example, planned expenditure on luxury goods.

(Each correct answer carries 8 marks; Total 16 marks.)