

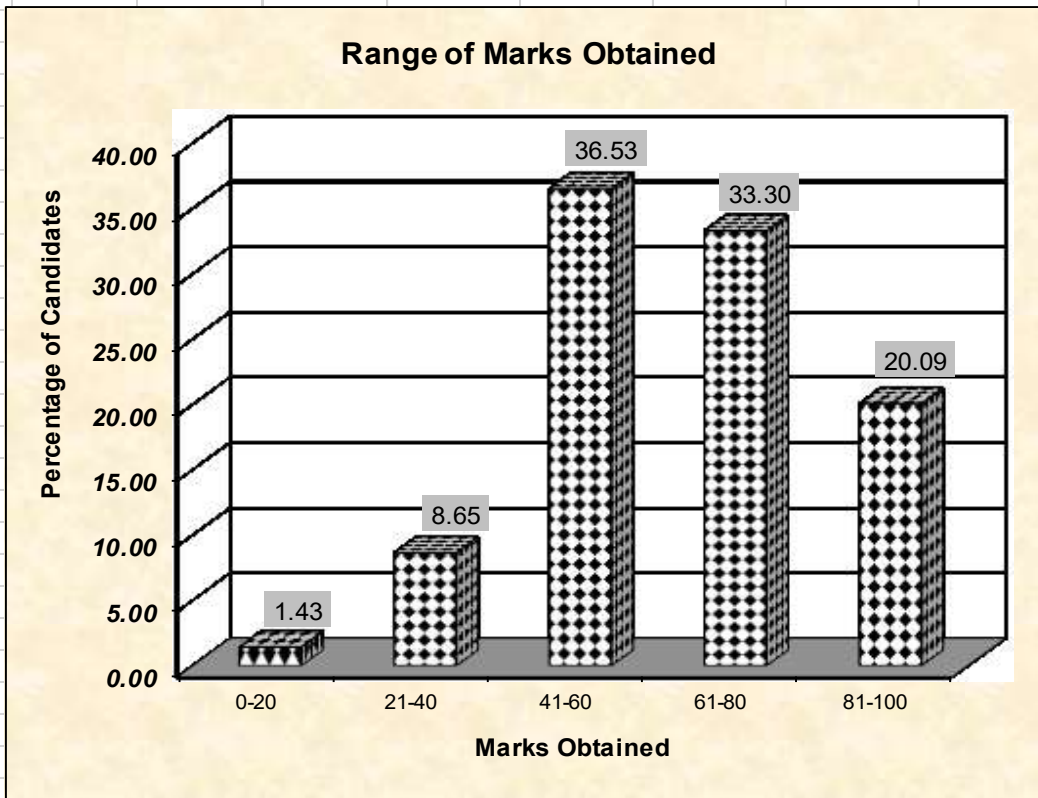
# ECONOMICS

## STATISTICS AT A GLANCE

Total Number of students who took the examination	8,414
Highest Marks Obtained	100
Lowest Marks Obtained	10
Mean Marks Obtained	64.05

## Percentage of Candidates according to marks obtained

Details	Mark Range				
	0-20	21-40	41-60	61-80	81-100
Number of Candidates	120	728	3,074	2,802	1,690
Percentage of Candidates	1.43	8.65	36.53	33.30	20.09
Cumulative Number	120	848	3,922	6,724	8,414
Cumulative Percentage	1.43	10.08	46.61	79.91	100.00



## ECONOMICS

### ANALYSIS OF PERFORMANCE

#### Question 1

- (a) State any *two* factors that determine the Division of labour. [2]
- (b) Mention two ways by which land differs from other factors of production. [2]
- (c) Define an Indirect tax with the help of an example. [2]
- d) Which of the following is considered as labour in Economics? Give a reason to support your answer.
- (i) A professor working in a college. [2]
- (ii) A social worker serving in an orphanage.
- (e) What is the significance of Capital in promoting economic growth? [2]

#### Examiners' Comments

- (a) Most candidates wrote about the advantages and reasons for division and labour instead of writing its factors.
- (b) Most candidates wrote captions only without offering appropriate examples or explanation. A few wrote only the random features of land. They all were unable to co-relate basis of differences between land and other factors of production.
- (c) Most candidates were unable to define indirect tax correctly and wrote incorrect examples.
- (d) Majority of candidates answered like yes or no for the parts of questions (i) and (ii) without offering proper reasons.
- (e) A few candidates were unable to link the importance of capital with economic growth.

#### Suggestions for teachers

- A clarity must be made on terms relating to differences, factors and advantages/reasons etc. Division of labour along with all the factors must be explained in detail with the help of examples.
- The concept of land being a different factor of production must be explained with the help of examples with emphasis on its correlation to other factors of production.
- The role and importance of a tax in the better functioning of the Government must be highlighted. Direct and indirect taxes must be explained with the help of various examples.
- Appropriate reasons must be given on the classification of labour with suitable examples.

- Economic growth and capital are both inter-related and complimentary to a country's growth and development and must be clearly explained for a better comprehension. Key words regarding growth i.e employment generation and increase in production etc. must be stressed on with importance of capital in promoting economic growth.

## MARKING SCHEME

### Question 1.

a)	Division of labour depends on size of market, availability of inputs, nature of product, availability of training facility.
b)	Supply of land is fixed, it is costless, immobile, law of diminishing marginal returns operates, has alternative uses.
c)	Taxes imposed on goods and services. E.g. sales tax, excise duty.
d)	i) mental effort done by the professor is labour as it generates utility and income. ii) work of a social worker is not treated as a labour in economics as it is involuntary without any remuneration.
e)	It raises productivity of labour, increases production, better standard of living, large scale production, more employment.

### Question 2

- (a) What is meant by Cross elasticity of demand? [2]
- (b) Mention any *two* factors that cause a rightward shift of the demand curve. [2]
- (c) Distinguish between Normal goods and Inferior goods. [2]
- (d) Draw a perfectly elastic supply curve. [2]
- (e) Distinguish between Redeemable debt and Irredeemable debt. [2]

Examiners' Comments

- (a) Most candidates were confused about the definition of cross elasticity of demand. They wrote the definition of elasticity of demand instead and ignored the relevance of price with no co-relation with the quantity demanded.
- (b) Many candidates wrote on the factors that affect demand and failed to mention the factors that cause a rightward shift of the demand curve.
- (c) Most candidates wrote incorrect answers with no clear cut distinction being made between normal goods and inferior goods in relation to the income of the consumer. Examples were also incorrectly written.
- (d) Many candidates made no mention of the vertical axis – Y and the horizontal axis – X. The Price and quantity supplied were also not mentioned properly.
- (e) A few candidates were not clear about the meaning of redeemable debt and irredeemable debt. They omitted important points of distinction i.e. rate of interest, time period and repayment mode.

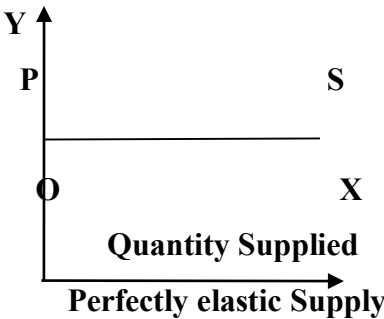
Suggestions for teachers

- When teaching the topic on cross elasticity of demand, highlight the relation between price and the commodity with the help of suitable examples
- Thorough explanations with the help of factors that cause a rightward shift of the demand curve must be undertaken in class discussions.
- A clear distinction between inferior goods and normal goods should be made with the help of suitable examples. A distinction should be co-related with the income of consumers.
- The significance of the axis of a curve i.e. horizontal and vertical with the allocation of price and quantity supplied must be emphasised upon. Topics on Elasticity of Demand and Supply must be supported with the help of examples.
- Distinction between redeemable and irredeemable should be clear to all the students with examples. Key words like, period of time, government and interest must made clear or mentioned for a suitable answer/distinction.

**MARKING SCHEME**

**Question 2.**

a)	When demand for a commodity is influenced by the price of another good it is called cross elasticity of demand. Eg if the price of petrol rises the demand for car falls.
b)	Income of the consumer, prices of substitutes, increase, expectation of future prices, number of potential consumers, Government policy.
c)	Normal Goods - demand for which increases with increase of income. Eg refrigerator, car etc. Inferior Goods – Demand for which falls with increase in income.

d)	 <p>No explanation required. Diagram should be neatly drawn and labelled. [1+1]</p>
e)	<p>Redeemable – Such that the government pays it off after a specified date.  Irredeemable – the government pays interest on such debts and never repays the debt completely.</p>

**Question 3**

- (a) Define creeping inflation. [2]
- (b) Direct taxes are progressive in nature. Briefly explain. [2]
- (c) Define efficiency of labour. [2]
- (d) State any *two* demerits of the Barter system of exchange. [2]
- (e) Mention *two* differences between the Central Bank and a Commercial Bank. [2]

### Examiners' Comments

- (a) Most candidates incorrectly mentioned the rate of creeping inflation with most definitions written incorrectly or writing incomplete answers.
- (b) A few candidates were confused regarding the progressive nature of direct taxes with many candidates writing that direct taxes help in removing inequalities of income.
- (c) Most candidates were unable to comprehend the term labour efficiency and wrote general answers.
- (d) Most candidates missed the key terms in explaining the demerits of the Barter system of exchange. A few wrote the captions instead of writing adequate answers in detail.
- (e) This question was answered correctly by most candidates. Few candidates however were unable to differ the actual points of difference between the Central Bank and Commercial Banks.

### Suggestions for teachers

- The definition of creeping inflation should be explained clearly with a clear mention of the % as up to 2 to 2.5 to 3% per annum.
- Direct tax should be explained comprehensively with suitable examples. Explain the fact that as income rises/increases direct tax rises showing the progressive nature. With the help of a diagram and schedule (as progressive tax) may be explained.
- The productive capacity or labour capacity/efficiency should be defined clearly.
- The barter system of exchange must be discussed and explained thoroughly with adequate examples.
- The significance and importance of the Banking system must be explained in context to the present economic scenario with special emphasis on the role of the Central Bank along with its distinction from Commercial Banks.

### **MARKING SCHEME**

#### **Question 3.**

a)	Price level increases at slow rate – only at 2 to 2.5% per annum.
b)	Direct tax increases as the income rises ∴ it is progressive in nature.
c)	Efficiency of labour refers to the qualitative aspect of labour. It is estimated on the basis of quantity of goods produced, quality of the good and the time taken to produce.
d)	Invisibility, problem of deferred payment, store of value, double co-incidence of wants.
e)	Commercial Bank – earn profit, banker to consumer, no printing notes, accepts deposits from public. Central Bank – Prints notes, Banker to Government gives loans to government.

#### Question 4

- (a) Explain briefly *two* differences between Recurring deposits and Fixed deposits. [2]
- (b) What is meant by Open market operations? [2]  
How does it influence money supply?
- (c) Mention *two* causes of Consumer Exploitation. [2]
- (d) What is meant by RTI? [2]
- (e) Distinguish between *Fixed capital* and *Circulating capital* quoting suitable examples. [2]

#### Examiners' Comments

- (a) Majority of candidates answered this question correctly. Candidates misunderstood the concept of recurring deposits but answered the concept on fixed deposits correctly.
- (b) Most candidates answered both parts of the question correctly, however the second part was not understood by a few candidates.
- (c) Most candidates wrote the forms of exploitation instead of its causes. Few candidates wrote the captions with no explanation and appeared confused in relating to the concept of consumer exploitation.
- (d) Most candidates were unable to write the full form of RTI nor were aware of its role.
- (e) Answered correctly by most candidates but a few candidates were unable to understand the concept and wrote incorrect answers.

#### Suggestions for teachers

- Students must be made aware about recurring deposit and fixed deposit accounts, with the distinction based on of rate of interest and period of time.
- Emphasis must be laid on concepts based on open market operations, its meaning and its implications etc. It must be explained in all clarity as it is one of the most important methods of the monetary policy of the Central Bank (RBI). This technique seeks to influence the excess reserves of the Central Bank/RBI. Money supply is directly affected through ONO (Open market Operations).
- Explain the distinction between the causes, forms and factors of consumer exploitation in detail.
- RTI must be explained comprehensively with conceptual clarity.
- Concepts on types of capital must be explained with a clarity in concept and suitable examples.

## MARKING SCHEME

### Question 4.

a)	Recurring Deposit – money deposited in equal time interval, interest gets accumulated, rate of interest is not very high. Fixed Deposit – total amount is deposited, rate of interest is high, amount withdrawn only after maturity.
b)	Central Bank purchases and sells government securities during inflation, RBI sells securities to reduce supply of money, and during deflation it buys securities to increase supply of money.
c)	Reason for consumer exploitation – illiteracy, ignorance, unorganised, consumers, malpractices of businessmen.
d)	RTI refers to Right to Information. This allows information related to: (1) Information on public policy procedures. (2) Information on departmental records (3) Information regarding delivery of service (4) Business information (regarding information on PWD officers, etc.) (The full form with any one feature)
e)	Fixed capital is not used up within a single period of production e.g. machines, tools, etc. On the other hand circulating capital refers to capital goods which is exhausted on being used just once. e.g. raw materials, fuel, etc.

### Question 5

- (a) Define Division of labour. Explain *three* benefits of Division of labour to producers. [5]
- (b) Define Capital Formation. Explain *three* causes of low capital formation in a developing economy. [5]



Examiners' Comments

- (a) Majority of candidates wrote the first part of the question correctly but a few wrote an incomplete definition of division of labour. Key terms like ability and aptitude of workers were not mentioned. Many candidates explained the benefits correctly but were unable to correlate these benefits (of division of labour) to producers.
- (b) Most candidates wrote improper definitions with no mention of key terms relating to 'period of time'. Candidates only wrote captions with no explanation with reference to a developing economy. Candidates wrote the process of capital formation rather than its causes of low rate of capital formation.

Suggestions for teachers

- The concepts on division of labour must be clearly defined with the help of examples with key emphasis on terms associated – ability and aptitude etc. Producers are always benefited by the division of labours – whether directly or indirectly – so it must be explained to correlate all the benefits to the producers by division of labour.
- The definition of capital formation must be explained comprehensively with factors relating to 'over a period of time' and its importance in the economic growth and development of a developing economy.

**MARKING SCHEME**

**Question 5.**

a)	Division of labour refers to division of work into parts and subparts according to ability and aptitude of the worker. Benefits of division of labour to workers: (1) Expansion in production (2) Better quality of products (3) Greater efficiency of workers (4) Reduced average cost (5) Rise in profits (brief explanation of any three)
b)	Capital formation refers to addition made to existing volume of capital in an economy at a given period of time. <u>Causes of low capital formation:</u>  (1) Low level of saving (2) Lack of investment opportunity (3) Inadequate banking network (4) Low level of income (5) Higher taxes (6) Fear of nationalisation. (any three of the above should be explained)

**Question 6**

- (a) Mention *five* qualities of a good entrepreneur. [5]
- (b) Differentiate between *Decrease in demand* and *Contraction of demand*. [5]

Examiners' Comments

- (a) A few candidates wrote the functions of an entrepreneur instead with many candidates omitting key terms associated with qualities relating to risk bearing, organisational ability decision making and innovative financial abilities etc
- (b) Most candidates were confused between the concepts 'decrease in demand' and 'contraction in demand'. Diagram for decrease in demand – left ward shift price at vertical axis and quantity demanded at horizontal axis were incorrectly drawn. In contraction of demand the graph for upward movement, price and quantity demanded were not mentioned properly. Candidates wrote distinction between increase in demand and decrease in demand rather than contraction of demand.

Suggestions for teachers

- Active classroom discussions must be conducted with a thorough explanation in understanding the qualities of a good entrepreneur. The revenue earning capacities of an entrepreneur should be highlighted. Key issues on the good qualities to promote revenue with the help of or adding to innovative financial ability, risk bearing, decision making, and organisational ability must be highlighted.
- A comparative understanding bringing out distinction between decrease in demand and construction of demand must be explained with an emphasis on the Diagrams of decrease in demand with a leftward shift and contraction of demand with upward movement should be clearly explained along with price mentioning at vertical axis and demanded quantity of horizontal axis.

**MARKING SCHEME**

**Question 6.**

a)	Entrepreneur should have risk bearing organisational ability, decision making and innovative financial ability coordinating with different departments etc. ]
b)	Decrease in Demand – left ward shift, fall in quantity demanded, same price, other factors change – graph. Contraction – upward movement, change in demand curve due to change in price, other factors constant, graph.

### Question 7

- (a) What is meant by Shift in supply? Explain *three* determinants of a leftward shift of the supply curve. [5]
- (b) Define Elasticity of demand. Explain briefly *three* determinants of elasticity of demand. [5]

### Examiners' Comments

- (a) Most candidates were unable able to explain shift in supply correctly. However many candidates explained the factors influencing supply instead of shift in supply. Candidates failed to mention other than price i.e. supply of a commodity changes due to factors other than price. A few wrote only captions of a leftward shift of the supply curve. Most candidates wrote the determinants of rightward shift instead of leftward shift of the supply curve.
- (b) A few candidates were confused between determinants of demand and determinants of elasticity of demand. Most candidates omitted key terms like ratio /degree /responsiveness /price /elastic /inelastic etc in their answers. They did not mention the word – magnitude regarding the elasticity of demand. Many wrote the captions of determinants of elasticity of demand with no details.

### Suggestions for teachers

- Explain concepts related to 'shifts in supply carefully with instructions to write price and quantity supplied on both the X and Y axis along with details of determinants causing leftward/rightward shifts through diagrams.
- The topic of elasticity of demand must be explained thoroughly either by formula or by given price and quantity ratio/change. Key terms related to elasticity of demand like responsiveness/degree ratio/price elastic and inelastic should be clearly mentioned. Determinants of elasticity of demand must be explained in detail.

## MARKING SCHEME

### Question 7.

a)	<p>Shift in supply refers to change in supply. This is when supply increases or decreases at the same price (e.g. leftward shift and rightward shift)</p> <p><u>Determinants of leftward shift in supply</u></p> <ol style="list-style-type: none"><li>(1) Rise in the cost of production</li><li>(2) Low level of technology</li><li>(3) Change in the goal of the firm</li><li>(4) Change in Government policy</li><li>(5) Change in the number of producers.</li></ol> <p>(any three of these determinants should be explained with relevance to leftward shift of supply curve)</p>
b)	<p>Elasticity of demand refers to the degree of responsiveness of demand to a given change in price. Eg. <math>\epsilon_p &gt; 1</math>, <math>\epsilon_p &lt; 1</math> etc.</p> <p><u>Determinants of elasticity of demand</u></p> <ol style="list-style-type: none"><li>(1) Nature of the commodity</li><li>(2) Existence of substitutes</li><li>(3) Variety of uses of a good</li><li>(4) Level of income</li><li>(5) Proportion of income spent</li><li>(6) Possibility of postponing consumption.</li><li>(7) The price level</li><li>(8) Time</li><li>(9) Role of habits etc.</li></ol> <p>(any three of the above mentioned should be explained)</p>

### Question 8

- (a) What is meant by Public Expenditure? Explain *three* reasons for an increase in public expenditure in India. [5]
- (b) Define a tax. Explain briefly *three* merits of a Direct tax. [5]

Examiners' Comments

- (a) Most candidates wrote generalised answers with no mention of key terms related to economic development, infrastructure etc. A few candidates only wrote captions.
- (b) Most candidates were unable to mention key terms related to government, compulsory payment or contribution public welfare etc. in writing their definition. A few candidates were confused about concepts of direct tax and indirect tax with incorrect examples.

Suggestions for teachers

- Concepts based on public expenditure must be explained in detail with key terms linked to Government, growth and development, infrastructure etc being an integral part in making concepts clear for students to understand.
- Important and relevant points associated with the term 'Tax' and its types must be discussed in length. Terms like compulsory contribution, government, general public welfare etc should be highlighted with merits and demerits of direct tax should be explained in detail with the examples.

**MARKING SCHEME**

**Question 8.**

a)	Public expenditure refers to expenditure undertaken by the Government to promote growth and development in the economy. E.g. money spent on economic infrastructure. <u>Reasons for increase in public expenditure</u> (1) Increase in defence needs (2) Building up strong economic infrastructure (3) To increase output (4) Development of backward regions (5) Supply of basic facilities to citizens (6) Expansion of administrative machinery (7) Increase in social security (8) Servicing of public debt (9) Implementing fiscal policy (10) Attainment of social objective (any three of the above mentioned should be explained)
b)	Tax is a compulsory contribution made by the citizens to the government to defray the expenses involved in promoting the general welfare of the public. Tax payers do not receive any direct benefit. E.g. Income tax. <u>Merits of direct taxes</u> (1) Equity is ensured (2) Certainty (3) Economical (4) It is elastic (5) Promotes civic consciousness (Any three)

### Question 9

- (a) Explain the secondary functions of money. [5]
- (b) What is meant by Cost-push inflation? Briefly explain *three* of its determinants. [5]

#### Examiners' Comments

- (a) Most candidates wrote the primary functions of money instead of writing the secondary functions that the question posed.
- (b) Most candidates wrote an incomplete answer. The concepts of Inflation and its distinction from cost-push was not understood by a few candidates. Key words like production, aggregate, output of goods and services, price level etc. were not mentioned. Determinants of Cost-push inflation were not explained.

#### Suggestions for teachers

- Explain the primary and secondary functions in detail with examples that must be written as per requirements of the question.
- The significance of secondary functions of money should be highlighted with suitable examples.
- Inflation is an important topic in the study of Economics and must be explained thoroughly. Its meaning, types and impact must be comprehensively taught with the help of day to day examples. Terms associated i.e price level, production, aggregate supply, output of goods and services must be explained with the help of appropriate examples.

**MARKING SCHEME****Question 9.**

a)	Secondary Functions – deferred payments, store of value, transfer of value.
b)	<p>An increase in the cost of production will shift the aggregate supply curve to the left. As a result, the aggregate output of goods and services in the economy will fall and subsequently the aggregate price level will rise. Since this inflation is caused by the cost of production, this is called cost push inflation.</p> <p>Causes of cost push inflation are:</p> <ul style="list-style-type: none"><li>(1) Rise in the cost of production</li><li>(2) Rise in wage level</li><li>(3) Rise in profit margin.</li></ul> <p>(Three of the above mentioned should be explained)</p>

**Question 10**

- (a) With reference to the Central Bank, explain the following:
- (i) Monopoly of note issue
  - (ii) Lender of the last resort. [5]
- (b) 'An alert consumer is a safe consumer'.  
Give reasons to support your answer. [5]

### Examiners' Comments

- (a) Most candidates were unable to answer comprehensively. There was no explanation offered for the important role of the Central Bank as a 'Monopoly of note issue' or 'Lender of last resort'. The distinction between the Central Bank and Commercial Banks in relation to their functions was not understood by many candidates.
- (b) Most candidates wrote the rights and duties of consumers and displayed no connection to support their answers with appropriate reasoning.

### Suggestions for teachers

- Banking is an important topic with the Central Bank being the Apex Bank. It is imperative that its functions be explained in absolute totality. The functions of Commercial Banks too need to be revised thoroughly.
- Consumer awareness is a topic that needs to be explained with the help of day to day examples. The forms of exploitation should be highlighted to make aware of the malpractices carried out in markets. Rights of consumers must be explained to ensure a consumer is aware of issues related to quality of product, warranty period, price etc

### **MARKING SCHEME**

#### **Question 10.**

a)	(i) Central Bank enjoys monopoly of note issue. If Commercial Banks enjoy this power, they will manipulate the issue of paper notes to serve their own objectives. This may not be for the good of the country ∴ this right has been granted to the Central Bank. (ii) Commercial Banks borrow money from the Central Bank. When Commercial Banks are unable to borrow money from any other source, Central Bank will always come to their rescue. Central bank provides financial assistance to commercial banks through rediscounting of bills of exchange.
b)	Consumer awareness of rights and obligations, demand proper bill, check the quality of the product, warranty period, price tag etc .



### **Topics found confusing/difficult:**

- Definition of labour/discussion of labour
- Elasticity of demand (Decrease and contraction)
- Perfectly elastic supply curve
- Distinction between redeemable and irredeemable debt.
- Capital and capital formation.
- Functions of Central Bank/Reserve Bank of India
- Rights and duties of consumers
- Public expenditure
- Shift in supply
- Costpush inflation
- Primary and Secondary functions of money
- Mixed/Circulating capital and sunk/floating capital.

### **Suggestions for candidates:**

- Regular practice of writing answers along with examples is necessary.
- Avoid selective study of topics
- Practice drawing of diagrams on a regular basis
- Always write the captions and then explain in the light of the concept of the questions
- Use flow charts as required
- Definition always should be given along with examples
- Write key words to support your answers
- Answers should be relevant and to the point
- Revise and recheck the answers after completion of the examination.
- Attempt all these questions as per instruction given