

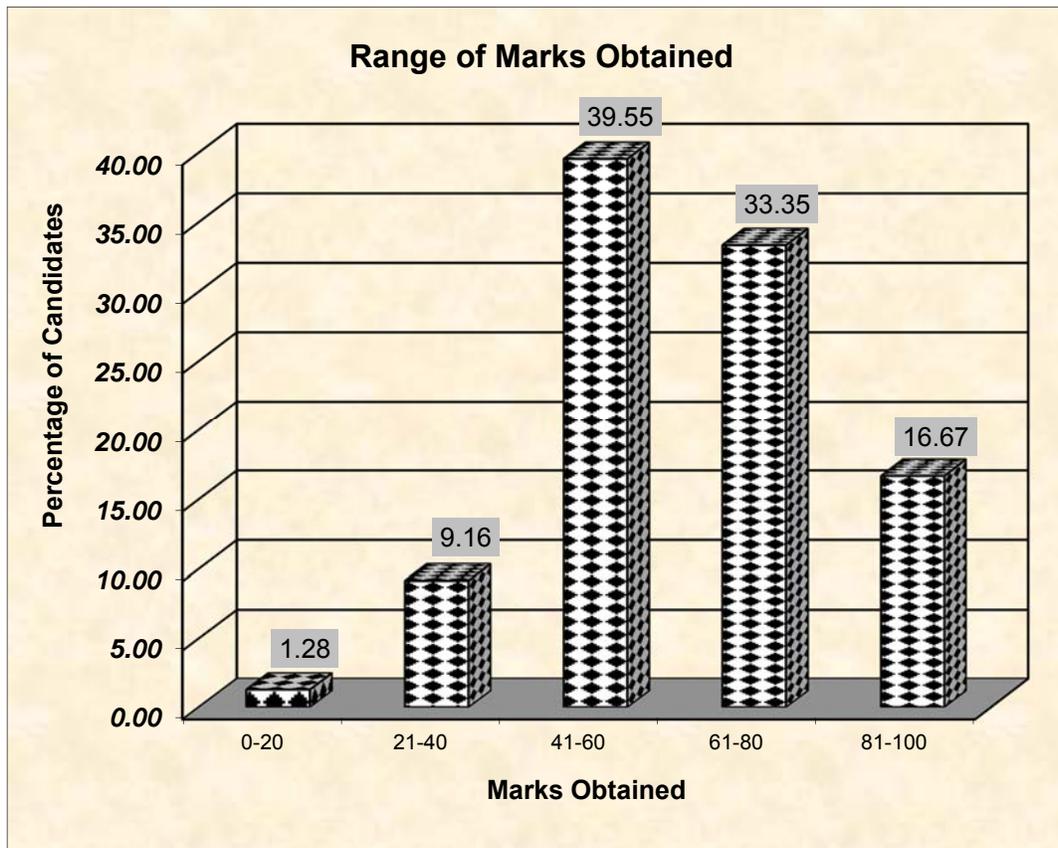
# ECONOMICS

## STATISTICS AT A GLANCE

Total Number of students who took the examination	7,437
Highest Marks Obtained	100
Lowest Marks Obtained	6
Mean Marks Obtained	62.42

### Percentage of Candidates according to marks obtained

Details	Mark Range				
	0-20	21-40	41-60	61-80	81-100
Number of Candidates	95	681	2941	2480	1240
Percentage of Candidates	1.28	9.16	39.55	33.35	16.67
Cumulative Number	95	776	3717	6197	7437
Cumulative Percentage	1.28	10.43	49.98	83.33	100.00



## ECONOMICS

### ANALYSIS OF PERFORMANCE

#### Question 1

- (a) Briefly explain *two* methods that increase land productivity. [2]
- (b) What is meant by price elasticity of demand? [2]
- (c) Distinguish between *sunk* capital and *floating* capital. [2]
- (d) Give *two* reasons for consumer exploitation in India. [2]
- (e) Distinguish between an *entrepreneur* and an *organiser*. [2]

#### Examiners' Comments

- (a) This question was answered correctly by most candidates, however a few wrote the factors instead of methods that effect productivity of land.
- (b) Most candidates wrote this answer correctly, some however wrote about the Law of Demand with a few not mentioning the term 'Responsiveness' of Demand /percentage change in quantity demanded'.
- (c) The question was answered correctly by a majority of candidates, though some were confused between the types of capital involving Sunk, Floating, Circulating and Fixed capitals.
- (d) Most candidates answered the question correctly, however some wrote about ways by which consumers are exploited instead.
- (e) Most candidates answered the question correctly. A few however were unable to answer correctly as they assumed that an entrepreneur and an organiser are the same person.

#### Suggestions for teachers

- Instruct students to read the question carefully before making an attempt to answer. Explain the difference between terms like methods and factors.
- The key word 'responsiveness of demand should be taught in the context of price elasticity of demand and Ceteri Paribus in the context of the Law of Demand, so that students remember and correlate concepts accordingly.
- Highlight the **key** differences between different types of capital and practice these differences from time to time in class using examples for each type.
- Provide ample practice of causes and effects of consumer exploitation to avoid errors.
- All differences should be taught with the help of examples, as it not only results in clarity of concepts but also helps in understanding concepts better.

## MARKING SCHEME

### Question 1.

- (a) Proper use of land, Investment on land, security of tenancy. Inputs, scientific cultivation  
(Any two)
- (b) It indicates the responsiveness in quantity demanded due to percentage change in price.  
e.i. –  $\frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price}}$
- (c) Sunk capital – which is specialised and cannot be put to alternate users eg – mine shaft to be bored to extract mineral ore.  
Floating capital – which can be used in alternate lines of production – money, stock & fuel, raw materials.
- (d) Illiteracy, unorganised consumers, deceptive advertising, malpractices of businessmen, increasing flow of spurious goods, poor governance.
- (e) An entrepreneur performs functions like coordinating, organising, risk bearing uncertainty etc.  
An organiser organises the business and does not perform other functions.

### Question 2

- (a) State *two* factors affecting the market demand of a commodity. [2]
- (b) Mention *two* factors that determine the supply of labour. [2]
- (c) What is meant by demand pull inflation? [2]
- (d) Progressive taxation is suitable for the Indian economy. Give reasons to support your answer. [2]
- (e) Distinguish between a *tax* and a *fee*. [2]

### Examiners' Comments

- (a) Most candidates answered this question incorrectly, as they stated factors which affect Individual Demand instead of factors affecting Market Demand. Many were confused between the examples of each type.
- (b) Most candidates answered this question correctly, however a few wrote incorrect answers by mentioning factors that affect mobility of labour or characteristics of labour instead.
- (c) Most candidates answered this question correctly, some however wrote about Cost-Push inflation instead. Many candidates did not mention current prices, or a persistent rise in general price levels.

### Suggestions for teachers

- When teaching terms like Market Demand and Individual Demand, highlight the differences between them with the help of examples and key words like **Income** for Individual Demand, and **Income distribution** for Market Demand etc.
- This topic should be explained in the context of supply of labour being different from the supply of other factors of production.
- A clear distinction between Demand Pull and Cost Push inflation should be made while explaining these concepts, as this helps in avoiding mistakes or committing errors.

- (d) Most candidates answered this question correctly, but some explained Digressive tax, while some wrote the definition of Progressive tax instead.
- (e) This question was answered correctly by most candidates, though some wrote incomplete differences or repeated the same point. A few candidates were unable to write on an example of a **fee**.

Suggestions for teachers

- Expose students to different patterns of questions on a topic, using different phrases. This will infuse confidence among them who in spite of knowing the answer, are unable to comprehend the question due to limited language skills.
- Tax is an important concept; hence it should be explained thoroughly using examples to bring out clearly the differences between a Tax and a Fee/Fine.

**MARKING SCHEME**

**Question 2.**

- (a) Pattern of income distribution, total number of consumers, price of related goods. Demographic distribution. (Or any other relevant matter)
- (b) Population – out migration – in migration, wage rate – Age composition.
- (c) Demand pull inflation refers to a situation in which prices rise because the demand for goods and services exceeds their total supply available at current prices.
- (d) Reduces inequality in income, distribution based on one’s ability to pay, maintains economic stability, more elastic, greater flexibility. The burden of tax will be more on the rich rather than poor.
- (e) Fee is imposed not only by state but by private & educational organisations Not a compulsory payment. There is direct return for e.g. doctor’s fee, school fee, etc. with example  
Tax – compulsory payment it is prerogative of no specific benefit meeting government expenditures. There is no direct return. Example – Income tax

**Question 3**

- (a) Give *two* reasons for an increase in public expenditure in recent times. [2]
- (b) Distinguish between *limited legal tender* and *unlimited legal tender*. [2]
- (c) Define simple division of labour. [2]
- (d) Give the full form of COPRA. How does it benefit consumers? [2]
- (e) Discuss any *two* contingent functions of money. [2]

### Examiners' Comments

- (a) This question was answered correctly by most candidates, however a few were unable to comprehend and wrote vague answers.
- (b) Most candidates failed to understand the types of legal tender in terms of currency. This resulted in incorrect answers as the meaning was unclear to them.
- (c) This question was answered correctly by most candidates, though some defined just Division of Labour and not Simple division of labour. Many candidates inadvertently explained process-based division of labour as Simple Division of labour.
- (d) The first part of the question was answered correctly by most candidates, however there was confusion in answering the second part about the benefits of COPRA to a consumer.
- (e) Most candidates attempted the Primary functions/Secondary functions of money that did not form a part of the question instead of writing on the Contingent functions.

### Suggestions for teachers

- Topics on Public Expenditure and its importance in recent times like increased defence and increased internal security expenditure must be explained thoroughly in class to enable students to attempt questions when posed in Examinations.
- The concept of Legal Tender is very important and after explaining it, teach the meaning of unlimited and limited legal tender giving information on coins which are limited legal tender/ unlimited legal tender. An activity based on this topic can be conducted in class to reinforce thus leading to clarity in understanding the concept better.
- Division of Labour is a topic which needs to be explained thoroughly. Use examples in daily life to bring out the clear meaning of each type. Guide students to find examples of each type so that the topic develops an interest.
- Topics relating to COPRA must be taught and revised thoroughly to ensure conceptual clarity.
- Draw Flow Charts, using different colours to bring out the different functions of Money, as a visual effect has a better impact and helps students recollect and express more clearly.

### **MARKING SCHEME**

#### **Question 3.**

- (a) Building strong infrastructural base, development of backward areas, supplying basic facilities to growing population, provision of social security welfare measures etc.
- (b) Limited legal tender is the money which is accepted only up to a certain maximum amount, in India coins or currency of lower denominations e.g. 50 paise and below are legal tender only up to `25.00. Unlimited legal tender is money that a person must accept without any maximum limit e.g. currency notes of ` 2.00 and above.
- (c) Division of labour into different occupation is called simple division of labour e.g. traders, lawyers, teachers, doctors, etc.
- (d) Consumer Protection Act. Seeks to provide speedy and inexpensive redressal to the grievances to consumers.

(e) Assisting production decision, consumption decision, distribution of national income most liquid asset etc.

#### Question 4

- (a) Explain the function of the Central Bank as a “Banker to the Government”. [2]
- (b) Mention any *two* sources of External Debt. [2]
- (c) State *two* differences between *tax on income* and *tax on a commodity*. [2]
- (d) Draw a supply curve. [2]
- (e) Briefly explain any *one* exception to the law of demand. [2]

#### Examiners’ Comments

- (a) Most candidates misunderstood the question and wrote about the functions of the Central Bank as Banker to the Banks or the General functions of the Central Bank instead of its functions as **Banker to the Government**.
- (b) Most candidates who attempted this question, wrote general terms like –Government of other countries/ International Organisations instead of writing specific terms.
- (c) This question was answered correctly by most candidates, however some were confused in understanding the difference between income tax / direct tax and a commodity tax /indirect tax.
- (d) This question was answered correctly by most candidates, A few candidates however drew a demand curve instead of a supply curve. Most candidates did not label the Supply curve and the axis.
- (e) This question was answered correctly by most candidates.

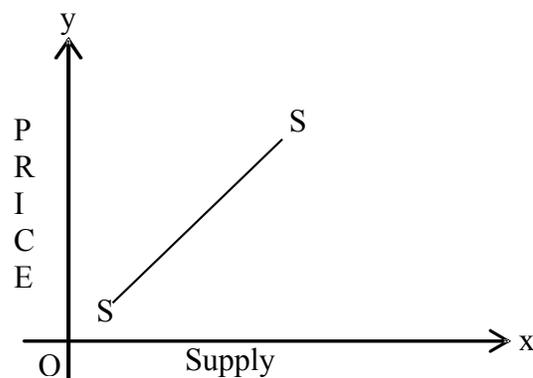
#### Suggestions for teachers

- Teach the different functions of the Central Bank as a comparative study so that students can visualise the functions and also their differences easily.
- An educational visit to the RBI or a talk by an expert from the RBI will generate much needed interest among students.
- As Economic activities become prominent it is important to encourage students to find out information on assignments though the use of the Internet.
- Examples of different taxes will help to understand topic on taxes. Such questions need to be taught with the help of practical examples. The use of the term ‘tax on ...’ should be encouraged while teaching concepts based on Tax.
- Regular practice involving drawing of diagrams must be undertaken to instill confidence, as diagrammatic representations are an integral part of teaching Economics.
- The teaching of topics like Assumptions and Exceptions should be done thoroughly to improve concepts.

## MARKING SCHEME

### Question 4.

- (a) Maintains the account of the government receipts and expenditures, short term loans to the government, government transactions regarding sale and purchase of foreign currencies, receives subscription on behalf of the government.
- (b) IMF, IFC, World Bank, Asian Development Bank, etc. (Any two)
- (c) Tax on income – burden cannot be shifted – impact and incidence on the same person – direct tax – does not generate inflationary pressure.  
Tax on commodity – impact and incidence fall on different persons – burden can be shifted – indirect tax inflationary pressure.
- (d) Diagram should be neatly drawn and labelled. (No explanation required)



- (e) Giffen goods – Veblen effect – conspicuous consumption – quality price relationship. Any one of these should be explained clearly.

### Question 5

- (a) Define land. Explain *four* characteristics of land as a factor of production. [5]
- (b) Define efficiency of labour.  
Explain *four* factors that influence the efficiency of labour. [5]

### Examiners' Comments

- (a) The first part of the question was answered correctly by most candidates with a few writing an incomplete definition.  
The second part was answered correctly by most candidates. Only a few wrote incomplete explanations on the characteristics of Land as a factor of production.
- (b) This question was answered correctly by most candidates. The definition of efficiency lacked conviction in a few answers written, while some candidates committed errors in writing the factors which influence efficiency of labour.

### Suggestions for teachers

- Organise and conduct oral discussions on each factor of production to reinforce their learning and understanding as they form part of the basics associated with the study of Economics.
- Practice of writing key and important terms as headers, will help students to be confident of writing correctly during the examination.

## **MARKING SCHEME**

### **Question 5.**

- (a) Land includes all physical and material resources provided by nature as free gifts. eg – air, water, forests etc.  
Features – Supply is fixed, it is immobile, production is costless, heterogeneous, has alternate uses and any other relevant matter. (Any Four)
- (b) Efficiency of labour refers to productive capacity of labour. It is estimated on the basis of quality of work, quantity and the time taken to produce it.  
Factors: Racial hereditary quality, climate, education, training, working conditions etc. (Any four)

### **Question 6**

- (a) Define capital formation. Explain *three* important stages of capital formation. [5]
- (b) Draw a demand curve with the help of a hypothetical individual demand schedule. [5]

### Examiners' Comments

- (a) Most candidates were unable to define Capital Formation. Some confused it with Capital, while others explained 'formation of Capital'. The term 'over a period of time' was not mentioned in the definition.  
The three stages of Capital Formation were explained in a vague manner. Some wrote only the headings.
- (b) An important and basic topic, most candidates drew diagrams of a Demand curve sloping upwards, nor showing a link between the curve and the schedule.  
The units for price and quantity demanded too were not mentioned.

### Suggestions for teachers

- Adopt methods that would facilitate the explanation of concepts based on capital formation. This would make it easy to understand and express. A regular practice in writing answers on a consistent basis will enhance confidence levels on this topic and assist students in writing with conviction.
- Explain the concept of Demand clearly and relate it to daily life situations.

Suggestions for teachers

- Practice drawing of imaginary demand schedules and Demand curves based on these schedules.
- A thorough practice in making hypothetical schedules based on different data for demand and supply curves must be undertaken regularly.

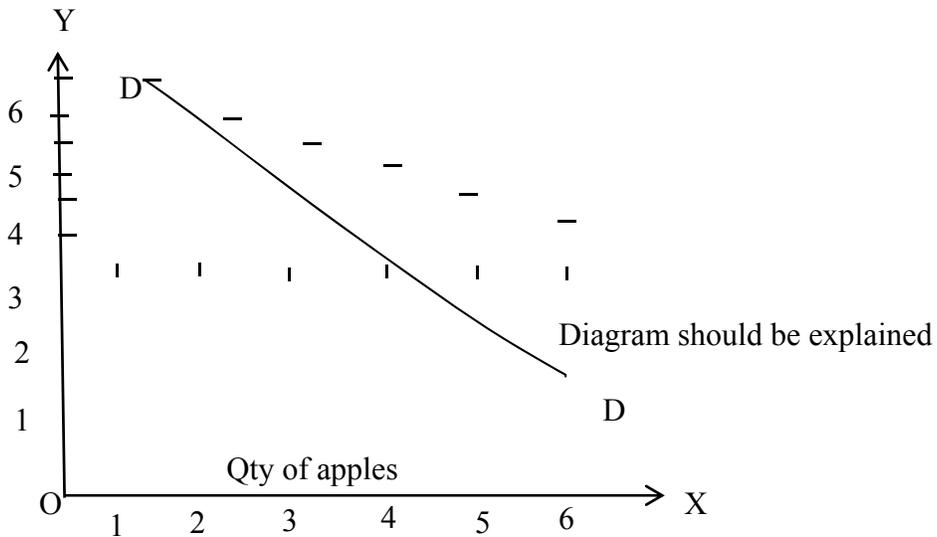
**MARKING SCHEME**

**Question 6.**

(a) Creation of capital – change in stock of capital in an economy eg – manufacturing, machine, building roads bridges. Stages – (1) creation of saving, (2) mobilization of saving (3) Investment of mobilised saving. (Three stages should be explained with examples)

(b)

Demand schedule for apples	
Price ( ₹ per kg)	Qty demanded (kg per week)
60.00	1
50.00	2
40.00	3
30.00	4
20.00	5



### Question 7

- (a) Define supply. Explain *three* reasons for the rightward shift of the supply curve. [5]
- (b) Define public debt. Explain *four* types of public debt. [5]

#### Examiners' Comments

- (a) The definition of Supply was answered correctly by most candidates. However many explained the Law of Demand instead of the Law of Supply. A few candidates wrote three reasons for the occurrence of the law of supply instead of three reasons for the rightward shift of the supply curve.
- (b) The definition of Public Debt was answered correctly by most candidates. Some understood 'Public' as the general masses, so wrote about debt given by the people instead. The four types of Public Debts were not explained convincingly. Only names of types were mentioned by some candidates with no basis of distinction being mentioned.

#### Suggestions for teachers

- Revision of both demand curve and its shift, supply curve and the shift of the supply curve is needed to compare the main differences between the two curves and their behaviour.
- A careful reading of questions on these topics should be encouraged in order to comprehend what the question desires and subsequently would ensure writing of correct answers.
- Explain the difference between Movement and Shift of both the Demand and Supply curves through diagrammatic presentations.
- Explanation of the types of Public Debt requires adequate practice during class discussions supported by examples. A tabular distinction of various types of debts would facilitate the learning and understanding process.

### MARKING SCHEME

#### Question 7.

- (a) A supply refers to various quantities of a given commodity which an individual producer is willing to supply at different prices during a given period of time.
- (1) Increase in the number of produces.
  - (2) Favourable Government policy.
  - (3) Availability of factor inputs at lower price.
  - (4) Good climatic conditions.
  - (5) Advanced technology. (Any other relevant factor) (Any four)
- (b) Public debt refers to the debt Government owes to its subjects or to the nationals of another country. It is the loans raised by the Government outside the country and inside the country.
- (1) Productive and unproductive
  - (2) Funded and unfunded
  - (3) Internal and external

- (4) Redeemable & irredeemable  
(5) Convertible and inconvertible.

(Any four)

### Question 8

- (a) Define a Commercial Bank.  
How do Commercial Banks mobilise deposits from the public? [5]
- (b) Explain *five* advantages of division of labour. [5]

#### Examiners' Comments

- (a) The first part of the question was answered correctly by most candidates, however the sub part on mobilisation of deposits from the public was inaccurate as some candidates wrote about credit creation with some writing on giving of loans by banks while some wrote irrelevant answers.
- (b) This question was answered correctly by most candidates. However in a few cases, some candidates wrote the advantages of the efficiency of labour instead.

#### Suggestions for teachers

- Expose students to differently worded questions on the concerned topic. This will help students to be prepared thoroughly.
- Performances will improve if language skills are improved upon. The difference between acceptance of deposits and advancing of loans /credit creation by banks must be taught clearly and revised often.
- Practice the advantages in general and then specifically to a producer, worker and consumer.

### MARKING SCHEME

#### Question 8.

- (a) Commercial Banks are financial institutions which borrow money from the public for the purpose of lending. These banks lend money to trade and commerce. Saving deposit – fixed deposit – Recurring deposit – current deposit – should be explained.
- (b) (1) Increase in efficiency of labour  
(2) Improvement in quality of work  
(3) Rise in profits  
(4) Large scale production  
(5) Reduced average cost  
(6) Lower selling price  
(7) Expansion of employment opportunities  
(8) Rise in national income  
(9) Rise in the standard of living  
(10) Economic growth. (Any five)

### Question 9

(a) Define inflation. Explain *four* causes of inflation. [5]

(b) What is meant by Quantitative Credit Control?

Describe *two* quantitative credit control measures of the Central Bank. [5]

#### Examiners' Comments

- (a) The definition of inflation was answered correctly by most candidates, only a few did not mention 'persistent rise in general price level', but instead wrote "a price rise of a commodity".  
With respect to causes of inflation, many candidates wrote about the types of inflation instead of writing their causes.
- (b) Most candidates explained the meaning of Quantitative credit control correctly, however a few explained Qualitative credit controls instead.

#### Suggestions for teachers

- The importance of using the correct term should be stressed while teaching. The term 'general price level' and 'price rise' should be explained thoroughly and the difference between the two should be highlighted.
- Differences between concepts should be explained thoroughly. Students should be given ample practice in answering questions on both types of credit control methods.

### MARKING SCHEME

#### Question 9.

- (a) Sustained increase in the aggregate price level. Increase in money supply – increase in public spending – population growth government spending – hoarding Exports, wage spiral, deficit financing, tax reduction, etc. (Any Four)
- (b) Quantitative credit control refers to methods which aim at controlling the cost and quantity of credit by using methods such as Bank rate, change in resource ratio etc. Bank rate, open market operations, cash reserve requirements, statutory liquidity ratio – quantitative measures.  
Two methods should be clearly explained.

### Question 10

(a) Explain *five* ways in which Consumers are exploited in India. [5]

(b) With the help of suitable diagrams explain the following degrees of elasticity of supply.

$$\epsilon_p = \alpha$$

$$\epsilon_p > 1$$

[5]

Examiners' Comments

- (a) This question was answered correctly by most candidates.
- (b) This question was incorrectly answered as most candidates drew diagrams of elasticity of demand instead of elasticity of supply.

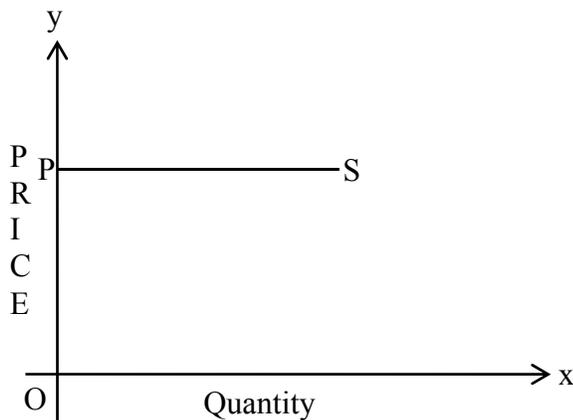
Suggestions for teachers

- This is a topic that students can relate to very easily as the terms are familiar. It can be made more interesting by giving various examples of consumer exploitation. Such topics help in improving performance levels.
- Diagrams on elasticity need to be emphasised on thoroughly. The use of the symbol **ep** is essential as it forms part of the study of **Price elasticity**.
- Encourage students to read the question carefully before making attempts to answer.

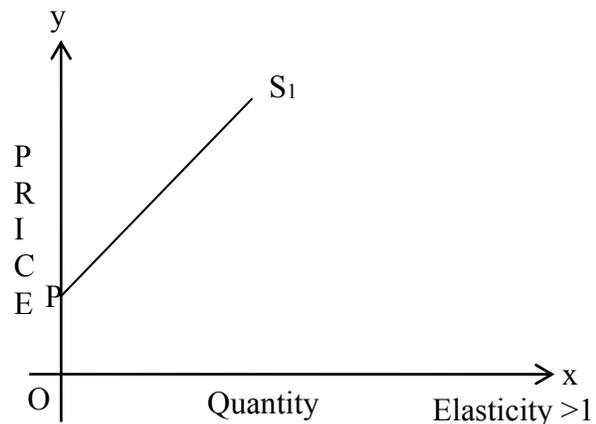
**MARKING SCHEME**

**Question 10.**

- (a) Cheating customers in respect of weights, regarding the quality, standards of product, giving second hand goods as new goods, misleading representation of usefulness of products. (Any five)
- (b) Elasticity of supply: Diagrams should be explained clearly.



$\epsilon_p = \alpha$   
(i) Perfectly Elastic Supply



Elasticity > 1  
(ii) Highly Elastic Supply

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

- Important economic terms like SLR and CRR
- Elasticity of Demand
- Importance of educating the consumers.
- Regressive, Degressive and Progressive taxation.
- Public Debt as an important tool of economic development
- Impact and incidence of taxes.
- Expenditure tax.
- Role of money (esp the secondary functions.)
- Functions of the Central Bank
- Measures to control Inflation
- Taxation as an instrument to curb inflation.

### **Suggestions for candidates:**

- Learn and revise each topic on a regular basis.
- The regular use of spoken English will help to understand the questions well.
- There are very few diagrams/graphs, so practice drawing them and explaining them regularly.
- Practice writing of the answers along with examples to reinforce oral work
- Learn every answer with the help of Keywords, as Keywords help to remember the answers.
- Avoid **selective study** to give you a wider choice in choosing questions in Section B
- Attempt solving of Question papers to become familiar with the language of the question papers.
- The reading time given should be used wisely- mentally frame the points of the answers to the selected questions
- Answers should be brief and to the point.
- While attempting '**Differentiate between**':-, make sure that the points match.
- Check answers for errors, if any before handing over the completed answer booklet.