

Analysis of Pupil Performance

**Year 2018
Examination**

ICSE

**ECONOMIC
APPLICATIONS**



Research Development and Consultancy Division

**Council for the Indian School Certificate Examinations
New Delhi**

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FOREWORD

This document of the Analysis of Pupils' Performance at the ISC Year 12 and ICSE Year 10 Examination is one of its kind. It has grown and evolved over the years to provide feedback to schools in terms of the strengths and weaknesses of the candidates in handling the examinations.

We commend the work of Mrs. Shilpi Gupta (Deputy Head) of the Research Development and Consultancy Division (RDCD) of the Council and her team, who have painstakingly prepared this analysis. We are grateful to the examiners who have contributed through their comments on the performance of the candidates under examination as well as for their suggestions to teachers and students for the effective transaction of the syllabus.

We hope the schools will find this document useful. We invite comments from schools on its utility and quality.

October 2018

**Gerry Arathoon
Chief Executive & Secretary**

The Council has been involved in the preparation of the ICSE and ISC Analysis of Pupil Performance documents since the year 1994. Over these years, these documents have facilitated the teaching-learning process by providing subject/ paper wise feedback to teachers regarding performance of students at the ICSE and ISC Examinations. With the aim of ensuring wider accessibility to all stakeholders, from the year 2014, the ICSE and the ISC documents have been made available on the Council's website www.cisce.org.

The documents include a detailed qualitative analysis of the performance of students in different subjects which comprises of examiners' comments on common errors made by candidates, topics found difficult or confusing, marking scheme for each answer and suggestions for teachers/ candidates.

In addition to a detailed qualitative analysis, the Analysis of Pupil Performance documents for the Examination Year 2018 have a component of a detailed quantitative analysis. For each subject dealt with in the document, both at the ICSE and the ISC levels, a detailed statistical analysis has been done, which has been presented in a simple user-friendly manner.

It is hoped that this document will not only enable teachers to understand how their students have performed with respect to other students who appeared for the ICSE/ISC Year 2018 Examinations, but also provide information on how they have performed within the Region or State, their performance as compared to other Regions or States, etc. It will also help develop a better understanding of the assessment/ evaluation process. This will help teachers in guiding their students more effectively and comprehensively so that students prepare for the ICSE/ ISC Examinations, with a better understanding of what is required from them.

The Analysis of Pupil Performance document for ICSE for the Examination Year 2018 covers the following subjects: English (English Language, Literature in English), Hindi, History, Civics and Geography (History and Civics, Geography), Mathematics, Science (Physics, Chemistry, Biology), Commercial Studies, Economics, Computer Applications, Economic Applications, Commercial Applications.

Subjects covered in the ISC Analysis of Pupil Performance document for the Year 2018 include English (English Language and Literature in English), Hindi, Elective English, Physics (Theory), Chemistry (Theory), Biology (Theory), Mathematics, Computer Science, History, Political Science, Geography, Sociology, Psychology, Economics, Commerce, Accounts and Business Studies.

I would like to acknowledge the contribution of all the ICSE and the ISC examiners who have been an integral part of this exercise, whose valuable inputs have helped put this document together.

I would also like to thank the RDCD team of, Dr. M.K. Gandhi, Dr. Manika Sharma, Mrs. Roshni George and Mrs. Mansi Guleria who have done a commendable job in preparing this document.

October 2018

Shilpi Gupta
Deputy Head - RDCD

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INTRODUCTION

This document aims to provide a comprehensive picture of the performance of candidates in the subject. It comprises of two sections, which provide Quantitative and Qualitative analysis results in terms of performance of candidates in the subject for the ICSE Year 2018 Examination. The details of the Quantitative and the Qualitative analysis are given below.

Quantitative Analysis

This section provides a detailed statistical analysis of the following:

- Overall Performance of candidates in the subject (Statistics at a Glance)
- State wise Performance of Candidates
- Gender wise comparison of Overall Performance
- Region wise comparison of Performance
- Comparison of Region wise performance on the basis of Gender
- Comparison of performance in different Mark Ranges and comparison on the basis of Gender for the top and bottom ranges
- Comparison of performance in different Grade categories and comparison on the basis of Gender for the top and bottom grades

The data has been presented in the form of means, frequencies and bar graphs.

Understanding the tables

Each of the comparison tables shows N (Number of candidates), Mean Marks obtained, Standard Errors and t-values with the level of significance. For t-test, mean values compared with their standard errors indicate whether an observed difference is likely to be a true difference or whether it has occurred by chance. The t-test has been applied using a confidence level of 95%, which means that if a difference is marked as 'statistically significant' (with * mark, refer to t-value column of the table), the probability of the difference occurring by chance is less than 5%. In other words, we are 95% confident that the difference between the two values is true.

t-test has been used to observe significant differences in the performance of boys and girls, gender wise differences within regions (North, East, South and West), gender wise differences within marks ranges (Top and bottom ranges) and gender wise differences within grades awarded (Grade 1 and Grade 9) at the ICSE Year 2018 Examination.

The analysed data has been depicted in a simple and user-friendly manner.

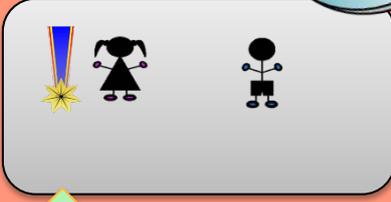
Given below is an example showing the comparison tables used in this section and the manner in which they should be interpreted.

Comparison on the basis of Gender

Gender	N	Mean	SE	t-value
Girls	2,538	66.1	0.29	11.91*
Boys	1,051	60.1	0.42	

*Significant at 0.05 level

Girls performed significantly better than boys.



The results have also been depicted pictographically. In this case, the girls performed significantly better than the boys. This is depicted by the girl with a medal.

The table shows comparison between the performances of boys and girls in a particular subject. The t-value of 11.91 is significant at 0.05 level (mentioned below the table) with a mean of girls as 66.1 and that of boys as 60.1. It means that there is significant difference between the performance of boys and girls in the subject. The probability of this difference occurring by chance is less than 5%. The mean value of girls is higher than that of boys. It can be interpreted that girls are performing significantly better than boys.

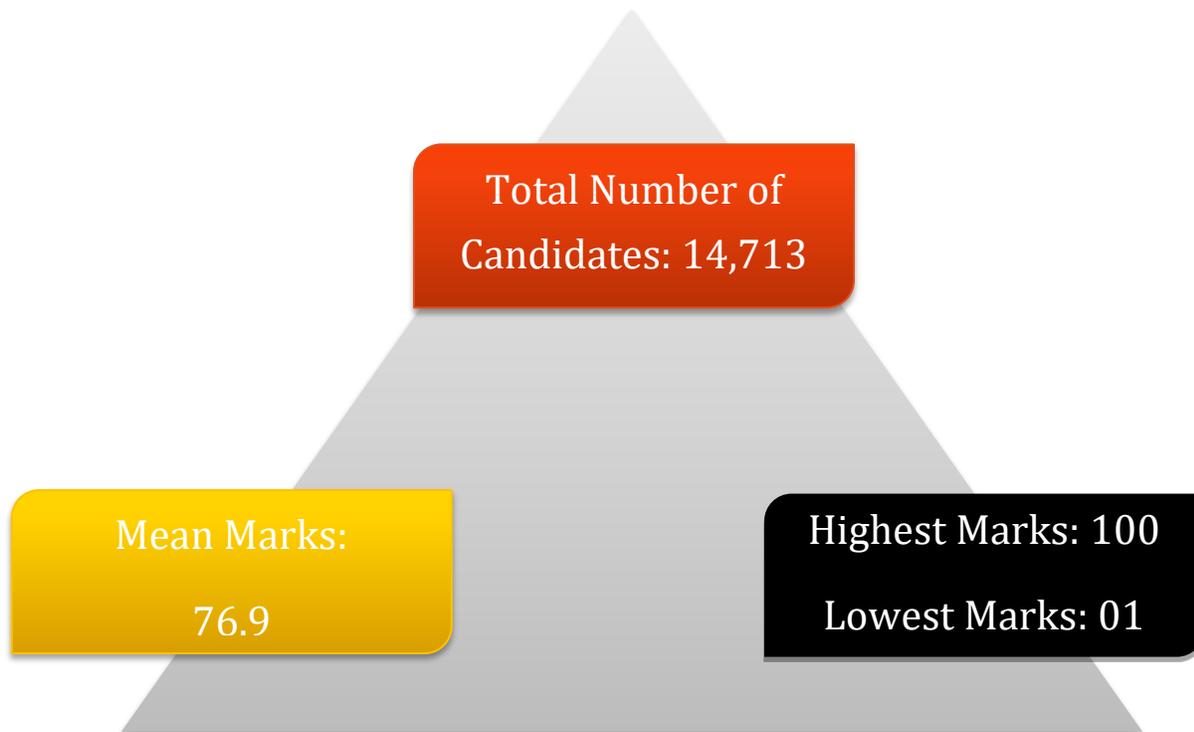
Qualitative Analysis

The purpose of the qualitative analysis is to provide insights into how candidates have performed in individual questions set in the question paper. This section is based on inputs provided by examiners from examination centres across the country. It comprises of question wise feedback on the performance of candidates in the form of *Comments of Examiners* on the common errors made by candidates along with *Suggestions for Teachers* to rectify/ reduce these errors. The *Marking Scheme* for each question has also been provided to help teachers understand the criteria used for marking. Topics in the question paper that were generally found to be difficult or confusing by candidates, have also been listed down, along with general suggestions for candidates on how to prepare for the examination/ perform better in the examination.

QUANTITATIVE ANALYSIS

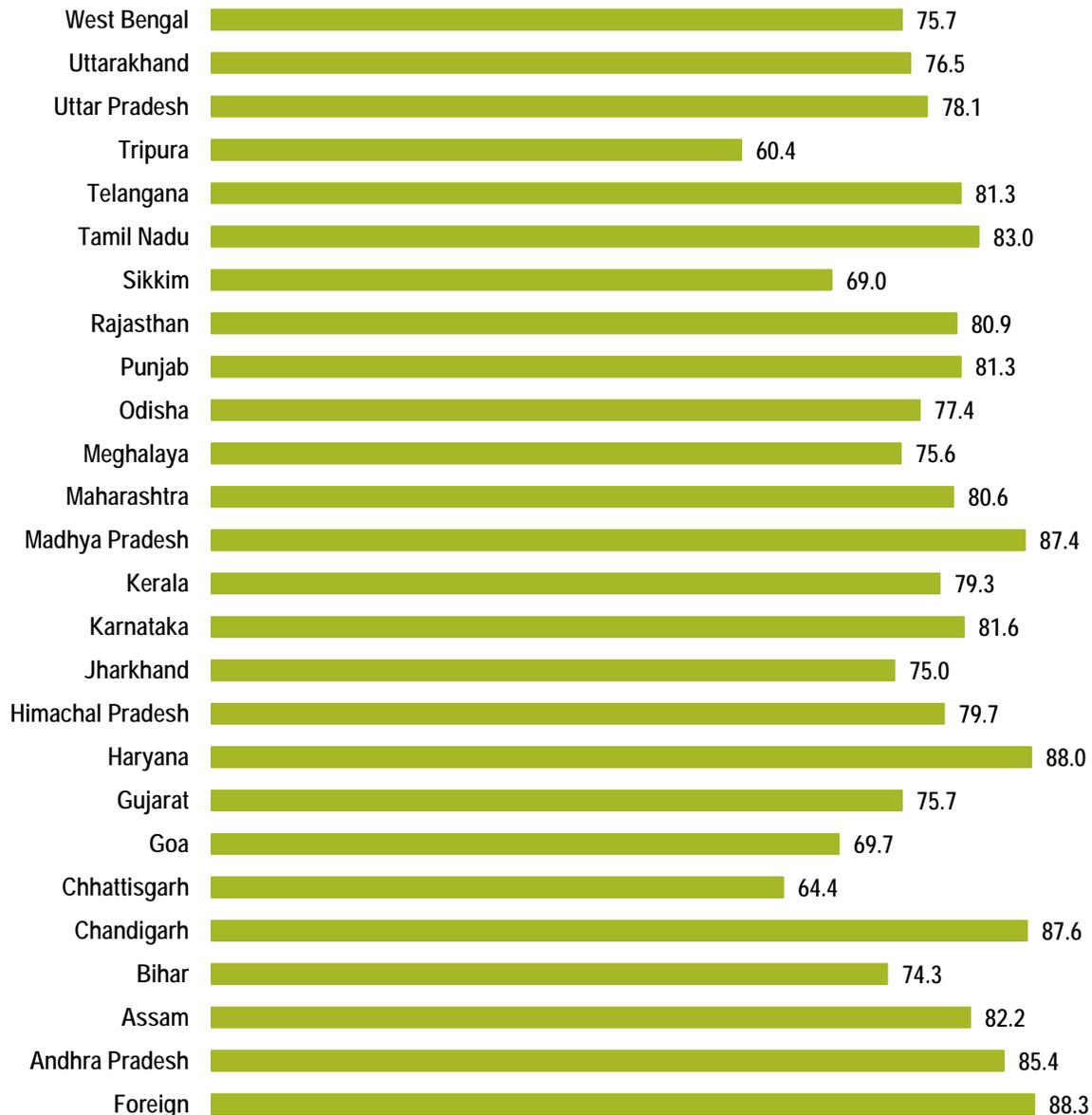


STATISTICS AT A GLANCE





PERFORMANCE (STATE-WISE & FOREIGN)



The States/ UTs of Haryana, Chandigarh and Madhya Pradesh secured highest mean marks. Mean marks secured by candidates studying in schools abroad were 88.3.



GENDER-WISE COMPARISON



GIRLS

Mean Marks: 78.7

Number of
Candidates: 7,901



BOYS

Mean Marks: 74.9

Number of
Candidates: 6,812

Comparison on the basis of Gender

Gender	N	Mean	SE	t-value
Girls	7,901	78.7	0.14	17.74*
Boys	6,812	74.9	0.16	

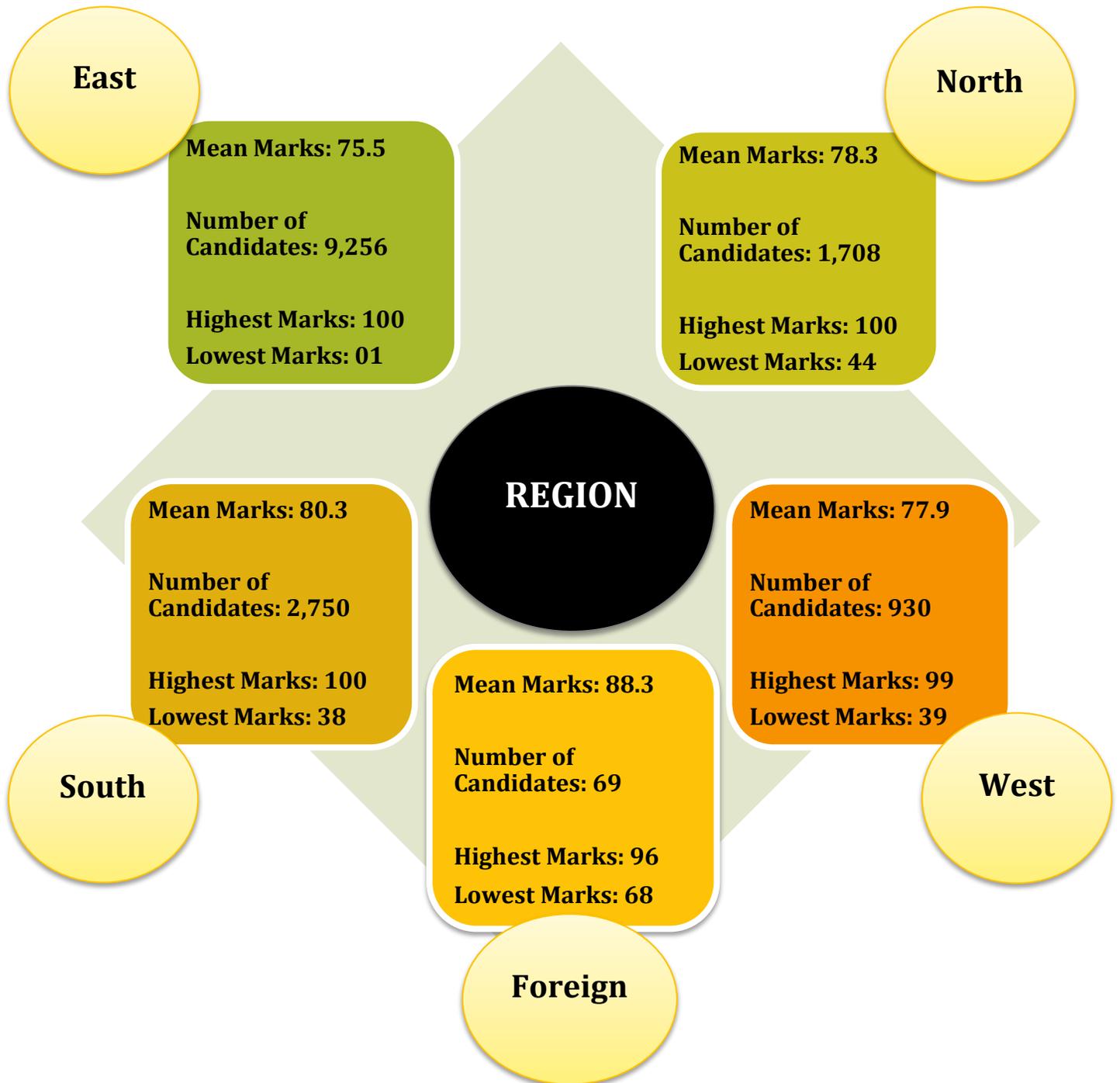
*Significant at 0.05 level

**Girls performed
significantly better than
boys.**

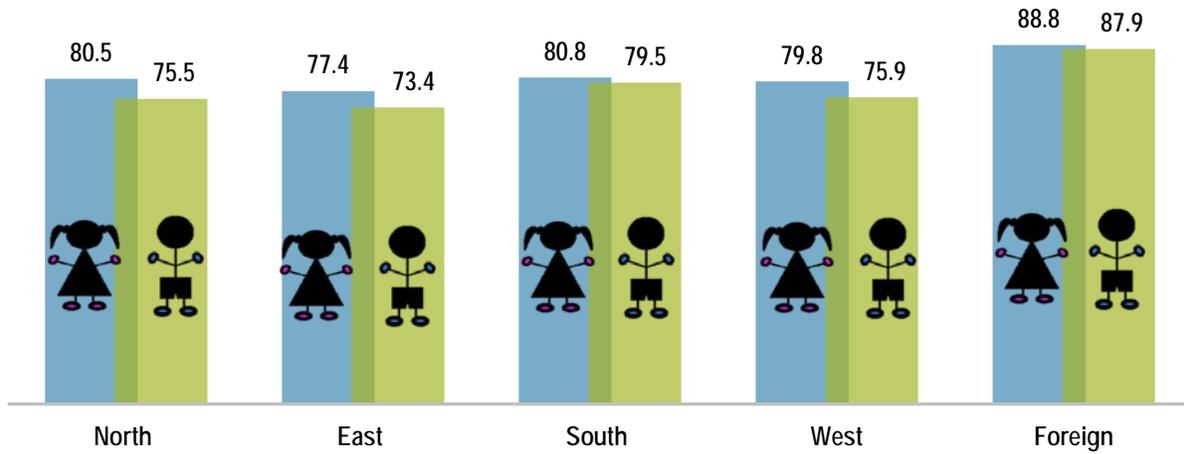




REGION-WISE COMPARISON



Mean Marks obtained by Boys and Girls-Region wise



Comparison on the basis of Gender within Region

Region	Gender	N	Mean	SE	t-value
North (N)	Girls	968	80.5	0.38	8.07*
	Boys	740	75.5	0.48	
East (E)	Girls	4,817	77.4	0.18	14.77*
	Boys	4,439	73.4	0.20	
South (S)	Girls	1,609	80.8	0.29	3.04*
	Boys	1,141	79.5	0.35	
West (W)	Girls	475	79.8	0.58	4.64*
	Boys	455	75.9	0.62	
Foreign (F)	Girls	32	88.8	1.13	0.49
	Boys	37	87.9	1.26	

*Significant at 0.05 level

The performance of girls was significantly better than that of boys in all the regions except foreign region.

REGION (N, E, S, W)





MARK RANGES : COMPARISON GENDER-WISE

Comparison on the basis of gender in top and bottom mark ranges

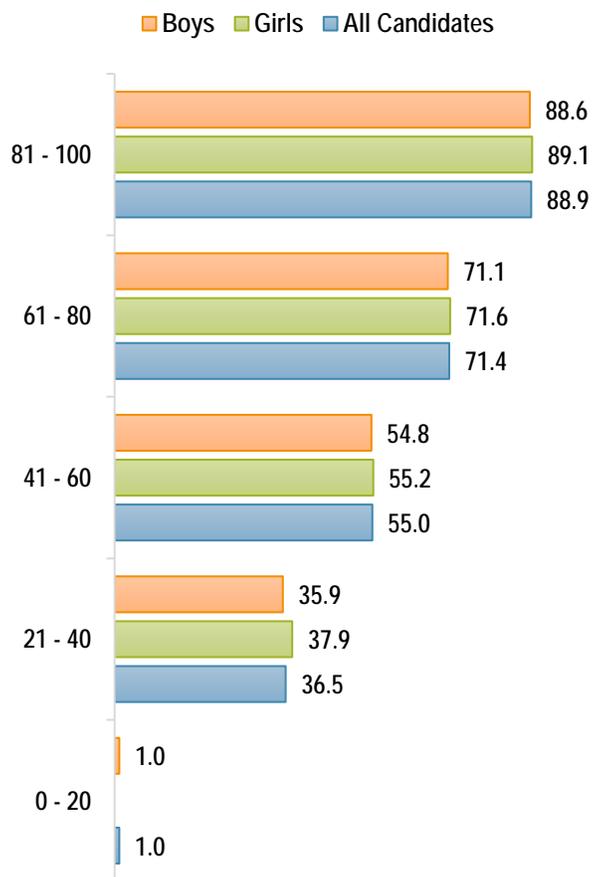
Marks Range	Gender	N	Mean	SE	t-value
Top Range (81-100)	Girls	3,927	89.1	0.08	3.81*
	Boys	2,525	88.6	0.10	
Bottom Range (0-20)	Girls	0	0	0	-
	Boys	1	1	0	

*Significant at 0.05 level

Marks Range (81-100)

Performance of girls was significantly better than the performance of boys.

Marks Range (81-100)



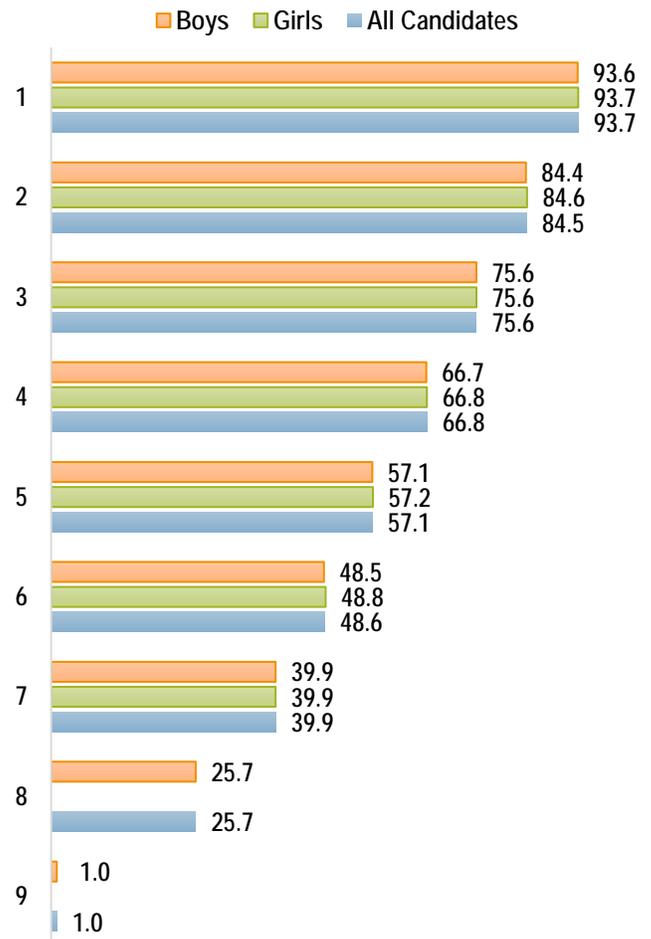


GRADES AWARDED : COMPARISON GENDER-WISE

Comparison on the basis of gender in Grade 1 and Grade 9

Grades	Gender	N	Mean	SE	t-value
Grade 1	Girls	1,814	93.7	0.06	0.69
	Boys	1,066	93.6	0.08	
Grade 9	Girls	0	0	0	-
	Boys	1	1	0	

In Grade 1, no significant difference was observed between the average performance of girls and boys.



PART I (40 Marks)

Attempt all questions from this Section

Question 1

- (a) List *any two* causes for the low efficiency of labour in India. [2]
- (b) Draw a neat labelled diagram of a demand curve. [2]
- (c) Give *any two* reasons as to why a country needs a Central Bank. [2]
- (d) Out of the following capital used in the cotton textile industry, classify the following as fixed or circulating capital: [2]
- (i) Cotton yarns
 - (ii) Dyes
 - (iii) Power
 - (iv) Weaving machines
- (e) What are progressive taxes? Give an example. [2]

Comments of Examiner

- (a) This part was answered correctly by most candidates.
- (b) Even if the curve was drawn correctly, many candidates did not name the demand curve as DD. In a few answers, the labelling of x-axis and y-axis was incorrect.
- (c) Several candidates were confused between the importance and functions of a Central Bank.
- (d) Many candidates were unable to classify *power* as *circulating capital*.
- (e) Several candidates could not write about Progressive tax correctly.

Suggestions for teachers

- Give students enough practice to draw labelled demand curves.
- Bring out the difference between the importance and the functions of a Central Bank through a power point presentation or a flow chart.
- Explain the difference between fixed and circulating capital by giving relevant examples from daily life.
- Clarify the meaning of the term Tax Base, differentiating it from income.
- Discuss how house tax, road tax etc., are progressive as, the bigger the house or larger the car, the more the tax.

MARKING SCHEME

Question 1

(a)	<ul style="list-style-type: none">- Low wages- Enervating climate- Lack of education and training- Uncongenial working condition- Lack of technology <p style="text-align: right;"><i>(Any two to be mentioned)</i></p>
(b)	<p>Demand curve must be downward sloping</p> <p>Labelling: Quantity on X axis Price on Y axis Demand curve must be labelled DD</p>
(c)	<p>To control the supply of money and credit in the economy</p> <p>To control the entire banking system of the country</p> <p>Have a sound monetary policy to achieve full employment and stability</p> <p>To act as a banker to the government.</p> <p style="text-align: right;"><i>(Any two to be mentioned)</i></p>
(d)	<ul style="list-style-type: none">(i) Circulating(ii) Circulating(iii) Circulating(iv) Fixed
(e)	<p>Progressive taxes are those where the rate of tax increases with an increase in tax base.</p> <p><i>e.g.</i>, Income tax, House tax, Road tax or any other relevant examples.</p>

Question 2

- (a) ‘*Capital is a passive factor of production.*’ Justify the statement. [2]
- (b) Which bank is referred to as a *Banker’s Bank*? Why is it called so? [2]
- (c) State *any two* differences between Monopolistic competition and Perfect competition. [2]
- (d) Which section of the society gains during inflation? Why? [2]
- (e) Explain two ways by which the government can reduce income inequalities in a developing economy. [2]

Comments of Examiner

- (a) Several candidates were unable to justify the statement. They either simply defined capital or their explanation was inadequate.
- (b) Majority of the candidates were able to rightly name the *Central Bank as the lender of the last resort*. Some candidates, however, were unable to support their answer with the correct reason. They explained how the Central Bank was a banker to the government rather than to the commercial banks.
- (c) Several candidates were confused between *monopolistic* and *monopoly* and thus wrote the differences between monopoly and perfect competition instead of monopolistic and perfect competition.
- (d) Majority of the candidates wrote inadequate or unclear explanation. Several candidates mentioned rich class and upper class instead of *businessmen / producers*. A few candidates were unable to analyse why producers or debtors gain during inflation.
- (e) Majority of the candidates were able to answer this question. However, a few candidates, not being sure of the meaning of the term *income inequalities*, could not give the measures to be adopted by the government to resolve the problem.

Suggestion for teachers

- Explain that land and capital are passive factors of production.
- Elucidate the functions of the Central Bank, highlighting the difference between its functions of *banker to the government* and *banker to the banks*.
- Conclude the topic on market forms by doing a comparative study, in a tabular form, of the similarities and differences of the different types of markets.
- Ensure that the explanation given in class on the effect of inflation on various sections of the society, is understood well by students.
- Ensure that economic terms are used in the explanations and in the questions framed so that the students become familiar with them and use them in their answers.

MARKING SCHEME

Question 2

(a)	Capital is a passive factor of production as it cannot do anything on its own. It requires labour to operate it.											
(b)	Central Bank as it <ul style="list-style-type: none"> - supervises the working of the commercial banks - acts as a lender of the last resort - keeps the cash reserves of the commercial banks <i>(Any one to be mentioned)</i>											
(c)	<table border="1"> <thead> <tr> <th>Monopolistic Competition</th> <th>Perfect Competition</th> </tr> </thead> <tbody> <tr> <td>Differentiated goods</td> <td>Homogeneous goods</td> </tr> <tr> <td>Individual price policy</td> <td>Price taker</td> </tr> <tr> <td>Imperfect knowledge</td> <td>Perfect knowledge</td> </tr> <tr> <td>High selling costs</td> <td>Absence of selling costs</td> </tr> </tbody> </table>	Monopolistic Competition	Perfect Competition	Differentiated goods	Homogeneous goods	Individual price policy	Price taker	Imperfect knowledge	Perfect knowledge	High selling costs	Absence of selling costs	<i>(Any two to be mentioned)</i>
Monopolistic Competition	Perfect Competition											
Differentiated goods	Homogeneous goods											
Individual price policy	Price taker											
Imperfect knowledge	Perfect knowledge											
High selling costs	Absence of selling costs											

(d)	<p>The producers gain the most during inflation as they make a profit due to an increase in prices. However, if the price rise persists demand may fall, and the producers may make a loss in the long run.</p> <p style="text-align: center;">OR</p> <p>Debtors gain because the purchasing power was higher when they had borrowed money.</p>
(e)	<ul style="list-style-type: none"> - The government may collect more revenue from the rich by imposing progressive taxes. - The revenue collected may be spent on programmes benefitting the poorer section. - By providing necessities to the poorer section at a subsidised rate. - Social security measures <p style="text-align: right;"><i>(Any two to be mentioned)</i></p>

Question 3

- (a) Mention two ways in which an entrepreneur is different from labour. [2]
- (b) Differentiate between current and savings deposits. [2]
- (c) Briefly explain any two impacts of shifting cultivation on the ecosystem. [2]
- (d) Name a market where selling cost is not required. Give a reason for your answer. [2]
- (e) Given below is the market supply schedule of a commodity. The individual supply schedules of firms B and C are given, prepare the individual schedule for Firm A: [2]

Price in `	No. of units supplied by Firm A	No. of units supplied by Firm B	No. of units supplied by Firm C	Total Supply
10		25	10	60
20		30	20	100
30		35	30	140
40		40	40	180

Comments of Examiners

- (a) Many candidates were unable to write the corresponding points of differences. Some candidates wrote only the functions of an entrepreneur rather than mentioning how they were different from that of labour.
- (b) Majority of the candidates attempted the concept of current deposits correctly but could not write the equivalent differences for savings deposit. The answers reflected lack of understanding of savings deposits.
- (c) Several candidates wrote general answers. Some candidates explained the same point in two different ways.
- (d) A large number of candidates could write 'perfect competition' and 'monopoly' but could not substantiate their answer with proper reasons. A few candidates confused 'monopoly' with 'monopsony'.
- (e) This part was answered correctly by most of the candidates. They could complete the supply schedule for Firm A.

Suggestion for teachers

- Instruct students to write corresponding differences while distinguishing between two concepts.
- Explain the types of deposits in a tabular form, stressing on the rates of interest, who operates them and when and how the money can be withdrawn from these deposits.
- Give sufficient written practice which will help the students to formulate better answers.
- Give enough practice on application-based questions where students have to justify their answers.

MARKING SCHEME

Question 3

- (a)
 - Entrepreneurship involves risk - bearing but 'labour' does not bear risks
 - Entrepreneur has to have innovative ability, labour may or may not have this ability.
 - The reward for entrepreneurship arises in the form of profits which may be positive, negative or zero. But the price of labour ie, the wage rate is contractually fixed, and it is always positive.
 - Entrepreneur is not a hired factor, but labour is hired factor.

(Any two to be mentioned)

(b)	Current deposits	Savings deposits
	Maintained by businessmen	Maintained by households or salaried class
	No limit on the number of withdrawals	Restrictions on the number of withdrawals
	No rate of interest	Low rate of interest
	Overdraft facilities available to trusted customers	No overdraft facility

(Any two to be mentioned)

(c)	<ul style="list-style-type: none"> - Deforestation - Loss of soil fertility - Soil erosion - Pollution <p style="text-align: right;"><i>(Any two to be mentioned)</i></p>
(d)	<p>Selling costs are absent in Perfect competition</p> <ul style="list-style-type: none"> - homogeneous products which are perfect substitutes - perfect knowledge <p style="text-align: center;">OR</p> <p>Monopoly</p> <ul style="list-style-type: none"> - he is a single seller - the product does not have any substitutes <p style="text-align: right;"><i>(Any one reason to be given)</i></p>
(e)	<ul style="list-style-type: none"> (i) 25 (ii) 50 (iii) 75 (iv) 100

Question 4

Define the following terms:

- (a) Price elasticity of Demand [2]
- (b) Proportional taxation [2]
- (c) Capital formation [2]
- (d) Labour [2]
- (e) Inflation. [2]

Comments of Examiners

- (a) The key words in the definition were missing. Many candidates did not mention the word *responsiveness*. A few candidates wrote that price responds to demand while others just wrote the formula of price elasticity of demand.
- (b) This definition was answered correctly by most candidates. Some candidates, however, got confused between 'proportional' and 'progressive' taxation. In a few answers, the key words- *rate of tax remains constant* were missing.
- (c) Majority of the candidates did not write on the *time period* concept while defining capital formation. A few candidates simply wrote the formula of capital formation without its explanation.
- (d) Majority of the candidates did not write the key phrase *to earn money/ living*. A few candidates did not write that *only the human effort* is considered labour.
- (e) Many candidates did not mention that the *value of money* falls during inflation.

Suggestion for teachers

- Make students mark the definitions in each chapter.
- Stress upon the key words / phrases in each definition.
- Make students underline key words / phrases.
- Impress upon the students the need to use these words while defining the concepts.
- Test them in these concepts frequently.

MARKING SCHEME

Question 4

(a)	Price elasticity of demand is the <u>responsiveness of demand</u> to a <u>change in price</u> .
(b)	The <u>rate of tax remains constant even if the tax base changes</u> .
(c)	A <u>change in the stock of capital</u> in any economy <u>during a particular time period</u> .
(d)	Any <u>physical</u> or <u>mental effort</u> done by <u>human beings</u> with a view to <u>earn money</u> .
(e)	A <u>sustained increase</u> in the <u>general price level</u> .
	OR
	A state in which <u>the value of money is falling</u> due to <u>rising prices</u> .

PART II (60 Marks)

Attempt any four questions from this Part

Question 5

- (a) (i) What is considered as capital in economics? [7]
(ii) Discuss *any three* characteristics of capital.
- (b) Explain how the following factors affect the supply of a commodity: [8]
(i) State of technology.
(ii) Price of factors of production.
(iii) Goals of the firm.
(iv) Future price expectations.

Comments of Examiners

- (a) (i) Majority of the candidates did not write the main point of capital being *man-made* or *produced by man*.
(ii) Many candidates just mentioned the sub-headings. In a few answers the explanation was not corresponding to the sub-heading. Some candidates discussed the functions of capital instead of its characteristics.
- (b) (i) Majority of the candidates were unable to explain both the aspects - what happens to supply when technology is obsolete and when advanced technology is used. Some candidates interchanged the terms.
(ii) A few candidates were unable to understand the meaning of *factors of production*. Instead of writing on prices of factors of production candidates wrote on how the price of the product affects its supply.
(iii) Many candidates were unclear about the concepts of *profit maximisation* and *sales maximisation* and their relationship with supply.
(iv) Many candidates inaccurately linked the future expectations of price with demand and thereby the effect on supply. Even those candidates who wrote the correct explanation, discussed only one of the effects - either an increase or decrease in future prices when both had to be explained.

Suggestion for Teachers

- Explain, through examples, how all types of capital are produced by man and how the capital is further used to produce goods.
- Differentiate between the functions and characteristics of capital and train students to write the answer as per the requirements of the questions.
- Explain both the cases-when supply will increase and when it will be adversely affected.
- Make sure that students understand the various concepts and their effect on supply.
- Do not give only a bird's eye view of the concept but explain all points in detail. -Use relevant examples to reinforce the concepts.
- Emphasise that the students should write on both the aspects-when the supply increases and when it decreases (unless the question specifies otherwise).
- Give sufficient written practice which will help the students to write answers as per the requirement of the question.

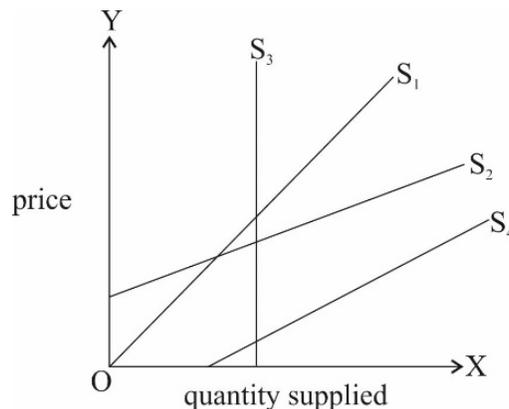
MARKING SCHEME

Question 5

- (a) Man-made goods which are used in the production of other goods and services
- Man made
 - Durable
 - Passive factor
 - Mobile factor of production
 - Supply of capital is elastic
 - Capital depreciates in value
 - It is the result of past savings
- (Any three to be explained)*
- (b)
- (i) If the technology is advanced, cost of production is low and so supply will be more.
If it is obsolete, cost of production is high, supply will be less.
- (ii) If factor incomes are high, then cost of production is high, supply will be less.
If factor incomes are low, cost of production is low and so supply will be more.
- (iii) If the goal is sales maximization then supply will be more.
If the goal is profit maximization, supply will be less.
- (iv) If prices are expected to rise in the future, the supplier will supply less now and sell more later in order to make a profit.
If prices are expected to fall further in the future, he will supply more now in order to avoid a loss.

Question 6

- (a) (i) Name any two industries where division of labour is possible. [7]
(ii) Explain any three demerits of division of labour.
- (b) Identify and define the degree of price elasticity of supply from the diagram for the supply curves S_1 , S_2 , S_3 , S_4 . [8]



Comments of Examiners

- (a) (i) Majority of the candidates gave relevant examples. A few candidates, however, wrote general answers like large scale, small scale and cottage industries.
- (ii) Several candidates either repeated the points or wrote inadequate / incorrect explanations.
- (b) Majority of the candidates were unable to identify the degrees of elasticity of supply, especially relatively elastic and relatively inelastic supply. A few candidates either gave inadequate explanation or wrote *change in quantity demanded* while explaining elasticity of supply. Many candidates wasted their time in copying the diagram.

Suggestion for Teachers

- Teach the topic division of labour giving adequate number of examples.
- Emphasise the need to write proper explanations covering all the points.
- Clarify that the relatively elastic supply curve will touch the Y-axis and the relatively inelastic supply curve will touch the X-axis.
- Ensure that the students understand the concepts of degrees of elasticity of supply.
- Question them frequently and in varied ways so that they understand the questions before attempting.
- Conduct regular oral and written tests which will help the students in retaining the contents of the answers.
- Make sure that the students understand the questions and know what they have to include in the relevant answers.

MARKING SCHEME

Question 6

(a) Automobile industry, textile industry or any other relevant examples

Demerits of division of labour:

- Monotony of work
- Lack of skill and craftsmanship
- Retard development of personality
- Excessive interdependence
- Danger of overproduction
- Imbalance in regional development

(Any three relevant points to be explained)

(b)	<p>S₁ – <u>Unitary elastic supply</u> indicating that the % change in quantity supplied of a commodity is <u>proportional</u> to the % change in price.</p> <p>S₂ – <u>Relatively elastic supply</u> indicating that the % change in quantity supplied of a commodity is <u>greater</u> than the % change in price.</p> <p>S₃ – <u>Perfectly inelastic supply</u> indicating that there is <u>no change</u> in quantity supplied no matter how large the change in price is.</p> <p>S₄ – <u>Relatively inelastic supply</u> indicating that the % change in quantity supplied of a commodity is <u>lesser</u> than the % change in price.</p>
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Question 7

- (a) (i) What happens to the demand curve when there is an increase in demand? [7]
- (ii) Discuss three instances when demand will increase.
- (b) Explain *any four* ways by which Public Sector Enterprises play a dominant role in an economy. [8]

Comments of Examiner

- (a) (i) Majority of the candidates were unsure about the movement of the demand curve. Very few of them could identify it as a *rightward shift of the demand curve*.
- (ii) Several candidates made the error of taking price to be a determinant for the rightward shift. In many answers, the sub-headings were correct, but the explanations lacked clarity.
- (b) Many candidates mixed up the importance of Public Sector with the role of the State. Several candidates wrote irrelevant answers like imposition of tax, agricultural development, etc.

Suggestions for teachers

- Bring out the distinction between shifting of the demand curve and the extension and contraction of demand curve through diagrams and examples.
- Make extensive use of blackboard and coloured chalks to make the concept clear.
- Discuss the factors leading to a rightward shift of the curve and ask students to explain the factors causing the leftward shift of the curve. This will help them in applying the concept and strengthen their learning.
- Make a clear distinction between State / Government and a Public Sector unit.
- Differentiate between the roles of the Government and the Public Sector in a tabular form.

MARKING SCHEME

Question 7

(a)	<p>The demand curve will shift to the right.</p> <p>Caused due to:</p> <ul style="list-style-type: none">- Increase in income- Fall in the price of Complementary goods- Rise in the price of substitutes- The concerned good is in fashion- Increase in number of consumers <p style="text-align: right;"><i>(Any three to be explained)</i></p>
(b)	<ul style="list-style-type: none">- Developing key and basic industries- Developing the infrastructure- Generating employment opportunities- Ensuring balanced regional growth- Capital formation- Check monopolistic powers- Contribute to Government revenues- Promoting exports- Setting up a welfare State. <p style="text-align: right;"><i>(Any four to be explained)</i></p>

Question 8

- (a) Who controls the credit supply in an economy? What is this policy called? Explain how the following can control inflation in an economy: [7]
- (i) Cash Reserve Ratio
 - (ii) Statutory Liquidity Ratio
- (b) (i) Why can a monopolist charge different prices in different markets? [8]
- (ii) Explain *any three* features of monopoly.

Comments of Examiners

- (a) Though a majority of the candidates could name the Central bank as an institution which controls credit, many candidates wrote that the policy to control the credit supply was called *Credit Control Policy* instead of *Monetary Policy*.
- (i) Many candidates were confused as to how CRR can be used to control inflation. They just wrote the basic definition of CRR without elaborating its significance and its role in controlling inflation.
- (ii) The concept of SLR was not well understood by many candidates. Most of them wrote that the Commercial Banks have to maintain a percentage of their liquid assets with the Central Bank. SLR as a quantitative tool of credit control, too, was not explained properly by a majority of the candidates.
- (b) (i) A few candidates, instead of answering the question as to *why a monopolist charges different prices in different markets*, elaborately explained the conditions under which he could charge different prices.
- (ii) Majority of the candidates were able to list the features of a monopoly but were unable to explain them properly.

Suggestions for teachers

- Use the terms Monetary Policy while explaining the concept of credit supply.
- Define and differentiate between the various methods of credit control.
- Use flow charts to discuss how these methods can be effectively used to control the supply of credit thereby contracting demand and controlling inflation.
- Teach the market forms in a comparative manner, by making a table, stressing upon the features of each market form.
- Give adequate practice in writing answers which carry more marks.
- Instruct the students to use their reading time judiciously to read the questions carefully. Stress upon giving a clear explanation of the sub-headings

MARKING SCHEME

Question 8

- (a)
- The Central Bank
 - Monetary Policy

Cash Reserve Ratio- The proportion of total deposits that every commercial bank must maintain with the Central bank.

- During inflation CRR is increased and banks have to keep more cash with the Central Bank.
- Loanable funds with the commercial banks decrease and their lending decreases thereby controlling credit

Statutory Liquidity Ratio-The percentage of their total deposits that the commercial banks have to maintain in the form of liquid assets.

- During inflation SLR is increased by the Central Bank.
- The commercial banks have to keep a larger percentage of their deposits in the form of liquid assets.

	- They will have less money to lend and so credit will be controlled.
(b)	<p>He can charge different prices as he is the sole seller.</p> <p>Features of monopoly:</p> <ul style="list-style-type: none"> - Single Seller - Price discrimination - Restricted Entry - Control over Price/ Price maker - Nil or minimal selling cost - Product may or may not be homogeneous - The supply of the product by the single firm constitutes the market supply <p style="text-align: right;"><i>(Any three to be explained)</i></p>

Question 9

- (a) What is privatization? Explain the following arguments favouring privatization: [7]
- (i) Greater flexibility in decision making.
 - (ii) Better utilization of resources.
 - (iii) Greater employment opportunities.
- (b) Explain clearly four differences between a Central Bank and a Commercial Bank. [8]

Comments of Examiners

- (a) The definition of privatization was answered correctly by most candidates.
- (i) In the explanation, many candidates did not write key words like *prudent and timely* decisions.
 - (ii) The answers of majority of the candidates lacked clarity as they were unable to link the utilization of resources with profit / loss.
 - (iii) Majority of the candidates were unable to explain how and why privatization increased employment. Many candidates, instead of writing the merits of the private sector, wrote the demerits of the public sector.
- (b) The functions of the Central Bank and the Commercial Banks were not understood properly and therefore candidates were unable to write the differences between the two. The points of differences between the two were mismatched in several cases. Many candidates wrote 'does/is' and 'does/is not' to show the difference. e.g. The Central

Suggestions for teachers

- Bring out clearly the differences between the private sector and privatization.
- Organize group discussions and debates to reinforce the understanding of concepts.
- Guide students to answer the question as per its requirement- when to write the merits of privatization and when to write the drawbacks of public sector.
- Discuss the functions of the Central Bank and Commercial Banks in a tabular form.
- Give projects based on Banking so that students can become aware of different functions of Commercial Banks.

Bank is a banker to the Government The Commercial Bank is not a banker to the government (instead of writing the Commercial Bank is a banker to the general public). Several candidates wrote examples as differences.

MARKING SCHEME

Question 9

- (a) Privatization refers to any process that reduces the participation of public sector / the government sector in economic activities. It implies greater role for private capital enterprise in the functioning of the economy.
- (i) Private enterprises take timely and prudent decisions thereby ensuring smooth running of business units
 - (ii) They ensure that there is no wastage of resources as it would increase their cost of production thereby reducing profits. So, there is better utilization of resources
 - (iii) When an industry is open to privatisation, a number of firms enter the industry thereby creating employment opportunities.

	Central Bank	Commercial Bank
(b)	1. Apex banking institution	1. Operates under the control of the Central Bank
	2. Principal objective Economic Welfare	2. Principal objective earning profit
	3. Act as banker to the Government Bank	3. Act as a banker to the general public.
	4. Print currency on behalf of the government	4. Do not possess such right
	5. Does not provide loan facilities to the public	5. Provide loan facilities to the public
		<i>Any other relevant difference.</i>

(Any four to be clearly explained)

Question 10

Read the extract and answer the following:

Post: Gaurav Akrani

Indirect taxes have become an important source of development funds in developing countries. Many developing economies that have adopted economic planning use indirect taxes as important source of funds.

These taxes are found to be better suited in developing countries because

they have much wider coverage as compared to direct taxes. Both rich and poor pay indirect taxes in the form of commodity price.

- (i) What are indirect taxes? [2]
- (ii) Mention three important differences between direct and indirect taxes. [3]
- (iii) Classify the following into direct and indirect taxes. [2]
1. Custom duty
 2. Professional tax
 3. Income tax
 4. Entertainment tax
- (iv) Give two reasons why indirect taxes are important in developing countries. [4]
- (iv) Explain clearly how indirect taxes can be both regressive and progressive. [4]

Comments of Examiners

- (a) The definition of indirect tax was given correctly by most candidates. Some candidates defined it as a tax on expenditure.
- (b) Majority of the candidates wrote three important differences correctly. However, a few candidates wrote examples as a difference.
- (c) Many candidates were unable to classify *professional tax*. Some candidates were unsure about *custom duty* also.
- (d) Majority of the candidates were unable to extract the information for the answer of this question from the case study.
- (e) Most of the candidates simply wrote the definition of progressive and regressive taxes.

Suggestions for teachers

- Bring out clearly the differences between the private sector and privatization.
- Organize group discussions and debates to reinforce the understanding of concepts.
- **Guide students to answer the question as per its requirement-when to write the merits of privatization and when to write the drawbacks of public sector.**
- Discuss the functions of the Central Bank and Commercial Banks in a tabular form.
- Give projects based on Banking so that students can become aware of different functions of Commercial Banks.

MARKING SCHEME

Question 10

(i) A tax where the impact and the incidence is on different persons.

OR

Where the burden of the tax can be shifted.

(ii)

DIRECT TAX	INDIRECT TAX
Imposed upon income, wealth and property	Indirect taxes are imposed on expenditure on goods and services
They are paid by the person on whom it is imposed	They are imposed on one person, but the burden is borne by another
They cannot be shifted on to others	These taxes can be shifted
Evadable	Not evadable
Usually progressive in nature	Usually regressive in nature
Promotes civic consciousness	Does not promote civic consciousness

- (iii)
1. Indirect tax
 2. Direct tax
 3. Direct tax
 4. Indirect tax

(iv) – Source of revenue as they have to spend a lot on development programmes.
– Wider coverage as both the rich and the poor have to pay indirect taxes.

(v) Regressive because both the rich and the poor have to pay the same amount of tax but the poor feel the burden more as their incomes are comparatively less.

It can be progressive when more taxes are levied on luxuries and less taxes on necessities.

GENERAL COMMENTS

**Topics found
difficult/
confusing by
candidates**

- Shifting of Demand curves
- Methods of Credit Control-CRR and SLR
- Classification of Capital
- Elasticity of Supply
- Relatively elastic and Relatively inelastic supply
- Taxation
- Importance of Indirect Tax in a developing economy
- Privatisation
- Public Sector and State
- Types of Bank Deposits

**Suggestions
for
candidates**

- Read the questions carefully and underline the main points.
- Make sure that the answers contain key words.
- Avoid selective study.
- Part I of the question paper requires brief and to the point answers while Part II requires explanation and elaboration of points. Allocate sufficient time for Part II.
- Practise answering questions in a systematic manner and within the given time limit.
- Practise graphs and diagrams.
- Learn the definitions, acronyms and formulae properly after conceptualisation.
- Use flowcharts, tables and acronyms for full comprehension and better retention of a concept.
- Solve as many previous years' question papers as possible to get an idea about the different ways in which questions can be asked.