

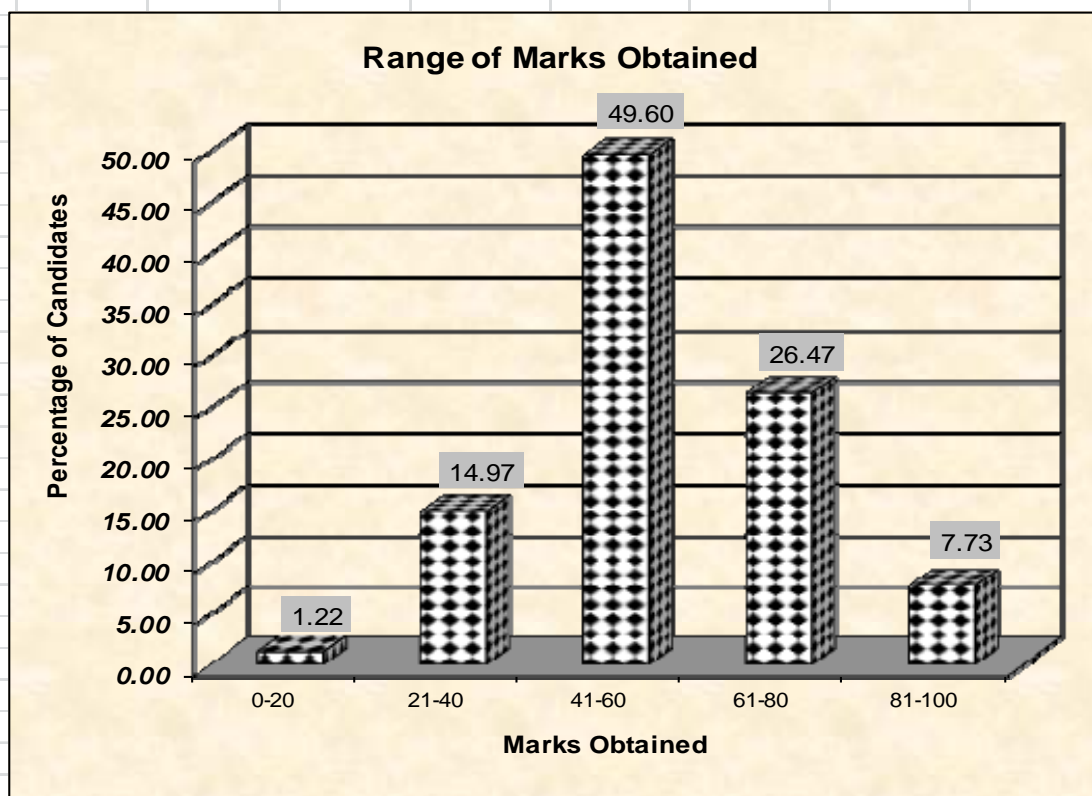
ECONOMICS

STATISTICS AT A GLANCE

Total Number of students who took the examination	7,294
Highest Marks Obtained	98
Lowest Marks Obtained	14
Mean Marks Obtained	56.39

Percentage of Candidates according to marks obtained

Details	Mark Range				
	0-20	21-40	41-60	61-80	81-100
Number of Candidates	89	1092	3618	1931	564
Percentage of Candidates	1.22	14.97	49.60	26.47	7.73
Cumulative Number	89	1181	4799	6730	7294
Cumulative Percentage	1.22	16.19	65.79	92.27	100.00



ECONOMICS

ANALYSIS OF PERFORMANCE

Question 1

- (a) State *two* advantages of opening a bank account. [2]
- (b) What is the difference between *impact of taxation* and *incidence of taxation*? [2]
- (c) Define cost-push inflation. State *two* factors causing it. [2]
- (d) The bus fare between two cities is reduced. How will this affect the demand curve for bus travel between the two cities? [2]
- (e) Distinguish between *Real* capital and *Debt* capital with the help of suitable examples. [2]

Examiners' Comments

- (a) This question was answered correctly by most candidates however, they wrote general answers instead of writing about advantages of opening a bank account from the point of view of a customer.
- (b) Most candidates were unable to answer this question correctly. They were unable to comprehend the differences between impact and incidence related to direct and indirect taxes.
- (c) Most candidates answered the question correctly, though a few committed basic errors. A few candidates did not mention the term consistent /prolonged.
- (d) This question was answered correctly by most candidates, however there was confusion regarding the diagram - whether it was a *shift* or *movement* of the demand curve.
- (e) The question on Real capital was answered correctly by most candidates, however answers on the concept of Debt Capital was mere guesswork and were not supported with appropriate examples.

Suggestions for teachers

- Advise students to read the question carefully before attempting it. Expose students to different alternative terms so that they are able to attempt such questions..
- Use examples to highlight the importance of the concept of **shifting of the burden of a tax**. This will help students to understand and recall the topic clearly.
- Highlight **key** differences between demand-pull and cost-push inflation, and the **common factor** between them-*long period of time*.
- Such questions relate to daily- life situations. Provide adequate practice of these situations.
- All differences should be taught with the help of examples, as it brings about clarity of concepts.

MARKING SCHEME

Question 1.

- (a) Payments through cheques safer & cheaper, helps to develop the habit of savings in people, customers can avail overdraft facilities, bills of exchange can be discounted easily, transactions can be produced as evidence in case of disputes. (Any two)
- (b) When the Government imposes a tax, then the person or the organization which bears the tax at the first instance is known as the impact of tax. If the taxpayer can shift the burden of the tax then the final resting point of the tax burden is known as the incidence of tax.
- (c) Cost push inflation is defined as an increase in the general price level in the economy due to an increase in the average cost of production. Two factors causing it: increase in the wage rate, increase in the prices of raw materials, increase in the tax rates. (Any two)
- (d) As the bus fares have been reduced, the demand for bus travel will increase. Hence there will be a downward movement along the demand for bus travel. (diagram optional)
- (e) Real capital refers to physical stock of goods which are used as factor inputs such as machines, raw materials, etc. This is also known as Concrete Capital. Titles to wealth such as shares and debentures etc. are called Debt Capital. People earn dividend and fixed interest on these investments.

Question 2

- (a) Distinguish between *simple division* of labour and *complex division* of labour. [2]
- (b) What is meant by *expenditure tax*? Give an example. [2]
- (c) How does money solve the problem of lack of a common measure of value that existed under the barter system? [2]
- (d) How does the nature of a good affect its elasticity of demand? [2]
- (e) Mention *two* agency functions of a Commercial Bank. [2]

Examiners' Comments

- (a) Most candidates answered this question correctly, however some were unclear about the differences and appeared confused in citing examples of each type.
- (b) Most candidates were confused by the term 'Expenditure Tax'. While many attempted this question some candidates were unable to do so.
- (c) Most candidates answered this question correctly. Some wrote about the primary functions of money, but were unable to explain the meaning of money as a *measure of value*.
- (d) Most candidates answered this question correctly, however a few did not mention types of goods as necessities, comforts and luxuries

Suggestions for teachers

- Questions based on differences should be taught systematically and thoroughly. The points written should match.
- This term is closely related to Sales Tax/VAT (Indirect Tax) - i.e. a tax which is imposed on a consumer when he/she spends on buying a commodity.
- While teaching the topic on taxes, try to give a broader picture of taxes rather than just the textual terms.
- The topic of Primary and Secondary functions should be explained separately and then as a whole concept. The concept of *price* needs to be emphasized on.

- (e) Most candidates correctly answered the question however others wrote the primary function of advancing loans/credit rather than its agency functions.

Suggestions for teachers

- Expose students to questions on a topic, using different phrases. This will infuse confidence among the students, who in spite of knowing the answer, are unable to comprehend the question due to poor language skills.
- Banking is an important and very relevant topic in current times. The functions of Commercial Banks should be taught by classifying the functions into primary, secondary and agency. This should be reinforced regularly.

MARKING SCHEME

Question 2.

- (a) Simple division of labour-worker or a group of workers specialises in the production of a particular commodity or service. This gives rise to various occupations like doctors, farmers, teachers etc. Complex division of labour-process of production is split up into different Sub processes and each worker does one or a few sub process. An example to be given.
- (b) Expenditure tax refers to indirect tax. E.g. sales tax, excise duty, VAT, etc.
- (c) In the barter system, as the rate of exchange was arbitrarily fixed according to the intensity of demand added up in terms of money i.e. price.
- (d) A luxury good (high price) influences a high elastic demand. Whereas a necessity (low price goods) has an elastic demand with given changes in their price.
- (e) (1) Commercial banks may make payments on behalf of their customers e.g. paying life insurance premium, etc.
- (2) Commercial banks may also collect payments on behalf of their customers such as pension payments, dividends, etc.
- (3) Commercial banks also act as agents of their customers in the sale and purchase of shares and debentures. Now commercial banks open 'demat' account for the purchase and sale of shares and debentures, etc.
- (4) Commercial banks also act as agents and trustees of their customers.
- (5) Sale and purchase of foreign exchange is also carried out commercial banks. (Any two points)

Question 3

- (a) Mention *two* causes of low efficiency of labour in India. [2]
- (b) Mention any *two* forms of consumer exploitation. [2]
- (c) Define *Public debt*. [2]
- (d) Indirect taxes are regressive in nature. How can they be made progressive? [2]
- (e) Distinguish between *demand* deposits and *fixed* deposits. [2]

Examiners' Comments

- (a) Most candidates answered the question correctly. Some candidates were confused about the brief explanation, so only the captions were written.
- (b) Most candidates answered this question correctly, quoting appropriate examples. A few however wrote why consumers are exploited.
- (c) Most candidates answered this question correctly though a mention of external and internal debts was expected. Key words were missing in many answers.
- (d) The first part of the question was answered correctly by most candidates, however there was confusion in answering the second part about how taxes can be made progressive.
- (e) Most candidates attempted the concept of *Fixed deposits* successfully, but were unsure about *Demand deposits*. Some wrote vague answers that reflected a poor understanding on the meaning of the term Demand deposit.

Suggestions for teachers

- Instruct students on how to answer questions involving terms of - *Define, Explain, Describe, State, Mention*. This would enable them to understand the needs of the question and answer the same accordingly.
- Topics must be taught citing examples. This leads to clarity about given concepts.
- Assignments must be given to students on how to answer different types of questions. These assignments must be corrected in order to guide students to write correct answers. Expose students to new vocabulary of terms associated with the subject in order to gain confidence and improve the quality of answers
- Different types of taxes should be taught by comparison, differentiation and with the help of examples. This makes each tax easy to understand and comprehend.
- A visit to a commercial bank will help students understand different types of deposits available to customers. In today's times banking is an important aspect of day to day life and all students of economics must be exposed to banking operations.

MARKING SCHEME

Question 3.

- (a) 1. Hot Climate
2. Low wages
3. In congenial environment
4. Poor technology
5. Migratory characters
5. Improper education and training facility (Any two)
- (b) Forms of consumer exploitation:
Substandard quality, underweight and under measurement, duplicate articles, High prices, lack of safety devices, poor after-sales service, adulteration and impurity. (Any two)
- (c) Public debt is a debt which a state owes to its own subjects or to the nationals of another country.
- (d) If indirect taxes are levied on luxury items and exempted on necessary items, then their regressive nature can be removed and they can be made progressive by imposing higher taxes on goods of comfort and luxury.

(e)	<p style="text-align: center;">Demand Deposits</p> <ul style="list-style-type: none"> • Can be withdrawn at any time without any notice. • They are chequable. • No interest is paid on these deposits. The bank has to be paid a service charge. 	<p style="text-align: center;">Fixed deposits</p> <ul style="list-style-type: none"> • Can be withdrawn only after the expiry of a certain time period. • They are not chequable. • The bank pays a high rate of interest.
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Question 4

- (a) Indicate the degree of elasticity of a supply curve parallel to the x-axis. [2]
- (b) Distinguish between *Creeping inflation* and *Running inflation*. [2]
- (c) How does money act as a standard of deferred payment? [2]
- (d) Briefly explain the importance of public expenditure in the industrial development of developing countries. [2]
- (e) Distinguish between *Statutory Liquidity Ratio* and *Cash Reserve Ratio*. [2]

Examiners' Comments

- (a) Most candidates answered the question correctly however a few wrote about the concepts of the Demand curve as they were confused between elasticity of Demand and that of Supply.
- (b) Most candidates only wrote the meaning of the types of inflation, making no comparative difference between the two types of inflation.
- (c) Most candidates answered this question incorrectly by writing a vague/ general answer instead of writing about money acting as a standard of deferred payment.
- (d) Most candidates wrote answers on the importance of Public expenditure correctly however there was no reference to its role in the industrial development of an economy.
- (e) Most candidates were quite clear in their understanding of CRR, but many were unclear about SLR. Some were confused between liquid assets and cash reserves

Suggestions for teachers

- Regular practice of drawing graphs/curves will make such concepts clear as there is a need to expose students to different types of questions.
- An assignment / project dealing with different degrees of inflation can help students understand differences clearly. Newspaper articles on current economic trends relating to Inflation may be read in class on a regular basis.
- Examples of money with respect to its different functions will be beneficial in understanding them with the help of practical examples. The use of the term *Deferred* while teaching this function will be useful to students.
- It is essential to expose students to different perspectives of a topic like Public Finance, of which Public Expenditure is an integral part.

Suggestions for teachers

- The use of appropriate examples will help strengthen the understanding of this concept
- This topic must be explained comprehensively with suitable examples.
- A talk or presentation on Banking by a Bank official/ expert may not only evince interest in this topic but make banking concepts very clear to students.

MARKING SCHEME

Question 4.

- (a) Price elasticity of supply = ∞ . There is infinite change in quantity supplied in response to a small change or no change in prices.
- (b) When the price level increases at a very slow rate, say at the rate of only 2 to 2.5% per annum it is called Creeping inflation.
Running inflation- when the price level rises at a faster rate say at the rate of 10% per annum, it is called a running rate. At this stage inflation may rise to a double digit figure.
- (c) Credit can be given in terms of money. People can buy now and pay later. This is possible because value of money is relatively stable. There is an element of durability in money material and it possesses the quality of general acceptability.
- (d) Public expenditure can bring about industrial development in the following ways:
Development of social infrastructure (bridges, roads, etc). Providing financial assistance to private producers to establish industries in the backward areas.
- (e) Setting up public enterprises in sectors which are unattractive to the private producers as such investments yield low rates of return and long gestation lags.

Cash Reserve Ratio

Ratio of a minimum cash reserve to total deposits that every commercial bank has to keep with the RBI.
RBI can vary the CRR between 3-15%.

Statutory Ratio Liquidity

Ratio of liquid assets to the total time and demand deposits that the Commercial bank has to maintain with the RBI.
RBI can vary SLR between 20-40%

Question 5

- (a) What is meant by increase in demand? Discuss any *four* factors affecting price elasticity of demand. [5]
- (b) Define *land*. Explain the importance of land as a factor of production. [5]

Examiners' Comments

- (a) Most candidates answered the first part of the question correctly. The second part however was answered incorrectly by many candidates, as factors affecting *Demand* were mentioned and not factors affecting *price elasticity of Demand*.
- (b) Most candidates wrote the correct definition. However there were instances where candidates wrote on the *characteristics* of land instead of writing on its *importance* as the question suggested.

Suggestions for teachers

- These basic yet important concepts highlights the need for students to practice reading of a question thoroughly, framing the answer mentally and then writing it effectively.
- Exposure to questions from different angles is essential to prepare students thoroughly for the examination. Practice questions with different points in the sub part of questions.

MARKING SCHEME

Question 5.

- (a) Increase in demand refers to rightward or outward shift in demand curve. When consumers demand for more goods at the same price or when they demand for the same quantity as before at a higher price, it is known as increase in demand. (Diagram is optional)
Factors: Nature of the commodity, availability of substitutes, number of possibility of postponement, proportion of total expenditure spent, habits, time period, price level. (Any four)
- (b) Land, in Economics, includes not only the surface of the earth but all those free gifts of nature, the supply of which can be regulated.
Importance: Agricultural development, industrial development, development of means of transport and communication, importance to man as a source of food and clothing, promotion of science and technology. (Any four)

Question 6

- (a) Define *supply*. State the law of supply and explain it with the help of a diagram. [5]
- (b) Define a *consumer*. Explain the importance of educating consumers of their rights. [5]

Examiners' Comments

- (a) The first part of the question was correctly answered by most candidates. A few were unsure about the second part and wrote about consumer rights instead.
The definition of *Supply* was answered correctly by most candidates. Some drew the supply curve but offered no explanation. In certain cases candidates explained the Law of Demand instead of the Law of Supply.

Suggestions for teachers

- A comparative chart must be displayed while teaching Laws of Demand and Supply, it could be as follows:- the statement of the Law, Demand/Supply schedules, diagram to represent the schedule and lastly the explanation of the diagram to arrive at the conclusion. This order if practiced regularly will benefit students.

- (b) Most candidates answered the question correctly however instead of stressing on the importance of educating consumers on their rights, many wrote on consumer rights itself.

Suggestions for teachers

- Students should be made aware of all the aspects about a topic. Issues related to Consumer Awareness should be taught with the help of present day situations.
- Projects based on Consumer Awareness can be given as assignments.

MARKING SCHEME

Question 6.

- (a) Supply-Quantity of the commodity that the producers desire to sell to the Consumers at different possible prices.

The Law of Supply states other things remaining the same, when price rises supply extends and when price falls supply contracts.

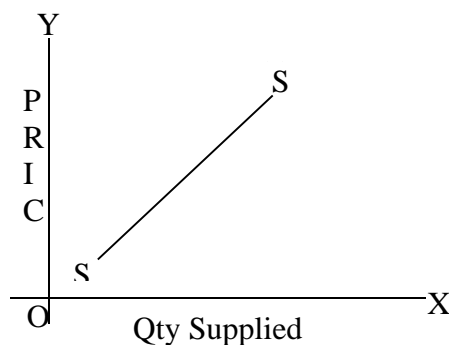


Diagram should be clearly explained.

- (b) A consumer is a person who buys goods and services by making full or part payment for those goods and services without any objective of using them for commercial purposes.

Importance of consumer awareness: Increased alertness about price, quality and quantity of the product, ability to protest against exploitation in an organized way, awareness of legal provisions to safeguard their interests, claiming of compensation for any loss or injury suffered due to consumption of spurious goods, transformation from passive consumers to active ones.

Question 7

- (a) Name the institution that enjoys the monopoly of note issue in India. Briefly explain two qualitative methods of credit control adopted by this institution. [5]
- (b) Define labour. Explain four important characteristic features of labour. [5]

Examiners' Comments

- (a) Most candidates attempted the first part of the question correctly. However a few wrote on the quantitative methods of credit control instead of qualitative methods.
- (b) This question was answered correctly by most candidates. A few however defined *labour* incorrectly while some failed to mention that *labour* is done with the motive of earning a reward.

Suggestions for teachers

- An important topic of Banking, the functions of the RBI / Central Bank must be explained thoroughly with due importance to its role in Credit Control. Written assignments on this topic will help reinforce its comprehension and understanding.
- Labour as a factor of production is a fundamental topic and covers many sub-topics like Division of Labour, Efficiency of Labour etc.
- It is essential that clarity in concepts of labour or other factors of production should be done during class discussions and revision.

MARKING SCHEME

Question 7.

- (a) Reserve Bank of India.
Qualitative credit control measures of the RBI: Margin money, Credit authorization, Differential Rates of Interest, Moral Suasion, Rationing of credit. (Any two)
- (b) Labour in Economics refers to any physical or mental endeavour in return for remuneration.
Characteristics of Labour:
- Labour cannot be separated from the labourer.
 - Labour cannot be accumulated.
 - Labour supply varies over time
 - Human labour carries an element of judgement
 - Labour is mobile.
 - Labour has alternative uses
 - Labour generates income
- (Or any other relevant points)
(Any four characteristics should be explained)

Question 8

- (a) What is meant by food adulteration? Give an example. Mention two harmful effects of food adulteration. Name any *one* measure formulated to prevent the problem of food adulteration in India. [5]
- (b) Explain *two* methods adopted by Commercial Banks to advance loans to the general public. [5]

Examiners' Comments

- (a) The first part of the question was answered by most candidates, citing suitable examples. However the harmful effects were explained in a vague and incorrect manner. Many candidates wrote about the problems created by food adulteration instead of its harmful effects. The measures taken were answered correctly by most candidates.
- (b) Most candidates answered this question incorrectly as they were confused between loans and cash credit. Some candidates wrote about different ways of *depositing money* in banks instead of stating *methods of advancing loans*.

Suggestions for teachers

- Expose students to different types of questions based on a particular topic. This will enable them to be prepared thoroughly leading to an improvement in their performance.
- Different methods of advancing loans should be taught thoroughly as it is an important topic which has practical implications. Inviting a bank official may help reinforce the topic through a talk/ discussion.

MARKING SCHEME

Question 8.

- (a) Food adulteration: Act of intentionally degrading the quality of food offered for sale either by the mixture or substitution of inferior substance or by the removal of some valuable ingredient from the product Example: addition of water to milk, brick dust to chilli powder, coloured chalk powder to turmeric powder, wooden dust to tea. (Any one)
Food adulteration can cause stomach ache, bacillary dysentery, giardiasis, cholera, anaemia, partial paralysis, skin abnormalities, eye problems, etc. (Any two)
One legal measure-Prevention of Food Adulteration Act or Food Safety and Standards Act.
- (b) (1) Term loans or outright loans
(2) Cash Credit
(3) Over draft facility
(4) Discounting of bills. (Any two)

Question 9

- (a) Why is the income of an entrepreneur residual in nature? Discuss any *three* functions of an entrepreneur. [5]
- (b) Distinguish between:
- (i) *Voluntary debt* and *Compulsory debt*.
 - (ii) *Regressive tax* and *Degressive tax*. [5]

Examiners' Comments

- (a) The *functions* of an entrepreneur were well explained by most candidates. Many however did not answer the first part of the question correctly while others were confused by the phrase 'residual in nature'
- (b) The difference between Regressive and Degressive taxes was answered correctly by most candidates.

A few candidates were unaware about the nature of Voluntary Debts.

Suggestions for teachers

- The difference between *labourer* and the *entrepreneur* should be referred to as in the nature of their rewards. This will enable students to understand why the income of the entrepreneur is residual in nature.
- Difference between concepts should be explained thoroughly. This will be possible if concepts are taught effectively and from all possible perspectives / angles, so that any question based on it can be answered correctly by students.

MARKING SCHEME

Question 9.

- (a) All factors of production other than enterprise i.e. land, labour and capital are engaged on the basis of contractual income. The profit of the entrepreneur is generated only after the payments are made to the other factors employed by him. Thus the income is residual in nature.

Functions: Planning of business activity, organising business activity, taking risks and uncertainty, decision making, selling or marketing activities, coordination and overall supervision, budgeting or financial planning. (Any three)

(b)

<u>Voluntary Debt</u>	<u>Compulsory Debt</u>
Debt raised by the Govt. without putting any compulsion on the buyers of Govt. bonds. The lenders are free to subscribe any amount that they please.	Debt raised by the Govt. under compulsion. This compulsion may be exerted during emergencies like war and during inflation when the govt. wants to reduce the volume of purchasing power in the hands of the people.
<u>Regressive Tax</u>	<u>Degressive Tax</u>
The tax system is called regressive if the average tax rate decreases as income increases e.g. if a person who earns ₹1000.00 per year pays 10% as tax and a person who earns ₹2,000.00 pays 7.5% as tax.	It is mixture of proportional and progressive system. Under this system the rate of tax increases upto a certain limit but after that a uniform rate is charged. For e.g. 10% for income between ₹1,80,001 to ₹3,00,000 a year, 20% for the income between ₹3,00,001 to ₹8,00,000 a year and 30% for income above ₹8,00,000.

Question 10

- (a) Define a tax. Explain briefly *two* merits and *two* demerits of direct taxes. [5]
- (b) What is inflation? Discuss the effects of inflation on:
- (i) Fixed income groups.
- (ii) Producers. [5]

Examiners' Comments

- (a) This question was answered correctly by most candidates. Only a few committed errors. The merits and demerits of direct taxes were answered correctly by most candidates.
- (b) Most candidates were unable to write a complete explanation of inflation, that means a *consistent/sustained rise in the price level in an economy*. Most candidates answered the effects of inflation on Fixed Income groups correctly, but failed to do so when explaining its effect on Producers.

Suggestions for teachers

- An important topic in today's context, it can be made more interesting by quoting various examples related to economic activities involving income and expenditure of households.
- The topic of Inflation should be taught in detail. Taxes such as Sales/VAT should be discussed in class to familiarize students with these terms.
- Use of examples will further reinforce their understanding.

MARKING SCHEME

Question 10.

- (a) A tax is a compulsory payment imposed on the persons or companies by the Govt. to meet the expenditure incurred on providing common benefit to the people.

Merits	Demerits
1. Economy	1. Unpopular
2. Equity	2. Inconvenience
3. Certainty	3. Possibility of evasion
4. Elasticity	4. Uneconomical
5. Civic Consciousness	5. Arbitrary
6. Reduction in inequality	6. Narrow in scope.

(two each of the above mentioned should be clearly explained)

- (b) Inflation is defined as a sustained increase in the aggregate price level.
- (i) Fixed income group: Wage and salary earners are the people who belong to fixed income group. They suffer a lot, it is because wage and salaries do not increase in the same proportion in which price rises. As a result fixed income earners tend to buy less amount of goods and services than before. So inflation increases economic burden on these people.
- (ii) Producers: Producers earn huge profits.
- (1) Price of their inventories goes up thereby increasing their profits.
- (2) Price rise is faster than rise in cost of production.

Topics / Concepts 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 (i.e the secondary functions.)
- Functions of the Central Bank
- Measures to control Inflation
- Taxation as an instrument to curb inflation.

Suggestions for students:

- Learn and revise each topic on a regular basis.
- The regular use of spoken English will help understand the question.
- Diagrams/graphs, must be practiced by drawing them regularly.
- Practice writing of answers along with examples.
- Keywords should be used to remember the answers.
- Avoid selective study.
- Solving of previous years Question papers ensures better response and understanding.
- Answers should be brief and specific.
- Questions on '**Differentiate between**' should be answered preferably in a tabular form under the correct headings.
- Check answers after completion to detect errors.