MARKING SCHEME
ECONOMICS (576)
SAMPLE PAPER

CLASS XII **SESSION 2025-26**

TIME : 3 HRS **M.M :80**

Q.No.	EXPECTED ANSWER/ VALUE POINTS	MARKS

SECTION -A

1.	**A**	**1**
2.	**C**	**1**
3.	**A**	**1**
4.	**C**	**1**
5.	**C**	**1**
6.	**D**	**1**
7.	**Demand Curve**	**1**
8.	**Above**	**1**
9.	**+VE**	**1**
10.	**D**	**1**
11.	What are causes of economics problems ? 1. **Unlimited wants:** human have unlimited wants and these are increasing day by day. 2. **Limited resources:** The resources to fulfill above unlimited wants are limited i.e. they are scarce . 3. **Alternative uses:** The limited resources have alternative uses that why we have to make choices.	**1** **1** **1**
12.	**Properties of ICs :** **1. Downward Sloping:** An indifference curve slopes downward because to maintain the same level of satisfaction, an increase in the consumption of one good must be offset by a decrease in the consumption of another good. **2. Convex to the Origin:** The convex shape of indifference curves reflects the law of diminishing marginal rate of substitution. As a consumer has more of one good, they are willing to give up less and less of the other good to get an additional unit of the first good.	**1** **1**

3. Higher Curves = Higher Satisfaction:

Indifference curves that are further away from the origin represent higher levels of utility or satisfaction. This is because they represent combinations of goods where the consumer has more of at least one good, or more of both goods, compared to combinations on lower curves. **1**

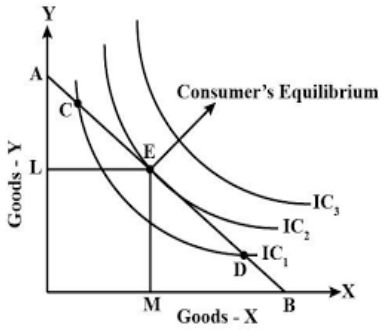
4. Non-Intersecting:

Two indifference curves cannot intersect. If they did, it would imply that the same combination of goods provides two different levels of satisfaction, which is logically impossible.

OR

In terms of IC analysis, a consumer will be in the equilibrium when following conditions fulfill :

1. MRS (Marginal Rate of Substitution) = P_x/P_y (Slope of price line) **1**
2. IC is convex to the origin at the point $MRS_{xy} = P_x/P_y$ **1**



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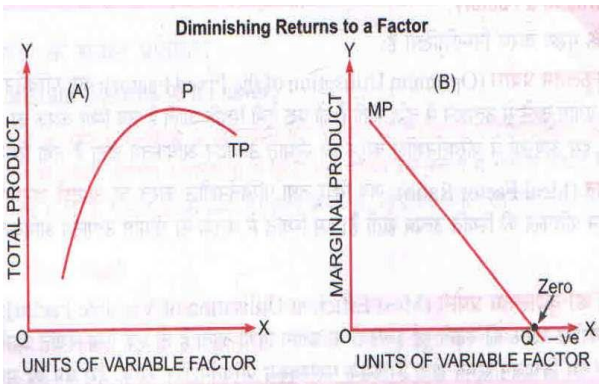
(Use diagram)

13. **Diminishing Return to Factor :** In the short run with fixed factors if we increase variable factors then total products increase at increase rate and in this situation marginal product will increase and cost will decrease . **1**

Labours	1	2	3	4	5	6	7
Capitals	1	1	1	1	1	1	1
TP	5	9	12	14	15	15	14
MP	5	4	3	2	1	0	-1

1



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14

The relationship between MC and AC can be stated as under:

(i) When AC falls with increase in output, MC is lower than AC, i.e., MC curve lies below the AC curve **1**

(ii) When AC rises with increase in output, MC is higher than AC, i.e., MC curve lies above the AC curve. **1**

(iii) At the minimum point of the AC curve, MC equals AC. **1**

(iv) Both can be calculated from total cost. **1**

AC = TC/Q and MC = TCn – TCn-1

OR

Output	TC	TFC	AFC	TVC	AVC	MC
0	36	36	-	0	-	-
1	54	36	36	18	18	18
2	68	36	18	32	16	14
3	84	36	12	48	16	16
4	108	36	9	72	18	24

AS ΣMC = TVC and one mark for each correct TC ,AFC, AVC and MC.

15.

Control Price (Price Ceiling):

Objective: To make goods more affordable for consumers by setting a maximum price. **1**

Implementation: Control Price is set below the equilibrium price.

Impact: Can lead to shortages as quantity demanded exceeds quantity supplied. **1**

Example: medicine , where a maximum price is set for each medicine.

Support Price (Price Floor):

Objective: To ensure a minimum income for producers, typically farmers, by setting a minimum price. **1**

Implementation: Support Price is set above the equilibrium price.

Impact: Can lead to surpluses as quantity supplied exceeds quantity demanded. **1**

Example: Minimum Support Price (MSP) for crops in India, where the government guarantees a minimum price to farmers.

OR

Qd =200 – P ……..(1)
Qs = 50 +2P ……..(2)

Putting equation (1) = equation (2)
200 – P = 50 +2P
200 – 50 = 2P + P
150 = 3P **2**
150/3 = P
50 = P (Equilibrium Price)
Putting the value of P =50 in any above two equations we get
Qd = 200 -50
Qd = 150 (Equilibrium Quantity**)** **2**

Hence , Equilibrium Price is 50 and Equilibrium Quantity is 150.

16. Total Expenditure Method:-

It shows how much total expenditure of a good change and in which direction due to change in the price of a good. **1**

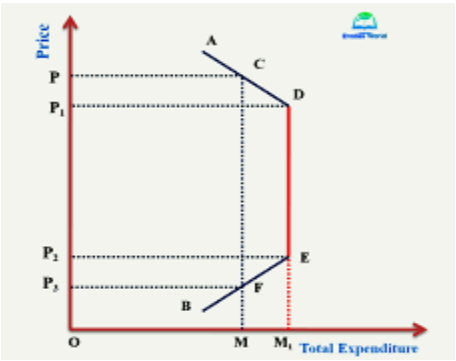
1) If price ↑ or ↓ and TE remain constant then Ed= 1

2) If price ↑ and TE ↓ or price ↓ and TE ↑ then Ed > 1

3) If price ↑ and TE ↑ or price ↓ and TE↓ then Ed < 1 **2**

Price	Quantity	Total Exp.	Ed
1 2	10 05	10 10	Unitary
1 2	10 04	10 08	Greater than unit
1 2	10 06	10 12	Less than unit

2



1

Explain table and diagram.

OR

Budget Line :-

A budget line represents all possible combinations of two goods that a consumer can buy with their given income and the prices of those goods. **1**

Shift in the Budget Line:

A. Changes in Income:

Increase in Income: If the consumer's income increases, while the prices of goods remain constant, the budget line shifts outward (to the right), parallel to the original line. This means the consumer can now afford more of both goods. **1**

Decrease in Income: If the consumer's income decreases, while the prices of goods remain constant, the budget line shifts inward (to the left), parallel to the original line. This means the consumer can afford less of both goods. **1**

B. Changes in Prices:

Increase in the Price of One Good: If the price of good X increases while the price of good Y and income remain constant, the budget line pivots inward along the x-axis (if good X is on the x-axis). The y-intercept (representing the maximum quantity of good Y) remains the same. He will buy less quantity of good X. **1**

Decrease in the Price of One Good: If the price of good X decreases while the price of good Y and income remain constant, the budget line pivots outward along the x-axis. The y-intercept remains the same. He will buy more quantity of good X. **1**

Changes in Prices of Both Goods: If the prices of both goods change proportionally, the budget line shifts parallel, similar to a change in income

1

17. Meaning of marginal revenue and marginal cost then

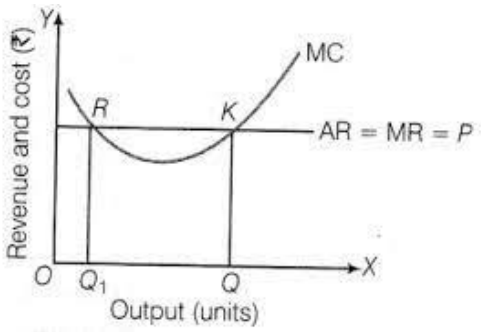
i) If MR is greater than MC then firm will increase output

ii) If MR is less than MC then firm will decrease output

iii) If MR=MC and MC is rising ,then firm will be equilibrium **2**

Conditions of equilibrium **2**

a) MR=MC
b) MC cuts MR from below.



2

Here, consumer will be equilibrium at point K as it fulfill both conditions.

OR

Meaning:

Perfect competition is a market situation where large number of buyers and sellers are buying and selling homogenous products at equal price. **1**

Main features:-

1. Large no. of buyers and sellers
2. Homogenous products
3. AR=MR
4. Firms is price taker and industry is price maker
5. Perfect knowledge
6. Perfect mobility
7. Lack of transportation cost
8. Lack of advertisement cost

Explain any above 5 points which carry one marks each. **5**

SECTION - B

18 **A** **1**

19 **C** **1**

20 A **1**

21 **B** **1**

22 **B** **1**

23 D **1**

24 Direct **1**

25 M1 **1**

26 Operating Surplus **1**

27 A **1**

28

Basis	**BOT**	**BOP**
Meaning	It refers to difference between amount of exports and imports of visible items.	It is a systematic record of all economic transactions between residents of a country and rest of the worlds, over a given period of time. **1**
Components	It includes only visible items.	It includes visible items , invisible items and capital transfers. **1**
Scope	It is narrow concept as it is a part of BOP.	It is a wider concept as it includes BOT. **1**

29 Aggregate demand (AD) is the total demand for goods and services in an economy at a given price level. Its determinants, which can cause shifts in the AD curve, include consumer spending, investment spending, government spending, and net exports.

AD = C + I + G + NX

Consumer Spending (C): Consumer spending means expenditure on final goods and services to satisfy his wants. It depends upon income.

C = f (Y)

1

Investment Spending (I):

It is expenditure on capital goods which helps in increase production capacity. It depends upon rate of interest.

1

Government Spending (G):

Expenditure made by government on infrastructure or social welfare programs.

1

Net Exports (X-M):
It is the difference between export and import.

OR

Income (in rupees)	0	50	100	150	200
Consumption (in rupees)	20	60	100	120	140
Change in income	-	50	50	50	50
Change in consumption	-	40	40	20	20
MPC	-	0.8	0.8	0.4	0.4
MPS	-	0.2	0.2	0..6	0.6

0.5
0.5
1
1

30

MICRO ECONOMICS	**MACRO ECONOMICS**
It studies with individual economics units	It studies national economy as well as its various aggregates
It primary deals with individual income , output, price of goods etc.	It is the study of aggregates such as national income , output and general price level.
It covers several issues like demand, supply, factor pricing, product pricing, economic welfare, production, consumption, and more.	It covers several issues like distribution, national income, employment, money, general price level, and more.

1
1
1
1

One marks for each differences

31 Investment Multiplier:- Investment multiplier is the ratio of an increase of income to given increase in investment.

K= change in income / change in investment

1

Multiplier process :-

Increase in investment	Increase in income	Increase in consumption	Increase in saving
4000	4000	2000	2000
	2000	1000	1000
	1000	500	500
	-	-	-
	-	-	-
	8000	4000	4000

3

K=1/1-MPC =1/1-0.5 =1/0.5 =2

K=ΔY/ΔI =ΔY/4000 =2

ΔY=4000*2 =8000 crores

OR

C= 200+0.8Y

a) MPS = 1-MPC
= 1 – 0.8
= 0.2

1

b) When Y is zero then C = 200
So Autonomous Consumption = 200

1

c) Investment Multiplier (K) = 1/MPS

K=1/0.2
K=5

1

d) S=Y-C
S= Y-(200+0.8Y)
S= Y – 200 -0.8Y
S= -200+0.2Y
So Saving function is S = -200 + 0.2Y

1

32 A government budget is a country's financial report explaining item-wise calculations of future revenue and expenditure. The budget explains the income and expense of a nation.

In India the government presents its budget in front of the Lok Sabha, explaining an estimated receipt and expense for the upcoming financial year. The fiscal year starts from 1st April and concludes on 31st March of the next year. **1**

Objectives :-

1. Reallocation of resources **1**
2. Minimise inequalities in income and wealth **1**
3. Economic stability **1**
4. Manage public enterprises

Explain above any three points

OR

Direct Tax	Indirect Tax	
1. These taxes are imposed on income and wealth.	1. These taxes are imposed on goods and services.	**1**
2. These taxes can not be shifted on others.	2. These taxes can be shifted on others.	**1**
3. These taxes are progressive in nature.	3. These taxes are often non-progressive in nature.	**1**
4. Examples:- Income Tax, Wealth Tax	4. Examples:- Sales Tax (GST) Excises Duty	**1**

33. FUNCTION OF CENTRAL BANK :-

1) Issuer of Currency **1**
2) Custodian of Foreign Exchange Reserves **1**
3) Banker to the Government. **1**
4) Controller of Credit (Monetary Policy) **1**
5) Lender of the Last Resort **1**
6) Custodian of Cash Reserves of Commercial Banks. **1**
7) Supervisor and Regulator of Banks. **1**

Explain above points each carry 1 marks

OR

Money : A medium of exchange that is centralized, generally accepted, recognized, and facilitates transactions of goods and services, is known as money. **1**

Function of Money:

i) Medium of exchange:

- It means that money can be used to make payments for all the transactions of goods and services. **1**
- A buyer can buy goods through money, and a seller can sell goods for money.
- It is an essential function of money.

ii) Measure of value:

- Money serves as a measure of value. **1**
- The value of all goods and services is expressed in terms of money.

iii) Standard of deferred payments:

- It means that money acts as a 'standard' for making future payments.
- It has made deferred payments much easier than before.
- Example: When we borrow money from somebody, we have to return both the principal as well as the interest amount in the future. **1**

iv) Store of value:

- **A** store of value implies a store of wealth.
- Money can be easily stored for future use.
- It is the most convenient and economical means to store earnings and wealth. **1**

v) Transfer of value:

- Money also serves for transfer of value.
- It facilitates buying and selling of goods not only in the domestic country but also in other parts of the world. **1**

"Money is a matter of functions four a medium, a measure, a standard and a store.
It does not clear the picture we may add transferability more"

34. Expenditure Method is one of the three methods to determine national income. The other two methods are the value added method and income method.

It is also known as consumption and investment method, and its primary objective is to calculate the national income by aggregating all the final expenditure on final goods and services in the economy during a year . **1**

Different steps of expenditure methods:

1. **Identification of economic units incurring final expenditure**

   i) Household Sector
   ii) Producing Sector
   iii) Government Sector
   iv) Rest of the world **1**

2. **Classification of final expenditure**

A) Private final consumption expenditure
B) Govt. final consumption expenditure
C) Gross domestic fixed capital formation
D) Change in stock
E) Net export (X-M) **2**

3. **ESTIMATION OF NATION INCOME**

GDP at MP (A+B+C+D+E)
- Depreciation
- Net Indirect Tax
+ Net Factor Income from Abroad(NFIA)

National Income (NNP at FC) **2**

OR

First calculate
GDP at MP = Value of Output – Intermediate Consumption

GDP at MP = 12000 – 3500
GDP at MP = 8500 **2**

Now convert it into NDP at FC i.e. Domestic Income

GDP at MP	= 8500
- Consumption of fixed capital	= 250
- Net Indirect Tax	= 50
NDP at FC i.e. Domestic Income	**= 8200**
- Compensation of Employees	= 5000
OPERATING SURPLUS	**= 3200 crores**

2 **2**