

GOVERNMENT OF KARNATAKA

KARNATAKA STATE PRE-UNIVERSITY EDUCATION EXAMINATION BOARD

II YEAR PUC EXAMINATION MARCH 6 2017

SCHEME OF VALUATION

Subject Code : 22

ENGLISH VERSION

Subject : ECONOMICS

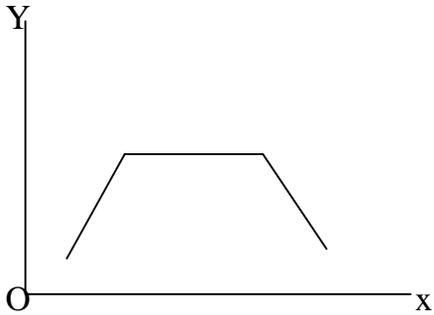
Qn.No	PART -A	Marks Allotted
1.	An economy is a mechanism through which the scarce resources are prioritised and organised for the production of goods and services	01
2.	Micro economic study	01
3.	Prof. Alferd Marshall	01
4.	Normal goods are those goods, where there is direct relationship between income and demand. OR The quantity a consumer demands increases as the consumer's income increases and vice ó versa.	01
5.	$MR = TR_n - TR_{n-1}$	01
6.	Heterogeneous characteristic of products. OR Product Differences in colour, design, materials used, brand etc.	01
7.	Macro Economics refers to the study of aggregates covering the entire economy OR The study of (aggregate) total income, total investment, total employment etc.	01
8.	Gross Domestic Product	01
9.	The ratio of the total change in income to the initial change in investment is known as multiplier.	
10	An open economy is an economy which has economic relations with other countries of the world with regard to goods and services, financial assets etc.	01

PART 6B		
11	What to produce? How to produce? For Whom to Produce?	02
12	USA, Japan, Australia, (Any two)	02
13	Utility Satisfaction	
	1. Utility is calculated before consumption	A consumer gets satisfaction only after consumption.
	2. Utility is expected Satisfaction	Satisfaction is realised satisfaction.
		02
14	$Y \text{ of } (R, L, K, O \dots\dots\dots)$ OR Output = f (Land, Labour, Capital, Organisation.....)	02
15	Monopoly Monopolistic competition Oligopoly Duopoly (Any three)	02
16	Prof. Alfred Marshall and J.M. Keyner	02
17	Consumer goods are purchased for consumption by the consumer exa:- Food, Drinks, Clothing etc. Capital goods are used in the production of other goods by the producers, Exa : Factories tools, Roads etc.	02
18	1. Transaction motive 2. precautionary motive 3. speculative motive	02
19	The savings and investment is brought to equality through the mechanism of interest rate. When saving is less than investment, a rise in the rate of interest brings down investment and increases savings till savings equals investment and vice-versa. $S=f(r)$ and $I = f(r) \therefore S=I$ OR $S = Y-C$ $Y= C+S$ $I= Y-C$ OR $Y= C+I$ $\therefore S=I$ $\therefore C+S = C+I$ $S = I$	02
20	If the anticipated revenue of the government exceeds its	

	<p>anticipated expenditure in a year it is known as surplus budget.</p> <p>If the anticipated expenditure of the government exceeds its anticipated revenue in a year it is known as deficit budget.</p>		02												
21	<ol style="list-style-type: none"> 1) Mobilisation of resources . 2) To bring equality in the distribution of income and wealth. 3) Encouraging savings and investment. 4) To reduce regional disparities, poverty and Unemployment. 5) Promotion of economic welfare 6) To accelerate the growth of public sector 7) Achieving price stability by adopting anti- inflationary Tax measures 8) Raising the productive investment in both private and public sector to attain rapid economic development. 9) Optimum utilisation of resources to attend full employment. 10) Regulation of business and economic activities. 11) Implementation of LPG Policy effectively in order to accelerate the rate of economic development. 12) Establishment of welfare state. <p style="text-align: center;">(Any four)</p>		02												
22	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Balance of Trade</td> <td style="width: 50%;">Balance of Payments</td> </tr> <tr> <td>1.Narrow Concept</td> <td>Broader Concept</td> </tr> <tr> <td>2.It includes only</td> <td>It includes</td> </tr> <tr> <td>Visible merchandise</td> <td>transactions of</td> </tr> <tr> <td>(goods) transactions</td> <td>both visible and invisible merchandise (goods)</td> </tr> <tr> <td>3.Gives a Partial Picture of foreign Trade.</td> <td>Gives a complete Picture of Foreign trade</td> </tr> </table>	Balance of Trade	Balance of Payments	1.Narrow Concept	Broader Concept	2.It includes only	It includes	Visible merchandise	transactions of	(goods) transactions	both visible and invisible merchandise (goods)	3.Gives a Partial Picture of foreign Trade.	Gives a complete Picture of Foreign trade		02
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	PART 6C														
23	<p>The study of what was and what is under the given set of circumstances is called positive economics. It explains the cause and effect relationship of economic variables.</p> <p>Normative economics studies what ought to be. The</p>														

	normative economic statements pronounce Value judgements Economics involves both scientific investigation and policy analysis. (Need explanation)	05
24	1) It helps to utilise the resources economically. 2) This law has practice application. 3) Basis to other economic laws. 4) The theory of value is based on this law. 5) Adam Smith explained his famous Diamond-water paradox with the help of this law. 6) This law guides for equitable distribution of wealth (Explanation for any five needed)	
25	Meaning of total utility and Marginal utility ($TU = U_1 + U_2 + U_3 + U_4 + U_5$, $TU_x = EMU_x$) Equation of marginal utility $MU_n = TU_n - TU_{n-1}$ } with explanation	02 03
26	1. A higher indifference curve represents a higher level of satisfaction 2. An indifference curve can't be a vertical line or a horizontal line. 3. An indifference curve can't be a downward sloping straight line. 4. IC cannot be positively sloped. 5. Must always be convex to the origin 6. IC cannot have a bulge. 7. IC one downward sloping from left to right. 8. IC cannot be parallel. 9. will not touch either x-axis or y-axis 10. cannot intersect each other (any five) (With diagrammatic explanation)	05
27	1) Price effect 2) Income effect 3) Substitution effect 4) Law of diminishing Marginal Utility (Explanation needed)	05
28	Meaning of income elasticity of demand $\Delta Q = 40 - 30 = 10$ $\Delta Y = 12,000 - 10,000 = 2000$ $Y = 10,000$ $Q = 30$	02

	$\dots Yed = \frac{\Delta \frac{P}{P}}{\frac{\Delta P}{P}} = \frac{0.02, 0.02}{0.02, 0.02}$ $\frac{0.02}{0.02} \times \frac{0.02, 0.02}{0.02} = 1.66$ <p style="text-align: center;">Yed > 1</p>	03										
29	<p>Meaning of firm and industry</p> <table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: center; width: 50%;"><u>Firm</u></th> <th style="text-align: center; width: 50%;"><u>Industry</u></th> </tr> </thead> <tbody> <tr> <td>1. It is a business Establishment Inside an industry</td> <td>It is a group of firms doing the same business</td> </tr> <tr> <td>2. Existence of only One firm</td> <td>Many firms in one industry</td> </tr> <tr> <td>3. A sub-sector of a type of business</td> <td>A sub-sector of an economy</td> </tr> <tr> <td>4. No separate rules and regulations</td> <td>Rules and regulations locations are made for an Industry.</td> </tr> </tbody> </table>	<u>Firm</u>	<u>Industry</u>	1. It is a business Establishment Inside an industry	It is a group of firms doing the same business	2. Existence of only One firm	Many firms in one industry	3. A sub-sector of a type of business	A sub-sector of an economy	4. No separate rules and regulations	Rules and regulations locations are made for an Industry.	01 04
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30	<p>Meaning of Monopoly</p> <p>1) Features : 1) Single seller 2) No close substitutes 3) High barriers to entry 4) Price maker 5) Perfect Knowledge 6) Price discrimination or Uniform price 7) No difference between firm and industry, 8) Nature of demand curve (Explanation for any four)</p>	01 04										
31	<p>1. Scope 2. Method of study 3. Different economic agents 4. Equilibrium analysis 5. Domain (Need explanation)</p>	 05										
32	<p>1. Private and public investment 2. Induced and autonomous 3. Planned and Unplanned 4. Gross and net investment (Need explanation)</p>	 05										
33	<p>Meaning of budget deficits</p> <p>1. Revenue deficits 2. Fiscal deficits 3. Primary deficits (Need explanation)</p>	02 03										
34	<p>PPP theory states that exchange rates between currencies are in equilibrium when their purchasing power is the same in both countries.</p>											

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35	Meaning of laws of returns 1. Law of increasing returns 2. Law of constant returns 3. Law of demining returns Table and diagrammatic explanation	01 03																																					
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36	Meaning of price elasticity of supply Classification 1. Perfectly elastic supply	01																																					

	<p>TVC: TVC includes payment made to the variable factors of production. It changes along with the quantity of output.</p> <p>TC: TC includes both TVC and TFC $TC = TFC + TVC$</p> <p>AC: AC is the per unit total cost of production</p> $Ac = \frac{TC}{Q}$ <p>MC : MC is the cost of producing an extra unit of a commodity.</p> <p>$MC = TC_n - TC_{n-1}$ OR</p> $MC = \frac{\Delta TC}{\Delta Q}$	
40	<p>Stocks Flows</p> <p>Bank deposits Salary</p> <p>Wealth Exports</p> <p>Food grain stock Imports</p> <p>Foreign exchange National Income</p> <p>Capital reserves Net investment</p>	05
41	<p>Meaning of credit creation</p> <p>Assumptions credit creation process</p> <p>Explanation with example</p>	01 01 03