KENDRIYA VIDYALAYA SANGATHAN ERNAKULAM REGION
PRE-BOARD EXAMINATION 2025-26
ECONOMICS (030)
MARKING SCHEME

	Section A – Macro Economics	
1	c. These are ready for consumption or investment and do not require further processing	1
2	d. Standard of Deferred payments	1
3	c. Currency held by the public and (b) Net Demand Deposits with commercial banks	1
4	d. Assertion (A) is false, but Reason (R) is true	1
5	a. Consumption and Investment OR a. fall	1
6	b. Statement I is false and statement II is true	1
7	c. c – iii	1
8	b. Deficit of ₹1,50,000	1
9	c. (i) & (iv)	1
10	c. Increase in investments by Indians abroad	1
11	a. The given statement is refuted. (No marks without reason) If the economist adds the value of output produced by all three producers — the chemical company, fragrance manufacturer, and cosmetic company — it would lead to double counting. Double counting means counting the value of a good or service more than once while estimating the national income or total output of a country. It happens when the value of intermediate goods (goods used in further production: essential oils and perfume essence) and the value of final goods (ready for consumption or investment: final perfume) are both included in the calculation of national income. . <center>(OR)</center> b) Inner loop: Money flow, Outer loop: Real flow Complete diagram with neat labelling. Brief explanation	1 1 1 1 1 1

12	Consumption function of an economy C=C¯+bY is given as: C = 250 + 0.4Y
	Saving function can be derived as S = - C¯ + (1 – b) Y
	                = -250 + 0.6Y
	Consumption at equilibrium income ₹1500 crores is
	                C = 250 + 0.4(1500)
	                C = 250 + 600 = ₹850 crores
	
	Saving at equilibrium income ₹1500 crores is
	                S = - 250 + 0.6(1500)
	                C = -250 + 900 = ₹650 crores
		1
		
		1
		
		1

13	The money multiplier plays a vital role in determining the credit creation power of the banking system. It shows how the initial deposits in the banking system led to a multiple expansion of credit or money supply in the economy.	½
	The money multiplier (m) is the number by which total deposits can increase due to a given change in deposits.	½
	Money Multiplier (m) = 1 / LRR	½
	Numerical example If initial deposit ₹1,000 crores and LRR is 10%, Money multiplier is 1 / 0.1 = 10 Total deposit = Initial deposit x money multiplier	1
	= 1,000 x 10 = ₹10,000 crores	
	With the same initial deposit, if LRR is 20%, size of money multiplier will be 5 Total deposit = 1,000 x 5 = ₹5,000 crores	1
	More the size of money multiplier, more will be the creation of money in the economy. (Any other suitable numerical example with correct explanation may also be awarded marks.) OR b) (i) The function of the Reserve Bank of India (RBI) reflected in the passage is its role as the "Issuer of Currency."	½ ½
	In India, RBI has the sole right to issue paper currency notes and it bear the signature of Governor of RBI.	1
	One-rupee notes and coins are issued by Ministry of Finance. (ii) This function offers several advantages to the economy	½
	Uniformity of Currency: Since the RBI is the sole authority to issue currency it ensures uniformity in the design, size, and security features of banknotes.	1
	Control over Money Supply: By regulating the issue of currency, the RBI can control inflation or deflation, thus helping maintain price stability in the economy. (any other relevant points can be awarded marks)	1
14	Fiscal deficit refers to the excess of the government's total expenditure over its total revenue (excluding borrowings) during a financial year. Fiscal Deficit = Total Expenditure − (Revenue Receipts + Non-debt Capital Receipts) It indicates the total borrowing requirement of the government. Major implications of a high fiscal deficit (as seen in the case of Country X): Rising Interest Payments:	1
	Spending a larger portion of its revenue on interest payments reduces the availability of funds for development and welfare activities. Crowding Out of Private Investment:	1
	Government borrowings reduce the availability of funds for private businesses. This discourages private sector investment and slowing economic growth. Inflationary Pressure:	1

	Financing a high fiscal deficit, especially through borrowing from the central bank, can increase money supply in the economy. This leads to demand-pull inflation, causing prices of goods and services to rise.	1
15	**Autonomous Items**	1

Autonomous Items	Accommodating Items	
Autonomous items refer to those international economic transactions that take place due to some economic motive such as profit maximisation.	Accommodating items refer to the transactions that are undertaken to cover deficit or surplus in autonomous transactions.	1
Autonomous transactions are independent of the state of the BOP account.	Accommodating transactions are undertaken to maintain the balance in the BOP account.	1
Autonomous transactions take place on both current and capital accounts.	Accommodating transactions take place only on the capital account.	1
These items are also known as 'above the line items.	These items are also known as 'below the line items'.	1

16	a. GDP MP = PFCCE + GFCE + GDCF + NE 12,500 = 7000, + 3,500 + (GDFCF + 150) − 150 12,500 = 10,500 + GDFCF GDFCF = 12,500 − 10,500 = 2,000	½ ½ ½ ½
	b. **Nominal GDP** Nominal GDP measures the value of all final goods and services produced within a country during a given year at current market prices. Affected by changes in both price level and output. . Indicates the monetary growth of the economy. . Includes the effect of inflation or deflation.　　. (Any 2 points ½ marks each)	1
	Real GDP Real GDP measures the value of all final goods and services produced within a country during a given year at constant prices (base year prices). Affected only by changes in output, as prices are kept constant Indicates the real growth h of the economy Excludes the effect of inflation or deflation Useful for comparing GDP across years to study real growth. (Any 2 points ½ marks each)	1

17	(i) Under C + I approach, the equilibrium level of income or output is determined at that level of income or output at which planned aggregate demand is equal to ex-ante aggregate supply, i.e. AD = Y or Y = C + I	

	Planned output or income is either consumed or saved, i.e. $Y = C + S$	1
	Substituting $Y = C + S$ in the equilibrium condition equation, we have	1
	$C + S = C + I$ $\Rightarrow S = I$	1
	Equilibrium level of income/output is that level at which planned savings and planned investment are equal.	
		2
	AD = Y which is on E in the upper part of diagram when AD curve intersects the $45°$ line with equilibrium income OM. (ii) S = I which is on E1 in the lower part of the diagram when saving curve intersects the investment curve at E1 with OM as the equilibrium income level	1
	OR	
	(ii) The diagram depicts the situation of deficient demand and deflationary gap. When aggregate demand and aggregate supply are equal at below full employment level, it is called under-employment equilibrium.	1 1
	Two qualitative measures are:- margin requirement on loan, credit rationing and moral suasion. (Explain any two)	4

	Section B: Indian Economic Development	
18	c. devise the strategy of Green Revolution to improve agriculture	1
	OR	
	c. promoting industry in backward regions	1
19	b. b – ii	1
20	c. Both the statements are true	1
21	b. Human capital treats human beings as a means to increase productivity	1
22	b. Andhra Pradesh	1
23	a. Agricultural marketing	1
24	d. Assertion (A) is false, but Reason (R) is true	1

25	a. they do not change the land use pattern in areas where they are located	1
26	b. chlorine and bromine compounds	1
27	b. China	1
28	Microcredit refers to the provision of very small loans to poor individuals, especially those who lack access to traditional banking services.	1
	i) Sustainable access to formal banking system	½
	ii) Promotes thrift in small proportions	½
	iii) Leding and reasonable interest rates	½
	iv) Helped in women empowerment	½
	(Any other relevant points with brief explanation)	
29	Liberty indicator may be defined as the measure of the extent of demographic participation in the social and political decision making.	1
	Eg: (i) Measure of the extent of constitutional protection rights provided to the citizens	1
	(ii) Extent of constitutional protection of the independence of judiciary and rule of law	1
	OR	
	One child policy norm.	
	Positive:	
	It has reduced the growth rate of population	½
	Provides better health service for women	½
	Reduced the risk of death & injury associated with pregnancy	½
	Negative	
	Fewer younger people after a few decades	½
	Proportion of dependent population will rise	½
	More expenditure on social security with fewer workers.	½
30	During reform period, the growth of agriculture has declined and industrial sector reported fluctuation, whereas, growth of service sector has gone up. This indicates that growth is mainly driven by the growth of service sector.	1
	Factors responsible for high growth service sector are	
	i) Increased inflow of foreign capital due to reduction of restrictions on the movement of international finance	1
	ii) Growth of certain sectors like telecommunication, information technology, travel and hospitality services, real estate and trade.	1
	iii) Availability of cheap & skilled manpower and growth of IT infrastructure made India a favourite outsourcing destination.	1
	(Any other relevant points can be awarded marks)	
31	Construction Worker: Casual wage labourer, Bank employee: Regular salaried employee, Shop owner: Self employed	1
	Casual wage labourers: not hired on permanent basis. Engaged in farm or non-farm enterprises and, receive remuneration for the work.	1

	Regular salaried employees: Engaged by someone or by an enterprise and is paid wages on a regular basis. They are hired on permanent basis.	1
	Self-employed: worker uses his own resources to make a living. They own and operate an enterprise to earn their livelihood.	1
32	a, Political Instability: Low Agricultural Productivity: Growing dependence on foreign loans Dependence on remittances Export of agricultural products (Any 4 points with explanation 1 mark each) OR a) Yes, I agree.	4
	Yes, I agree with the given statement. The present day fast industrial growth in China can be traced back to the reforms introduced in phases in 1978. China.	1
	Agriculture reforms commune lands were divided into small plots which were allocated only for use and not as ownership to the individual households. They were allowed to keep all income from the land after paying stipulated taxes.	1
	Industrial sector reforms Private sector firms and township and village enterprises (enterprises which were owned and operated by local collectives) were allowed to produce goods.	1
	At this stage enterprises owned by government (known as State Owned Enterprises or SOEs), were made to face competition. The reform process also involved dual pricing. In order to attract foreign investors, special economic zones were set up.	½ ½
33	Self-reliance means reducing dependence on imports and promoting domestic production of goods and services. It is important for the following reasons	½
	Reducing external dependence: Conserving foreign exchange Encouraging domestic industries: (3 points with explanation 1 mark each)	1 1 1
	Import substitution refers to the strategy of replacing foreign goods with domestically produced alternatives.	½
	Boosts domestic production Saves foreign exchange Generates employment Encourages industrial diversification (2 points with explanation 1 mark each.)	1 1
34		

i) Expenditure on education and health sectors assume great importance on the formation of human capital. To ensure favourable benefits of such expenditure, government intervention is important because of the following reasons.
1) long term impact that are irreversible
2) consumers do not have complete information about quality and cost of services
3) to avoid consumer exploitation by monopoly of service providers
 	
ii) Intergenerational equity is a key principle of sustainable development because inequities are a cause of environmental degradation. According to Brundtland Commission:
• Poverty is causing environmental degradation
• High levels of affluence (wealth) are damaging the environment.
• Other equity concerns relevant to sustainable development policies include inequities of environmental policies and inequities in the decision-making process.
<center>OR</center>
    b) (i) Education is one of the most powerful tools for empowering women and ensuring gender equality. Promoting women's education in India is essential for the following reasons:
        Empowerment and Equality:
        Economic Growth
        Improved Health and Nutrition
        Reduction in Poverty:
        Social Development
        Population Control
(Any 3 points with explanation 1 mark each)
      (ii) Correction for environmental damages involves opportunity costs – Extraction of resources at a speed more than its regeneration reduces the carrying capacity of the environment. In such a situation
Environment fails to perform its functions
Creates need to explore alternative eco-friendly resources to avoid environmental crisis
Greater health expenditure
	1
	1
	
	1
	
	1
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	1
	
	3
	
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	1	