

Mock Test 01 Marking Scheme
Section - A Macro Economics

Ans 1 - (c) Autonomous Payments over Autonomous Receipts

Ans 2 (d) Debit Side of Capital Account

Ans 3 (A) 700 Crores

Ans 4 (a) 1, 2 and 3 are correct

Ans 5 (a) Store of value

Ans 6 (b) Both Assertion (A) and Reason (R) are true
and Reason (R) is not the correct explanation
of Assertion (A).

Ans 7 (d) 0.6

Ans 8 (b) 40,000

Ans 9 (b)

Ans 10 (a) Autonomous Consumption

Ans 11

(1) Foreign Portfolio Investments in India in the fiscal year 2023-24 will be recorded on the credit side of the Capital account of the Balance of Payments (BOP) Account. It is recorded on the credit side, as it results in the inflow of foreign exchange. Further, such transactions are documented in the Capital account as they reflect the change in the ownership of financial assets between the residents of a country and rest of the world.

(11) Balance of Payments deficit occurs when autonomous receipts fall short of autonomous payment during a given fiscal year in an economy.

Ans 11 (or) Depreciation of Domestic currency means a fall in the price of domestic currency (say rupee) in terms of a foreign currency (say US dollar). It means one dollar can be exchanged for more rupee. So with the same amount of dollar more goods can be purchased from India. It means export to USA becomes cheaper. This may result an increase of Indian exports to USA.

This also leads to increase in National Income of India.

Ans 12

By using Expenditure method (GDPmp)

$$\text{GDPmp} = \text{Private final Consumption Expenditure} + \\ \text{Government final Consumption Expenditure} + \\ \text{Gross Domestic Capital formation} + \\ \text{Net Export.}$$

$$\text{GDPmp} = 2,000 + 500 + (250 + 30 + (-50)) + 60$$

$$\text{GDPmp} = 2,790$$

$$\text{NNPfc} = \text{GDPmp} - \text{Depreciation} + \text{Net factor} \\ \text{Income from Abroad.} - \text{Net Indirect Tax}$$

$$\text{NNPfc} = 2,790 - 30 - 70 - 100$$

$$\text{NNPfc} = 2,590$$

Ans 13

(a) $S = I$

$$S = -\bar{a} + (1-b)Y$$

$$50 = -100 + 0.2Y$$

$$150 = Y$$

$$0.2$$

$$750 = Y$$

$$1 - MPC = MPS$$

$$1 - 0.8 = MPS$$

$$0.2 = MPS$$

(b) $K = \frac{\Delta Y}{\Delta I} = \frac{500}{125} = 4$

$$K = \frac{1}{1 - MPC}$$

$$4 = \frac{1}{1 - MPC}$$

$$1 - MPC = \frac{1}{4}$$

$$MPC = 1 - 0.25 \Rightarrow 0.75$$

Ans 14

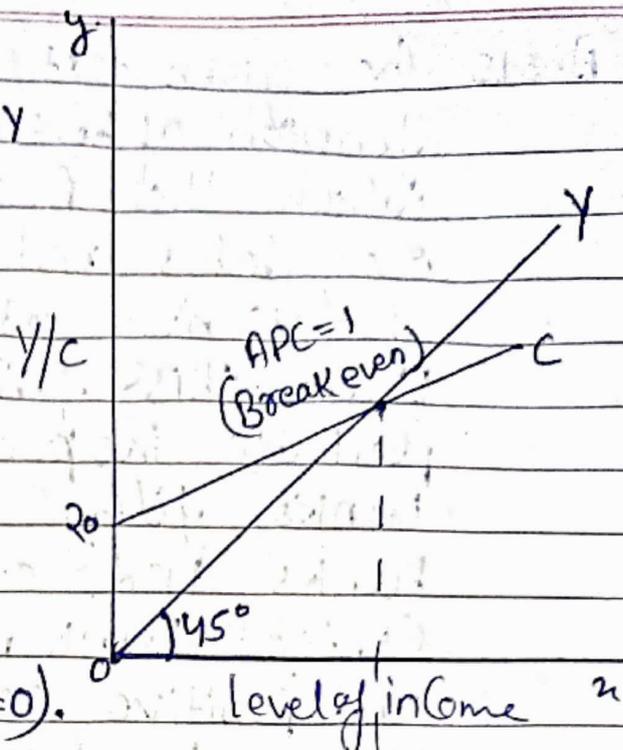
$$S = -\bar{a} + (1-b)Y \quad \& \quad C = \bar{a} + bY$$

$$S = Y - C$$

$$S = Y - (\bar{a} + bY)$$

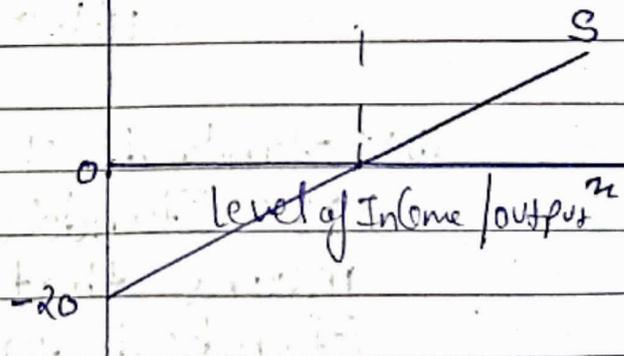
$$S = Y - \bar{a} - bY$$

$$S = -\bar{a} + (1-b)Y$$



- S-line must start from the point which indicate that the value of S (the value of S when $Y=0$). Here S-line starts from -20 where C line starts from +20 because $C=20$, $Y=0$ & $S=0$.

- S-line must cross the x-axis when $(Y=C)$ so that $S=0$. Thus S-line cross x-axis when $Y=C=100$ and there -fox $S=0$.



Ans 15 The given text indicates the Supervisory function of the Central Bank, under which the Reserve Bank of India (RBI) regulates and supervises routine functioning of the Commercial banks. Under this function, the RBI may exercise periodic inspections/audit of Commercial banks, filing of reports by Commercial banks and other statutory compliances. Central bank may take necessary corrective and punitive actions against the bank owing to deficiencies in regulatory compliances.

Ans 15 (or) (a) Money Supply is a Stock Concept. It refers to total stock of money (of all types) held by the people of a country at particular point of time.

$M_1 =$ (i) Currency in Cash
(ii) Demand Deposits
(iii) Other Deposits with RBI

(b) Standard of Deferred Payments: - Money as a Standard of Deferred Payments means that money acts as a Standard for payments, which are to be made in future.

Ans 16(a) The above given figure shows composition of taxes in Gross Tax Revenue of the government. Among the various taxes shares of GST is maximum i.e. 29%. where as the lowest share in Gross Tax Revenue is generated by custom which is only 6%. Similarly it shows union excise duties share only 15% and share of Corporation Tax and Income Tax is same as 25%.

(b) (i) Recovery of loans:- Recovery of loans is a Capital Receipts because it is reduction in assets of the govt.

(ii) Corporation Tax:- it is a revenue receipts because it do not reduce any assets & nor create any liabilities of the govt.

(iii) Dividends on investment made by govt:- it is a revenue receipt because do not reduce any assets nor create any liabilities of the govt.

(iv) Sale of Public Sector undertaking:- it is a Capital Receipt because it leads to reduction in assets of the govt.

Ans 16 (or)

(a) Difference between Revenue Expenditure and Capital Expenditure

Basis	Revenue Expenditure	Capital Expenditure
Meaning	These are those Expenditure of the govt which don't leads to Creation of any assets nor reduction of any liabilities.	These are those Expenditure of the govt: which leads to creation of any assets or reduction of any liabilities.
Nature	These are recurring in nature	These are non-recurring in nature
Purpose	These are incurred on normal functioning of the government.	These are incurred on acquisition of assets and granting loan.
Examples	Interest, Subsidies, expense on collection of Taxes, Donations, Pension, etc	Acquisition of machinery, Construction of school, hospital, Building, repaid loan, etc.

(b) if an Economy is facing fluctuations in income, employment and prices (inflation/ deflation), the government may push for correction of the situation using budgetary (taxes) public expenditure) policies. The same may be undertaken by working on the level of Aggregate Demand, relating to the Spending decisions of households and firms.

Ans 17 (a) The working process of the increase in investment on the National Income, is based on the assumption that one's expenditure is another's income. In Round 1, the Investment in infrastructure undertaken by the government of 1,000 crores, will generate an additional income by the like amount (1,000 crore). Since Marginal Propensity to Save (MPS) is 0.2 i.e. MPC is 0.8 it will lead to an increase in the Consumption expenditure by 800 crore (80% of 1,000) and Saving by 200 crore (20% of 1,000). As one's expenditure is another's income, an increase in Consumption expenditure results in an increase in income by 800 crore in the subsequent round. This process continues till the sum of the change in Savings becomes equal to the change in the investment.

Round	increase in investment (ΔI) (in crores)	increase in Income (ΔY) (in crores)	increase in Consumption (ΔC) (in crores)	increase in Savings (ΔS) (in crores)
1	1,000	1,000	800	200
2	-	800	640	160
3	-	640	512	128
-	-	-	-	-
Total	1,000	5,000	4,000	1,000

$$\text{Investment multiplier} = \frac{1}{1 - MPC} = \frac{1}{1 - 0.8} = 5$$

Thus, the above schedule indicates that an increase in Investment (ΔI) of 1,000 Crore leads to a total increase in National Income (ΔY) by 5,000 Crore, which is 5 Times the increase in investment.

(b) The massive destruction of Capital assets caused by the violent Natural Calamities in the hill States of Himachal Pradesh and Uttarakhand can be considered as a Capital loss.

Capital loss refers to the loss in the value of fixed assets due to unforeseen circumstances like natural disasters, theft, fire, etc.

Section B Indian Economic Development

Ans 18 (a) Service

Ans 19 (b) International

Ans 20 (c) (iii), (iv), (ii), (i)

Ans 21 (a) A-(ii), B-(iii), C-(iv), D-(v), E-(i)

Ans 22 (b) Both Statement are false

Ans 23 (b) use of fossil fuel for transportation

Ans 24 (d) (iii), (iv), (ii), (i)

Ans 25 (c) Assertion (A) is true, but Reason (R) is false

Ans 26 (b) Seasonal

Ans 27 (b) 2009

Ans 20 (I) Horticulture refers to the science or art of cultivating fruits, vegetables, tuber crops, flowers, medicinal and aromatic plants, spices and plantation crops. Horticulture play a vital role in providing food and nutrition to the rural population. It also addresses the problem of unemployment (particularly disguised and seasonal unemployment) in the villages.

- India has adopted horticulture as it is blessed with all varying climate and soil conditions.

(II) Two example of other activities are

• Live Stock

• Fisheries

Ans. 29 (i) on-the-job training is the source of Human Capital Formation (H&F) indicated in the aforesaid Statement.

(ii) On-the-job training has become an integral part of work environment in the recent times as it enhances the productive capacity of employees. It enables employees to develop skills and adapt to modern technologies. As a result of on-the-job training, an employee is likely to contribute more productively leading to the economic development of India.

Ans 29 (or)

- (i) Self-Sufficiency in food grain production:- Commercialization of agriculture initiated by British Government resulted in self-sufficiency in food grain production.
- (ii) Better means of transformation:- Development of roads and railways provided cheap and rapid transport system and opened up new opportunities of economic and social growth.
- (iii) Check on famines:- Roads and railways worked as a great check on the occurrence and impact of famines as food supplies could be transformed to the affected areas in case of droughts.

Ans 30: The given data pertains to the Sectoral Share of employment and Gross value Added (GVA). Due to topographic and climatic conditions, the cultivable area in China is relatively smaller than that of India. Hence the contribution of the agricultural sector to the GVA in China is 7% employing 26% of its workforce, whereas in India it is 16% employing 43% of its workforce. owing to rapid industrialisation in China, the contribution of the industrial sector to GVA stands at 41% with 28% of the workforce as against corresponding figures of 30% and 25% in India.

Both the nations have similar contribution of the services sector to GVA standing at 54% and 52% with corresponding 32% and 46% to the workforce, respectively in India and China.

Ans 31

(a) Casualisation of workforce:- it means shift of self-employed and regular salaried employed to casual wage work. Casual worker defined those who work for others in form or non-farm enterprises, & are paid wages daily basis due to lack of opportunities in the organised sector people start working as casual workers.

(b) Informalisation of workforce:- it is a Satis Situation where there is a continuous decline the percentage of workforce in the formal sector along with simultaneous rise in informal sector's workforce.

Ans 32

(a) Tariff Barriers:- These are the Taxes levied on imported goods. The main aim is to discourage the use of foreign goods. Heavy duty imposed on import of goods. These goods are more expensive & import will reduce.

Non-Tariff Barriers:- It refers to fixing the maximum limit on the imports of a commodity - by a domestic producer. It automatically reduces the import.

(b) Bilateral Trade:- The trade (Export & Import) between two countries is known as Bilateral Trade.

Multilateral Trade:- The trade between more than one countries.

Ans 32 (or)

Green Revolution refers to the increase in production of food grain due to high yielding variety (HYV) seeds.

→ it was implemented because

(i) Approximately 70-75% workforce engaged in agriculture sector.

(ii) Productivity was very low due to old technology & absence of infrastructure. India forced import food from USA.

→ Benefit of Green Revolution.

(i) Attaining market surplus:- farmer can sell their excess agricultural produce market after meeting their own consumption.

(ii) Rise in productivity:- A sustainable rise in food grain production due to green revolution reforms and use of technology.

(iii) Buffer Stock of food grains:- The green revolution enables the Govt. to procure sufficient amount of food grains to build a stock which could be used in times of food shortage.

Ans 33

(a) Two major concerns owing to which the Central Pollution Control Board (CPCB) was established were:

- water pollution
- Air pollution

(b) Functions performed by the Central Pollution Board (CPCB) are:

- it investigates, collects and disseminates information relating to water Air and land pollution
- it lays down standards for Sewage / trade effluent and emissions

(c) In order to ensure Sustainable development, following strategies are adopted by India.

- use of wind energy :- In areas where speed of wind is usually high, windmills are used to generate electricity without any adverse impact on the environment
- use of solar energy :- with the help of photovoltaic cells / solar panels, solar energy can be converted into electricity.

This technology is extremely useful for remote areas and is free pollution.

Ans 34 (a) The fast-paced economic growth in China can be traced back to the following reforms introduced in 1978

- In the initial phase, reforms were initiated in agriculture, foreign trade and Investment Sectors. For instance, in agriculture Commune lands were divided into small plots, which were allocated to individual households. They were allowed to keep all income from the land after paying stipulated taxes.
- In the subsequent phase, reforms were initiated in the industrial sector. Private sector firms, in general, and township and village enterprises, in particular, were allowed to produce goods. At this stage, state owned enterprises were made to face competition.

(b) Classification of Industries as per IPR 1956

- (i) Schedule A! - This Category Comprised of 17 Industries which would be exclusively owned by the State
- (ii) Schedule B! - In this Schedule 12 industries were placed, which would be progressively State owned.
- (iii) Schedule C! - This Schedule Consisted of the remaining industries which were to be in the private Sector.

Ans 34 (or) The main similarities between the development -al strategies of India & Pakistan can be summarized as:

- Both of them have followed the path of mixed economic structure involving the participation of both public as well as the private sector.
- Both India and Pakistan introduced Import Substitution Policy in order to protect the domestic industries from foreign competition.
- Both the nations started their development path at the same time soon after their independence in 1947.
- Both the countries started planning their development strategies in similar ways. India announced its first five year plan in 1951 and Pakistan announced in 1956.
- Both of them adopted similar strategies such as creating a large public sector and raising public expenditure on social development.
- Till 1980, both the countries had similar growth rates and per capita incomes.
- ~~Both~~
- Both of them introduced economic reforms at the same time (India in 1991 and Pakistan in 1988) to strengthen their economies.