

**DIRECTORATE OF GOVERNMENT EXAMINATIONS, CHENNAI - 6**  
**HIGHER SECONDARY SECOND YEAR EXAMINATION- MARCH -2020**  
**ECONOMICS KEY ANSWER (NEW SYLLABUS)**

**NOTE:**

1. Answers written with Blue or Black ink only to be evaluated.
2. Choose the most suitable answer in Part A from the given alternatives and write the option code and the corresponding answer.
3. If any one of the answer option code or answer is wrong '0' marks to be awarded.
4. Marks can be awarded, if students write in their own sentences with Economics related concept and explanations.

**TOTAL MARKS - 90**

**PART - I**

Answer all the questions.

**20 × 1 = 20**

Question Number	Option Code	Answer	Marks
1.	c	J.M. Keynes	1
2.	a	Aggregates	1
3.	d	Agriculture	1
4.	c	Classical Economist	1
5.	a	Increase borrowing and spending	1
6.	d	(a) and (b)	1
7.	b	J.R. Hicks	1
8.	d	Mumbai	1
9.	b	Medium of Exchange	1
10.	d	July 1982	1
11.	c	Regional Rural Banks	1
12.	c	Foreign Exchange Market	1
13.	d	Both visible and invisible items	1
14.	d	Fees	1
15.	d	Welfare State	1
16.	a	Increasing temperature	1
17.	a	National Institution for Transforming India	1
18.	b	1950	1
19.	b	Primary data	1
20.	b	Controlling plans	1

**PART - II**

Answer any 7 questions.

**7×2=14**

Questions No.30 is compulsory.

Q.No	DISCRIPTION	Marks
21	<b>Inflation</b> Inflation refers to steady increase in general Price level. (OR) <i>"Too much of money chasing too few goods" - Coulbourn</i> (OR) <i>"A state of abnormal decrease in the quantity of purchasing power" - Gregorye</i>	2



22	<b>National Income</b> National income means the total money value of all final goods and services produced in a particular period of time. (Or) Definition of Alfred Marshall "The labour and-----national dividend" (Or) Definition of Simon Kuznets "The net output of----- capital goods"	2
23	<b>Say's Law</b> "Supply creates its own demand" - J.B.Say  <div style="display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;">Output</div> <div style="text-align: center;"> (Or)  Supply of goods and services  →  ←  Demand for goods and services </div> <div style="border: 1px solid black; padding: 5px; margin-left: 10px;">Income</div> </div>	2
24	<b>Multiplier</b> Ratio of change in income to change in investment (Or) $K = \frac{\Delta Y}{\Delta I} \quad (Or) \quad K = \frac{1}{1-MPC} \quad (Or) \quad K = \frac{1}{MPS}$	2
25	<b>Plastic money</b> 1. Plastic money is one of the most evolved forms of financial products 2. It is an alternative to the cash 3. It is a term that is used predominantly in reference to the hard plastic cards. 4. It is in different forms such as cash cards, credit cards, Debit cards, prepaid cards, store cards Forex cards and smart cards (Any Two Points)	2
26	<b>Primary Functions of commercial Banks</b> 1. Accepting Deposits    2 Advancing loans    ( 1 + 1 = 2)	2
27	<b>Two Objectives of ASEAN</b> 1. To accelerate the economic growth, social progress and cultural development. 2. To promote regional peace and stability and adherence to the principles of United Nations Chart. 3. To promote co-operation among the members of ASEAN through the exchange of knowledge and experience in the field of public sector auditing. 4. To provide a conducive environment and facilities among the members. 5. To serve as a centre of information and as ASEAN link with other international organizations. (Any Two Points)	2
28	<b>Public Finance Definition</b> "Public finance is an investigation into the nature and principles of the state revenue and expenditure". – Adam Smith (Or) "Public Finance is one of those ----- of one to the other". – Huge Dalton	2



29	<b>Four functions of NITI Aayog</b> 1. Co-operative and competitive Federalism 2. Shared National Agenda 3. Decentralized planning 4. Vision and Scenario Planning 5. Network Expertise 6. Harmonization 7. Conflict Resolution <i>(Any Four Points)</i>	$4 \times \frac{1}{2} = 2$
30	<b>Short note about Father of statistics</b> 1. The fundamental principles of statistics were developed by the biologist, Ronald Fisher. 2. He lived in England during the last century. 3. His studies in statistics led to the synthesis of evolution and modern genetics. <i>(Any Two Points)</i>	2

### PART – III

Answer any 7 questions.

7×3=21

Questions No. 40 is compulsory.

31	<b>Importance of Macro Economics</b> 1. There is need to understand the functioning of the economy at the aggregate level to evolve suitable strategies and to solve the basic problems prevailing in an economy 2. Understanding the future problems, needs and challenges of an economy as a whole is important to evolve precautionary measures. 3. Macro economics provides ample opportunities to use scientific investigation to understand the reality. 4. Macro economics help to make meaningful comparison and analysis of economic indicators. 5. Macro economics help for better prediction about future and to formulate suitable policies to avoid economic crises. <i>(Any 3 Points)</i>	3
32	<b>Personal Income – Meaning of the Term</b> Personal income is the total income received by the individuals of a country from all sources before payment of direct taxes in a year. (Or) Personal income is derived from national income by deducting undistributed corporate profit, and employees' contribution to social security schemes and adding transfer payments (Or) <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <b>Personal income = National income – (social security contribution and undistributed corporate Profits) + Transfer payments</b> </div>	3
33	<b>A. Seasonal Unemployment</b> This type of unemployment occurs during certain season of the year, in Agriculture and agro based industries like sugar.	1



	<p><b>B. <u>Frictional Unemployment</u></b></p> <p>This type of unemployment arises due to imbalance of supply of labour and demand for labour.</p> <p><b>C. <u>Educated Unemployment</u></b></p> <p>Sometimes educated people are underemployed or unemployed when qualification does not match with job.</p>	1																
34	<p><b>Uses of Multiplier</b></p> <p>1. Multiplier highlights the importance of investment in income and employment theory.</p> <p>2. The process throws light on the different stage of trade cycle.</p> <p>3. It also helps in bringing the equality between S and I</p> <p>4. It helps in formulating government policies.</p> <p>5. It helps to reduce unemployment and achieve full employment.</p> <p style="text-align: right;">(Any 3 Points)</p>	3																
35	<p><b>Determinants of money supply</b></p> <p>1. Currency Deposit Ratio (CDR)      2. Reserve Deposit Ratio (RDR)</p> <p>3. Cash Reserve Ratio (CRR)      4. Statutory Liquidity Ratio (SLR)</p> <p style="text-align: right;">(Any 3 Points with explanation)</p>	3																
36	<p><b>Difference between Internal Trade and international Trade</b></p> <table><tr><th>Internal Trade</th><th>International Trade</th></tr><tr><td>Trade takes place between different individuals and firms within the same nation.</td><td>Trade takes place between different individuals and firms in different countries.</td></tr><tr><td>Labour and capital move freely from one region to another.</td><td>Labour and capital do not move easily from one nation to another.</td></tr><tr><td>There will be free flow of goods and services since there are no restrictions.</td><td>Goods and services do not easily move from one country to another since there are a number of restrictions like tariff and quota.</td></tr><tr><td>There is only one common currency.</td><td>There are different currencies.</td></tr><tr><td>The physical and geographical conditions of a country are more or less similar.</td><td>There are differences in physical and geographical conditions of the two countries.</td></tr><tr><td>Trade and financial regulations are more or less the same.</td><td>Trade and financial regulations such as interest rate, trade laws differ between countries.</td></tr><tr><td>There is no difference in political affiliations, customs and habits of the people and government policies.</td><td>Differences are pronounced in political affiliations, habits and customs of the people and government policies.</td></tr></table> <p style="text-align: right;">(Any 3 differences)</p>	Internal Trade	International Trade	Trade takes place between different individuals and firms within the same nation.	Trade takes place between different individuals and firms in different countries.	Labour and capital move freely from one region to another.	Labour and capital do not move easily from one nation to another.	There will be free flow of goods and services since there are no restrictions.	Goods and services do not easily move from one country to another since there are a number of restrictions like tariff and quota.	There is only one common currency.	There are different currencies.	The physical and geographical conditions of a country are more or less similar.	There are differences in physical and geographical conditions of the two countries.	Trade and financial regulations are more or less the same.	Trade and financial regulations such as interest rate, trade laws differ between countries.	There is no difference in political affiliations, customs and habits of the people and government policies.	Differences are pronounced in political affiliations, habits and customs of the people and government policies.	3
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# PART – IV

7×5=35

Answer all the questions.

41 a	<table> <tr> <th>Features</th><th>Capitalism</th><th>Socialism</th></tr> <tr> <td>Ownership of Means of Production</td><td>Private Ownership</td><td>Public Ownership</td></tr> <tr> <td>Economic Motive</td><td>Profit</td><td>Social Welfare</td></tr> <tr> <td>Solution of Central Problems</td><td>Free Market System</td><td>Central Planning System</td></tr> <tr> <td>Government Role</td><td>Internal Regulation only</td><td>Complete Involvement</td></tr> <tr> <td>Income Distribution</td><td>Unequal</td><td>Equal</td></tr> <tr> <td>Nature of Enterprise</td><td>Private Enterprise</td><td>Government Enterprise</td></tr> <tr> <td>Economic Freedom</td><td>Complete Freedom</td><td>Lack of Freedom</td></tr> <tr> <td>Major Problem</td><td>Inequality</td><td>Inefficiency</td></tr> </table> <p>(Any 5 Points)</p>	Features	Capitalism	Socialism	Ownership of Means of Production	Private Ownership	Public Ownership	Economic Motive	Profit	Social Welfare	Solution of Central Problems	Free Market System	Central Planning System	Government Role	Internal Regulation only	Complete Involvement	Income Distribution	Unequal	Equal	Nature of Enterprise	Private Enterprise	Government Enterprise	Economic Freedom	Complete Freedom	Lack of Freedom	Major Problem	Inequality	Inefficiency	5
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Major Problem	Inequality	Inefficiency																											
41 b	<ol style="list-style-type: none"> <li>1. To know the relative importance of the various sectors of the economy and their roles.</li> <li>2. To formulate the national policies such as monetary policy, fiscal policy</li> <li>3. To formulate planning and evaluate plan progress and evaluation</li> <li>4. To build economic models both in short run and long run.</li> <li>5. To make international comparison inter-regional comparison and interpositional comparison of growth</li> <li>6. To know country's per capita income</li> <li>7. To know the distribution of income for various factors of production</li> <li>8. To arrive at many macro economic variables. (tax, GDP ratio...)</li> </ol> <p>(Any 5 Points with Explanation)</p>	5																											
42 a	<ol style="list-style-type: none"> <li>1. Cyclical unemployment</li> <li>2. Seasonal unemployment</li> <li>3. Frictional unemployment</li> <li>4. Educated unemployment</li> <li>5. Technical unemployment</li> <li>6. Structural unemployment</li> <li>7. Disguised unemployment</li> </ol> <p>(Any 5 Points with Explanation)</p>	5																											
42 b	<p>Keyne's psychological law</p> <p>Assumptions</p> <p>Propositions of Law (or) table</p> <p>Diagram and Explanation</p>	<p>1</p> <p>1</p> <p>1</p> <p>2</p>																											
43 a	<ol style="list-style-type: none"> <li>1. Increase in money supply</li> <li>2. Increase in Disposable Income</li> <li>3. Increase in public Expenditure</li> <li>4. Increase in consumer spending</li> <li>5. Cheap money policy</li> <li>6. Deficit financing</li> <li>7. Black Assets, Activities</li> <li>8. Repayment of public debt</li> <li>9. Increase in exports</li> </ol> <p>(Any 5 Points with Explanation)</p>	5																											



43 b	1. Neutrality of money.      2. Stability of Exchange Rates 3. Price stability              4. Full Employment 5. Economic Growth          6. Equilibrium in the balance of payments <i>(Any 5 Points with Explanation)</i>	5
44 a	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> 1. Meaning of Exchange Rate  2. Fixed Exchange Rate  3. Flexible Exchange Rate </div> <div style="font-size: 3em; margin-right: 10px;">}</div> <div> <b>With Explanation</b> </div> </div> <div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> 1. Meaning of Equilibrium Exchange Rate  2. Diagram  3. Diagram Explanation </div> <div style="font-size: 3em; margin-right: 10px;">}</div> <div> <b>With Explanation</b> </div> </div>	1 2 2  (or) 1 2 2
44 b	<p><b>SAARC</b> is the South Asian Association for Regional Co-operation (SAARC) is an organisation of South Asian nations, which was established on 8 December 1985 for the promotion of economic and social progress, cultural development within the South Asia region and also for friendship and co-operation with other developing countries. The SAARC Group (SAARC) comprises of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka and Afghanistan which became its eighth member.</p> <p><b>BRICS</b> is the acronym for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa  * It's headquarter is at Shanghai in China.  * The agenda for BRICS summit 2018 includes Inclusive growth, Trade issues, Global governance, Shared Prosperity, International peace and security</p>	2½        2½
45 a	<p><b>Merits of Direct Tax</b>  1. Equity    2. Certainty    3. Elasticity    4. Economy  <i>(Any 2 Points with Explanation)</i></p> <p><b>Merits of Indirect Tax</b>  1. Wider coverage              2. Equitable    3. Economical  4. Check harmful consumption      5. Convenient  <i>(Any 3 Points with Explanation)</i></p>	2   3
45 b	<p><b>Nature of Statistics :</b>  1. Different Statisticians and economists differ in views about the nature of statistics. Some call it a science and some say it is an art.  2. Tipet on the other hand considers Statistics both as a science as well as an art.</p> <p><b>Scope of Statistics</b>  1. Statistics and Economics              2. Statistics and Firms  3. Statistics and Commerce              4. Statistics and Education  5. Statistics and Planning              6. Statistics and Medicine  7. Statistics and modern application  <i>(Any 3 Points with Explanation)</i></p>	2   3

46 a	<b>Types of planning</b> 1. Democratic versus Totalitarian Planning 2. Centralized versus Decentralized Planning 3. Planning by Direction versus Inducement planning 4. Indicative versus Imperative planning 5. Short, Medium and long term Planning 6. Financial versus Physical planning 7. Functional versus Structural planning 8. Comprehensive versus Partial planning <i>(Any 5 Points with Explanation)</i>	5
46 b	<b>Karl Pearson's Co-efficient of correlation</b> 1. Tabulation 2. Formula and methods <i>(Any one method)</i> 3. Answer $r = 0.9955$	2 2 1
47 a	<b>Causes for the Increase in Public Debit</b> 1. War and preparation war 2. Social obligation 3. Economic Development and Deficit 4. Employment 5. Controlling Inflation 6. Fighting depression <i>(Any 5 Points with Explanation)</i>	5
47 b	<b>Definition of Air Pollution</b> <b>Causes of Air Pollution</b> 1. Vehicle exhaust smoke 2. Fossil fuel based power plants 3. Exhaust from Industrial plants and factories 4. Construction and agriculture activities 5. Natural causes 6. Household activities <i>(Any 4 Points with Explanation)</i>	1  4