

## TN - HSE – I YEAR (MARCH/APRIL) 2018 EXAMINATIONS

**(+1) ECONOMICS ANSWER KEY****SECTION I**

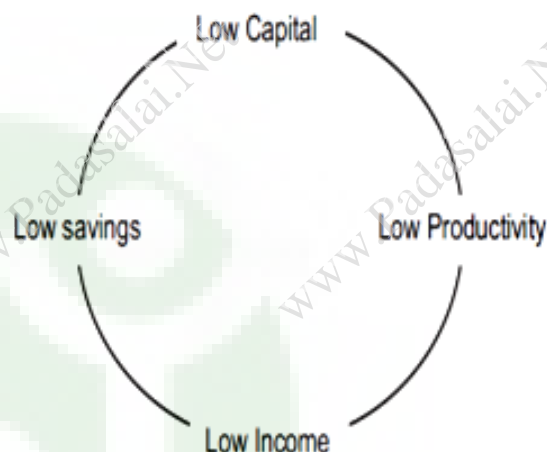
Q.No	Answer	Q.No	Answer	Q.No	Answer
1	b) Hebrews	8	a) Former Soviet Russia	15	c) 1944
2	c)Economic Distribution	9	a) 4 heads	16	d) all
3	c) 1027 million	10	b) Agriculture	17	d) both
4	a) 2045	11	c) Government		
5	b) Physical	12	c) Industries	18	d) Economics
6	d) Increase in nation income	13	c) RBI	19	d) Secondary Data
7	b) parallel economy	14	a) 1969	20	d) homogenous

**SECTION II (Q.N 30 is compulsory)**

21. Birth rate refers to the number of **births occurring per 1000** population in a year.
22. 1. Uttar Pradesh 2. Bihar 3. Maharashtra 4. West Bengal and 5. Madhya Pradesh
23. National income is a measure of the **total value of the goods and services** (output) produced by an economy over a period of time (normally a year).
24. 1. The strategy adopted in Indian Planning is often referred to as ‘Mahalanobis strategy’.
2. In this strategy, emphasis was laid on **rapid industrialization** with priority for basic and heavy industries.
25. The Steel Authority of India (SAIL) was established in mid-seventies to extend support regarding raw materials and coordinate the development of many steel industries.
26. The rate of interest of every central bank is known as ‘Bank Rate’. It is otherwise known as ‘discount rate’. At this rate the central bank rediscounts bills of exchange and government securities held by the commercial banks.

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27. 1. If the value of exports is in excess of the value of imports, the balance of trade is said to be favourable.  
2. If the value of imports is greater than the value of exports, the balance of trade is said to be unfavourable.
28. 1) under-developed, 2) partially developed, 3) semi- advanced and 4) advanced
29. **Stubs and Captions:** Stubs are the row headings and Captions are column headings. Stubs and Captions should also be clear and brief.
30. **Low capital formation** leads to **low productivity**. Low productivity results in **low income** and low incomes result in **low savings** and low savings lead to low capital formation.



### SECTION II (Q.N 40 is compulsory)

31. 1. Physiocrats believed that **agriculture was a productive occupation**.  
2. It alone produced “**net product**”.  
3. And they considered **other occupations as sterile**.
32. 1. Optimum population is that level of population at which **per capita output is the highest**.  
2. Optimum population means the ideal population relative to the natural resources, stock of capital equipment and state of technology.
33. 1. Unemployment and underemployment:  
2. Population pressures  
3. Indian agriculture is marked by low productivity.  
4. A majority of people in rural areas do not have enough assets, especially land.
34. 1. To measure the size of the economy  
2. To trace the trend or speed of the economic growth

3. To know the structure and composition of the national income
  4. To make projection about the future development
  5. To help government formulate suitable development plans
35. At State Level
1. Tamil Nadu Industrial Investment Corporation (TIIC) (First of its nature to be set up in India in 1949)
  2. State Financial Corporations (SFC)
  3. State Industrial Development Corporations (SIDC)
- At Intermediate Level
1. Unit Trust of India (UTI)
  2. Life Insurance Corporation of India (LIC)
  3. General Insurance Corporation of India (GIC)
36. 1. A commercial bank performs general utility services such as
2. providing safety lockers for the safer custody of valuables of the customers.
  3. Issuing of letter of credit to the customers.
  4. Under-writing loans to be raised by public bodies and corporations.
37. The DPEP has been introduced with the object of achieving the goal of universal primary education. It focuses on reducing gender disparities in education.
38. Data collected for the first time for a specific purpose is called primary data. They are original in character. They are collected by individuals or institutions or government for research purpose or policy decisions. Example: Data collected in a population census by the office of the census commissioner.
39. (1) identifying the nature of the (economic) variable represented by the sequence of observations, and (2) predicting (or forecasting) future values of the time series variable on the basis of the past.
40. 1. Provides raw materials for industries.
2. Provides foodgrains for the entire population and fodder for cattle.
  3. Provides a base for expansion of internal market of a country.
  4. Helps in the expansion of international market

## SECTION IV

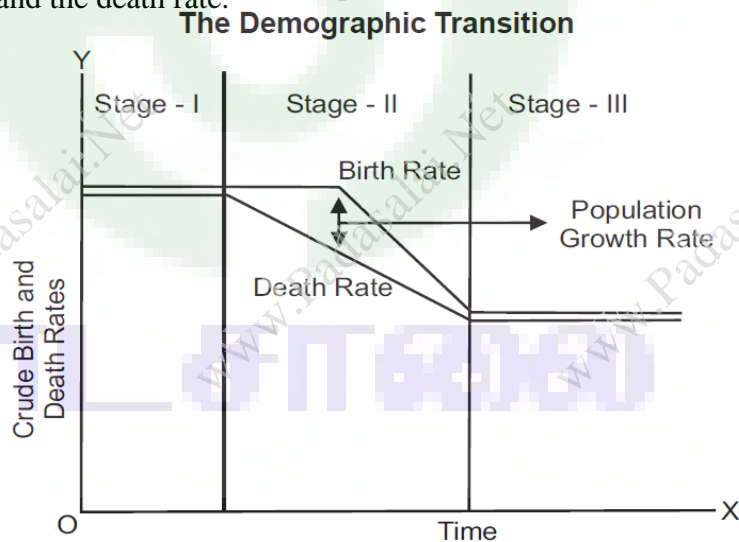
41. a)

1. The traditional society - custom-bound and tradition-oriented
2. The transitional society - economic motivation, improvements in infrastructure.
3. The take-off stage - transforms itself from a predominantly agricultural to a predominantly industrial society
4. The mature stage and - abundant resources and goods
5. The age of high mass consumption - people will consume durable goods like cars on a mass scale

41.b)

**I. Meaning :**

The demographic transition brings out the relationship between fertility and motility, i.e. between the birth rate and the death rate.

**II. Diagram:****III. Explanations:**

1. **Stage I: High Birth Rate and Death Rate :** This stage is characterised by high birth rate and high death rate. The high death rate is due to poor diets, improper sanitation and lack of proper medical facilities.

2. **Stage II: High Birth Rate and Low Death Rate :** The advancement in science, technology and better sanitary conditions reduce the incidence of disease and death. The birth rate still remains high due to the resistance to change, and the long established customs and beliefs.

3. **Stage III: Low Birth Rate and Death Rate :** With the spread of education, people

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prefer small families in order to increase the standard of living. Thus the birth rate is reduced. Implementation of better medical facilities, control of disease and public sanitation result in low death rate.

42.a)

### **The Marginal Revolution**

The Marginal Revolution that took place in the latter half of the 19th century is important for theory, especially the theory relating to value.

Today, we speak of human development. And man is brought to the centre stage. It was Alfred Marshall who pointed out that economics was on one side a study of wealth and on the other and more important side a part of the study of man.

### **The Institutional school**

The institutional school is a 20th century phenomenon and it is of American origin. It emphasizes the role of institutions in economic life. The term “institutions” includes customs, social habits, laws, ways of living and modes of thinking. For example, slavery is an institution. We celebrate certain days as festivals. That is also an institution.

J.A. Schumpeter (1883-1993) considered economic life mainly as a process of change and development. According to him, innovating entrepreneurs play a key role in the process of economic development.

42.b)

1. large, with many children or economically dependent members.
2. spend nearly all their income on consumption of one sort or another and half of this consumption is likely to be in the form of food.
3. invest in education for boys than for girls.
4. The poor play little part in politics.
5. Crime, ill-health and lack of access to the poor are considered other correlates of poverty.

43. a)

**Output or Product Method**

In the output or product method, the measures of GDP are calculated by adding the total value of the output (of goods and services) produced by all activities during any time period, such as a year. The major challenge of this method is the problem of double-counting.

The output of many businesses is the inputs of some other businesses. For example, the output of the tyre industry is the input of racing bike industry. Counting the final output of both industries will result in double-counting of the value of tyre. This problem can be avoided by including only the value added at each stage of production or by adding only the final value of output produced.

43. b)

**1. Land Reforms**

Land reforms legislation has been passed by the state governments, which aim at improving the economic conditions of agricultural landless labourers. For instance, with the abolition of the Zamindari system, the exploitation associated with the system has been removed.

**2. Jawahar Gram Samridhi Yojana (JGSY)**

It was introduced in April 1999 as a successor to Jawahar Rozgar Yojana on a cost sharing basis of 75 : 25 between the Union and States.

**3. National Social Assistance Programme (NSAP)**

It was launched on August 15, 1995 to provide social assistance benefits to poor households affected by old age, death of primary bread winner or need for maternity care.

**4. Employment Assurance Scheme (EAS)**

It was started on October 2, 1993 in 1778 backward blocks in drought prone, desert, tribal and hill areas. It was expanded to cover all the 5,488 rural blocks of the country. It gave wage employment to the rural poor. In September 2001, it was merged into new Sampoorna Gramin Rozgar Yojana along with Jawahar Gram Samridhi Yojana.



### 5. Pradhan Mantri Gramodaya Yojana (PMGY)

It was introduced in the Budget for 2000-2001 with an allocation of Rs. 5,000 crore. Its focus is on health, primary education, drinking water, housing and rural roads.

### 6. Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

Urban self-employment and urban wage-employment are the two special schemes under it. It substituted in December 1997 various programmes operated earlier for urban poverty alleviation.

### 7. Integrated Rural Development Programme (IRDP)

The concept of an Integrated Rural Development Programme was first proposed in the central budget for 1976-77, and a beginning was made in this regard. This programme was intended to assist rural population to derive economic benefits from the development of assets of each area.

44.a)

1. Having realized the importance of small scale industries to the Indian economy, the government has supported the SSI through various policy measures since independence.
2. The appointment of Karve Committee by the Planning Commission in 1955 was the first major effort towards the improvement of small scale industries.
3. During the second Five Year, a Japanese team of experts studied the organisation of SSIs in India and made many recommendations including the setting up of industrial estates in large numbers to promote small scale industries.
4. The policy of reservation of items for manufacturing in small scale industries was introduced in 1967. This has received a statutory banking in 1984.
5. A policy package for SSI has been announced in 1991 with the primary objectives of imparting more utility and growth impetus to SSIs.
6. The Tenth Plan announced a policy package on the basis of the recommendations made by S. P. Gupta's Study Group. It includes policies regarding

a) enhancement of excise duty exemption limit

- b) increase in loan limits
- c) credit facilities
- d) enhancement of investment limit

44.b)

### **Performance of Nationalized Banks**

The most important benefit of nationalization of commercial banks was the achievement of homogeneity and strength as well as cohesion in the banking structure of India, affording a better environment for effectively implementing banking and monetary policies of the government.

The working of the commercial banks after nationalization show that they have made a complete departure from the old conservative banking practices and moving towards the objectives set forth in various fields of their operations. They have made significant achievements in the sphere of 'branch expansion', deposit mobilization, production-oriented financing, extension of credit to neglected sectors and creating new vistas in banking.

45.a)

### **I. Main objectives of the Ninth Plan**

1. Priority to agriculture and rural development so as to generate adequate productive employment and to eradicate poverty ;
2. Growth with stable prices;
3. To ensure food security to all, especially vulnerable sections of the society;
4. Providing basic minimum services of safe drinking water, primary health care facilities, universal primary education, shelter and connectivity to all in a time bound manner ;



5. Containing the growth of population ;
6. Ensuring environmental sustainability of the development process through people's participation ;
7. Empowerment of women and socially disadvantaged groups such as SC/STs and OBCs and minorities as agents of socio- economic change and development ;
8. Promotion and development of Panchayati Raj institutions, co-operative and self-help groups where the participation of people is large ; and
9. Strengthening efforts to build self-reliance.

45.b)

**Factors affecting cropping pattern**

*Natural Factors:* Natural factors include the type of land, climate, rainfall and average temperature etc. These are the most important factors affecting cropping pattern because the role of Nature is more important than man in agriculture.

<b>Crops</b>	<b>1950-51</b>	<b>1980-81</b>	<b>2000-01</b>
<b>a) All Crops</b>	100	100	100
<b>b) Foodgrains</b>	74	80	75
<b>c) Non-foodgrains (or) cash crops</b>	26	20	25

*Size of Holdings:* If the size of holding is small, farmers will prefer food grains and if the size of holding is sufficiently large, they may choose commercial crops.

*Price of Agricultural Products:* Farmers like to produce the crops, which may yield maximum profit to them.

*Availability of Agricultural Inputs:* If the farmers have inputs of high quality, they

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may go in for commercial crops. For this purpose, they require agricultural implements, fertilizers, chemicals, high yielding seeds and irrigation facilities.

*Social Factors:* Social customs and attitude of farmers towards new technology and development also affect cropping pattern of a country. If the farmers are willing to accept new technology and development, they will be induced to go for commercial crops.

*Government Policy:* Government may also affect cropping pattern of the country by giving incentives to some particular crops.

*Knowledge about Cropping Pattern:* If the farmers were aware of the improvements they can bring in their cropping pattern, they would like to change it.

*Crop Insurance Scheme:* Crop insurance scheme helps in diversifying cropping pattern of a country. This scheme helps farmers in adopting the crops, which involve risks.

*Government Efforts:* Government can also help in the diversification of cropping pattern by adopting following measures – (i) To distribute high yielding variety seeds through government agencies, ii) To make chemical fertilizers available at concessional rates iii) To provide the facilities of storage and transportation regarding agricultural products, iv) to make the marketing system of agricultural products effective so that the farmers may get fair price for their products.

46. a)

### **World Trade Organisation ( WTO)**

Seven rounds of negotiations occurred under the GATT and the eighth round known as "Uruguay Round" started in 1989 and concluded in 1994 with the establishment of the World Trade Organization (WTO) in 1995. The principles and agreements of GATT were adopted for the WTO, along with new ones. There are 161 member countries in WTO which was charged with administering and resolving trade disputes between the members. Unlike the GATT, the WTO has a substantial and effective organisational structure. Roberto Azevedo is the Director General of the WTO since 2013 for a term of four years. The WTO aims for a trading system free of any discrimination and with more freedom, that is, toward fewer trade barriers (tariffs and non-tariff barriers). It also aims for a trading system with

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greater competition but with more accommodation for less developed countries, giving them more time to adjust, greater flexibility, and more privileges.

### Major Functions of WTO

1. Administering WTO trade agreements.
2. Forum for trade negotiations.
3. Handling trade disputes.
4. Monitoring national trade policies.
5. Technical assistance and training for developing countries.
6. Cooperation with other international organizations.

46. b)

### Solution

Price per ton (x)	Tonnes purchased (w)	Total (wx)
4000	20	80,000
5000	30	1,50,000
6000	40	2,40,000
7000	35	2,45,000
8000	25	2,00,000
	$\Sigma w = 150$	$\Sigma wx = 9,15,000$

$$\bar{X}_w = \frac{\sum wx}{\sum w}$$

$$= 9,15,00 / 150$$

$$= \text{Rs } 6100(\text{Ans})$$

47.a)

### i) Cash credit:

The bank sanctions loans to individuals or firms against some collateral security. The loan money is credited in the account of the borrower and he can withdraw the amount as and when it is required. The ceiling of the loan amount is determined by the bank on the basis of the stock value of the borrower which in turn becomes Banker's possession. The borrower can withdraw the cash within or upto the credit limit. The bank charges interest for the

amount withdrawn only.

## ii) Discounting bills of exchange

This operation is done through discounting of commercial papers, promissory notes and bills of exchange, usually for three months. The banks after deducting interest charges and collection charges from the face value of the bills, give the balance amount to the customer. When the exchange bill matures, the banks collect the payment from the party.

47. b)

## Index Numbers

### Meaning

An index number is a statistical tool used to measure changes over time and to interpret economic figures. Index numbers are values expressed as a percentage of single base figures. Index number summarises changes in a group of related variables. The consumer price index (or cost of living index) is one of the popular indexes. It measures the relative changes in retail prices paid by consumers over time.

### Uses of Index Numbers

Index number, being a specialized indicator, has many practical utilities. The following are some their uses.

1. Index numbers are useful to study the trend of business and economic variable.
2. Economic and business policy formulations will be easier with the help of index numbers.
3. It can be used to measure the purchasing power of money or to know the real value of money.
4. Measurement of inflation and cost of living are useful to know the changes in the standard of living of people.
5. As they measure the trend of price, output, inflation, trade and many more variables they are considered as barometers of an economy.