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Studymate Solutions to CBSE Board Examination 2018-2019

Series : BVM/1

Code No. 58/1/1

Roll No. | | | | | | | |

Candidates must write the Code on the title page of the answer-book.

- *Please check that this question paper contains **12** printed pages.*
- *Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.*
- *Please check that this question paper contains **24** questions.*
- ***Please write down the Serial Number of the question before attempting it.***
- *15 minute time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.*

ECONOMICS

[Time allowed : 3 hours] ***[Maximum marks : 80]***

General Instructions:

(i) *All questions in both the sections are compulsory.*

(ii) *Marks for questions are indicated against each question.*

(iii) *Question number **1** to **4** and **13** to **16** are very short answer type questions carrying **1** mark each. They are required to be answered in one sentence.*

(iv) *Question number **5** to **6** and **17** to **18** are short answer type questions carrying **3** marks each. Answers to them should not normally exceed 60 words each.*

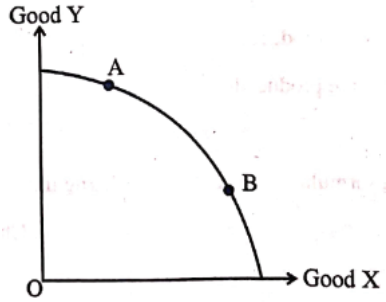
(v) *Question number **7** to **9** and **19** to **21** are also short answer type questions carrying **4** marks each. Answers to them should not normally exceed 70 words each.*

(vi) *Question number **10** to **12** and **22** to **24** are also long answer type questions carrying **6** marks each. Answers to them should not normally exceed 100 words each.*

(vii) *Answer should be brief and to the point and the above word limit be adhered to as far as possible.*

Section A – Micro-Economics

1. In the given figure, the movement on the production possibility curve from point A to point B shows _____. (Choose the correct alternative)



(a) Growth of all the resources in the economy.
(b) Underutilisation of resources.
(c) Production of more units of Good X and less units of Good Y.
(d) Production of more units of Good Y and less units of Good X.

Ans. (c)

2. Average fixed cost curve _____. (Choose the correct alternative)

(a) is a straight line parallel to X-axis.
(b) is straight line parallel to Y-axis.
(c) falls, as more units are produced.
(d) rises, as more units are produced.

OR

Which of the following formula is correct for calculating marginal cost? (Choose the correct alternative)

(a) $MC_n = TFC_n - TFC_{n-1}$
(b) $MC_n = AC_n - AC_{n-1}$
(c) $MC_n = AVC_n - AVC_{n-1}$
(d) $MC_n = TC_n - TC_{n-1}$

Ans. (c)

OR

(d)

3. The average product curve in the input-output plane, will be _____ . (Choose the correct alternative)

(a) an 'S' shaped curve
(b) an inverse 'S' shaped curve
(c) a 'U' shaped curve
(d) an inverse 'U' shaped curve

Ans. (d)

4. If the market supply of a commodity X changes due to improvement in technology, the market supply curve will _____. (Fill up the blank)

OR

If the market supply of a commodity X changes due to rise in price of a factor input, the market supply curve will _____. (Fill up the blank)

Ans. shift rightwards

OR

shift leftwards

5. Identify and discuss the nature of the following newspaper reports in terms of positive or normative economic analysis:

(i) "India jumped 23 points in the World Bank's ease of doing business index to 77th place, highest in 2 years." - The Economic Times
(ii) "Government should further liberalise the business rules." - The Economic Times

Ans. (i) It is a statement of positive economic analysis as, it is based on data and facts. It is the study of "What is". It can be tested using scientific methods. These statements can be true or untrue.

(ii) It is a statement of normative economic analysis as, it is based on values opinions and judgement. These statements cannot be tested.

6. Distinguish between substitute goods and complementary goods, with examples.

OR

Distinguish between normal goods and inferior goods, with examples.

Ans.

Complementary goods	***Substitute goods***
These are those goods which are jointly required to satisfy a particular want. For example: ink and pen.	These are those goods which are used in place of one another to satisfy a want. For example: tea and coffee.
In case of complementary goods, when the price of one commodity falls than the demand of its complementary will rise.	In case of this, when the price of one commodity increases, then the demand of its substitute will increase.
In case of complementary goods when the price of one commodity increases then the demand of its complementary will decrease.	When the price of one commodity decreases, then the demand of its substitute will also decrease.

OR

Normal goods	***Inferior goods***
Goods whose demand rise when consumers income rises.	Goods whose demand decline when consumers income rises.
Income elasticity is Positive but less than one.	Income elasticity is negative, i.e., less than zero.
Direct relationship between income changes and demand curve.	Inverse relationship between income changes and demand curve.

7. Discuss briefly, using a hypothetical schedule, the relation between marginal utility and total utility.

OR

Discuss briefly, using a hypothetical schedule the concept of diminishing marginal rate of substitution.

Ans. Meaning: Utility is the power or capacity of a commodity to satisfy the human wants.

Total Utility and Marginal Utility from consuming chocolates

Bars of Chocolates (N)	***TU (Utils)***	***MU (∆TU/∆N)***
0	0	–
1	8	8
2	14	6
3	18	4
4	20	2
5	20	0
6	18	–2

Relationship between TU and MU

(i) Initially Total utility curve increases but at a decreasing rate. Therefore, MU falls but remains positive (upto 4 units).

(ii) After some consumption level total utility is maximum. At this level MU becomes zero. This point is called **saturation point or point of satiety**. Units of the goods are consumed till the saturation point. (At 5 units of consumption.)

(iii) Ultimately total utility starts to decline and marginal utility becomes negative (i.e., less than zero). (From 6th unit onwards.)

OR

Marginal Rate of Substitution: It is the rate at which the consumer is willing to sacrifice one good to obtain one more unit of the other good.

Indifference Schedule

Combinations	***Good X***	***Good Y***	***Marginal Rate of Substitution***
A	1	8	—
B	2	4	4Y : 1X
C	3	2	2Y : 1X
D	4	1	1Y : 1X

The consumer is indifferent between the combinations A, B, C, D. Therefore joining these points on the curve, we get an indifference curve.

Slope of Indifference Curve

$$\Rightarrow MRS_{xy} = \frac{\text{Quantity of the good sacrificed}}{\text{Quantity of the good obtained}}$$

$$= \frac{\Delta Y}{\Delta X}$$

MRS is the same as slope of IC.

This rate keeps on decreasing due to law of diminishing marginal utility. As a consumer consumes more of X, the additional utility derived from every successive unit keeps on declining

$\therefore$ He is willing to sacrifice less units of Y to obtain additional units of X as shown in the schedule [Initially he is willing to sacrifice 4 units of Y, then 2 units and so on]. Thus, MRS falls when he consumes more units of X.

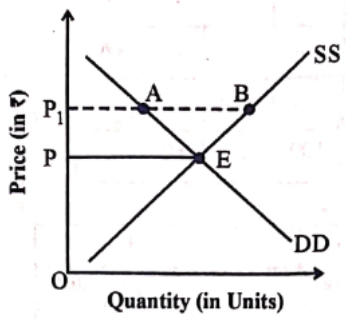
8. Complete the following cost schedule:

Quantity (in Units)	0	1	2	3	4
Total cost (in Rs.)	200	–	–	–	490
Total variable cost (in Rs.)	0	–	180	–	–
Average variable cost (in Rs.)	–	100	–	80	–

Ans.

Quantity (in Units)	***TC***	***TVC***	***AVC***	***TFC***
0	200	0	–	200
1	300	100	120	200
2	380	180	90	200
3	440	240	80	200
4	490	290	72.5	200

9. In the given diagram, OP is the market determined price and OP_1 is the price fixed by the government.



(a) Identity if the diagram represents, price ceiling or price flooring.

(b) Discuss the likely behaviour of the market in the given condition.

OR

Suppose the demand and supply equations of a commodity X in a perfectly competitive market are given by:

$Q_d = 1700 - 2P$

$Q_s = 1300 + 3P$

Calculate the value of equilibrium price and equilibrium quantity of the commodity X.

Ans. (a) Price flooring.

(b) It refers to the minimum price (above the equilibrium price), fixed by the government which the producers must be paid for the produce.

Minimum price is fixed up by the government when government feels that the price determined by the market forces of demand and supply is too low to enable producers to make profits. **Example:** Support price.

Support Price: The effect of floor price can be understood with the help of a diagram given in the question.

Quantity demanded and supplied (in unit)

Suppose, equilibrium price determined by market forces of demand and supply forces is too low at OP. Government will then announce support price higher than equilibrium price to protect the interest of farmers and to provide incentive to them for further production. Let's assume government fixes OP_1 as support price. At OP_1, quantity supplied is more than quantity demanded resulting in excess supply (= AB). The excess supply is purchased by the government either to increase the buffer stock or for exports.

This way government insulates the farmers from fluctuations in their income which is caused by price variations in the free market.

OR

$Q_d = 1700 - 2P$

$Q_s = 1300 + 3P$

At equilibrium $Q_d = Q_s$

$1700 - 2P = 1300 + 3P$

$1700 - 1300 = 3P + 2P$

$\Rightarrow \quad 5P = 400$

$\Rightarrow \quad P = \frac{400}{5}$ = Rs. 80

At price Rs. 80

$Q_d = 1700 - 2P = 1700 - 2 \times 80 = 1540$

$Q_s = 1300 + 3P = 1300 + 3 \times 80 = 1540$

Thus, Equilibrium Price = Rs. 80

Equilibrium Quantity = 1540 units.

10. (a) Define price elasticity of demand.

(b) If the price of a commodity rises by 40% and its quantity demanded falls from 150 units to 120 units, calculate coefficient of price elasticity of demand for the commodity.

Ans. (a) It is the degree of responsiveness of demand to change in price of the commodity. If proportionate change in demand is more than the change in price demand is said to be elastic, whereas, if the change in demand is less than the change in price the demand in said to be inelastic.

(b) $E_d = \frac{\text{\% change in quantity demanded}}{\text{\% change in price}}$

$$= (-)\frac{\frac{30}{150} \times 100}{40} = (-)\frac{20\%}{40\%} = (-)\frac{1}{2}$$

$E_d = -0.5$

11. What is meant by "diminishing returns to a factor" ? Discuss any two reasons for the operation of diminishing returns to a factor.

Ans. "Diminishing returns to a factor" means that TP increases at a diminishing rate and MP falls but remains positive when more units of variable factor is employed with given amount of fixed factor.

Reasons for diminishing returns

(i) Use beyond optimum capacity. After achieving optimum combination of variable and fixed factors, efficiency starts declining when more units of a variable factor are employed. As a result marginal product starts falling.

(ii) Lack of perfect substitution between factors. Up to a certain limit, factors of production can be substituted for one another, e.g. more labour can be employed instead of machinery but beyond a certain stage, this is not possible. The factors become imperfect substitutes leading to diminishing returns.

(iii) Scarcity of the fixed factor. When more units of a factor are combined with fixed factor, quantity of fixed factor inputs per unit of variable factor falls. This adds decreasing return to total product. In other words, fixed factor becomes scarce.

12. Elaborate three main features of monopoly form of market.

OR

Distinguish between perfect competition and monopolistic competition on the basis of following:

(a) Number of sellers (b) Nature of product

(c) Selling cost

Ans. Three main features of monopoly form of market are

1. Single Producer

(a) There is a single firm producing the commodity in the market. Since there is single firm the difference between firm and industry vanishes.

(b) It may be due to some legal restrictions in the form of patent, copyright, state monopoly or due to some natural conditions prevailing in the market.

(c) Since there is a single seller he can influence the price of the market by influencing the supply of a commodity.

Implication : The implication of this assumption is that the firm is a price maker.

2. No Close Substitutes

(a) The monopoly firm has no fear of competition from new or existing products. For example, there is no close substitutes of electricity services provided by BSES.

(b) Monopolist can practice price discrimination, i.e., he can charge different prices for his product from different sets of consumers.

3. Barriers to the Entry: The entry into the industry is completely barred or made impossible. If new firms are admitted into the industry, monopoly itself breaks down. This ban on entry may be legal like licensing or patent rights or due to restrictions created by firm in the form of cartel.

Implication: Due to restrictions on entry, a monopolist firm can earn abnormal profits and losses in the long run.

OR

	Perfect Competition	***Monopolistic Competition***
Number of sellers	There are infinitely large number of sellers and buyers. Each one of them contribute a very small proportion in the total output of a commodity.	There are large number of sellers and buyers.
Nature of product	The product is homogenous, it is identical in shape, size, colour, quality, etc. Products are perfect substitutes of each other.	The product is differentiated on the basis of shape, size, colour, brand etc. Products are closed substitutes of each other.
Selling cost	Since all products are identical no selling cost is incurred as buyers and sellers have perfect knowledge about market conditions.	Heavy selling costs are incurred on sales due to lack of knowledge among sellers and buyers. Each seller wants to pursuade the buyer to buy his product.

Section B – Macro-Economics

13. Give any two examples of flow concept.

Ans. Two examples of flow concept are

(a) National income (b) Production

14. Define the term 'tax'.

Ans. Tax is a compulsory payment imposed by the government on people and companies to meet its expenditures.

15. Suppose in a hypothetical economy, the income rises from Rs. 5,000 crores to Rs. 6,000 crores. As a result, the consumption expenditure rises from Rs. 4,000 crores to Rs. 4,600 crores. Marginal propensity to consume in such a case would be _____. (Choose the correct alternative)

(a) 0.8 (b) 0.4 (c) 0.2 (d) 0.6

Ans. (d)

16. What is meant by primary deficit?

OR

What is meant by fiscal deficit?

Ans. Primary deficit is defined as fiscal deficit minus interest payments on previous borrowings.

Primary deficit = Fiscal deficit – Interest payments

OR

Fiscal deficit shows excess of total expenditure over total receipts excluding borrowing during a fiscal year.

Fiscal deficit = Total budget expenditure – Total budget receipts excluding borrowings

17. Define the problem of double counting in the computation of national income. State any two approaches to correct the problem of double counting.

OR

"Gross Domestic Product (GDP) does not give us a clear indication of economic welfare of a country." Defend or refute the given statement with valid reason.

Ans. Repeated inclusion of the same product at different stages of production is called double counting.

Example: Suppose, a farmer produces wheat worth ₹ 100. He sells this wheat to the baker who converts this into breads and sells the same to a grocer for ₹ 200. The grocer sells these breads to consumers for ₹ 220. Now the outputs of farmer, baker and grocer are respectively ₹ 100, ₹ 200 and ₹ 220. The total output of the three together is ₹ 520. But this is not the value of actual physical output because this includes the value of wheat three times and the value of bread twice. This leads to overestimation of national income.

Production Unit	***Value of output – Intermediate consumption***	***= Value added***
Farmer	100 – 0	= 100
Baker	200 – 100	= 100
Grocer	220 – 200	= 20
Total	520 – 300	= 220

How to avoid double counting?

There are two alternative ways of avoiding double counting:

(i) **Final Output Method:** According to this method, the value of only final goods should be added to determine the national income. Final goods are those goods, which are ready for consumption, i.e., they are ready for sale (and have crossed the boundary line of production). The value of final output can be calculated by deducting the value of intermediate goods from the value of output. In the above example, the value of bread i.e. 220 (520 – 300) will be taken in the national income.

(ii) **Value Added Method:** According to this method, sum total of the value added by each producing unit of the country should be taken in the national income. Value added refers

to the difference between value of output and the value of intermediate consumption. As per the given example, sum total of the value added by each producer will be included in the National Income.

OR

GDP represents the total value of good and services produced in the country during a period of one year.

The term welfare refers to the sense of well being. Welfare is affected by both economic and non-economic factors.

Rise in per capita GDP does not necessarily imply welfare due to the following reasons:

(i) Many goods and services contributing to economic welfare are not included in GDP.

(ii) Externalities are not taken into account in GDP, but affect welfare.

(iii) Distribution of GDP also affects welfare.

(iv) All products may not contribute equally to economic welfare.

(v) Contribution of some products may be negative.

18. If in an economy:

Change in initial Investments (ΔI) = Rs. 500 crores

Marginal Propensity to Save (MPS) = 0.2

Find the values of the following:

(a) Investment multiplier (k) (b) Change in final income (ΔY)

Ans. (a) Investment multiplier (k)

ΔI = 500 crores

MPS = 0.2

$$R = \frac{1}{MPS} = \frac{1}{0.2} = \frac{10}{2} = 5$$

(b) Change in final income (ΔY) = 5 × 500 = Rs. 2500 Crore

19. How are capital receipts different from revenue receipts? Discuss briefly.

Ans. (a) Any receipts which neither create a liability nor reduce any asset is a revenue receipt. Whereas, any receipts which either create a liability or reduce an asset is a capital receipt.

(b) Revenue receipts are regular and recurring in nature. Capital receipts are generally irregular and non recurring in nature.

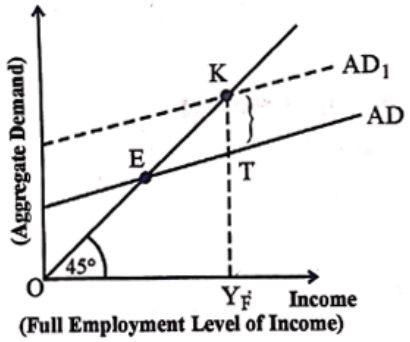
(c) There is no future obligation to return the amount of revenue receipt. In case of certain capital receipts, there exists a future obligation to return the amount along with an interest.

(d) Example of revenue receipt are tax receipt, interest and dividend received by government. Example of capital receipt are recovery of loan and disinvestment.

20. State and discuss the components of Aggregate Demand in a two sector economy.

OR

In the given figure, what does the gap 'KT' represent? State any two fiscal measures to correct the situation.



Ans. AD is the sum total of expenditure that the people plan to incur on the purchase of goods and services to produced in the economy (during the4 period of on accounting year) corresponding to different levels of income.

Components of AD in two sector economy:

(a) **Private consumption demand (C):** It is the total expenditure that all households in an economy are willing to incur on the purchase of goods and services for their personal consumption in a given period of time.

Consumption is determined by several factors including the price of the commodities, income levels, price of related products, tastes and preferences, etc. The most important determinant of private consumption demand is the disposable income of the household.

(b) **Private investment demand (I):** The desired demand for capital goods by private investors during a given period of time. It means that addition to the capital stock or the expenditure incurred for the creation of new capital assets of a country (such as buildings, plant machinery). Investment includes fixed capital, change in stock of raw materials, finished and semi-finished goods and residential construction.

The demand for investment is largely driven by two parameters - the marginal efficiency of capital and rate of interest.

OR

Since, equilibrium is attained at less than full employment level KT represents deflationary gap.

Two fiscal measures to correct the situation are:

(a) **Expenditure Policy (Increase in public expenditure):** Public expenditure is the most important measure to raise the purchasing power of public. The government should make large investments in public works like construction of roads, flyovers, buildings, railway lines, etc. with a view to provide additional income to people. This will increase the level of aggregate demand in the economy and will help to correct the situation of deficient demand.

(b) **Revenue Policy (Decrease in taxes):** In the time of deficient demand, the government should reduce the rates of taxes and even abolish some of the taxes. It will raise the purchasing power of people. Due to increase in the disposable income, people will be able to spend more on consumption and investment and, hence, the level of aggregate demand will rise.

(There is some error in the diagram. It is not specified as to which is current aggregate demand. Assuming AD_1 is required for full employment and AD is the current demand KT represents deflationary gap.)

21. Discuss the working of the adjustment mechanism in the following situations :

(a) Aggregate demand is greater than Aggregate supply.

(b) Ex Ante Investments are lesser than Ex Ante Savings.

Ans. (a) When Aggregate demand is greater than Aggregate supply, i.e.,

- Planned level of expenditure is greater than what the firms are willing to produce (AS)
- As a result of this, planned inventory falls below the desired levels.
- Firms plan to increase production to bring back the inventory at the desired level.
- Firms would hire more workers. Thus employment rises, output rises and income rise.
- Income keeps on rising till AD = AS.

(b) When Ex Ante Investments are lesser than Ex Ante Savings, i.e.,

- It implies that households are not consuming as much as firms expected them to.
- As a result inventory starts piling up above the desired level.
- Firms plan to reduce the production to cut down on the unwanted increase in inventory.
- Firms lay off workers. Thus employment falls, output falls and income falls.
- Income keeps on falling till S ≡ I.

22. (a) Define "Trade surplus". How is it different from "Current account surplus"?

(b) "Indian Rupee (₹) plunged to all time low of Rs. 74.48 against the US Dollar ($)". – The Economic Times

In the light of the above report, discuss the impact of the situation on Indian Imports.

Ans. (a) **Trade Surplus:** When the value of countries exports exceeds the value of its imports, the resulting positive balance is called as trade surplus.

Difference between trade surplus and current account surplus

Basis	***Trade Surplus***	***Current Account surplus***
Components	Trade surplus includes favourable balance of only visible items.	Current account surplus includes net favourable balance of visible and invisible items.
Scope	It is a narrow concept as it is only a part of current account.	It is a wider concept and it includes trade surplus.

(b) "Indian rupee (₹) plunged to all time low of 74.48 against the US dollar".

An increase in the value of US dollar indicates appreciation of US dollar and depreciation of Indian rupee.

This indicates that India will have to pay more dollars to make its import payments. This will lead to decrease in India imports as it has become expensive for India to buy goods and services from US.

India shall demand less of foreign exchange due to decreased imports.

23. (a) State any two components of M_1 measure of money supply.

(b) Elaborate any two instruments of Credit Control, as exercised by the Reserve Bank of India.

OR

Define Credit Multiplier. What role does it play in determining the credit creation 'power of the banking system? Use a numerical illustration to explain.

Ans. (a) Components of money supply are (*a*) currency (*b*) chequable deposits (*c*) other deposits

(i) **Currency.** $M_1 = C + DD + OD$

Currency includes coins and currency notes. Currency is also called **fiat money.** *Fiat money or currency is defined as the money which, under law, must be accepted for all debts.*

M_1 includes only that currency which is held outside banks. It means that currency held by banks is not included. It also means that M_1 includes currency held only by the public.

(ii) **Chequable deposits/Demand deposit.** *A chequable deposit is any deposit account on which a cheque can be written.* Normally, such accounts are with banks. Writing cheque enables the depositor to make payment directly to a party, or get cash and then make payment.

(b) Two instruments of credit control are:

(i) **Bank rate:**

(a) **Bank rate refers to the rate at which the central bank lends money to commercial banks as the lender of the last resort.** The bank rate is announced by the central bank at regular intervals in response to the needs of money market.

(b) Central Bank tries to control credit by making changes in the bank rate. *An increase in bank rate raises the cost of credit (rate of interest) and credit becomes expensive.* The demand for credit decreases. *Similarly, a decrease in bank rate lowers down the cost of credit and credit becomes cheap.* A reduction in interest rates motivates firms to borrow money from banks to undertake investment. This in turn increases the volume of credit in the economy.

(ii) **Cash reserve ratio:** Under CRR the banks are required to deposit with the Central Bank a percentage of their net demand and time liabilities. An increase in the CRR has the effect of reducing the banks excess reserves and thus curtail their ability to give credit. Similarly, when the CRR decreases, significant amounts of money get released to the banks to lend. This increases the money supply in the economy.

OR

Credit / deposit multiplier is defined as the multiple by which deposits can increase due to an increase in initial deposit.

If credit multiplier is high, more money is created by commercial bank. This can be explained with the help of illustration assuming LRR = 20%.

It is further assumed that all the money that goes out of bank as loans is redeposited in the banks.

	Deposits	***Loans***	***Cash reserves***
Initial	1,000	800	200
I Round	800	640	160
II Round	640	512	128
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•
	5000	4000	1000

Let LRR be 20% and there is a fresh deposit of ₹ 1,000. As required, the banks keep 20% *i.e* 200 as cash and lend the remaining ₹ 800. Those who borrow use this money for making payments. As assumed those who receive payments put the money back into the banks. In this way banks receive fresh deposits of ₹ 800. The banks again keep 20% *i.e.* 160 as cash and lend ₹ 640, which is also 80% of the last deposits. The money again comes back to the banks leading to a fresh deposit of ₹ 640. The money goes on multiplying in this way, and ultimately total money creation is:

Total money creation = Initial deposit $\times \frac{1}{\text{LRR}}. = 1000 \times \frac{1}{20\%} = 5000$ ₹

24. Given the following data, find the missing value of 'Government Final Consumption Expenditure' and 'Mixed Income of Self Employed'.

S.No.	***Particulars***	***Amount (in Rs. crores)***
(i)	National Income	71,000
(ii)	Gross Domestic Capital Formation	10,000
(iii)	Government Final Consumption Expenditure	?
(iv)	Mixed Income of Self-Employed	?
(v)	Net Factor Income from Abroad	1,000
(vi)	Net Indirect Taxes	2,000
(vii)	Profits	1,200
(viii)	Wages and Salaries	15,000
(ix)	Net Exports	5,000
(x)	Private Final Consumption Expenditure	40,000
(xi)	Consumption of Fixed Capital	3,000
(xii)	Operating Surplus	30,000

Ans. (i) To find:

(a) Government final consumption expenditure.

(b) Mixed income f self employed.

$NDP_{FC} = NNP_{FC} - NFIA = (i) - (v) = 71000 - 1000 = 70000$

Using income method,

$NDP_{FC} = COE + OS + MI$

$70000 = (viii) + (xii) + MI$

$70000 = 15000 + 30000 + MI$

Mixed income of self employed = 70000 – 45000 = Rs. 25000 crores

(ii) Using expenditure method.

$GDP_{MP} = NNP_{FC} + Depreciation - NFIA + Net\ Indirect\ taxes$

$GDP_{MP} = (i) + (xi) - (v) + (vi)$

$GDP_{MP} = 71000 + 3000 - 1000 + 2000$

GDP_{MP} = 75000

GDP_{MP} = PFCE + GFCE + GDCF + (x – M)

75000 = (x) + GFCE + (ii) + (ix)

75000 = 4000 + GFCE + 10000 + 5000

75000 – 55000 = GFCE

Government Final Consumption Expenditure = Rs. 20000 crores

❖❖❖❖❖