ECONOMIC APPLICATIONS

Maximum Marks: 100

Time allowed: Two hours

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1. Answers to this Paper must be written on the paper provided separately.
2. You will not be allowed to write during the first 15 minutes.
3. This time is to be spent in reading the question paper.
4. The time given at the head of this Paper is the time allowed for writing the answers.
5. Attempt all questions from Section A and any four questions from Section B.
6. The intended marks for questions or parts of questions are given in brackets [ ].

SECTION A (40 Marks)

(Attempt all questions from this Section.)

Question 1

Choose the correct answers to the questions from the given options. (Do not copy the questions, write the correct answers only.) **[20]**

(i) Assertion (A): Indirect taxes can be made progressive.

Reason (R): More excise duty is imposed on producing luxury items and taxes are exempted on necessary items.

(a) (A) is true and (R) is false.
(b) (A) is false and (R) is true.
(c) Both (A) and (R) are true and (R) is the correct explanation of (A).
(d) Both (A) and (R) are true and (R) is not the correct explanation of (A).

(ii) Match the following:

1.	Prices offered by the fashion industry depend on the services provided for their uniqueness.	P.	Perfectly Competitive Market
2.	Central Government is the sole buyer of defence equipment.	Q.	Monopoly Market
3.	Concession in railway tickets for senior citizens as compared to normal passengers.	R.	Monopolistically Competitive Market
4.	The sellers have to quote the market price which usually remains uniform.	S.	Monopsony Market

(a) 1-S, 2-Q, 3-P, 4-R
(b) 1-Q, 2-R, 3-S, 4-P
(c) 1-R, 2-P, 3-Q, 4-S
(d) 1-R, 2-S, 3-Q, 4-P

(iii) The price of a commodity rises from ₹50 to ₹60 and the quantity demanded falls from 100 units to 80 units. The price elasticity of demand is:

(a) less than 1
(b) greater than 1
(c) equal to 1
(d) zero

(iv) The price of a commodity falls from ₹8 to ₹6. The quantity supplied falls from 100 units to 80 units. The price elasticity of supply is:

(a) 0.08
(b) 8.0
(c) 0.8
(d) 80

(v) When a straight-line supply curve cuts the Y-axis (price axis), the elasticity of supply will be:

(a) Elastic
(b) Inelastic
(c) Unitary elastic
(d) Perfectly inelastic

(vi) Circulating capital is used once in production, whereas _____ capital can be used again and again.

(a) fixed
(b) floating
(c) debt
(d) sunk

(vii) The reward of an entrepreneur is in the nature of:

(a) contractual income
(b) residual income
(c) constant income
(d) positive income

(viii) Mrs. Lal, an entrepreneur, appoints managers and supervisors to look after the day-to-day functioning of her company. Which function is she performing?

(a) Innovation
(b) Delegation
(c) Planning
(d) Risk bearing

(ix) An impact of urbanisation on the environment is:

(a) growth of hygienic slums.
(b) lack of proper drainage facilities.
(c) high growth of natural habitat.
(d) less industrialisation.

(x) 'Price is an indicator of quality.' The statement applies to:

(a) Bandwagon effect
(b) Snob effect
(c) Veblen effect
(d) Giffen effect

(xi) Continuous rain and lack of fresh supply have affected the availability of tomatoes in a region. What will be the impact on the supply curve for tomatoes?

(a) Supply curve will shift to the right
(b) Upward movement along the supply curve
(c) Supply curve will shift to the left
(d) Downward movement along the supply curve

(xii) Assertion (A): The policy of converting public ownership of an asset to private ownership is Privatisation.

Reason (R): There is no sale of shares of Public Sector Undertakings.

(a) (A) is true and (R) is false.
(b) (A) is false and (R) is true.
(c) Both (A) and (R) are true and (R) is the correct explanation of (A).
(d) Both (A) and (R) are true and (R) is not the correct explanation of (A).

(xiii) Which of the following is an impact of a decrease in Cash Reserve Ratio on loanable funds?

(a) Loanable funds will increase
(b) Loanable funds will decrease
(c) Loanable funds remain unchanged
(d) Banks will impose restrictions on loans

(xiv) When money is used to settle debts or make payments in the future, it is said to perform the function of:

(a) Standard of deferred payment
(b) Measure of value
(c) Store of value
(d) Medium of exchange

(xv) Assertion (A): Stationery owned and used by a student is not a capital.

Reason (R): A student does not perform any economic activity with the stationery.

(a) (A) is true and (R) is false.
(b) (A) is false and (R) is true.
(c) Both (A) and (R) are true and (R) is the correct explanation of (A).
(d) Both (A) and (R) are true but (R) is not the correct explanation of (A).

(xvi) Which of the following is not a private sector enterprise?

(a) Tata Industrial Group
(b) Steel Authority of India
(c) Hindustan Unilever
(d) Bharti Airtel

(xvii) Selling costs are absent in a monopoly market because:

(a) there are many sellers.
(b) all goods are close substitutes.
(c) all goods are differentiated.
(d) there is only one seller.

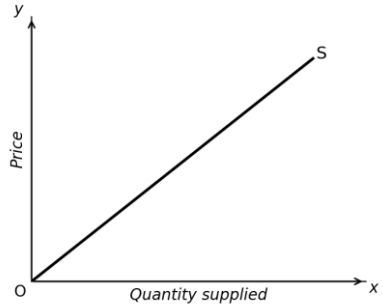
(xviii) During deflation, the Central Bank usually:

(a) Increases CRR
(b) Increases SLR
(c) Increases bank rate
(d) Increases buying of Government securities

(xix) Mr. Krishnan purchases 1 litre of milk per day when it is priced at ₹35 per litre. On the arrival of his guests, he purchases 8 litres of milk. Choose the correct impact on demand:

(a) Increase in demand
(b) Increase in quantity demanded
(c) Decrease in demand
(d) Decrease in quantity demanded

(xx) Identify the elasticity of supply (e_s) from the supply curve given above:



(a) $e_s < 1$
(b) $e_s > 1$
(c) $e_s = 1$
(d) $e_s = \infty$

Question 2

(i) Calculate elasticity of demand on the basis of the following data: **[2]**

Price (₹)	**Quantity (kg)**
6	10
4	15

(ii) 'Capital is the result of past labour.' Justify. **[2]**

(iii) 'The Government introduces subsidies for solar panel producers to promote renewable energy.' Give a graphical representation of the impact on a supply curve. **[2]**

(iv) 'The Indian Railways said that there is no proposal yet to restore concessions offered to certain categories of people in ticket fares after the facility was stopped due to Coronavirus Pandemic.' — *Economic Times, August 06, 2021* **[2]**

(a) The Indian Railways is an example of which form of market?

(b) State the feature of market highlighted in the above extract.

(v) Prepare a hypothetical individual demand schedule. **[2]**

Question 3

(i) State any two differences between land and labour. **[2]**

(ii) State a difference between Inferior goods and Giffen goods. **[2]**

(iii) Calculate price elasticity of supply on the basis of the following data: **[2]**

Price (₹)	**Quantity (kg)**
10	200
15	225

(iv) A depositor is allowed to withdraw more money than what is there in his account: **[2]**

(a) What is this facility called?

(b) In which type of account is it permitted?

(v) State the role of the public sector in creating a strong industrial base. **[2]**

SECTION B (60 Marks)

(Answer any four questions from this Section.)

Question 4

(i) **[7]**



Image 1



Image 2

(a) Identify the *two* types of market forms depicted above in Image 1 and Image 2.

(b) State *any one* difference between the identified forms of markets.

(c) Explain *three* features of the market form identified by you in Image 2.

(ii) **[8]**

(a) What is perfectly elastic supply?

(b) Explain how the following factors determine the price elasticity of supply:

1. Time horizon
2. Nature of the good (perishable and durable goods)
3. Production technology

Question 5

(i) **[7]**



(a) Identify and explain the concept shown in the above image.

(b) What is *land*?

(c) *Land has alternative uses.* Explain.

(ii) 'The principal function of any Commercial Bank is to accept deposits from different individuals and institutions.' On the basis of this statement, answer the following: **[8]**

(a) What is a *savings bank account*?

(b) Compare the rate of interest of *fixed deposit* and *savings bank account*.

(c) Give *any two* advantages of depositing money with Commercial Banks.

Question 6

(i) **[7]**

(a) What is *Privatisation*?

(b) Explain *any three* arguments in favour of privatisation.

(ii) Explain the following functions of money: **[8]**

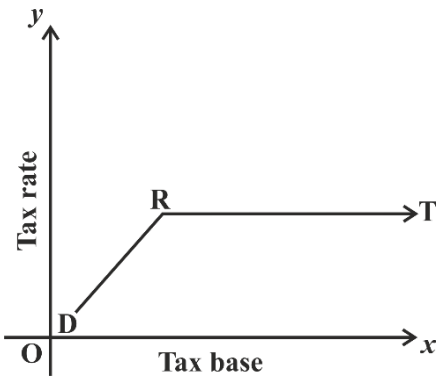
(a) Measure of value

(b) Standard of deferred payment

(c) Maximisation of utility

Question 7

(i) **[7]**



(a) Which type of tax is indicated in the above graph? Explain.

(b) State *any three* points of distinction between *Progressive Taxation* and the type of tax identified by you in (a).

(ii) **[8]**

(a) What is meant by *Qualitative Method of Credit Control*?

(b) State *any two* differences between Quantitative and Qualitative Credit Control Policy.

(c) Explain the following credit control instruments:

1. Regulation of margin requirements
2. Credit rationing

Question 8

(i) **[7]**

(a) Why is labour *perishable*?

(b) 'The efficiency of workers in India is observed to be lower than that in the economically advanced countries of the world.' Explain *any three* causes of low level of efficiency of workers in India.

(ii) **[8]**

(a) Distinguish between *expansion of demand* and *increase in demand* on the basis of meaning, schedule and graph.

(b) State the law of demand.

(c) Explain *any two* disadvantages of division of labour.

Question 9

(i) Read the extract given below and answer the questions that follow: **[7]**

Food prices may not ease this fiscal deficit and can throw India's monetary policy makers a tougher challenge in bringing down inflation, Crisil said on Monday. The

recent rise in food inflation is mainly supply shortages-led, driven by both global geopolitical conflicts and the impact of local heat waves. Other factors such as rising input costs in agricultural production have played their part too. The surge in food prices is accompanied by high fuel and core inflation, keeping inflation consistently above the Reserve Bank of India's upper target band of 6% for the past few months. — ET Bureau, Aug 01, 2022

(a) What is meant by inflation?

(b) What are the key drivers of inflation according to the above extract?

(c) Explain the impact of inflation on:

1. Wage earners and the salaried class
2. The investors

(ii) **[8]**

(a) Define *Central Bank*. Why is the Central Bank referred to as the *Banker's Bank*?

(b) State a difference between Loan and Overdraft.

(c) Mention *any two* agency functions of a Commercial Bank.