

ECONOMIC APPLICATIONS

Maximum Marks: 100

Time allowed: Two hours

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.*
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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[].*

Instruction for the Supervising Examiner

Kindly read aloud the Instructions given above to all the candidates present in the Examination Hall.

This paper consists of 15 printed pages and 1 blank page.

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Turn Over

SECTION A (40 Marks)

(Attempt all questions from this Section.)

Question 1

[20]

Choose the correct answers to the questions from the given options.

(Do not copy the questions, write the correct answers only.)

- (i) **Assertion (A):** Festivals have a major economic impact on local and regional economies by increasing business activity specially in areas such as retail, tourism and entertainment.

Reason (R): Festivals stimulate increased consumer spending in sectors like retail, hospitality and transportation, thereby boosting local business and creating job opportunities.

- (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) An inferior good for which demand falls with a fall in price is called:
- (a) Normal good
- (b) Giffen good
- (c) Complementary good
- (d) Substitute good

(iii) If price of x increases, the demand for y too increases. How are x and y related?

- (a) as complementary goods
- (b) as inferior goods
- (c) as substitute goods
- (d) as unrelated goods

(iv) Observe the image given below and identify the Division of labour:



- (a) Horizontal Division of labour
- (b) Simple Division of labour
- (c) Vertical Division of labour
- (d) Partial Division of labour

(v) The phenomenon of increasing share of urban population to the total population of a country is known as:

- (a) Migration
- (b) Urbanisation
- (c) Industrialisation
- (d) Civilisation

(vi) 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 defense 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

- (vii) Contribution of _____ capital towards the increase in national output of any country is important.
- (a) Money
 - (b) Real
 - (c) Fixed
 - (d) Sunk
- (viii) As a result of a 5% increase in price, the demand for commodity X increases by 12%. The price elasticity of demand (e_d) for the commodity will be:
- (a) $e_d < 1$
 - (b) $e_d > 1$
 - (c) $e_d = 1$
 - (d) $e_d = \infty$
- (ix) Name the function of an entrepreneur as shown in the picture given below.



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

- (x) Due to cyclonic effect in an area, the sea level covers a number of rice fields in that area. This reduces productivity of land. How will this affect the supply curve of rice of that region?
- (a) Downward movement along the supply curve
 - (b) Supply curve shifts to the leftward side
 - (c) Upward movement along the supply curve
 - (d) Supply curve shifts to the rightward side
- (xi) **Assertion (A):** Indirect taxes can be made progressive.
Reason (R): More excise duty imposed on producing luxury items and exempting taxes 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).
- (xii) 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

- (xiii) 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
- (xiv) **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 Undertaking.
- (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).
- (xv) Mr. Krishnan purchases 1 litre of milk per day when it is priced at ₹35 per litre. On 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

- (xvi) 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.
- (xvii) Observe the relationship of the first pair of words and complete the second pair.
2 – 3% per annum is Creeping Inflation, 10 – 20% per annum is _____.
- (a) Walking Inflation
 - (b) Running Inflation
 - (c) Hyper Inflation
 - (d) Galloping Inflation
- (xviii) Any medium of exchange, enforced by law is known as:
- (a) Legal Tender Money
 - (b) Credit Money
 - (c) Fiduciary Money
 - (d) Full bodied Money

(xix) Desire to acquire some goods without the ability to purchase these goods:

- (a) Demand
- (b) Supply
- (c) Want
- (d) Price

(xx) Name an instrument of state intervention.

- (a) Monetary Policy
- (b) Agricultural Policy
- (c) Industrial Policy
- (d) Trade Policy

Question 2

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

Price (Rs.)	Quantity (kg)
6	10
4	15

(ii) '*Land is heterogeneous in nature.*' Explain. [2]

(iii) Technical advancement leads to cost saving. With the help of a diagram, explain the effect of technical advancement on the 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.'* [2]

— *Economic Times, August 06, 2021*

(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) How do commercial banks utilise their surplus fund? [2]

(iii) What is meant by *Capital Formation*? [2]

(iv) State *any two* merits of direct taxes. [2]

(v) Mention *any two* adverse impacts of construction of dwelling units on the ecosystem. [2]

SECTION B (60 Marks)

(Answer **any four** questions from this **Section**.)

Question 4

- (i) (a) Who is an *entrepreneur*? [7]
- (b) Explain *any three* roles of an entrepreneur as a factor of production in ensuring economic development.
- (ii) (a) State the *Law of Supply*. [8]
- (b) Complete the following market supply schedule and give a graphical representation of the same.

Market Supply Schedule of Firm A and B

Price per unit (₹)	Quantity supplied (kgs) by		Market Supply (kgs)
	Firm A	Firm B	
5	3	5	?
6	6	9	?
7	8	12	?
8	9	14	?

- (c) State *one* point of difference between *stock* and *supply*.

Question 5

- (i) (a) What is *Elasticity of Supply*? [7]
- (b) Explain graphically the following:
1. Relatively Elastic Supply
 2. Unitary Elastic Supply
 3. Perfectly Elastic Supply

(ii)



[8]

- (a) State the concept depicted in the image above. Define the market to which it belongs.
- (b) Explain briefly the concept identified by you in (a) above.

Question 6

(i) (a) Which of the following is **not** associated with Fiscal policy? [7]

1. Public revenue
2. Public expenditure
3. Public debt
4. Open market operations

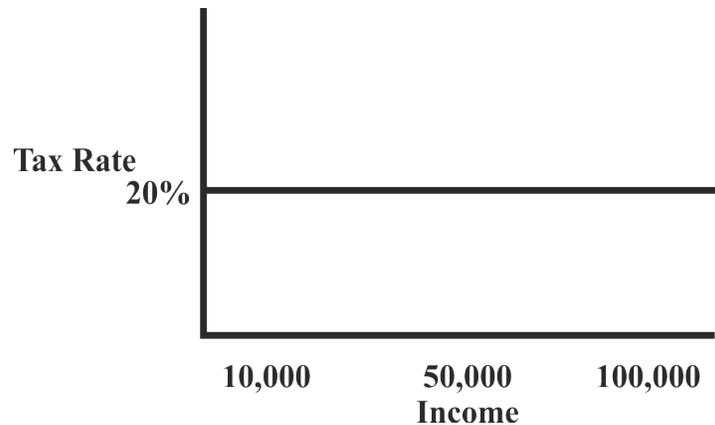
(b) “Public Sector Units made a commendable contribution to the Indian economy in the early phase of planned development.” In this context explain briefly *any three* contributions of PSUs to the Indian economy.

(ii) Distinguish between *Contraction of Demand* and *Decrease in Demand*. [8]

Question 7

(i)

[7]



- (a) Which type of tax is indicated in the above graph?
- (b) State *any three* points of distinction between *Progressive Taxation* and *Degressive Taxation*.

(ii)

Read the extract and answer the questions that follow:

[8]

India and Taiwan are reportedly close to finalising a deal for the far eastern country to host as many as one lakh Indian workers. This comes close on the heels of another reported move that Israel is considering bringing in a large number of Indian workers too.

Source: Moneycontrol.com, November 13, 2023

- (a) Which characteristic of labour has been highlighted through the above news report?
- (b) What is meant by *Efficiency of Labour*?
- (c) Explain *any two* advantages of division of labour.

Question 8

- (i) (a) State *any one* difference between *Savings Account* and *Current Account*. [7]
- (b) State how money acts as:
1. Medium of Exchange
 2. Transfer of Value
 3. Maximisation of Utility
- (ii) (a) What is meant by '*land use pattern*'? [8]
- (b) Identify the agricultural practice shown in the image given below. Explain *any three* adverse effects of it on ecosystem.



Question 9

- (i) Read the extract given below and answer the questions: [7]

The objective of the Reserve Bank of India Occasional Papers is to publish high quality research produced by the staff of the Reserve Bank of India on a broad array of issues of interest to a large audience including academics and policy makers. The papers selected for publications are subject to intense review by internal and external referees.

— Reserve Bank of India, 2003

- (a) State the type of Credit control method described in the above extract.
- (b) Define *Central Bank*.
- (c) Why is Central Bank referred to as a Banker's Bank?
- (d) State *any one* difference between the *Central Bank* and *Commercial Bank*.
- (ii) (a) What is meant by *Qualitative Method of Credit Control*? [8]
- (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