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## ECONOMIC APPLICATIONS

*(Two Hours)*

*Answers to this Paper must be written on the paper provided separately.*

*You will **not** be allowed to write during the first 15 minutes.*

*This time is to be spent in reading the question paper.*

*The time given at the head of this Paper is the time allowed for writing the answers.*

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*Attempt **all** questions from **Part I** and **any four** questions from **Part II**.*

*The intended marks for questions or parts of questions are given in brackets [ ].*

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### **PART I (40 Marks)**

*Attempt **all** questions from this Part*

#### **Question 1**

- (a) List *any two* causes for the low efficiency of labour in India. [2]
- (b) Draw a neat labelled diagram of a demand curve. [2]
- (c) Give *any two* reasons as to why a country needs a Central Bank. [2]
- (d) Out of the following capital used in the cotton textile industry, classify the following as fixed or circulating capital: [2]
- (i) Cotton yarns
  - (ii) Dyes
  - (iii) Power
  - (iv) Weaving machines
- (e) What are progressive taxes? Give an example. [2]

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**This Paper consists of 5 printed pages and 1 blank page.**

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**Question 2**

- (a) 'Capital is a passive factor of production.' Justify the statement. [2]
- (b) Which bank is referred to as a *Banker's Bank*? Why is it called so? [2]
- (c) State *any two* differences between Monopolistic competition and Perfect competition. [2]
- (d) Which section of the society gains during inflation? Why? [2]
- (e) Explain two ways by which the government can reduce income inequalities in a developing economy. [2]

**Question 3**

- (a) Mention two ways in which an entrepreneur is different from labour. [2]
- (b) Differentiate between current and savings deposits. [2]
- (c) Briefly explain any two impacts of shifting cultivation on the ecosystem. [2]
- (d) Name a market where selling cost is not required. Give a reason for your answer. [2]
- (e) Given below is the market supply schedule of a commodity. The individual supply schedules of firms B and C are given, prepare the individual schedule for Firm A: [2]

Price in ₹	No. of units supplied by Firm A	No. of units supplied by Firm B	No. of units supplied by Firm C	Total Supply
10		25	10	60
20		30	20	100
30		35	30	140
40		40	40	180

**Question 4**

Define the following terms:

- (a) Price elasticity of Demand [2]
- (b) Proportional taxation [2]
- (c) Capital formation [2]
- (d) Labour [2]
- (e) Inflation. [2]

**PART II (60 Marks)**

Attempt *any four* questions from this Part

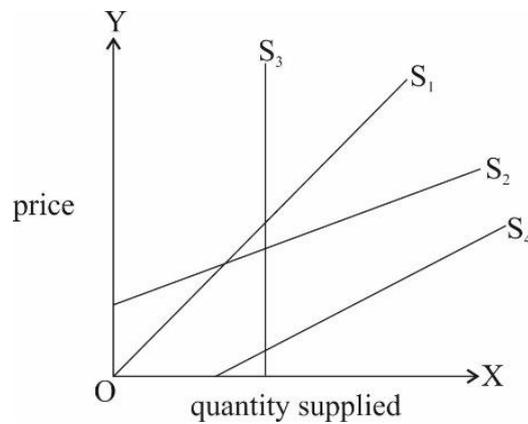
**Question 5**

- (a) (i) What is considered as capital in economics? [7]  
(ii) Discuss *any three* characteristics of capital.
- (b) Explain how the following factors affect the supply of a commodity: [8]
  - (i) State of technology.
  - (ii) Price of factors of production.
  - (iii) Goals of the firm.
  - (iv) Future price expectations.

**Question 6**

- (a) (i) Name any two industries where division of labour is possible. [7]  
(ii) Explain any three demerits of division of labour.

- (b) Identify and define the degree of price elasticity of supply from the diagram for the supply curves  $S_1$ ,  $S_2$ ,  $S_3$ ,  $S_4$ . [8]



### Question 7

- (a) (i) What happens to the demand curve when there is an increase in demand? [7]  
(ii) Discuss three instances when demand will increase.
- (b) Explain *any four* ways by which Public Sector Enterprises play a dominant role in an economy. [8]

### Question 8

- (a) Who controls the credit supply in an economy? What is this policy called? [7]  
Explain how the following can control inflation in an economy:
- (i) Cash Reserve Ratio  
(ii) Statutory Liquidity Ratio
- (b) (i) Why can a monopolist charge different prices in different markets? [8]  
(ii) Explain *any three* features of monopoly.

**Question 9**

- (a) What is privatization? Explain the following arguments favouring privatization: [7]
- (i) Greater flexibility in decision making.
  - (ii) Better utilization of resources.
  - (iii) Greater employment opportunities.
- (b) Explain clearly four differences between a Central Bank and a Commercial Bank. [8]

**Question 10**

Read the extract and answer the following:

**Post: Gaurav Akrani**

Indirect taxes have become an important source of development funds in developing countries. Many developing economies that have adopted economic planning use indirect taxes as important source of funds.

These taxes are found to be better suited in developing countries because they have much wider coverage as compared to direct taxes. Both rich and poor pay indirect taxes in the form of commodity price.

- (i) What are indirect taxes? [2]
- (ii) Mention three important differences between direct and indirect taxes. [3]
- (iii) Classify the following into direct and indirect taxes. [2]
1. Custom duty
  2. Professional tax
  3. Income tax
  4. Entertainment tax
- (iv) Give two reasons why indirect taxes are important in developing countries. [4]
- (v) Explain clearly how indirect taxes can be both regressive and progressive. [4]