

ECONOMICS

(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.

Attempt **all** questions from **Section A** and **any four** questions from **Section B**.

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

- (a) Explain *two* primary functions of money. [2]
- (b) What kind of division of labour do we see in the automobile industry? Explain. [2]
- (c) Distinguish between *sunk* and *floating* capital. Give an example of each. [2]
- (d) Explain the effect of inflation on fixed income groups and borrowers. [2]
- (e) Which is the only factor of production that earns profits? Why? [2]

Question 2

- (a) What is meant by bank rate? [2]
- (b) State *two* sources of Government income or revenue. [2]
- (c) All capital is wealth but all wealth is not capital. Explain why all wealth is not capital. [2]
- (d) State whether each of the following is a direct or an indirect tax:
 - (i) Sales tax
 - (ii) Income tax
 - (iii) Wealth tax
 - (iv) Excise duty [2]
- (e) State *two* differences between *fixed deposits* and *savings deposits*. [2]

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Question 3

- (a) Division of labour is not an unmixed blessing. Give *one* reason. [2]
- (b) Is the expenditure incurred by the state on defence regarded as productive or unproductive? Give *one* reason. [2]
- (c) Why is the Central Bank referred to as the "lender of the last resort"? [2]
- (d) What is the significance of the period 1966-69 with respect to economic planning in India? [2]
- (e) What kind of goods are x and y if a rise in the price of x increases the demand for y ? Give an example of such goods. [2]

Question 4

- (a) Price of a good falls from Rs.20 per unit to Rs.16 per unit. As a result, its demand rises from 80 units to 100 units. What can you say about the elasticity of demand by the Total Expenditure Method? [2]
- (b) State *two* failures of the Ninth Five Year plan. [2]
- (c) What is a degressive tax? Give an example. [2]
- (d) Briefly explain *two* exceptions to the law of demand. [2]
- (e) Prepare an imaginary individual supply schedule and draw an individual supply curve based on it. [2]

SECTION B (40 Marks)

Attempt any four questions from this Section

Question 5

- (a) Explain any *three* factors that affect productivity of land. State *two* characteristics of land that make it different from other factors of production. [5]
- (b) Define Human Capital.
Discuss any *four* important causes of low efficiency of Indian labour. [5]

Question 6

- (a) With the help of suitable diagrams, distinguish between *increase in demand* and *extension in demand*. [5]
- (b) What is meant by supply of a commodity?
Explain any *four* factors that determine the supply of a commodity. [5]

Question 7

- (a) Distinguish between *Funded* and *Unfunded* debt.
Discuss *three* purposes of public debt. [5]
- (b) Define inflation.
Explain any *four* factors that cause demand-pull inflation. [5]

Question 8

- (a) How does the Government use its instruments of taxation and public expenditure during inflation? Support your answer with reasons. [5]
- (b) (i) Define price elasticity of demand. [1]
(ii) Draw *two* demand curves to show relatively price elastic demand and perfectly price inelastic demand. [2]
(iii) Explain the importance of elasticity of demand to the producer and the Government. [2]

Question 9

- (a) Explain how the Commercial Banks provide credit facilities through the measures given below:
(i) Cash Credit.
(ii) Discounting bills of exchange. [5]
- (b) Discuss the need for economic planning in India. [5]

Question 10

- (a) State *three* positive and *two* negative effects of privatization of banks in India. [5]
- (b) Discuss the importance of capital in the modern system of production. [5]