

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.

*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 [].

PART I (40 Marks)

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

Question 1

State whether the following statements are *true* or *false*. Give reasons.

- (a) The price elasticity of demand for commodities, having close substitutes is relatively high. [2]
- (b) Rate of taxation depends upon the income groups in a progressive tax structure. [2]
- (c) The price level in a perfectly competitive market is determined by an individual seller. [2]
- (d) Efficiency of labour is influenced by working conditions. [2]
- (e) Supply and price are inversely proportional. [2]

Question 2

- (a) Draw and briefly explain a perfectly inelastic supply curve. [2]
- (b) How does the practice of shifting cultivation affect the environment adversely? [2]
- (c) In which form of market do producers and consumers have perfect knowledge about the market conditions? [2]
- (d) State *two* measures taken by the Government to reduce income inequality in an economy. [2]
- (e) Mention *two* features of Monopoly. [2]

This Paper consists of 3 printed pages and 1 blank page.

Question 3

- (a) How does the Central Bank act as a 'lender of the last resort'? [2]
- (b) The quantity of a commodity supplied increases by 25% when its price rises by 10%. Calculate price elasticity of supply. [2]
- (c) State an adverse impact of urbanization on the eco system. [2]
- (d) An Indirect tax is not always equitable. Give *two* reasons to support your answer. [2]
- (e) State *two* characteristics of Capital as a factor of production. [2]

Question 4

- (a) Suggest *two* measures to improve the efficiency of labour in India. [2]
- (b) What is meant by product differentiation? [2]
- (c) State the Law of Supply. Explain it with the help of a diagram. [2]
- (d) How does money act as a standard of deferred payment? [2]
- (e) State an important difference between Demand deposits and Time deposits. [2]

PART II (60 Marks)

Attempt any four questions from this Part

Question 5

- (a) Define Elasticity of supply. Explain any *four* of its determinants. [7]
- (b) Define a tax. Explain the following with examples:
(i) Regressive tax (ii) Proportional tax (iii) Degressive tax. [8]

Question 6

- (a) What is meant by industrialization? Explain *four* impacts of industrialisation on the environment. [7]
- (b) Define Joint demand. With the help of diagrams explain the difference between Individual demand and Market demand. [8]

Question 7

- (a) State *one* difference between an entrepreneur and other factors of production. Explain any *four* qualities in an individual to be a successful entrepreneur. [7]
- (b) Define a Commercial Bank. Explain *three* ways by which Commercial Banks advance loans to the public. [8]

Question 8

- (a) Define labour as a factor of production. Explain in brief *three* characteristics of labour. [7]
- (b) With the help of an example explain the meaning of Price Discrimination. To which market is it relevant? Explain any *two* similarities between a Perfect Market and a Monopolistically Competitive Market. [8]

Question 9

- (a) Define money. How does money perform its role as a:
- (i) Medium of Exchange.
 - (ii) Store of Value. [7]
- (b) What are Public Sector Undertakings? Explain *four* reasons for the privatization of Public Sector Undertakings. [8]

Question 10

Read the extract given below and answer the questions that follow:

TNN, 15th August, 2013

Rising vegetable prices and the impact of a weak rupee pushed inflation to a five month high of 5.79% in July 2013, posing yet another challenge for Asia's third largest economy battling to defend the rupee and boost growth.

Official data released on Wednesday showed inflation as measured by the wholesale price index, jumped to 5.79% in July from previous months 4.86%. Easing wholesale price inflation had fuelled expectations of a moderation in tight monetary policy but the slide of the rupee against the dollar has dashed those hopes for now.

- (i) What is meant by running inflation? [2]
- (ii) Mention *two* fiscal measures to control inflation. [1]
- (iii) Briefly explain the effect of a high level of inflation on the following:
 - (1) Fixed income groups. [2]
 - (2) Producers [2]
 - (3) Creditors and debtors. [2]
- (iv) Explain *three* monetary policies of the Reserve Bank of India to control credit. [6]