

## 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

- (a) Complete the following Individual Demand Schedule: [2]

Price in ₹	Quantity of sugar demanded in kgs.
5	20
6	
7	
8	
9	

- (b) Why is capital called a 'produced means of production'? [2]  
(c) State *two* assumptions of the Law of Supply. [2]  
(d) What is the difference between a loan and an overdraft? [2]  
(e) State any *two* drawbacks of State enterprises. [2]

#### Question 2

- (a) List *two* factors affecting the supply of labour. [2]  
(b) If price of X increases, then demand for Y too increases.  
What is the relationship between goods X and Y? Give an example. [2]  
(c) State *two* Primary functions of money. [2]  
(d) What is meant by Monopsony? Give an example. [2]  
(e) Define Fiscal Policy. [2]

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### Question 3

- (a) State the market form of the following commodities:
- (i) Railways
  - (ii) Automobiles
  - (iii) Shampoos
  - (iv) Fighter Aircrafts. [2]
- (b) What is meant by shifting of tax burden?  
To which tax is this relevant? [2]
- (c) A consumer purchased 10 units of a commodity when its price was ₹5 per unit. He purchases 12 units of the commodity when price falls to ₹4 per unit. Calculate the price elasticity of demand for the commodity. [2]
- (d) State *two* 'active' factors of production. Give reasons to support your answer. [2]
- (e) Differentiate between Floating and Sunk capital. Give an example for each. [2]

### Question 4

- (a) State *two* advantages of opening a bank account. [2]
- (b) 'The role of the State is important in developing the economic infrastructure of a developing economy'. Give *two* reasons to support your answer. [2]
- (c) State the impact of an increase in Cash Reserve Ratio on loanable funds. [2]
- (d) Classify the following types of tax into direct and indirect taxes:
- (i) Entertainment tax
  - (ii) Income tax
  - (iii) House tax
  - (iv) Sales tax. [2]
- (e) Which of the following is a function of a Commercial Bank? Give a reason to support your answer.
- (i) Acting as a lender of last resort.
  - (ii) Deciding what is legal tender.
  - (iii) Determining monetary policy. [2]
  - (iv) Providing cash credit facility.



**PART II (60 Marks)**

*Attempt any four questions from this Part*

**Question 5**

- (a) What do you understand by *division of labour*?

Explain *three* ways by which division of labour is beneficial to producers. [7]

- (b) State the Law of Demand. Explain *three* exceptions to this law. [8]

**Question 6**

- (a) What is meant by migration?

Explain *three* ways by which migration impacts the ecosystem. [7]

- (b) (i) What is capital formation?

(ii) What are the *three* stages of capital formation?

(iii) Explain *three* reasons for the low rate of capital formation in India. [8]

**Question 7**

- (a) Who is an entrepreneur? Explain any *three* functions of an entrepreneur. [7]

- (b) With reference to the taxation policy:

(i) Mention *three* differences between direct taxes and indirect taxes.

(ii) Differentiate between progressive and regressive taxes giving an example for each. [8]

**Question 8**

- (a) What do you understand by price elasticity of demand? With the help of diagrams explain the conditions when:

(i)  $\sum_p > 1$

(ii)  $\sum_p < 1$

(iii)  $\sum_p = 1$  [7]

- (b) With reference to the Central Bank of a country:

(i) State *two* reasons for the need of a Central Bank in a country.



(ii) List *two* ways in which a Central Bank acts as a Banker to the Government.

(iii) What is meant by open market operations? How does it act as a method to control credit?

[8]

#### Question 9

(a) What is Perfect Competition?

Describe any *three* characteristics of Perfect Competition.

[7]

(b) Give a reason for each of the following statements:

(i) The fixed income group is adversely affected during periods of inflation.

(ii) Selling costs are higher in Monopolistic Competition.

(iii) High rates of taxes reduce the savings capacity in an economy.

(iv) The demand for newspaper is inelastic.

[8]

#### Question 10

(a) Read the extract given below and answer the questions that follow:

PTI Jun 15, 2014,

**NEW DELHI:** The Finance Ministry has asked the Department of Disinvestment to complete the groundwork for sale of shares in state-owned companies soon after the budget to take advantage of the bull phase in the stock market.

The government is expected to retain the disinvestment target of ₹36,925 crore proposed in the interim budget for 2014-15.

(i) What is disinvestment?

(ii) How will privatisation lead to:

(1) Control of budgetary deficits

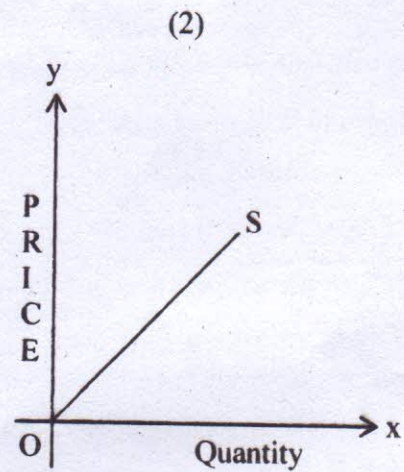
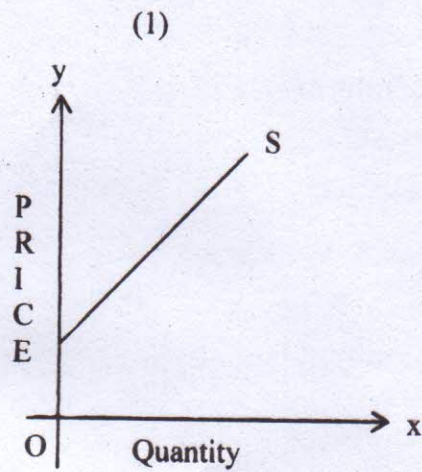
(2) Flow of funds to Public Exchequer.

(3) Greater flexibility in decision making.

[7]



(b) (i) Indicate the degree of elasticity on the Supply curves given below:



(ii) Explain *three* determinants of Elasticity of Supply.

[8]