
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

Explain in brief the following terms:

- (a) *Ceteris paribus* assumption of the Law of demand. [2]
- (b) Fiscal Policy. [2]
- (c) Sunk Capital. [2]
- (d) Product Differentiation. [2]
- (e) Statutory Liquidity Ratio. [2]

Question 2

- (a) Distinguish between Fixed and Circulating Capital. [2]
- (b) Explain one exception to the Law of demand. [2]
- (c) Mention the impact of advanced technology on the supply of a commodity. [2]
- (d) What is meant by Running inflation? State its impact on fixed income groups. [2]
- (e) Define a Degressive tax. [2]

Question 3

- (a) Capital is the result of past labour. Briefly explain. [2]

This Paper consists of 4 printed pages.

- (b) Define Monopsony. [2]
- (c) Producers in a Monopoly market are *price makers*. Briefly explain. [2]
- (d) What is bank rate? How is it altered to correct a depression in an economy? [2]
- (e) With the help of a formula calculate the elasticity of supply from the following table:

Price (Rs.)	Quantity supplied (units)
10	200
15	225

[2]

Question 4

Citing reasons state the advantage of

- (a) a progressive tax over proportional tax. [2]
- (b) monopolistic competition over monopoly. [2]
- (c) private sector over public sector. [2]
- (d) a direct tax over an indirect tax. [2]
- (e) a credit card over currency notes. [2]

PART II (60 Marks)

Attempt any four questions from this Part

Question 5

- (a) Explain with the help of an example the Horizontal and the Vertical division of labour. Mention any *three* merits of division of labour. [7]
- (b) Define Composite demand. Clearly explain any *three* determinants of demand in a market. [8]

Question 6

- (a) What is meant by privatization? Explain in brief *three* arguments against privatization of public sector units in India. [7]
- (b) Explain *four* characteristics of a perfectly competitive market. [8]

Question 7

- (a) Explain the terms Impact, Shifting and Incidence of a tax. Explain in brief *two* merits of direct tax. [7]
- (b) Define price elasticity of supply. With the help of suitable diagrams explain the following degrees of elasticity.
- (i) Perfectly elastic supply.
- (ii) Perfectly inelastic supply. [8]

Question 8

- (a) Define production. Explain *three* factors which determine land productivity. [7]
- (b) Explain an important characteristic of each of the following factors of production:
- (i) Land
- (ii) Labour
- (iii) Capital
- (iv) Entrepreneur. [8]

Question 9

- (a) Name the bank which has sole authority to issue currency in India. Mention *three* ways by which it differs from a commercial bank. [7]
- (b) Define money. Explain how money performs the following functions:
- (i) As a measure of value.
- (ii) As a standard of deferred payment.
- (iii) As a store of value. [8]

Question 10

- (a) What is a public sector undertaking? Explain *three* problems faced by public sector undertakings in India. [7]

- (b) Read the excerpt given below and answer the questions that follow:

The Hindu, 11th July 2011.

"We need to remember that we should work towards bringing nearly 400 million citizens to the formal fold of the banking sector," said RBI Deputy Governor, K. C. Chakraborty.

In rural areas, where accessibility is a problem, banks are using the Micro finance network business correspondents and facilitators to bring more people under the ambit of banking services.

- (i) Why is it necessary to bring more people under the formal fold of the banking sector? Give *one* reason. [1]
- (ii) Mention *one* way by which people would benefit from banking services. [1]
- (iii) Which stage of capital formation is the above extract referring to? Explain the stage in brief. [2]
- (iv) Explain *two* ways in which banks accept deposits. [2]
- (v) What is meant by cash credit? [2]