

ICSE Paper 2012
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.*

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

Section I is compulsory. Attempt **any four** questions from **Section II**.
The intended marks for questions or parts of questions are given in brackets [].

SECTION-I (40 Marks)

*(Attempt **all** questions from this Section)*

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]
- (b) Define monopsony. [2]
- (c) Producers in a monopoly are price makers. Briefly explain. [2]
- (d) What is bank rate? How it is 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: [2]

Price ₹	Quantity supplied (Units)
10	200
15	225

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]

SECTION-II (60 Marks)

(Answer **any four** questions from this section)

Question 5:

(a) Explain with the help of an example the horizontal and 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]

Questions 6:

(a) What is meant by privatisation? 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:

1. Perfectly inelastic supply.
2. Perfectly elastic 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:

1. Land
2. Labour
3. Capital
4. 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:

1. As a measure of value.
2. As a standard of deferred payment.
3. 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 extract given below and answer the questions that follow:

The Hindu, 11th July, 2011.

“We need to remember that we should work towards bringing nearly 100 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.

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