

ECONOMIC APPLICATIONS

Maximum Marks: 100

Time allowed: 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

[20]

Choose the correct answers to the questions from the given options.

(Do not copy the questions, write the correct answers only.)

(i) Supply always refers to a specific desired quantity which a seller is willing to:

- (a) Sell
- (b) Purchase
- (c) Store
- (d) None of the above

(ii) The demand curve which indicates the inverse relationship between price and demand:

- (a) Slopes upward
- (b) Slopes downward
- (c) Remains horizontal
- (d) Remains vertical

This paper consists of 8 printed pages.

- (iii) When a straight-line supply curve cuts the y-axis, the elasticity of supply will be:
- (a) Elastic
 - (b) Inelastic
 - (c) Unitary elastic
 - (d) Perfectly inelastic
- (iv) Use of high yielding variety of seeds is related to productivity of:
- (a) Entrepreneur
 - (b) Capital
 - (c) Land
 - (d) Labour
- (v) Which factor of production is not a hired factor?
- (a) Land
 - (b) Labour
 - (c) Capital
 - (d) Entrepreneur
- (vi) What will be the effect of raising production subsidies on the supply of a commodity?
- (a) Downward movement along the supply curve.
 - (b) Leftward shift of supply curve.
 - (c) Rightward shift of supply curve.
 - (d) Upward movement along the supply curve.
- (vii) If the percentage increase in the quantity of a commodity is smaller than the percentage fall in its price, the coefficient of price elasticity of demand is:
- (a) greater than 1
 - (b) equal to 1
 - (c) smaller than 1
 - (d) zero

- (viii) Which market supplies homogeneous products?
- (a) Monopoly market
 - (b) Monopsony market
 - (c) Oligopoly market
 - (d) Perfectly competitive market
- (ix) The reward of an entrepreneur is in the nature of:
- (a) contractual income
 - (b) residual income
 - (c) constant income
 - (d) positive income
- (x) The market structure which is characterized by a single producer of a commodity and when there are no close substitutes for that commodity:
- (a) Monopoly market
 - (b) Perfectly competitive market
 - (c) Monopolistically competitive market
 - (d) Monopsony market
- (xi) If tea and coffee are substitutes, then bread and butter are examples of:
- (a) Joint goods
 - (b) Similar goods
 - (c) Complementary goods
 - (d) Homogeneous goods
- (xii) The rate at which commercial banks borrow from the Central Bank is the:
- (a) Bank rate
 - (b) Deposit rate
 - (c) Lending rate
 - (d) None of the above

- (xiii) Monopsony is a market where the:
- (a) seller is a price maker
 - (b) buyer is a price maker
 - (c) buyer is a price taker
 - (d) None of the above
- (xiv) The tax whose rate remains unchanged irrespective of the income of the taxpayer is called as _____.
- (a) Progressive tax
 - (b) Regressive tax
 - (c) Direct tax
 - (d) Proportional tax
- (xv) The function of money which allows a person to pay for a commodity at a future date is called as:
- (a) Unit of account
 - (b) Measure of value
 - (c) Standard of deferred payment
 - (d) Medium of exchange
- (xvi) Which of the following types of capital gets exhausted after its use and gets embodied in the finished product?
- (a) Fixed capital
 - (b) Working capital
 - (c) Social capital
 - (d) Sunk capital
- (xvii) _____ implies an introduction of private ownership in public sector enterprises.
- (a) Disinvestment
 - (b) Globalisation
 - (c) Privatisation
 - (d) Libéralisation

- (xviii) Wealth tax is an example of:
- (a) Direct tax
 - (b) Indirect tax
 - (c) Proportional tax
 - (d) Degressive tax
- (xix) The difference between the value of security and the amount of loan sanctioned against these securities is known as:
- (a) Credit rationing
 - (b) Margin requirement
 - (c) Direct Action
 - (d) Regulation of consumer credit
- (xx) When the percentage change in the quantity supplied of a commodity is exactly equal to the percentage change in its price it is known as:
- (a) Unitary elastic supply
 - (b) Relatively inelastic supply
 - (c) Relatively elastic supply
 - (d) Perfectly inelastic supply

Question 2

- (i) Discuss *any two* features of a monopolistically competitive market. [2]
- (ii) Mention *two* differences between an entrepreneur and other factors of production. [2]
- (iii) Explain the term '*Veblon effect*'. Give an example. [2]
- (iv) Mention *two* problems faced by public sector enterprises in India. [2]
- (v) Define progressive taxation and draw a neat labelled diagram for it. [2]

Question 3

- (i) What do you mean by '*innovative ability*' of an entrepreneur? [2]
- (ii) What effect does increased input price have on the supply of a commodity? [2]
Draw a diagram in support of your answer.
- (iii) What do you mean by price discrimination? Give an example [2]
- (iv) A depositor is allowed to withdraw more money than what is there in his account: [2]
(a) What is this facility called?
(b) In which type of account is it permitted?
- (v) Explain complex division of labour with the help of an example. [2]

SECTION B (60 Marks)

*(Answer **any four** questions from this Section.)*

Question 4

- (i) Define capital. Explain *any three* characteristics of capital. [7]
- (ii) Explain the concept of price elasticity of demand. With the help of diagrams, [8]
explain the following cases of elasticity:
(a) Relatively inelastic demand curve
(b) Relatively elastic demand curve
(c) Unitary elastic demand curve

Question 5

- (i) (a) What do you understand by the term 'Capital formation'? [7]
(b) Explain *any three* factors which affect capital formation.
- (ii) (a) Distinguish between derived demand and composite demand. [8]
(b) Distinguish between contraction and decrease in supply.

Question 6

- (i) (a) Distinguish between [7]
1. Monetary and Fiscal policy (*One point*)
2. Public and Private sector (*Four points*)
- (b) Explain *any two* reasons for privatisation.
- (ii) (a) What is meant by efficiency of labour? [8]
(b) The Indian labour suffers from low efficiency. Explain your answer with *three* reasons for low efficiency of Indian labour.

Question 7

- (i) (a) What is a direct tax? [7]
(b) What is meant by impact and incidence of taxation?
(c) How are direct taxes different from indirect taxes? (*Any three points*)
- (ii) (a) Define qualitative credit control policy of the RBI. [8]
(b) Central bank is the lender of the last resort. Explain.
(c) Explain how credit rationing and margin money help to control credit in an economy.

Question 8

- (i) Define money. Explain the following functions of money: [7]
(a) Medium of exchange
(b) Store of value
(c) Maximisation of utility.
- (ii) (a) What do you understand by ‘changing pattern of land use’? [8]
(b) Explain *any three* such changes causing destruction to the ecosystem.

Question 9

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

ET Bureau, Aug 01, 2022

Food prices may not ease this fiscal deficit and can throw India's monetary policy makers a tougher challenge in bringing down inflation and anchoring inflation expectation, Crisil said on Monday.

The recent rise in food inflation is mainly supply shortages-led, driven by both global geopolitical conflicts and impact of local heat waves. Other factors such as rising input costs in agricultural production have played their part too.

The surge in food prices is accompanied by high fuel and core inflation following the Russia-Ukraine war, keeping inflation consistently above the Reserve Bank of India's upper target band of 6% for the past few months.

"This has put monetary policy in a quandary and made it imperative for the central bank to look closely at factors pushing up food prices," Crisil said, predicting overall CPI inflation at 6.8% and food inflation at 7% for the current fiscal.

- (i) (a) What is meant by inflation? [7]
- (b) How is creeping inflation different from walking inflation?
- (c) Explain the impact of inflation on:
1. Wage earners and salaried class
 2. The investors
- (ii) (a) What do you mean by division of labour? [8]
- (b) Explain *any two* advantages of division of labour.
- (c) '*Labour as a factor of production differs from other factors of production.*' In this context explain *any two* features of labour.