

# ECONOMIC APPLICATIONS

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*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.***

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*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[ ].*

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## **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) Identify the **agency functions** of the commercial banks from the following:
- (a) Accepting deposits
  - (b) Giving out loans
  - (c) Acting as a trustee of the property of the customers
  - (d) Providing general utility services
- (ii) Which of the following is **not** a characteristic of land?
- (a) Heterogeneous
  - (b) Immobile
  - (c) Carries an element of judgement
  - (d) Fixed supply

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**This paper consists of 11 printed pages and 1 blank page.**

- (iii) Production of cotton textile products is an example of:
- (a) Vertical division of labour
  - (b) Horizontal division of labour
  - (c) Occupational division of labour
  - (d) Simple division of labour
- (iv) Which two forms of market earn normal profit in the long run?
- (a) Perfect competition and monopoly
  - (b) Perfect competition and monopsony
  - (c) Monopoly and monopolistic competition
  - (d) Perfect competition and monopolistic competition
- (v) Which of the following is *not* a function of the Central Bank?
- (a) Banker to Commercial Banks
  - (b) Banker to the public
  - (c) Fiscal agent of the Government
  - (d) Monopoly of note issue
- (vi) Identify the market having a single buyer and many sellers from the following:
- (a) Monopoly
  - (b) Monopsony
  - (c) Perfect competition
  - (d) Monopolistic competition
- (vii) The income of a person who carries the risk bearing function is called as:
- (a) Wages
  - (b) Salary
  - (c) Profit
  - (d) Interest

(viii) **Assertion (A):** Central Bank provides loans to the commercial bank in the situation of financial distress.

**Reasoning (R):** Central Bank can order the government to help the bank facing the financial crisis.

- (a) A is true but R is false
- (b) A is false but R is true
- (c) Both A and R are true and R explains A
- (d) Both A and R are true but R does not explain A

(ix) '*Price is an indicator of quality*'. The statement applies to:

- (a) Bandwagon effect
- (b) Snob effect
- (c) Veblen effect
- (d) Giffen effect

(x) Which of the following is a contingent function of money?

- (a) Measure of value
- (b) Store of value
- (c) Medium of exchange
- (d) Distribution of National Income

(xi) The continuous rain and lack of fresh supply have affected the availability of tomatoes in India during June – July 2023. What will be the impact on the supply curve for tomatoes?

- (a) Supply curve will shift to the right
- (b) Upward movement along the supply curve
- (c) Supply curve will shift to the left
- (d) Downward movement along the supply curve

(xii) When products are differentiated on the basis of advertisements, brand names etc., it is called as:

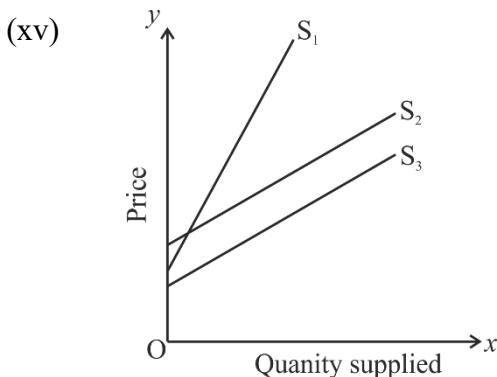
- (a) Real differentiation
- (b) Price differentiation
- (c) Artificial differentiation
- (d) Quality differentiation

(xiii) Identify the merit of direct tax from the following:

- (a) Tax evasion
- (b) Greater cost of collection
- (c) Ensuring equity
- (d) Inconvenient

(xiv) Identify the type of goods having price elasticity of demand greater than 1:

- (a) Luxury goods
- (b) Inferior goods
- (c) Necessary goods
- (d) Giffen goods

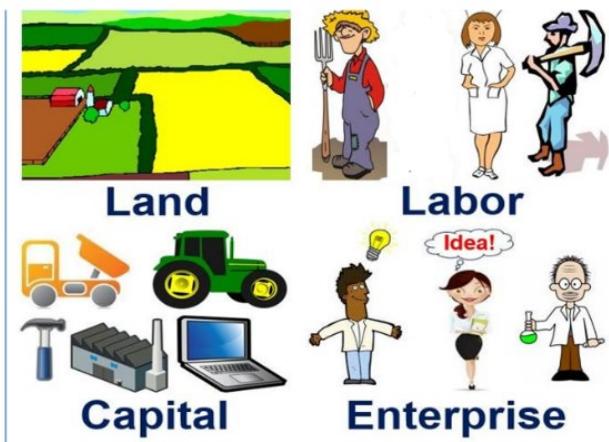


Identify the elasticity of supply ( $e_s$ ) of  $S_1$ ,  $S_2$  and  $S_3$  supply curves:

- (a) All have  $e_s > 1$
- (b) All have  $e_s < 1$
- (c) All have  $e_s = 1$
- (d) All have  $e_s = 0$

- (xvi) During deflation, the Central Bank usually:
- (a) Increases CRR
  - (b) Increases SLR
  - (c) Increases bank rate
  - (d) Increases buying Government Securities

(xvii) **FACTORS OF PRODUCTION**



Identify the **produced means of production** factor from the picture:

- (a) Land
  - (b) Labour
  - (c) Capital
  - (d) Entrepreneur
- (xviii) Which of the following is the adverse outcome of mining operation?
- (a) Aquatic ecosystem remains intact
  - (b) Depleted the stock of natural resources
  - (c) Cutting down of forest trees is absent
  - (d) Soil quality remains the same

(xix)



Identify the type of taxation:

- (a) Progressive
- (b) Regressive
- (c) Proportional
- (d) Degressive

(xx) Non-price competition is:

- (a) Reducing prices
- (b) Competition based on prices
- (c) Spending money on advertisement, packaging, branding
- (d) Sale of unused stock

## Question 2

- (i) (a) Give *one* example of a pair of complementary goods. [2]
- (b) What will be the impact of a rise in price on the demand for its complementary good?
- (ii) State the *two* primary functions of money. [2]
- (iii) Explain the features of savings bank account. [2]

(iv)

[2]



(a) What type of tax is this?

(b) When do we pay this tax?

(v) Indicate the adverse impacts of urbanisation on the ecosystem.

[2]

### Question 3

- (i) *'One of the most important functions of an entrepreneur is to bear the risk associated with the business.'* Explain the statement. [2]
- (ii) In which type of market price discrimination is practiced? Explain with an example. [2]
- (iii) Explain briefly the role of public sector enterprises in developing the industries with **strategic importance**. [2]
- (iv) *'Both labour and entrepreneur are human factors of production.'* Is there any difference between them? Explain *any two* such differences. [2]
- (v) What will happen to the value of money when price level rises? What is this phenomenon known as? [2]

## **SECTION B (60 Marks)**

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

### **Question 4**

- (i) Explain the importance of land as a factor of production. (*Five points*) [7]
- (ii) Identify the elasticity of supply for the following with proper reasoning: [8]
- (a) Short run and long run period.
  - (b) Perishable and durable goods.
  - (c) Nature of the entrepreneurs.
  - (d) Primitive and advanced technology.

### **Question 5**

(i)

Price (in `)	$Q_A$ (units)	$Q_B$ (units)	$Q_M$ (market demand) (units)
10	4	5	---
20	3	4	---
30	2	3	---
40	1	2	---

[7]

Complete the above schedule and answer the following:

- (a) Identify and state the underlying law.
  - (b) State *four* assumptions of the law.
  - (c) Draw *three* relevant curves based on the above schedule in one diagram.
- (ii) (a) What is meant by the *Privatisation* of public sector industries? [8]
- (b) What do you mean by horizontal division of labour?
  - (c) State *any three* differences between labour and capital.
  - (d) Explain *any three* disadvantages of division of labour.

### **Question 6**

- (i) Identify the factors of production in each of the following cases and differentiate between them. [7]
- An active and passive factor of production. (*One point*)
  - Single-use and multiple use machinery. (*One point*)
  - Human factor of production with and without innovative capacity. (*Two points*)
- (ii) Citing reasons, evaluate the performance of private sector over public sector enterprises in the following cases: [8]
- Timely completion of projects undertaken.
  - Decision taking.
  - Managerial efficiency.
  - Attention towards consumer satisfaction.

### **Question 7**

- (i)  [7]

The image above shows a departmental store of a market structure.

- Identify the form of market as observed from the above image.
- Discuss the features of this market form with respect to:
  - Type of product
  - Entry and exit of firms
  - Selling cost

- (ii) Explain the functions of the RBI with respect to the following: [8]
- (a) Custodian of foreign exchange reserves.
  - (b) Monopoly of note issue.
  - (c) Clearing house facility.
  - (d) Banker and fiscal agent to the government.

### **Question 8**

- (i) (a) What do you mean by migration? [7]
- (b) Explain ‘migration’ as a factor contributing towards adverse impact on the ecosystem. (*Three points*)
- (ii) Explain the following: [8]
- (a) Fiscal policy
  - (b) Monetary policy
  - (c) Degressive taxes
  - (d) Indirect tax can be used to increase social welfare

### **Question 9**

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

#### **MONEY CONTROL NEWS**

*JUNE 12, 2023 / 07:05 PM IST*

*The Reserve Bank of India (RBI) on June 12 imposed monetary penalties on four cooperative banks citing various rule violations. These are Cooperative Bank of Rajkot, Telangana State Cooperative Apex Bank Ltd, The Bihar State Cooperative Bank Ltd and Jowai Cooperative Urban Bank Ltd.*

*The RBI's enforcement operations are conducted by the Enforcement Department. The RBI's EFD was set up in April 2017 to separate*

*enforcement action from the supervisory process. The EFD identifies actionable violations from the inspection reports, risk assessment reports and scrutiny reports. Market intelligence reports, references from the top management and complaints are also used for investigation.*

- (a) Which type of credit control method of the RBI has been highlighted in the [7] above case study?
- (b) Citing reasons state the advantage of credit card over currency notes. (Any two)
- (c) Briefly explain the following credit control methods adopted by the Central Bank:
1. Publicity
  2. Moral suasion
- (ii) (a) Define the form of market which has a perfectly elastic demand curve. [8]
- (b) Explain *three* features of this market type.
- (c) How is this market different from a monopoly market? (*Any three points*)