

Year :- 2024 - 25
Std:- X ICSE

Practice Paper - 3
Economic Applications

Marks :- 100
Duration :- 2 Hr.

*Attempt **all** questions from **Section A** and **any four** questions from **Section B**.
The intended marks for question or parts of questions are given in brackets [].*

Section – A

Question 1.

Choose the correct answer and write the correct option.

- 1) The goods whose demand decrease as income increase
 - a) Luxuries
 - b) Inferior goods
 - c) Normal goods
 - d) Necessities
- 2) Which of the following is not a determinant of demand ?
 - a) Income of the consumer
 - b) Technology used to produce the good
 - c) Price of related goods
 - d) Size of population
- 3) A single firm producing and selling a product having no close substitute is called _____.
 - a) a monopsony market
 - b) a duopoly market
 - c) an oligopoly market
 - d) a monopoly market
- 4) Output per acre of land is known as _____.
 - a) total productivity
 - b) marginal productivity
 - c) average productivity
 - d) diminishing productivity
- 5) Rate of tax remaining same regardless of income such type of tax is called as :
 - a) Progressive tax
 - b) Proportional tax
 - c) Regressive tax
 - d) Digressive tax
- 6) Currency notes are form of:
 - a) Paper money
 - b) Electronic money
 - c) Metallic money
 - d) Credit money
- 7) Sales tax, VAT are form of which type of tax:
 - a) Direct tax
 - b) Indirect tax
 - c) Proportional tax
 - d) Regressive tax
- 8) The shape of a completely inelastic supply curve is _____.
 - a) vertical
 - b) Horizontal
 - c) Positively sloped
 - d) Negatively sloped
- 9) The measure which central bank adopt to encourage investment in the economy:
 - a) Decrease CRR
 - b) Increase CRR
 - c) Privatization
 - d) Increase bank rate
- 10) Price of a good rises by 10%. As a result, its demand falls by 4%. Find out the price elasticity of demand
 - a) 0.9
 - b) 1.4
 - c) 0.4
 - d) 0.44
- 11) Locker facility, cheques, letter of credit are what kind of functions of commercial bank?
 - a) General utility
 - b) Agency function
 - c) Primary function
 - d) Secondary function
- 12) Observe the relationship of the first pair of words and complete the second pair :
Office furniture : Fixed capital
Power for running the plant : _____.
 - a) Remunerative capital
 - b) Circulating capital
 - c) Debt capital
 - d) Sunk capital
- 13) Which of the following is NOT held constant while moving along a supply curve?
 - a) Prices of resources used in production
 - b) Expected future prices
 - c) The number of sellers
 - d) The price of the good itself

- 14) Sunk capital is asset specific because -----.
- it cannot be moved to another production site
 - it has diminishing marginal productivity
 - it exhausts during the production process
 - it can be moved to another production site
- 15) Choose the correct term for the given definition:
The ratio between the percentage change in supply to a percentage change in price.
- Law of Demand
 - Law of Supply
 - Elasticity of Demand
 - Elasticity of supply
- 16) Which of the following does NOT shift the supply curve ?
- an increase in the price of the good
 - a fall in the price of a substitute in production
 - a decrease in the wages of labour used in production of the good
 - a technological advance
- 17) A monopolistically competitive market has -----earning----- profit in the long-run.
- a single firm; super-normal
 - two firms; normal
 - many firms; normal
 - few firms; supernormal
- 18) Which of the following is a selective/qualitative method of credit control
- Bank Rate
 - Cash Credit Ratio
 - Open Market Operations
 - Moral suasion
- 19) The main objective of fiscal policy does not include:
- Price stability
 - Optimum allocation of resources
 - Capital formation and growth
 - Influencing supply and demand
- 20) Which of the following, is NOT a function of an entrepreneur?
- Planning of business activity
 - Giving physical effort in exchange of wage payment
 - Decision making
 - Marketing activities

Question 2.

- State two difference between an entrepreneur and labour.
- Define efficiency of labour.
- Draw a neat diagram to show the extension of a supply curve.
- Explain the effect of inflation on the fixed income group.
- Give two advantages of payment by cheques.

Question 3.

- Describe the meaning of 'risk bearing' in business.
- What is meant by a demand deposit?
- Mention two main reasons for increase in public expenditure.
- How does direct tax reduce income inequality ?
- Identify the market forms for the items given below :
 - A single seller
 - Homogeneous goods
 - Product Differentiation
 - A single buyer

Section – B

Question 4.

- 1) Define land. Explain any three characteristics of land.
- 2) Define price elasticity of supply. With the help of diagrams explain the following:
 - a) Relatively elastic supply curve
 - b) Relatively inelastic supply curve
 - c) Unitary elastic supply curve.

Question 5.

- 1) (a) Differentiate between monopoly and monopolistic competition.
(b) Explain the following functions of state
 - (i) Improvement in the standard of living
 - (ii) Full employment
- 2) Explain how the following factors affect the supply of a commodity:
 - (a) State of technology.
 - (b) Goals of the firm.

Question 6.

- 1) a) What is disinvestment?
b) Explain two arguments against disinvestment.
c) Give two probable reasons as to why the government wants to 'disinvest'.
- 2) Explain any four important functions of any entrepreneur.

Question 7.

- 1) What are direct taxes? Explain how direct taxes:
 - a) are equitable
 - b) increase civic sense
 - c) are economical
- 2) What is meant by Commercial Bank? Explain how Commercial banks provide credit facilities through the methods given below:
 - a) Cash Credit
 - b) Loan
 - c) Overdraft facilities

Question 8.

- 1) (a) How is quantitative credit control different from qualitative credit control ?
(b) Explain briefly the following quantitative methods.
 - (i) Bank rate
 - (ii) Open Market Operations
- 2) Explain clearly four ways by which the State can promote economic growth and development.
- 3) How can the fiscal policy be used for economic development?

Question 9.

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

The Pioneer

Thursday, 09 June 2022 – R.P. Gupta

A tight monetary policy shall be counter-productive for India since it will impact the investment rate and public income, which the nation can't afford.

Unlike developed economies, in India, there is no direct linkage of repo rate with inflation, as is evident from the data available from the past several years. In the developed economies, consumer loan portfolio

is too large and the interest rate is much lower. Hence, for controlling inflation, they increase their interest rate for cooling off the consumption demand and the money is diverted to financial savings. In India, however the interest rate is higher and the financial savings are driven by tax incentives. More so, the major portion of bank deposits is used for meeting the investment needs and the financing fiscal deficit. Hence, tight monetary policy shall be counter-productive, since it would impact the investment rate and public income (GDP) which India can't afford, particularly after the recent sufferings in the COVID-afflicted years. Rather, high interest on the productive sector will add to cost-push inflation.

- 1)
 - a) What do you understand by monetary policy?
 - b) What is repo rate? How is it used to control inflation?
 - c) Name two other quantitative tools of credit control?
- 2)
 - a) What do you understand by supply? How does it differ from stock?
 - b) What does the Law of Supply state? List two assumptions of this Law.
 - c) Explain two factors affecting supply other than price.