
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

- (a) What is meant by labour in economics? [2]
- (b) Construct an imaginary individual supply schedule. [2]
- (c) What are complementary goods? Explain its impact on demand. [2]
- (d) State two qualities of a successful entrepreneur. [2]
- (e) Explain any one disadvantage of division of labour. [2]

Question 2

- (a) What do you understand by bank rate? [2]
- (b) Classify the following into fixed and working capital. Give Reasons:
 - (i) A television set in a hotel room. [2]
 - (ii) Iron-ore in a steel plant
- (c) Identify the market forms for the items given below: [2]
 - (i) A single seller
 - (ii) Homogeneous goods
 - (iii) Product Differentiation
 - (iv) A single buyer

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Turn over

- (d) Define Real Capital. Give *two* examples. [2]
(e) When is the demand for a good said to be perfectly inelastic? [2]

Question 3

- (a) Briefly explain why direct taxes foster civic consciousness among people. [2]
(b) What is the impact of division of labour on cost of production? [2]
(c) The price of a commodity rises from ₹20.00 to ₹40.00. Consequently its supply increases from 100 units to 400 units. Calculate the price elasticity of supply. [2]
(d) State *two* agency functions of a Commercial bank. [2]
(e) Give *two* reasons in favour of privatisation of Public Sector Enterprises. [2]

Question 4

State whether the following statements are true or false. Give *one* reason for your answer.

- (a) Construction of dams can have negative impacts on the eco-system. [2]
(b) The demand for inferior goods rises when the income of a consumer increases. [2]
(c) A monopolist can sell the same product at different prices to different customers. [2]
(d) During inflation the debtors gain and creditors lose. [2]
(e) Labour is the beginning and end of production. [2]

PART II (60 Marks)

Attempt any four questions from this Part

Question 5

- (a) What is demand? Explain how quantity demanded of a commodity X will be affected by: [7]
(i) An increase in the price of its substitutes.
(ii) Consumer credit facility.
(iii) Government policy.
(b) What do you understand by efficiency of labour? Discuss any *two* causes of low efficiency of labour and suggest one measure to improve it. [8]

Question 6

- (a) With reference to land as a factor of production: [7]
- (i) Why is it considered a 'passive' and an 'indestructible' factor of production? *
 - (ii) Mention *two* ways in which land is different from capital.
 - (iii) Discuss *two* important functions of land.
- (b) What is meant by an Indirect tax? Give *two* examples. Explain briefly *two* [8]
merits and *two* demerits of Indirect tax.

Question 7

- (a) Define Ecosystem. Explain any two impacts of each of the following on the [7]
eco system:
- (i) Industrialisation
 - (ii) Automobiles
 - (iii) Dwelling houses.
- (b) (i) Define a monopolistically competitive market. Give two examples of this [8]
market structure.
- (ii) Explain two important features of this type of market. State one similarity
and one difference between monopolistic competition and perfect
competition.

Question 8

- (a) Define money. Explain how money can: [7]
- (i) Overcome the difficulties of double coincidence of wants.
 - (ii) Act as a store of value
 - (iii) Help producers employ various factors of production.
- (b) Explain clearly *four* ways by which the State can promote economic growth [8]
and development.

Question 9

- (a) (i) What is the impact of the behaviour of cost of production on elasticity of [7]
supply?

(ii) Draw and explain the following degrees of elasticity of supply.

i. $E_p = \alpha$

ii. $E_p = 0$

iii. $E_p > 1$

- (b) What are Commercial Banks? Explain clearly three methods adopted by Commercial Banks to borrow money from the public. [8]

Question 10

- (a) Read the extract given below and answer the questions that follow:
Aug 17, 2015

Mumbai: Bankers today said, the sharp fall in inflation to 3.78% for July has raised hopes of another rate cut by RBI at September review of the policy.

“Obviously, if more and more and more positive news on inflation front comes, it’s a reasonable expectation to expect that rates will be cut at the September policy”, reported Mr. Aditya Puri, the Managing Director of HDFC Bank. He said, the Governor of RBI, Mr. Raghuram Rajan had earlier said that RBI is actively looking at rate cut.

- (i) Name the policy implemented by RBI to control and regulate money supply. [7]
- (ii) Define creeping inflation. What is its impact on the economy?
- (iii) Explain how the following measures are adopted by RBI to control inflation:
- i. Change in Reserve Ratio
 - ii. Credit Rationing.
- (b) Explain four ways by which an entrepreneur can promote economic development. [8]