

# 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) Mention one important difference between land and capital. [2]
- (b) In which form of market is the seller a price maker? Justify your answer. [2]
- (c) What is meant by an overdraft facility? [2]
- (d) State two positive roles played by Public Sector Undertakings in India. [2]
- (e) Draw a neat diagram to show a relatively elastic supply curve. [2]

### **Question 2**

- (a) *Construction of dams has negative impacts on the ecosystem.* [2]  
Give two reasons to justify the statement.
- (b) What is meant by labour in economics? [2]

- (c) A consumer purchased 60 units of a good at ₹ 7 per unit. But when price rises to ₹ 12 per unit, demand contracts to 40 units. Calculate the price elasticity of demand. [2]
- (d) *Entrepreneurship is not labour even though there are human factors associated with the same business.* Explain. [2]
- (e) Complete the following hypothetical individual supply schedule: [2]

Price in ₹	Quantity supplies in kgs.
40	25
35	(i)
30	18
25	(ii)

### Question 3

- (a) Differentiate between walking inflation and running inflation. [2]
- (b) Explain horizontal division of labour with an example. [2]
- (c) State two ways in which the Government can play an important role in the rapid agricultural development of a country. [2]
- (d) How is circulating capital different from fixed capital? [2]
- (e) What is joint demand? Give an example. [2]

### Question 4

Define the following terms:

- (a) Regressive Taxation [2]
- (b) Monopsony [2]
- (c) Migration [2]
- (d) Money [2]
- (e) Perfectly inelastic demand [2]

## **PART II (60 Marks)**

*Attempt **any four** questions from this Part*

### **Question 5**

- (a) Define capital formation. [7]  
Explain three important factors affecting the rate of capital formation.
- (b) Discuss any four negative impacts of industrialization. [8]

### **Question 6**

- (a) What is a Central Bank? Explain the following functions of a Central Bank: [7]  
(i) Issuing paper notes  
(ii) Acting as a banker to the Government  
(iii) Lender of the Last resort
- (b) (i) Prepare a hypothetical individual demand schedule. [8]  
(ii) Draw the individual demand curve based on the schedule.  
(iii) Explain any two determinants of demand other than price.

### **Question 7**

- (a) What is privatization? Explain three arguments favouring privatization. [7]
- (b) What do you understand by Efficiency of Labour? [8]  
Explain three factors affecting efficiency of labour.

### Question 8

- (a) What is a monopolistically competitive market? [7]

Explain the following features of this market:

- (i) Non-price competition
  - (ii) Presence of Selling cost
  - (iii) Price policy which is followed.
- (b) Explain any four factors affecting productivity of land. [8]

### Question 9

- (a) What are direct taxes? [7]

Explain how direct taxes:

- (i) are equitable
  - (ii) increase civic sense
  - (iii) are economical
- (b) What are Commercial Banks? [8]

Name any two Commercial Banks of India.

Explain the difference between *Cash Credit* and *Bank Loans* lent by the Commercial Banks.

### Question 10

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

#### **NDTV Profit, May 01, 2019**

*State Bank of India, the country's largest lender, has reduced interest rate on savings bank accounts with balance of Rs. 1 lakh or more from today. The State Bank of India customers with Rs. 1 lakh or more in their savings account will earn an interest of 3.25 percent.*

*Meanwhile, customers with less than Rs. 1 lakh in their savings bank accounts will continue to earn interest at the rate of 3.50 percent.*

*The move to reduce interest rate on deposits of more than Rs. 1 lakh comes as the State Bank of India is linking the interest rate to the RBI's repo or short-term lending rate. The interest rate on savings bank account may move up or down depending on what stance the Reserve Bank of India takes at the bi-monthly monetary policy meeting.*

- (i) What is monetary policy? [2]
  - (ii) What is Bank Rate? What is the effect of a reduction in Bank Rate? [4]
  - (iii) Will a reduction in the interest rate on savings account encourage or discourage savings? [1]
- (b) *Several causes have been identified by researchers for the poor performance of the public sector enterprises in India.* [8]

Identify and explain *four* such causes.