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.

Try 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) State the Law of Supply. [2]
(b) Draw a demand curve whose elasticity is equal to one. [2]
(c) Define Labour and give one characteristic of labour. [2]
(d) Can a monopolist charge different prices for the same product? Justify your answer. [2]
(e) Distinguish between limited legal tender and unlimited legal tender. [2]

Question 2

(a) Mention two determinants of demand. [2]
(b) Discuss one function of an entrepreneur. [2]
(c) Briefly explain the nature of Sales Tax. [2]
(d) Give one point of distinction between the Central Bank and a Commercial Bank. [2]
(e) Discuss one factor which increases productivity of land in India. [2]
Question 3

(a) Give one distinguishing feature of Monopoly with an example from the Indian Economy. [2]
(b) What kind of tax structure does India have? Define it. [2]
(c) What is meant by Public Debt? [2]
(d) Explain circulating capital with an example. [2]
(e) Give one cause for a rightward shift in the supply curve. [2]

Question 4

(a) Give one difference between qualitative and quantitative credit control. [2]
(b) Name two instruments of Fiscal Policy. [2]
(c) What is the effect of inflation on the fixed income group? [2]
(d) Why does a supply curve slope upwards? [2]
(e) Define Monetary Policy. [2]

PART II (60 Marks)

Answer any four questions from this Part.

Question 5

(a) Does a demand curve always have a negative slope? Justify your answer with four reasons. [7]
(b) Distinguish between increase and extension in supply with suitable diagrams. [8]

Question 6

(a) Write two similarities and two dissimilarities between Perfectly Competitive Market and Monopolistically Competitive Market. [7]
(b) Discuss any four causes by which the ecosystem has been destroyed due to the changing pattern of land use. [8]
Question 7
(a) Explain four reasons for privatization. [7]
(b) Explain how credit can be controlled by Bank Rate and Reserve Ratio. [8]

Question 8
(a) Explain four differences between Direct and Indirect taxes. [7]
(b) Discuss the role of state in Economic development with reference to industrialization and reducing inequality of income. [8]

Question 9
(a) Explain four determinants of supply. [7]
(b) Explain two benefits of division of labour on producers and consumers. [8]

Question 10
(a) Explain the methods adopted by Commercial banks to mobilize deposits. [7]
(b) Read the extract given below and answer the questions that follow:
The Times of India, New Delhi.
“Today’s youths are in no mood to wait especially when it comes to investments. Investors in the age group of 24 to 30 want to stay invested only for one or two years rather than having their money blocked for 10-20 years.
(i) Define capital formation.
(ii) Explain four ways of increasing investment in India.