

ECONOMIC APPLICATIONS

Maximum Marks: 100

Time allowed: Two hours

1. *Answers to this Paper must be written on the paper provided separately.*
 2. *You will **not** be allowed to write during the first 15 minutes.*
 3. *This time is to be spent in reading the question paper.*
 4. *The time given at the head of this Paper is the time allowed for writing the answers.*
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5. *Attempt **all** questions from **Section A** and **any four** questions from **Section B**.*
 6. *The intended marks for questions or parts of questions are given in brackets[].*

Instruction for the Supervising Examiner

Kindly read aloud the Instructions given above to all the candidates present in the Examination Hall.

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) **Assertion (A):** The demand for commodities like salt, matches etc. is highly elastic.

Reason (R): The demand for commodities like salt, matches etc. is highly inelastic because the consumer spends a very small amount of expenditure in relation to his/her income.

- (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) is the correct explanation of (A).
 - (d) Both (A) and (R) are true but (R) is not the correct explanation of (A).
- (ii) The elasticity of demand on a rectangular hyperbola demand curve is _____.
- (a) relatively elastic
 - (b) relatively inelastic
 - (c) unitary elastic
 - (d) perfectly inelastic

- (iii) If an increase in output by the firms in an industry causes only a slight increase or decrease in cost per unit, supply will be:
- (a) Perfectly elastic
 - (b) Relatively elastic
 - (c) Perfectly inelastic
 - (d) Relatively inelastic
- (iv) Choose the correct term for the given definition:

Shifting of people from villages and small towns to larger cities for better living conditions.

- (a) Industrialisation
 - (b) Shifting Cultivation
 - (c) Migration
 - (d) Capital formation
- (v) Identify the type of division of labour in the industry shown in the image below.



- (a) Simple
- (b) Complex
- (c) Compound
- (d) Complex and compound

(vi) Steel as a capital good can be used in various lines of production. Steel is a _____.

- (a) Fixed Capital
- (b) Circulating Capital
- (c) Floating Capital
- (d) Sunk Capital

(vii) Match the following:

| | | | |
|----|--|----|---|
| 1. | Higher standard of living | P. | Increase in labour productivity |
| 2. | Removal of income inequality | Q. | Higher per capita income |
| 3. | Capital formation | R. | Impose higher income tax on the rich people |
| 4. | Creation of healthy working conditions | S. | Growth in terms of factories, roads, machinery etc. |

- (a) 1-P, 2-Q, 3-R, 4-S
- (b) 1-S, 2-R, 3-Q, 4-P
- (c) 1-R, 2-Q, 3-S, 4-P
- (d) 1-Q, 2-R, 3-S, 4-P

(viii) If the price of a commodity falls by 10%, its demand decreases by 25%. The elasticity of demand would be:

- (a) 1.5
- (b) -2.5
- (c) 0.25
- (d) 0.15

- (ix) The image given below shows which function of an entrepreneur?



- (a) Innovation
- (b) Decision making
- (c) Risk bearing
- (d) Delegation of functions
- (x) Health conscious people prefer the usage of honey over sugar in the management of diseases. How are honey and sugar related?
- (a) Complementary goods
- (b) Substitute goods
- (c) Unrelated goods
- (d) Joint goods
- (xi) **Assertion (A):** Income tax is a direct tax.
- Reason (R):** Goods and Service Tax (GST) is an indirect tax.
- (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) is the correct explanation of (A).
- (d) Both (A) and (R) are true but (R) is not the correct explanation of (A).

- (xii) Which of the following is an exception to the law of demand?
- (a) Veblen Effect
 - (b) Taste and preferences
 - (c) Change in numbers of consumers
 - (d) Price of related goods
- (xiii) **Assertion(A):** Transfer of ownership and management of Public Sector Undertakings to the private sector is privatisation.
- Reason(R):** There is no sale of share of Public Sector Undertaking.
- (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) is the correct explanation of (A).
 - (d) Both (A) and (R) are true but (R) is not the correct explanation of (A).
- (xiv) There are train and bus services between New Delhi and Lucknow. If the bus fare between the two cities comes down, how will it affect the demand curve for train travel between the two cities?
- (a) Demand curve will shift leftward for train travel
 - (b) Demand curve will shift rightward for train travel
 - (c) Demand curve will move upward for train travel
 - (d) Demand curve will move downward for train travel
- (xv) Which of the following is not an example of public sector enterprises?
- (a) BHEL
 - (b) Reliance Industries
 - (c) Hindustan Steel Limited
 - (d) ONGC

- (xvi) Identify from the given options, the market which has a large number of buyers and sellers, selling homogeneous goods:
- (a) Monopsony
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) Monopolistic Competition
- (xvii) Observe the relationship of the first pair of words and complete the second pair.
During inflation, Producers gain; During inflation, _____ lose.
- (a) Wage earners
 - (b) Farmers
 - (c) Debtors
 - (d) Traders
- (xviii) If the quantity demanded of commodity **X** decreases as the household's income increases, what type of good is **X**?
- (a) Normal good
 - (b) Complementary good
 - (c) Substitute good
 - (d) Inferior good
- (xix) Identify the odd one out:
- (a) Accepting deposit
 - (b) Lender of last resort
 - (c) Publicity
 - (d) Moral Suasion

- (xx) The monetary policy of a country mainly relates to:
- (a) stable foreign relations
 - (b) the volume of money supply
 - (c) generation of unemployment in the country
 - (d) greater tax collections for the government

Question 2

- (i) When the price of a commodity falls by 80%, the quantity demanded increases by 100%. Calculate the price elasticity of demand of the commodity. [2]
- (ii) State *two* factors affecting productivity of land. [2]
- (iii) If the government of India levies excise duty on wheat, in which direction will the supply curve of wheat shift? Explain with the help of a diagram. [2]
- (iv) 12,000 varieties of rice are grown in West Bengal. Identify the form of market and mention *one* feature of this market form. [2]
- (v) Prepare a hypothetical individual supply schedule. [2]

Question 3

- (i) State *any two* differences between *land* and *capital*. [2]
- (ii) Explain how banks can advance loans through cash credit. [2]
- (iii) What is *division of labour*? [2]
- (iv) State *any two* demerits of direct taxes. [2]
- (v) Mention *any two* adverse impacts of industrialisation on the ecosystem. [2]

SECTION B (60 Marks)

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

Question 4

- (i) (a) What is meant by *Capital*? [7]
- (b) Explain the following features of Capital:
1. Capital is the produced means of production.
 2. Capital is a passive factor.
 3. Capital is the result of past savings.
- (ii) (a) State the *Law of Demand*. [8]
- (b) Complete the following market demand schedule and give a graphical representation of the same.

Market Demand Schedule of Firm A and B

| Price per unit (₹) | Quantity demanded (kgs) by | | Market Demand (kgs) |
|-----------------------|----------------------------|--------|------------------------|
| | Firm A | Firm B | |
| 25 | 16 | 15 | ? |
| 30 | 12 | 11 | ? |
| 35 | 10 | 9 | ? |
| 40 | 8 | 6 | ? |

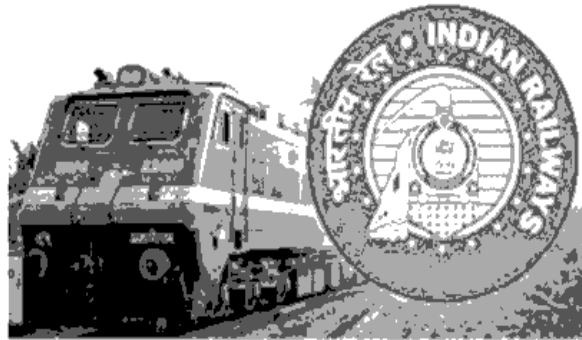
- (c) State *one* point of difference between *want* and *demand*.

Question 5

- (i) (a) What is meant by *Elasticity of Demand*? [7]
- (b) Explain graphically the following:
1. Relatively Elastic Demand
 2. Relatively Inelastic Demand
 3. Perfectly Elastic Demand

(ii)

[8]



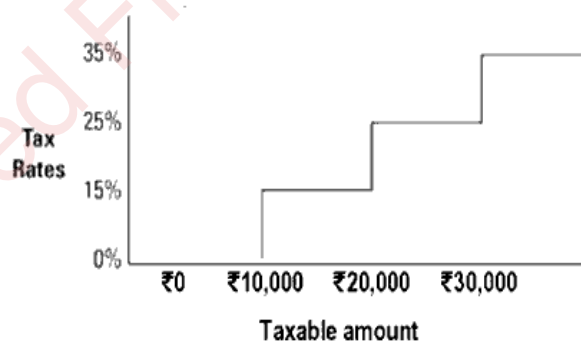
- (a) Identify and explain the form of market as observed from the above image.
- (b) State *any three* differences between the above concept and monopolistically competitive market.

Question 6

- (i) What is meant by *Public Sector Enterprises*? Explain *any three* problems of public sector for it to be privatised. [7]
- (ii) Distinguish between *Expansion of supply* and *Increase in supply*. [8]

Question 7

- (i) [7]



- (a) Which type of tax is indicated in the above graph?
- (b) With the help of *any three* points distinguish between *Proportional tax* and the above type of tax.

- (ii) Read the extract and answer the questions that follow: [8]

India's workforce is nearly 56.5 crore, with more than 45% employed in agriculture, 11.4% in manufacturing, 28.9% in services and 13% in construction. About 94% of Indian labour is involved in the unorganised sector comprising semi-skilled and unskilled workers ranging from push cart vendors to home based diamond and gem polishing operators. The organised sector includes workers employed in the public and private sectors.

— Economic Survey 2023-24

- (a) With *one* example of each, state *two* important classifications of labour.
(b) What is meant by *labour*?
(c) Explain *any two* characteristics of labour.

Question 8

- (i) (a) What is meant by *Money*? [7]
(b) How does money act as:
1. Measure of Value
2. Standard of Deferred Payment
3. Distribution of National Income
- (ii) (a) Explain *Ecosystem*. [8]
(b) Identify the industrial practice and explain *three* adverse effects of it on the ecosystem.



Question 9

- (i) Read the extract carefully and answer the questions that follow: [7]

The Prime Lending Rate (PLR) refers to that interest rate charged by the commercial banks while giving loans to the borrower having high credit worthiness. So, the PLR can be considered as the minimum lending rate. This was introduced for the commercial banks of India in 1994. Since, April 2001 the PLR has been converted to a benchmark rate for commercial banks. Generally the commercial banks charge interest rates either equal to or above the PLR while giving loans. The average PLR of the commercial banks was 12.05% on 10th December 2020 and has been revised as 15.15% per annum with effect from 15th June 2024.

— *Economic survey, Government of India.*

- (a) What are *Fixed Deposits*?
- (b) What is a *Commercial Bank*?
- (c) Explain clearly the following methods adopted by Commercial Banks to advance loans to the public:
1. Loans
 2. Overdrafts
- (ii) (a) Explain *Quantitative Method of Credit Control*. [8]
- (b) Explain the following quantitative methods of credit control:
1. Cash Reserve Ratio
 2. Bank Rate
 3. Statutory Liquidity Ratio