
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) State the Law of Supply. [2]
- (b) "Entrepreneurs are innovators." Briefly explain. [2]
- (c) What do you understand by hyperinflation? [2]
- (d) Mining operations can destroy the ecosystem. [2]
Give two reasons to support the statement.
- (e) Highlight the importance of selling costs in a monopolistically competitive market. [2]

Question 2

- (a) Land is heterogeneous in nature. Explain. [2]
- (b) How does the presence of banks in a country help in capital formation? [2]

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- (c) Which of the following is considered as labour in Economics? [2]
- (i) Acting done by a film star.
 - (ii) The judgement given by a judge in the court.
 - (iii) Washing of clothes by a washer man.
 - (iv) Preparation of tea by a housewife.
- (d) Why is money referred to as legal tender money? [2]
- (e) What is meant by product differentiation? In which market form is it prevalent? [2]

Question 3

- (a) State the formula for calculating the Price Elasticity of demand using the Percentage method. [2]
- (b) Explain the impact of inflation on the fixed income group of people. [2]
- (c) Give two examples of a pair of commodities that are substitutes of each other. [2]
- (d) Explain how an improper price policy results in the poor performance of public sector enterprises. [2]
- (e) Differentiate between capital and capital formation. [2]

Question 4

- (a) How does direct tax reduce income inequality? [2]
- (b) What are Public Sector Enterprises? [2]
Give two examples of Public Sector Enterprises in India.
- (c) Distinguish between sunk capital and floating capital. [2]
- (d) Briefly explain the following credit control methods adopted by the Central bank: [2]
- (i) Publicity
 - (ii) Moral persuasion
- (e) Name any two instruments of Fiscal Policy. [2]

PART II (60 Marks)

Attempt **any four** questions from this Part

Question 5

- (a) (i) Prepare an individual supply schedule. [7]
- (ii) Draw a supply curve based on the schedule prepared above.
- (iii) State three assumptions of the law of supply.
- (b) Explain four reasons as to why land is considered to be an important factor of production. [8]

Question 6

- (a) Does a demand curve always have a negative slope? [7]
- Give three reasons to justify your answer.
- (b) Point out the differences between perfect competition and monopoly on the basis of: [8]
- (i) Number of sellers
- (ii) Market price
- (iii) Entry of Firms
- (iv) Type of products produced

Question 7

- (a) Why is labour an important factor of production? [7]
- Explain the following characteristics of labour:
- (i) Labour cannot be separated from the labourer.
- (ii) Labour can improve its efficiency.
- (iii) Labour is perishable.

- (b) Discuss four ways in which an entrepreneur contributes to Economic development. [8]

Question 8

- (a) Define Money. Explain the secondary functions of money. [7]
- (b) Explain the methods adopted by Commercial Banks to mobilize funds from the public. [8]

Question 9

- (a) What is meant by urbanisation? [7]
Explain *three negative impacts* of urbanisation on the eco-system.
- (b) State two merits and two demerits of direct taxes. [8]

Question 10

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

Economic Times, April 12, 2018, New Delhi

*NEW DELHI: The Tata Group remains in the race for Air India, the debt-laden national carrier on which IndiGo, Jet Airways and Emirates are no longer keen. Other airlines still interested in participating in the **privatisation** of Air India include Lufthansa and Singapore Airlines. Reuters on Wednesday reported that the Tata Group is not interested in bidding for Air India. But sources told ET that the Tatas have not pulled out, and are still interested in acquiring Air India along with a foreign partner.*

Meanwhile, in another move that will allow bidders to change members between the initial and final bidding stages, likely suitors for Air India

*have sought a relaxation in the norms for consortia participating in the debt-laden carrier's **privatisation**.*

- (i) Explain any two ways in which the government can undertake privatisation of public sector units. [4]
- (ii) State three reasons for the need for privatisation. [3]
- (b) Discuss four ways in which the State plays an important role in Economic Development. [8]

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