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## 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.

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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 [ ].

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### 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) What kind of a tax is Sales Tax? Explain. [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? [7]  
Justify your answer with *four* reasons.
- (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) Labour is a unique factor of production. Discuss giving *four* points. [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: [8]

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.