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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) Demand is inversely related to price. Explain. [2]
- (b) State two ways in which the government can promote economic development. [2]
- (c) What is meant by Joint demand? Give an example. [2]
- (d) Mention two adverse effects of mining on the environment. [2]
- (e) Draw and briefly explain a perfectly elastic supply curve. [2]

#### Question 2

- (a) If the price of a commodity increases by 50% and its supply increases by 25% [2]  
then calculate the price elasticity of supply following the percentage method.  
Identify the degree of price elasticity.
- (b) State any two factors which determine capital formation in a country. [2]
- (c) What is meant by regressive taxation? [2]
- (d) Define Monopoly. Give an example. [2]
- (e) What is meant by creeping inflation? [2]

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**This Paper consists of 4 printed pages.**

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### Question 3

- (a) Name the market in which there is a single buyer and many sellers. Give an example. [2]
- (b) How does a Central Bank act as a custodian of foreign exchange reserve? [2]
- (c) Define division of labour. Explain one benefit of division of labour. [2]
- (d) How does money act as a measure of value? [2]
- (e) What is meant by a demand deposit? [2]

### Question 4

State whether the following statements are *true* or *false*. Give reasons.

- (a) Inflation has a favourable effect on producers. [2]
- (b) In a perfectly competitive market producers are price makers. [2]
- (c) When change in demand is greater than the change in price, it is a case of inelastic demand. [2]
- (d) Savings is essential for capital formation. [2]
- (e) An increase in the rate of tax with an increase in income is called proportional tax. [2]

## PART II (60 Marks)

*Attempt any four questions from this Part*

### Question 5

- (a) Define a Perfect market. Explain any four features of a Perfect market. [7]
- (b) (i) What do you understand by supply? How does it differ from stock? [8]  
(ii) What does the Law of Supply state? List two assumptions of this Law.  
(iii) Explain two factors affecting supply other than price.

**Question 6**

- (a) What is meant by urbanization? Explain four impacts of urbanization on the environment. [7]
- (b) With the help of appropriate diagram, explain the meaning of contraction in demand and extension in demand. [8]

**Question 7**

- (a) Define *land*. State any three factors which determine the productivity of land. [7]
- (b) What is meant by a Commercial Bank. Explain how Commercial banks provide credit facilities through the methods given below: [8]
- (i) Cash Credit
  - (ii) Loan
  - (iii) Over Draft facility

**Question 8**

- (a) What is meant by Monetary policy? Explain the following: [7]
- (i) Bank rate policy
  - (ii) Open market operations.
- (b) What is meant by product differentiation? To which market is it relevant? [8]  
Explain three features of this market.

**Question 9**

- (a) Define money. Explain three contingent functions of money. [7]
- (b) What is meant by privatization? Explain briefly four problems of public sector undertakings in India. [8]

### Question 10

Read the extract and answer the following:

Labour refers to any physical and mental endeavour undertaken for the purpose of producing a good or a service. In India in 2012 there were 487 million workers, the second largest after China. 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 sector and the private sector.

- (i) Explain any four special characteristics of labour. [6]
- (ii) With suitable examples explain three important classifications of labour. [6]
- (iii) Define efficiency of labour. Briefly explain the impact of technology on efficiency of labour. [3]