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## **ICSE 2010 : ECONOMIC APPLICATIONS**

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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.

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)

### Question 1.

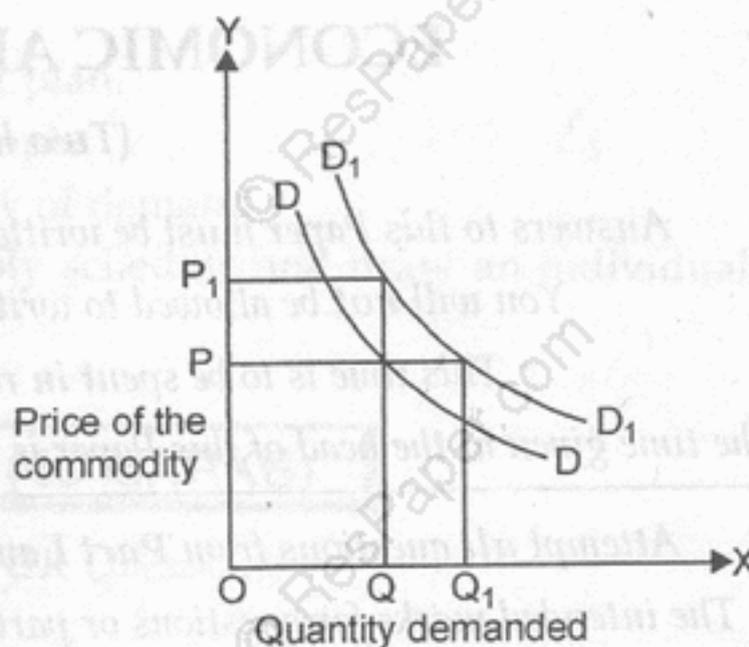
- (a) Give *two* reasons for the positive slope of the supply curve. [2]
- (b) Would the elasticity of demand in the following cases be unity, less than unity or greater than unity? [2]
- A rise in the price of a commodity reduces the total expenditure.
  - A rise in the price of a commodity increases total expenditure.
  - A fall in the price of a commodity increases total expenditure.
  - A fall in the price of a commodity, the total expenditure remains the same.
- (c) Mention *two* assumptions of the law of Supply. [2]
- (d) If commodity X and Y are complementary goods, what will be the cross elasticity of demand? [2]
- (e) With the help of a suitable diagram explain extension in demand. [2]

### Question 2.

- (a) What is regarded as a factor of production and why? [2]
- capital
  - interest
  - profit
  - rent
- (b) Suggest *two* methods to enhance the productivity of land. [2]
- (c) Mention *one* feature each of a monopoly market and of a perfect market present in a monopolistically competitive market. [2]
- (d) Define wage policy. Mention *two* of its objectives. [2]
- (e) Suggest *two* measures to improve efficiency of labour in the unorganized sector in India.

**Question 3.**

(a) Explain the following diagram :



[2]

[2]

- (b) What is meant by *monopsony* ? Give an example. [2]
- (c) Why are selling costs not required in a perfectly competitive market ? [2]
- (d) Mention *two* ways in which the Reserve Bank of India assists the commercial banks. [2]
- (e) Mention *one* way by which Fiscal Policy can be used to control economic recession. [2]

**Question 4.**

- (a) How does money resolve the problem of double co-incidence of wants ? [2]
- (b) Give *two* advantages of depositing money with Commercial Banks. [2]
- (c) Mention *one* way by which the Government can reduce the disparity in income and wealth distribution of its citizens in a developing economy. [2]
- (d) What is meant by product differentiation ? To which market is it relevant ? [2]
- (e) How is budget deficit financed in India ? [2]

**PART – II (60 MARKS)**

(Attempt any *FOUR* Questions)

**Question 5.**

- (a) Explain the law of demand with the help of assumptions, a diagram and a schedule. How does demand differ from want ? [8]
- (b) Public sector units made a commendable contribution to the Indian economy in the early phase of planned development. What are public sector units ? Explain any *four* contributions of PUS's to the Indian economy. [7]

**Question 6.**

- (a) Many a time the inverse relationship between price and the amount purchased does not hold good. Explain this statement giving *four* reasons. [8]
- (b) Differentiate between *mental* and *physical* labour. State *four* ways in which division of labour will influence production in an economy. [7]

**Question 7.**

- (a) Define capital formation. Explain any *four* causes of low capital formation in a developing economy. [8]
- (b) With the help of a diagram define decrease in supply. Discuss *four* factors which determine this phenomenon. [7]

**Question 8.**

- (a) (i) Define a tax. State *two* differences between *income tax* and *commodity tax*.  
 (ii) Explain how tax can be used as an instrument to regulate consumption and production in an economy. [8]
- (b) Define the terms *liberalization* and *globalization*. Discuss any *two* measures adopted by the state to promote economic development. [7]

**Question 9.**

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

Annual food price inflation inched up to 13.39% in the week ended October 24 from 12.8% in the week before, a statement by the Ministry of Commerce on Thursday showed. The weakest monsoon rains in the last seven years and floods in parts of the country have hurt farm output and pushed up the foods prices, reports Our Bureau from New Delhi.

*The Economic Times, 28<sup>th</sup> October, 2009*

- (i) Briefly explain walking inflation and running inflation.  
 (ii) Give *two* reasons for soaring food prices.  
 (iii) Suggest *two* measures to combat inflation. [8]
- (b) Discuss the role of the Central Bank as the banker and fiscal agent to the government. [7]

**Question 10.**

- (a) The main functions of a commercial bank are to accept deposits and advance loans. Explain *two* types of deposits accepted and *two* types of loans given by commercial banks. [8]
- (b) Distinguish between *Fiat money* and *Bank money*.  
 Explain *two* primary functions of money. [7]