

MARTHOMA RESIDENTIAL SCHOOL TIRUVALLA

SECOND MODEL EXAMINATION 2018-19

ECONOMIC APPLICATIONS

Max Marks:100

Time : 2 Hrs

D:X

Answer to this paper must be written on the paper provided separately. You will not be allowed to write the first 15 minutes. This time is to be spent in reading the question papers. The time given at the head of this paper is the time allowed for writing the answer.

Attempt all questions from part I and only four questions from part II

The intended marks for questions or parts of questions are given in the brackets.[]

**PART I (40 MARKS)**

Attempt all questions from this part.

**Question 1.**

- Mention any two factors other than the price of the commodity which determines market demand for that commodity. [2]
- State whether the following statement is true or false. Give Reason- A market demand curve is derived from the vertical summation of different individual demand curves. [2]
- Draw a relatively elastic and a relatively inelastic supply curve. [2]
- What would be the shape of a long run supply curve of a decreasing cost industry? [2]
- Distinguish between horizontal and vertical division of labour. [2]

**Question 2.**

- Explain Giffen effect with the help of a diagram. [2]
- State any two determinants of elasticity of demand. [2]
- Distinguish between joint demand and composite demand. [2]
- Distinguish between movement along the supply curve and the shift of the supply curve. [2]

- e) There are three firms A, B and C. The supply schedules for the market and for firms A and B are given below. Prepare the supply schedule for firm C.

Price Rs	Firm A [Unit]	Firm B [Unit]	Firm C [Unit]	Market SS
10	0	25		35
20	10	30		60
30	20	35		85
40	30	40		110

[2]

### Question 3.

- Mention two impacts of the construction of large dams that cause harm to ecosystem. [2]
- Distinguish between capital and capital formation. [2]
- State any two functions of an entrepreneur. [2]
- Define market and state any two characteristics of a market. [2]
- Explain product differentiation. [2]

### Question 4.

- Mention four phases of a business cycle. [2]
- How are taxes used to regulate consumption and production? [2]
- Give two reasons why deficit financing is inflationary in nature. [2]
- Explain any two difficulties of barter system. [2]
- What is creeping and walking inflation? [2]

## PART II (60 Marks)

*Answer any four questions*

### Question 5.

- What are the different components of the supply of money? [7]
  - Mention two difference between the fixed deposit and the recurring deposit.
  - State two agency functions of a commercial bank. [8]
- Explain any four functions of RBI.

### Question 6.

- Define the following:  
1] Deficit Budget. 2] Surplus Budget. 3] Balanced Budget.
  - Explain contractionary fiscal policy. [7]

- b) i. Identify the market forms for the following items given below.
- 1) Single seller.
  - 2) Homogeneous goods.
  - 3) Product differentiation.
  - 4) A single buyer.
- ii. Define monopsony market.
- iii. Distinguish between perfect competition and monopoly market. [8]

#### Question 7.

- a) What is meant by ecosystem? Explain any three adverse effects of mining on the ecosystem? [7]
- b) Explain the four types of division of labour. [8]

#### Question 8.

- a) i. Define: 1] Money Capital. 2] Real Capital. 3] Debt Capital.  
ii. Distinguish between capital and labour. [7]
- b) i. Explain the terms: 1] Price taker. 2] Price maker.  
ii. Explain one merit and one demerit of progressive taxation.  
iii. What is meant by fiat money? [8]

#### Question 9.

- a) i. Explain the secondary functions of money.  
ii. Define Bank. [7]
- b) i. A consumer purchased 10 units of a commodity when its price was Rs 5 per unit. He purchased 12 units of the commodity when price falls to Rs 4 per unit. Calculate the price elasticity of demand for the commodity.  
ii. Describe the following types of banks:  
1] Central Bank  
2] Developmental Bank  
3] Land Mortgage Bank [8]

#### Question 10.

- a) Explain four demand pull and three cost push factors which generate inflationary pressure. [7]
- b) Describe any four important role of the State in promoting economic development. [8]