

ICSE BOARD EXAMINATION - 2023
ECONOMICS APPLICATIONS
Solved Paper
Class-10th

Maximum Marks: 100

Time allowed: 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 **Section A** and **any four** questions from **Section B**.*

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

SECTION A (40 Marks)

(Attempt all questions from this Section.)

Question 1

[20]

Choose the correct answers to the questions from the given options.

(Do not copy the questions, write the correct answers only.)

(i) Supply always refers to a specific desired quantity which a seller is willing to:

- | | |
|-----------|-------------------|
| (a) Sell | (b) Purchase |
| (c) Store | (d) None of these |

(ii) The demand curve which indicates the inverse relationship between price and demand:

- | | |
|------------------------|----------------------|
| (a) Slopes upward | (b) Slopes downward |
| (c) Remains horizontal | (d) Remains vertical |

(iii) When a straight-line supply curve cuts the y -axis, the elasticity of supply will be:

- | | |
|---------------------|--------------------------|
| (a) Elastic | (b) Inelastic |
| (c) Unitary elastic | (d) Perfectly inelastic. |

(iv) Use of high yielding variety of seeds is related to productivity of:

- | | |
|------------------|-------------|
| (a) Entrepreneur | (b) Capital |
| (c) Land | (d) Labour |

(v) Which factor of production is not a hired factor?

- | | |
|-------------|------------------|
| (a) Land | (b) Labour |
| (c) Capital | (d) Entrepreneur |

(vi) What will be the effect of raising production subsidies on the supply of a commodity?

- | | |
|---|---|
| (a) Downward movement along the supply curve. | (b) Leftward shift of supply curve. |
| (c) Rightward shift of supply curve. | (d) Upward movement along the supply curve. |

- (vii) If the percentage increase in the quantity of a commodity is smaller than the percentage fall in its price, the coefficient of price elasticity of demand is:
- (a) greater than 1 (b) equal to 1
(c) smaller than 1 (d) zero
- (viii) Which market supplies homogeneous products?
- (a) Monopoly market (b) Monopsony market
(c) Oligopoly market (d) Perfectly competitive market
- (ix) The reward of an entrepreneur is in the nature of:
- (a) contractual income (b) residual income
(c) constant income (d) positive income
- (x) The market structure which is characterized by a single producer of a commodity and when there are no close substitutes for that commodity:
- (a) Monopoly market (b) Perfectly competitive market
(c) Monopolistically competitive market (d) Monopsony market
- (xi) If tea and coffee are substitutes, then bread and butter are examples of:
- (a) Joint goods (b) Similar goods
(c) Complementary goods (d) Homogeneous goods
- (xii) The rate at which commercial banks borrow from the Central Bank is the:
- (a) Bank rate (b) Deposit rate
(c) Lending rate (d) None of these
- (xiii) Monopsony is a market where the:
- (a) seller is a price maker (b) buyer is a price maker
(c) buyer is a price taker (d) None of these
- The tax whose rate remains unchanged irrespective of the income of the taxpayer is called as
- (a) Progressive tax (b) Regressive tax
(c) Direct tax (d) Proportional tax
- (xv) The function of money which allows a person to pay for a commodity at a future date is called as:
- (a) Unit of account (b) Measure of value
(c) Standard of deferred payment (d) Medium of exchange
- (xvi) Which of the following types of capital gets exhausted after its use and gets embodied in the finished product?
- (a) Fixed capital (b) Working capital
(c) Social capital (d) Sunk capital
- (xvii) _____ implies an introduction of private ownership in public sector enterprises.
- (a) Disinvestment (b) Globalisation
(c) Privatisation (d) Libéralisation

(xviii) Wealth tax is an example of:

- (a) Direct tax (b) Indirect tax
(c) Proportional tax (d) Degressive tax

(xix) The difference between the value of security and the amount of loan sanctioned against these securities is known as:

- (a) Credit rationing (b) Margin requirement
(c) Direct Action (d) Regulation of consumer credit

(xx) When the percentage change in the quantity supplied of a commodity is exactly equal to the percentage change in its price it is known as:

- (a) Unitary elastic supply (b) Relatively inelastic supply
(c) Relatively elastic supply (d) Perfectly inelastic supply

Question 2

- (i) Discuss *any two* features of a monopolistically competitive market. [2]
(ii) Mention *two* differences between an entrepreneur and other factors of production. [2]
(iii) Explain the term '*Veblen effect*'. Give an example. [2]
(iv) Mention two problems faced by public sector enterprises in India. [2]
(v) Define progressive taxation and draw a neat labelled diagram for it. [2]

Question 3

- (i) What do you mean by 'innovative ability' of an entrepreneur? [2]
(ii) What effect does increased input price have on the supply of a commodity?
Draw a diagram in support of your answer. [2]
(iii) What do you mean by price discrimination? Give an example. [2]
(iv) A depositor is allowed to withdraw more money than what is there in his account:
(a) What is this facility called?
(b) In which type of account is it permitted? [2]
(v) Explain complex division of labour with the help of an example. [2]

SECTION B (60 Marks)

(Answer any four questions from this Section.)

Question 4

- (i) Define capital. Explain *any three* characteristics of capital. [7]
(ii) Explain the concept of price elasticity of demand. With the help of diagrams, explain the following cases of elasticity:
(a) Relatively inelastic demand curve
(b) Relatively elastic demand curve
(c) Unitary elastic demand curve [8]

Question 5

- (i) (a) What do you understand by the term 'Capital formation'?
- (b) Explain *any three* factors which affect capital formation. [7]
- (ii) (a) Distinguish between derived demand and composite demand.
- (b) Distinguish between contraction and decrease in supply. [8]

Question 6

- (i) (a) Distinguish between
1. Monetary and Fiscal policy (*One point*)
 2. Public and Private sector (*Four points*)
- (b) Explain any two reasons for privatisation. [7]
- (ii) (a) What is meant by efficiency of labour?
- (b) The Indian labour suffers from low efficiency. Explain your answer with three reasons for low efficiency of Indian labour. [8]

Question 7

- (i) (a) What is a direct tax?
- (b) What is meant by impact and incidence of taxation?
- (c) How are direct taxes different from indirect taxes? (*Any three points*) [7]
- (ii) (a) Define qualitative credit control policy of the RBI.
- (b) Central bank is the lender of the last resort. Explain.
- (c) Explain how credit rationing and margin money help to control credit in an economy. [8]

Question 8

- (i) Define money. Explain the following functions of money:
- (a) Medium of exchange
 - (b) Store of value
 - (c) Maximisation of utility. [7]
- (ii) (a) What do you understand by 'changing pattern of land use'?
- (b) Explain any three such changes causing destruction to the ecosystem. [8]

Question 9

Read the extract given below and answer the questions that follow:

ET Bureau, Aug 01, 2022

Food prices may not ease this fiscal deficit and can throw India's monetary policy makers a tougher challenge in bringing down inflation and anchoring inflation expectation, Crisil said on Monday.

The recent rise in food inflation is mainly supply shortages-led, driven by both global geopolitical conflicts and impact of local heat waves. Other factors such as rising input costs in agricultural production have played their part too.

The surge in food prices is accompanied by high fuel and core inflation following the Russia-Ukraine war, keeping inflation consistently above the Reserve Bank of India's upper target band of 6% for the past few months.

“This has put monetary policy in a quandary and made it imperative for the central bank to look closely at factors pushing up food prices,” Crisil said, predicting overall CPI inflation at 6.8% and food inflation at 7% for the current fiscal.

(i) (a) What is meant by inflation?

(b) How is creeping inflation different from walking inflation?

(c) Explain the impact of inflation on:

1. Wage earners and salaried class

2. The investors

[7]

(a) What do you mean by division of labour?

(b) Explain any two advantages of division of labour.

(c) ‘Labour as a factor of production differs from other factors of production.’ In this context explain any two features of labour.

[8]



ANSWERS

SECTION A (40 Marks)

Answer 1

(i) **Option (a) is correct.**

Explanation: Supply refers to the quantity of a good or service that producers are willing and able to sell at a given price and within a given time period, holding all other factors constant.

(ii) **Option (b) is correct.**

Explanation: The downward slope of the demand curve reflects the law of demand, which states that as the price of a good increases, consumers will demand less of that good, holding all other factors constant. Similarly, as the price of a good decreases, consumers will demand more of that good.

(iii) **Option (a) is correct.**

Explanation: When a straight-line supply curve cuts the y-axis, it indicates that the quantity supplied is zero at that point. This implies that the supply is perfectly elastic at that point.

(iv) **Option (c) is correct.**

Explanation: The use of high yielding variety of seeds is related to the productivity of land. High yielding variety of seeds (HYV) are a type of seed that is specially designed to produce a high amount of output per unit of land compared to traditional varieties. These seeds are generally developed through selective breeding or genetic engineering to produce desirable traits such as disease resistance, drought tolerance, and increased yield. While entrepreneurs, capital, and labor can also contribute to the productivity of a business, the use of high yielding variety of seeds is specifically related to the productivity of land in the agricultural sector. Top of Form

(v) **Option (d) is correct.**

Explanation: An entrepreneur is not considered a hired factor of production because they are not typically hired or employed by another party to provide their services. Instead, entrepreneurs are individuals who take on the risk of starting and managing their own business ventures. They invest their own resources, including time, money, and effort, to create a new product or service and organize the other factors of production, such as labor and capital, to produce and sell that product or service.

(vi) **Option (c) is correct.**

Explanation: Increasing production subsidies for a commodity will lead to a rightward shift of the supply curve, indicating an increase in the quantity supplied at every given price. The shift occurs because, with the increased subsidy, producers can produce and supply more of the commodity at every given price. The increase in supply will result in a lower equilibrium price and a higher equilibrium quantity in the market.

(vii) **Option (c) is correct.**

Explanation: If the percentage increase in the quantity of a commodity is smaller than the percentage fall in its price, the coefficient of price elasticity of demand is less than 1, indicating that the demand for the commodity is inelastic.

(viii) **Option (d) is correct.**

Explanation: In a perfectly competitive market, all firms sell identical products, and consumers cannot differentiate between products based on brand, quality, or any other characteristic. The products are perfect substitutes for each other.

(ix) **Option (b) is correct.**

Explanation: Income of an entrepreneur is residual in nature as entrepreneur bear risk and reward of risk is profit. Profit is income remaining after deducting all the direct and indirect expenses.

(x) **Option (a) is correct.**

Explanation: A monopoly market is a type of market structure in which there is only one seller, and there are no close substitutes for the product or service that the seller provides. In other words, the seller has complete control over the market and can charge any price they wish, as consumers have no other options for obtaining the same product or service.

(xi) **Option (c) is correct.**

Explanation: Complementary goods are a type of economic goods that are often consumed together. In other words, when the price of one good changes, it affects the demand for the other good as well. Bread and butter are a classic example of complementary goods because they are often consumed together. When the price of one good (bread) decreases, the demand for the other good (butter) usually increases because people are more

likely to buy both items together.

(xii) Option (a) is correct.

Explanation: Bank rate refers to the interest rate at which the central bank of a country (such as the Reserve Bank of India in India) lends money to commercial banks and other financial institutions. The bank rate is also sometimes referred to as the discount rate, and it is usually higher than the other interest rates in the economy.

(xiii) Option (b) is correct.

Explanation: Monopsony is a market where the buyer is a single buyer or a dominant buyer with significant market power, and there are many sellers. In other words, it is a market structure where a single buyer faces many sellers. This gives the buyer significant bargaining power to negotiate lower prices for goods or services.

(xiv) Option (d) is correct.

Explanation: A proportional tax is a type of tax system in which the tax rate remains the same regardless of the taxpayer's income or wealth. In other words, everyone pays the same percentage of their income or wealth in taxes, regardless of whether they are rich or poor.

(xv) Option (c) is correct.

Explanation: The standard of deferred payment function of money allows people to make purchases or enter into financial contracts with the understanding that payment can be made at a later date, using the same currency. For example, a person may take out a loan and agree to pay it back at a future date, with interest. The loan contract is a deferred payment agreement, and the money used to repay the loan is the standard of deferred payment.

(xvi) Option (b) is correct.

Explanation: Working capital refers to the capital that is used up or transformed in the production process and becomes part of the finished product. This includes raw materials, fuel, and other inputs that are consumed during production and are no longer available for future use.

(xvii) Option (c) is correct.

Explanation: Privatization is the process of transferring ownership and control of public assets, enterprises, or services to private ownership and control. This can occur through a variety of means, such as selling shares of publicly owned companies to private investors, contracting out the provision of public services to private firms, or outright sale of public assets to private individuals or entities.

(xviii) Option (a) is correct.

Explanation: Wealth tax is considered a direct tax because it is imposed directly on an individual's net wealth, and the burden of the tax cannot be shifted to others.

(xix) Option (b) is correct.

Explanation: Margin requirement is the amount of collateral that an investor is required to maintain in their account in order to engage in certain types of financial transactions, such as buying securities on margin or trading futures contracts.

(xx) Option (a) is correct.

Explanation: Unitary elastic supply refers to a situation where the percentage change in quantity supplied of a good or service is equal to the percentage change in its price. In other words, when the price of a good or service changes by a certain percentage, the quantity supplied changes by the same percentage. This means that the elasticity of supply is exactly equal to 1.

Answer 2

- (i) (a) There is a large number of buyers and sellers.
 (b) It sells products which are differentiated hence close substitutes of each other.
 (ii) Difference between an entrepreneur and other factors of production are:

S.No.	Entrepreneur	Other factors
(i)	An Entrepreneur performs both physical and mental work involving planning and organizing.	Labour performs mainly physical work. Land and capital are non-living factors.
(ii)	An Entrepreneur faces business risks and enjoys the profits.	Labour does not involve any risk. Business risk does not involve land and capital.

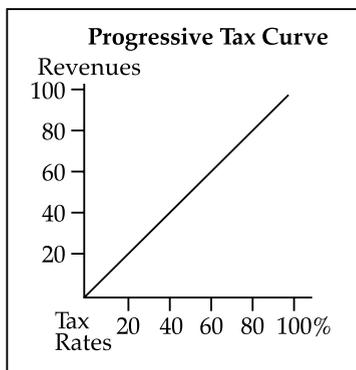
- (iii) The Veblen effect is an economic concept that suggests that people buy luxury goods for the purpose of displaying their wealth and status, rather than for their intrinsic value. The more expensive the item, the more desirable it becomes, as it is seen as a signal of social status and exclusivity. The Veblen effect describes how an increase in price can actually increase demand for a product.

For example, luxury watches are often bought not just to tell time, but to signal status and wealth. The more expensive a watch, the more desirable it becomes, as it is seen as a symbol of power, success and prestige.

(iv) (a) **Lack of Autonomy:** Public sector enterprises in India face a major problem of lack of autonomy. Bureaucratic procedures, political interference, and slow decision-making processes hinder their ability to operate and compete in a rapidly changing market.

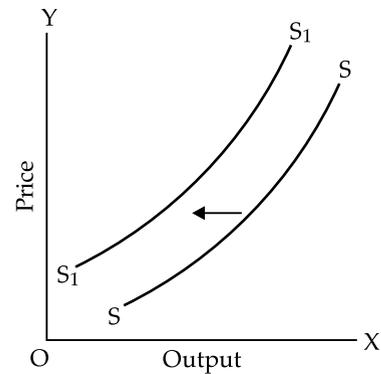
(b) **Inefficient Operations:** Public sector enterprises are often plagued with inefficiencies in their operations, including outdated technology, inadequate training, and over-staffing. This hinders their ability to innovate and compete with private sector enterprises. Additionally, corruption and nepotism result in certain individuals taking advantage of their positions and wasting resources.

(v) Progressive tax is the type of tax system in which the rate of tax increases as the income of the person increases. It is a tax that takes a larger percentage of income from high-income groups.



Answer 3

- (i) The innovative ability of an entrepreneur refers to their capability and willingness to develop new ideas or methods to address a problem or create something new. It encompasses the entrepreneur's capacity to think critically, creatively, and outside the box, as well as their willingness to take risks and pursue unconventional strategies. An entrepreneurial mindset that is open to new ideas, willing to experiment with different approaches, and committed to continuous learning and improvement is essential to successful innovation.
- (ii) An increased input price means that it will cost more for producers to produce the same amount of the commodity. As a result, the supply of the commodity will decrease as producers will be less willing to produce and sell the commodity at the current market price since their costs have increased. This will lead to a shift in the supply curve to the left.



When there is a rise in Input Prices, the supply curve shifts to left (from SS to S₁S₁) which means the supply will decrease.

(iii) Price discrimination refers to the practice of charging different prices for the same product or service to different groups of people based on their willingness to pay. This can be achieved based on various factors, such as location, age, gender, income level, and purchase history.

For instance, a person booking a flight at the last minute may be charged a higher price compared to someone who booked it several weeks before. Similarly, frequent flyer members may receive discounted rates compared to occasional travellers. This allows airlines to maximize their revenue by charging different prices to different segments of customers.

- (iv) (a) Overdraft is a method of advancing loans, in which the banker allows its reliable customers to draw over and above the money actually deposited by them in their accounts.
- (b) This facility is allowed through cheque only to the current account holders, but only to those who have good financial and credit standing.
- (v) Complex division of labour refers to a system where a group of people specializes in different tasks, and each person is trained and skilled to perform a specific job. This system leads to better efficiency, productivity, and quality of goods and services.

One example of complex division of labour can be seen in the manufacturing of a smartphone. The smartphone manufacturing process is divided into several stages, including design, development, assembly, packaging, and distribution.

SECTION B (60 Marks)

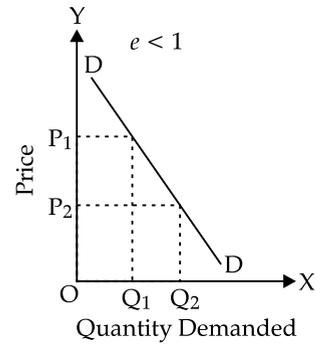
Answer 4

- (i) Capital, in economics, refers to any resource that is used to generate wealth. This includes assets such

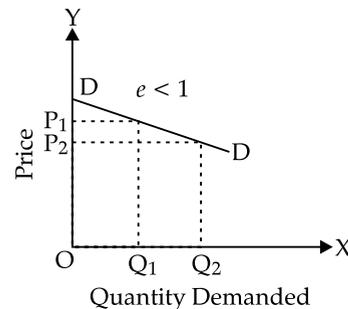
as money, machinery, buildings, and land. Capital is typically used to produce goods and services that can be sold for a profit. In addition to physical assets, human skills and knowledge can also be considered as a form of capital. Capital is essential for economic growth and development, as it enables businesses to invest in new technologies and expand their operations.

Features of Capital:

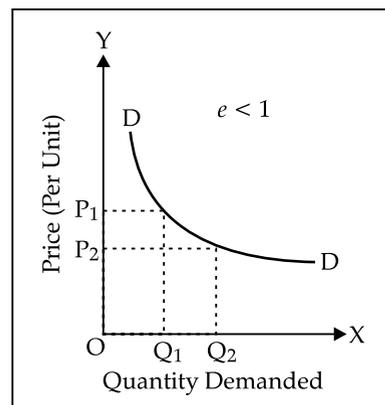
- (a) **Capital is a passive factor of production:** Capital cannot be produced without the help of active services of labour. To produce with machine, labour is required. Thus, labour is an active, whereas capital is a passive factor of production.
- (b) **Capital depreciates:** As we go on using capital, the value of capital goes on depreciating. When machines are used continuously for some time, these depreciate and their value falls.
- (c) **Man produces capital:** Capital is that wealth which is used in the production of goods. Capital is the result of human labour. Thus, every type of capital such as road, machines, etc. are produced by man.
- (d) **Capital is not an indispensable factor of production:** Production can be possible even without capital, whereas, land and labour are the original and indispensable factors of production.
- (e) **Capital is prospective:** Capital is considered much prospective, as the accumulation of capital yields an income.
- (f) **Capital is productive:** Production can be increased to a large extent if workers work with adequate capital. **(Any three)**
- (ii) Price elasticity of demand means degree of responsiveness of demand for a commodity to the change in its price. It is measured by dividing the percentage change in quantity demand by the percentage change in price.
- (a) **Relativity Inelastic Demand ($e_d < 1$):** The demand for a commodity is called less than unit elastic or relatively inelastic when the percentage change in quantity demanded is less than the percentage change in price of the commodity. Graphically, demand curve is steeper.



- (b) **Relatively Elastic Demand ($e_d > 1$):** When the percentage change in quantity demanded of a commodity is more than the percentage change in its price, the demand for the commodity is called more than unit elastic or highly elastic. Graphically, the demand curve is flatter.



- (c) **Unitary Elastic demand ($e_d = 1$):** When percentage change in the quantity demanded is equal to percentage change in the price, then demand for such a commodity is said to be a unitary elastic. Shape of demand curve is rectangular hyperbola and elasticity at every point on this curve is unity.



Answer 5

- (i) (a) Capital formation refers to the process of increasing capital stock or assets that are used to produce goods and services. This can be achieved by either saving a part of income,

investing in capital goods or borrowing money. Capital formation is essential for economic growth as it helps to improve productivity, increase employment opportunities and expand output.

Factors affecting capital formation are:

Saving habit: The amount of savings by individuals is an important determinant of capital formation. If people save more, they will have more money to invest in productive assets.

Investment climate: The investment climate in a country is determined by factors such as political stability, government policies, and the ease of doing business. A favorable investment climate can attract both local and foreign investment, thereby increasing capital formation.

Availability of credit: The availability of credit plays a crucial role in capital formation. If credit is easily

available, businesses can invest in capital assets and individuals can use credit to purchase homes, cars and other productive assets.

Education and training: Education and training play a significant role in capital formation. A skilled and educated workforce can produce goods and services that are essential for economic growth.

Technological advancement: Technological advancement has greatly benefited capital formation. Advancements in technology have led to the production of sophisticated capital goods, which can increase the quality and quantity of output.

Infrastructure development: Infrastructure development such as roads, bridges, ports and electricity supply can boost capital formation. Improved infrastructure can facilitate transport of goods and raw materials, leading to increased productivity and market expansion. **(Any three)**

(ii) (a)

Basis of comparison	Derived Demand	Composite Demand
Meaning	It refers to the demand for a factor of production which is derived from the demand for the final product.	It refers to the demand for a product that is made up of various components or inputs.
Nature of Demand	It is an indirect demand.	It is a direct demand.
Causes of Demand	It arises due to the demand for final product.	It arises due to the nature of the product and consumer Preferences.
Elasticity of Demand	It is relatively inelastic.	It is relatively elastic.
Variability	It is influenced by changes in demand for the final product.	It is influenced by changes in the components or inputs used to make the product.

(b)

Basis of comparison	Contraction of Demand	Decrease in Demand
Definition	Contraction of demand refers to a decrease in the quantity demanded of a good or service due to a rise in its prices, assuming all other factors remain constant.	Decrease in demand refers to a decrease in the quantity demanded of a good or service due to a change in one or more factors other than price.
Causes	The only cause of contraction of demand is a rise in the price of the goods or service.	The causes of decrease in demand can be various, such as change in consumer tastes and preferences, a change in income, a change in the price of substitutes or complements, a change in the number of consumers, etc.
Shift in Demand Curve	Contraction of demand causes movement along the demand curve, resulting in a higher price and a lower quantity demanded.	Decrease in demand causes a shift of the entire demand curve to the left, resulting in lower price and a lower quantity demanded.

Elasticity	Contraction of demand tends to be associated with inelastic demand, as consumers are less responsive to price changes in the short run	Decrease in demand tends to be associated with elastic demand as, consumers are more responsive to changes in factors other than price in the long run.
Time Horizon	Contraction of demand is a short-term phenomenon that occurs when the price of a good or service changes.	Decrease in demand can be a short-term or long-term phenomenon that depends on the nature of the factors that cause it.

Answer 6

(i) (a) 1. Difference between Monetary Policy and Fiscal Policy:

Aspect	Monetary Policy	Fiscal Policy
Definition	Set of actions taken by central bank to regulate the supply of money credit the economy	Use of government spending and taxation to achieve macroeconomic objectives
Authority	Central Bank	Government
Objective	Regulate money supply, inflation and promote economic growth	Stabilize economy through control of government spending and taxation
Tools	Interest rates, reserve requirements, open market operations	Government spending, taxation and transfer payments
Impact on debt	Does not increase government debt, may indirectly affect private debt	Can increase government debt
Timeframe	Short-term	Short-term and long-term

(Any one)

2. Difference between Public sector and Private sector:

Aspect	Public Sector	Private Sector
Ownership	Owned and controlled by the government or public entities	Owned and controlled by private individuals or corporations
Purpose	To provide services to the public and promote the public interest	To generate profit and provide goods or services to consumers
Accountability	Accountable to the public and government	Accountable primarily to shareholders and regulatory authorities
Funding	Funded by taxpayer money and government grants	Funded by private investments and profits
Decision-making	Decision-making process are generally more bureaucratic and involve public consultations and accountability mechanisms.	Decision-making processes are generally more flexible and based on the interests of shareholders and profitability.

(Any four)

(b) **Reasons for Privatization:**

Efficiency: Privatization is often done to improve efficiency in the delivery of goods and services. Private companies are generally more profit-driven than public entities, which can lead to more efficient management practices and better use of resources.

Cost Reduction: Private companies often have more flexibility to make cost-cutting measures

such as staff reductions or outsourcing, which can lead to reduced costs for the government or public entity.

Innovation: Privatization can promote innovation in the delivery of goods and services. Private companies are often more willing to take risks and try new approaches, which can lead to new and better products or services.

Improved Service Quality: Privatization can lead to improvements in the quality of goods and services delivered. Private companies often have more incentives to provide high-quality services to maintain customer satisfaction and loyalty.

Government Budget Constraints: Governments may choose to privatize services due to budget constraints. Privatization can generate revenue from the sale of assets, reduce ongoing costs, and shift some responsibilities to the private sector, all of which can help alleviate government budgetary pressures. **(Any two)**

(ii) (a) Efficiency of labour implies the quality and quantity of goods and services which can be produced within a given time and under certain conditions. In other words, productive capacity of a worker is termed as efficiency of labour.

(b) **Causes of low efficiency of labour in India:**

(i) **Poverty:** There is widespread poverty in India. Due to poverty, the labour is not able to get sufficient diet. As a result, their body keeps on becoming weak resulting in lowering of their efficiency.

(ii) **Climate:** Our country falls in the north temperature type climate, where the climate is hot. The workers feel fatigue and tired and they cannot work for long.

(iii) **Wages are not based on efficiency:** Wages are same for both efficient and inefficient labour in India which causes the low efficiency of labour.

(iv) **Lack of training and education:** There is dearth of education and trained labour in India. Untrained and uneducated labour does not understand and hence causes low efficiency of labour.

(v) **Poor working conditions:** Surroundings of the place of works where our workers do work are not healthy. Factories are not well ventilated. Insufficient space is provided for movement between machines and provision for fresh water, refreshment and rest between work hours is not found.

(Any three)

Answer 7

(i) (a) A direct tax is the one which is imposed on the income and property of a person. e.g., Income tax, Corporation tax. These are the taxes for which the incidence and impact of tax falls on

the same person, i.e. actual burden of the taxes cannot be shifted.

(b) Impact of taxation refers to the initial burden of the tax, or who pays the tax directly. For example, when a government imposes a tax on cigarettes, the impact falls on the consumers who purchase the cigarettes, as they are the ones who pay the tax directly.

Incidence of taxation, on the other hand, refers to the ultimate burden of the tax, or who bears the economic burden of the tax. The incidence of a tax depends on how the initial tax burden is shifted across different individuals or groups in the economy. For example, even though the consumers initially bear the impact of a cigarette tax, the ultimate incidence may fall on the cigarette producers if they reduce the price of cigarettes to offset the tax increase and maintain their sales, resulting in lower profits.

(c) **Difference between Direct taxes and Indirect taxes:**

S.No.	Direct Taxes	Indirect Taxes
(i)	Taxes imposed on income and/or property.	Taxes are imposed on commodities/transactions.
(ii)	Paid directly to the government by the person on whom it is imposed.	Paid to the government by one person but their burden is burden by another person.
(iii)	They cannot be shifted on to others.	They can be shifted on to others.
(vi)	These are levied according to the ability of the tax-payer.	These are taxes in which the tax paying ability of the tax-payer is assessed indirectly.
(v)	Examples: Income tax, Wealth tax. Corporate tax. Estate Duty.	Example: GST.

(Any three)

(ii) (a) Qualitative credit control policy of the Reserve Bank of India (RBI) refers to the use of non-quantitative methods to regulate and control the flow of credit in the economy. This approach is based on changing the terms and conditions of credit rather than controlling the supply of money directly. The qualitative credit control policy is typically used in combination with the quantitative credit control policy to achieve the desired macroeconomic objectives.

(b) The lender of last resort is a function performed by the central bank of a country to provide liquidity to banks or financial institutions in times of financial crisis or instability. In this role, the central bank acts as a safety net for the banking system and serves as a lender of last resort to prevent the collapse of the financial system due to a lack of liquidity.

(c) **Credit Rationing:** Credit rationing is a method of limiting the amount of credit that can be extended to certain sectors or industries by commercial banks. When a central bank implements credit rationing, it places restrictions on the amount of credit that can be provided to specific sectors or industries. This can help control credit in the economy by limiting the amount of money that can be borrowed and spent by these sectors or industries, thereby preventing an increase in demand that could lead to inflation.

Margin Money: Margin money is a percentage of the total loan amount that is required to be paid by the borrower upfront when taking out a loan. It acts as a form of collateral or security for the lender, as the borrower has a vested interest in paying back the loan since they have already paid a portion of it upfront. By increasing the margin money requirement, the central bank can increase the cost of borrowing and reduce the amount of credit available in the economy. This helps to control credit by making it more difficult for borrowers to access loans, which can lead to a reduction in demand and inflation.

Answer 8

(i) Money is a medium of exchange that is widely accepted in transactions for goods and services. It can take many forms, including physical currency, digital currency, bank deposits, and other types of financial instruments.

Functions of Money:

(i) **Medium of Exchange:** Money serves as a medium of exchange, meaning that it is accepted in transactions for goods and services. This function is facilitated by the fact that money is widely accepted as a means of payment and can be easily exchanged for goods and services.

(ii) **Store of Value:** Money serves as a store of value, meaning that it can be used to hold wealth over time. This function is facilitated by the fact that money can be saved and invested, and it retains its value over time.

(iii) **Maximisation of Utility:** Maximization of utility is one of the key functions of money in modern economies. The maximization of utility is the process by which consumers allocate their income in such a way as to achieve the highest level of satisfaction possible. Money plays a critical role in this process by allowing consumers to purchase goods and services that provide them with the highest level of satisfaction for the amount of money they have available. In other words, money enables consumers to make trade-offs between different goods and services based on their individual preferences and budget constraints.

(ii) (a) The changing pattern of land use refers to the alterations in the way land is utilized over time. It refers to the changes in the way land is used for different purposes, such as residential, commercial, agricultural, industrial, and other purposes.

The changing pattern of land use can be driven by various factors, such as population growth, economic development, technological changes, and urbanization. For example, as population grows, more land may be needed for residential development, leading to a shift in the pattern of land use from agricultural to residential. Similarly, as the economy develops and industrialization increases, there may be a shift in the pattern of land use from agricultural to industrial.

(b) Unfortunately, some of these changes can cause destruction to the ecosystem. Here are three examples of such changes:

(i) **Deforestation:** Deforestation is the conversion of forested land into non-forest land, such as agricultural, residential, or commercial land. This change in land use can lead to soil degradation, erosion, loss of biodiversity, and other environmental problems. Deforestation is often driven by economic activities such as logging, mining, and agricultural expansion.

(ii) **Urbanization:** Urbanization is the process by which urban areas expand, often at the expense of agricultural or natural areas. This change in land use can lead to the destruction of wildlife habitats, loss of biodiversity, and increased pollution. Urbanization is often driven by population growth, economic development, and improved transportation.

(iii) **Agricultural intensification:** Agricultural intensification refers to the process of increasing agricultural productivity through the use of high-yield crops, fertilizers, and other inputs. This change in land use can lead to soil degradation, water pollution, and loss of biodiversity. Agricultural intensification is often driven by the need to feed a growing population and the desire to increase agricultural production and profits.

Answer 9

- (i) (a) Inflation refers to the sustained increase in the general level of prices of goods and services in an economy over a period of time. It is often measured by the inflation rate, which is the percentage change in the price level over a specified period, usually a year.
- (b) Creeping inflation and walking inflation are two types of inflation distinguished by their rates of increase in the general price level. Creeping inflation refers to a slow and moderate increase in prices, typically less than 10% per year. Walking inflation, on the other hand, refers to a rapid increase in prices, typically between 10% to 20% per year.
- (c) 1. The impact of inflation on wage earners and the salaried class can be significant. Inflation reduces the purchasing power of their income, as prices of goods and services increase over time, but their wages or salaries may not increase at the same rate. This means that they will have to pay more for the same goods and services, which can lead to a decline in their standard of living. Inflation can also lead to an increase in the cost of borrowing, making it harder for them to access credit.
2. Inflation can have both positive and negative impacts on investors. Investors who hold assets that appreciate in value during inflation, such as real estate, stocks, and commodities, can benefit from higher returns. However, investors who hold assets that decrease in value during inflation, such as cash, bonds, and fixed-income securities, may experience a decline in the real value of their assets. Inflation can also increase uncertainty in

the market, making it harder for investors to make investment decisions.

- (ii) (a) Division of labor is a concept where the production process is broken down into several smaller tasks, and each task is assigned to a different worker or group of workers. This concept is based on the idea that when workers specialize in a particular task, they become more skilled, efficient, and productive.
- (b) Here are two advantages of division of labor:
- (i) **Increased productivity:** Division of labor can lead to increased productivity as workers specialize in specific tasks, become more skilled, and work more efficiently. When workers do not have to switch between tasks or take time to learn new skills, they can complete their work more quickly and accurately. As a result, the overall output of the production process increases, leading to higher profits for the firm.
- (ii) **Cost reduction:** Division of labor can also lead to cost reduction as it reduces the amount of time and effort required to produce a good or service. This, in turn, leads to lower unit costs for the firm. For example, if a firm produces shoes, dividing the production process into smaller tasks such as cutting, sewing, and finishing can lead to cost reduction as each worker specializes in one task, becomes more skilled, and can produce more shoes in a shorter period.
- (c) Labor as a factor of production differs from other factors of production such as land, capital, and entrepreneurship. Here are two features of labor:
- Heterogeneous:** Unlike other factors of production, labor is a heterogeneous factor, which means that workers have different skills, abilities, and preferences. This means that labor cannot be easily substituted or replaced with other factors of production. For example, a skilled software programmer cannot be easily replaced by a machine or another factor of production.
- Human element:** Labor also has a human element that makes it different from other

factors of production. Workers have emotions, motivations, and attitudes that can affect their performance and productivity. This means that managing labor requires a different set of skills and strategies than managing other factors of

production. For example, a manager may need to motivate and incentivize workers to increase their productivity, which may not be necessary for managing other factors of production such as capital.

