

ICSE 2023 EXAMINATION
SPECIMEN QUESTION PAPER
ECONOMIC APPLICATIONS

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

*(Attempt **all** questions from this **Section**.)*

Question 1

[20]

Choose the correct answer and write the correct option.

- (i) If tea and coffee are substitutes, then an increase in the price of tea will cause:
- (a) An increase in the price of coffee.
 - (b) A decrease in the demand for coffee.
 - (c) An increase in the demand for tea.
 - (d) An increase in the demand for coffee.
- (ii) Which of the following goods will be considered a suitable example for composite demand?
- (a) Bricks
 - (b) Tea
 - (c) Milk
 - (d) Biscuits

(iii) Which of the following types of capital can be used only for a specific purpose?

- (a) Floating capital
- (b) Money capital
- (c) Debt capital
- (d) Sunk capital

(iv) What will the following cause:

| Price in Rs. | Quantity supplied in Kgs. |
|--------------|---------------------------|
| 10 | 15 |
| 20 | 40 |

- (a) An extension of supply curve.
- (b) A contraction of supply curve.
- (c) A downward shift of supply curve.
- (d) An upward shift of supply curve.

(v) Which of the following goods will be considered circulating capital?

- (a) Computers in the office.
- (b) The factory buildings.
- (c) The furniture used by the workers.
- (d) Water used in the production process.

(vi) Mobile phones usually have a _____ market.

- (a) Perfectly competitive
- (b) Monopolistically competitive
- (c) Monopoly
- (d) Monopsony

(vii) Interest is a factor income for:

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

- (viii) When a straight-line supply curve passes through the origin, the elasticity of supply will be:
- (a) Unitary elastic
 - (b) Relatively elastic
 - (c) Relatively inelastic
 - (d) Perfectly elastic
- (ix) Which of these taxes is most likely to be progressive?
- (a) Entertainment tax
 - (b) Goods and services tax
 - (c) Property tax
 - (d) Custom Duty
- (x) A change in the price of a good:
- (a) shifts the good's supply curve but does not cause a movement along it.
 - (b) does not shift the good's supply curve but causes a movement along it.
 - (c) shifts the good's supply curve and also causes a movement along it.
 - (d) neither shifts the good's supply curve nor causes a movement along it.
- (xi) Selling costs are absent in a perfectly competitive market because the goods sold are:
- (a) Substitutes
 - (b) Heterogeneous
 - (c) Homogeneous
 - (d) Luxuries
- (xii) To ensure that the citizens of the country have faith in the currency, the currency is issued by:
- (a) Commercial banks
 - (b) Central Government
 - (c) Central Bank
 - (d) Ministry of Finance

- (xiii) _____ tax is also referred to as Tax on honesty.
- (a) Progressive tax
 - (b) Proportional tax
 - (c) Direct tax
 - (d) Indirect Tax
- (xiv) Elasticity of supply is measured by:
- (a) $\frac{\Delta Q}{P} \times \frac{Q}{\Delta P}$
 - (b) $\frac{\Delta P}{P} \times \frac{Q}{\Delta Q}$
 - (c) $\frac{\Delta P}{\Delta Q} \times \frac{Q}{P}$
 - (d) $\frac{\Delta Q}{Q} \times \frac{P}{\Delta P}$
- (xv) The Central Bank instructs the Commercial Banks to keep more percentage of its time and demand deposits as liquid cash before lending money to investors. This is:
- (a) Increase in Bank rate.
 - (b) Increase in Cash Credit Ratio.
 - (c) Increase in Statutory Liquidity Ratio.
 - (d) Increase in Standard Liquidity Ratio.
- (xvi) The major objective of monetary policy is:
- (a) Employment generation
 - (b) Maintaining foreign relations
 - (c) Price stability
 - (d) Greater tax collection
- (xvii) Which of the following factors of production has a unique supply curve?
- (a) Land
 - (b) Labour
 - (c) Capital
 - (d) Entrepreneur

- (xviii) During inflation, the Central bank usually:
- (a) Decreases bank rate.
 - (b) Decreases Cash Reserve Ratio.
 - (c) Increases bank rate.
 - (d) Buys government securities.
- (xix) When the price elasticity of demand for a good equals:
- (a) 0, the demand curve is horizontal.
 - (b) 1, the demand curve is vertical.
 - (c) 1, the demand curve is horizontal.
 - (d) 0, the demand curve is vertical.
- (xx) When the general price level increases by 10% to 20% per annum, then it will be called:
- (a) Hyper inflation
 - (b) Running inflation
 - (c) Walking inflation
 - (d) Creeping inflation

Question 2

- (i) State *two* differences between an entrepreneur and labour. [2]
- (ii) Draw a neat diagram to show the extension of a supply curve. [2]
- (iii) Explain the effect of inflation on the fixed income group. [2]
- (iv) Give *two* advantages of payment by cheques. [2]
- (v) Define efficiency of labour. [2]

Question 3

- (i) Demand is solely determined by price. Is the statement true or false? Give a reason for your answer. [2]
- (ii) Mention *one* important difference between a tax and a subsidy. [2]

- (iii) What are time deposits? Why are they called so? [2]
- (iv) Draw a neat labelled diagram showing degressive taxation. [2]
- (v) Explain price discrimination. [2]

SECTION B

(Answer **any four** questions from this Section.)

Question 4

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

Question 5

- (i) (a) What do you understand by a perfectly competitive market? [7]
- (b) Discuss *any three* important features of such a market.
- (ii) Explain *four* exceptions to the Law of Demand. [8]

Question 6

- (i) (a) What is Disinvestment? [7]
- (b) Give *two* probable reasons as to why the government wants to 'disinvest'.
- (c) Explain *two* arguments against disinvestment.
- (ii) Explain *any four* important functions of an entrepreneur. [8]

Question 7

- (i) (a) What is a tax? [7]
(b) State *two* objectives of taxation.
(c) Explain *two* ways in which direct tax is better than indirect tax.
- (ii) (a) What are demand deposits? [8]
(b) Explain the different kinds of demand deposits.
(c) State *two* ways in which demand deposits are different from term deposits.

Question 8

- (i) Define money. Explain the following functions of money: [7]
(a) Measure of value
(b) Transfer of value
(c) Standard of deferred payment.
- (ii) (a) What is a Public Sector? [8]
(b) Give *two* examples of Public Sector in India.
(c) What are the different types of Public Sector found in India?

Question 9

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

The Pioneer

Thursday, 09 June 2022 | RP Gupta

A tight monetary policy shall be counter-productive for India since it will impact the investment rate and public income, which the nation can't afford

Unlike developed economies, in India, there is no direct linkage of repo rate with inflation, as is evident from the data available from the past several years. In the developed economies, consumer loan portfolio is too large and the interest rate is much lower. Hence,

for controlling inflation, they increase their interest rate for cooling off the consumption demand and the money is diverted to financial savings. In India, however, the interest rate is higher and the financial savings are driven by tax incentives. More so, the major portion of bank deposits is used for meeting the investment needs and the financing fiscal deficit. Hence, tight monetary policy shall be counter-productive, since it would impact the investment rate and public income (GDP) which India can't afford, particularly after the recent sufferings in the COVID-afflicted years. Rather, high interest on the productive sector will add to cost-push inflation.

- (i) (a) What do you understand by monetary policy? [7]
(b) What is repo rate? How is it used to control inflation?
(c) Name *two* other quantitative tools of credit control.
- (ii) (a) What do you understand by supply? How does it differ from stock? [8]
(b) What does the Law of Supply state? List *two* assumptions of this Law.
(c) Explain *two* factors affecting supply other than price.