

ICSE

ECONOMIC APPLICATION



CLASS 10

PREVIOUS YEAR SOLVED

QUESTION PAPERS - 2013-2015

ICSE Board
Class X Economic Applications
Board Paper – 2015

Time: 2 hrs

Total Marks: 100

General Instructions:

1. Answers to this paper must be written on the paper provided separately.
 2. You will **not** be allowed to write during the first **15** minutes.
This time is to be spent in reading the question paper.
 3. The time given at the head of the paper is the time allotted for writing the answers.
 4. Attempt **all** questions from **Part I** and **any four** questions from **Part II**.
 5. The intended marks of 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) Complete the following Individual Demand Schedule: [2]

Price in Rs	Quantity of sugar demanded in kgs
5	20
6	
7	
8	
9	

- b) Why is capital called a 'produced means of production'? [2]
c) State **two** assumptions of the Law of Supply. [2]
d) What is difference between a loan and an overdraft? [2]
e) State any **two** drawbacks of State enterprises. [2]

Question 2

- a) List **two** factors affecting the supply of labour. [2]
b) If price of X increases, then demand for Y too increases.
What is the relationship between goods X and Y? Give an example. [2]
c) State **two** Primary functions of money. [2]
d) What is meant by Monopsony? Give an example. [2]
e) Define Fiscal Policy. [2]

Question 3

- a) State the market form of the following commodities:
- Railways
 - Automobiles
 - Shampoos
 - Fighter Aircrafts
- [2]
- b) What is meant by shifting of tax burden?
To which tax is this relevant? [2]
- c) A consumer purchased 10 units of a commodity when its price was Rs 5 per unit. He purchases 12 units of the commodity when price falls to Rs 4 per unit. Calculate the price elasticity of demand for the commodity. [2]
- d) State *two* 'active' factors of production. Give reasons to support your answer. [2]
- e) Differentiate between Floating and Sunk capital. Give an example for each. [2]

Question 4

- a) State *two* advantages of opening a bank account. [2]
- b) 'The role of the State is important in developing the economic infrastructure of a developing economy'. Give *two* reasons to support your answer. [2]
- c) State the impact of an increase in Cash reserve ratio on loanable funds. [2]
- d) Classify the following types of tax into direct and indirect taxes:
- Entertainment Tax
 - Income Tax
 - House Tax
 - Sales Tax
- [2]
- e) Which of the following is a function of a Commercial Bank? Give a reason to support your answer.
- Acting as a lender of last resort.
 - Deciding what is legal tender.
 - Determining monetary policy.
 - Providing cash credit facility.
- [2]

PART II (60 Marks)

Attempt any four questions from this part.

Question 5

a) What do you understand by *division of labour*?

Explain *three* ways by which division of labour is beneficial to producers. [7]

b) State the Law of Demand. Explain *three* exceptions to this law. [8]

Question 6

a) What is meant by migration?

Explain *three* ways by which migration impacts the ecosystem. [7]

b)

i. What is capital formation?

ii. What are the *three* stages of capital formation?

iii. Explain *three* reasons for the low rate of capital formation in India. [8]

Question 7

a) Who is an entrepreneur? Explain any *three* functions of an entrepreneur. [7]

b) With reference to the taxation policy:

i. Mention *three* differences between direct taxes and indirect taxes.

ii. Differentiate between progressive and regressive taxes giving an example for each. [8]

Question 8

a) What do you understand by price elasticity of demand? With the help of diagrams explain the conditions when:

i. $E_p > 1$

ii. $E_p < 1$

iii. $E_p = 1$ [7]

b) With reference to the Central Bank of a country:

i. State *two* reasons for the need of a Central Bank in a country.

ii. List *two* ways in which a Central Bank acts as a Banker to the Government.

iii. What is meant by open market operations? How does it act as a method to control credit? [8]

Question 9

a) What is Perfect Competition?

Describe any *three* characteristics of Perfect Competition. [7]

b) Give a reason for each of the following statements:

i. The fixed income group is adversely affected during periods of inflation.

ii. Selling costs are higher in Monopolistic Competition.

iii. High rates of taxes reduce the savings capacity in an economy.

iv. The demand for newspaper is inelastic. [8]

Question 10

- a) Read the extract given below and answer the questions that follow: [7]

PTI Jun 15, 2014

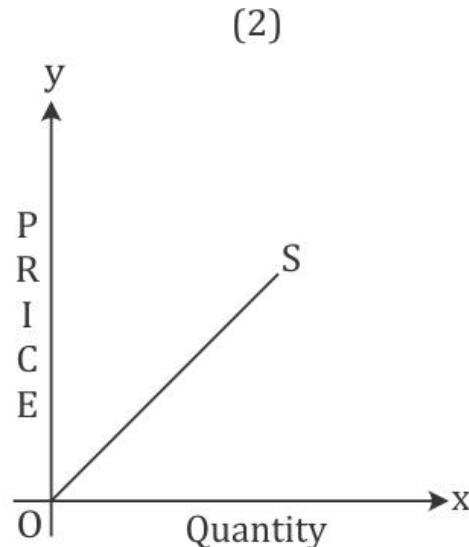
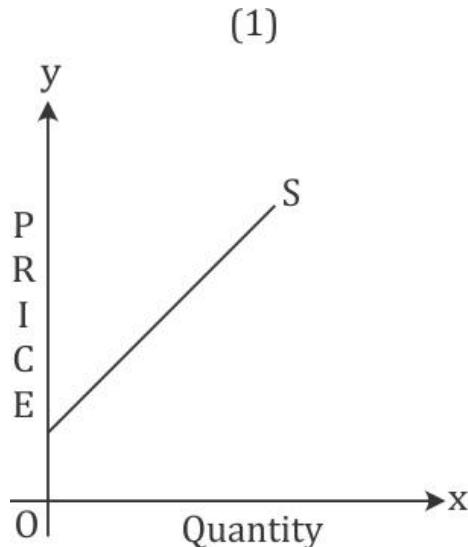
NEW DELHI: The Finance Ministry has asked the Department of Disinvestment to complete the groundwork for sale of shares in state-owned companies soon after the budget to take advantage of the bull phase in the stock market.

The government is expected to retain the disinvestment target of Rs 36,925 crore proposed in the interim budget for 2014-15.

- i. What is disinvestment?
- ii. How will privatisation lead to:
 - (1) Control of budgetary deficits
 - (2) Flow of funds to Public Exchequer.
 - (3) Greater flexibility in decision making.

- b) [8]

- i. Indicate the degree of elasticity on the Supply curves given below:



- ii. Explain *three* determinants of Elasticity of Supply.

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PART I

Answer 1

(a) Individual Demand Schedule

Price in Rs	Quantity of Sugar Demanded in kg
5	20
6	18
7	16
8	14
9	12

(b) Capital is called a ‘produced means of production’ because

- i. It is produced, i.e. it is produced by human beings with the help of natural resources and is not a gift of nature.
- ii. It is a means of production, i.e. it is used as an input in producing other goods. It is not directly consumed.

(c) Assumptions of the law of supply:

- i. Price of other related goods should not change.
- ii. Technology of production should not change.

(d) Differences between a loan and an overdraft:

- i. Borrowers pay interest on the amount outstanding against the account for loans, whereas customers pay interest on the daily balance standing against the account for overdraft.
- ii. Loans against security are raised by the bank, whereas security is not required for overdraft facilities.

(e) Drawbacks of state enterprises:

- i. Lack of incentive: Government servants do not have the same incentives as a person in a private enterprise.
- ii. Technical problems: Technical considerations are not given due weightage in the establishment of state enterprises. The choice of location is influenced less by technical considerations and more by political considerations.

Answer 2

- (a) Factors determining the supply of labour:
- i. Population: The most important factor affecting the supply of labour in a country is its population. A larger population with necessary skills to perform physical or mental work will increase the supply of labour to the market.
 - ii. Age structure: The total population of an economy is not considered under supply of labour. Supply of labour depends on the age structure of the population. Child labour is prohibited by law. Salaried people have to retire after attaining a certain age. Hence, only a certain age group of people is considered under supply of people.
- (b) Goods X and Y are related goods/substitute goods which can be substituted for each other. Example: Tea and coffee – Increase in the price of coffee will increase the demand for tea, and consumers will shift from the consumption of coffee to the consumption of tea.
- (c) Two primary functions of money:
- Medium of exchange and measure of value are the two primary functions of money.
- i. Money acts as a medium of exchange: The major function of money is to facilitate the process of exchange by removing the defects of the barter system.
 - ii. Money is the measure of value: It is the monetary expression of the market value of goods and services.
- (d) Monopsony:
- Monopsony refers to a market where there is a single buyer of a commodity or service but there are many sellers. It implies a situation in which there is a monopoly element in buying. An example of monopsony occurs when a certain individual only has liking for some commodity or when a single large firm is the sole buyer of some commodity.
- (e) Fiscal policy:
- Fiscal policy refers to the revenue and expenditure policy of the Government which helps to correct the situations of excess and deficient demand. It is also called the budgetary policy of the Government.

Answer 3

- (a) Form of market:
- i. Monopoly
 - ii. Oligopoly
 - iii. Monopolistic competition
 - iv. Monopsony
- (b) Shifting of tax burden:
- Tax imposes a burden on the taxpayer. Generally, the burden of tax falls on someone other than a person from whom the Government collects the tax. The impact of the tax falls on a person from whom the tax is first collected but not the burden of

taxation. The burden of tax shifted to another person is called the incidence of taxation. Thus, the tax burden is shifted on the consumer. For example, in sales tax, the tax burden is shifted by the seller of the commodity to the buyer.

(c) Price elasticity of demand for the commodity:

$$e_p = \% \text{ change in quantity demand} / \% \text{ change in its price}$$

$$e_p = (\Delta Q/Q) / (\Delta P/P)$$

$$e_p = (12/10) / 4/5$$

$$e_p = (12/10) * (5/4)$$

$$e_p = 1.5$$

(d) Two active factors of production:

Labour is an active factor of production and sets the whole productive process in operation.

Entrepreneur is an active factor of production because the entrepreneur takes up the risks and sets the entire productive machinery into motion.

(e) Floating and sunk capital:

i. Floating capital is the capital which can be used in alternative lines of production.

It is also called free capital. Examples: Steel, wood, raw materials

ii. Sunk capital is one which can only be put to a single use. It is also known as specialised capital. It always remains in a fixed place. Example: Printing machine

Answer 4

(a) Advantages of opening a bank account:

- i. Interest income created: Users with small saving amounts earn interest on their savings when they deposit money in the bank. Hence, depositing money in the bank generates income for them rather than letting the money lie idle.
- ii. Mobilisation of small savings: Bank accounts help in mobilising the small savings of a vast segment of people. Further, these amounts are transferred for productive investment.

(b) Role of state:

- i. Providing rural infrastructure and extending credit to the poor at a low rate of interest as an effective instrument to remove poverty.
- ii. Development of infrastructure such as transport, irrigation system, power and electricity, and communication is required to promote agricultural and industrial development.

(c) Impact of increase in cash reserve ratio on loanable funds:

During the inflationary situation, the Central Bank increases the cash reserve ratio and thereby the fund for providing loans with the commercial bank declines.

(d) Types of taxes:

i. Direct tax

ii. Indirect tax

iii. Direct tax

iv. Indirect tax

(e) Function of commercial bank:

- i. Acting as a lender of last resort: It is the function of the Central Bank. When a commercial bank fails to get financial accommodation from any other source, then it approaches the Central Bank as a last resort. The Central Bank advances a loan to such a bank against approved securities. Thus, the Central Bank acts as a 'lender of the last resort'.
- ii. Deciding what is legal tender: It is the function of the Central Bank. The Central Bank of a country assumes supreme authority in issuing paper currency of definite denomination and value.
- iii. Determining monetary policy: It is the function of the Central Bank because the monetary authority of a country is the Central Bank which can determine monetary policy. Commercial banks act as channels through which the Government puts its monetary policies into practice.
- iv. Providing cash credit facility: In the process of accepting deposits and advancing loans, commercial banks are able to create credit. They are able to lend more funds than they have with them as cash deposits.

PART II

Answer 5

(a) Division of labour: Division of labour means the allocation of different parts of the production process to different workers or to different groups of workers.

Division of labour is beneficial to producers:

- i. Increase in the efficiency of labour: Division of labour increases the efficiency of labour. The worker becomes more specialised if a worker is entrusted with only a part of work in the process of production.
- ii. Quality of production improves: The quantity and quality of output produced by a worker increase within a short period of time. The increase in the efficiency of labour leads not only to an increase in the quantity of output but also to an improvement in the quality of the produced goods and services.
- iii. Reduced average cost: Because division of labour increases the total output, even with an unchanged number of labourers, the average cost of producing a commodity falls. This is a social advantage. Society can produce goods by incurring lower average cost of production. Hence, producers get an opportunity to raise their income and the standard of living improves a lot.

(b) Law of demand: The law of demand states that other things remaining constant, the quantity demanded of a good increases with a fall in price and diminishes when price increases.

Exceptions to law of demand:

- i. Conspicuous consumption: Some person may consume a very expensive commodity just to show off and attract the attraction of other people. In that case,

its price and demand may move in the same direction. Diamond ornaments are examples of such goods.

- ii. Bandwagon effect: The bandwagon effect is an exception to the law of demand. The consumer's demand for a commodity gets influenced by the taste and preference of the social class to which the consumer belongs. If a businessman prefers to play golf as a fashionable game among successful businessman, then the price of a golf ball increases in the market. Here, the businessman may increase the demand for golf balls in order to show that he is a successful businessman.
- iii. Speculative activities: Goods which are objects of speculation may defy the law of demand. When the price of such a commodity rises, people may increase their purchase of that commodity in the expectation that the price would increase even further in the future. It happens in the share market.

Answer 6

- (a) Migration: Migration is defined as the movement of people from one place to another voluntarily or involuntarily. Some people may migrate from their place of origin because of natural disasters, and others may move to a new location for better jobs, education, health facilities or other social factors. Because of urbanisation, people migrate from rural areas to the cities. It has led to the following impacts on the ecosystem:
 - i. Diverting water for a construction project lowers the water level. This reduces the number of places where water birds nest and fish reproduce.
 - ii. Adding fertilisers to a local field changes the make-up of the soil. This affects the kinds of plants which are grown in the field.
 - iii. The shoreline of a lake is being developed for a new recreation area. This can affect the numbers and kinds of organisms which can live by the lakeshore.

- (b) Capital formation:

Capital formation means the creation of capital. A change in the stock of any capital during a particular period of time is called capital formation. Three important stages of capital formation are creation of savings, mobilisation of savings and investment of mobilised savings.

Reasons for the slow rate of capital formation in India:

- i. Lack of ability to save: Because of poverty, poor people are unable to save more than a negligible part of their earnings. Hence, a low rate of savings leads to a low rate of capital formation in the Indian economy.
- ii. Lack of willingness to save: In certain parts of the country, there still exists a feudal economic system. Even people who have the ability to save money are not willing to save and spend all their money on day-to-day consumption.
- iii. Insufficient mobilisation of savings: People are not mobilising the savings for capital formation. Most of their savings are kept in the form of gold and cash at home. These savings are not used productively because of poor banking knowledge and a poor banking network in underdeveloped states.

ICSE Previous Year Solved Question Papers For Class 10 Economic Applications 2013-2015



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