

ICSE BOARD EXAMINATION – 2024
ECONOMIC APPLICATIONS
Solved Paper
Class– 10th

Maximum Marks: 100

Time allowed: 2 hours

Answer to this paper must be written on the paper provided separately.

You will not be allowed to write during the first 15 minutes.

The 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 part of questions are given in the bracket []

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) Identify the **agency functions** of the commercial banks from the following:

- (A) Accepting deposits (B) Giving out loans
(C) Acting as a trustee of the property of the customers (D) Providing general utility services

(ii) Which of the following is *not* a characteristic of land?

- (A) Heterogeneous (B) Immobile
(C) Carries an element of judgement (D) Fixed supply

(iii) Production of cotton textile products is an example of :

- (A) Vertical division of labour (B) Horizontal division of labour
(C) Occupational division of labour (D) Simple division of labour

(iv) Which two forms of market earn normal profit in the long run?

- (A) Perfect competition and monopoly (B) Perfect competition and monopsony
(C) Monopoly and monopolistic competition (D) Perfect competition and monopolistic competition

(v) Which of the following is not a function of the Central Bank?

- (A) Banker to Commercial Banks (B) Banker to the public
(C) Fiscal agent of the Government (D) Monopoly of note issue

(vi) Identify the market having a single buyer and many sellers from the following:

- (A) Monopoly (B) Monopsony
(C) Perfect competition (D) Monopolistic competition

(vii) The income of a person who carries the risk bearing function is called as:

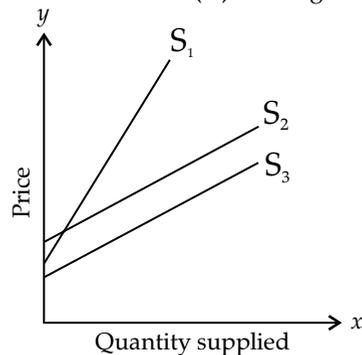
- (A) Wages (B) Salary
(C) Profit (D) Interest

(viii) **Assertion (A):** Center Bank provides loans to the commercial bank in the situation of financial distress.

Reasoning (R): Center Bank can order the government to help the bank facing the financial crisis.

- (A) A is true but R is false (B) A is false but R is true

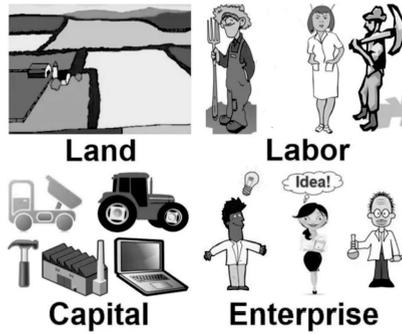
- (C) Both A and R are true and R explains A
 (D) Both A and R are true but R does not explain A
- (ix) 'Price is an indicator of quality.' The statement applies to:
 (A) Bandwagon effect (B) Snob effect
 (C) Veblen effect (D) Giffen effect
- (x) Which of the following is a contingent function of money?
 (A) Measure of value (B) Store of value
 (C) Medium of exchange (D) Distribution of National Income
- (xi) The continuous rain and lack of fresh supply have affected the availability of tomatoes in India during June–July 2023. What will be the impact on the supply curve for tomatoes?
 (A) Supply curve will shift to the right
 (B) Upward movement along the supply curve
 (C) Supply curve will shift to the left
 (D) Downward movement along the supply curve
- (xii) When products are differentiated on the basis of advertisements, brand names, etc., it is called as:
 (A) Real differentiation (B) Price differentiation
 (C) Artificial differentiation (D) Quality differentiation
- (xiii) Identify the merit of direct tax from the following:
 (A) Tax evasion (B) Greater cost of collection
 (C) Ensuring equity (D) Inconvenient
- (xiv) Identify the type of goods having price elasticity of demand greater than 1:
 (A) Luxury goods (B) Inferior goods
 (C) Necessary goods (D) Giffen goods
- (xv)



Identify the elasticity of supply (e_s) of S_1 , S_2 and S_3 supply curves:

- (A) All have $e_s > 1$ (B) All have $e_s < 1$
 (C) All have $e_s = 1$ (D) All have $e_s = 0$
- (xvi) During deflation, the Central Bank usually:
 (A) Increases CRR
 (B) Increases SLR
 (C) Increases bank rate
 (D) Increases buying Government Securities

(xvii)

FACTORS OF PRODUCTION

Identify the produced means of production factor from the picture:

- (A) Land (B) Labour
(C) Capital (D) Entrepreneur

(xviii) Which of the following is the adverse outcome of mining operation?

- (A) Aquatic ecosystem remains intact (B) Depleted the stock of natural resources
(C) Cutting down of forest trees is absent (D) Soil quality remains the same

(xix)



Identify the type of taxation.

- (A) Progressive (B) Regressive
(C) Proportional (D) Degressive

(xx) Non-price competition is:

- (A) Reducing prices
(B) Competition based on prices
(C) Spending money on advertisement, packaging, branding
(D) Sale of unused stock

Question 2

- (i) (a) Give one example of a pair of complementary goods. [2]
(b) What will be the impact of a rise in price on the demand for its complementary good? [2]
(ii) State the two primary functions of money. [2]
(iii) Explain the features of savings bank account. [2]
(iv)



- (a) What type of tax is this? [2]
 (b) When do we pay this tax? [2]
 (v) Indicate the adverse impacts of urbanisation on the ecosystem. [2]

Question 3

- (i) "One of the most important functions of an entrepreneur is to bear the risk associated with the business." Explain the statement. [2]
 (ii) In which type of market price discrimination is practiced? Explain with an example. [2]
 (iii) Explain briefly the role of public sector enterprises in developing the industries with strategic importance. [2]
 (iv) 'Both labour and entrepreneur are human factors of production.' Is there any difference between them? Explain any two such differences. [2]
 (v) What will happen to the value of money when price level rises? What is this phenomenon known as? [2]

SECTION- B**(Answer any four questions from this Section)****Question 4**

- (i) Explain the importance of land as a factor of production. (Five points) [7]
 (ii) Identify the elasticity of supply for the following with proper reasoning:
 (a) Short run and long run period.
 (b) Perishable and durable goods.
 (c) Nature of the entrepreneurs.
 (d) Primitive and advanced technology. [8]

Question 5

(i)

Price (in ₹)	Q _A (units)	Q _B (units)	Q _M (market demand) (units)
10	4	5	...
20	3	4	...
30	2	3	...
40	1	2	...

Complete the above schedule and answer the following:

- (a) Identify and state the underlying law.
 (b) State four assumptions of the law.
 (c) Draw three relevant curves based on the above schedule in one diagram. [7]
 (ii) (a) What is meant by the Privatisation of public sector industries?
 (b) What do you mean by horizontal division of labour?
 (c) State any three differences between labour and capital.
 (d) Explain any three disadvantages of division of labour. [8]

Question 6

Identify the factors of production in each of the following cases and differentiate between them.

- (a) An active and passive factor of production (One point)
 (b) Single-use and multiple use machinery. (One point)
 (c) Human factor of production with and without innovative capacity. (Two points) [7]
 (ii) Citing reasons, evaluate the performance of private sector over public sector enterprises in the following cases:
 (a) Timely completion of projects undertaken.
 (b) Decision taking

- (c) Managerial efficiency
- (d) Attention towards consumer satisfaction.

[8]

Question 7

(i)



The image above shows a departmental store of a market structure.

- (a) Identify the form of market as observed from the above image.
- (b) Discuss the features of this market form with respect to:
 1. Type of product
 2. Entry and exit of firms
 3. Selling cost

[7]

(ii) Explain the functions of the RBI with respect to the following:

- (a) Custodian of foreign exchange reserves.
- (b) Monopoly of note issue.
- (c) Clearing house facility.
- (d) Banker and fiscal agent to the government.

[8]

Question 8

(i) (a) What do you mean by migration ?

- (b) Explain 'migration' as a factor contributing towards adverse impact on the ecosystem (Three points).

[7]

(ii) Explain the following:

- (a) Fiscal policy.
- (b) Monetary policy.
- (c) Degressive taxes.
- (d) Indirect tax can be used to increase social welfare.

[8]

Question 9

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

MONEY CONTROL NEWS

JUNE 12, 2023/07:05 PM IST

The Reserve Bank of India (RBI) on June 12 imposed monetary penalties on four cooperative banks citing various rule violations. These are Cooperative Bank of Rajkot, Telangana State Cooperative Apex Bank Ltd The Bihar State Cooperative Bank Ltd and jowai Cooperative Urban Bank Ltd.

The RBI's enforcement operations are conducted by the Enforcement Department. The RBI's EFD was set up in April 2017 to separate enforcement action from the supervisory process. The EFD identifies invaluable violations from the inspection reports, risk assessment reports and scrutiny reports, Market intelligence report references from the top management and complaints are also used for investigation.

- (a) Which type of credit control method of the RBI has been highlighted in the above case study?
- (b) Citing reasons state the advantage of credit card over currency notes. (Any two)

- (c) Briefly explain the following credit control methods adopted by the Central Bank:
1. Publicity
 2. Moral suasion
- (ii) (a) Define the form of market which has a perfectly elastic demand curve.
- (b) Explain three features of this market type.
- (c) How is this market different from a monopoly market? (Any three points).

[7]

[8]



ANSWERS

SECTION- A

Answer 1

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

Explanation: Banks manage and safeguard the funds entrusted to them by their customers, ensuring their security and proper handling. This role often involves activities such as processing transactions, managing accounts, and providing various financial services while adhering to fiduciary responsibilities to act in the best interests of their customers.

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

Explanation: Land exhibits several distinct features. It is heterogeneous, meaning that no two pieces of land are exactly alike due to variations in location, soil quality, terrain, and other factors. Land is immobile, unlike other factors of production, it cannot be easily moved from one place to another. Land has a fixed supply, as its quantity is finite and cannot be increased through human intervention.

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

Explanation: The production of cotton textile products often involves vertical division of labour. This division occurs when different stages of the production process, such as spinning, weaving, dyeing, and finishing, are carried out by specialized firms or workers.

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

Explanation: In perfect competition, firms earn zero economic profit in the long run due to the easy of entry and exit, ensuring that prices align with average total cost. Similarly, in monopolistic competition, firms earn only normal profit in the long run as new firms enter to compete away any excess profits, or firms exit to eliminate losses, maintaining market equilibrium where price equals average total cost.

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

Explanation: The central bank primarily functions as a banker to the government and a regulator of the banking system, controlling monetary policy and issuing currency. It doesn't typically provide services directly to the public. Conversely, commercial banks serve as intermediaries between depositors and borrowers, offering various banking services such as savings accounts, loans, and payment processing to the public.

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

Explanation: A market structure in which there is a single buyer and many sellers is commonly referred to as a monopsony. In a monopsony, the single buyer has significant market power, as it can dictate prices to the sellers due to their dependence on the buyer for sales. This contrasts with a monopoly, where there is a single seller and many buyers.

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

Explanation: The income of a person who bears the risk is called "profit." In business, profit represents the financial gain obtained from a venture after subtracting all expenses, including the cost of bearing risks, from the total revenue. This reward for risk-taking incentivizes entrepreneurship and investment in uncertain ventures.

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

Explanation: Central banks often provide loans to commercial banks during financial distress to ensure liquidity and stability in the banking system. Central banks do not typically have the authority to directly order governments to provide assistance to specific banks. While central banks may collaborate with governments and provide recommendations during financial crises, decisions regarding government assistance to banks are typically made by government authorities based on various factors, including regulatory frameworks and public policy considerations.

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

Explanation: The Veblen effect suggests that for certain luxury or status goods, consumers perceive higher prices as an indicator of higher quality or prestige, leading to increased demand as prices rise. This contradicts the usual assumption that higher prices correspond to lower demand, illustrating the unique influence of conspicuous consumption on consumer behavior.

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

Explanation: Money facilitates the distribution of national income by generating factor incomes like rent, interest, wages, and profits. However, the actual distribution is contingent upon broader economic factors such as government policies and market dynamics.

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

Explanation: The continuous rain and lack of fresh supply of tomatoes in India during June-July 2023 would likely decrease the supply of tomatoes. This would shift the supply curve to the left, indicating a decrease in the quantity supplied at each price level. As a result, the equilibrium price of tomatoes would likely increase, reflecting the reduced availability of tomatoes in the market.

(xii) **Option (C) is correct.**

Explanation: When products are differentiated based on non-tangible attributes like advertisements and branding rather than inherent qualities, it is referred to as artificial differentiation. This strategy aims to create perceived differences among products in the eyes of consumers, often through marketing techniques, without necessarily altering the physical product itself.

(xiii) **Option (C) is correct.**

Explanation: Ensuring equity is a key merit of direct taxes as they are typically progressive, meaning that individuals with higher incomes pay a higher proportion of their income in taxes compared to those with lower incomes. This progressive nature helps distribute the tax burden more equitably, promoting fairness in the tax system.

(xiv) **Option (A) is correct.**

Explanation: Luxury goods typically have a price elasticity of demand greater than 1, indicating that changes in price lead to proportionally larger changes in quantity demanded. This suggests that consumers are more sensitive to price changes for luxury goods compared to necessities, as they have more alternatives and can easily forgo purchasing luxury items if prices increase.

(xv) **Option (A) is correct.**

Explanation: When the elasticity of supply is greater than one, it means that the percentage change in quantity supplied is greater than the percentage change in price. In other words, suppliers are very responsive to changes in price, and small changes in price lead to relatively large changes in the quantity of goods supplied.

(xvi) **Option (D) is correct.**

Explanation: During deflation, when there is a general decrease in prices, central banks often increase their purchases of government securities as a part of expansionary monetary policy. This increase in buying government securities injects liquidity into the economy, aiming to stimulate economic activity and counteract the deflationary pressures.

(xvii) **Option (D) is correct.**

Explanation: Capital is termed a produced factor of production because it is created through human effort and investment, unlike natural resources. Machinery, equipment, and infrastructure are examples of physical capital, while financial capital, such as stocks and bonds, represents claims on future production and is generated through financial transactions and investment.

(xviii) **Option (B) is correct.**

Explanation: Mining operations lead to the depletion of natural resources, diminishing valuable minerals from the earth's reserves. This depletion poses long-term environmental and economic challenges, necessitating sustainable practices to mitigate adverse impacts.

(xix) **Option (B) is correct.**

Explanation: A regressive tax rate imposes a higher burden on lower-income earners as a proportion of their income compared to higher-income earners. This occurs when the tax rate decreases as income increases, resulting in a higher effective tax rate for lower-income individuals.

(xx) **Option (C) is correct.**

Explanation: Non-price competition refers to competition among businesses based on factors other than price. Instead of lowering prices, firms may differentiate their products through advertising, branding, packaging, product quality, customer service, innovation, or other means to attract customers. This type of competition focuses on creating perceived value and customer loyalty rather than simply offering the lowest price.

Answer 2

(i) (a) (1) Cars and Gasoline

(2) Bread and Butter

(3) Toothpaste and toothbrushes

(4) Cereal and milk

(Any one)

(b) A rise in the price of one complementary good typically leads to a decrease in the demand for the complementary good pair as a whole. For example, if the price of printers increases, fewer people may purchase printers, which would result in lower demand for printer ink cartridges.

(ii) (a) Medium of exchange

(b) Measure of value

(iii) **Features of Saving Bank Accounts:**

(a) **Interest:** Savings accounts typically offer interest on the deposited funds, although the rate may be relatively low compared to other investment options. This interest is usually calculated on the account balance and credited periodically to encourage savings.

(b) **Liquidity:** Savings accounts provide high liquidity, allowing account holders to deposit and withdraw funds as needed without restrictions. This feature makes savings accounts suitable for short-term savings goals and emergency funds, providing easy access to cash when required.

(iv) (a) Indirect Tax

(b) Indirect taxes are payable when goods or services are purchased, as they are included in the price paid by consumers. Examples of indirect taxes include Value Added Tax (VAT), Goods and Services Tax (GST), excise duties, customs duties, and sales taxes.

(v) Urbanization often results in habitat loss, fragmentation, and increased pollution, which can negatively impact biodiversity, ecological balance, and ecosystem services.

Answer 3

(i) One of the primary functions of an entrepreneur is to assume the risks inherent in business ventures, such as uncertainty in market demand, competition, and financial investment. By taking on these risks, entrepreneurs allocate resources efficiently, innovate, and drive economic growth, contributing to wealth creation and development.

(ii) Price discrimination is commonly practiced in monopolistic markets. For instance, movie theaters often charge different prices for tickets based on factors like age, time of day, or seat location, maximizing revenue by catering to varying consumer preferences.

(iii) Public sector enterprises play a vital role in developing industries with strategic importance by investing in infrastructure, research and development, and capacity building. Additionally, they often provide essential services, promote technological advancements, and support national security objectives, contributing to economic growth and stability.

(iv) Yes, there are differences between labour and entrepreneur. These differences highlight how labour and entrepreneurship, while both being human factors of production, involve distinct roles, responsibilities, and outcomes in the production process. These differences are:

Basis	Labour	Entrepreneurship
Definition	Physical and mental effort exerted by individuals in the production process.	Ability to organize and manage resources, take risks, innovate, and make decisions in the production process.
Compensation	Typically compensated with wages or salaries.	Can earn profits or incur losses based on the success of ventures.
Risk	Generally bears minimal risk compared to entrepreneurs.	Bears significant risk associated with business ventures.
Innovation	Primarily executes tasks and follows instructions.	Drives innovation by introducing new products, services, or processes.

(Any two)

- (v) When the price level rises, the value of money decreases. This phenomenon is called inflation. Inflation refers to the general increase in prices of goods and services over a period of time, resulting in a decrease in the purchasing power of money. As prices rise, each unit of currency buys fewer goods and services, leading to a reduction in the real value of money.

SECTION- B

Answer 4

(i) Importance of Land:

- (a) **Land determines agricultural production:** The quality, fertility, and suitability of land directly influence the types of crops that can be grown and the yields obtained, playing a critical role in agricultural productivity and food security.
- (b) **The industrial progress and prosperity of a country depends on availability of mineral resources i.e., land:** Access to mineral-rich land is essential for industrial development, as minerals are vital for manufacturing processes, infrastructure construction, and energy production, driving economic growth and prosperity.
- (c) **Land determines total production of a country:** Land serves as the physical platform for production activities across sectors, influencing the quantity and diversity of goods and services produced within a country's economy, thus playing a pivotal role in determining its overall output and economic performance.
- (d) **Land influences the economic growth of a country:** Efficient utilization and management of land resources are crucial for attracting investments, promoting infrastructure development, and facilitating urbanization and industrialization, thereby driving sustained economic growth, job creation, and improvement in living standards.
- (e) **Land maintains ecological balance:** Land provides habitats for diverse ecosystems, supports biodiversity, and offers essential ecosystem services such as carbon sequestration, water purification, and flood regulation, contributing to environmental sustainability and the well-being of both humans and the planet.

- (ii) (a) **Short run and Long run Period:** In the short run, supply is relatively inelastic due to fixed production capacities and limited ability to adjust inputs quickly, resulting in less responsiveness of quantity supplied to price changes.

In the long run, supply becomes more elastic as producers have the flexibility to adjust production processes and inputs over time, allowing for greater responsiveness of quantity supplied to price changes.

- (b) **Perishable and Durable Goods:** Perishable goods generally exhibit an inelastic supply elasticity as producers face constraints in adjusting supply quickly due to the limited shelf life, necessitating swift sales to avoid spoilage.

In contrast, durable goods typically display a more elastic supply elasticity because producers can adjust production levels over time, responding to changes in demand and price with greater flexibility owing to the longer lifespan of the goods.

- (c) **Nature of the entrepreneurs:** Entrepreneurs with a higher risk appetite are more likely to enter or expand production in response to price changes, leading to a more elastic supply, whereas those with a lower risk tolerance may exhibit a less elastic supply response.
- (d) **Primitive and Advanced Technology:** Primitive technology may exhibit a relatively inelastic supply elasticity due to limited scalability and dependence on traditional methods, making it less responsive to price changes. In contrast, advanced technology often demonstrates a more elastic supply elasticity, as it can be quickly adapted and scaled up to meet changing demand, facilitating greater responsiveness to price fluctuations.

Answer 5

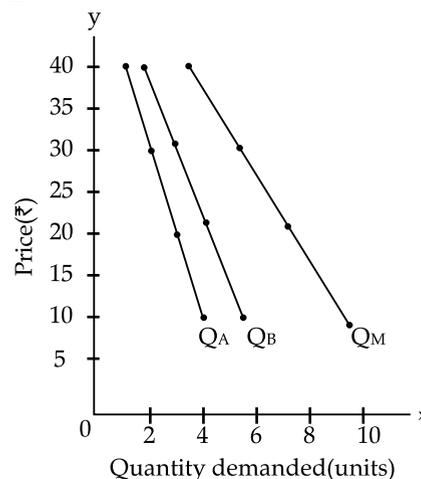
(i)

Price (in ₹)	Q _A (units)	Q _B (units)	Q _M (units)
10	4	5	9
20	3	4	7
30	2	3	5
40	1	2	3

- (a) **Law of Demand:** The law of demand states that, all other factors being equal, as the price of a good or service increases, the quantity demanded decreases, and conversely, as the price decreases, the quantity demanded increases. In other words, there is an inverse relationship between the price of a product and the quantity demanded by consumers. This fundamental economic principle reflects the behavior of consumers who typically seek to maximize their utility by purchasing more of a product when its price is lower and vice versa.
- (b) **The main assumptions of the law of demand are:**
- (1) Income of the consumer remains constant and there will be no change in it in near future.
 - (2) There is no change in the consumers taste and preference in near future.
 - (3) There will be no change in price in near future.
 - (4) There will be no change in the price of the related goods.
 - (5) No change in the quality of goods.

(Any four)

(c)



- (ii) (a) Privatization of public companies refers to the process of transferring ownership, control, and management of state-owned enterprises (SOEs) or public-sector entities to private individuals, investors, or corporations. This often involves the sale of shares or assets of the public company to private investors through public offerings or direct sales.
- (b) Horizontal division of labor involves breaking down the production process into separate tasks or stages that can be performed simultaneously, allowing for parallel production of different components or stages. This approach enhances efficiency by reducing idle time and streamlining workflow.

(c) Difference between Land and Capital:

Aspect	Land	Capital
Nature	Land comprises natural resources like soil and water bodies.	Capital includes man-made assets such as machinery and infrastructure.
Supply and Increase	Land is finite and cannot be augmented.	Capital can grow through investments and accumulation.
Usage	Land is used for agriculture and natural resource extraction.	Capital is deployed in manufacturing and service sectors.
Mobility	Land is immobile, fixed to specific locations.	Capital is mobile and can be relocated as needed.
Activity	Land is passive, serving as a foundation for economic activities.	Capital requires ongoing investment for productivity.

(iv) Disadvantages of Division of Labour:

- (a) **Monotony of Work:** Division of labor often results in individuals performing repetitive tasks, leading to monotony and decreased job satisfaction.
- (b) **Lack of Skill and Craftsmanship:** Specialization in a narrow range of tasks may lead to a lack of overall skills and craftsmanship among workers.
- (c) **Retard Development of Personality:** Workers may not have the opportunity to develop a broad range of skills and experiences, potentially stunting personal and professional growth.
- (d) **Excessive Interdependence:** Dependency on others for completing tasks can lead to delays and inefficiencies if one part of the process breaks down or faces challenges.
- (e) **Danger of Overproduction:** Specialization can lead to overproduction of certain goods or services if demand fluctuates or if there's insufficient coordination between different parts of the production process.
- (f) **Imbalance in Regional Development:** Concentration of certain industries or types of labor in specific regions can lead to regional imbalances in terms of economic development, infrastructure, and opportunities

(Any three)

Answer 6

(i) (a) Active factor: Labour

Passive factor: Capital

Difference: Labor involves the active physical and mental contributions of individuals in the production process, while capital represents the passive physical assets, such as machinery and infrastructure, used to facilitate production.

(b) Single-use machinery: Capital

Multiple-use machinery: Land

Difference: Capital refers to man-made resources like machinery and infrastructure, which can be augmented through investment. On the other hand, land denotes natural resources and geographical space, whose supply is fixed and cannot be increased through human effort.

(c) Human factor of production with innovative capacity: Entrepreneur

Human factor of production with innovative capacity: Labor

Difference:

- Entrepreneurship involves risk - bearing but 'labour' does not bear risks.
- Entrepreneur has to have innovative ability, labour may or may not have this ability.

- The reward for entrepreneurship arises in the form of profits which may be positive, negative or zero. But the price of labour i.e., the wage rate is contractually fixed, and it is always positive.
- Entrepreneur is not a hired factor, but labour is hired factor. (Any two)

- (ii) (a) **Timely Completion of Projects Undertaken:** Private firms often prioritize efficiency and innovation, meeting project deadlines to maintain competitiveness and maximize profits. In public sector, bureaucratic processes and political factors may lead to delays in project completion, hindering timely delivery and efficiency.
- (b) **Decision Taking:** Usually public sector suffers from red-tapism in decision making whereas the private sector leads to quick decision making. Moreover, in general the public sector does not enjoy sufficient autonomy as compared to private sector.
- (c) **Managerial Efficiency:** In the private sector, profit-driven incentives and competitive pressures foster efficient resource allocation, performance optimization, and talent development, resulting in higher managerial efficiency. In the public sector, bureaucratic structures and political interference may hinder managerial effectiveness and efficiency, leading to inefficiencies and bureaucratic inertia.
- (d) **Attention Towards Consumer Satisfaction:** Private firms prioritize consumer satisfaction to retain market share and profitability, often leveraging innovation and customer-centric strategies to meet customer needs. While aiming to serve the public interest by public sector companies, bureaucratic constraints and political considerations may limit responsiveness to consumer needs and feedback, potentially compromising consumer satisfaction.

Answer 7

- (i) (a) Monopolistic Market
- (b) Features of a Monopolistic market:
1. **Product Differentiation:** Firms within the monopolistic market sell products that are slightly differentiated from each other. This differentiation could be in terms of quality, branding, packaging, design, or any other aspect that sets them apart from competitors. This allows firms to have some degree of control over pricing without fear of perfect substitution.
 2. **Free Entry and Exit:** Firms can freely enter or exit the market without facing significant barriers or restrictions. This means that new firms can enter the market if they see potential profits, and existing firms can leave if they find it unprofitable.
 3. **Selling Costs:** Firms operating in a monopolistic market often incur selling costs, including advertising, sales promotions, and marketing efforts. This is because they need to differentiate their products in the eyes of consumers and create brand loyalty. These selling costs add to the overall expenses of the firm but are necessary to attract customers and maintain market share.
- (ii) (a) **Custodian of Foreign Exchange Reserves:** The RBI manages India's foreign exchange reserves, ensuring stability in currency exchange rates, supporting external trade, and safeguarding against economic shocks. It intervenes in the foreign exchange market to regulate the value of the rupee and maintain confidence in the economy.
- (b) **Monopoly of Note Issue:** Being the sole authority to issue currency notes, the RBI regulates the money supply in the economy, controlling inflation and ensuring the stability of the financial system. It maintains confidence in the currency by overseeing the production, distribution, and withdrawal of currency notes.
- (c) **Clearing House Facility:** The RBI operates as the central clearing house for interbank transactions, facilitating the settlement of payments between banks efficiently and securely. It ensures the smooth functioning of the payment system, reducing transaction risks and promoting financial stability.
- (d) **Banker and Fiscal Agent of the Government:** As the government's banker, the RBI manages its accounts, conducts transactions, and facilitates borrowing and lending operations. Acting as the fiscal agent, it implements monetary policies aligned with government objectives, manages public debt, and regulates the banking system to support fiscal stability and economic growth.

Answer 8

- (i) (a) Migration refers to movement of people from one region to another within the country due to various reasons. Migration from thinly populated regions to thickly populated regions causes greater pressure upon natural resources and destruction of ecosystem.
- (b) **Impacts are the following:**
1. **Deforestation:** Migration often leads to the clearing of land to accommodate the growing population's need for housing, infrastructure, and agricultural expansion. This results in deforestation, which disrupts ecosystems, destroys habitats, and reduces biodiversity.
 2. **Increased Waste Generation:** The influx of migrants into densely populated areas can result in a growing volume of municipal and domestic waste due to poor sanitation and waste disposal systems. Improper waste management can lead to pollution of soil, water, and air, harming local ecosystems and human health.
 3. **Environmental Pollution:** Migration to densely populated areas can lead to a sharp increase in vehicle traffic, industrial activities, and energy consumption, resulting in environmental pollution. Air pollution, water contamination, and noise pollution can degrade ecosystems, affect wildlife, and pose health risks to residents.
 4. **Water Resource Depletion:** The migration of people to densely populated areas increases the demand for water resources for domestic, industrial, and agricultural purposes. This can lead to overexploitation of water sources, depletion of aquifers, and disruption of natural water cycles, threatening the sustainability of ecosystems and exacerbating water scarcity issues. **(Any three)**
- (ii) (a) **Fiscal Policy:** Fiscal policy refers to the government's use of taxation and spending to influence the economy. It aims to achieve various macroeconomic objectives such as stable economic growth, low unemployment, and price stability. Governments may adjust tax rates, government spending, and borrowing levels to stimulate or cool down economic activity in response to changing economic conditions.
- (b) **Monetary Policy:** Monetary policy refers to the actions taken by a central bank to regulate the money supply and interest rates to achieve economic objectives. It involves managing interest rates, open market operations, and reserve requirements to influence borrowing, spending, and investment in an economy. The primary goals of monetary policy typically include controlling inflation, maintaining price stability, and promoting sustainable economic growth.
- (c) **Degressive tax:** Degressive tax is a mix of between the progressive tax and proportional tax. In the case of degressive tax, the tax rate is increased firstly with increase in income and then, the rate remains flat or constant with further increase in income. It allows the higher income groups to make less sacrifice than the lower income groups.
- (d) **Indirect taxes can be used to increase social welfare:** Indirect taxes on harmful commodities like intoxicants can enhance social welfare by discouraging their consumption, thus reducing negative social impacts such as addiction and health problems. By increasing the cost of these goods, such taxes incentivize moderation and healthier choices, ultimately fostering a safer and more prosperous society.

Answer 9

- (i) (a) **Direct Action:** If any commercial bank ignores the rules and regulations provided by the central bank, then punishable steps will be taken against the particular banks. These actions aim to enforce adherence to banking regulations and control credit supply. For instance, the central bank may withhold loans from non-compliant banks or impose higher interest rates as a penalty. By enforcing discipline within the banking sector, direct action helps maintain stability and integrity in the financial system.
- (b) The advantage of credit cards over currency notes can be attributed to several reasons:
1. **Security:** Credit cards offer enhanced security compared to carrying currency notes. With credit cards, transactions are protected by PIN codes, biometric authentication, and other security measures, reducing the risk of theft or loss.

2. **Convenience:** Credit cards provide a convenient and efficient way to conduct transactions. They eliminate the need to carry large amounts of currency notes, making transactions quicker and easier, whether in-person or online.
3. **Accepted Worldwide:** Credit cards are widely accepted globally, allowing users to make purchases and payments in various currencies and locations without the hassle of currency exchange.
4. **Record Keeping:** Credit card transactions are automatically recorded, providing users with detailed statements that track their spending. This helps in budgeting, managing expenses, and tracking purchases for accounting or tax purposes. (Any two)

(c) (1) **Publicity:** The central bank utilizes publicity as a credit control method by disseminating information through various channels. This includes publishing weekly reports, periodicals, reviews, and statements of assets, liabilities, and balance sheets. These publications serve as guidance and reference points for commercial banks, aiding them in making informed decisions regarding credit allocation.

(2) **Moral persuasion:** In certain situations, the central bank employs moral persuasion to influence commercial banks' lending practices. This involves requesting and persuading banks to refrain from granting credit for speculative or non-essential activities. By appealing to the banks' sense of responsibility and prudence, the central bank aims to steer credit towards productive and priority sectors of the economy while discouraging excessive risk-taking or speculative behavior.

(ii) (a) **Perfect Competition :** Perfect competition is a market form characterized by a large number of buyers and sellers, homogeneous products, free entry and exit of firms, perfect information, and no market power for individual buyers or sellers. In perfect competition, firms are price takers, meaning they must accept the prevailing market price for their product.

(b) **Features of Perfect Competition:**

1. **Large Number of Buyers and Sellers:** In perfect competition, there are numerous buyers and sellers, none of which individually influence the market price.
2. **Homogeneous Products:** Goods sold by all firms are identical in perfect competition, meaning consumers perceive no difference between products from different sellers.
3. **Free Entry and Exit:** Firms can enter or exit the market without facing obstacles, ensuring that profits are driven to zero in the long run due to competition.
4. **Perfect Information:** Both buyers and sellers have complete and instantaneous knowledge about market prices, quantities, and quality of goods.
5. **No Market Power:** Individual firms have no ability to impact the market price; they must accept the prevailing price determined by supply and demand. (Any three)

(c) **Difference between Perfect Competition and Monopoly:**

Aspect	Perfect Competition	Monopoly
Number of Firms	Many small firms compete, none having significant market power.	A single dominant firm exists, controlling the entire market.
Nature of Products	Homogeneous products - goods offered by different firms are identical, leading to perfect substitutes for consumers.	Unique product with no close substitutes - consumers have no alternatives, giving the monopolist significant control over pricing.
Entry and Exit	Firms can freely enter or exit the market without restriction, ensuring long-run economic profits are driven to zero.	Significant barriers to entry exist, such as patents, economies of scale, or government regulations, making it difficult for new firms to enter the market.

Pricing	Firms are price takers, meaning they must accept the prevailing market price for their product.	The monopolist is a price maker, setting the price of its product without considering competitors.
Market Power	Individual firms lack the ability to influence market prices, as they have no significant market power.	The monopolist has significant market power, allowing it to control the market price and earn economic profits.
Examples	Agricultural markets, stock exchanges	Local utilities, patented drugs

(Any three)

