

ICSE EXAMINATION PAPER - 2025

ECONOMIC APPLICATIONS

Class-10th

(Solved)

Maximum Marks: 100

Time Allotted: Two Hours

Instructions to Candidates:

1. Answers to this Paper must be written on the answer sheet provided separately.
2. You must not be allowed to write during the first 15 minutes.
3. This time is to be spent in reading the question paper.
4. The time given at the head of this Paper is the time allowed for writing the answers.
5. Attempt all questions from Section A and any four questions from Section B.
6. The intended marks for questions or parts of questions are given in brackets[]

SECTION – A (40 Marks)

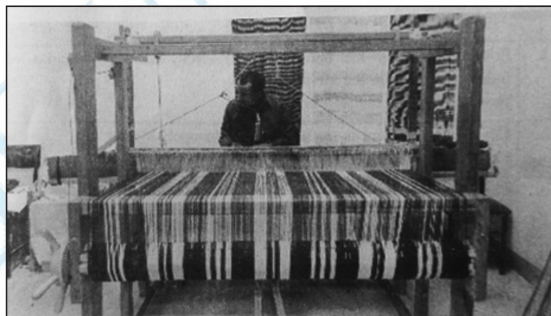
(Attempt all questions from this Section.)

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) **Assertion (A):** Festivals have a major economic impact on local and regional economies by increasing business activity specially in areas such as retail, tourism and entertainment.
Reason (R): Festivals stimulate increased consumer spending in sectors like retail, hospitality and transportation, thereby boosting local business and creating job opportunities.
(a) (A) is true and (R) is false.
(b) (A) is false and (R) is true.
(c) Both (A) and (R) are true and (R) is the correct explanation of (A).
(d) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (ii) An inferior good for which demand falls with a fall in price is called:
(a) Normal good
(b) Giffen good
(c) Complementary good
(d) Substitute good
- (iii) If price of x increases, the demand for y too increases. How are x and y related?
(a) as complementary goods
(b) as inferior goods
(c) as substitute goods
(d) as unrelated goods
- (iv) Observe the image given below and identify the Division of labour:



- (v) The phenomenon of increasing share of urban population to the total population of a country is known as:
(a) Migration
(b) Urbanisation
(c) Industrialisation
(d) Civilisation

(vi) Match the following:

1.	Prices offered by the fashion industry depend on the services provided for their uniqueness.	P.	Perfectly Competitive Market
2.	Central Government is the sole buyer of defense equipment.	Q.	Monopoly Market
3.	Concession in Railway Tickets for senior citizens as compared to normal passengers.	R.	Monopolistically Competitive Market
4.	The sellers have to quote the market price which usually remains uniform.	S.	Monopsony Market

(a) 1-S, 2-Q, 3-P, 4-R

(b) 1-Q, 2-R, 3-S, 4-P

(c) 1-R, 2-P, 3-Q, 4-S

(d) 1-R, 2-S, 3-Q, 4-P

(vii) Contribution of _____ capital towards the increase in national output of any country is important.

(a) Money

(b) Real

(c) Fixed

(d) Sunk

(viii) As a result of a 5% increase in price, the demand for commodity X increases by 12%. The price elasticity of demand (e_d) for the commodity will be:

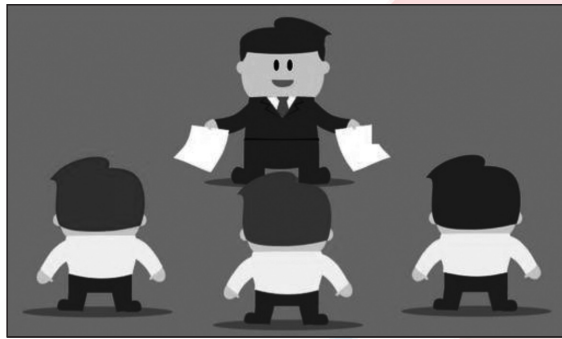
(a) $e_d < 1$

(b) $e_d > 1$

(c) $e_d = 1$

(d) $e_d = \infty$

(ix) Name the function of an entrepreneur as shown in the picture given below.



(a) Innovation

(b) Planning

(c) Delegation

(d) Risk bearing

(x) Due to cyclonic effect in an area, the sea level covers a number of rice fields in that area. This reduces productivity of land. How will this affect the supply curve of rice of that region?

(a) Downward movement along the supply curve

(b) Supply curve shifts to the leftward side

(c) Upward movement along the supply curve

(d) Supply curve shifts to the rightward side

(xi) Assertion (A): Indirect taxes can be made progressive.

Reason (R): More excise duty imposed on producing luxury items and exempting taxes on necessary items.

(a) (A) is true and (R) is false.

(b) (A) is false and (R) is true.

(c) Both (A) and (R) are true and (R) is the correct explanation of (A).

(d) Both (A) and (R) are true and (R) is not the correct explanation of (A).

(xii) Which of the following is an impact of a decrease in Cash Reserve Ratio on loanable funds?

(a) Loanable funds will increase

(b) Loanable funds will decrease

(c) Loanable funds remain unchanged

(d) Banks will impose restrictions on loans

(xiii) Which of the following is not a private sector enterprise?

(a) Tata Industrial Group

(b) Steel Authority of India

(e) Hindustan Unilever

(d) Bharti Airtel

(xiv) Assertion (A): The policy of converting public ownership of an asset to private ownership is Privatisation.

Reason (R): There is no sale of shares of Public Sector Undertaking.

(a) (A) is true and (R) is false.

(b) (A) is false and (R) is true.

(c) Both (A) and (R) are true and (R) is the correct explanation of (A).

(d) Both (A) and (R) are true and (R) is not the correct explanation of (A).

- (xv) Mr. Krishnan purchases 1 litre of milk per day when it is priced at ₹ 35 per litre. On arrival of his guests, he purchases 8 litres of milk. Choose the correct impact on demand:
- (a) Increase in demand (b) Increase in quantity demanded
(c) Decrease in demand (d) Decrease in quantity demanded
- (xvi) Selling costs are absent in a monopoly market because:
- (a) there are many sellers. (b) all goods are close substitutes.
(c) all goods are differentiated. (d) there is only one seller.
- (xvii) Observe the relationship of the first pair of words and complete the second pair.
2-3% per annum is Creeping Inflation, 10-20% per annum is _____.
- (a) Walking Inflation (b) Running Inflation
(c) Hyper Inflation (d) Galloping Inflation
- (xviii) Any medium of exchange, enforced by law is known as:
- (a) Legal Tender Money (b) Credit Money
(c) Fiduciary Money (d) Full bodied Money
- (xix) Desire to acquire some goods without the ability to purchase these goods:
- (a) Demand (b) Supply
(c) Want (d) Price
- (xx) Name an instrument of state intervention.
- (a) Monetary Policy (b) Agricultural Policy
(c) Industrial Policy (d) Trade Policy

Question 2

- (i) Calculate elasticity of demand on the basis of the following data: [2]

Price (Rs.)	Quantity (kg)
4	10
6	15

- (ii) 'Land is heterogeneous in nature.' Explain. [2]
- (iii) Technical advancement leads to cost saving. With the help of a diagram, explain the effect of technical advancement on the supply curve. [2]
- (iv) 'The Indian Railways said that there is no proposal yet to restore concessions offered to certain categories of people in ticket fares after the facility was stopped due to Coronavirus Pandemic.' – Economic Times, August 06, 2021 [2]
- (a) The Indian Railways is an example of which form of market?
(b) State the feature of market highlighted in the above extract.
- (v) Prepare a hypothetical individual demand schedule. [2]

Question 3

- (i) State any two differences between land and labour. [2]
- (ii) How do commercial banks utilise their surplus fund? [2]
- (iii) What is meant by Capital Formation? [2]
- (iv) State any two merits of direct taxes. [2]
- (v) Mention any two adverse impacts of construction of dwelling units on the ecosystem. [2]

SECTION – B (60 Marks)

(Attempt any four questions from this Section.)

Question 4

- (i) (a) Who is an entrepreneur? [7]
(b) Explain any three roles of an entrepreneur as a factor of production in ensuring economic development.

- (ii) (a) State the *Law of Supply*.
 (b) Complete the following market supply schedule and give a graphical representation of the same.

Market Supply Schedule of Firm A and B

Price per unit (₹)	Quantity supplied (kgs) by		Market Supply (kgs)
	Firm A	Firm B	
5	3	5	?
6	6	9	?
7	8	12	?
8	9	14	?

- (c) State *one* point of difference between *stock* and *supply*.

Question 5

- (i) (a) What is *Elasticity of Supply*?
 (b) Explain graphically the following:
 1. Relatively Elastic Supply
 2. Unitary Elastic Supply
 3. Perfectly Elastic Supply

(ii)



- (a) State the concept depicted in the image above. Define the market to which it belongs.
 (b) Explain briefly the concept identified by you in (a) above.

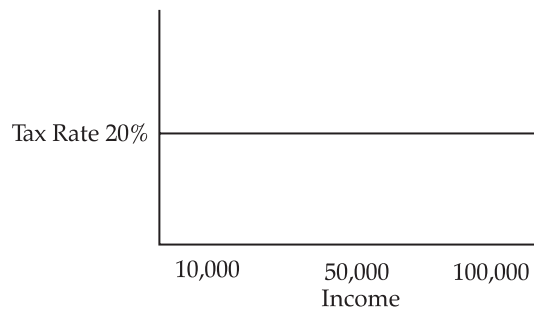
Question 6

- (i) (a) Which of the following is **not** associated with Fiscal policy?
 1. Public revenue
 2. Public expenditure
 3. Public debt
 4. Open market operations
 (b) "Public Sector Units made a commendable contribution to the Indian economy in the early phase of planned development." In this context explain briefly any three contributions of PSUs to the Indian economy.
- (ii) Distinguish between Contraction of Demand and Decrease in Demand.

Question 7

(i)

[7]



- (a) Which type of tax is indicated in the above graph?
 (b) State *any three* points of distinction between *Progressive Taxation* and *Degressive Taxation*.

(ii) Read the extract and answer the questions that follow:

[8]

India and Taiwan are reportedly close to finalising a deal for the far eastern country to host as many as one lakh Indian workers. This comes close on the heels of another reported move that Israel is considering bringing in a large number of Indian workers too.
 Source: Moneycontrol.com, November 13, 2023

- (a) Which characteristic of labour has been highlighted through the above news report?
 (b) What is meant by *Efficiency of Labour*?
 (c) Explain *any two* advantages of division of labour.

Question 8

(i) (a) State *any one* difference between *Savings Account* and *Current Account*.

[7]

- (b) State how money acts as:
 1. Medium of Exchange
 2. Transfer of Value
 3. Maximisation of Utility

(ii) (a) What is meant by '*land use pattern*'?

[8]

- (b) Identify the agricultural practice shown in the image given below. Explain *any three* adverse effects of it on ecosystem.



Question 9

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

[7]

The objective of the Reserve Bank of India Occasional Papers is to publish high quality research produced by the staff of the Reserve Bank of India on a broad array of issues of interest to a large audience including academics and policy makers. The papers selected for publications are subject to intense review by internal and external referees.

– Reserve Bank of India, 2003

- (a) State the type of Credit control method described in the above extract.
 (b) Define *Central Bank*.
 (c) Why is Central Bank referred to as a Banker's Bank?
 (d) State *any one* difference between the *Central Bank* and *Commercial Bank*.

(ii) (a) What is meant by *Qualitative Method of Credit Control*?

[8]

- (b) State *any two* differences between *Quantitative* and *Qualitative Credit Control Policy*.
 (c) Explain the following credit control instruments:
 1. Regulation of margin requirements
 2. Credit Rationing

Answers

SECTION – A

Answer 1

- (i) Option (c) is correct.

Explanation: Festivals impact economic activity in the economy in the retail, tourism and entertainment sectors as the consumer spendings increases during that time.

- (ii) Option (b) is correct.

Explanation: Giffen goods are a special type of inferior good on which the consumer spends a large part of their income, and for which the demand increases as in price of the commodity rises and decreases with the decrease as the price falls.

- (iii) Option (c) is correct.

Explanation: When the price of x increases, it becomes relatively more expensive than y, leading the consumers to shift their demand from x to y. This increases the demand for y. such a relationship is only possible if the goods are used in place of one another. Thus, they are substitutes.

- (iv) Option (c) is correct.

Explanation: The image shows textile industry, which is an example of vertical division of labour.

- (v) Option (b) is correct.

Explanation: It is the general increase in the urban population due to movement of people from less industrialised region to more industrialised region in search of employment.

- (vi) Option (d) is correct.

Explanation: Prices offered by fashion industry depend on the services provided for their uniqueness, shows the differentiated product feature of monopolistic competition market.

The Central Government being a sole buyer, makes it a monopsony market. Concession in Railway tickets shows the price discrimination feature of the monopoly market.

Sellers have to quote the market price shows the, price taker, feature of monopolistically competitive market.

- (vii) Option (b) is correct.

Explanation: Real capital includes the machines, building, tools etc which help in the production of goods and contribute to an increase in a country's national output.

- (viii) Option (b) is correct.

Explanation:

$$e_d = \frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price}}$$

$$= \frac{12}{5} = 2.4 > 1$$

- (ix) Option (c) is correct.

Explanation: As the image shows that the entrepreneur is distributing work among the three employees, so he is performing the delegation function.

- (x) Option (b) is correct.

Explanation: When due to natural disaster such as cyclone leads to reduction of land productivity, the supply will decrease at the prevailing prices, leading to a leftward shift of the supply curve.

- (xi) Option (c) is correct.

Explanation: When the excise duty is imposed on luxury items and tax is exempted on necessary items, it results in the rich paying more tax and poor less, as luxuries are used by the rich. This makes Indirect tax being progressive in nature.

- (xii) Option (a) is correct.

Explanation: When the cash reserve ratio is decreased, the commercial bank will have to keep less reserves with the Central Bank, increasing the amount of loan that they can give. Thus, the loanable funds increase.

- (xiii) Option (b) is correct.

- (xiv) Option (a) is correct.

Explanation: Reason is false, as in privatisation, the shares of the public sector undertakings owned by the government are sold to the private sector.

- (xv) Option (a) is correct.

Explanation: Due to the quantity demanded has increased due to a factor other than price, thus it is termed as an increase in demand. This will lead to a rightward shift in the demand curve.

- (xvi) Option (d) is correct.

Explanation: The monopolist does not need to incur any selling cost as he is the sole seller in the market selling goods without any close substitute.

- (xvii) Option (b) is correct.

Explanation: Running inflation is the degree of inflation when the rate is between 10% and 20%.

- (xviii) Option (a) is correct.

Explanation: Any money which is accepted as a medium of exchange as per the law is termed as legal tender money.

- (xix) Option (c) is correct.

Explanation: Demand is the desire to purchase a commodity at the given price at a particular time backed by willingness and ability to purchase the good. If the ability is absent, demand becomes merely a want.

- (xx) Option (a) is correct.

Explanation: State intervenes in the economy through its fiscal policy and monetary policy.

Answer 2

- (i) $P_1 = ₹6$

$$P_2 = ₹4$$

$$Q_1 = 10$$

$$Q_2 = 15$$

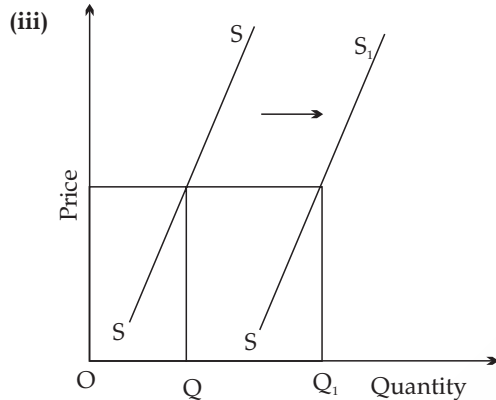
$$\Delta P = P_2 - P_1 = 4 - 6 = -2$$

$$\Delta Q = Q_2 - Q_1 = 15 - 10 = 5$$

$$E_d = \frac{\Delta Q}{\Delta P} \times \frac{P_1}{Q_1}$$

$$= \frac{5}{-2} \times \frac{6}{10} = -1.5$$

- (ii) Land is heterogeneous in nature, that is, it differs in terms of quality, fertility, texture and productivity from place to place.



When there is a technological advancement, the cost of production decreases, making the commodity profitable for the firm. This leads the supplier to supply more at the given price, shifting the supply curve to the right. This can be seen in the figure by the shift in the supply curve from SS to SS_1 .

- (iv) (a) Monopoly Market.
(b) Price Discrimination.
(v)

Price of the commodity (₹)	Quantity demanded
2	15
4	13
6	10
8	7

Answer 3

- (i) The differences between land and labour are:

Sl. No.	Basis of Distinction	Land	Labour
(i)	Meaning	Land refers to all kinds of natural resources available to human, both above and below the surface of Earth.	Labour in Economics refers to any physical or mental endeavour carried out with a view to earning money.
(ii)	Perishability	Land is not Perishable.	Labour is perishable.
(iii)	Supply	Supply of Land is perfectly inelastic as it cannot be increased at all.	Supply of labour is inelastic as it cannot be increased in a short period of time.
(iv)	Factor of Production	Land is a passive factor of production as it supports the other factors of production and does not actively take part in the process of production.	Labour, on the other hand, is an active factor of production, as it can think, act and move in different ways and manners and thus, can function according to its needs or circumstances. A worker can perform his services without cooperation from land and capital.
(v)	Mobility	Land is immobile as it cannot move from one place to other.	Labour is mobile as compared to land as workers can move from one place to another but it is less mobile than capital.
(vi)	Demand	Demand for land is primary to start production.	The demand for labour is derived.

(Any 2)

- (ii) Commercial bank uses their surplus funds to give out loans.
(iii) Capital formation is the process of accumulation of wealth in the form of capital during a period.
(iv) The merits of direct tax are:
(a) **Equity:** Direct taxes are based on the principle of ability to pay (or principle of progression).

Therefore, the burden of a direct tax is equitably distributed among different people and institutions. They fall more heavily on the rich than on the poor.

- (b) **Certainty:** Direct taxes are certain. The taxpayer knows how much tax is due from him and when and, so, he can adjust his income and expenditure accordingly. The government

also know fairly well the amount of revenue it will receive coming to it in the form of income and expenditure.

- (c) **Elasticity:** Another merit of direct taxes is that they are based on the canon of elasticity. These taxes are elastic in nature, as the government revenue can be increased by raising the tax rates in times of crisis. Moreover, the yield from direct taxes goes up automatically with an increase in income of the people.
- (d) **Civic Consciousness:** Direct taxes create a spirit of civic responsibility amongst the tax-payers. Since the tax-payers provide the funds from their own pockets to the government, they take a keen interest in ensuring that these funds are properly utilised. This public awareness plays an important role in checking the wastage of public expenditure.
- (e) **Reduction in Inequalities:** As direct taxes are progressive in nature, rich people are subjected to higher rates of taxation, while the poor are exempted from direct taxes. Hence, these taxes help in removing inequalities of income.

(Any two)

(v) The adverse impacts of construction of dwelling units on the ecosystem are:

- (a) It will lead to an increase in waste generation.
- (b) It will create an excessive burden on the already existing resources.

SECTION – B

Answer 4

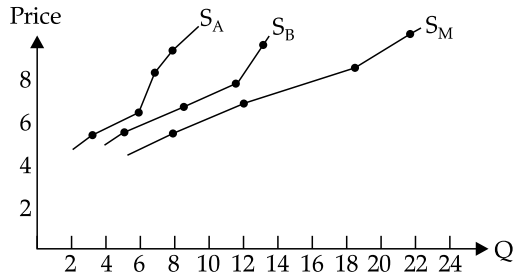
- (i) (a) The entrepreneur is someone who has the ability and desire to establish, administer and succeed in a startup venture, taking on the associated risks in order to, to make profits.
- (b) **Three ways by which an entrepreneur promotes economics growth are:**
- (1) **Creates Large-Scale Employment Opportunities:** Entrepreneurs provide immediate large-scale employment, to the unemployed, which is a chronic problem in underdeveloped nations. With the

setting up of more and more units by entrepreneurs, both small and large scale, numerous job opportunities are created for others.

- (2) **Balanced Regional Development:** The growth of industry and business leads to a lot of public benefits, such as improved transport facilities, healthcare, education, entertainment, etc. This helps in the development of underdeveloped regions.
- (3) **Increase in National Income:** National Income consists of the goods and services produced and imported within the country. The goods and services produced are for consumption within the country as well as to meet export demand. Domestic demand increases with increase in population and increase in standard of living. The export demand also increases to meet the need of growing imports due to various reasons. An increasing number of entrepreneurs are required to meet this. Thus, it increases National Income.
- (4) **New Product, New Services and New Business:** An entrepreneur explores new ideas for businesses, production techniques and services for horizontal, i.e., varieties and vertical, i.e., increase in volume and money growth of business.
- (5) **Creating Innovation:** An entrepreneur is a person who always looks for changes. In addition to combining the factors of production, entrepreneurs also introduce new ideas and new combinations of factors. continually strive to implement newer and more efficient techniques for the production of goods and services. An entrepreneur brings economic development through innovation. **[Any 3]**
- (ii) (a) The law of supply states that, other factors remaining constant, when the price of the commodity rises, the quantity supplied also increases; and when the price of a commodity falls, the quantity supplied also decreases.

(b) Market Schedule of Firm A and B

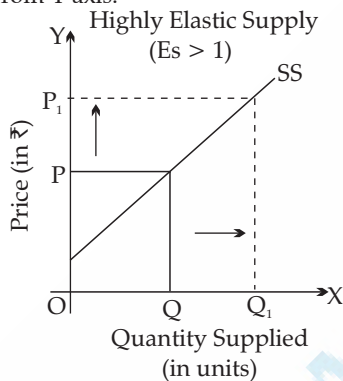
Price per unit (₹)	Quantity supplied (Kg) by		Market Supply (Kg)
	Firm A	Firm B	
5	3	5	8
6	6	9	15
7	8	12	20
8	9	14	23



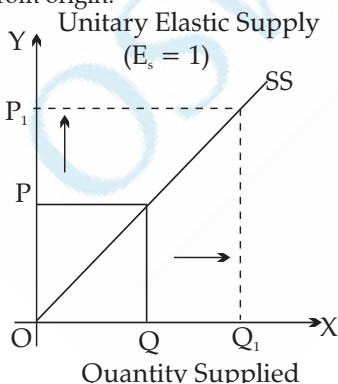
- (c) Supply is the quantity of a commodity that a firm is willing and able to offer for sale at a given price during a given period of time, whereas, stock implies the total quantity of the commodity that can be brought into the market by at short notice.

Answer 5

- (i) (a) The responsiveness of the change in quantity supplied with respect to a change in the price of the commodity is known as elasticity of supply.
- (b) (1) **Relative elastic supply ($E_s > 1$)**: When the percentage change in quantity supplied of a commodity is greater than the percentage change in price, the supply curve originates from Y-axis.

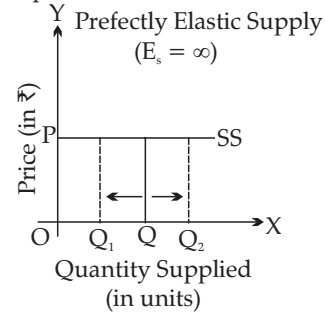


- (2) **Unitary Elastic Supply ($E_s = 1$)**: When the percentage change in quantity supplied of a commodity is equal to the percentage change in price, the supply curve originates from origin.



- (3) **Perfectly elastic supply ($E_s = \infty$)** It is a situation of infinite change in quantity supplied due to a very small change in price. Supply curve is a horizontal straight

line parallel to x-axis.



- (ii) (a) Product Differentiation.

Monopolistic Competition Market is a type of market in which there are a large number of buyers and sellers selling differentiated goods.

- (b) Each firm is in a position to exercise some degree of monopoly, in spite of large number of sellers, through product differentiation. Product differentiation refers to differentiating the products on the basis of brand, size, colour, shape, design, features, etc. The product of a firm is close, but not perfect substitute of other firms. The Implication of 'Product differentiation' is that buyers of a product differentiate between the same products produced by different firms. Therefore, they are also willing to pay different prices for the same type of product produced by different firms. This gives some monopoly power to an individual firm to influence market price of its product.

Answer 6

- (i) (a) Open Market Operations.

It is a type of monetary policy instrument where the Central Bank buys or sells government securities in the open market to influence the money supply in the economy.

- (b) **To the Indian economy Public sector undertaking's major contributions are as follows:**

- (1) **Promotion of welfare:** In India, socialistic pattern of society has been regarded as the national goal. This goal calls for state participation in industrial and commercial enterprises to promote social welfare. In our economy, public sector enterprises are being used as an instrument to promote economic growth with justice.
- (2) **Balanced regional growth:** PSUs are setup to remove the regional imbalances in the economy while some of the regions in India are highly developed, others are still backward. Private entrepreneurs are guided by profit motive, they setup industries in their favourable locations. The PSUs are therefore setup in the backward regions not only to exploit the regional resources but also to have balanced development of the country.

(3) **Capital formation:** Capital formation is considered as the key factor in economic development of a country. PSUs are a significant tool in capital formation of a country. For example, in 1957, total investment in 5 PSUs was only ₹ 29 crore. On 3rd March 2009, it increased to ₹ 5,28,951 crore in 246 PSUs.

(4) **Infrastructure:** Rapid industrialisation of

a developing country like India depends on the creation of infrastructure in terms of economic overheads, such as power, transportation, communication, irrigation, education, technical training, etc. Public sector investment in the infrastructure sector has paved the way for both agricultural and industrial development of the country. [Any 3]

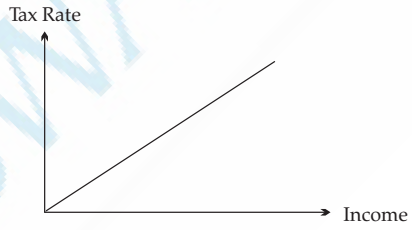
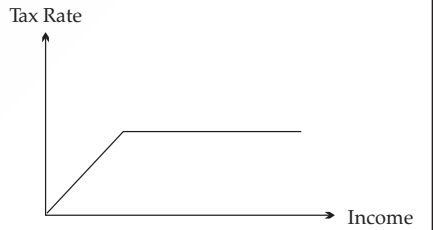
(ii) The differences between contraction of demand and decrease in demand are:

S. No.	Basis of Distinction	Contraction in Demand	Decrease in Demand
(i)	Meaning	Contraction of demand shows the changes on the same demand curve. Here there is an upward movement along the same demand curve.	When there is a shift in the demand curve to the left, it means that the entire demand curve has shifted to the left side.
(ii)	Reason	Contraction of demand occurs when there is a rise in the price of the product.	The demand curve shifts to the left when there are changes in factors other than the price of the product resulting in decrease in demand.
(iii)	Effect of Substitute	If the price of tea is increases this will result in less purchases of tea. Here, the only reason being the price (all the other factors are kept constant) will cause the variation (fall) in demand.	Let us take the example of tea and coffee. If there is a fall in the price of the coffee, then the demand for tea will decrease. The change (decrease) in demand for tea is due to the fall in the price of its substitute (coffee in this case).
(iv)	Price Factor	Contraction in demand is caused only due to the price factor.	The demand curve shifts to the left due to changes in the non-price factors. In this case, it may be due to substitution.

Answer 7

(i) (a) The type of tax indicated in the above graph is proportional tax.

(b) The differences between progressive taxation and degressive tax are:

Sl. No.	Basis of distinction	Progressive Tax	Degressive Tax
(1)	Meaning	The tax rate increases with an increase in income.	The tax rate initially increases but after a point its proportional.
(2)	Slope of the curve	Upward rising	Initially upward rising and then parallel to the x-axis.
(3)	Graph		

(ii) (a) Labour is mobile.

(b) Efficiency of labour is a relative term and is measured by comparing the productive capacities both quantitatively and qualitatively of all the workers or all the categories of workers.

(c) The two advantages of division of labour are:

(1) **Increased productivity:** Division of labour can lead to increased productivity as workers specialise in specific tasks, become more skilled, and work more efficiently. When workers do not have to switch between tasks or spend time learning 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.

(2) **Cost reduction:** Division of labour 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 specialises in one task, becomes more skilled, and can produce more shoes in a shorter period.

Answer 8

- (i) (a) Savings Account is the type of account where the depositor is entitled to receive interest on their deposits. On the other hand Current Account is the type of account where the depositor does not get any interest on their deposit but rather has to pay charges to the bank.
- (b) (1) **Medium of Exchange:** Money serves as a medium of exchange. This is the main and most important function of money. Money carries the capacity to purchase goods and services which people need. Money is normally accepted as a medium through which all the sales and purchase takes place. As money is accepted as a common medium of exchange it has eliminated the difficulties of barter system. It has reduced the wastage of time and resources and has eliminated the need for double coincidence of wants involved in the barter.
- (2) **Transfer of Value:** Money serves as a convenient mode of the transfer of value because of its general acceptability and the merit of liquidity. It helps to transfer the value of goods, services, assets, properties and also the income of the persons from one person to another.
- (3) **Maximisation of Utility:** As we know a rational consumer wants to maximise his utility (or satisfaction) while purchasing various goods and services. Consumer will be able to maximise his total utility if the ratios of marginal utilities of different commodities is equal to the price ratio of different goods. For equalising the marginal utilities, money plays an important role, because prices of a commodities are expressed in terms of money.

(d) The differences between Central Bank and Commercial Bank are:

Central Bank	Commercial Bank
Central Bank is the apex financial institution of the country that is concerned with formation of monetary policies and the way money should be regulated in the economy.	It is a type of financial institution that is concerned with providing banking services to the general public and businesses by facilitating Deposits and offering loan facilities.
It is owned by the state.	It may be state owned or privately owned institution.
To promote economic growth of the nation and create condition towards a stable monetary system in the economy.	The primary objective is to earn profits.
It is a banker to the government and acts as the banker's bank. It does not deal with public.	It deals with the public.
It enjoys the monopoly of note issue.	They are not allowed to issue notes.
It is the controller of the credit system in the country.	It creates credit for promotion of trade, industry and economic growth, as per the directives of the Central Bank.

(Any three)

- (ii) (a) Land use pattern is the way in which the land is used.

- (b) Shifting cultivation is an agricultural system in which plots of land are cultivated temporarily and then abandoned.

It leads to the degradation of the ecosystem due to the following reasons:

- (1) **Air Pollution:** As shifting cultivation requires the forest to be burned before they can be converted into cultivable land, it leads to the emission of a lot of harmful gases leading to air pollution.
- (2) **Land Degradation:** As the land is cultivated temporarily and then abandoned, the fertility of the land is used to its maximum and no effort is done by the farmers to increase its fertility.
- (3) **Deforestation:** As a large number of forests are cut in order to cultivate the land, it leads to deforestation in a large amount.
- (4) **Soil Erosion:** The trees prevent the soil from getting eroded. As the land is used after clearing the forests, so during rainy season it leads to soil erosion and even landslides. (Any Three)

Answer 9

- (i) (a) Publicity.
- (b) Central Bank is the apex bank of the entire banking system in India, which controls whole monetary system of the country. It supervises, controls and regulates the activities of Commercial Banks and acts as a banker to them.
- (c) Central Bank, as the banker's bank, accepts deposits from the commercial banks and offers them loans as and when required. Central Bank also provides clearing house facility to the commercial banks. In its supervisory role, it ensures that the commercial banks follow all the rules and instructions for the smooth functioning of the banking system.

- (ii) (a) The methods used by the Central Bank to regulate the 'flows of credit' is called qualitative credit control.
 (b) The differences between quantitative and qualitative methods of credit control by RBI are:

Sl. No.	Quantitative Methods	Qualitative Methods
(i)	The methods used by the Central Bank to influence the total volume of credit in the banking system is called quantitative methods of credit control.	The methods used by the Central Bank to regulate the 'flows of credit' is called qualitative credit control.
(ii)	These influence the total credit without distinguishing between essential and nonessential uses of credit.	These are discriminatory in nature in the sense that it distinguishes between essential and nonessential uses of credit.
(iii)	These affect lenders.	These affects both lenders and borrowers.
(iv)	These are indirect and impersonal.	These are direct.
(v)	Example: Bank rate, CRR (Cash Reserve Ratio).	Example: Margin Requirement, Rationing of Credit.

[Any 2]

- (c) (1) **Margin Requirements:** The margin requirement of a loan refers to the difference between the current value of the security offered and amount of loan granted. When margin requirement is lowered by the Central Bank, the borrowers are able to secure larger amount of funds from the banks which will increase the money supply in the economy. Conversely, a rise

in the margin requirements will contract the supply of credit in the economy.

- (2) **Credit Rationing:** In this method, the Central Bank can give directions to the commercial banks not to give credit for certain purposes or to give more credit for particular purposes or to the priority sectors.

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