

ECONOMICS

Answer Key to Self-Assessment Sample Paper - 1

Answer Key to Question 1

- a) Meaning of inferior goods in terms of income demand relationship
- b) To maintain internal price stability, stability of the monetary system and foreign exchange rates.
- c) i) Legal Power and general acceptability.
ii) Consists of currency and coins.
- d) Differentiation between entrepreneur and labour.
- e) Increased state activities (Wagner's law) leads to higher expenditure.

Answer Key to Question 2

- a) Limited competition creates seller's market leading to exploitation.
- b) Consumer Price Index in detail alongwith its components.
- c) By bringing technological modifications and structural changes in the organisation.
- d) Reduces the purchasing power of the poor and middleclass people by lowering the spendable income in their hands
(NOTE - As the price rises, the income does not rise in same proportion, hence the spendable income becomes less in the hands of the common man).
- e) Credit creation through accepting primary deposits and lending through secondary deposits.

Answer Key to Question 3

- a) Differences based on mobility, passiveness and risk taking.
- b) To protect consumers interest, to ensure effective implementation of consumer protection laws and curb unfair trade practices.
- c) Definition and meaning in terms of joint demand.
- d) Internal debt vs. external debt.
- e) Non-recurring and developmental in nature.

Answer Key to Question 4

- a) International division of labour.
Division of labour within a country.
- b) Definition of capital in the economic sense.
- c) Money has general acceptability and exchanges in economy take place in terms of money. Goods and services can be valued in terms of money.
- d) Rate of taxation, Non equitable.
- e) Entrepreneur earns income in the form of profit. He may also incur a loss or earn no profit or no loss.

Answer Key to Question 5

- a) i) Uncertainties of business.
ii) Selection of commodity, design quality, techniques of production.
- b) Advantages of division of labour to workers, producers, and society.

Answer Key to Question 6

- a) In the ordinary sense, desire, want and demand have the same meaning. But in Economics, they differ on the basis of their meanings and implications. Mention the meanings of each and state example of demand.
- b) COPRA- Functions, legal provisions through consumer courts, consumer rights.

Answer Key to Question 7

- a) Objectives of GST.
- b) i) Meaning of food adulteration
ii) To provide assurance of quality through certification, increase consumer faith and curb sales of inferior and adulterated products.

Answer Key to Question 8

- a) i) Immovable, Total supply cannot be increased or decreased.
ii) Capital are 'capital goods' which are manmade.
- b) Exception of demand- giffen goods, Veblen goods, Consumer Ignorance, Necessary products.

Answer Key to Question 9

- a) i) Differentiation of individual and market supply on the basis of meaning, quantity supplied
ii) Differentiation of short and long period supply on the basis of meaning, adjustability of supply quantity.
- b) Direct tax (Tax on income) vs. Indirect tax (tax on goods).

Answer Key to Question 10

- a) Administrative and technical measures of the government.
- b) i) Store of value - Storage of current income for future, Storage costs are lower.
ii) Bank money - Cheap transportation, Less risk, Convenient payments.

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Answer Key to Self-Assessment Sample Paper - 2

Answer Key to Question 1

- a) Demand has reference to quantity of commodity demanded at a particular price and time. Hence it is relative concept.
- b) Lays down standards for agricultural goods (AGMARK) and industrial goods (BIS), certifies the goods and raises awareness
- c) i) Physical capital
ii) Financial capital
- d) Availability and use of better-quality capital and technology.
- e) Perishable commodities.

Answer Key to Question 2

- a) Indirect taxes cannot be evaded as they are included in price of commodity.
- b) Access to information related to public authorities
- c) Future payments, credit payments.
- d) Altering composition of foods, adding harmful chemicals.
- e) Decreasing tax rates, Non equitable

Answer Key to Question 3

- a) Substitutes
- b) Courage and ability, Decision making ability
- c) Fixed period of time, High rate of interest
- d) Demand deposits are current accounts.
- e) Redeemable debts, Unfunded debts

Answer Key to Question 4

- a) Long period supply. By employing more machines, changes in technology
- b) No. Includes Free gifts of nature
- c) Reasons behind operation of law of supply- higher profit levels, entry of new firms, change in stock.
- d) Based on ability to pay. In a mixed economy like India, private owners/ rich can be taxed at higher rates.
- e) Helps in higher capital formation.

Answer Key to Question 5

- a) Demand types- Joint, Composite, Direct, Derived, Competitive. Give examples of each
- b) i) Definition of inflation
ii) CPI - Includes goods of daily consumption, measures cost of living inflation.
Food basket - Includes agricultural food products, Measures food inflation

Answer Key to Question 6

- a) All the types of debts.
- b) i) commodity to commodity exchange, impractical due to lack of measure and divisibility.
ii) Measure of value, medium of exchange.

Answer Key to Question 7

- a) Based on impact and incidences, classification can be made as direct or indirect taxes.
- b) Creation of savings, mobilisation of savings, investment of savings

Answer Key to Question 8

- a) Primary functions- Accepting deposits, Advancing loans.
Agency functions and General Utility functions
- b) i) Quantity of output should be more, quality of output should be good, and time taken should be less.
ii) Specialisation in work.

Answer Key to Question 9

- a) Labour characteristics.
- b) Economic causes of public expenditure.

Answer Key to Question 10

- a) i) Constant tax rate for all levels of incomes, Non equitable
ii) Lack of incidence and burden, hence no civic consciousness.
- b) Bank of note issue function. Reasons for giving authority for note issue.

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Answer Key to Self-Assessment Sample Paper - 3

Answer Key to Question 1

- a) Issued and declared by the government, has general acceptability and legal power to discharge debts.
- b) Time period is too short to make structural and technological changes to modify the supply quantity.
- c) Timely repayment of the principal amount of the debt.
- d) Supply curve will shift to right
(NOTE - Due to a fall in the price of wheat, which is a competing good, the supply of rice will be more profitable and hence supply curve will shift to the right.)
- e) Role of money as a unit of account

Answer Key to Question 2

- a) Animal money used in the earliest period of human civilization. Example: Gau- dhan
- b) Incurred by public authorities, Motive is to satisfy collective social wants.
- c) Running, Hyper.
- d) Meaning of progressive tax using a table showing income slabs and rising tax rate slab wise.
- e) Administrative revenues meaning in terms of non-tax revenue and sources like fees, license fees etc.

Answer Key to Question 3

- a) Risk taking function of entrepreneur.
(NOTE - As uncertainties give rise to higher risk in terms of technology, markets, profits, etc.)
- b) Supervisory role of central bank through its vested powers relating to operational aspects
- c) To increase transparency, to reinforce public faith
- d) Distinguish based on meanings - demand price relationship and income demand relationship.
- e) Incurred for administrative purpose and does not create an asset.
(NOTE - Creation of asset leads to economic or social development in the country.)

Answer Key to Question 4

- a) Two functions they perform, credit creation as producers of money, accepting deposits and lending operations as traders of money
- b) Labour is perishable and they are poor.
- c) Distinguish based on period and ability to make supply adjustments.
- d) Differentiate using meanings and nature.
- e) Both are physical, farmer is semi- skilled labour and coolie is unskilled.

Answer Key to Question 5

- a) i) Quantity of output, quality of product, Time taken to produce
ii) Output per area of land
- b) International division of labour, Domestic division of labour (meaning with examples)

Answer Key to Question 6

- a) Meaning, objectives, and reasons of demonetization.
- b) i) False. The demand for inferior good decreases with increase in income.
- ii) False. Rise in aviation fuel will lead to lower demand for air travel.

Answer Key to Question 7

- a) Mention advantages of both direct and indirect taxes which help achieve equitability and inequalities.
- b) Stages of evolution of money.

Answer Key to Question 8

- a) i) Meaning of overdraft, Possibility to pay interest only on amount overdrawn and not the entire loan amount like in other loans.
- ii) Differentiation based on meanings and role in credit creation.
- b) Differentiate between public and private debt based on -
 - i) Compulsion
 - ii) Mode of payment
 - iii) Time period
 - iv) Motive
 - v) Rate of interest

Answer Key to Question 9

- a) i) Assurance of prescribed quality to consumers, certification to ensure compliance from companies to produce quality products, basis of consumers seeking redressal in case of dissatisfaction.
- ii) To fight consumer exploitation, to seek appropriate redressal in case of grievances, to keep updated with regards to consumer information, to be assured of quality goods and services.
- b) Function of organisation by entrepreneur, risk taking ability, earning profits and decision-making function makes him special labour.

Answer Key to Question 10

- a) i) Distinguish on the basis of meaning and sources
- ii) Equitable, Economical as collection cost is low.
- b) i) Apex institution of banking and monetary structure, Monopoly of note issue, One single central bank in a country.
- ii) RBI. 1st April 1935.

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Answer Key to Self-Assessment Sample Paper - 4

Answer Key to Question 1

- a) Lack of storage for future use, change in quality of commodities.
- b) Excise duty is a tax. Higher the taxes, lesser quantity will be supplied at same price.
- c) Agricultural productivity, industrial development.
- d) Substitute goods, complementary goods.
- e) More will be supplied at the same price

Answer Key to Question 2

- a) Normal good - Direct relationship of income and demand. Inferior goods- Inverse relationship of income and demand.
- b) Individual supply and market supply.
- c) Division of labour requires specialization and breaking down of the production into sub processes, which can be done through the application of technology ie. Use of machines and capital-intensive techniques.
- d) Acceptance and lending are sufficient conditions.
- e) Supply function expressed in symbols

Answer Key to Question 3

- a) Demand for factors of production depends on the demand for the consumer goods they produce.
- b) Lack uniformity, problem of storing
- c) Lower the tax, higher will be the ability to save since they save more.
- d) Custom duty is indirect tax, hence incidence can be shifted.
- e) Process of creating credit through primary and secondary deposits by commercial banks.

Answer Key to Question 4

- a) Urbanization and migration increase the state expenditure on administration, provision of services and building social infrastructure like health facilities, parks etc.
- b) To avoid consumer exploitation and curb unfair trade practices by businessmen.
- c) Proportionate return (Quid Pro Quo) cannot be applied to taxes as they satisfy collective wants.
- d) Measure of value, standard of deferred payments
- e) Higher the total number of consumers, the demand will increase and vice versa.

Answer Key to Question 5

- a) Equity- Based on principle of ability to pay
Social consciousness- Incidence and impact are on the same people and hence people pay out of their pockets.
- b) Determinants of individual demand

Answer Key to Question 6

- a) i)
 - Semi-skilled labour - Carpenters, Weavers.

- Territory based division of labour - Jute industry in Bengal, Brassware from Moradabad.
- b) i) Benhams definition of production.
ii) Variable proportions, used physically, use of factor services.

Answer Key to Question 7

- a) Mobilisation of deposits is through types of different deposits- demand, fixed, recurring.
b) Commercial and administrative revenues. Give their types.

Answer Key to Question 8

- a) COPRA, RTI, Consumer Courts.
b) Capital formation through mobilisation of people's savings (through issue of shares and debentures). Self-reliance through reduced dependency on other countries through producing local substitutes.

Answer Key to Question 9

- a) Classify supply on the basis of time period.
b) Categorise the types of inflation based on price rise in % per annum. Give one point of effect on purchasing power and economy of each type of inflation.

Answer Key to Question 10

- a) Discuss land as a factor of production in terms of:
- Heterogeneity - Land differs fertility and location wise.
 - Use - land has multiple uses.
 - Productivity - Different types of lands have different levels of productivity. Lands productivity can be enhanced.
- b) i) Want backed by willingness and ability to pay becomes demand.
ii) Substitute (direct relationship between price of the substitute good and demand for given good) complementary goods (inverse relationship between price of the substitute good and demand for given good)

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Answer Key to Self-Assessment Sample Paper - 5

Answer Key to Question 1

- a) Can be used to raise funds to buy capital goods, land and make factor payments.
- b) Fair price shops are a part of PDS. They distribute food grains at affordable prices.
- c) Capital goods last long. Labour perishes if the worker does not perform his work.
- d) Banker, fiscal agent.
- e) Setting up of industries in backward areas.

Answer Key to Question 2

- a) November 8, 2016.
- b) Perishable good cannot be stored and hence the entire stock has to be supplied/ sold at the prevailing price.
- c) Cooperation amongst workers, work according to choose, formation of worker unions.
- d) Collapse of the monetary system.
- e) WPI - General inflation on goods sold in bulk
CPI - Cost of living inflation

Answer Key to Question 3

- a) Imposed on goods and services, Burden can be shifted.
- b) When the public expenditure exceeds public revenue.
- c) Definition of public finance by Dalton.
- d) Meaning of demand deposits. Cheque able deposits.
- e) Farming is related to production of a crop or few crops and its operation are divided into simple steps carried on by the farmer and his family.

Answer Key to Question 4

- a) Recurring deposits are accepted at regular intervals.
- b) Prevent hoarding, black marketing and providing food security.
- c) Use the definition of demand in economics, which says demand is a flow variable related to time period and different quantities demanded at various prices
- d) Higher wages, working conditions, employer employee relations.
- e) To stabilise foreign exchange rate fluctuations and manage balance of payments deficit.
(NOTE - Balance of payments is related to foreign exchange inflow and outflow of a country through various transactions relating to foreign exchange)

Answer Key to Question 5

- a) i) Give Consumer rights as per COPRA
ii) State the Consumer duties
- b) Explain the meaning of each as a source of public revenue.

Answer Key to Question 6

- a) Determinants of market demand - population, season and weather, government policy, state of business, distribution of income.
- b) i) Recurring, Non- developmental
ii) Extensive and intensive increase in functions of state, modern state is a welfare state.

Answer Key to Question 7

- a) Standard of deferred payments, store of value, transfer of value.
- b) Through revenue and capital expenditure - administrative and capital-based expenditures which create development as well as enable administration.

Answer Key to Question 8

- a) **Explain the functions of fiscal agent and advisor in detail.**
- b) i) Differentiate through definition and mathematical expressions.
 - ii) Higher the consumer credit at lower rates on interest, higher will be the demand for commodities due to higher spending ability.

Answer Key to Question 9

- a) Supply according to market period supply, short period supply, long period supply
- b) i) Labour contributes to production and is a consumer also
 - ii) Risk taker, innovator, decision maker,

Answer Key to Question 10

- a) Meaning and raising revenue through special assessments and forfeitures.
- b) i) Wear and tear of capital goods due to prolonged use.
 - ii) Function of co-ordination of entrepreneur.