

# Sample Question Paper-1

(Specimen Paper issued by CISCE dated 12<sup>th</sup> July, 2022 for 2023 Exam)

## ECONOMICS

### Class-10

**SOLVED**

Time Allowed: 2 hours

Maximum Marks: 80

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

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

*This time is to be spent in reading the question paper.*

*The time given at the top of this paper is the time allowed for writing the answers.*

*Attempt all questions from Section A and any four questions from Section B.*

*The intended marks for questions or parts of questions are given in brackets [ ].*

### Section-A

*(Attempt all questions from this Section.)*

Choose one correct answer to the questions from the given options:

[16]

(Do not copy the question, write the correct answers only.)

- (i) Labour earns \_\_\_\_\_ as a factor of production.
- (a) interest (b) wages  
(c) rent (d) interest
- (ii) When the percentage change in quantity demanded is equal to percentage change in price then it is called as \_\_\_\_\_ demand.
- (a) Unit elastic (b) Relatively elastic  
(c) Relatively inelastic (d) Unique elastic
- (iii) The concentration of cotton textile industries in Maharashtra and Gujarat are due to \_\_\_\_\_ based division of labour.
- (a) territorial (b) process  
(c) product (d) technological
- (iv) When the government borrows money to build dams and canal for the development of the country then it is called as \_\_\_\_\_ debt.
- (a) productive (b) unproductive  
(c) gross (d) developmental
- (v) When the rate of inflation is between 20 to 100 percent per annum then it is called as \_\_\_\_\_ inflation.
- (a) running (b) walking  
(c) galloping (d) mild
- (vi) GST is an example of \_\_\_\_\_ tax.
- (a) goods (b) services  
(c) social (d) indirect
- (vii) The sum total of all debts is called as \_\_\_\_\_ debt.
- (a) net (b) gross  
(c) public (d) private
- (viii) Cash deposited by customers in commercial banks are also known as \_\_\_\_\_
- (a) Saving deposit (b) Derivative deposit  
(c) Secondary deposit (d) Total deposit
- (ix) If \_\_\_\_\_ is used again and again, its value depreciates gradually.
- (a) capital (b) cotton  
(c) raw material (d) electricity

- (x) \_\_\_\_\_ represents downward movement along the same supply curve.  
 (a) Increase in supply (b) Decrease in supply  
 (c) Contraction of supply (d) Extension of supply
- (xi) License fee is an example of  
 (a) Citizen's revenue (b) Administrative revenue  
 (c) Tax revenue (d) Commercial revenue
- (xii) \_\_\_\_\_ should have the quality of farsightedness.  
 (a) Labour (b) Entrepreneur  
 (c) Landlord (d) Capitalist
- (xiii) Act of buying and selling of government securities by the central bank from and to the public is known as:  
 (a) Bank rate (b) Minimum reserve ratio  
 (c) CRR (d) Open market operation
- (xiv) \_\_\_\_\_ spoils the nature and quality of food items.  
 (a) Illiteracy (b) Lack of information  
 (c) Food adulteration (d) Artificial scarcity
- (xv) The study of the nature and principles of government's revenue and its expenditure is known as:  
 (a) Public debt (b) Public expenditure  
 (c) Financial administration (d) Public finance
- (xvi) Which function of money facilitates future payments?  
 (a) Standard of deferred payment (b) Transfer of value  
 (c) Measure of value (d) Unit of value

**Question 2**

- (i) Define the term inflation. [2]  
 (ii) Explain any two factors affecting productivity of land. [2]  
 (iii) What is the impact of inflation on farmers? [2]  
 (iv) What is demonetisation? [2]

**Question 3**

- (i) Define the term demand. [2]  
 (ii) Mention any two assumptions to the law of supply. [2]  
 (iii) What is the meaning of consumer exploitation? [2]  
 (iv) Why do labourers have less bargaining power? [2]

**Question 4**

- (i) How is an entrepreneur defined in economics? [2]  
 (ii) Differentiate between land and capital. [2]  
 (iii) Explain any one primary functions of money. [2]  
 (iv) Define an oligopoly market. [2]

**Section-B**

(Attempt any four questions from this Section.)

**Question 5**

- (i) Explain five important features of perfect competition market. [5]  
 (ii) (a) What do you mean by law of demand? [5]  
 (b) Discuss any three exceptions of law of demand.

**Question 6**

- (i) Explain any five rights of a consumer. [5]  
 (ii) (a) Define capital formation. [5]  
 (b) Explain any three characteristics of capital.

**Question 7**

- (i) Explain *any five* determinants of individual demand. [5]  
 (ii) Differentiate between increase in supply and decrease in supply. [5]

**Question 8**

- (i) Mention five points of difference between direct and indirect taxes. [5]  
 (ii) Explain any five economic causes for the growth of public expenditure in India in recent time. [5]

**Question 9**

- (i) Draw a graphical figure showing perfectly elastic supply. [5]  
 (ii) (a) Define a commercial bank. [5]  
 (b) Explain any two types of deposits accepted by commercial banks.

**Question 10**

- (i) Explain any two quantitative method of controlling money supply of a central bank. [5]  
 (ii) Fill in the following market demand table: [5]

Price (In Rs.)	Consumer A	Consumer B	Consumer C	Market Demand
10	3	(a) _____	6	13
9	(b) _____	5	7	16
8	5	6	8	(c) _____
7	6	7	(d) _____	22
6	7	8	9	(e) _____

# SOLUTIONS

## Sample Question Paper-1

### Economics

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#### SECTION A

1. (i) **Option (b) is correct.**

*Explanation:* The income earned by Labour as factor of production is called wages.

- (ii) **Option (a) is correct.**

*Explanation:* When percentage change in the quantity demanded is equal to percentage change in the price, then demand for such a commodity is said to be unit elastic. Shape of demand curve is rectangular hyperbola.

- (iii) **Option (a) is correct.**

*Explanation:* The division of labour among particular geographical or territorial areas, expressed in the specialization of these areas in the production of particular types of industrial or agricultural output or services.

- (iv) **Option (a) is correct.**

*Explanation:* Public debt is said to be productive when it is raised for productive purpose and is used to add to the productive capacity of the economy.

- (v) **Option (a) is correct.**

*Explanation:* When prices rise rapidly at the rate of 10 to 20 per cent per annum, it is called running inflation. This type of inflation has tremendous adverse effects on the poor and middle class. Its control requires strong monetary and fiscal measures.

- (vi) **Option (d) is correct.**

*Explanation:* GST (Goods and Services Tax) is an indirect tax which is levied by the government on supply of goods and services. Indirect Tax are the taxes for which the incidence and impact falls on separate persons.

- (vii) **Option (b) is correct.**

*Explanation:* The total debts a company has a certain point of time is called Gross Debt.

- (viii) **Option (a) is correct.**

*Explanation:* Saving deposits are the deposits made by customers in their account in the commercial banks. This type of account is generally maintained by the households or individuals. The depositor can deposit or withdraw money deposited under this account only for a limited number of times.

- (ix) **Option (a) is correct.**

*Explanation:* As we go on using capital, the value of capital goes on depreciating. When machines are used continuously for some

time, these depreciate and their value falls.

- (x) **Option (c) is correct.**

*Explanation:* Other things remaining constant, when supply decreases due to decrease in the price only, it is termed as "Contraction in Supply".

- (xi) **Option (b) is correct.**

*Explanation:* The incomes accruing to government from sources other than taxes are non-tax revenues. Non tax revenue includes administrative revenue, profit from state enterprises, gifts and grants, fees, fines or penalties etc.

- (xii) **Option (b) is correct.**

*Explanation:* The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits.

- (xiii) **Option (d) is correct.**

*Explanation:* Open market operations refer to the policy of sale and purchase of government securities in the open market by the central bank. The central bank sells and purchases these securities mainly to and from the public and commercial banks.

- (xiv) **Option (c) is correct.**

*Explanation:* Food adulteration increases the impurity in the foods items thus making it imperfect to consume. Consumption of adulterated food for long will have both short term and long-term impact on our health.

- (xv) **Option (d) is correct.**

*Explanation:* It is the branch of economics that studies the taxing and spending activities of government. It is that branch of general economics which deals with the financial activities of the state or government at national, state and local levels.

- (xvi) **Option (a) is correct.**

*Explanation:* Credit transactions requiring future payments cannot take place due to disagreement regarding the quality, value of the product or terms of repayment.

2. (i) Inflation refers to a situation in which a continuous rise in price level take place. Increase in inflation decrease the purchasing power of the people. Inflation occurs due to an imbalance between demand and supply of money. When the price level of goods and services rises, the value of currency reduces. This means now each unit of currency buys

fewer goods and services. An Inflation level of 2 or 3% is beneficial for the economy as it encourages people to buy more and borrow more. During the time of low inflation, the level of interest also remains low.

- (ii) The two factors affecting the productivity of land are:

(a) **Qualities of land:** The productivity of land depends on its natural qualities. If the land is flat and levelled it will be more productive than an undulating land. Similarly, land in a hilly area is more productive than a land in the desert. Its productivity also depends on the soil and climate.

(b) **Means of irrigation:** This also affects the productivity. Land which depends on the means of irrigation like canals, tube wells etc., is more productive than that which depends on rainfall.

- (iii) As inflation increases, prices paid by farmers for various inputs like fertilizer, insecticide etc increase faster than the prices they receive for their product. It creates the problem of availability of funds for farmers. Farmers find it difficult to sustain the cost of production.

- (iv) Demonetization is a situation where Central bank of the country withdraws the old currency notes of certain denomination as an official mode of payment. Such currencies either turn into scrap or a deposited in the banks and replaced by the new currencies. Governments of many countries across the world have taken this drastic measure to curb black money and stop the counterfeiting of currency notes.

3. (i) Demand refers to quantity of a commodity that a consumer is willing and able to buy at various prices during a particular period of time.

The definition of Demand has four essential elements:

- Quantity of a commodity
- Willingness to buy
- Price of the commodity
- Period of time

- (ii) The two assumptions of Law of Supply are:

- Technology of production should not change.
- There is no change in the taxation policy of the government.

- (iii) When a consumer is cheated in any way, either by the shopkeeper or the producer, by giving him poor quality or adulterated goods or by charging more price for a commodity or a service, it is called consumer's exploitation. In other words, it refers to taking undue advantage of consumer or a group of consumers by the seller for their own benefit or purpose.

Reasons for consumer exploitation are — illiteracy, ignorance, unorganized consumers, malpractices of businessmen.

- (iv) Labourers as a factor of production has a very weak bargaining power with the buyer of the

services. It cannot be stored, is not mobile and has no standard or reserve price. So generally labourers are forced to work for whatever wages the employer offers. In comparison to employer the labourers have very little bargaining power.

4. (i) Entrepreneur is the person who controls the policy of a firm. The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits. The best example of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention.

- (ii) The difference between Land and Capital is as follows:

	Land	Capital
1.	Land includes all natural resources which are available on, above and under the surface	Capital refers to that wealth which is used for further production of wealth.
2.	Land is natural factor of production. It is permanent in nature.	Capital is man-made factor of production. It is not permanent.

- (iii) Money helps to measure value of goods and services in terms of price. The use of money has completely removed the confusion regarding value of one goods and service vis-a-vis the other. This function has greatly facilitated the process of exchange of different goods and services. The value of a goods is determined by multiplying its price with the quantity purchased. Since the price is expressed in monetary units, the value of a goods is also expressed in monetary terms.

- (iv) Oligopoly is a market structure in which there are few sellers (but more than two ) of the homogeneous or differentiated products. So, Oligopoly lies between monopolistic competition and monopoly. Oligopoly refers to a market situation in which there are few firms selling homogeneous or differentiated products.

### SECTION B

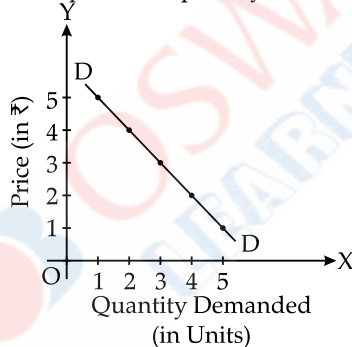
5. (i) The five important features of Perfect Competition market are:

(1) **Large number of Buyers and Sellers:** There are very large number of buyers and sellers in a perfectly competitive market. The number of buyers and sellers is so large that no individual buyers or sellers can influence the price of the commodity in the market.

(2) **Homogeneous Product:** The products offered by different firms are homogeneous in every respect so that the buyer does not have any basis to prefer the goods of one seller over the goods of another seller. The goods are identical in terms of quality, size, packing, and other terms of deal etc. This feature ensures

the uniformity of the price throughout the market.

- (3) **Firm is a Price Taker:** The firm has to sell the goods at a price determined by the industry as the firm has no control over the price. The market or industry determines this price on the basis of market demand and market supply as shown in the figure. So, industry is the price maker and firm are the price taker.
- (4) **Free Entry and Exit:** Under perfect competition firms are free to enter into the market or exit from the market at any point of time. This means that there is no obstruction from anywhere for a new firm to produce the same product produced by the existing firms in the market. Similarly, if a firm wishes to exit then it is free to do so.
- (5) **Perfect Knowledge:** This feature implies that both sellers and buyers have perfect knowledge about the goods and their prices so that it is not possible for a firm to charge a different price. It also ensures uniform price for the buyers and uniform cost function for the producers.
- (ii) (a) The law of demand states that, other things remaining constant, the quantity demanded of a commodity decreases with rise in its price and increase with a fall in its price. So, there is an inverse relationship between price and quantity demanded of a commodity. This can be explained with the help of a table and diagram. Both demand schedule and demand curve are showing an inverse relation between price and quantity demanded.



**Demand Schedule**

PRICE	QUANTITY DEMANDED
1	5
2	4
3	3
4	2
5	1

(b) **Exceptions to Law of Demand are:**

- Giffen Goods:** These are special kind of inferior goods on which the consumer spends a large part of his income and their demand rises with an increase in their price and

demand falls with price. E.g when the price of coarse cereals falls, the consumers have a tendency to spend less on them and shift to superior cereals like wheat and rice. This phenomenon is known as Giffen Paradox.

- Fear of shortage:** If the consumer expects a shortage or scarcity of a particular commodity in near future, then they would start buying more and more of that commodity at the current price even if the price is rising. The consumer demand more due to fear of further rise in prices. E.g during emergencies like war & famine etc. Consumers demand goods even at higher prices due to fear of shortage and general insecurity.
  - Ignorance:** Consumers may buy more of a commodity at higher price when they are ignorant of the prevailing prices of the commodity in the market.
6. (i) The rights of a consumer is as follows:
- Right to Safety:** According to this right, the Consumers have the right to be protected against the marketing of goods and services which are hazardous to life and property. This right includes concern for consumer's long term interest as well as for their present requirement. Sometimes the manufacturing defects in pressure cookers, gas cylinders and other electrical appliances may cause loss to life, health and property of customers. This right to safety protects the consumer from sale of such hazardous goods or services. They have to buy products carrying certification marks such as ISI, AGMARK, etc.
  - Right to be Informed:** The right to be informed is an important component of consumer. The consumer must be provided with adequate and accurate information about quality, quantity, purity, standard and the price date of manufacturing and date of expiry of the goods and services. Such information helps the consumers in their buying decision and use of the product.
  - Right to Choose:** The right to choose provides that the consumer must be assured, whenever possible, access to a variety of goods and services at competitive prices. If the market has enough varieties of products at highly competitive prices, the buyers have an opportunity of wide selection. However, in case of monopolies like railways, postal service and electricity supply, etc., it implies a right to be assured of satisfactory quality of service at a fair price.
  - Right to be heard:** According to this right, the consumer has the right to represent himself or to be heard or right to advocate his interest. If a consumer has been exploited or has any complaint against the product or service then he/she has the right to be heard and be

assured that his/her interest would receive due consideration.

- (5) **Right to Seek Redressal:** According to this right, the consumer has the right to get compensation or seek redressal against unfair trade practices or any other exploitation.

This right assures justice to consumer against exploitation. The right to redressal includes compensation in the form of money or replacement of goods or repair of defect in the goods as per the satisfaction of consumer. Various redressal forums are set up by the government at national level and state level.

- (ii) (a) **Capital Formation:** An addition to the existing stock of capital in any economy during any particular time period / fiscal year. Capital Formation depends on the following:

- (1) Creation of savings
- (2) Mobilization of savings
- (3) Investment of savings

- (b) (i) **Capital is a passive factor of production:** Capital cannot be produced without the help of active services of labour. To produce with machine, labour is required. Thus, labour is an active, whereas capital is a passive factor of production.

(ii) **Capital depreciates:** As we go on using capital, the value of capital goes on depreciating. When machines are used continuously for some time; these depreciate and their value falls.

(iii) **Man produces capital:** Capital is that wealth which is used in the production of goods. Capital is the result of human labour. Thus, every type of capital such as road, machines, etc. are produced by man.

- 7. (i) Determinants of Individual Demand is given as:

- 1. **Price of the given commodity:** It is the most important factor affecting demand for the given commodity. Generally, there exit an inverse relationship between price and quantity demanded. e.g.If the price of given commodity (say tea) increases, its quantity demanded will fall as satisfaction derived from tea will fall due to rise in price.
- 2. **Price of substitute goods:** Substitute goods are those goods which can be used in place of one another for satisfaction of a particular want., like tea and coffee. An increase in the price of substitute leads to an increase in the demand for a given commodity and vice-versa. E.g. If price of substitute good (say coffee) increases, the demand for for given commodity (say tea) will rise as tea will become relatively cheaper in comparison to coffee.
- 3. **Complementary Goods:** Complementary goods are those goods which are used together to satisfy a particular want like tea & sugar. An increase in the price of complementary good leads to a decrease in the demand for a given

commodity and vice-versa. E.g. If price of a complementary good (say sugar) increases, then demand for given commodity (say tea) will fall as it will be relatively costlier to use both the goods together.

- 4. **Income of the consumer:** Demand for a commodity is also affected by income of the consumer.

However, the effect of change in income on demand depends on the commodity under consideration. E.g. suppose income of a consumer increase. As a result , the consumer reduces the consumption of toned milk and increases consumption of full cream milk.

- 5. **Taste and preferences:** Taste and preferences of a consumer directly influence the demand for a commodity. They include changes in fashion, customs, habits etc. If a commodity is in fashion or is preferred by a consumer, , if consumers have no taste for that commodity. then demand for such a commodity rises. On the other hand, demand for a commodity falls, if the consumers have no taste for that commodity.

(ii)

	Increase in Supply	Decrease in Supply
1	Increase in supply means an increase in the Quantity supplied of a commodity due to Change in factors other than the price.	Decrease in Supply refers to fall in the in the supply of a commodity caused due to any factor other than the own price of the Commodity.
2	There is a rightward shift in the supply curve.	There is a leftward shift in the supply curve.

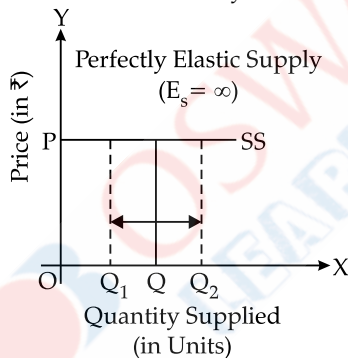
8. (i)

	Direct Taxes	Indirect Taxes
1	These are the taxes imposed on income and / or property.	These Taxes are imposed on commodities / transaction.
2	They are paid directly to the government by the person one on whom it is imposed.	They are paid to the government by but their burden is borne by another Person.
3	Its burden cannot be shifted on to others.	Its burden can be shifted on to others.
4	These are levied according to the ability of the tax payer.	These are taxes in which the tax paying ability of tax payer is assessed in directly.
5	Examples - Income tax, Wealth tax. Corporate tax. Estate Duty.	Example: GST

(ii) Following are the reasons for growth in public expenditure:

- (a) **Development Programmes:** Most of the underdeveloped countries have initiated various programmes of economic development i.e. provision of infrastructure of the economy such as transport, communication power, etc. This has led to growth of public expenditure.
- (b) **Growing trend of Urbanization:** With the spread of urbanization, public expenditure has increased in modern times. Urbanization has led to increase in Government expenditures on civil administration, education, public health, water supply, parks etc.
- (c) **Rise in Price-level:** As a result of the rise in the price-level, the public expenditure has gone up everywhere. The reason is that like the private individuals the Government also has to buy goods and services from the market at higher prices.
- (d) **Increase in Population:** As a result, the Government has to incur great expenditure to meet the requirements of increasing population. In fact, the public expenditure increases in the same ratio in which the population increases.
- (e) **Welfare State:** The modern state is a welfare state. It has to spend increasing amounts on such items as social insurance, unemployment, relief, free medical aid, free education etc. to improve the socio-economic welfare of the country.

9. (i) (a)



9. (ii) (a) The commercial bank is a financial institution which is primarily concerned with accepting Deposits, granting loans and making investments, with aim of earning profits. E.g. State Bank of India (b) Two types of deposits accepted by commercial banks are:

- (1) **Saving Deposits:** These are deposits whose main objective is to save. They combine the feature of both current account and fixed

deposits. They are payable on demand and also withdrawable by cheque.

- (2) **Fixed Deposits:** Fixed deposits have a fixed period of maturity and are referred to as time deposits. These are deposits for a fixed term. This type of deposit account allows the deposit to be made of an amount for a specified period.

10. (i) **Quantitative credit control measures:**

- (a) **Bank Rate:** Bank rate refers to the rate at which the Central Bank provides loans to the commercial banks. This instrument is a key in the hands of RBI to control the money supply. Changes in the bank rate change the cost of borrowings, thereby affecting the money supply and aggregate demand. In case of excess demand, Central Bank raises the bank rate, thereby increasing the cost of borrowings for the Commercial Banks. This discourages the demand for loans and credits in the market. Therefore, the consumption expenditure falls and hence, aggregate demand falls.
- (b) **Open Market Operations (OMOs):** Open Market Operations refer to the buying and selling of securities either to the public or to the commercial banks in an open market. These operations are carried out by the Central Bank to affect the money supply in the economy. In case of excess demand, the Central Bank sells the securities, to restrict the supply of the money in the market. This reduces the spending capacity of the people, resulting in a lower level of aggregate demand, thereby reducing the excess demand.

(ii)

Price	Consumer A	Consumer B	Consumer C	Market Demand
10	3	<u>4</u>	6	13
9	<u>4</u>	5	7	16
8	5	6	8	<u>19</u>
7	6	7	<u>9</u>	22
6	7	8	9	<u>24</u>

Market Demand = Consumer A + Consumer B  
+ Consumer C

