

ISC SEMESTER 2 EXAMINATION
SPECIMEN QUESTION PAPER
ECONOMICS

Maximum Marks: 40

Time allowed: One and a half hour

*Candidates are allowed an additional 10 minutes for **only** reading the paper.*

*They must **NOT** start writing during this time.*

*Answer **all** questions in Section A, Section B and Section C.*

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

SECTION A – 8 MARKS

Question 1

- (i) Firm A sells flour to firm B for ₹ 100/- Firm B sells biscuits to the wholesaler C for ₹ 160/- and Firm C sells biscuits to consumers for ₹ 200/. Hence, the gross value added is: [1]
- (a) ₹ 460/-
 - (b) ₹ 305/-
 - (c) ₹ 244/-
 - (d) ₹ 200/-
- (ii) Medium of exchange and measure of value are: [1]
- (a) Primary functions of money
 - (b) Secondary functions of money
 - (c) Tertiary functions of money
 - (d) Contingent functions of money

- (iii) Aggregate supply is equal to: [1]
- (a) $C + I$
 - (b) $C + S$
 - (c) $I + C$
 - (d) $S_1 + S_2$
- (iv) Transfer earning in National income refers to: [1]
- (a) transfer of income from one person to another.
 - (b) income received by selling goods.
 - (c) unilateral payment received not related to any production.
 - (d) earning received by offering services.
- (v) A consumer spending on purchase of goods regardless of the income in possession, is an example of _____ consumption. [1]
- (vi) _____ is the creation of new currency to fill the gap between Government revenue and Government expenditure of the country. [1]
- (vii) $GNP(fc) = GNP(mp) - \underline{\hspace{2cm}}$ [1]
- (viii) Give one difference between a *Direct tax* and an *Indirect tax*. [1]

SECTION B – 12 MARKS

Answer the following questions briefly.

Question 2 [2]

Differentiate between CRR and SLR.

Question 3 [2]

Briefly explain two reasons for the adverse Balance of Payments in any economy.

Question 4 [2]

Draw a well labelled diagram of two sector model of circular flow of income including the financial sector.

Question 5

[2]

Complete the following schedule –

Y	C	APC	MPC
100	90	?	?
120	108	?	?

Question 6

[2]

- (i) Differentiate between *Cash Credit* and *Outright Loans*.

OR

- (ii) How is *Devaluation of currency* different from *Depreciation of currency*? Give any two differences.

Question 7

[2]

What is meant by the following functions of the Central bank:

- (i) *Clearing house*
(ii) *Lender of the last resort*

SECTION C – 20 MARKS**Question 8**

[4]

- (i) What is meant by *Equilibrium income*? How is it determined by using Saving and Investment approach?

OR

- (ii) Discuss the mechanism of investment multiplier with the help of a numerical.

Question 9

[4]

How is the rate of exchange determined in a flexible exchange rate system?

Question 10

[4]

Explain the steps involved in calculating the National income by Income method.

Question 11**[4]**

Explain the following methods of redemption of Public Debt:

- (i) *Debt conversion*
- (ii) *Sinking fund*

Question 12

Read the given extract carefully and answer the following questions.

Mr. X wanted to buy an expensive motorcycle for his son but he did not have sufficient money to buy it. He approached a public sector commercial bank for the loan. The bank asked Mr. X to deposit 20% cash of the loan amount and rest 80% of the loan amount was given by the bank.

- (i) Briefly explain a *Commercial Bank*. **[1]**
- (ii) What is the regulation of consumer credit in selective credit control? **[2]**
- (iii) Name the bank which controls all the commercial banks and financial institutions in the country. **[1]**