

ICSE SEMESTER 2 EXAMINATION
SPECIMEN QUESTION PAPER
ECONOMICS

Maximum Marks: 40

Time allowed: One and a half hours

Answers to this Paper must be written on the paper provided separately.

You will not be allowed to write during the first 10 minutes.

This 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 three** questions from **Section B**.*

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

SECTION A

*(Attempt **all** questions)*

Question 1

Choose the correct answers to the questions from the given options. (Do not copy the question, Write the correct answer only.)

[10]

- (i) Inflation means _____ rise in price.
- (a) Continuous
 - (b) Sustainable
 - (c) No
 - (d) High
- (ii) The debt which yields income to the government is called as:
- (a) Gross
 - (b) Productive
 - (c) Unproductive
 - (d) Internal

- (iii) Capital expenditure is _____ in nature.
- (a) Non-recurring
 - (b) Recurring
 - (c) Simple
 - (d) Complex
- (iv) Public Distribution system is a _____ measure of government to protect the consumers.
- (a) Administrative
 - (b) Technical
 - (c) Collateral
 - (d) Demonstrative
- (v) Under *Right to Information* any citizen of India may request information from a _____ authority.
- (a) Public
 - (b) Private
 - (c) Personal
 - (d) Professional
- (vi) Public debt whose principal amount is not refunded by the government is:
- (a) Redeemable debt
 - (b) Irredeemable debt
 - (c) Social
 - (d) Public
- (vii) Goods and Services Tax (GST) is an example of:
- (a) Direct tax
 - (b) Indirect tax
 - (c) Income tax
 - (d) Local tax

(viii) Revenue which is derived by the government from Railway fares is:

- (a) Commercial revenue
- (b) Administrative revenue
- (c) Social revenue
- (d) Welfare revenue

(ix) Overdraft facility is available on:

- (a) Saving account
- (b) Current account
- (c) Posting account
- (d) Time deposit

(x) Bank having power of note issue in India is:

- (a) State Bank of India
- (b) Reserve Bank of India
- (c) Canara Bank
- (d) Federal bank

SECTION B

*(Attempt **any three** questions.)*

Question 2

- (i) What is the meaning of consumer awareness? [2]
- (ii) Define public debt [2]
- (iii) Differentiate between Demand deposit and Fixed deposit (*Three points*) [3]
- (iv) Explain any three duties of a consumer. [3]

Question 3

- (i) Give one point of difference between creeping and running inflation. [2]
- (ii) Why is central bank called as a 'lender of last resort' for a commercial bank? [2]

- (iii) Explain any three rights of a consumer. [3]
- (iv) Differentiate between revenue and capital expenditure. (*Three points*) [3]

Question 4

- (i) Define public expenditure. [2]
- (ii) What does public finance mean? [2]
- (iii) (a) Mention two sources of public revenue. [3]
- (b) Explain the term Internal debt.
- (iv) Explain any three causes of cost push inflation. [3]

Question 5

- (i) Explain the term progressive tax. [2]
- (ii) What does Consumer price index mean? [2]
- (iii) (a) What is the full form of COPRA? [3]
- (b) Mention any two features of COPRA.
- (iv) (a) Define inflation [3]
- (b) What does hyper inflation mean?

Question 6

- (i) Explain the term food basket. [2]
- (ii) What are the demerits of indirect tax? [2]
- (iii) Explain the different rights of a consumer. [3]
- (iv) Why are the consumers exploited by retailers? [3]



Section-A

Answer 1.

- (i) (a) Continuous

Explanation :

Inflation means a state of general rise in prices. It is a situation in which prices of goods and services rise constantly at a fast pace.

- (ii) (b) Productive

Explanation :

When government borrows for developmental expenditure so that it generates revenue then, the debt is productive.

- (iii) (a) Non-recurring

Explanation :

Capital expenditure either creates assets or reduces liability of the government which are non-recurring on regular basis.

- (iv) (a) Administrative

Explanation :

Public Distribution System is an administrative measure of government to provide food security to poor people.

- (v) (a) Public

Explanation :

The Right to Information Act 2005 is a law enacted by the Parliament of India, giving citizens of India access to records of the "public authority", i.e., Central Government and State Governments.

- (vi) (b) Irredeemable debt

Explanation :

The loans for which no promise is made by the government regarding the date of maturity, but pay interest regularly, are called irredeemable debts.

- (vii) (b) Indirect tax

Explanation :

Goods and Services Tax is the example of Indirect tax. It has replaced the plethora of other Indirect taxes such as excise duty and sales tax etc.

- (viii)(a) Commercial revenue

Explanation :

Revenue which is derived by the government from Railways fare is called as Commercial revenues. These are the receipts, by way of prices paid for government produced goods and services e.g., postal charges and railway freight and fares.

- (ix) (b) Current account

Explanation :

The overdraft facility is allowed to the depositor maintaining a current account with the bank.

- (x) (b) Reserve Bank of India

Explanation :

The central bank has the monopoly of issuing currency notes of the country. India's central bank is Reserve Bank of India.

Section-B

Answer 2.

- (i) Consumer awareness is the knowledge that a consumer should have about his/her legal rights and duties. An aware consumer is able to make informed choices while purchasing various goods and services of appropriate quality and at appropriate prices.
- (ii) Public debts are the loans taken by the government. Such loans can be taken internally from the residents of the country as well as externally from the foreign governments, institutions and people. The public debts taken by the government carry interest burden on them which are to be paid back by the government along with the principal amount at a mutually agreed date.

(iii)

	Demand Deposit	Fixed Deposit
1	A depositor can withdraw the money from such deposits at any time.	A depositor can withdraw the money from such deposit generally only after the period of time agreed upon by the bank and the depositor.
2	Usually no interest or very low interest is paid by the bank on such deposits.	The interest rates are higher in case of such deposits.
3	This deposit does not help depositors' money to grow effectively.	This deposit helps depositors' money to grow effectively.

- (iv) Following are the three duties of a consumer:
1. To check the Maximum Retail Price of the product. A consumer must not pay price more than MRP.
 2. Take a proper bill of the purchase.
 3. If the product is found defective or non-performing then to take up the matter first with the manufacturer and then with the courts if not resolved by the manufacturer.

Answer 3.

Following is the main difference between creeping and running inflation:

- (i) Creeping inflation, also known as 'mild inflation' generally consists of 2-3 percent annual rise in prices and is generally known as conducive to economic progress and growth while running inflation consists of sustained rise in prices over 8 percent to 20 percent per annum. Running inflation is a warning signal indicating the need for controlling it. It affects the poor and middle class people adversely.
- (ii) The Central Bank of the country is called the "Lender of the Last Resort" because it provides financial help to the commercial banks in times of emergency. Sometimes, the commercial bank may face liquidity shortage and may not get funds from other banks due to some reason. Under such circumstances, the Central Bank either grants loan or purchases the securities of that commercial bank to help it out. Thus, the Central Bank of the country acts as lender of the last resort for the commercial banks.
- (iii) Following are the three rights of a consumer:
1. **Right to choose:** A consumer has every right to choose the product he desires. He cannot be compelled to buy things he does not want. For example, many of the gas cylinder providing agencies compel consumers to buy Gas Stove and other accessories from them on a new connection. Similarly, many schools compel parents to buy shoes, dress, and stationery from them. All these are denial to the Right to Choose and this is unlawful.

2. **Right to information:** A consumer has Right to Information. This means he has every right to know about the contents of the product, its Maximum Retail Price, its manufacturing and expiry time, the proper way of using or handling the product, manufacturer's information, warranty coverage and certification of quality assurance etc. This helps a consumer to buy product from a reliable seller or manufacturer.
 3. **Right to safety:** A consumer has every right to use safe and secure products. It is the responsibility of the manufacturer and seller to provide quality and defect free products. Proper instructions regarding 'How to Use' and 'What Not to Do' must be provided with the products.
- (iv) Following are the three differences between Revenue and Capital Expenditure:

	Revenue Expenditure	Capital Expenditure
1	Revenue expenditure does not affect the asset-liability status of the government.	Capital expenditure affects the asset-liability status of the government.
2	Revenue expenditure is of recurring nature.	Capital expenditure is of non-recurring nature.
3	Revenue expenditure is incurred within the given productive capacity of the country.	Capital expenditure is incurred to augment the productive capacity of the country.

Answer 4.

- (i) Public expenditure is the expenditure incurred by the public authorities (central, state and local governments) to satisfy those common wants which the people in their individual capacity are unable to satisfy efficiently. Public expenditure thus tends to satisfy collective social wants.
- (ii) Public finance is the study of the financial aspects of the government. The various financial aspects which are studied by Public finance are the revenues, expenditure and debts of the central, state and local governments and their financial administration.
- (iii) (a) Following are the two sources of public revenue:
 1. **Tax:** The government has the right to collect compulsory contributions from the residents of the country in the form of various types of taxes to meet its general expenses incurred for the common good, without any corresponding benefits to the tax payer.
 2. **Fines:** The government can charge the money in the forms of fines from the residents of the country as a monetary punishment for violating the laws like speeding more than the permitted limit or breaking traffic rules.
- (b) **Internal Debt:** When the government takes the loans from the residents of the country which may include individuals, households and institutions etc. then such loan is known as internal debt. The internal debt may be voluntary or compulsory.
- (iv) Following are the three causes of cost push inflation:
 1. **Fluctuations in Output and Supply:** The wide fluctuations in production of raw materials, food grains and vegetables in the agriculture sector generally results into the price rise. The power breakdowns, strikes and lockouts result in lower production of manufactured goods which increase the cost.
 2. **Rise in Wages:** The rise in the general price level raises the cost of living which, in turn, leads to demand for higher wages by workers. When the demand for higher wages is met, it leads to further rise in costs or prices.
 3. **Increases in Profit Margins:** High profit margins charged by the producers due to their monopolistic position or emergency situations push up the prices. This kind of inflation is termed as profit induced inflation.

Answer 5.

- (i) Progressive Tax refers to a kind of tax system in which rate of tax increases with the rise in tax payer's income. The term "Progressive" indicates to the way the tax rate progresses from low to high with the result that a person with low income pays less tax while a person with higher income pays higher tax.

- (ii) Consumer Price Index, also known as cost of living index is a measure that represents the average change over time in the prices of a basket of specific items consumed by the consumers.
- (iii) (a) Consumer Protection Act (COPRA), 2019.
 - (b) (i) COPRA provides a consumer the right to seek redressal against unfair trade practices or exploitation by businessmen.
 - (ii) This Act covers almost all goods and services.
- (iv) (a) Inflation means a state of general rise in prices. It is a situation in which prices of goods and services constantly rise at a fast pace. So, the inflation refers to a state of rising prices and not a state of high prices.
 - (b) Hyper inflation also known as galloping inflation, which occurs when annual increase in prices is more than 20 percent to 100 percent or even more. The economic situation becomes very dangerous. Money becomes almost worthless which results in complete collapse of currency and the monetary system and the economic and political life get disrupted.

Answer 6.

- (i) Food Basket refers to the combination of various food items which should be included as part of a person's diet so that his everyday nutritional requirements can be fulfilled. The food basket is generally prepared with the objective of determination of poverty line for various groups in the country.
- (ii) Following are the various demerits of indirect taxes:
 1. **Regressive:** Indirect taxes are not equitable as they are regressive in nature. They are to be paid by even the poorest of the poor on many essential commodities such as medicines or packaged milk.
 2. **Inflationary:** Indirect taxes tend to be highly inflationary. The imposition of indirect taxes on commodities increases their market prices. This tends to raise the cost of living for the people which results in the demand for higher wages by the worker. Thus indirect taxes generate a spiral of higher price, higher costs, higher wages and again higher price.
- (iii) Different rights of a consumer are:
 1. **Right to be Heard:** This means that consumer grievances will receive due consideration at appropriate forums. For this purpose, the consumers should form non-political and non-commercial consumer organizations and other bodies to give them unity and a platform to voice their problems.
 2. **Right to Seek Redressal:** This means a consumer has the right to seek redressal against unfair trade practices or unscrupulous exploitation. For this purpose, a consumer must make complaint for his genuine grievances at the appropriate forum.
 3. **Right to Consumer Education:** A consumer has the right to acquire the knowledge and skill to be an informed consumer throughout life. Ignorance of the rights is responsible for his exploitation. He should know his rights and must exercise them. Only then consumer exploitation will be prevented.
- (iv) The consumers are exploited by the retailers due to following reasons:
 1. **Low Literacy:** Consumers' low literacy leads to their exploitation by the retailers. For example many consumers are not aware of the differences between yards and meters related to cloth and between kilogram and liters in relation to ghee.
 2. **Lack of Bargaining Power:** Proper bargaining helps in reducing the prices of the goods. But under many circumstances consumers lack the bargaining power.
 3. **Emergencies:** Retailers often manipulate the pricing of the product during emergencies and in the absence of government control as had happened during Corona crises.