

**Economics**  
**CISCE**  
**Academic Year: 2023-2024**  
**(English Medium)**  
**Date & Time: 6th March 2024, 11:00 am**

**Duration: 2h**

**Marks: 100**

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

**SECTION-A (40 Marks) (Attempt all questions from this Section)**

**Q1. Choose the correct answers to the questions from the given options. (Do not copy the questions, write the correct answer only.)**

**1.1. If the rate of tax falls with an increase in income, it is called as \_\_\_\_\_.**

- 1. Regressive**
2. Progressive
3. Digressive
4. Proportional

**Solution**

If the rate of tax falls with an increase in income, it is called as Regressive.

**Explanation:**

A regressive tax is one in which the tax rate drops as the income of the taxpayer rises.

1.2. Which is an assumption to law of demand?

1. No change in price of factor input.
2. **No change in size and composition of population.**
3. No change in number of firms operating in a market.
4. No change in goal of a firm.

**Solution**

No change in size and composition of population.

**Explanation:**

The population's size and composition assumptions are crucial because, even in the absence of price changes, shifts in the population can have an impact on the total demand for a given good. The remaining options will affect a commodity's supply rather than its demand.

1.3. Which is an essential feature of barter system?

1. It is based on transfer of value.
2. **It is based on double coincidence of wants.**
3. It is based on unit of account.
4. It is based on store of value.

**Solution**

It is based on double coincidence of wants.

**Explanation:**

In a barter system, one commodity is traded for another. To make transactions easier under the barter system, there must be a mutual benefit or necessity shared by the two parties. This is a "double coincidence" of the desire to facilitate a barter system transaction.

1.4. If a labourer does not work for a day, his one day 's work will be lost forever.

It implies:

1. Labour is less mobile.

**2. Labour is perishable.**

3. Labour is less efficient.
4. Labour is sensitive in nature.

**Solution**

Labour is perishable.

**Explanation:**

Labour cannot be kept; hence it is perishable. Given that labour is time, a worker who misses one day of work will never get it back. It is perishable because it is sensitive.

1.5. With reference to Perfect competition form of market, choose the odd one out.

- 1. Restricted entry**
2. Perfect knowledge
3. Homogeneous products
4. Perfect mobility

**Solution**

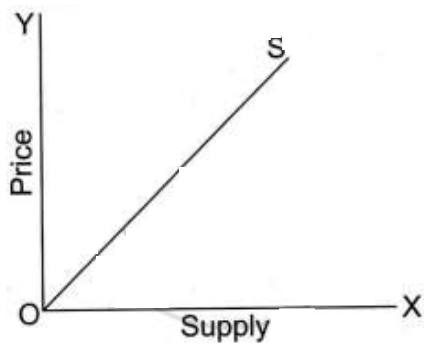
Restricted entry

**Explanation:**

Perfect competition form of market is characterised by:

1. Large number of buyers and sellers.
2. Homogenous products.
3. Free entry and exit.
4. Perfect mobility of resources.
5. Perfect knowledge.
6. Absence of transport costs.

1.6. Identify the degree of elasticity of supply from the following graph:



1.  $ES > 1$
2.  $ES < 1$
3.  $ES = 1$
4.  $ES = 0$

**Solution**

$ES = 1$

**Explanation:**

The supply of a commodity is said to be unit elastic when the percentage change in supply is equal to percentage change in price. Thus, any straight line supply curve drawn through the origin has an elasticity of unity over its entire length, irrespective of its slope.

1.7. Maruti, Tata and Hyundai are examples of which form of market?

1. Perfect competition
2. Oligopoly
3. Monopoly
4. Duopoly

**Solution**

Oligopoly

**Explanation:**

An oligopoly is a market arrangement where a few companies compete aggressively with one another to sell the same product. In markets such as India, where they hold a major share of the market, Maruti, Tata, and Hyundai are the leading participants in

the automotive business. The car business is an example of an oligopoly market due to its large market dominance and high entry barriers.

1.8. With price being same an increase in the price of inputs will lead to \_\_\_\_\_ in the supply curve.

1. Upward movement
2. Rightward shift
3. Downward movement
4. **Leftward shift**

### **Solution**

With price being same an increase in the price of inputs will lead to **Leftward shift** in the supply curve.

### **Explanation:**

Given the same price, a rise in input costs will cause the supply curve to shift to the left due to higher costs, reduced profits, causing companies to create and supply less at the fixed rates.

1.9. Which of the following is not an advantage of division of labour?

1. Reduces cost of production
2. Expansion of employment
3. **Low quality goods**
4. Inventions

### **Solution**

Low quality goods

### **Explanation:**

Division of labour boosts productivity, sharpens abilities, and fosters creativity since it raises knowledge in a certain field. It can also lower production costs and increase employment by generating more specialized jobs. However, it is not connected to the production of low-quality products.

1.10. The State Electricity Board sells electricity at cheaper rates for domestic use than for commercial use. Given statement shows an act of \_\_\_\_\_.

1. Product differentiation
2. Price discrimination
3. Consumer exploitation
4. Price determination

### Solution

The State Electricity Board sells electricity at cheaper rates for domestic use than for commercial use. Given statement shows an act of Price discrimination.

### Explanation:

In order to ensure that electricity is affordable for homes, the State Electricity Board implemented a strategy that involves charging varied tariffs. This strategy also supports small businesses and generates cash from commercial consumers to support infrastructure development and electricity delivery.

1.11. The year 2023 was celebrated as 'International Year of Millets' and the government decided to subsidize the production of millets. In such case the supply curve will \_\_\_\_\_.

1. Shift to the right
2. Shift to the left
3. Be horizontal
4. Be vertical

### Solution

The year 2023 was celebrated as 'International Year of Millets' and the government decided to subsidize the production of millets. In such case the supply curve will shift to the right.

### Explanation:

Farmers will be able to produce more at the same price since the cost of producing millets will be lower with the assistance of government subsidies. This will cause the supply curve to shift to the right.

1.12. Mr. Rao needs to pay license fee to the government to start his electric vehicle shop and some documents to meet the safety norms.

The revenue earned by the government from this process will be called as \_\_\_\_\_ revenue.

1. Commercial
2. Central
3. GST
4. **Administrative**

### **Solution**

The revenue earned by the government from this process will be called as **Administrative** revenue.

### **Explanation:**

The government charges fees for services, licenses, and other administrative tasks in order to generate income. It is not the same as specific forms of income, which relate to more general categories of tax revenue or revenue from particular industries, or tax revenue, such as the Goods and Services Tax (GST).

1.13. The 'Right' which allows the consumer to receive due consideration at appropriate forum relating to his/ her welfare is \_\_\_\_\_.

1. Right to education.
2. Right to seek redressal.
3. **Right to be heard.**
4. Right to be informed.

### **Solution**

The 'Right' which allows the consumer to receive due consideration at appropriate forum relating to his/ her welfare is **Right to be heard**.

### **Explanation:**

The consumer has the right to represent themselves or to be heard in a suitable venue, and they are guaranteed to have their interests given proper consideration in relation to the welfare of the consumer.

1.14. The elasticity of demand for school bag will be \_\_\_\_\_.

1. Elastic
2. Perfectly elastic
3. Unitary elastic
4. Inelastic

**Solution**

The elasticity of demand for school bag will be inelastic.

**Explanation:**

For students, school bags are a necessary item, and there aren't many alternatives. Customers are unlikely to significantly change how much they buy in reaction to price changes. As a result, the demand usually becomes inelastic.

1.15. When State Bank of India is under financial crisis and borrows money from Central Bank at a certain rate against approved securities, it will be called as \_\_\_\_\_.

1. Interest rate
2. Lending rate
3. Reverse lending
4. Bank rate

**Solution**

When State Bank of India is under financial crisis and borrows money from Central Bank at a certain rate against approved securities, it will be called as Bank rate.

**Explanation:**

In times of financial crisis, the Central Bank charges commercial banks a bank rate, which is the interest rate they charge for loans secured by securities that have been approved.

1.16. If Coke and Fanta are close substitutes to each other, a rise in price of Coke will lead to \_\_\_\_\_ for Fanta.

1. Decrease in demand.
2. Increase in demand.

3. Increase in quantity supplied.
4. No change in demand.

### **Solution**

If Coke and Fanta are close substitutes to each other, a rise in price of Coke will lead to **Increase in demand** for Fanta.

### **Explanation:**

Since Fanta and Coke are close choices, any increase in Coke's price will result in a rise in Fanta's demand. This is a result of customers switching from coke to Fanta in terms of demand as the price of coke increases.

Q2.

2.1. Explain any two causes for the growth of public expenditure.

### **Solution**

The term "public expenditure" refers to the costs that the government or various government entities incur to address common needs that people are unable to effectively meet on their own, such as infrastructure, health care, education, and other areas required to ensure that the economy grows and develops in a way that promotes social welfare.

Two causes for the growth of public expenditure are as follows:

1. Growth of Population: As the population grows, it increases the state's responsibilities, which in turn causes public spending to rise.
2. Development Programmes: The primary driver of the recent increase in public spending has been an ongoing series of development initiatives. The construction of roads, trains, power plants, and other infrastructure is a top priority for the government, which is investing large sums of money in this area.

2.2. What are funded debts?

### **Solution**

Long-term loans with a one-year payment due date are known as funded debts. The government establishes a debt fund and deposits money into it annually in order to pay back the debt. Upon maturity, the debt is paid back from the fund.

2.3. How can we define the term 'market' in economics?

**Solution**

A market is defined in economics as a whole area where buyers and sellers of a commodity interact with one another to effect purchase and sale of the product.

2.4. 'A state of running or hyperinflation in any economy is very harmful for production'. Justify the statement with two reasons.

**Solution**

When the overall price level of the commodity basket rises extremely quickly, it is referred to as hyperinflation in an economy. In an economy, an inflationary or hyperinflationary state is extremely harmful to production due to:

1. Reduction in saving: A hyperinflationary environment is bad for savings. A sharp price increase means that more money is needed to purchase the same products and services as previously. As a result, savings and investing have decreased.
2. Misallocation of resources: The price mechanism's ability to function smoothly is disrupted by hyperinflation. It causes output to be maladjusted, which forces producers to shift their focus from producing necessities to non-essentials in the hopes of making more money.

Q3.

3.1. What is the formula for percentage method of calculating price elasticity of supply?

**Solution**

Percentage method for calculating price elasticity of supply:

Price elasticity of supply refers to the ratio of percentage change in quantity supplied to the percentage change in price.

$$e_s = \frac{\text{Percentage change in Quantity Supplied}}{\text{Percentage change in Price}}$$
$$e_s = \frac{\frac{\Delta Q}{Q} \times 100}{\frac{\Delta P}{P} \times 100}$$
$$= \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

3.2. What is walking inflation?

**Solution**

Walking inflation is defined as an increase in the average price level of a commodity basket at a controlled rate that does not immediately threaten the stability of the economy. Walking inflation is the term used to describe inflation that falls between 3% and less than 10%. Although walking inflation is usually seen as a sign of a healthy economy, it might be concerning if it continues for an extended period of time.

3.3. (a) What does RTI stand for?

**Solution**

RTI stands for Right to Information.

3.3. (b) What provision is provided under RTI Act to the citizens of the country?

**Solution**

RTI is a fundamental right that all Indian residents are entitled to, which allows them to obtain information from public authorities and government institutions.

Indian citizens are entitled to various provisions under the RTI Act.

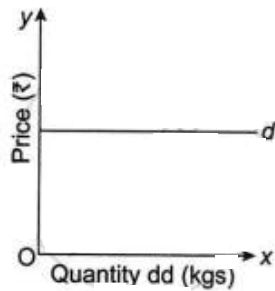
1. Right to access information stored by public bodies, subject to the Act's defined exemptions and limitations.
2. Any Indian citizen who wishes to request information from a governmental entity may do so within an acceptable period of time by paying a reasonable charge.
3. Applicants may file an appeal with a higher authority if they are unhappy with the information they were given.

4. Additionally, the RTI Act allows for the access of information on printouts, tapes, floppies, and other electronic media.

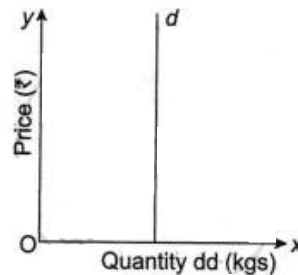
3.4. Analyse the given graphs and identify the type of elasticity of demand of:

a. Picture 1

b. Picture 2



Picture 1



Picture 2

### Solution

Picture 1: Perfectly elastic demand  $e_p = \infty$

Picture 2: Perfect inelastic demand  $e_p = 0$

Q4.

4.1. What is the legal definition of money?

### Solution

In legal terms, money is defined as coins and currency notes that the government has approved for use as a means of payment and as a medium of trade.

4.2. How is internal debt different from external debt? (One point)

### Solution

Internal debt	External debt
Internal debt is the term used to describe public loans that the government of the nation issues; that is, the government borrows money from domestic institutions and individuals.	The term "external debt" describes the loans that the government has obtained from foreign persons, organizations, and governments in addition to loans from global financial institutions such as the World Bank and the IMF.

4.3. State whether the following statement is true or false. Give reason for your answer.

The capital like printing machines, tools when used in process of production are subject to depreciation.

1. True

2. False

### Solution

This statement is True.

### Reason:

Utilizing capital assets in the production process causes wear and tear, which reduces their value. Therefore, capital goods like printing machines and tools are vulnerable to depreciation when used in production.

4.4. Define the term public finance.

### Solution

The area of economics known as public finance examines how the government makes and spends money.

Dalton said, "Public finance is the branch of knowledge which is concerned with the income and expenditure of public authorities."

## SECTION-B (40 Marks) (Attempt any four questions from this Section)

Q5.

5.1. (a) What is the meaning of the productivity of land?

Define productivity of land.

### Solution

Productivity of land refers to the degree of efficiency or output per unit of land.

The land productivity can be stated as follows:

$$\text{Productivity of land} = \frac{\text{Total amount of quantity produced}}{\text{Total units of land used}}$$

5.1. (b) Explain any three factors affecting productivity of land.

### Solution

Three factors affecting the productivity of land are as follows:

1. Natural factors: Natural soil characteristics, such as soil composition, chemical and biological characteristics, soil texture, and soil fertility, all affect how fertile a piece of land is.
2. Size of land holdings: The size of holdings determines the productivity of the land. Large holdings are highly productive because they employ modern production processes. Since most land the holdings in India are smaller than two hectares on average, the country has low land productivity.
3. Improvement on land: Measures taken during land development, such as installing fencing, adequate drainage, and irrigation, can have an impact on the productivity of the land.

5.2. Give five points of difference between Commercial and Central Bank.

Name the bank which has sole authority to issue currency in India. Mention three ways it differs from Commercial bank.

### Solution 1

	Central Bank	Commercial Bank
1.	It is the top institution in the nation's banking and financial system.	The financial institutions known as commercial banks are focused on offering banking securities to the public and businesses.
2.	The central bank is government owned.	Although most commercial banks are privately held, the government may also own some of them.
3.	The central bank's main goal is to control and regulate the nation's banking and financial system in the public interest for the welfare of the nation.	Offer deposits, loans, and other financial services to people, companies, and the government.

4.	The country's central bank is the only body authorised to issue currency notes.	Commercial banks create credit rather than issuing monetary notes.
5.	The government and other banks use the central bank as a bank.	A commercial bank serves the general public as a banker.

## Solution 2

The Reserve Bank of India (RBI) is the only bank with the sole authority to issue currency in India.

Basis	Central Bank	Commercial Bank
<b>(i) Meaning</b>	The central bank is an apex institution of the monetary and banking structure of the country.	It just operates under the guidelines of the central bank.
<b>(ii) Object</b>	Its main objective is to promote social welfare.	Its main objective is to earn profit.
<b>(iii) Ownership</b>	The central bank is generally a government-owned institution.	Commercial banks may be both privately owned or government-owned institutions.
<b>(iv) Note-issue</b>	It has the monopoly right of note-issue.	Commercial banks do not have such rights.
<b>(v) Banker</b>	It is a government banker and a banker of commercial banks. It does not have direct public dealings.	A commercial bank is a banker only for the general public. It has direct public dealing.
<b>(vi) Number</b>	There can be only one central bank with a few offices in a country.	There are a number of commercial banks in every country with a large number of branches all over the country and also even abroad.
<b>(vii) Credit</b>	It controls credit.	It creates credit.

Q6.

6.1. (a) What is the meaning of creeping inflation?

**Solution**

1. Creeping inflation is the term used to describe the sort of inflation that occurs when the public's level of a commodity basket rises over time with a slow and relatively mild increase.
2. The rate at which prices rise in the event of creeping inflation varies from 1% to 3%.
3. Since creeping inflation is seen as safe and necessary for economic growth, it presents a manageable problem for policymakers. It is also predictable and manageable.

6.1. (b) Explain any three causes of demand-pull inflation.

**Solution**

**Pull-based demand** The term "inflation" describes the rise in commodity prices as a result of an increase in overall demand over the economy's total supply.

The three causes of demand-pull inflation are as follows:

1. **Increase in disposal income:** Demand-pull inflation is the result of rising consumer demand for goods and services as disposable income rises.
2. **Increase in population:** It is the primary factor in the price increase. The demand for consumer products rises in response to population growth. It puts pressure on the availability of goods and services, which leads to demand-driven inflation.
3. **Increase in money supply:** It is among the main reasons why demand-pull inflation occurs. A rise in the money supply causes aggregate demand to rise.

6.2. (a) What is an overdraft facility?

**Solution**

1. The banks offer overdraft facilities to their customers who keep an active account with them.

2. When a consumer obtains an overdraft facility from a bank, this implies that he has the ability to take out more money than is available in his account up to the overdraft amount.
3. Only the overdrawn amount is subject to interest charges from the bank.
4. The bank only offers overdraft facilities to dependable clients who maintain strong relations with them. This service is offered for a limited time only.

6.2. (b) Differentiate between demand deposits and fixed deposits. (Three points)

**Solution**

	Demand Deposits	Fixed Deposits
1.	Demand deposits are those that the bank holds and are payable on the depositor's demand.	Deposits kept by banks that must be repaid or withdrawn at the end of the term for which they were made are known as fixed deposits.
2.	Demand deposits are chequable.	Fixed deposits are not chequable.
3.	On these deposits, there is no interest given. Instead, depositors must pay the bank a fee in exchange for its services.	There is a high interest rate on these deposits.

Q7.

7.1. State and explain the law of demand with the help of a hypothetical schedule and graph.

**Solution**

The law of demand states that, other things remaining equal, the quantity demanded of a commodity increases when its price falls and decreases when its price rises. Thus, law of demand shows an inverse relationship between the price and the quantity demanded of a commodity.

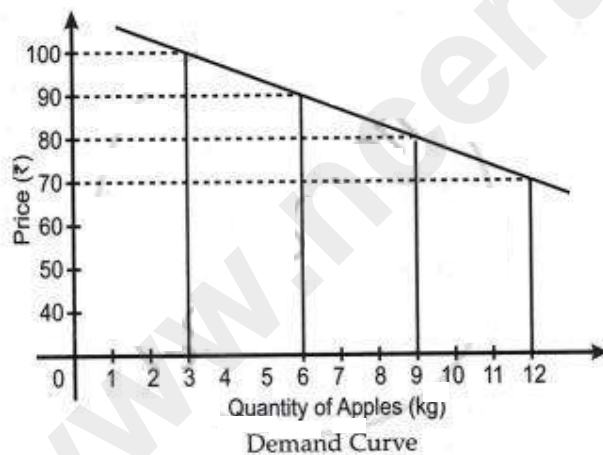
Let's understand the law of demand with the help of a hypothetical schedule and graph:

Demand Schedule for Apples

Price (per kg) ₹	Quantity demanded (kg per month)
100	3
90	6
80	9
70	12

The economic demand schedule for apples is shown in the above table. Looking at the demand schedule above, we can observe that when apples were priced at ₹ 100 per kg, the economy as a whole demanded 3 kg of apples every month. Demand rises from 3 kg to 6 kg per month when prices drop to ₹ 90 per kg. Demand for the product rises to 9 kg per month when prices are further reduced to ₹ 80 per kg. As a result, the schedule shows that quantity demanded rises in response to a drop in apple price, illustrating the inverse relationship between the two variables.

The graphical representation of the schedule is called the demand curve.



The demand curve for apples in an economy is depicted in the graph above. Looking at the curve, we can observe that when the price was ₹ 100 per kg, 3 kg of apples was requested. The quantity requested rises to 6 kg when the price drops to ₹ 90 per kg and to 9 kg when the price drops to ₹ 80 per kg. This demonstrates that the quantity requested of apples rises while the price decreases, illustrating the inverse relationship between the two. Therefore, with the use of the demand schedule mentioned above and the graph, we can conclude that while other factors stay the same, the law of demand is valid because the quantity desired of a good rises with price increases and falls with price increases.

7.2. Read the following statements:

7.2. (a) State whether demand will be Elastic or Inelastic. Give reasons for your answer.

The demand for salt by households.

**Solution**

Because households only spend a relatively small percentage of their income on salt, their demand will be inelastic without near alternatives. The consumer will continue to purchase about the same amount of salt even if the price increases because it won't have much of an impact on their budget. As a result, there is no elastic demand for these commodities.

7.2. (b) State whether demand will be Elastic or Inelastic. Give reasons for your answer.

A consumer prefers to postpone the purchase of a car to avail more of year ending discount.

**Solution**

If a customer waits to buy a car in order to take advantage of greater year-end discounts, the car will have 'elastic demand' because commodities with postponed consumption tend to have elastic demand, meaning that a slight increase in price will force customers to defer their previously planned consumption.

Q8.

8.1. (a) Define labour as a factor of production.

**Solution**

One of the four key components of production is labour. Labour, as an element of production, refers to human effort. Both physically and mentally to complete the production process. It encompasses the aptitudes, competencies, and expertise of those engaged in the production of goods and services.

8.1. (b) Mention any three decision making functions of an entrepreneur.

**Solution**

An entrepreneur is crucial to the decision-making process within a business.

The decision-making functions of an entrepreneur involve:

1. Risk assessment and management: Every firm has some level of risk, including financial, operational, regulatory, and market hazards. The entrepreneur is responsible for evaluating these risks and choosing risk-reduction tactics.
2. Financial management: It is the responsibility of entrepreneurs to determine the financial needs of their business funding sources, financial reporting, forecasting, and budgeting. They also decide what investments a company should prioritize and how much to control costs.
3. Resource allocation: An entrepreneur's responsibility is to distribute resources among the several business operations in order to guarantee the effective and efficient use of resources in order to achieve the highest possible output.

8.2. How are consumers exploited by producers and retailers?

### **Solution**

The manners /ways in which producers or retailers exploit the consumer are as follows:

1. Deceptive Pricing: Retailers frequently use creative means to charge their clients expensive costs that exceed the MRP, which drives up costs. For example, oxygen cylinder sellers artificially increased prices during the COVID-19 lockdown in order to profit more by selling them at prices higher than their usual price.
2. Adulteration: Numerous manufacturers and merchants take advantage of consumers by combining low-quality products with premium products and charging them exclusively for premium-quality goods.
3. Deceptive advertising: Producers and retailers frequently use deceptive advertising techniques, like making false promises concerning the advantages of the product or its functionality, to entice customers to buy their goods.
4. False weights and measurements: Retailers frequently use false weights and measurements in order to give customers smaller quantities at full price. For example, a fruit vendor charges a customer ₹100 for 1 kg of oranges, but only supplies him with 900 g. As a result, even though he saved 100g, the customer still lost out because he charged them ₹100.

- Monopolistic Practices: Many monopolistic producers of a certain good raise prices or provide worse quality to the customers, since there isn't a substitute.

Q9.

9.1. Give any five points of difference between direct and indirect tax.

**Solution**

	Direct Tax	Indirect Tax
1.	A direct tax is one in which the tax's incidence and effect are on the same individual.	A tax that has varied effects and incidence on different people is known as an indirect tax.
2.	It has an impact on the earnings and assets of individuals as well as businesses.	It is imposed on the costs that different individuals and institutions bear.
3.	High rate tax evasion occurs when taxpayers hide their income to avoid paying as much in taxes.	There are fewer opportunities for tax evasion because the taxes are factored into the commodity prices.
4.	The canon of certainty is satisfied by direct taxes because both the government and taxpayers are fairly aware of the amount of money they will be receiving from taxes.	There's always a degree of uncertainty when predicting indirect tax revenue, which makes it impossible to estimate with accuracy.
5.	Because they are collected at the source, direct taxes are cost-effective in that their collection costs are low.	Since indirect taxes must be collected from numerous people, they are not cost-effective to collect because of their high administrative costs.

9.2. (a) What are proportional taxes?

**Solution**

When the tax rate stays constant as the taxpayer's income rises, the tax is said to be proportionate. With this tax structure, regardless of the taxpayer's income, all incomes are subject to a single, uniform rate of taxation.

Income (₹)	Proportional tax Rate
5 Lakhs	20%
10 Lakhs	20%
15 Lakhs	20%
20 Lakhs	20%

9.2. (b) Explain any three features of a monopoly market.

### **Solution**

Features of a monopoly market are as follows:

1. **Single Seller:** A monopoly market is defined by the existence of a single seller or producer, referred to as the 'monopolist' of a commodity, managing the product's supply. Any change in output will have a big impact on the market price because there is only one vendor.
2. **Price Market:** A price maker or price setter is a monopoly corporation. It is a product's only manufacturer. It is capable of exerting a significant impact on the commodity's market supply and, consequently, price. A price-making corporation is one that possesses market power.
3. **Possibility of Price Discrimination:** A monopolist may charge various customer groups for their products at varying prices. When a manufacturer sells the same product to many purchasers at two or more different rates for reasons unrelated to variations in the cost of delivering the product to various consumers, this is referred to as price discrimination. For example, many hospitals bill richer patients more for operations while charging poorer people less.

Q10.

10.1. (a) What do you mean by market supply?

### **Solution**

The quantity that all the firms in the market are willing to produce and offer for sale at a particular price during a specified period is known as market supply (or industry's supply).

10.1. (b) Briefly explain any three factors that affect supply of a commodity.

### Solution

Factors affecting the supply of a commodity:

1. **Price of the Commodity:** The price is the primary factor influencing a commodity's supply of the product. If all else stays the same, a commodity will be supplied in greater quantities at a higher price and in smaller quantities at a lower price. A commodity with a higher price will yield a higher profit at a given cost per unit. Consequently, increased earnings would spur producers to increase output and sales.
2. **Input Prices:** The price of the components or inputs needed for production affects a commodity's supply as well. Given the pricing of a commodity, corporations would produce less and offer it for sale at a given price level if input costs rise. Conversely, if input costs decrease, the producer's profit margin will increase.
3. **Policy of Taxation and Subsidies:** When a commodity is subject to high taxes, its cost of manufacturing rises, which means that it will typically cause the supply to decline, and vice versa. Another factor influencing a commodity's supply is subsidies. To encourage the companies to create specific commodities, the government provides subsidies. Subsidies encourage producers to increase supply since they lower the cost of production.

10.2. Read the extract and answer the following question:

Food adulteration is a complex issue that requires a multi-pronged approach involving government intervention, industry cooperation, and consumer awareness. In Country X, addressing food adulteration is an ongoing challenge, but with a concerted effort from all stakeholders, there is hope for creating a safer and more trustworthy food supply chain in the future.

- a. In order to secure consumer rights what duties should the consumers fulfil?
- b. Mention any two harmful effects of food adulteration.

### Solution

- a. The duties of consumers are as follows:

1. Making informed choices: Customers shouldn't take the seller's words at face value. Before selecting or making a purchase of any commodity, he must insist on receiving full disclosure regarding the nature, value, amount, cost, etc. of the goods or services.
  2. Consumers must be aware of their rights: The Consumer Protection Act grants consumers a number of rights, including the right to safety, the right to choose, the right to be heard, etc., but the consumer must utilize these rights in order for them to be effective. The customer has to know his or her rights and use them when necessary.
  3. Consumer must be Quality Conscious: They must take action to stop the supply of inferior, tainted, or duplicate goods and put an end to sacrificing product quality when making purchases of goods or services. Customers need to search for quality certification markings like ISO, Agrnark, and ISI.
- b. The harmful effects of adulteration are stated below:
1. Leads to chronic health problems: There are many mineral oils which, when added to food items, can result in paralysis, cancer, etc. If pregnant women eat such food items, it might lead to abortion or even damage the brain of the baby. Sometimes zinc substances result in vomiting or in severe cases it can result in diarrhea. Food colors that are added to the items can be the reason of liver damage, allergies and lots more. Thus, you can say that adulteration can bring down your health and affect your quality of life.
  2. Increases the impurity in the food: Adulteration alters the composition of the food item, increasing the impurities, thus making them imperfect for consumption. When we consume such impure food, we are bound to have side effects, which can either be short-term or long-term.