

Price Rise and Consumer Awareness Class 10 GSEB Solutions

Social Science Chapter 18

Gujarat Board Class 10 Social Science Price Rise and Consumer Awareness Textbook Questions and Answers

I. Answer the following questions in detail.

Question 1.

Discuss the reason for price rise.

Answer:

The reasons for the price rise are as follows:

(i) Increase in the supply of money in the economy takes place when

1. the government resorts to deficit financing and prints new currency.
2. Increase in cash transactions in the market.
3. Additional money made available by reducing the rate of interest on the loans.

The increase in the public expenditure, Expenditure on defence unplanned expenditure, expenditure on welfare scheme lead "to increase in supply of money in the market.' The increase in supply of money increases the purchasing power of the people. However, the supply of the goods and services do not increase to the extent of demand. This imbalance between the demand and supply results in the price rise.

(ii) Population growth: Population of India has increased from 102.70 crore in 2001 to 121.02 crore in 2011. Additional population means additional demand for goods and services. The imbalance between demand and supply results in the price rise.

(iii) Increase in export: The encouragement given by the government has considerably increased export of the Indian goods. Thereby the availability of the goods in the domestic market has decreased. This results in the shortage/scarcity of goods and increase in price.

(iv) Shortage of raw material: The shortage of raw material leads to increase in the prices of their products. This contributes to price rise in the market.

(v) Price rise by the government: Petroleum products are imported by the international market find reflection in the increase of the prices of the petroleum products by the government. The government fixes support prices for the agricultural produce. Any increase in the support prices by the government contributes to the price rise.

(vi) Natural calamities: The natural calamities like excess rainfall, scanty rainfall, earthquakes, floods and epidemics adversely affect the production and supply of the agricultural products. This shortage in supply results in price rise.



(vii) Man-made disasters: The disasters like war, riots, strikes, lockouts and industrial unrest adversely affect the supply of essential commodities and trigger price rise.

(viii) Anti-Social activities: Black money, smuggling, hoarding and black marketing are anti-social activities. Hoarding of the goods creates artificial shortage and these goods are sold in the black market at higher price than their normal price.

Question 2.

Discuss main measures for controlling the price rise.

Answer:

The following steps have been taken to control price rise.

(i) Monetary Measures: The Reserve Bank of India takes the following monetary measures to control price rise:

It increases the Bank rate; i.e, the rate at which it lends money to the commercial banks. As a corollary, the commercial banks increase the rate of interest while lending money to their customers. The increase in the interest rate curbs the tendency to borrow money and invest the same in speculative ventures.

The increase in the rate of interest on the deposits encourages the consumers to invest their surplus funds. Thereby surplus funds go out of circulation. The tendency to make unnecessary purchases is curbed. This reduces the demand for the goods. The Reserve Bank withdraws surplus funds from the market by selling the government securities. It increases the Cash Reserve Ratio and reduces the availability of funds with the commercial banks.

(ii) Fiscal Measures are taken by the government to control price rise. These are: The government reduces the public expenditure, postpones plans involving heavy expenditure and curbs wasteful expenditure. It increases the level of existing taxes and imposes new taxes and thereby reduces spending capacity of the people. It borrows money from the market, private individuals and institutions. Thereby, it curtails excess purchasing power and demand for goods and services.

(iii) Control on investment is a direct step to curb price rise. It encourages productive investments in agricultural and consumer goods industries. Thereby the supply of food grains and consumer goods is increased. At the same time, it discourages speculative investments.

(iv) Price Regulation and Rationing was introduced in India for the first time during the Second World War and continued till 1972, when India became self-sufficient in production of food grains. The price control continues even today. Essential commodities are made available to the weaker sections through the public distribution system of the society. For



this purpose a chain of Fair Price Shops has been set up. The government gives subsidy of food grains, petroleum products and gas to keep prices under control.

(v) Administered Price Mechanism the government has made it obligatory for all the manufacturers to state the MRP (Maximum Retail Price) on their products, which are inclusive of all taxes. Essential Commodities Act, 1955 lays down the level of stocks to be maintained and their display. The traders are required to maintain stock registers. Any disparity between actual stock and that mentioned in stock register attracts punishment.

Question 3.

Explain the rights and duties of the consumer.

Answer:

Consumer Protection Act, 1986 has conferred the following rights of the consumers:

1. Right to safety: Consumer has right to be protected if the commodity or service is dangerous or harmful to health. They also have right to lodge a complaint if anybody creates pollution.
2. Right to be informed: Consumers must be provided complete information about quality, purity, price, quantity and the standard of goods and preference.
3. Right to choose: Consumers have the right to make a choice from variety of goods and services as per their purchasing power and preference.
4. Right to be heard/represented: Arrangements are made so as to make the concerned party hear the views of the consumers either by themselves or through their representative.
5. Right to seek redressal: Consumers have a right to seek redressal of their grievances related to price and quality of goods and services. They have a right to ask the seller or the manufacturer to repair or replace the defective goods. They can approach the District Forum, the State Commission and the National Commission for the redressal of then- grievances.
6. Right to consumer education: Consumers have right to receive education regarding all matters connected with their interests.

The duties of the consumers are as follows:

- To be quality conscious and aware of rights to restrict business malpractices.
- To beware of misleading advertisements.
- To insist on a bill, a receipt and guarantee/warranty card by the seller.
- To compare the quality, price, durability, after-sale service, etc. of the products.
- To inspect carefully variety of goods and make the best choice.
- To purchase the product only in sufficient quantity and be aware that the other consumers too need these products.
- To participate in consumer education activities, form consumer's organization at the local level and protect the rights of the consumers.



Question 4.

Describe the provisions of the consumer courts.

Answer:

Provisions of the Consumer Court:

(i) District Courts or Forums have been set up in every district. Approximately, 571 District Courts-Forums are working throughout to the Country. These courts have been given power to decide compensation claim upto? 20 Lakh. The application can be filed by paying the prescribed fees. A party dissatisfied with the decision can file an appeal with the State Commission within 30 days by depositing 50% of the claim amount or? 25,000, whichever is less.

(ii) The State Commission has been established in all states and the Union Territories. It has been given power to decide compensation claims between? 20 lakh and 1 crores. It consists of a five-member bench. It is expected to decide the case within 90 days of filing case. A party dissatisfied with the decision can file an appeal with the National Commission within 30 days by depositing 50% of the claim amount or ? 35,000 whichever is less.

(iii) The National Commission is the apex consumer court in India. It consists of a bench of five members. It has been given the power to decide compensation claims above X 1 crore. It is expected to decide the case within 30 days of filing case. A party, either applicant or respondent, dissatisfied with the decision can file a review petition with the Supreme Court of India by depositing 50% of the compensation claim amount of? 50,000 whichever is less.

[Note: A consumer court can order fine or imprisonment for non-compliance of its order. People below poverty – line, handicapped persons and senior citizens have been exempted from payment of fees under the prescribed conditions. They are also provided free legal aid by the District Free Legal Service.]

Question 5.

Describe the national and international institutions for quality standard.

Answer:

(i) ISI: The Government of India had established Indian Standards Institute (ISI) in 1947 to regulate the quality of industrial products. Since, 1986, it is known as Bureau of Indian Standards (BIS). It awards ISI mark to the products that meet the prescribed standards. The BIS allows the use of ISI mark on textile, chemicals, rubber products, cement, electronic goods, pesticides and insecticides.

(ii) AGMARK: The practice of awarding AGMARK to the farm, horticulture and animal products was started in 1937. It is awarded by Directorate of Marketing and Intelligence – (DMI), within the Ministry of Agriculture. Complaints regarding quality of any product can be lodged with the regional office of BIS.

(iii) BIS marks assure the quality/purity of gold. The purity number 916 indicates 22-carat gold. Along with the number, Hallmark logo is given which indicates the year of manufacture of the gold ornament. [916 = 22 carat J = Manufacture in 2008]

(iv) FPO mark is used for the tinned jam, fruit juices, squash, fruits and vegetables.



- (v) Woolmark is given for woollen products.
- (vi) MPO mark is given for meat and mutton products.
- (vii) ACCP, i.e. Hazard Analysis and Critical Control Point is given to the processed foods.
- (viii) Eco mark is given to soaps, detergents, paper, lubricants, packing material, color, chemicals, power coating, battery, cosmetics, leather and plastic products.

Question 6.

What precautions should be undertaken while purchasing?

Answer:

The consumer should take the following precautions while purchasing goods:

1. The consumer should purchase products that have good quality, reasonable prices and guarantee warranty of after-sales service. They should ascertain that the goods have BSI/ISI/AGMARK which ensure their quality.
2. They should obtain all possible information of the product before making purchase. They should preferably purchase branded goods. When there is a variety of products available, they should be discreet and make the right choice.
3. They should insist on the original bill, standard receipt of the goods purchased or service availed.
4. They must check packaging, rate, date of manufacture, patent number, weight, date of expiry, name and address of the manufactures. This will enable them to lodge a complaint if the product is defective.
5. If they notice any defect in the product at the time of purchase, they should bring the same to the notice of the trader immediately. They should refuse to purchase defective products.
6. They should not be attracted by the attractive advertisement or from the sale. They must not purchase unnecessary products and waste money.
7. They must test check electrical/ electronic goods as the defective products may endanger their lives.
8. They must check that the seal of the gas cylinder is intact. While riding rickshaw/taxi they should check meter reading and insist on zero meter reading.

II. Answer the following questions pointwise:

Question 1.

Explain "Price rise is beneficial to economic development. "

Answer:

(A) Price rise is beneficial to economic development: Moderate price rise, along with economic stability is beneficial to economic development. Increase in price of the manufactured goods means increase in the profit for the entrepreneurs. The entrepreneurs strive to increase their profit by reducing the cost of production. The profits provide capital required for the new ventures.

New production units create more employment. They offer higher wages and better service conditions to the workers. Better wages means increase in purchasing power. People spend



money to improve their standard of living. Thus price rise gives momentum to industrialization and industrialization serves as engine of economic development.

(B) Price rise is a hindrance in economic development: Unrestrained price rise is called hyper-inflation. It is a hindrance to economic development. It results in the fall in the value of money and purchasing power. The high prices of goods and services are beyond the reach of common people. The middle class and the poor suffer. It reduces saving and adversely affects capital formation.

High volatility in economy discourages the entrepreneurs from launching new ventures. The entrepreneurs prefer production of luxury goods and neglect production of the essential goods to earn more profit. The scarcity of essential goods leads to hoarding and black marketing. Economy loses its momentum due to the chaos created by the hyperinflation. Thus, price rise is a hindrance in economic development.

Question 2.

"Black money one of the reasons for (causes of) price rise? Explain.

Answer:

Black money is unaccounted money. Many economic transactions are not mentioned in the books of account to evade taxation. Excess income is hidden in the form of black money. Black money constitutes parallel economy in India, whereby such persons invest in land and real estate; or they lend money to those who indulge in unfair trades like smuggling and speculative trade. They are afraid being caught and therefore prefer to spend money on luxurious lifestyles. They store their money outside the country in foreign banks. In this way, black money is a contributing factor to the price rise.

Question 3.

Classify the role of the public distribution system in controlling price rise.

Answer:

During the Second World War period, there was acute shortage of foodgrains and other essential goods. The British government had introduced rationing in 1942. For this purpose a chain of fair price shops was set up across the country. The statutory rationing continued even after independence as there was acute shortage of food grains. After India became self-sufficient in food requirements the statutory rationing was lifted in 1972. However, as a poverty alleviation measure, the Public Distribution System was introduced in 1977.

The PDS supplies essential goods to the low-income groups and the people living below poverty line at a reasonable price through a chain of 4.92 lakh fair price shops. The difference between the open market price and prices in the fair price shops, are borne by the government by giving subsidy. The PDS has become a boon for maintaining adequate standard of living for the lower classes. However, there is need to strengthen administrative machinery, ensure regular supply of the required quantity of essential goods and honesty



among the shopkeepers. [Please note some details in the textbook were incorrect and incomplete. These have been corrected in the answer.]

Question 4.

Describe the reasons of consumer exploitation.

Answer:

Besides the selfish attitude of the traders and the manufacturers to exploit the consumers to earn extra profit, the following factors are responsible for the exploitation of the consumers:

1. Consumers: Most consumers are ignorant about the prevailing market conditions. They are unaware of their rights and are unwilling to organize themselves to fight against exploitation.
2. Limited information: The consumers have very little information about products and their quality and utility. They are not aware of the guarantee and warranty. Moreover, the salesmen do not provide such information.
3. Limited supply: The traders create artificial scarcity of popular products. The traders take undue advantage of scarcity.
4. Limited competition: The manufacturers/traders form cartels and create monopolistic situations. The consumers find themselves in market where there is limited or no competition and get themselves exploited.

Question 5.

Classify the role of consumer society in providing consumer protection.

Answer:

The Consumer Protection Act, 1986 envisages one establishment of the Consumers Society (Consumer Protection Council) at the taluka, district, state and national level. These are non-political, non-profit voluntary organizations. The consumers themselves take an initiative in their establishment.

They serve as a watchdog and protect consumers from unfair trade practices. For this purpose, they undertake consumer's education activities and create awareness among consumers. They offer suggestions to the government in framing policies related to consumers. They review the existing legal provisions and suggest necessary changes in the Acts. They published periodicals like 'Grahak Suraksha', 'Insight', 'The Consumer', 'Grahak Manch', etc. to create awareness among the consumers.

They help consumers in filing complaints and, at times, represent the consumers. They help consumers in filing complaints and, at times, represent the consumers in the proceedings of the consumer courts. They serve as a check on unfair trade practices and discourage the traders to indulge in these practices by the threat of legal proceedings.



Question 6.

Who can file a complaint? Describe the information included in complaint.

Answer:

A complaint to the District Consumer Forum can be filed by

1. the consumer
2. the Government of India, State Government and the Government of Union Territory
3. Consumer Society
4. Representative of consumer, and
5. any member of the family of the consumer who had purchased goods or services.

A complaint can be either handwritten or typed or sent through e-mail. When a complaint is lodged in a forum/ court, it has to be accompanied by affidavit, giving information about name, address and contact number. The reasons for filing complaint should be clearly stated. Xerox copies of the supportive documents/ evidences related to complaint should be enclosed. Bills and receipts of payment should be enclosed.

Details of cheque should be given when the payment is made by cheque. Other evidences such as copy of advertisement, pamphlet; prospectus and terms/conditions offered by the seller should be enclosed. Bills and receipts of payment should be enclosed. Details of cheque should be given when the payment is made by cheque. Other evidences such as copy of advertisement, pamphlet; prospectus and terms/conditions offered by the seller should be enclosed. A complaint has to be filed within two years of the incident. Consumer may Call 1800-233-0222 of Gujarat state helpline or 1800-114000 . of national helpline to file complaint and to seek legal information and guidance.

III. Answer the following questions in short.

Question 1.

Why has it become necessary to control price rise?

Answer:

It has become necessary to control rise due to its undesirable effects. These are:

1. The value of money and its purchasing power declines. This leads to decline in saving and capital formation.
2. The decline in capital formation has adverse effect on production activity, employment in industries and supply of essential consumer goods.
3. Foreign investment declines as the investment is not profitable.
4. It creates scarcity of essential goods. The government spends available funds on import of essential goods, like food grains.
5. As the production cost increases, the domestic goods become expensive. On the other hand, the imported goods are cheap and their import increases. This creates imbalance in the import-export trade.
6. The lives of the middle class and the lower classes become miserable. Their standard of living deteriorates.



7. It leads to moral degradation. The poor indulge in theft and robbery. The poor women are forced into prostitution. The unscrupulous businessmen indulge in speculation, hoarding, black marketing and profiteering by offering bribes to the corrupt government servants.
8. Price rise is a hindrance to the economic development of the country.

Question 2.

Describe the effects of the price rise on capital investment.

Answer:

The uncontrolled price rise, described as hyperinflation, has the following effects on capital investment:

1. It leads to fall in value of money and decline in purchasing power leading to reduced savings and capital investment.
2. The shortage of capital discourages the entrepreneurs from taking risks in production activities.
3. As the value of money declines progressively, the moneyed people change their option of investment. They invest in precious metals like gold and real state and thereby funds are not available for the productive activities.
4. For want of capital, new industries are not started which halts generations of employment.
5. The entrepreneurs divert available capital to the production of more profitable luxury goods. This results in the shortage of consumer goods.
6. It discourages the flow of foreign funds in production activities as investments become less profitable.

Question 3.

What is the role of price mechanism system in price regulation?

Answer:

Administered Price Mechanism: The government has made it obligatory for all the manufacturers to state the MRP (Maximum Retail Price) on their products, which are inclusive of all taxes. Essential Commodities Act, 1955 lays down the level of stocks to be maintained and their display. The traders are required to maintain stock registers. Any disparity between actual stock and that mentioned in stock register attracts punishment.

Question 4.

Who is 'consumer'?

Answer:

As per the provisions of the Consumer Protection Act, 1986, a consumer is a person who has made payment or has agreed for any offered mode of payment in lieu of purchase of any commodity or service. The person who pays the value of product, either in the form of installments or by hire- purchase system- or either hires a service or receives a service called a consumer. Such persons are covered under the Act as 'consumers' and receive protection provided by the Act.



Question 5.

Give information about ISI, ECO, FPO, AGMARK.

Answer:

(i) ISI: The Government of India had established Indian Standards Institute (ISI) in 1947 to regulate the quality of industrial products. Since, 1986, it is known as Bureau of Indian Standards- (BIS). It awards ISI mark to the products that meet the prescribed standards. The BIS allows the use of ISI mark on textile, chemicals, rubber products, cement, electronic goods, pesticides and insecticides.

(ii) ECO: This mark is given to soaps, detergents, paper, lubricants, packing material, color, chemicals, power coating, battery, cosmetics, leather and plastic products.

(iii) FPO: This mark is used for the tinned jam, fruit juices, squash, fruits and vegetables.

(iv) AGMARK: The practice of awarding AGMARK to the farm, horticulture and animal products was started in 1937. It is awarded by Directorate of Marketing and Intelligence (DMI), within the Ministry of Agriculture Complaints regarding quality of any product can be lodged with the regional office of BIS.

IV. Choose the correct alternative and answer the following questions.

Question 1.

Government decides the prices of which products?

- (A) Vegetable
- (B) Medical treatment
- (C) Petrol-Diesel
- (D) Dining in hotel

Answer:

- (C) Petrol-Diesel

Question 2.

Increase by Government in supply of what leads to price rise?

- (A) Commodities
- (B) Grains
- (C) Raw materials
- (D) Money

Answer:

- (D) Money

Question 3.

Due to prediction that prices are going to rise in future what do the people do?

- (A) Black marketing
- (B) Profiteering
- (C) Betting

(D) Hoarding

Answer:

(D) Hoarding

Question 4.

15th March is celebrated as which day in India?

(A) Consumer Rights Day

(B) World Consumer Day

(C) Consumer Awareness Day

(D) National Consumer Rights Day

Answer:

(B) World Consumer Day

Question 5.

Which organization has been set up by the Central Government for consumer-related laws?

(A) Consumer Dispute Removal System

(B) National Consumer Commission

(C) National Customer Commission

(D) Consumer Protection Commission

Answer:

(B) National Consumer Commission

Question 6.

Which periodical is published for consumer education and awareness?

(A) Insight

(B) Consumer Awareness Forum

(C) Consumer Education

(D) Consumer Act

Answer:

(A) Insight

Question 7.

Which is the voluntary organization regulating the quality of edible items?

(A) BIS

(B) CAC

(C) ISO

(D) FPO

Answer:

(B) CAC

