NIOS Class 12 Economics Sample Paper-10

Duration: 180 Minutes **Maximum Marks: 100**

Instructions

- This paper contains **50 Questions**. The paper is divided into two sections: **Section A – 50** marks and **Section B – 50** marks.
- **Section A** (Q.No. 1 to 35):
  - **Q.No. 1 to 20**: Multiple Choice Questions (MCQs) carrying **1 mark** each. Select and write the most appropriate option out of the four options given in each of these questions.
  - **Q.No. 21 to 35**: Objective type questions carrying **2 marks** each (with 2 sub-parts of 1 mark each). Attempt these questions as per the instructions given for each of the questions 21–35.
- **Section B** (Q.No. 36 to 50):
  - **Q.No. 36 to 42**: Very Short Answer-type questions carrying **2 marks** each to be answered in the range of 30 to 50 words.
  - **Q.No. 43 to 48**: Short Answer-type questions carrying **4 marks** each to be answered in the range of 50 to 80 words.
  - **Q.No. 49 to 50**: Long Answer-type questions carrying **6 marks** each to be answered in the range of 80 to 120 words.
- An **internal choice** has been provided in some questions.
- There is **No Negative** marking.
- Use of mobile phones, smartwatches, calculators, or any electronic gadgets is strictly prohibited.

Section: A

Q1. Microeconomics primarily studies: **(1)**

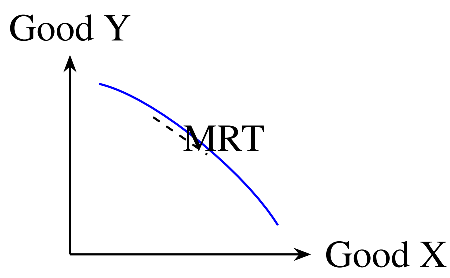
(A) The economy as a whole

(B) Only foreign exchange reserves

(C) Only government budgets

(D) Individual units such as consumers, firms and industries

Q2. The rate at which one good must be sacrificed to produce one more unit of another good on the PPC is called: **(1)**



(A) Marginal Rate of Transformation

(B) Marginal Utility

(C) Average Cost

(D) Bank Rate

Q3. A consumer budget line shows combinations of two goods that: **(1)**

(A) Give zero satisfaction

(B) Are unavailable at all incomes

(C) Can be bought with given income and prices

(D) Are produced by government only

Q4. Market demand is obtained by: **(1)**

(A) Subtracting supply from demand

(B) Dividing price by income

(C) Adding fixed cost and variable cost

(D) Adding individual demands at each price

Q5. At the upper portion of a straight-line demand curve, demand is generally: **(1)**

(A) Inelastic

(B) Elastic

(C) Unit elastic only

(D) Perfectly inelastic

Q6. Average Product reaches its maximum when: **(1)**

(A) MP is zero

(B) TP is zero

(C) MP equals AP

(D) MC equals MR

Q7. Marginal Cost is the change in: **(1)**

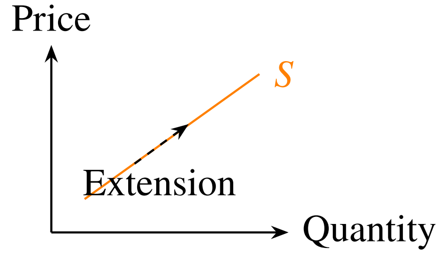
(A) Average Revenue due to advertising

(B) Total Cost due to one more unit of output

(C) Total Utility due to one more rupee

(D) Total population due to migration

Q8. A rise in the commodity's own price causes: **(1)**



(A) Extension of supply

(B) Decrease in supply

(C) Leftward shift of supply

(D) Decrease in demand only

Q9. The supply of perishable agricultural products in the very short period is usually: **(1)**

(A) Highly elastic

(B) Perfectly elastic

(C) Less elastic

(D) Negative elastic

Q10. A firm under perfect competition is a price-taker because: **(1)**

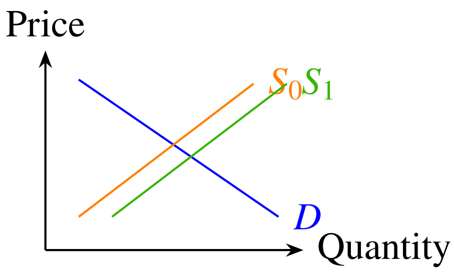
(A) It sells a differentiated product

(B) It alone controls total supply

(C) Its output is very small compared with market output

(D) It has legal monopoly power

Q11. If supply increases while demand remains unchanged, equilibrium price and quantity generally: **(1)**



(A) Price rises and quantity falls

(B) Both price and quantity fall

(C) Both price and quantity rise

(D) Price falls and quantity rises

Q12. Under perfect competition, for an individual firm: **(1)**

(A) AR is less than MR
(B) AR equals MR equals price
(C) AR is always zero
(D) MR is always negative

Q13. NDP at factor cost plus depreciation gives: **(1)**

(A) GDP at factor cost
(B) NNP at factor cost
(C) Personal income
(D) Disposable income

Q14. The income method of national income mainly adds: **(1)**

(A) Only final expenditure
(B) Only imports
(C) Only transfer payments
(D) Factor incomes

Q15. Autonomous consumption means consumption that occurs when income is: **(1)**

(A) Zero
(B) Maximum
(C) Always negative
(D) Equal to exports

Q16. If MPC is 0.8, the investment multiplier is: **(1)**

(A) 2
(B) 4
(C) 5

(D) 8

Q17. Statistical Liquidity Ratio requires commercial banks to maintain: **(1)**

(A) Only foreign currency abroad

(B) A percentage of deposits in liquid assets

(C) All deposits as loans

(D) Only gold with households

Q18. Primary deficit is calculated as: **(1)**

(A) Fiscal deficit minus interest payments

(B) Revenue receipts minus taxes

(C) Capital expenditure minus revenue expenditure

(D) Exports minus imports

Q19. Foreign exchange rate means the price of: **(1)**

(A) One domestic good in a village market

(B) One country's currency in terms of another currency

(C) Only gold in rural areas

(D) Only labour wages

Q20. Official reserve account in BOP is maintained by: **(1)**

(A) Individual consumers

(B) Village panchayat

(C) Private retailers only

(D) Central bank or monetary authority

Q21. State whether the following statements are True or False: **(2)**

1. Macroeconomics studies aggregate variables such as national income and employment.
2. Microeconomics has no relation with individual markets.

Q22. Fill in the blanks: **(2)**

1. The slope of the PPC is called Marginal Rate of ....
2. A point inside PPC shows .... use of resources.

Q23. Fill in the blanks: **(2)**

1. A budget line shifts rightward when consumer .... increases.
2. The slope of the budget line depends on the ratio of ....

Q24. State whether the following statements are True or False: **(2)**

1. Market demand is obtained by horizontally adding individual demand curves.
2. A change in own price shifts the demand curve.

Q25. Match the following elasticity situations: **(2)**

Situation	**Elasticity**
(a) Quantity does not change with price	(i) Unit elastic
(b) Quantity changes infinitely at same price	(ii) Elastic
(c) Equal percentage change in price and quantity	(iii) Perfectly inelastic
(d) Quantity changes more than price	(iv) Perfectly elastic

Q26. Fill in the blanks: **(2)**

1. When MP is greater than AP, AP ....
2. When MP is less than AP, AP ....

Q27. State whether the following statements are True or False: **(2)**

1. Marginal Cost is affected by change in variable cost in the short run.
2. Fixed Cost changes with every change in output in the short run.

Q28. Fill in the blanks: **(2)**

1. Movement along a supply curve is caused by change in the commodity's own ....
2. A shift of supply is caused by change in .... other than own price.

Q29. Write one word or term for each of the following: **(2)**

1. A market with a few large sellers.
2. A market with free entry, many sellers and homogeneous product.

Q30. State whether the following statements are True or False: **(2)**

1. An increase in supply lowers equilibrium price when demand remains unchanged.
2. A decrease in supply lowers equilibrium price when demand remains unchanged.

Q31. Fill in the blanks: **(2)**

1. Under perfect competition, AR is equal to ....
2. Profit is maximum where MR equals ....

Q32. Match the following aggregates: **(2)**

Aggregate	Formula / Meaning
(a) GDPFC	(i) Personal Income minus personal taxes
(b) NDPFC	(ii) Domestic income
(c) NNPFC	(iii) GDPFC minus depreciation
(d) Disposable Income	(iv) GDPMP minus Net Indirect Taxes

Q33. Fill in the blanks: **(2)**

1. The income method includes wages, rent, interest and . . . .
2. Transfer payments are . . . . from national income.

Q34. State whether the following statements are True or False: **(2)**

1. Autonomous consumption is positive even at zero income.
2. MPC is always equal to APS.

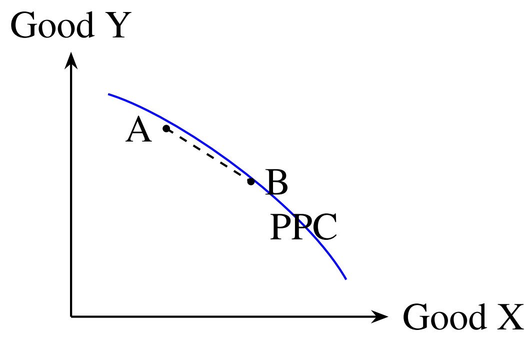
Q35. Match the following external sector terms: **(2)**

Term	Meaning
(a) Exchange Rate	(i) BOP account for loans and investments
(b) Tariff	(ii) Goods export minus goods import
(c) Capital Account	(iii) Price of one currency in terms of another
(d) Balance of Trade	(iv) Tax on imports

Section: B

Q36. Distinguish between microeconomics and macroeconomics with examples. **(2)**

Q37. Explain Marginal Rate of Transformation with the help of the Production Possibility Curve. **(2)**



Q38. Explain the meaning of a consumer budget line. State any two reasons for its shift. **(2)**

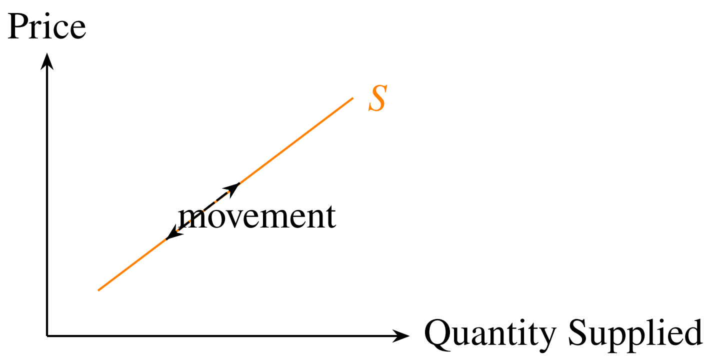
Q39. How is market demand derived from individual demand? Explain with a simple example. **(2)**

Q40. Explain the point elasticity method of measuring price elasticity of demand. **(2)**

Q41. Explain why Average Product rises and then falls as variable input increases. **(2)**

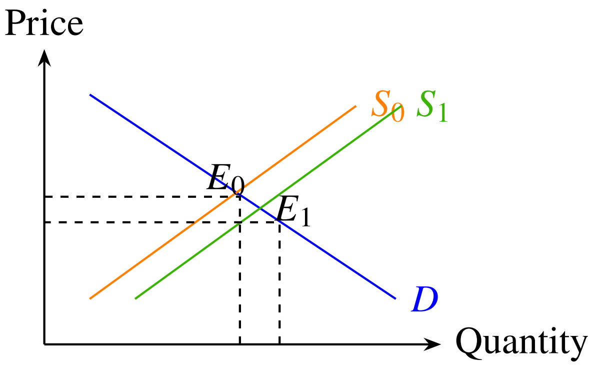
Q42. Calculate Marginal Cost from the following data: Total Cost at 6 units is ₹ 480 and Total Cost at 7 units is ₹ 560. Also define MC. **(2)**

Q43. Explain extension of supply and contraction of supply with a diagram. **(4)**



Q44. Explain the main features of perfect competition. **(4)**

Q45. Explain the effect of an increase in supply on equilibrium price and quantity under perfect competition. **(4)**

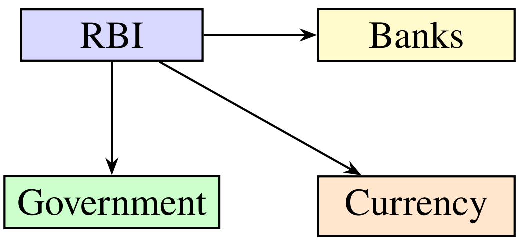


Q46. Explain why AR and MR are equal under perfect competition but different under monopoly. **(4)**

Q47. Calculate National Income from: NDP at factor cost = ₹ 8,000 crore and NFIA = ₹ 300 crore. Also state why NFIA is added. **(4)**

Q48. Explain the income method of national income measurement with its components. **(4)**

Q49. Explain the role of the Reserve Bank of India as banker to government, banker's bank, controller of credit and issuer of currency. **(6)**



Q50. Explain the government budget. Distinguish between revenue budget and capital budget with examples. **(6)**

Detailed Solutions

Q1.

Solution

Concept: Microeconomics studies individual economic units such as a consumer, firm, industry or market. This concept is from Introduction to the Study of Economics.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Microeconomics studies individual economic units such as a consumer, firm, industry or market.

Step 3: Option D gives the correct statement: "Individual units such as consumers, firms and industries".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option D into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option D is the correct answer.

Why other options are wrong:

- **Option A:** This option says "The economy as a whole, which does not correctly express the concept required by the question.
- **Option B:** This option says "Only foreign exchange reserves, which does not correctly express the concept required by the question.
- **Option C:** This option says "Only government budgets, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Individual units such as consumers, firms and industries}}$ (Option D)

$\boxed{\textbf{Answer: (D)}}$ **Go Back to Q 1**

Q2.

Solution

Concept: Marginal Rate of Transformation is the opportunity cost shown by the slope of the Production Possibility Curve. This concept is from Central Problems of an Economy.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Marginal Rate of Transformation is the opportunity cost shown by the slope of the Production Possibility Curve.

Step 3: Option A gives the correct statement: "Marginal Rate of Transformation".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option A into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option A is the correct answer.

Why other options are wrong:

- **Option B:** This option says "Marginal Utility, which does not correctly express the concept required by the question.
- **Option C:** This option says "Average Cost, which does not correctly express the concept required by the question.
- **Option D:** This option says "Bank Rate, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Marginal Rate of Transformation}}$ (Option A)

$\boxed{\textbf{Answer: (A)}}$ **Go Back to Q 2**

Q3.

Solution

Concept: A budget line shows all combinations of two goods that a consumer can purchase with given income and prices. This concept is from Consumer's Equilibrium.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: A budget line shows all combinations of two goods that a consumer can purchase with given income and prices.

Step 3: Option C gives the correct statement: "Can be bought with given income and prices".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option C into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option C is the correct answer.

Why other options are wrong:

- **Option A:** This option says "Give zero satisfaction, which does not correctly express the concept required by the question.
- **Option B:** This option says "Are unavailable at all incomes, which does not correctly express the concept required by the question.
- **Option D:** This option says "Are produced by government only, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Can be bought with given income and prices}}$ (Option C)

$\boxed{\textbf{Answer: (C)}}$ **Go Back to Q 3**

Q4.

Solution

Concept: Market demand is the horizontal summation of individual demand schedules at each price. This concept is from Demand.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Market demand is the horizontal summation of individual demand schedules at each price.

Step 3: Option D gives the correct statement: "Adding individual demands at each price".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option D into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option D is the correct answer.

Why other options are wrong:

- **Option A:** This option says "Subtracting supply from demand, which does not correctly express the concept required by the question.
- **Option B:** This option says "Dividing price by income, which does not correctly express the concept required by the question.
- **Option C:** This option says "Adding fixed cost and variable cost, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Adding individual demands at each price}}$ (Option D)

$\boxed{\textbf{Answer: (D)}}$ **Go Back to Q 4**

Q5.

Solution

Concept: On a straight-line demand curve, elasticity is greater than one above the midpoint. This concept is from Price Elasticity of Demand.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: On a straight-line demand curve, elasticity is greater than one above the midpoint.

Step 3: Option B gives the correct statement: "Elastic".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option B into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option B is the correct answer.

Why other options are wrong:

- **Option A:** This option says "Inelastic, which does not correctly express the concept required by the question.
- **Option C:** This option says "Unit elastic only, which does not correctly express the concept required by the question.
- **Option D:** This option says "Perfectly inelastic, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Elastic}}$ (Option B)

$\boxed{\textbf{Answer: (B)}}$ **Go Back to Q 5**

Q6.

Solution

Concept: Average Product is maximum at the point where Marginal Product equals Average Product. This concept is from Production Function.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Average Product is maximum at the point where Marginal Product equals Average Product.

Step 3: Option C gives the correct statement: "MP equals AP".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option C into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option C is the correct answer.

Why other options are wrong:

- **Option A:** This option says "MP is zero, which does not correctly express the concept required by the question.
- **Option B:** This option says "TP is zero, which does not correctly express the concept required by the question.
- **Option D:** This option says "MC equals MR, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{MP equals AP}}$ (Option C)

$\boxed{\textbf{Answer: (C)}}$ **Go Back to Q 6**

Q7.

Solution

Concept: Marginal Cost is the addition to total cost when one extra unit of output is produced. This concept is from Cost of Production.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Marginal Cost is the addition to total cost when one extra unit of output is produced.

Step 3: Option B gives the correct statement: "Total Cost due to one more unit of output".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option B into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option B is the correct answer.

Why other options are wrong:

- **Option A:** This option says "Average Revenue due to advertising, which does not correctly express the concept required by the question.
- **Option C:** This option says "Total Utility due to one more rupee, which does not correctly express the concept required by the question.
- **Option D:** This option says "Total population due to migration, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Total Cost due to one more unit of output}}$ (Option B)

$\boxed{\textbf{Answer: (B)}}$ **Go Back to Q 7**

Q8.

Solution

Concept: A rise in own price causes movement along the supply curve, called extension of supply. This concept is from Supply.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: A rise in own price causes movement along the supply curve, called extension of supply.

Step 3: Option A gives the correct statement: "Extension of supply".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option A into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option A is the correct answer.

Why other options are wrong:

- **Option B:** This option says "Decrease in supply, which does not correctly express the concept required by the question.
- **Option C:** This option says "Leftward shift of supply, which does not correctly express the concept required by the question.
- **Option D:** This option says "Decrease in demand only, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Extension of supply}}$ (Option A)

$\boxed{\textbf{Answer: (A)}}$ **Go Back to Q 8**

Q9.

Solution

Concept: Perishable agricultural goods have less elastic supply in the very short period because output cannot be changed quickly. This concept is from Price Elasticity of Supply.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Perishable agricultural goods have less elastic supply in the very short period because output cannot be changed quickly.

Step 3: Option C gives the correct statement: "Less elastic".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option C into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option C is the correct answer.

Why other options are wrong:

- **Option A:** This option says "Highly elastic, which does not correctly express the concept required by the question.
- **Option B:** This option says "Perfectly elastic, which does not correctly express the concept required by the question.
- **Option D:** This option says "Negative elastic, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Less elastic}}$ (Option C)

$\boxed{\textbf{Answer: (C)}}$ Go Back to Q 9

Q10.

Solution

Concept: A perfectly competitive firm is a price-taker because it is too small to influence market price. This concept is from Forms of Market.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: A perfectly competitive firm is a price-taker because it is too small to influence market price.

Step 3: Option C gives the correct statement: "Its output is very small compared with market output".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option C into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option C is the correct answer.

Why other options are wrong:

- **Option A:** This option says "It sells a differentiated product, which does not correctly express the concept required by the question.
- **Option B:** This option says "It alone controls total supply, which does not correctly express the concept required by the question.
- **Option D:** This option says "It has legal monopoly power, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Its output is very small compared with market output}}$ (Option C)

$\boxed{\textbf{Answer: (C)}}$ Go Back to Q 10

Q11.

Solution

Concept: An increase in supply shifts the supply curve rightward, reducing equilibrium price and raising equilibrium quantity. This concept is from Price Determination under Perfect Competition.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: An increase in supply shifts the supply curve rightward, reducing equilibrium price and raising equilibrium quantity.

Step 3: Option D gives the correct statement: "Price falls and quantity rises".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option D into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option D is the correct answer.

Why other options are wrong:

- **Option A:** This option says "Price rises and quantity falls, which does not correctly express the concept required by the question.
- **Option B:** This option says "Both price and quantity fall, which does not correctly express the concept required by the question.
- **Option C:** This option says "Both price and quantity rise, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Price falls and quantity rises}}$ (Option D)

$\boxed{\textbf{Answer: (D)}}$ **Go Back to Q 11**

Q12.

Solution

Concept: Under perfect competition, price remains constant for the firm, so AR = MR = Price. This concept is from Revenue and Profit Maximization.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Under perfect competition, price remains constant for the firm, so AR = MR = Price.

Step 3: Option B gives the correct statement: "AR equals MR equals price".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option B into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option B is the correct answer.

Why other options are wrong:

- **Option A:** This option says "AR is less than MR, which does not correctly express the concept required by the question.
- **Option C:** This option says "AR is always zero, which does not correctly express the concept required by the question.
- **Option D:** This option says "MR is always negative, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{AR equals MR equals price}}$ (Option B)

$\boxed{\textbf{Answer: (B)}}$ **Go Back to Q 12**

Q13.

Solution

Concept: Adding depreciation to NDP at factor cost gives GDP at factor cost. This concept is from National Income and Related Aggregates.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Adding depreciation to NDP at factor cost gives GDP at factor cost.

Step 3: Option A gives the correct statement: "GDP at factor cost".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option A into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option A is the correct answer.

Why other options are wrong:

- **Option B:** This option says "NNP at factor cost, which does not correctly express the concept required by the question.
- **Option C:** This option says "Personal income, which does not correctly express the concept required by the question.
- **Option D:** This option says "Disposable income, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{GDP at factor cost}}$ (Option A)

$\boxed{\textbf{Answer: (A)}}$ **Go Back to Q 13**

Q14.

Solution

Concept: The income method measures national income by adding factor incomes such as wages, rent, interest and profit. This concept is from National Income Measurement.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: The income method measures national income by adding factor incomes such as wages, rent, interest and profit.

Step 3: Option D gives the correct statement: "Factor incomes".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option D into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option D is the correct answer.

Why other options are wrong:

- **Option A:** This option says "Only final expenditure, which does not correctly express the concept required by the question.
- **Option B:** This option says "Only imports, which does not correctly express the concept required by the question.
- **Option C:** This option says "Only transfer payments, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Factor incomes}}$ (Option D)

$\boxed{\textbf{Answer: (D)}}$ Go Back to Q 14

Q15.

Solution

Concept: Autonomous consumption is the minimum consumption that takes place even when income is zero. This concept is from Consumption, Saving and Investment.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Autonomous consumption is the minimum consumption that takes place even when income is zero.

Step 3: Option A gives the correct statement: "Zero".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option A into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option A is the correct answer.

Why other options are wrong:

- **Option B:** This option says "Maximum, which does not correctly express the concept required by the question.
- **Option C:** This option says "Always negative, which does not correctly express the concept required by the question.
- **Option D:** This option says "Equal to exports, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Zero}}$ (Option A)

$\boxed{\textbf{Answer: (A)}}$ Go Back to Q 15

Q16.

Solution

Concept: Multiplier is 1/(1-MPC). If MPC is 0.8, multiplier is 1/0.2 = 5. This concept is from Theory of Income Determination.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Multiplier is 1/(1-MPC). If MPC is 0.8, multiplier is 1/0.2 = 5.

Step 3: Option C gives the correct statement: "5".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option C into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option C is the correct answer.

Why other options are wrong:

- **Option A:** This option says "2, which does not correctly express the concept required by the question.
- **Option B:** This option says "4, which does not correctly express the concept required by the question.
- **Option D:** This option says "8, which does not correctly express the concept required by the question.

Final Answer: $\boxed{5}$ (Option C)

Answer: (C) Go Back to Q 16

Q17.

Solution

Concept: SLR is the percentage of net demand and time liabilities that banks keep as liquid assets. This concept is from Money and Banking.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: SLR is the percentage of net demand and time liabilities that banks keep as liquid assets.

Step 3: Option B gives the correct statement: "A percentage of deposits in liquid assets".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option B into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option B is the correct answer.

Why other options are wrong:

- **Option A:** This option says "Only foreign currency abroad, which does not correctly express the concept required by the question.
- **Option C:** This option says "All deposits as loans, which does not correctly express the concept required by the question.
- **Option D:** This option says "Only gold with households, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{A percentage of deposits in liquid assets}}$ (Option B)

$\boxed{\textbf{Answer: (B)}}$ **Go Back to Q 17**

Q18.

Solution

Concept: Primary deficit equals fiscal deficit minus interest payments. This concept is from Government Budget.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Primary deficit equals fiscal deficit minus interest payments.

Step 3: Option A gives the correct statement: "Fiscal deficit minus interest payments".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option A into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option A is the correct answer.

Why other options are wrong:

- **Option B:** This option says "Revenue receipts minus taxes, which does not correctly express the concept required by the question.
- **Option C:** This option says "Capital expenditure minus revenue expenditure, which does not correctly express the concept required by the question.
- **Option D:** This option says "Exports minus imports, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Fiscal deficit minus interest payments}}$ (Option A)

$\boxed{\textbf{Answer: (A)}}$ **Go Back to Q 18**

Q19.

Solution

Concept: Foreign exchange rate expresses the value of one currency in terms of another currency. This concept is from International Trade.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Foreign exchange rate expresses the value of one currency in terms of another currency.

Step 3: Option B gives the correct statement: "One country's currency in terms of another currency".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option B into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option B is the correct answer.

Why other options are wrong:

- **Option A:** This option says "One domestic good in a village market, which does not correctly express the concept required by the question.
- **Option C:** This option says "Only gold in rural areas, which does not correctly express the concept required by the question.
- **Option D:** This option says "Only labour wages, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{One country's currency in terms of another currency}}$ (Option B)

$\boxed{\textbf{Answer: (B)}}$ **Go Back to Q 19**

Q20.

Solution

Concept: Official reserves are held and managed by the central bank or monetary authority. This concept is from Balance of Payments.

Solution: Step 1: Identify the economic term in the question and connect it with the correct lesson.

Step 2: Apply the rule: Official reserves are held and managed by the central bank or monetary authority.

Step 3: Option D gives the correct statement: "Central bank or monetary authority".

Step 4: The remaining options are distractors because they either reverse the relation or belong to another chapter.

Step 5: Substituting Option D into the statement makes it consistent with NIOS Economics terminology.

Step 6: Hence, Option D is the correct answer.

Why other options are wrong:

- **Option A:** This option says "Individual consumers, which does not correctly express the concept required by the question.
- **Option B:** This option says "Village panchayat, which does not correctly express the concept required by the question.
- **Option C:** This option says "Private retailers only, which does not correctly express the concept required by the question.

Final Answer: $\boxed{\text{Central bank or monetary authority}}$ (Option D)

$\boxed{\textbf{Answer: (D)}}$ **Go Back to Q 20**

Q21.

Solution

Concept: This objective question is from Introduction to the Study of Economics. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: The first statement is true because macroeconomics studies aggregates. The second is false because microeconomics is directly concerned with individual markets.

Step 5: Therefore the complete answer is: True; False.

Step 6: The answer should be written in order to receive both marks.

Final Answer: True; False

Answer: (True; False) Go Back to Q 21

Q22.

Solution

Concept: This objective question is from Central Problems of an Economy. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: The slope of PPC is MRT. A point inside PPC means resources are unemployed or used inefficiently.

Step 5: Therefore the complete answer is: Transformation; Inefficient.

Step 6: The answer should be written in order to receive both marks.

Final Answer: Transformation; Inefficient

Answer: (Transformation; Inefficient) Go Back to Q 22

Q23.

Solution

Concept: This objective question is from Consumer's Equilibrium. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: A budget line shifts right when income increases. Its slope depends on the ratio of prices of the two goods.

Step 5: Therefore the complete answer is: Income; Prices.

Step 6: The answer should be written in order to receive both marks.

Final Answer: Income; Prices

Answer: (Income; Prices) Go Back to Q 23

Q24.

Solution

Concept: This objective question is from Demand. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: Market demand is horizontal summation of individual demands. Own price change causes movement along the same demand curve, not a shift.

Step 5: Therefore the complete answer is: True; False.

Step 6: The answer should be written in order to receive both marks.

Final Answer: True; False

Answer: (True; False) Go Back to Q 24

Q25.

Solution

Concept: This objective question is from Price Elasticity of Demand. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: No quantity response means perfectly inelastic. Infinite response at same price means perfectly elastic. Equal percentage change means unit elastic. More than proportionate quantity change means elastic.

Step 5: Therefore the complete answer is: (a)-(iii), (b)-(iv), (c)-(i), (d)-(ii).

Step 6: The answer should be written in order to receive both marks.

Final Answer: (a)-(iii), (b)-(iv), (c)-(i), (d)-(ii)

Answer: ((a)-(iii), (b)-(iv), (c)-(i), (d)-(ii)) Go Back to Q 25

Q26.

Solution

Concept: This objective question is from Production Function. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: When MP is above AP, AP rises. When MP falls below AP, AP falls.

Step 5: Therefore the complete answer is: Rises; Falls.

Step 6: The answer should be written in order to receive both marks.

Final Answer: Rises; Falls

Answer: (Rises; Falls) Go Back to Q 26

Q27.

Solution

Concept: This objective question is from Cost of Production. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: In the short run, MC depends on change in variable cost. Fixed cost does not change with output in the short run.

Step 5: Therefore the complete answer is: True; False.

Step 6: The answer should be written in order to receive both marks.

Final Answer: True; False

Answer: (True; False) Go Back to Q 27

Q28.

Solution

Concept: This objective question is from Supply. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: Movement along supply is due to own price. A shift is due to other factors like technology, tax, input cost or number of firms.

Step 5: Therefore the complete answer is: Price; Factors.

Step 6: The answer should be written in order to receive both marks.

Final Answer: Price; Factors

Answer: (Price; Factors) Go Back to Q 28

Q29.

Solution

Concept: This objective question is from Forms of Market. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: A few large sellers indicate oligopoly. Many sellers with homogeneous product and free entry indicate perfect competition.

Step 5: Therefore the complete answer is: Oligopoly; Perfect competition.

Step 6: The answer should be written in order to receive both marks.

Final Answer: Oligopoly; Perfect competition

Answer: (Oligopoly; Perfect competition) **Go Back to Q 29**

Q30.

Solution

Concept: This objective question is from Price Determination under Perfect Competition. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: Increase in supply lowers price and raises quantity. Decrease in supply raises price, not lowers it.

Step 5: Therefore the complete answer is: True; False.

Step 6: The answer should be written in order to receive both marks.

Final Answer: True; False

Answer: (True; False) **Go Back to Q 30**

Q31.

Solution

Concept: This objective question is from Revenue and Profit Maximization. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: Under perfect competition AR equals MR. Profit maximisation requires MR = MC.

Step 5: Therefore the complete answer is: MR; MC.

Step 6: The answer should be written in order to receive both marks.

Final Answer: MR; MC

Answer: (MR; MC) **Go Back to Q 31**

Q32.

Solution

Concept: This objective question is from National Income and Related Aggregates. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: GDPFC is GDPMP minus NIT, NDPFC is GDPFC minus depreciation, NNPFC is domestic income plus NFIA, and disposable income is PI minus personal taxes.

Step 5: Therefore the complete answer is: (a)-(iv), (b)-(iii), (c)-(ii), (d)-(i).

Step 6: The answer should be written in order to receive both marks.

Final Answer: (a)-(iv), (b)-(iii), (c)-(ii), (d)-(i)

Answer: ((a)-(iv), (b)-(iii), (c)-(ii), (d)-(i)) **Go Back to Q 32**

Q33.

Solution

Concept: This objective question is from National Income Measurement. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: The income method includes profit as factor income. Transfer payments are excluded because no production service is provided.

Step 5: Therefore the complete answer is: Profit; Excluded.

Step 6: The answer should be written in order to receive both marks.

Final Answer: Profit; Excluded

Answer: (Profit; Excluded) **Go Back to Q 33**

Q34.

Solution

Concept: This objective question is from Consumption, Saving and Investment. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: Autonomous consumption exists even at zero income. MPC is not always equal to APS; they are different concepts.

Step 5: Therefore the complete answer is: True; False.

Step 6: The answer should be written in order to receive both marks.

Final Answer: True; False

Answer: (True; False) **Go Back to Q 34**

Q35.

Solution

Concept: This objective question is from International Trade and Balance of Payments. Each part carries one mark, so both answers must be in the same order as the question.

Solution: Step 1: Read the objective type carefully and identify the relevant definition or formula.

Step 2: Apply the concept to the first sub-part.

Step 3: Apply the concept to the second sub-part.

Step 4: Exchange rate is currency price, tariff is import tax, capital account records loans and investment, and BOT is goods exports minus goods imports.

Step 5: Therefore the complete answer is: (a)-(iii), (b)-(iv), (c)-(i), (d)-(ii).

Step 6: The answer should be written in order to receive both marks.

Final Answer: (a)-(iii), (b)-(iv), (c)-(i), (d)-(ii)

Answer: ((a)-(iii), (b)-(iv), (c)-(i), (d)-(ii)) Go Back to Q 35

Q36.

Solution

Concept: This answer is based on Introduction to the Study of Economics. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: Microeconomics studies individual economic units such as a consumer, household, firm, industry or a particular market. It deals with demand, supply, price determination, consumer equilibrium and producer behaviour. For example, the study of price of wheat or output decision of a firm is microeconomics. Macroeconomics studies the economy as a whole. It deals with national income, employment, general price level, aggregate demand, money supply and government budget. For example, the study of inflation or unemployment in India is macroeconomics. Both branches are related because individual decisions influence aggregates and aggregates influence individual decisions.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 36

Q37.

Solution

Concept: This answer is based on Central Problems of an Economy. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: Marginal Rate of Transformation is the rate at which an economy must sacrifice one good to produce an additional unit of another good on the Production Possibility Curve. It is the slope of the PPC and represents marginal opportunity cost. If the economy moves from point A to point B on the PPC, it produces more of Good X by reducing production of Good Y. The amount of Good Y sacrificed for one more unit of Good X is MRT. The PPC is generally concave because MRT increases as resources are shifted from one use to another. This happens because resources are not equally efficient in all uses.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 37

Q38.

Solution

Concept: This answer is based on Consumer's Equilibrium. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: A consumer budget line shows all combinations of two goods that a consumer can purchase with given income and prices. If income is fully spent on two goods X and Y, the budget equation is PxX + PyY = M. The slope of the budget line is the price ratio. A budget line shifts when income changes or when prices change. If income rises while prices remain constant, the budget line shifts rightward parallel to itself. If income falls, it shifts leftward. If the price of one good changes, the budget line rotates because the purchasing power changes only for that good.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: $\boxed{\text{See Solution}}$

Answer: (See Solution) **Go Back to Q 38**

Q39.

Solution

Concept: This answer is based on Demand. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: Market demand is derived by adding the individual demands of all consumers at each possible price. Suppose at price ₹ 10, consumer A demands 4 units and consumer B demands 6 units. Market demand at ₹ 10 is 10 units. At price ₹ 8, A may demand 5 units and B may demand 8 units, so market demand is 13 units. Thus the market demand schedule is the horizontal summation of individual demand schedules. The market demand curve slopes downward because individual demand curves generally slope downward. It is affected by number of buyers, income distribution, tastes and prices of related goods.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 39

Q40.

Solution

Concept: This answer is based on Price Elasticity of Demand. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: Point elasticity measures elasticity of demand at a particular point on a demand curve. On a straight-line demand curve, point elasticity is measured by the geometric method: elasticity at a point equals the lower segment of the demand curve divided by the upper segment. At the midpoint, both segments are equal, so elasticity is one. Above the midpoint, the lower segment is larger and demand is elastic. Below the midpoint, the lower segment is smaller and demand is inelastic. At the top point, elasticity is infinity, while at the bottom point it is zero. This method is useful when elasticity differs along the same demand curve.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 40

Q41.

Solution

Concept: This answer is based on Production Function. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: Average Product rises and then falls because of the behaviour of Marginal Product under the Law of Variable Proportions. In the beginning, better utilisation of the fixed factor, specialisation and cooperation among workers cause Marginal Product to rise. Since MP is greater than AP, it pulls AP upward. After a certain point, the fixed factor becomes overcrowded and Marginal Product begins to fall. When MP equals AP, AP is maximum. After that, MP becomes less than AP and pulls AP downward. Therefore Average Product first increases, reaches a maximum and then decreases as more units of the variable factor are employed.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: $\boxed{\text{See Solution}}$

$\boxed{\textbf{Answer: (See Solution)}}$ **Go Back to Q 41**

Q42.

Solution

Concept: This answer is based on Cost of Production. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: Marginal Cost is the addition to Total Cost when one more unit of output is produced. It is calculated as change in Total Cost divided by change in output. Given Total Cost at 6 units is ₹ 480 and Total Cost at 7 units is ₹ 560. Change in Total Cost = 560 - 480 = ₹ 80. Change in output = 7 - 6 = 1 unit. Therefore Marginal Cost of the seventh unit is ₹ 80. MC is important because it helps the producer decide whether producing an additional unit is profitable. A firm compares MC with MR while deciding output.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: $\boxed{\text{MC = Rs. 80}}$

Answer: (See Solution) Go Back to Q 42

Q43.

Solution

Concept: This answer is based on Supply. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: Extension of supply and contraction of supply are movements along the same supply curve caused by changes in the commodity's own price. Extension of supply occurs when price rises and quantity supplied increases. Producers supply more because production becomes more profitable. Contraction of supply occurs when price falls and quantity supplied decreases. In the diagram, movement upward along the supply curve shows extension, while movement downward shows contraction. These are different from increase or decrease in supply, which are shifts of the supply curve caused by factors such as technology, taxes, subsidies, input prices or number of firms.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: $\boxed{\text{See Solution}}$

Answer: (See Solution) Go Back to Q 43

Q44.

Solution

Concept: This answer is based on Forms of Market. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: Perfect competition is a market structure with a large number of buyers and sellers, homogeneous products, free entry and exit, perfect knowledge and no individual control over price. Because there are many sellers, each firm supplies only a small part of market output and cannot influence price. Since products are homogeneous, buyers do not prefer one seller over another. Free entry and exit ensure that abnormal profits disappear in the long run. Perfect knowledge means buyers and sellers know prices and quality. Under perfect competition, the firm is a price-taker and faces a horizontal demand curve at the market price.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: $\boxed{\text{See Solution}}$

Answer: (See Solution) Go Back to Q 44

Q45.

Solution

Concept: This answer is based on Price Determination under Perfect Competition. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: When supply increases while demand remains unchanged, the supply curve shifts rightward. At the original equilibrium price, quantity supplied becomes greater than quantity demanded, creating excess supply. Sellers reduce price to clear unsold stock. As price falls, buyers demand more and sellers supply less along the new supply curve until a new equilibrium is reached. The new equilibrium has a lower price and a higher quantity. Thus an increase in supply benefits consumers through lower prices and higher availability. In the diagram, supply shifts from S0 to S1, equilibrium moves from E0 to E1, price falls and quantity rises.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 45

Q46.

Solution

Concept: This answer is based on Revenue and Profit Maximization. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: Under perfect competition, an individual firm can sell any quantity at the given market price. Therefore price remains constant for the firm. Since Average Revenue is price and Marginal Revenue is the additional revenue from one more unit, AR and MR are equal under perfect competition. Under monopoly, the firm faces a downward sloping demand curve. To sell more units, it must reduce price. This makes AR fall. MR also falls, but it falls faster and lies below AR because the reduced price affects revenue from additional sales. Therefore AR and MR are the same under perfect competition but different under monopoly.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 46

Q47.

Solution

Concept: This answer is based on National Income and Related Aggregates. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: National Income is NNP at factor cost. Domestic income is NDP at factor cost. Given NDP at factor cost is ₹ 8,000 crore and NFIA is ₹ 300 crore. National Income = Domestic Income + Net Factor Income from Abroad. Therefore National Income = 8,000 + 300 = ₹ 8,300 crore. NFIA is added because domestic income measures income generated within domestic territory, while national income measures income earned by normal residents. If residents earn factor income from abroad, it belongs to the nation. If foreigners earn factor income from domestic territory, it is deducted. Net adjustment is NFIA.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: $\boxed{\text{National Income = Rs. 8,300 crore}}$

Answer: (See Solution) Go Back to Q 47

Q48.

Solution

Concept: This answer is based on National Income Measurement. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: The income method measures national income by adding factor incomes earned by factors of production during an accounting year. The main components are compensation of employees, rent, interest, profit and mixed income of self-employed persons. Compensation of employees includes wages, salaries and benefits. Rent is income from land and property. Interest is income from capital. Profit is reward for entrepreneurship. Mixed income is earned by self-employed people whose labour and capital income cannot be separated. After adding domestic factor incomes, Net Factor Income from Abroad is added to obtain national income. Transfer payments and capital gains are excluded because they are not factor incomes from current production.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 48

Q49.

Solution

Concept: This answer is based on Money and Banking. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: The Reserve Bank of India performs several important functions. As banker to the government, it maintains government accounts, receives and makes payments, manages public debt and advises the government on financial matters. As banker's bank, it holds cash reserves of commercial banks, provides clearing facilities and acts as lender of last resort. As controller of credit, it uses instruments such as CRR, SLR, repo rate and open market operations to regulate money supply and credit. As issuer of currency, it has the sole authority to issue currency notes except one-rupee notes. These functions help maintain monetary stability and public confidence in the banking system.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 49

Q50.

Solution

Concept: This answer is based on Government Budget. It should include definition, explanation and formula or diagram where required.

Solution: Step 1: Begin with the core definition or formula.

Step 2: A government budget is an annual financial statement showing estimated receipts and expenditure of the government for the coming financial year. It reflects the economic policy of the government. The budget has two main parts: revenue budget and capital budget. The revenue budget includes revenue receipts and revenue expenditure. Revenue receipts include taxes, fees, fines and dividends; they do not create liability. Revenue expenditure includes salaries, subsidies, interest payments and administrative expenses; it does not create assets. The capital budget includes capital receipts and capital expenditure. Capital receipts include borrowings, recovery of loans and disinvestment. Capital expenditure includes spending on roads, schools, hospitals, machinery and repayment of loans.

Step 3: Add supporting reasoning and use correct economic terms such as equilibrium, factor income, aggregate demand, reserves or budget receipts.

Step 4: If a diagram is relevant, label the axes and curves clearly. If a numerical is given, show all steps with units.

Step 5: Organise the answer according to marks and avoid unrelated explanation.

Step 6: End with the final result or conclusion.

Final Answer: $\boxed{\text{See Solution}}$

Answer: (See Solution) Go Back to Q 50

Answer Key

Section A: Q1 to Q20 (MCQ Answers)

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	D	2	A	3	C	4	D	5	B
6	C	7	B	8	A	9	C	10	C
11	D	12	B	13	A	14	D	15	A
16	C	17	B	18	A	19	B	20	D