NIOS Class 12 Economics Sample Paper-2

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. Positive economics is mainly concerned with the study of: **(1)**

(A) What ought to be

(B) What is

(C) Moral judgement only

(D) Value-based advice only

Q2. The basic cause behind the central problems of an economy is: **(1)**

(A) Scarcity of resources with alternative uses

(B) Unlimited supply of all resources

(C) Absence of consumers

(D) No need for production

Q3. A consumer consuming a single commodity is in equilibrium when: **(1)**

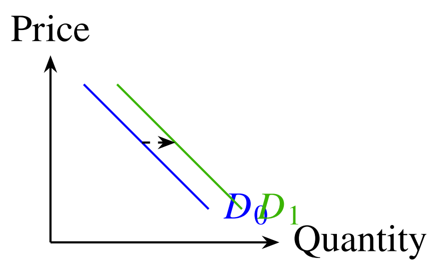
(A) $MU_x > P_x$

(B) $MU_x < P_x$

(C) Total utility is zero

(D) $MU_x = P_x$

Q4. A rise in consumer income for a normal good will generally cause: **(1)**



(A) A contraction of demand

(B) An extension of demand

(C) A rightward shift of the demand curve

(D) No change in demand

Q5. If price falls by 20% and quantity demanded rises by 40%, the price elasticity of demand is: **(1)**

(A) 0.5

(B) 1.0

(C) 2.0

(D) 4.0

Q6. The Law of Variable Proportions operates when: **(1)**

(A) One factor is fixed and another factor is variable

(B) All factors are variable

(C) No factor is used

(D) Only money changes

Q7. The cost which changes with the level of output is called: **(1)**

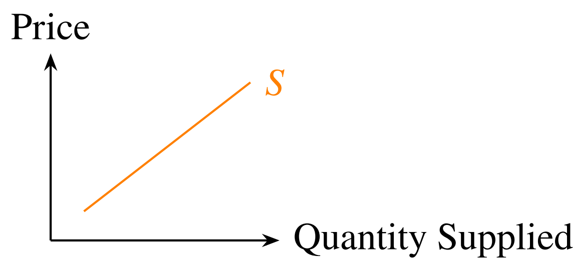
(A) Fixed cost

(B) Variable cost

(C) Sunk cost

(D) Implicit cost only

Q8. According to the law of supply, other things remaining constant, quantity supplied and price are: **(1)**



(A) Inversely related

(B) Unrelated

(C) Always equal

(D) Directly related

Q9. Price elasticity of supply is measured as: **(1)**

(A) % change in quantity supplied divided by % change in price

(B) % change in demand divided by income

(C) Total cost divided by output

(D) Price divided by average cost

Q10. A market with a few large sellers and mutual interdependence among firms is known as: **(1)**

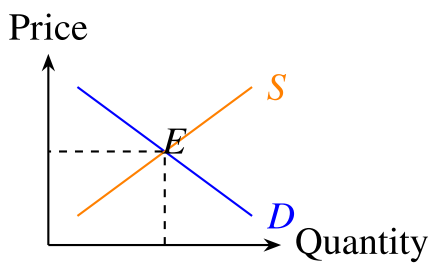
(A) Perfect competition

(B) Monopoly

(C) Oligopoly

(D) Pure competition

Q11. Under perfect competition, the equilibrium price is determined by: **(1)**



(A) The government alone

(B) Market demand and market supply

(C) One seller only

(D) Advertising expenditure

Q12. A competitive firm maximises profit where: **(1)**

(A) AR = AC only

(B) TR is zero

(C) MR = 0

(D) MR = MC and MC is rising

Q13. NNP at factor cost is also called: **(1)**

(A) National Income

(B) Personal Income

(C) Private Income

(D) Disposable Income

Q14. To avoid double counting in national income estimation, only the value of which goods is included? **(1)**

(A) Intermediate goods

(B) Used goods

(C) Final goods

(D) Imported raw materials only

Q15. If MPC is 0.6, then MPS will be: **(1)**

(A) 0.2

(B) 0.4

(C) 0.6

(D) 1.6

Q16. In Keynesian income determination, equilibrium income is reached when: **(1)**

(A) Aggregate Demand = Aggregate Supply

(B) Imports = Exports only

(C) Taxes are zero

(D) Saving is always zero

Q17. Cash Reserve Ratio (CRR) is the portion of deposits that banks must keep with: **(1)**

(A) Shareholders

(B) Foreign banks

(C) Private moneylenders

(D) The Reserve Bank of India

Q18. Fiscal deficit is generally calculated as: **(1)**

(A) Revenue receipts minus revenue expenditure

(B) Tax revenue minus non-tax revenue

(C) Total expenditure minus total receipts excluding borrowings

(D) Capital receipts plus tax revenue

Q19. Comparative advantage in international trade means that a country can produce a good at: **(1)**

(A) A higher money cost

(B) A lower opportunity cost

(C) The same cost as all countries

(D) No resource cost

Q20. The current account of the balance of payments records: **(1)**

(A) Only gold reserves

(B) Only borrowing from abroad

(C) Only capital transfers

(D) Trade in goods and services, income and unilateral transfers

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

1. The Law of Diminishing Marginal Utility says that marginal utility falls as more units of a commodity are consumed.
2. A consumer is in equilibrium when MU is less than price because the commodity is cheap.

Q22. Fill in the blanks with appropriate terms: **(2)**

1. For a normal good, an increase in consumer shifts the demand curve to the right.
2. A change in the own price of a commodity causes a . . . the demand curve.

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

1. Product is obtained by dividing Total Product by units of the variable factor.
2. Marginal Product becomes . . . . when Total Product is maximum.

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

1. Average Fixed Cost falls continuously as output increases in the short run.
2. Marginal Cost is independent of Total Variable Cost.

Q25. Match the following market forms with their features: **(2)**

Market Form	**Feature**
(a) Monopoly	(i) Many firms selling differentiated products
(b) Monopolistic competition	(ii) Few large interdependent firms
(c) Oligopoly	(iii) Single seller with no close substitute
(d) Perfect competition	(iv) Many sellers of homogeneous goods

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

1. Excess demand in the market puts .... pressure on the price.
2. Equilibrium price is determined where market demand equals market ....

Q27. Match the following revenue concepts: **(2)**

Revenue Concept	**Meaning**
(a) Total Revenue	(i) Price × Quantity sold
(b) Average Revenue	(ii) Total Revenue divided by Quantity
(c) Marginal Revenue	(iii) Change in Total Revenue due to one more unit sold
(d) Profit	(iv) Total Revenue minus Total Cost

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

1. GDP plus Net Factor Income from Abroad gives ....
2. GNP minus depreciation gives ....

Q29. State whether the following statements are True or False: **(2)**

1. Services of a housewife for her own family are included in national income.
2. Commission earned on the sale of second-hand goods is included in national income.

Q30. Fill in the blanks: **(2)**

1. The investment multiplier is equal to 1/ ....
2. Excess demand creates an .... gap in the economy.

Q31. Write one word or term for each of the following: **(2)**

1. The central bank of India.
2. The rate at which the RBI lends short-term funds to commercial banks against government securities.

Q32. Fill in the blanks: **(2)**

1. Revenue expenditure neither creates assets nor reduces . . . .
2. Primary deficit is equal to fiscal deficit minus . . . . payments.

Q33. State whether the following statements are True or False: **(2)**

1. A tariff is a tax imposed on imported goods.
2. An import quota has no effect on the quantity that may be imported.

Q34. Match the following Balance of Payments items: **(2)**

Item	Meaning
(a) Current Account	(i) Transactions made to cover a disequilibrium
(b) Capital Account	(ii) Goods, services, income and transfers
(c) Autonomous Transactions	(iii) Assets and liabilities with the rest of the world
(d) Accommodating Transactions	(iv) Transactions made for profit or economic motive

Q35. State whether the following statements are True or False: **(2)**

1. A higher CRR reduces the credit creation capacity of commercial banks.
2. Commercial banks can create unlimited credit without deposits or reserves.

Section: B

Q36. Explain consumer's equilibrium under the utility approach for a single commodity. **(2)**

Q37. State the law of demand. Explain any two determinants that shift the demand curve. **(2)**

OR

Distinguish between change in quantity demanded and change in demand.

Q38. Define price elasticity of demand. If price falls from ₹ 20 to ₹ 18 and quantity demanded rises from 100 units to 125 units, calculate elasticity by the percentage method. **(2)**

Q39. Explain the Law of Variable Proportions and mention its three stages. **(2)**

OR

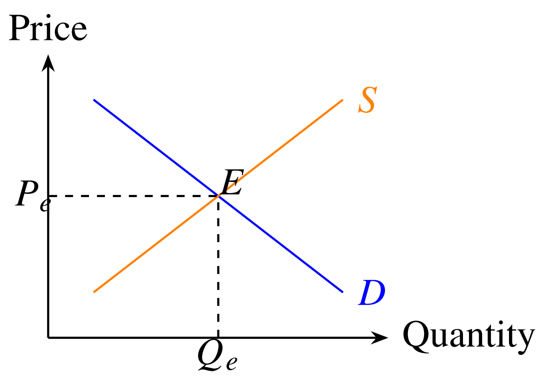
Explain any four factors of production.

Q40. Distinguish between fixed cost and variable cost with two examples of each. **(2)**

Q41. State the law of supply. Explain any two factors that affect supply of a commodity. **(2)**

Q42. What is monopoly? Mention any two features of a monopoly market. **(2)**

Q43. Explain price determination under perfect competition with the help of demand and supply. **(4)**



Q44. Explain the relationship among Total Revenue, Average Revenue and Marginal Revenue. Also state the profit maximisation condition of a firm. **(4)**

Q45. Calculate National Income from the following data: GDP at market price = ₹ 5,000 crore, Net Indirect Taxes = ₹ 400 crore, Depreciation = ₹ 300 crore and Net Factor Income from Abroad = ₹ 100 crore. **(4)**

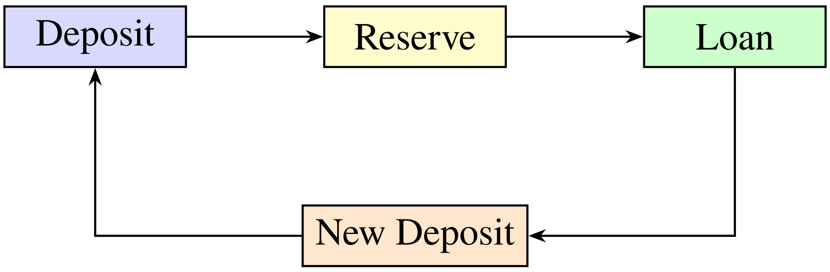
Q46. Explain the value-added method of measuring national income. Mention any three precautions. **(4)**

Q47. Explain the working of the investment multiplier. If MPC = 0.75 and investment increases by ₹ 200 crore, calculate the total increase in income. **(4)**

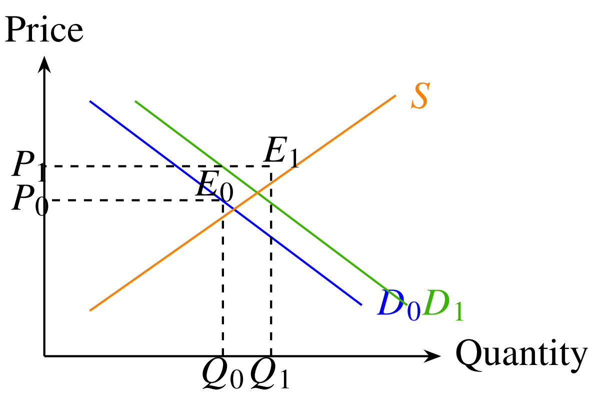
Q48. Explain the process of credit creation by commercial banks with a numerical example. **(4)**

OR

Explain any four functions of the Reserve Bank of India.



Q49. Explain how equilibrium price is determined under perfect competition. Use a demand-supply schedule and diagram. Also explain the effect of an increase in demand on equilibrium price and quantity. **(6)**



Q50. Explain the main national income aggregates: GDP, GNP, NNP and National Income. Also show the conversion from GDP at market price to NNP at factor cost. **(6)**

OR

Distinguish between domestic income and national income, and explain the role of Net Factor Income from Abroad.

Detailed Solutions

Q1.

Solution

Concept: Positive economics studies facts and cause-effect relationships as they exist, while normative economics studies value judgements about what should be. The key idea is Positive economics, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Introduction to the Study of Economics. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. The correct distinction is between factual analysis and value judgement. Positive economics asks what is, what was, or what will be under given conditions. It can be tested with data. Normative economics asks what ought to be and depends on values. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option B. The option states: "What is".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option B is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option B. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** This is normative economics because it uses the phrase what ought to be. This option does not match the specific economic rule asked in the question.
- **Option C:** Moral judgement is not the core of positive economics. This option does not match the specific economic rule asked in the question.
- **Option D:** Value-based policy advice belongs to normative economics. This option does not match the specific economic rule asked in the question.

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

Answer: (B) Go Back to Q 1

Q2.

Solution

Concept: Central problems arise because human wants are unlimited, resources are scarce, and the available resources have alternative uses. The key idea is Scarcity and choice, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Central Problems of an Economy. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. Unlimited wants, scarce resources and alternative uses create the need to choose. These choices appear as what to produce, how to produce and for whom to produce. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option A. The option states: "Scarcity of resources with alternative uses".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option A is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option A. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option B:** If resources were unlimited, central problems would not arise. This option does not match the specific economic rule asked in the question.
- **Option C:** Consumers are central to demand, not the cause of scarcity. This option does not match the specific economic rule asked in the question.
- **Option D:** Production is necessary in every economy. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{Scarcity of resources with alternative uses}}$ (Option A)

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

Q3.

Solution

Concept: Under the utility approach, a rational consumer stops at the point where marginal utility in money terms equals the price paid for the commodity. The key idea is Consumer equilibrium, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Consumer's Equilibrium. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. For a single commodity, a rational consumer compares marginal utility in money terms with price. Equilibrium is reached when MU equals price, because there is no gain from increasing or reducing consumption. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option D. The option states: "$MU_x = P_x$".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option D is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option D. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** If MU is greater than price, the consumer should buy more. This option does not match the specific economic rule asked in the question.
- **Option B:** If MU is less than price, the consumer should buy less. This option does not match the specific economic rule asked in the question.
- **Option C:** Total utility is not zero at equilibrium; it is generally maximised. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{MU_x = P_x}$ (Option D)

Answer: (D) Go Back to Q 3

Q4.

Solution

Concept: For a normal good, higher income increases purchasing power and raises demand at each price, shifting the entire demand curve to the right. The key idea is Demand shift, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Demand. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. A change in income is a non-price determinant of demand. For a normal good, an increase in income increases demand at each price and shifts the demand curve rightward. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option C. The option states: "A rightward shift of the demand curve".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option C is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option C. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** Contraction is caused by a rise in the commodity's own price. This option does not match the specific economic rule asked in the question.
- **Option B:** Extension is caused by a fall in the commodity's own price. This option does not match the specific economic rule asked in the question.
- **Option D:** Demand does change for a normal good when income rises. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{A rightward shift of the demand curve}}$ (Option C)

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

Q5.

Solution

Concept: Price elasticity by the percentage method is the percentage change in quantity demanded divided by the percentage change in price, ignoring the negative sign. The key idea is Elasticity percentage method, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Price Elasticity of Demand. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. Using the percentage method, elasticity of demand is percentage change in quantity demanded divided by percentage change in price. Here it is 40 divided by 20, equal to 2. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option C. The option states: “2.0”.

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option C is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option C. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** This reverses the ratio and gives 20/40. This option does not match the specific economic rule asked in the question.
- **Option B:** Unit elasticity would require equal percentage changes. This option does not match the specific economic rule asked in the question.
- **Option D:** Four would require quantity to change by 80% when price changes by 20%. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{2.0}$ (Option C)

Answer: (C) Go Back to Q 5

Q6.

Solution

Concept: The Law of Variable Proportions is a short-run law of production where at least one factor remains fixed while units of a variable factor are increased. The key idea is Short-run production, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Production Function. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. The Law of Variable Proportions operates only in the short run because one factor is fixed and another is variable. Adding more variable factor changes total, average and marginal product. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option A. The option states: "One factor is fixed and another factor is variable".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option A is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option A. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option B:** When all factors are variable, returns to scale applies. This option does not match the specific economic rule asked in the question.
- **Option C:** Production cannot occur without factors. This option does not match the specific economic rule asked in the question.
- **Option D:** Money changes do not define the production function. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{One factor is fixed and another factor is variable}}$ (Option A)

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

Q7.

Solution

Concept: Variable cost changes directly with output and includes raw materials, power, fuel, wages of casual labour and other output-related expenses. The key idea is Variable cost, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Cost of Production. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. Variable cost changes when output changes. Raw materials, power, fuel and casual labour costs rise as production rises and fall when production falls. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option B. The option states: "Variable cost".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option B is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option B. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** Fixed cost remains constant in the short run. This option does not match the specific economic rule asked in the question.
- **Option C:** Sunk cost is a past unrecoverable cost. This option does not match the specific economic rule asked in the question.
- **Option D:** Implicit cost is the cost of self-owned resources, not necessarily output-variable. This option does not match the specific economic rule asked in the question.

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

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

Q8.

Solution

Concept: The law of supply states that producers supply more at higher prices and less at lower prices, assuming other factors remain unchanged. The key idea is Law of supply, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Supply. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. The law of supply shows a direct relation between price and quantity supplied. Higher prices make production more profitable, so producers are willing to supply more. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option D. The option states: "Directly related".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option D is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option D. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** Inverse relation describes demand, not supply. This option does not match the specific economic rule asked in the question.
- **Option B:** Supply is related to price under the law of supply. This option does not match the specific economic rule asked in the question.
- **Option C:** Price and quantity need not be numerically equal. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{Directly related}}$ (Option D)

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

Q9.

Solution

Concept: Price elasticity of supply measures the responsiveness of quantity supplied to a change in price. The key idea is Supply elasticity, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Price Elasticity of Supply. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. Price elasticity of supply measures how responsive quantity supplied is to a price change. Its percentage formula is percentage change in quantity supplied divided by percentage change in price. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option A. The option states: "% change in quantity supplied divided by % change in price".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option A is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option A. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option B:** This mixes demand and income concepts. This option does not match the specific economic rule asked in the question.
- **Option C:** Total cost divided by output is average cost. This option does not match the specific economic rule asked in the question.
- **Option D:** Price divided by average cost is not elasticity of supply. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{\% change in quantity supplied divided by \% change in price}}$ (Option A)

Answer: (A) Go Back to Q 9

Q10.

Solution

Concept: Oligopoly is a market form in which a few firms dominate the industry and each firm considers rivals' reactions before changing price or output. The key idea is Oligopoly, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Forms of Market. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. Oligopoly contains a few large firms. Each firm is interdependent because its pricing or output decision affects rivals and invites reactions. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option C. The option states: "Oligopoly".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option C is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option C. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** Perfect competition has many sellers and no individual market power. This option does not match the specific economic rule asked in the question.
- **Option B:** Monopoly has a single seller. This option does not match the specific economic rule asked in the question.
- **Option D:** Pure competition is close to perfect competition, not few-seller interdependence. This option does not match the specific economic rule asked in the question.

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

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

Q11.

Solution

Concept: In perfect competition, price is determined by the intersection of the market demand curve and the market supply curve. The key idea is Market equilibrium, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Price Determination under Perfect Competition. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. In perfect competition, many buyers and sellers interact. The market price is determined where demand equals supply, shown by the intersection of D and S curves. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option B. The option states: "Market demand and market supply".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option B is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option B. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** Government may regulate, but perfect competition price is market-determined. This option does not match the specific economic rule asked in the question.
- **Option C:** One seller determines price in monopoly, not perfect competition. This option does not match the specific economic rule asked in the question.
- **Option D:** Advertising does not determine perfect competition price. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{Market demand and market supply}}$ (Option B)

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

Q12.

Solution

Concept: The profit-maximising condition is equality of marginal revenue and marginal cost, with marginal cost rising at the point of equilibrium. The key idea is Profit maximisation, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Revenue and Profit Maximization. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. A firm maximises profit where marginal revenue equals marginal cost and marginal cost is rising. At this point, the last unit adds equal revenue and cost. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option D. The option states: "MR = MC and MC is rising".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option D is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option D. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** AR equal AC only indicates normal profit, not the general maximum-profit condition. This option does not match the specific economic rule asked in the question.
- **Option B:** TR being zero means there is no sales revenue. This option does not match the specific economic rule asked in the question.
- **Option C:** MR equal zero maximises total revenue, not profit. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{MR = MC and MC is rising}}$ (Option D)

Answer: (D) Go Back to Q 12

Q13.

Solution

Concept: National income is defined as Net National Product at factor cost, representing total factor income earned by normal residents. The key idea is National income aggregate, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to National Income and Related Aggregates. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. National Income is Net National Product at factor cost. It measures total factor income earned by normal residents during an accounting year. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option A. The option states: "National Income".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option A is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option A. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option B:** Personal income is income actually received by households after adjustments. This option does not match the specific economic rule asked in the question.
- **Option C:** Private income is broader for the private sector. This option does not match the specific economic rule asked in the question.
- **Option D:** Disposable income is personal income minus personal taxes. This option does not match the specific economic rule asked in the question.

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

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

Q14.

Solution

Concept: Final goods and services are included because intermediate goods are already embodied in the value of final goods. The key idea is Avoiding double counting, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to National Income Measurement. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. Only final goods are counted because intermediate goods are already included in the value of final goods. This avoids counting the same output more than once. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option C. The option states: "Final goods".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option C is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option C. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** Intermediate goods would cause double counting. This option does not match the specific economic rule asked in the question.
- **Option B:** Used goods were counted in the year of original production. This option does not match the specific economic rule asked in the question.
- **Option D:** Imported raw materials are not domestic final output. This option does not match the specific economic rule asked in the question.

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

Answer: (C) Go Back to Q 14

Q15.

Solution

Concept: Since every additional unit of income is either consumed or saved, MPC plus MPS is equal to one. The key idea is MPC and MPS, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Consumption, Saving and Investment. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. MPC plus MPS equals one. Therefore, if MPC is 0.6, MPS is 1 minus 0.6, which equals 0.4. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option B. The option states: “0.4”.

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option B is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option B. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** 0.2 would imply MPC of 0.8. This option does not match the specific economic rule asked in the question.
- **Option C:** 0.6 repeats MPC instead of finding MPS. This option does not match the specific economic rule asked in the question.
- **Option D:** MPS cannot exceed one in the simple Keynesian model. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{0.4}$ (Option B)

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

Q16.

Solution

Concept: Equilibrium income occurs where planned aggregate demand equals aggregate supply or output. The key idea is Income equilibrium, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Theory of Income Determination. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. Keynesian equilibrium income occurs when aggregate demand equals aggregate supply. Planned spending equals planned output, so there is no tendency for income to change. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option A. The option states: "Aggregate Demand = Aggregate Supply".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option A is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option A. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option B:** Imports equal exports is external balance, not income equilibrium. This option does not match the specific economic rule asked in the question.
- **Option C:** Taxes need not be zero. This option does not match the specific economic rule asked in the question.
- **Option D:** Saving is not always zero at equilibrium. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{Aggregate Demand = Aggregate Supply}}$ (Option A)

$\boxed{\textbf{Answer: (A)}}$ **Go Back to Q 16**

Q17.

Solution

Concept: CRR is the minimum fraction of bank deposits that scheduled commercial banks must maintain as cash balance with the central bank. The key idea is CRR, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Money and Banking. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. Cash Reserve Ratio is the compulsory portion of bank deposits that scheduled banks keep as cash balance with the RBI. It controls liquidity and credit creation. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option D. The option states: "The Reserve Bank of India".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option D is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option D. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** Shareholders own bank capital, not CRR balances. This option does not match the specific economic rule asked in the question.
- **Option B:** Foreign banks do not hold Indian statutory reserves. This option does not match the specific economic rule asked in the question.
- **Option C:** Private moneylenders are outside the central banking reserve system. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{The Reserve Bank of India}}$ (Option D)

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

Q18.

Solution

Concept: Fiscal deficit shows the borrowing requirement of the government and is measured as total expenditure minus total receipts other than borrowings. The key idea is Fiscal deficit, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Government Budget. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. Fiscal deficit measures government borrowing need. It equals total expenditure minus total receipts excluding borrowings. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option C. The option states: "Total expenditure minus total receipts excluding borrowings".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option C is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option C. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** This is related to revenue deficit. This option does not match the specific economic rule asked in the question.
- **Option B:** This only compares two receipt types. This option does not match the specific economic rule asked in the question.
- **Option D:** This does not measure the borrowing gap. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{Total expenditure minus total receipts excluding borrowings}}$ (Option C)

Answer: (C) Go Back to Q 18

Q19.

Solution

Concept: Comparative advantage is based on lower opportunity cost, not necessarily lower absolute cost. The key idea is Comparative advantage, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to International Trade. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. Comparative advantage exists when a country can produce a good at lower opportunity cost than another country. It explains mutually beneficial trade. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option B. The option states: "A lower opportunity cost".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option B is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option B. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** Higher money cost is not advantage. This option does not match the specific economic rule asked in the question.
- **Option C:** Same cost provides no relative advantage. This option does not match the specific economic rule asked in the question.
- **Option D:** All production uses scarce resources. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{A lower opportunity cost}}$ (Option B)

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

Q20.

Solution

Concept: The current account records visible trade, invisible trade, income receipts/payments and current transfers. The key idea is Current account, which must be applied exactly rather than guessed from everyday meaning.

Solution: Step 1: Read the stem carefully and identify the topic area. This question belongs to Balance of Payments. In NIOS Economics, such questions test whether the learner can connect the definition with its practical implication, not merely remember an isolated word.

Step 2: Apply the relevant principle. The current account includes visible trade, invisible trade, factor income and unilateral transfers. It records current earning and spending with the rest of the world. This is the direct rule needed to decide the correct option.

Step 3: Compare the rule with the four alternatives. The alternative that uses the correct terminology and expresses the right cause-effect relation is Option D. The option states: "Trade in goods and services, income and unilateral transfers".

Step 4: Check for common traps. In economics MCQs, wrong options often reverse the relationship, confuse a related concept, or use a term from another lesson. Here, the correct answer is not just a similar-sounding term; it is the only one that fits the definition and the syllabus wording.

Step 5: Use a brief verification. If Option D is inserted back into the question, the statement becomes economically meaningful and consistent with the standard NIOS explanation. The other options either refer to another concept or contradict the basic principle.

Step 6: Therefore, the correct answer is Option D. This answer also agrees with the normal Class 12 level treatment of the topic, where definitions, diagrams and formula relations are expected to be used precisely.

Why other options are wrong:

- **Option A:** Gold reserves are part of reserve assets. This option does not match the specific economic rule asked in the question.
- **Option B:** Borrowing appears in the capital or financial account. This option does not match the specific economic rule asked in the question.
- **Option C:** Capital transfers are not the full current account. This option does not match the specific economic rule asked in the question.

Final Answer: $\boxed{\text{Trade in goods and services, income and unilateral transfers}}$ (Option D)

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

Q21.

Solution

Concept: This objective question is from Consumer's Equilibrium. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: The first statement is true because marginal utility normally declines as consumption of successive units increases. The second statement is false because MU less than price means the consumer is paying more than the additional satisfaction received.

Step 5: The complete answer is therefore: True; False. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: True; False

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

Q22.

Solution

Concept: This objective question is from Demand. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: For a normal good, income is a major determinant of demand. A rise in income shifts demand to the right. However, a change in the commodity's own price does not shift the curve; it creates movement along the same demand curve.

Step 5: The complete answer is therefore: Income; Movement along. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: $\boxed{\text{Income; Movement along}}$

Answer: (Income; Movement along) Go Back to Q 22

Q23.

Solution

Concept: This objective question is from Production Function. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: Average Product is TP divided by the variable input. Marginal Product becomes zero at the output level where Total Product is maximum, because one more unit of variable factor adds nothing to total output.

Step 5: The complete answer is therefore: Average; Zero. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: $\boxed{\text{Average; Zero}}$

$\boxed{\textbf{Answer: (Average; Zero)}}$ **Go Back to Q 23**

Q24.

Solution

Concept: This objective question is from Cost of Production. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: Average Fixed Cost falls as output rises because the same fixed cost is spread over more units. Marginal Cost is linked to Total Variable Cost because fixed cost does not change with output in the short run.

Step 5: The complete answer is therefore: True; False. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: True; False

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

Q25.

Solution

Concept: This objective question is from Forms of Market. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: Monopoly means a single seller with no close substitute. Monopolistic competition has many sellers with differentiated products. Oligopoly has few large interdependent firms. Perfect competition has many sellers selling homogeneous goods.

Step 5: The complete answer is therefore: (a)-(iii), (b)-(i), (c)-(ii), (d)-(iv). This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: $\boxed{\text{(a)-(iii), (b)-(i), (c)-(ii), (d)-(iv)}}$

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

Q26.

Solution

Concept: This objective question is from Price Determination under Perfect Competition. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: When demand exceeds supply, buyers compete for the available quantity and price tends to rise. Equilibrium is obtained only when the quantity demanded by buyers equals the quantity supplied by sellers.

Step 5: The complete answer is therefore: Upward; Supply. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: Upward; Supply

Answer: (Upward; Supply) Go Back to Q 26

Q27.

Solution

Concept: This objective question is from Revenue and Profit Maximization. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: Total Revenue equals price multiplied by quantity. Average Revenue equals revenue per unit, or TR divided by Q. Marginal Revenue is the addition to TR from selling one more unit. Profit equals TR minus TC.

Step 5: The complete answer is therefore: (a)-(i), (b)-(ii), (c)-(iii), (d)-(iv). This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

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

Answer: ((a)-(i), (b)-(ii), (c)-(iii), (d)-(iv)) Go Back to Q 27

Q28.

Solution

Concept: This objective question is from National Income and Related Aggregates. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: GDP becomes GNP after adding Net Factor Income from Abroad. GNP becomes NNP after deducting depreciation, which is the loss of value of fixed capital due to wear and tear or obsolescence.

Step 5: The complete answer is therefore: GNP; NNP. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: $\boxed{\text{GNP; NNP}}$

$\boxed{\textbf{Answer: (GNP; NNP)}}$ **Go Back to Q 28**

Q29.

Solution

Concept: This objective question is from National Income Measurement. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: Unpaid household services are not marketed and therefore are not included in national income. However, commission on second-hand goods is a current productive service and is included.

Step 5: The complete answer is therefore: False; True. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: $\boxed{\text{False; True}}$

Answer: (False; True) Go Back to Q 29

Q30.

Solution

Concept: This objective question is from Theory of Income Determination. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: The multiplier formula is k = 1/MPS. Excess demand means aggregate demand is greater than full-employment output, creating inflationary pressure or an inflationary gap.

Step 5: The complete answer is therefore: MPS; Inflationary. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: MPS; Inflationary

Answer: (MPS; Inflationary) **Go Back to Q 30**

Q31.

Solution

Concept: This objective question is from Money and Banking. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: The Reserve Bank of India is India's central bank. The repo rate is the rate at which the RBI lends short-term funds to commercial banks against approved government securities.

Step 5: The complete answer is therefore: RBI; Repo Rate. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: RBI; Repo Rate

Answer: (RBI; Repo Rate) Go Back to Q 31

Q32.

Solution

Concept: This objective question is from Government Budget. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: Revenue expenditure does not create assets or reduce liabilities. Primary deficit is obtained by deducting interest payments from fiscal deficit, so it shows borrowing need excluding past debt interest.

Step 5: The complete answer is therefore: Liabilities; Interest. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: Liabilities; Interest

Answer: (Liabilities; Interest) Go Back to Q 32

Q33.

Solution

Concept: This objective question is from International Trade. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: A tariff is an import tax. A quota directly restricts the maximum quantity that can be imported, so saying it has no effect on quantity is false.

Step 5: The complete answer is therefore: True; False. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: True; False

Answer: (True; False) Go Back to Q 33

Q34.

Solution

Concept: This objective question is from Balance of Payments. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: The current account records goods, services, income and transfers. The capital account records changes in assets and liabilities. Autonomous transactions are independent transactions, while accommodating transactions settle imbalance.

Step 5: The complete answer is therefore: (a)-(ii), (b)-(iii), (c)-(iv), (d)-(i). This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

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

Answer: ((a)-(ii), (b)-(iii), (c)-(iv), (d)-(i)) Go Back to Q 34

Q35.

Solution

Concept: This objective question is from Money and Banking. It checks exact understanding of definitions, relationships and terminology used in the NIOS Economics syllabus. Each sub-part carries one mark, so both parts must be answered accurately.

Solution: Step 1: Identify the command word in the question. It may ask for True or False, fill in the blanks, matching or one-word answers. The answer must be brief, exact and based on the textbook concept.

Step 2: Apply the relevant economic rule to the first sub-part. Do not answer from memory alone; connect the statement to the standard definition used in Economics.

Step 3: Apply the same careful method to the second sub-part. Many objective questions contain one true statement and one false statement, or one blank that is a cause and another that is an effect.

Step 4: A higher CRR keeps more reserves locked with the central bank and reduces the lendable funds of commercial banks. Credit creation is not unlimited because it depends on deposits, reserves, borrower demand and central bank rules.

Step 5: The complete answer is therefore: True; False. This format gives both one-mark components in the required order. If the order is changed, the answer may not match the sub-parts correctly.

Step 6: For scoring full marks in NIOS objective questions, write only the required terms or truth-values in the answer sheet, but during preparation understand the reason behind each part. This prevents confusion between similar concepts such as movement and shift, GDP and GNP, or fiscal and primary deficit.

Final Answer: True; False

Answer: (True; False) Go Back to Q 35

Q36.

Solution

Concept: This written answer is based on Consumer's Equilibrium. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: Consumer's equilibrium under the utility approach means the point at which a rational consumer gets maximum satisfaction from spending limited income on a commodity. In the case of a single commodity, the consumer compares the marginal utility obtained from the last unit with the price paid for that unit. If MU is greater than price, the consumer gains more satisfaction than the sacrifice made and should buy more. If MU is less than price, the consumer sacrifices more money than the satisfaction received and should buy less. Equilibrium is reached when MU equals price. At this point, there is no tendency to increase or decrease consumption. The Law of Diminishing Marginal Utility explains the adjustment: as more units are consumed, MU falls until it becomes equal to price.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

Answer: (See Solution) Go Back to Q 36

Q37.

Solution

Concept: This written answer is based on Demand. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: The law of demand states that, other things remaining constant, quantity demanded of a commodity rises when its price falls and falls when its price rises. The demand curve slopes downward because of the income effect, substitution effect and diminishing marginal utility. Two important determinants that shift demand are income and prices of related goods. For a normal good, an increase in consumer income shifts demand to the right because people can buy more at every price. For related goods, if the price of a substitute rises, demand for the given good increases; if the price of a complement rises, demand for the given good decreases. In the OR part, change in quantity demanded means movement along the same curve due to own price, while change in demand means a shift caused by non-price factors.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

Answer: (See Solution) Go Back to Q 37

Q38.

Solution

Concept: This written answer is based on Price Elasticity of Demand. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: Price elasticity of demand measures the responsiveness of quantity demanded to a change in price. The percentage method formula is $E_d = \frac{\%\Delta Q_d}{\%\Delta P}$. In the given case, price falls from ₹ 20 to ₹ 18. The fall in price is ₹ 2, so percentage change in price is $\frac{2}{20} \times 100 = 10\%$. Quantity demanded rises from 100 units to 125 units. The increase in quantity is 25 units, so percentage change in quantity is $\frac{25}{100} \times 100 = 25\%$. Therefore $E_d = \frac{25\%}{10\%} = 2.5$. Ignoring the negative sign, demand is elastic because elasticity is greater than one.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

Answer: (See Solution) Go Back to Q 38

Q39.

Solution

Concept: This written answer is based on Production Function. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: The Law of Variable Proportions explains the short-run relationship between inputs and output when one factor is fixed and another factor is variable. As more units of the variable factor are applied to a fixed factor, total product first rises at an increasing rate, then rises at a decreasing rate, and finally may fall. The law has three stages. In Stage I, marginal product rises and total product rises rapidly. In Stage II, marginal product falls but remains positive, so total product continues to rise at a decreasing rate. This is the rational stage of production. In Stage III, marginal product becomes negative and total product falls. In the OR part, land, labour, capital and entrepreneurship are the four factors of production, earning rent, wages, interest and profit respectively.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

Answer: (See Solution) Go Back to Q 39

Q40.

Solution

Concept: This written answer is based on Cost of Production. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: Fixed cost is the cost that does not change with output in the short run. It has to be paid even when output is zero. Examples are factory rent, insurance premium, permanent staff salary and depreciation of machinery. Variable cost changes directly with the level of output. When output rises, variable cost rises; when output falls, variable cost falls. Examples are raw materials, power, fuel, packaging and wages of casual labour. Total cost is the sum of total fixed cost and total variable cost. The distinction is important because fixed cost affects the short-run decision to continue production, while variable cost affects marginal cost and output decisions. Average fixed cost falls continuously as output increases because the same fixed cost is spread over more units.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

Answer: (See Solution) Go Back to Q 40

Q41.

Solution

Concept: This written answer is based on Supply. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: The law of supply states that, other things remaining constant, there is a direct relationship between price and quantity supplied. When price rises, producers are willing to supply more because higher price increases profit expectation. When price falls, quantity supplied decreases. Two factors that affect supply are cost of production and technology. If input costs such as wages, raw materials or power charges rise, supply decreases because production becomes less profitable. If technology improves, supply increases because the same resources can produce more output at lower cost. Other factors include taxes, subsidies, number of firms, expected future prices and natural conditions. The supply curve normally slopes upward from left to right.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

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

Q42.

Solution

Concept: This written answer is based on Forms of Market. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: Monopoly is a market structure in which there is a single seller of a commodity and the commodity has no close substitute. The monopolist controls the entire market supply and therefore has considerable influence over price. Two important features of monopoly are single seller and barriers to entry. Since there is only one seller, the firm and the industry are the same. Barriers such as legal restrictions, patents, control over raw materials, huge capital requirements or economies of scale prevent new firms from entering. A monopolist is a price-maker, not a price-taker. However, the monopolist cannot charge any price without considering demand, because a higher price generally reduces quantity demanded.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

Answer: (See Solution) **Go Back to Q 42**

Q43.

Solution

Concept: This written answer is based on Price Determination under Perfect Competition. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: Under perfect competition, equilibrium price is determined by the interaction of market demand and market supply. Market demand shows the quantity buyers are willing to buy at different prices, while market supply shows the quantity sellers are willing to sell. Demand slopes downward and supply slopes upward. The price at which quantity demanded equals quantity supplied is the equilibrium price. At a price above equilibrium, supply exceeds demand and sellers reduce price to clear unsold stock. At a price below equilibrium, demand exceeds supply and buyers compete, pushing price up. Thus, only the intersection point is stable. Individual firms in perfect competition accept this market price as given and sell any quantity at that price.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

Answer: (See Solution) Go Back to Q 43

Q44.

Solution

Concept: This written answer is based on Revenue and Profit Maximization. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: Total Revenue (TR) is the total money received by a firm from sale of output. It is calculated as price multiplied by quantity sold. Average Revenue (AR) is revenue per unit and equals TR divided by quantity. Since AR is revenue per unit, it is the same as price. Marginal Revenue (MR) is the addition to total revenue when one more unit is sold. Under perfect competition, price remains constant, so AR and MR are equal and horizontal. Under imperfect competition, a firm must reduce price to sell more, so MR is less than AR. Profit is maximised where MR equals MC and MC is rising. If MR is greater than MC, producing more increases profit. If MR is less than MC, producing less increases profit.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

Answer: (See Solution) Go Back to Q 44

Q45.

Solution

Concept: This written answer is based on National Income and Related Aggregates. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: National Income is NNP at factor cost. To calculate it from GDP at market price, three adjustments are needed: subtract Net Indirect Taxes, subtract depreciation, and add Net Factor Income from Abroad. Given GDP at market price = ₹ 5,000 crore. Net Indirect Taxes = ₹ 400 crore. Therefore GDP at factor cost = 5,000 - 400 = ₹ 4,600 crore. Depreciation = ₹ 300 crore, so NDP at factor cost = 4,600 - 300 = ₹ 4,300 crore. Net Factor Income from Abroad = ₹ 100 crore. Therefore NNP at factor cost = 4,300 + 100 = ₹ 4,400 crore. Hence National Income is ₹ 4,400 crore.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

Final Answer: ₹ 4,400 crore

Answer: (See Solution) Go Back to Q 45

Q46.

Solution

Concept: This written answer is based on National Income Measurement. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: The value-added method measures national income by adding the value added by all producing units in the economy. Value added is calculated as Value of Output minus Intermediate Consumption. The economy is divided into primary, secondary and tertiary sectors, and the gross value added of each sector is estimated. The sum gives Gross Domestic Product, which is then adjusted for depreciation, net indirect taxes and net factor income from abroad where required. Precautions are important. First, intermediate goods must not be included separately because that creates double counting. Second, sale of second-hand goods should be excluded because they were counted in the year of original production, though dealer commission is included. Third, non-market unpaid household services are excluded because reliable market valuation is not available.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

Answer: (See Solution) Go Back to Q 46

Q47.

Solution

Concept: This written answer is based on Theory of Income Determination. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: The investment multiplier shows how an initial increase in investment causes a larger increase in national income. The formula is $k = \frac{1}{1-MPC} = \frac{1}{MPS}$. If MPC is 0.75, MPS is 1 - 0.75 = 0.25. Therefore the multiplier is $1/0.25$ = 4. If investment increases by ₹ 200 crore, total increase in income is $\Delta Y = k \times \Delta I$ = 4×200 = | 800 crore. The reason is successive rounds of spending. The first ₹ 200 crore becomes income. People spend 75% of it, creating ₹ 150 crore more income, then ₹ 112.5 crore, and so on until total increase reaches ₹ 800 crore.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

Final Answer: $\boxed{\text{₹ 800 crore}}$

Answer: (See Solution) Go Back to Q 47

Q48.

Solution

Concept: This written answer is based on Money and Banking. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: Commercial banks create credit through the fractional reserve system. When a person deposits money in a bank, the bank keeps a fraction as cash reserve and lends the balance. The loan becomes a deposit in another bank, which again keeps a reserve and lends the rest. Suppose the initial deposit is ₹ 1,000 and CRR is 20%. The first bank keeps ₹ 200 and lends ₹ 800. When ₹ 800 is deposited in another bank, that bank keeps ₹ 160 and lends ₹ 640. This process continues. Credit multiplier = 1/CRR = 1/0.20 = 5. Total deposits become ₹ 5,000. In the OR part, RBI issues currency, acts as banker to government, regulates banks and controls credit through monetary policy tools.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

$\boxed{\textbf{Answer: (See Solution)}}$ **Go Back to Q 48**

Q49.

Solution

Concept: This written answer is based on Price Determination under Perfect Competition. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: Equilibrium price under perfect competition is determined by market demand and market supply. Market demand is the total quantity demanded by all buyers at different prices, and market supply is the total quantity supplied by all sellers. Demand and supply schedules can be prepared. For example, at a high price such as ₹ 50, demand may be low and supply high. At a low price such as ₹ 10, demand may be high and supply low. The price at which both are equal is the equilibrium price. In the diagram, the demand curve slopes downward and the supply curve slopes upward. Their intersection is point E, giving equilibrium price P_e and equilibrium quantity Q_e. If price is above equilibrium, excess supply forces price downward. If price is below equilibrium, excess demand forces price upward. When demand increases, the demand curve shifts rightward from D_0 to D_1. With supply unchanged, the new equilibrium has both higher price and higher quantity.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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

Answer: (See Solution) Go Back to Q 49

Q50.

Solution

Concept: This written answer is based on National Income and Related Aggregates. The answer should define the concept, state the relevant formula or rule where needed, explain the reasoning in ordered points and connect the explanation with examples, diagrams or calculations.

Solution: Step 1: Begin with the main definition. A correct Economics answer should first name the concept clearly so that the examiner can see the direction of the response. Avoid writing unrelated general statements.

Step 2: GDP, GNP, NNP and National Income are related but different aggregates. GDP is the value of final goods and services produced within the domestic territory of a country during an accounting year. GNP is GDP plus Net Factor Income from Abroad, so it measures output related to normal residents. NNP is GNP minus depreciation, because depreciation represents loss of value of fixed capital. National Income is NNP at factor cost, meaning the net income earned by factors of production owned by normal residents. The conversion from GDP at market price to National Income is: GDP at market price minus Net Indirect Taxes equals GDP at factor cost; subtract depreciation to get NDP at factor cost; add Net Factor Income from Abroad to get NNP at factor cost. In the OR part, domestic income is generated within domestic territory, whereas national income belongs to normal residents. NFIA explains the difference between the two.

Step 3: Add the supporting relationship. If the question is conceptual, support the answer with features, causes or consequences. If it is numerical, write the formula, substitute the values with units and then calculate. If it asks for a diagram, label both axes and mark the equilibrium or curve names clearly.

Step 4: Relate the answer to the economic logic. For example, demand and supply answers should mention price signals, national income answers should mention final goods and factor income, and banking answers should mention reserves, deposits and lending. This makes the answer analytical rather than merely memorised.

Step 5: Present the answer in short paragraphs or points. In the examination, a 2-mark answer may be shorter, a 4-mark answer should include explanation and example, and a 6-mark answer should include definition, diagram or formula, explanation and conclusion. The model answer above is intentionally detailed for preparation.

Step 6: Conclude with the final result or summary. The final answer should directly satisfy the question asked and should not introduce a new unrelated point at the end.

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