NIOS Class 12 Economics Sample Paper-8

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. Economics is called the science of choice mainly because: **(1)**

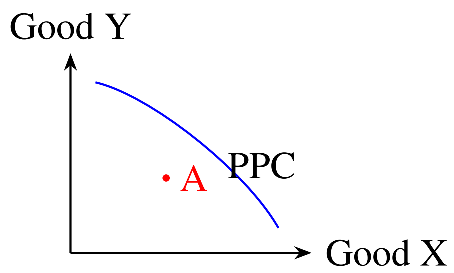
(A) Human wants are unlimited and resources are scarce

(B) All resources are unlimited

(C) There is no alternative use of resources

(D) Every good is free of cost

Q2. A point inside the Production Possibility Curve indicates: **(1)**



(A) Full and efficient use of resources

(B) Impossible production combination

(C) Unemployment or underutilisation of resources

(D) Constant opportunity cost only

Q3. If MU_x/P_x is less than MU_y/P_y, a rational consumer should: **(1)**

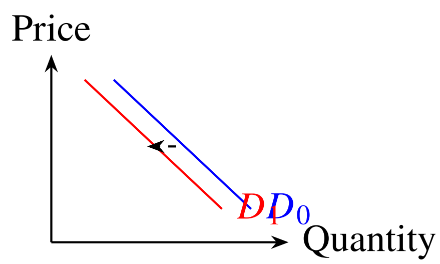
(A) Spend more on X and less on Y

(B) Stop buying both goods

(C) Spend more on Y and less on X

(D) Buy only the cheaper good always

Q4. For an inferior good, an increase in consumer income generally causes its demand curve to shift: **(1)**



(A) Rightward

(B) Upward along the same curve

(C) Leftward

(D) Nowhere because income never affects demand

Q5. At the midpoint of a straight-line demand curve, price elasticity of demand is: **(1)**

(A) Zero

(B) Infinity

(C) Less than one

(D) Equal to one

Q6. When Marginal Product is positive but falling, Total Product: **(1)**

(A) Falls immediately

(B) Remains constant

(C) Is always zero

(D) Rises at a decreasing rate

Q7. Average Variable Cost is calculated as: **(1)**

(A) TVC divided by output

(B) TFC divided by output

(C) TC divided by price

(D) MC divided by output

Q8. Contraction of supply is caused by: **(1)**

(A) Fall in the commodity's own price

(B) Improvement in technology

(C) Increase in number of firms

(D) Fall in input cost

Q9. If price rises by 5% and quantity supplied rises by 15%, elasticity of supply is: **(1)**

(A) 0.33

(B) 1

(C) 3

(D) 5

Q10. Duopoly is a market situation in which there are: **(1)**

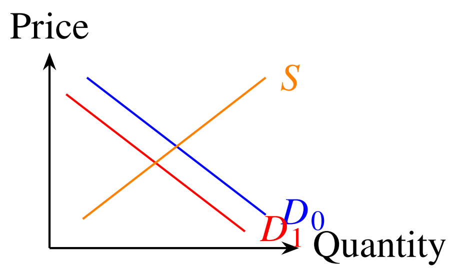
(A) Many buyers only

(B) No sellers

(C) Unlimited sellers with homogeneous product only

(D) Two dominant sellers

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



(A) Both rise

(B) Price rises and quantity falls

(C) Price falls and quantity rises

(D) Both fall

Q12. When Average Revenue is falling under imperfect competition, Marginal Revenue is generally: **(1)**

(A) Above AR

(B) Equal to price only

(C) Below AR

(D) Always zero

Q13. Domestic income plus Net Factor Income from Abroad gives: **(1)**

(A) Private income

(B) National income

(C) Personal disposable income

(D) Transfer income only

Q14. Vegetables purchased by a restaurant for preparing meals are treated as: **(1)**

(A) Final goods for national income

(B) Intermediate goods

(C) Transfer payments

(D) Capital goods always

Q15. Average Propensity to Save is measured as: **(1)**

(A) S/Y

(B) C/Y

(C) $\Delta C/\Delta Y$

(D) I/C

Q16. If the marginal propensity to save is 0.20, the investment multiplier will be: **(1)**

(A) 2

(B) 3

(C) 4

(D) 5

Q17. The 'banker's bank' function is performed in India by: **(1)**

(A) Commercial banks collectively

(B) Reserve Bank of India

(C) Insurance companies

(D) Stock exchanges

Q18. Capital expenditure of the government is expenditure that: **(1)**

(A) Creates assets or reduces liabilities

(B) Is always paid as salaries only

(C) Never affects assets

(D) Is only interest payment

Q19. An import quota is: **(1)**

(A) A tax on domestic income

(B) A maximum limit on quantity of imports

(C) A subsidy to exporters only

(D) A record of invisible trade

Q20. Autonomous transactions in the Balance of Payments are undertaken mainly for: **(1)**

(A) Settling a BOP imbalance only

(B) Economic motive such as profit or income

(C) Correcting errors only

(D) Printing currency notes

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

1. Indifference curves are normally convex to the origin.
2. Consumer equilibrium is possible even when the budget line does not touch any indifference curve.

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

1. A favourable change in taste shifts the demand curve to the ....
2. Demand for a good falls when the price of its complement ....

Q23. Match the following production concepts: **(2)**

Concept	**Meaning**
(a) Total Product	(i) TP divided by units of variable factor
(b) Marginal Product	(ii) Total output produced
(c) Average Product	(iii) All factors change in same proportion
(d) Returns to Scale	(iv) Addition to TP from one more input unit

Q24. Fill in the blanks: **(2)**

1. At zero output, Total Variable Cost is generally ....
2. Average Cost is Total Cost divided by ....

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

Market Form	**Feature**
(a) Perfect Competition	(i) Two dominant sellers
(b) Monopoly	(ii) Few large sellers
(c) Oligopoly	(iii) Single seller
(d) Duopoly	(iv) Homogeneous product with many sellers

Q26. State whether the following statements are True or False: **(2)**

1. A decrease in demand shifts the demand curve leftward.
2. If demand decreases and supply is unchanged, equilibrium price rises.

Q27. Fill in the blanks: **(2)**

1. Total Revenue is maximum when Marginal Revenue is . . . .
2. When MR is negative, TR is . . . .

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

1. Domestic territory includes ships and aircraft operated by . . . . . residents.
2. Normal residents are identified by centre of economic . . . .

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

1. Output produced by farmers for self-consumption is included in national income.
2. Purchase of shares is included as current production of goods.

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

1. In a two-sector model, Aggregate Demand consists of consumption and . .
2. Saving is a . . . . from the circular flow of income.

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

1. The RBI function of helping banks in a crisis.
2. A written order to a bank to pay a specified amount.

Q32. State whether the following statements are True or False: **(2)**

1. Fiscal deficit shows the borrowing requirement of the government.

2. Interest payments are excluded while calculating primary deficit from fiscal deficit.

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

1. The policy of protecting domestic industries from foreign competition is called . . . .
2. The ratio at which exports are exchanged for imports is known as terms of .

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

Item	**Example**
(a) Merchandise export	(i) Purchase of foreign bond
(b) Invisible receipt	(ii) RBI reserve change
(c) Capital outflow	(iii) Export of leather shoes
(d) Official reserve transaction	(iv) Fees earned from foreign tourists

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

1. The credit multiplier is inversely related to CRR.
2. Higher CRR increases the lending capacity of commercial banks.

Section: B

Q36. Explain the Law of Diminishing Marginal Utility and its role in consumer equilibrium. **(2)**

Q37. Distinguish between individual demand and market demand. Mention two determinants of market demand. **(2)**

OR

Explain the difference between movement along a demand curve and shift of a demand curve.

Q38. Price of a commodity falls from ₹ 50 to ₹ 45 and quantity demanded rises from 200 units to 230 units. Calculate price elasticity of demand by the percentage method. **(2)**

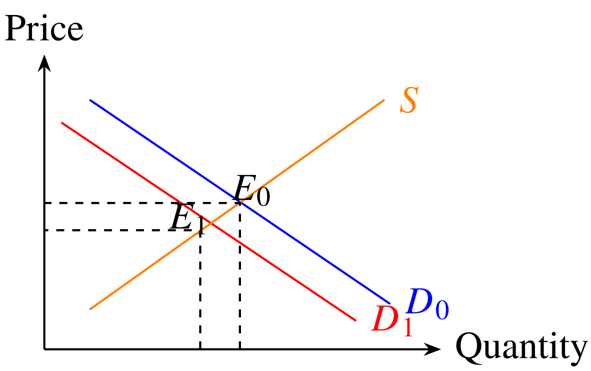
Q39. Distinguish between short-run production function and long-run production function. **(2)**

Q40. From the following data calculate AFC, AVC and MC at output 5 units: TFC = ₹ 100, TVC at 4 units = ₹ 240 and TVC at 5 units = ₹ 300. **(2)**

Q41. Explain any four determinants of supply other than the own price of the commodity. **(2)**

Q42. Explain oligopoly and mention any three features of it. **(2)**

Q43. Explain the effect of a decrease in demand on equilibrium price and quantity under perfect competition. **(4)**



Q44. Compare AR and MR under perfect competition and monopoly or imperfect competition. **(4)**

Q45. Calculate GNP at market price from the following data: NDP at factor cost = ₹ 4,800 crore, Depreciation = ₹ 400 crore, Net Indirect Taxes = ₹ 250 crore and Net Factor Income from Abroad = ₹ 150 crore. **(4)**

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

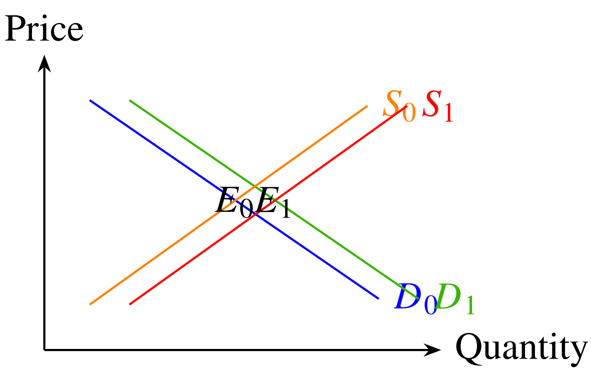
Q47. What is a deflationary gap? Explain two fiscal measures and two monetary measures to correct it. **(4)**

Q48. Explain credit creation by commercial banks when CRR is 25% and the initial deposit is ₹ 2,000. **(4)**

OR

Explain any four agency functions of commercial banks.

Q49. Explain how equilibrium price is determined under perfect competition. Also explain the effect of simultaneous increase in demand and increase in supply. **(6)**



Q50. Explain domestic territory, normal resident and Net Factor Income from Abroad. How do these concepts help in distinguishing domestic income and national income? **(6)**

Detailed Solutions

Q1.

Solution

Concept: Economics studies how people make choices because wants are unlimited while resources are scarce and have alternative uses. This is the key idea from Introduction to the Study of Economics.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: Economics studies how people make choices because wants are unlimited while resources are scarce and have alternative uses. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option A states "Human wants are unlimited and resources are scarce", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option B:** This option says "All resources are unlimited, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "There is no alternative use of resources, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "Every good is free of cost, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: Human wants are unlimited and resources are scarce (Option A)

Answer: (A) Go Back to Q 1

Q2.

Solution

Concept: A point inside the PPC shows that available resources are not being fully or efficiently used. This is the key idea from Central Problems of an Economy.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: A point inside the PPC shows that available resources are not being fully or efficiently used. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option C states "Unemployment or underutilisation of resources", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "Full and efficient use of resources, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option B:** This option says "Impossible production combination, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "Constant opportunity cost only, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{\text{Unemployment or underutilisation of resources}}$ (Option C)

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

Q3.

Solution

Concept: Under equi-marginal utility, the consumer shifts spending toward the good with higher marginal utility per rupee. This is the key idea from Consumer's Equilibrium.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: Under equi-marginal utility, the consumer shifts spending toward the good with higher marginal utility per rupee. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option C states "Spend more on Y and less on X", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "Spend more on X and less on Y, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option B:** This option says "Stop buying both goods, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "Buy only the cheaper good always, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: Spend more on Y and less on X (Option C)

Answer: (C) Go Back to Q 3

Q4.

Solution

Concept: For an inferior good, higher income reduces demand as consumers shift to better substitutes. This is the key idea from Demand.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: For an inferior good, higher income reduces demand as consumers shift to better substitutes. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option C states "Leftward", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "Rightward, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option B:** This option says "Upward along the same curve, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "Nowhere because income never affects demand, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

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

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

Q5.

Solution

Concept: By the geometric method, elasticity at the midpoint of a straight-line demand curve is unity. This is the key idea from Price Elasticity of Demand.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: By the geometric method, elasticity at the midpoint of a straight-line demand curve is unity. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option D states “Equal to one”, which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says “Zero, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option B:** This option says “Infinity, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says “Less than one, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{\text{Equal to one}}$ (Option D)

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

Q6.

Solution

Concept: When MP is positive but declining, each extra input still adds output, but by a smaller amount, so TP rises at a decreasing rate. This is the key idea from Production Function.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: When MP is positive but declining, each extra input still adds output, but by a smaller amount, so TP rises at a decreasing rate. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option D states “Rises at a decreasing rate”, which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says “Falls immediately, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option B:** This option says “Remains constant, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says “Is always zero, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{\text{Rises at a decreasing rate}}$ (Option D)

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

Q7.

Solution

Concept: Average Variable Cost is the variable cost per unit of output. This is the key idea from Cost of Production.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: Average Variable Cost is the variable cost per unit of output. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option A states "TVC divided by output", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option B:** This option says "TFC divided by output, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "TC divided by price, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "MC divided by output, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{\text{TVC divided by output}}$ (Option A)

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

Q8.

Solution

Concept: Contraction of supply means a movement upward to lower quantity supplied due to a fall in the commodity's own price. This is the key idea from Supply.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: Contraction of supply means a movement upward to lower quantity supplied due to a fall in the commodity's own price. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option A states "Fall in the commodity's own price", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option B:** This option says "Improvement in technology, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "Increase in number of firms, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "Fall in input cost, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{\text{Fall in the commodity's own price}}$ (Option A)

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

Q9.

Solution

Concept: Elasticity of supply is percentage change in quantity supplied divided by percentage change in price, so it is 15/5 = 3. This is the key idea from Price Elasticity of Supply.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: Elasticity of supply is percentage change in quantity supplied divided by percentage change in price, so it is 15/5 = 3. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option C states "3", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "0.33, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option B:** This option says "1, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "5, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{3}$ (Option C)

Answer: (C) Go Back to Q 9

Q10.

Solution

Concept: Duopoly is a special case of oligopoly where two sellers dominate the market. This is the key idea from Forms of Market.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: Duopoly is a special case of oligopoly where two sellers dominate the market. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option D states "Two dominant sellers", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "Many buyers only, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option B:** This option says "No sellers, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "Unlimited sellers with homogeneous product only, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{\text{Two dominant sellers}}$ (Option D)

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

Q11.

Solution

Concept: A decrease in demand shifts the demand curve leftward and reduces both equilibrium price and equilibrium quantity, ceteris paribus. This is the key idea from Price Determination under Perfect Competition.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: A decrease in demand shifts the demand curve leftward and reduces both equilibrium price and equilibrium quantity, ceteris paribus. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option D states "Both fall", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "Both rise, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option B:** This option says "Price rises and quantity falls, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "Price falls and quantity rises, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{\text{Both fall}}$ (Option D)

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

Q12.

Solution

Concept: When AR falls as output increases, MR lies below AR because extra units are sold at a lower price. This is the key idea from Revenue and Profit Maximization.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: When AR falls as output increases, MR lies below AR because extra units are sold at a lower price. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option C states "Below AR", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "Above AR, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option B:** This option says "Equal to price only, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "Always zero, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

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

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

Q13.

Solution

Concept: National income is domestic income plus Net Factor Income from Abroad. This is the key idea from National Income and Related Aggregates.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: National income is domestic income plus Net Factor Income from Abroad. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option B states "National income", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "Private income, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "Personal disposable income, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "Transfer income only, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

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

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

Q14.

Solution

Concept: Goods purchased by producing units for further production or resale are intermediate goods. This is the key idea from National Income Measurement.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: Goods purchased by producing units for further production or resale are intermediate goods. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option B states "Intermediate goods", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "Final goods for national income, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "Transfer payments, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "Capital goods always, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

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

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

Q15.

Solution

Concept: Average Propensity to Save is the ratio of total saving to total income. This is the key idea from Consumption, Saving and Investment.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: Average Propensity to Save is the ratio of total saving to total income. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option A states "S/Y", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option B:** This option says "C/Y, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "$\Delta C/\Delta Y$, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "I/C, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{S/Y}$ (Option A)

Answer: (A) Go Back to Q 15

Q16.

Solution

Concept: Multiplier is 1/MPS; therefore 1/0.20 = 5. This is the key idea from Theory of Income Determination.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: Multiplier is 1/MPS; therefore 1/0.20 = 5. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option D states "5", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "2, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option B:** This option says "3, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "4, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

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

Answer: (D) **Go Back to Q 16**

Q17.

Solution

Concept: The Reserve Bank of India acts as banker to commercial banks by holding reserves and providing clearing and lending support. This is the key idea from Money and Banking.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: The Reserve Bank of India acts as banker to commercial banks by holding reserves and providing clearing and lending support. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option B states "Reserve Bank of India", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "Commercial banks collectively, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "Insurance companies, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "Stock exchanges, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

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

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

Q18.

Solution

Concept: Capital expenditure either creates assets or reduces government liabilities. This is the key idea from Government Budget.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: Capital expenditure either creates assets or reduces government liabilities. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option A states "Creates assets or reduces liabilities", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option B:** This option says "Is always paid as salaries only, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "Never affects assets, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "Is only interest payment, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{\text{Creates assets or reduces liabilities}}$ (Option A)

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

Q19.

Solution

Concept: An import quota is a quantitative restriction on the maximum amount of a good that may be imported. This is the key idea from International Trade.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: An import quota is a quantitative restriction on the maximum amount of a good that may be imported. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option B states "A maximum limit on quantity of imports", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "A tax on domestic income, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "A subsidy to exporters only, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "A record of invisible trade, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{\text{A maximum limit on quantity of imports}}$ (Option B)

Answer: (B) Go Back to Q 19

Q20.

Solution

Concept: Autonomous transactions are made for economic motives independent of the state of the Balance of Payments. This is the key idea from Balance of Payments.

Solution: Step 1: Identify the concept being tested and ignore unrelated words in the options.

Step 2: Apply the rule: Autonomous transactions are made for economic motives independent of the state of the Balance of Payments. This rule directly indicates which alternative is correct.

Step 3: Compare the alternatives. Option B states "Economic motive such as profit or income", which agrees with the economic principle.

Step 4: Check the distractors carefully. In Economics, incorrect options often use a related term from another chapter, so conceptual accuracy is essential.

Step 5: Substitute the selected option into the question. The statement becomes consistent with the NIOS Class 12 explanation.

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

Why other options are wrong:

- **Option A:** This option says "Settling a BOP imbalance only, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option C:** This option says "Correcting errors only, which does not match the required concept. It either belongs to another topic or reverses the correct relation.
- **Option D:** This option says "Printing currency notes, which does not match the required concept. It either belongs to another topic or reverses the correct relation.

Final Answer: $\boxed{\text{Economic motive such as profit or income}}$ (Option B)

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

Q21.

Solution

Concept: This objective question belongs to Consumer's Equilibrium. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: The first statement is true because indifference curves are normally convex due to diminishing marginal rate of substitution. The second is false because equilibrium requires the budget line to be tangent to an attainable indifference curve.

Step 5: Therefore, the answer in the required order is: True; False.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

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

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

Q22.

Solution

Concept: This objective question belongs to Demand. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: A favourable taste change increases demand and shifts the curve right. If the price of a complement rises, joint consumption becomes costlier and demand for the given good falls.

Step 5: Therefore, the answer in the required order is: Right; Rises.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

Final Answer: $\boxed{\text{Right; Rises}}$

Answer: (Right; Rises) Go Back to Q 22

Q23.

Solution

Concept: This objective question belongs to Production Function. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: Total Product is total output, Marginal Product is addition to TP, Average Product is TP divided by variable input and Returns to Scale studies proportionate changes in all factors.

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

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

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

Answer: ((a)-(ii), (b)-(iv), (c)-(i), (d)-(iii)) Go Back to Q 23

Q24.

Solution

Concept: This objective question belongs to Cost of Production. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: At zero output, variable cost is zero because no variable input is used. Average Cost equals Total Cost divided by output.

Step 5: Therefore, the answer in the required order is: Zero; Output.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

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

Answer: (Zero; Output) Go Back to Q 24

Q25.

Solution

Concept: This objective question belongs to Forms of Market. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: Perfect competition has many sellers and homogeneous product. Monopoly has one seller. Oligopoly has few large sellers. Duopoly has two dominant sellers.

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

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

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

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

Q26.

Solution

Concept: This objective question belongs to Price Determination under Perfect Competition. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: A decrease in demand shifts demand leftward. With unchanged supply, it lowers equilibrium price rather than raising it.

Step 5: Therefore, the answer in the required order is: True; False.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

Final Answer: True; False

Answer: (True; False) Go Back to Q 26

Q27.

Solution

Concept: This objective question belongs to Revenue and Profit Maximization. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: TR is maximum when MR is zero. When MR becomes negative, selling extra units reduces TR, so TR is falling.

Step 5: Therefore, the answer in the required order is: Zero; Falling.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

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

Answer: (Zero; Falling) Go Back to Q 27

Q28.

Solution

Concept: This objective question belongs to National Income and Related Aggregates. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: Domestic territory includes ships and aircraft operated by resident units. Normal residence depends on centre of economic interest.

Step 5: Therefore, the answer in the required order is: Resident; Interest.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

Final Answer: $\boxed{\text{Resident; Interest}}$

Answer: (Resident; Interest) Go Back to Q 28

Q29.

Solution

Concept: This objective question belongs to National Income Measurement. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: Self-consumed output is included because it is current production. Purchase of shares is a financial transaction, not production of goods.

Step 5: Therefore, the answer in the required order is: True; False.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

Final Answer: True; False

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

Q30.

Solution

Concept: This objective question belongs to Theory of Income Determination. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: In a two-sector economy, AD = C + I. Saving is a leakage because it withdraws income from the spending stream.

Step 5: Therefore, the answer in the required order is: Investment; Leakage.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

Final Answer: Investment; Leakage

Answer: (Investment; Leakage) Go Back to Q 30

Q31.

Solution

Concept: This objective question belongs to Money and Banking. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: The RBI acts as lender of last resort to banks in crisis. A cheque is a written order to a bank to pay a specified sum.

Step 5: Therefore, the answer in the required order is: Lender of last resort; Cheque.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

Final Answer: $\boxed{\text{Lender of last resort; Cheque}}$

Answer: (Lender of last resort; Cheque) Go Back to Q 31

Q32.

Solution

Concept: This objective question belongs to Government Budget. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: Fiscal deficit measures borrowing requirement. Primary deficit equals fiscal deficit minus interest payments, so interest is excluded.

Step 5: Therefore, the answer in the required order is: True; True.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

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

Answer: (True; True) Go Back to Q 32

Q33.

Solution

Concept: This objective question belongs to International Trade. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: Protectionism protects domestic industries. Terms of trade express the rate at which exports exchange for imports.

Step 5: Therefore, the answer in the required order is: Protectionism; Trade.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

Final Answer: Protectionism; Trade

Answer: (Protectionism; Trade) **Go Back to Q 33**

Q34.

Solution

Concept: This objective question belongs to Balance of Payments. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: Merchandise export is export of goods, invisible receipt is service income, capital outflow is purchase of foreign assets, and reserves cover official settlement.

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

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

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

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

Q35.

Solution

Concept: This objective question belongs to Money and Banking. Each sub-part carries one mark and must be answered in order.

Solution: Step 1: Identify the objective format: True or False, fill in the blanks, matching or one-word answer.

Step 2: Apply the exact definition or formula to the first sub-part.

Step 3: Apply the exact definition or formula to the second sub-part.

Step 4: Credit multiplier equals 1/CRR, so it is inversely related to CRR. Higher CRR reduces, not increases, banks lending capacity.

Step 5: Therefore, the answer in the required order is: True; False.

Step 6: Writing the answer in correct order is necessary because each part is evaluated separately.

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

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

Q36.

Solution

Concept: This answer is from Consumer's Equilibrium. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: The Law of Diminishing Marginal Utility states that as a consumer consumes more and more units of a commodity, the marginal utility obtained from each additional unit tends to fall, other things remaining constant. This law explains consumer equilibrium. A rational consumer compares the marginal utility of the last unit with the price paid for that unit. If MU is greater than price, the consumer gains by buying more. As more is consumed, MU falls. If MU is less than price, the consumer reduces consumption. Equilibrium is reached where MU equals price. Thus diminishing marginal utility provides the adjustment process through which equilibrium is achieved.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 36

Q37.

Solution

Concept: This answer is from Demand. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: Individual demand refers to the quantity of a commodity demanded by one consumer at different prices. Market demand is the total quantity demanded by all consumers in the market at different prices. It is obtained by adding individual demands horizontally. Two determinants of market demand are the number of buyers and income distribution. If the number of buyers rises, market demand increases. If income rises for buyers of a normal good, demand also increases. In the OR part, movement along a demand curve is caused by change in own price, while shift of the curve is caused by factors like income, tastes or prices of related goods.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 37

Q38.

Solution

Concept: This answer is from Price Elasticity of Demand. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: Price elasticity of demand measures responsiveness of quantity demanded to price change. Initial price is ₹ 50 and new price is ₹ 45, so price falls by ₹ 5. Percentage change in price = $5/50 \times 100 = 10\%$. Initial quantity is 200 units and new quantity is 230 units, so quantity rises by 30 units. Percentage change in quantity demanded = $30/200 \times 100 = 15\%$. Therefore, elasticity of demand = percentage change in quantity demanded divided by percentage change in price = $15/10 = 1.5$. Ignoring the negative sign, demand is elastic because elasticity is greater than one.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

Final Answer: $\boxed{\text{Elasticity} = 1.5}$

Answer: (See Solution) Go Back to Q 38

Q39.

Solution

Concept: This answer is from Production Function. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: A short-run production function shows the relationship between output and inputs when at least one factor is fixed and another is variable. The Law of Variable Proportions applies in the short run. For example, land or machinery may be fixed while labour is varied. A long-run production function shows the relationship when all factors can be changed. Returns to Scale applies in the long run because the firm can change plant size, capital, labour and technology. The distinction is important because short-run output changes are limited by fixed factors, while long-run output changes depend on scale adjustment.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

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

Answer: (See Solution) Go Back to Q 39

Q40.

Solution

Concept: This answer is from Cost of Production. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: Given Total Fixed Cost is ₹ 100. At output 5 units, Total Variable Cost is ₹ 300. Average Fixed Cost = TFC divided by output = 100/5 = ₹ 20. Average Variable Cost = TVC divided by output = 300/5 = ₹ 60. Marginal Cost at the fifth unit is change in total cost when output rises from 4 to 5 units. Since TFC is constant, change in TC equals change in TVC. TVC rises from ₹ 240 to ₹ 300, so MC = ₹ 60. Therefore AFC is ₹ 20, AVC is ₹ 60 and MC is ₹ 60.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

Final Answer: $\boxed{\text{AFC = Rs. 20, AVC = Rs. 60, MC = Rs. 60}}$

Answer: (See Solution) Go Back to Q 40

Q41.

Solution

Concept: This answer is from Supply. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: Supply is affected by several determinants other than the commodity's own price. First, input prices affect supply: higher wages or raw material costs reduce supply. Second, technology affects supply: better technology lowers cost and increases supply. Third, taxes and subsidies matter: taxes reduce supply, while subsidies increase it. Fourth, the number of firms affects market supply. If more firms enter the industry, market supply increases. Other factors include expectations of future prices, natural conditions, transport facilities and government policy. These factors shift the supply curve rather than causing movement along it.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

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

Answer: (See Solution) Go Back to Q 41

Q42.

Solution

Concept: This answer is from Forms of Market. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: Oligopoly is a market structure in which a few large sellers dominate the market. Each firm is important enough to affect market conditions, so firms are mutually interdependent. One feature is few sellers, meaning decisions of one firm influence others. Second, there may be homogeneous or differentiated products, such as steel or automobiles. Third, entry barriers are common because large capital, technology, patents or brand loyalty may prevent new firms from entering. Fourth, selling costs and advertising may be important. Oligopoly firms often avoid frequent price changes because rivals may react strongly.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 42

Q43.

Solution

Concept: This answer is from Price Determination under Perfect Competition. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: Under perfect competition, price is determined where market demand equals market supply. If demand decreases while supply remains unchanged, the demand curve shifts leftward. At the original price, supply becomes greater than demand, creating excess supply. Sellers compete to sell their goods, so price begins to fall. As price falls, quantity demanded rises along the new demand curve and quantity supplied falls along the supply curve. A new equilibrium is reached at a lower price and lower quantity. Thus, decrease in demand causes both equilibrium price and equilibrium quantity to fall, assuming supply remains unchanged.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 43

Q44.

Solution

Concept: This answer is from Revenue and Profit Maximization. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: Average Revenue is revenue per unit and is equal to price. Marginal Revenue is the addition to Total Revenue from selling one more unit. Under perfect competition, the firm is a price-taker and can sell any quantity at the market price. Therefore AR = MR = Price, and both are represented by a horizontal line. Under monopoly or imperfect competition, the firm must reduce price to sell more units. Therefore AR falls as output rises. MR also falls and lies below AR because the lower price applies not only to the extra unit but also affects revenue from earlier units. Profit maximisation requires MR = MC with rising MC.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

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

Answer: (See Solution) Go Back to Q 44

Q45.

Solution

Concept: This answer is from National Income and Related Aggregates. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: We are given NDP at factor cost = ₹ 4,800 crore, depreciation = ₹ 400 crore, Net Indirect Taxes = ₹ 250 crore and Net Factor Income from Abroad = ₹ 150 crore. First convert NDP at factor cost to GDP at factor cost by adding depreciation: GDPFC = 4,800 + 400 = ₹ 5,200 crore. Next convert GDP at factor cost to GDP at market price by adding Net Indirect Taxes: GDPMP = 5,200 + 250 = ₹ 5,450 crore. Finally add NFIA to get GNP at market price: GNPMP = 5,450 + 150 = ₹ 5,600 crore. Therefore GNP at market price is ₹ 5,600 crore.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

Final Answer: $\boxed{\text{GNPMP = Rs. 5,600 crore}}$

Answer: (See Solution) Go Back to Q 45

Q46.

Solution

Concept: This answer is from National Income Measurement. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: The expenditure method measures national income by adding final expenditure on goods and services produced during an accounting year. Its main components are private final consumption expenditure, investment expenditure, government final consumption expenditure and net exports. The formula is GDP = C + I + G + (X - M). Precautions are important. First, expenditure on intermediate goods should be excluded to avoid double counting. Second, expenditure on second-hand goods should not be included because it was counted in the year of original production. Third, transfer payments such as pensions and scholarships should be excluded because they do not represent purchase of current output. Financial transactions like purchase of shares are also excluded.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

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

Answer: (See Solution) Go Back to Q 46

Q47.

Solution

Concept: This answer is from Theory of Income Determination. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: A deflationary gap occurs when aggregate demand is less than aggregate supply at the full employment level of income. It leads to unsold goods, falling output, unemployment and downward pressure on prices. Fiscal measures can correct it by increasing government expenditure and reducing taxes. Higher public expenditure directly raises aggregate demand, while lower taxes increase disposable income and consumption. Monetary measures include lowering repo rate and reducing CRR or SLR. These steps increase lending capacity of banks, reduce borrowing cost and encourage investment. The objective is to raise aggregate demand until it equals full employment output.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

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

Answer: (See Solution) Go Back to Q 47

Q48.

Solution

Concept: This answer is from Money and Banking. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: Credit creation by commercial banks depends on the reserve ratio. Given CRR = 25%, credit multiplier = 1/CRR = 1/0.25 = 4. If the initial deposit is ₹ 2,000, total deposits created = $2,000 \times 4 = | 8,000$. The bank keeps 25% of each deposit as reserve and lends the remaining 75%. The first bank keeps ₹ 500 and lends ₹ 1,500. This amount becomes a deposit in another bank, which again keeps a reserve and lends the rest. The process continues until total deposit expansion reaches ₹ 8,000. In the OR part, agency functions include collection of cheques, payment of bills, purchase and sale of securities and acting as trustee.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

Final Answer: $\boxed{\text{Multiplier = 4, total deposits = Rs. 8,000}}$

Answer: (See Solution) Go Back to Q 48

Q49.

Solution

Concept: This answer is from Price Determination under Perfect Competition. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: Equilibrium price under perfect competition is determined by the equality of market demand and market supply. The demand curve slopes downward and the supply curve slopes upward. Their intersection gives equilibrium price and quantity. If price is above equilibrium, excess supply pushes it down. If price is below equilibrium, excess demand pushes it up. If both demand and supply increase simultaneously, equilibrium quantity definitely increases because both changes expand the market. The effect on price depends on the relative magnitude of the shifts. If demand increases more than supply, price rises. If supply increases more than demand, price falls. If both increase equally, price may remain unchanged.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 49

Q50.

Solution

Concept: This answer is from National Income and Related Aggregates. A complete answer should state the concept, show working where required and conclude clearly.

Solution: Step 1: Start with the definition, formula or central idea required by the question.

Step 2: Domestic territory refers to the geographical territory administered by a government, including embassies, ships and aircraft operated by residents. A normal resident is a person or institution whose centre of economic interest lies in the country. Net Factor Income from Abroad is factor income earned by normal residents from abroad minus factor income earned by non-residents from domestic territory. Domestic income is income generated within domestic territory. National income is income earned by normal residents. Therefore national income = domestic income + NFIA. If NFIA is positive, national income exceeds domestic income. If NFIA is negative, national income is lower than domestic income.

Step 3: Add supporting reasoning using proper economic terms. If a curve is used, mention the direction of slope or shift. If a numerical is used, write values with units.

Step 4: Link the explanation with the syllabus concept. This helps distinguish similar terms such as domestic and national, movement and shift, or fiscal and monetary measures.

Step 5: Present the answer in paragraphs or points according to marks. Include formula, example or diagram wherever useful.

Step 6: Conclude directly with the final result or summary.

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