NIOS Class 12 Economics Sample Paper-9

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. Free goods differ from economic goods because free goods: **(1)**

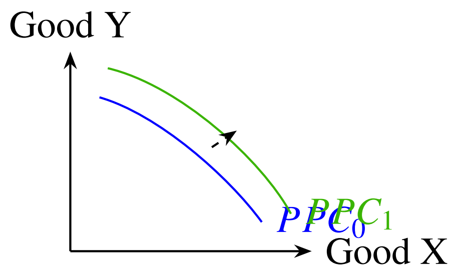
(A) Have no scarcity and no price in ordinary conditions

(B) Always require sacrifice of another good

(C) Are produced only by government

(D) Are included in national income at market price

Q2. An outward shift of the Production Possibility Curve may be caused by: **(1)**



(A) Destruction of resources

(B) Unemployment of labour

(C) Improvement in technology

(D) Inefficient use of machines

Q3. Under the indifference curve approach, consumer equilibrium occurs where: **(1)**

(A) Indifference curve is tangent to the budget line

(B) Budget line is below all indifference curves

(C) Price of both goods is zero

(D) Marginal utility is always negative

Q4. A fall in the own price of a commodity causes: **(1)**

(A) Decrease in demand

(B) Leftward shift in demand

(C) Fall in supply

(D) Extension of demand

Q5. If total expenditure remains unchanged when price changes, demand is: **(1)**

(A) Unit elastic

(B) Elastic

(C) Inelastic

(D) Perfectly inelastic

Q6. Increasing returns to scale occur when output: **(1)**

(A) Increases in the same proportion as inputs

(B) Increases less than proportionately

(C) Decreases when all inputs rise

(D) Increases more than proportionately

Q7. The imputed rent of an entrepreneur's own factory building is an example of: **(1)**

(A) Explicit cost

(B) Implicit cost

(C) Variable cost only

(D) Selling cost

Q8. Entry of new firms into an industry generally causes market supply to: **(1)**

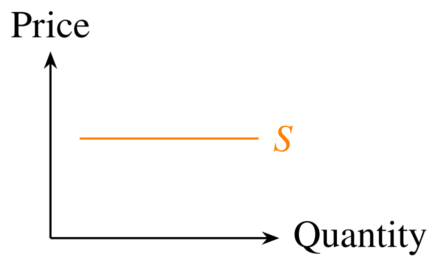
(A) Decrease

(B) Become zero

(C) Remain fixed always

(D) Increase

Q9. A perfectly elastic supply curve is: **(1)**



(A) Vertical

(B) Downward sloping

(C) Horizontal

(D) Backward bending

Q10. A monopolist is called a price-maker because: **(1)**

(A) It accepts price fixed by the market

(B) It has no control over supply

(C) It faces perfectly elastic demand

(D) It has significant control over price

Q11. At equilibrium price in a competitive market: **(1)**

(A) Quantity demanded equals quantity supplied

(B) Only demand exists

(C) Only supply exists

(D) There is compulsory rationing

Q12. Profit of a firm is calculated as: **(1)**

(A) Total Cost minus Total Revenue

(B) Total Revenue minus Total Cost

(C) Average Cost minus Price

(D) Marginal Cost minus Marginal Revenue

Q13. Depreciation in national income accounting is also called: **(1)**

(A) Transfer payment

(B) Net indirect tax

(C) Consumption of fixed capital

(D) Net factor income from abroad

Q14. Value added by a firm is equal to: **(1)**

(A) Value of output minus intermediate consumption

(B) Wages plus taxes only

(C) Exports minus imports

(D) Personal income minus tax

Q15. Average Propensity to Consume plus Average Propensity to Save is equal to: **(1)**

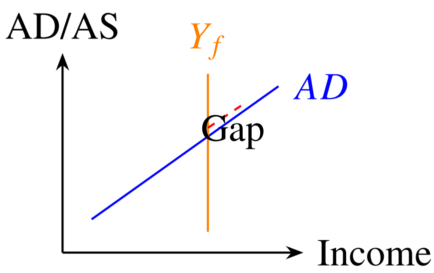
(A) 0

(B) 0.5

(C) 1

(D) Multiplier

Q16. Excess aggregate demand at full employment creates: **(1)**



(A) Deflationary gap

(B) Inflationary gap

(C) Balance of trade deficit

(D) Perfectly elastic demand

Q17. Currency notes in India are issued mainly by: **(1)**

(A) State Bank of India

(B) Commercial courts

(C) Stock exchange

(D) Reserve Bank of India

Q18. The deficit that excludes interest payments from fiscal deficit is called: **(1)**

(A) Revenue deficit

(B) Primary deficit

(C) Trade deficit

(D) Budget surplus

Q19. Visible trade refers to trade in: **(1)**

(A) Services only

(B) Income transfers only

(C) Goods

(D) Foreign loans

Q20. Accommodating transactions in BOP are undertaken to: **(1)**

(A) Create a disequilibrium deliberately

(B) Settle a balance of payments imbalance

(C) Measure only domestic output

(D) Calculate consumer equilibrium

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

1. A free good is available without scarcity under ordinary conditions.

2. An economic good has no opportunity cost.

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

1. The slope of PPC represents marginal .... cost.
2. A rightward shift of PPC indicates economic ....

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

Concept	**Meaning**
(a) Budget Line	(i) Satisfaction from consuming goods
(b) Indifference Curve	(ii) Additional satisfaction from one more unit
(c) Utility	(iii) Shows affordable combinations of two goods
(d) Marginal Utility	(iv) Shows combinations giving equal satisfaction

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

1. A fall in own price causes .... of demand.
2. A rise in own price causes .... of demand.

Q25. State whether the following statements are True or False: **(2)**

1. If demand is unit elastic, total expenditure remains unchanged when price changes.
2. Perfectly inelastic demand has a horizontal demand curve.

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

1. When all factors change in the same proportion, the concept studied is returns to ....

2. In the short run, at least one factor is ....

Q27. Match the following cost items: **(2)**

Item	**Cost Type**
(a) Owner's own building rent	(i) Variable cost
(b) Factory insurance premium	(ii) Implicit cost
(c) Raw material expense	(iii) Fixed cost
(d) Electricity used in production	(iv) Variable cost

Q28. State whether the following statements are True or False: **(2)**

1. Increase in the number of firms shifts market supply to the right.
2. A fall in own price causes an increase in supply.

Q29. Fill in the blanks: **(2)**

1. A horizontal supply curve indicates .... elastic supply.
2. A vertical supply curve indicates perfectly .... supply.

Q30. Write one word or term for each of the following: **(2)**

1. A market in which there is only one buyer.
2. The expenditure incurred on advertisement to increase sales.

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

1. At equilibrium, quantity demanded is equal to quantity ....
2. Above equilibrium price, there is excess ....

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

1. Profit is Total Revenue minus Total Cost.

2. A firm should expand output when MR is less than MC.

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

1. Depreciation is also called consumption of .... capital.
2. GDP minus depreciation gives ....

Q34. Match the following national income items: **(2)**

Item	**Treatment**
(a) Intermediate goods	(i) Included if service is current
(b) Transfer payments	(ii) Financial transaction, not output
(c) Dealer commission on old car	(iii) Excluded to avoid double counting
(d) Purchase of shares	(iv) Excluded from national income

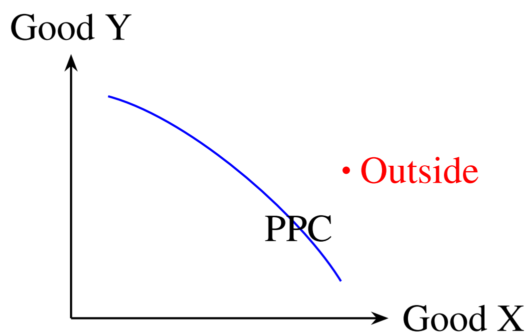
Q35. State whether the following statements are True or False: **(2)**

1. Accommodating transactions are made to correct BOP imbalance.
2. Visible trade includes import and export of services.

Section: B

Q36. Distinguish between economic goods and free goods with examples. **(2)**

Q37. Explain the meaning of Production Possibility Curve. What does a point outside the PPC indicate? **(2)**



Q38. Explain consumer equilibrium under the indifference curve approach. **(2)**

Q39. Explain extension and contraction of demand with examples. **(2)**

OR

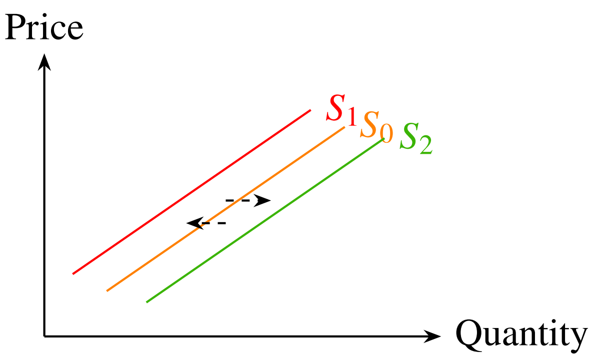
Explain increase and decrease in demand with examples.

Q40. Explain the geometric method of measuring price elasticity of demand on a straight-line demand curve. **(2)**

Q41. Explain increasing, constant and decreasing returns to scale. **(2)**

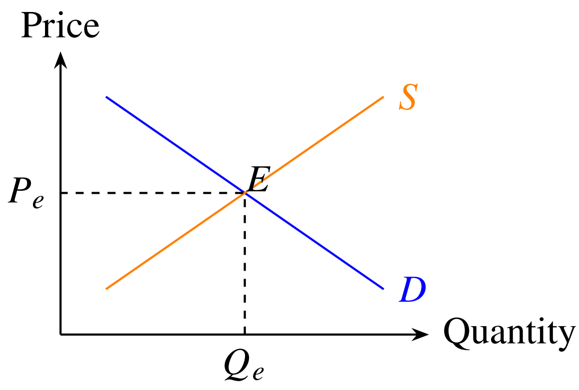
Q42. Distinguish between explicit cost and implicit cost with examples. **(2)**

Q43. Explain increase and decrease in supply with the help of a diagram. **(4)**



Q44. Explain the features of monopoly. Why is a monopolist called a price-maker? **(4)**

Q45. Explain the process of market equilibrium under perfect competition. Why is equilibrium price stable? **(4)**

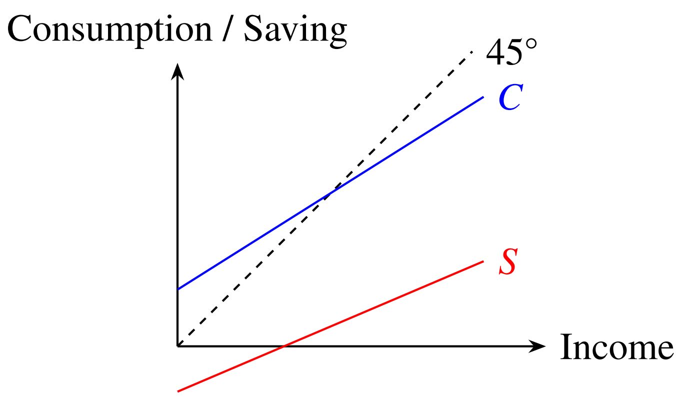


Q46. Explain the relation between Total Revenue and Marginal Revenue. **(4)**

Q47. Calculate National Income from the following data: GDP at market price = ₹ 7,200 crore, Net Indirect Taxes = ₹ 600 crore, Depreciation = ₹ 450 crore and NFIA = -₹ 150 crore. **(4)**

Q48. Explain value added with a numerical example and state two precautions of the value-added method. **(4)**

Q49. Explain the concepts of consumption function, saving function, MPC and MPS. Show why MPC + MPS = 1. **(6)**



Q50. Explain current account and capital account of Balance of Payments. Also distinguish between autonomous and accommodating transactions. **(6)**

Detailed Solutions

Q1.

Solution

Concept: Free goods are available in abundance and normally do not command a price, while economic goods are scarce and involve choice. This concept is tested from Introduction to the Study of Economics.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Free goods are available in abundance and normally do not command a price, while economic goods are scarce and involve choice. This directly guides the choice of answer.

Step 3: Compare the options. Option A states "Have no scarcity and no price in ordinary conditions", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option A. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option A is correct.

Why other options are wrong:

- **Option B:** This option says "Always require sacrifice of another good, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Are produced only by government, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Are included in national income at market price, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{\text{Have no scarcity and no price in ordinary conditions}}$ (Option A)

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

Q2.

Solution

Concept: An outward shift of PPC shows economic growth due to more resources or better technology. This concept is tested from Central Problems of an Economy.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: An outward shift of PPC shows economic growth due to more resources or better technology. This directly guides the choice of answer.

Step 3: Compare the options. Option C states "Improvement in technology", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option C. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option C is correct.

Why other options are wrong:

- **Option A:** This option says "Destruction of resources, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option B:** This option says "Unemployment of labour, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Inefficient use of machines, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{\text{Improvement in technology}}$ (Option C)

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

Q3.

Solution

Concept: In the ordinal approach, consumer equilibrium occurs at tangency between the budget line and the highest attainable indifference curve. This concept is tested from Consumer's Equilibrium.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: In the ordinal approach, consumer equilibrium occurs at tangency between the budget line and the highest attainable indifference curve. This directly guides the choice of answer.

Step 3: Compare the options. Option A states "Indifference curve is tangent to the budget line", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option A. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option A is correct.

Why other options are wrong:

- **Option B:** This option says "Budget line is below all indifference curves, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Price of both goods is zero, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Marginal utility is always negative, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{\text{Indifference curve is tangent to the budget line}}$ (Option A)

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

Q4.

Solution

Concept: A fall in own price causes movement along the same demand curve, called extension of demand. This concept is tested from Demand.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: A fall in own price causes movement along the same demand curve, called extension of demand. This directly guides the choice of answer.

Step 3: Compare the options. Option D states "Extension of demand", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option D. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option D is correct.

Why other options are wrong:

- **Option A:** This option says "Decrease in demand, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option B:** This option says "Leftward shift in demand, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Fall in supply, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{\text{Extension of demand}}$ (Option D)

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

Q5.

Solution

Concept: Under the total expenditure method, unchanged total expenditure indicates unit elastic demand. This concept is tested from Price Elasticity of Demand.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Under the total expenditure method, unchanged total expenditure indicates unit elastic demand. This directly guides the choice of answer.

Step 3: Compare the options. Option A states "Unit elastic", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option A. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option A is correct.

Why other options are wrong:

- **Option B:** This option says "Elastic, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Inelastic, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Perfectly inelastic, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

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

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

Q6.

Solution

Concept: Increasing returns to scale means output increases more than proportionately when all inputs are increased in the same proportion. This concept is tested from Production Function.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Increasing returns to scale means output increases more than proportionately when all inputs are increased in the same proportion. This directly guides the choice of answer.

Step 3: Compare the options. Option D states "Increases more than proportionately", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option D. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option D is correct.

Why other options are wrong:

- **Option A:** This option says "Increases in the same proportion as inputs, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option B:** This option says "Increases less than proportionately, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Decreases when all inputs rise, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{\text{Increases more than proportionately}}$ (Option D)

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

Q7.

Solution

Concept: Implicit cost is the estimated cost of self-owned resources used in production. This concept is tested from Cost of Production.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Implicit cost is the estimated cost of self-owned resources used in production. This directly guides the choice of answer.

Step 3: Compare the options. Option B states "Implicit cost", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option B. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option B is correct.

Why other options are wrong:

- **Option A:** This option says "Explicit cost, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Variable cost only, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Selling cost, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

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

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

Q8.

Solution

Concept: More firms in an industry increase market supply at each price. This concept is tested from Supply.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: More firms in an industry increase market supply at each price. This directly guides the choice of answer.

Step 3: Compare the options. Option D states "Increase", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option D. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option D is correct.

Why other options are wrong:

- **Option A:** This option says "Decrease, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option B:** This option says "Become zero, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Remain fixed always, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

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

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

Q9.

Solution

Concept: Perfectly elastic supply is represented by a horizontal supply curve. This concept is tested from Price Elasticity of Supply.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Perfectly elastic supply is represented by a horizontal supply curve. This directly guides the choice of answer.

Step 3: Compare the options. Option C states "Horizontal", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option C. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option C is correct.

Why other options are wrong:

- **Option A:** This option says "Vertical, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option B:** This option says "Downward sloping, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Backward bending, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

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

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

Q10.

Solution

Concept: A monopolist is a price-maker because it controls market supply and faces no close substitute. This concept is tested from Forms of Market.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: A monopolist is a price-maker because it controls market supply and faces no close substitute. This directly guides the choice of answer.

Step 3: Compare the options. Option D states "It has significant control over price", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option D. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option D is correct.

Why other options are wrong:

- **Option A:** This option says "It accepts price fixed by the market, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option B:** This option says "It has no control over supply, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "It faces perfectly elastic demand, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{\text{It has significant control over price}}$ (Option D)

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

Q11.

Solution

Concept: Market equilibrium occurs where quantity demanded equals quantity supplied. This concept is tested from Price Determination under Perfect Competition.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Market equilibrium occurs where quantity demanded equals quantity supplied. This directly guides the choice of answer.

Step 3: Compare the options. Option A states "Quantity demanded equals quantity supplied", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option A. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option A is correct.

Why other options are wrong:

- **Option B:** This option says "Only demand exists, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Only supply exists, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "There is compulsory rationing, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{\text{Quantity demanded equals quantity supplied}}$ (Option A)

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

Q12.

Solution

Concept: Profit is the excess of total revenue over total cost. This concept is tested from Revenue and Profit Maximization.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Profit is the excess of total revenue over total cost. This directly guides the choice of answer.

Step 3: Compare the options. Option B states "Total Revenue minus Total Cost", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option B. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option B is correct.

Why other options are wrong:

- **Option A:** This option says "Total Cost minus Total Revenue, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Average Cost minus Price, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Marginal Cost minus Marginal Revenue, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{\text{Total Revenue minus Total Cost}}$ (Option B)

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

Q13.

Solution

Concept: Depreciation is the loss of value of fixed capital and is also called consumption of fixed capital. This concept is tested from National Income and Related Aggregates.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Depreciation is the loss of value of fixed capital and is also called consumption of fixed capital. This directly guides the choice of answer.

Step 3: Compare the options. Option C states "Consumption of fixed capital", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option C. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option C is correct.

Why other options are wrong:

- **Option A:** This option says "Transfer payment, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option B:** This option says "Net indirect tax, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Net factor income from abroad, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{\text{Consumption of fixed capital}}$ (Option C)

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

Q14.

Solution

Concept: Value added equals value of output less the value of intermediate consumption. This concept is tested from National Income Measurement.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Value added equals value of output less the value of intermediate consumption. This directly guides the choice of answer.

Step 3: Compare the options. Option A states "Value of output minus intermediate consumption", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option A. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option A is correct.

Why other options are wrong:

- **Option B:** This option says "Wages plus taxes only, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Exports minus imports, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Personal income minus tax, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{\text{Value of output minus intermediate consumption}}$ (Option A)

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

Q15.

Solution

Concept: Since income is either consumed or saved, APC + APS = 1. This concept is tested from Consumption, Saving and Investment.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Since income is either consumed or saved, APC + APS = 1. This directly guides the choice of answer.

Step 3: Compare the options. Option C states "1", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option C. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option C is correct.

Why other options are wrong:

- **Option A:** This option says "0, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option B:** This option says "0.5, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Multiplier, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{1}$ (Option C)

Answer: (C) Go Back to Q 15

Q16.

Solution

Concept: Excess aggregate demand beyond full-employment output creates an inflationary gap. This concept is tested from Theory of Income Determination.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Excess aggregate demand beyond full-employment output creates an inflationary gap. This directly guides the choice of answer.

Step 3: Compare the options. Option B states "Inflationary gap", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option B. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option B is correct.

Why other options are wrong:

- **Option A:** This option says "Deflationary gap, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Balance of trade deficit, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Perfectly elastic demand, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

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

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

Q17.

Solution

Concept: The Reserve Bank of India has the sole authority to issue most currency notes in India. This concept is tested from Money and Banking.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: The Reserve Bank of India has the sole authority to issue most currency notes in India. This directly guides the choice of answer.

Step 3: Compare the options. Option D states "Reserve Bank of India", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option D. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option D is correct.

Why other options are wrong:

- **Option A:** This option says "State Bank of India, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option B:** This option says "Commercial courts, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Stock exchange, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

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

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

Q18.

Solution

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

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Primary deficit equals fiscal deficit minus interest payments. This directly guides the choice of answer.

Step 3: Compare the options. Option B states "Primary deficit", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option B. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option B is correct.

Why other options are wrong:

- **Option A:** This option says "Revenue deficit, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Trade deficit, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Budget surplus, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

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

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

Q19.

Solution

Concept: Visible trade means export and import of physical goods. This concept is tested from International Trade.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Visible trade means export and import of physical goods. This directly guides the choice of answer.

Step 3: Compare the options. Option C states "Goods", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option C. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option C is correct.

Why other options are wrong:

- **Option A:** This option says "Services only, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option B:** This option says "Income transfers only, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Foreign loans, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

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

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

Q20.

Solution

Concept: Accommodating transactions are made to settle a Balance of Payments surplus or deficit. This concept is tested from Balance of Payments.

Solution: Step 1: Identify the central term in the question and connect it with the relevant lesson.

Step 2: Apply the rule: Accommodating transactions are made to settle a Balance of Payments surplus or deficit. This directly guides the choice of answer.

Step 3: Compare the options. Option B states "Settle a balance of payments imbalance", which is the only option consistent with the concept.

Step 4: Eliminate distractors. The other options may use related economic words but do not answer the exact question.

Step 5: Re-read the question with Option B. The statement becomes conceptually accurate and complete.

Step 6: Therefore, Option B is correct.

Why other options are wrong:

- **Option A:** This option says "Create a disequilibrium deliberately, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option C:** This option says "Measure only domestic output, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.
- **Option D:** This option says "Calculate consumer equilibrium, which is not the correct application of the concept. It either refers to another topic or contradicts the rule used here.

Final Answer: $\boxed{\text{Settle a balance of payments imbalance}}$ (Option B)

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

Q21.

Solution

Concept: This objective question is from Introduction to the Study of Economics. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: The first statement is true because free goods are abundant in normal conditions. The second is false because economic goods involve opportunity cost due to scarcity.

Step 5: The complete answer is: True; False.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

Final Answer: True; False

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

Q22.

Solution

Concept: This objective question is from Central Problems of an Economy. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: The slope of PPC represents marginal opportunity cost. A rightward shift of PPC shows economic growth due to more resources or better technology.

Step 5: The complete answer is: Opportunity; Growth.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

Final Answer: Opportunity; Growth

Answer: (Opportunity; Growth) Go Back to Q 22

Q23.

Solution

Concept: This objective question is from Consumer's Equilibrium. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: The budget line shows affordable combinations, an indifference curve shows equal satisfaction, utility means satisfaction and marginal utility is extra satisfaction.

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

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

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

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

Q24.

Solution

Concept: This objective question is from Demand. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: A fall in own price causes extension of demand, while a rise in own price causes contraction of demand.

Step 5: The complete answer is: Extension; Contraction.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

Final Answer: Extension; Contraction

Answer: (Extension; Contraction) **Go Back to Q 24**

Q25.

Solution

Concept: This objective question is from Price Elasticity of Demand. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: Unit elastic demand keeps total expenditure unchanged. Perfectly inelastic demand is vertical, not horizontal.

Step 5: The complete answer is: True; False.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

Final Answer: True; False

Answer: (True; False) Go Back to Q 25

Q26.

Solution

Concept: This objective question is from Production Function. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: Returns to scale applies when all factors change. In the short run at least one factor is fixed.

Step 5: The complete answer is: Scale; Fixed.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

Final Answer: Scale; Fixed

Answer: (Scale; Fixed) Go Back to Q 26

Q27.

Solution

Concept: This objective question is from Cost of Production. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: Owner building rent is implicit cost, factory insurance is fixed cost, raw material and production electricity are variable costs.

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

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

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

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

Q28.

Solution

Concept: This objective question is from Supply. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: More firms increase supply and shift supply rightward. A fall in own price causes contraction of supply, not increase in supply.

Step 5: The complete answer is: True; False.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

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

Answer: (True; False) Go Back to Q 28

Q29.

Solution

Concept: This objective question is from Price Elasticity of Supply. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: A horizontal supply curve is perfectly elastic. A vertical supply curve is perfectly inelastic.

Step 5: The complete answer is: Perfectly; Inelastic.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

Final Answer: Perfectly; Inelastic

Answer: (Perfectly; Inelastic) Go Back to Q 29

Q30.

Solution

Concept: This objective question is from Forms of Market. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: Monopsony means one buyer. Selling cost is expenditure on advertisement and sales promotion.

Step 5: The complete answer is: Monopsony; Selling cost.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

Final Answer: Monopsony; Selling cost

Answer: (Monopsony; Selling cost) Go Back to Q 30

Q31.

Solution

Concept: This objective question is from Price Determination under Perfect Competition. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: At equilibrium quantity demanded equals quantity supplied. Above equilibrium price, excess supply appears.

Step 5: The complete answer is: Supplied; Supply.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

Final Answer: $\boxed{\text{Supplied; Supply}}$

Answer: (Supplied; Supply) Go Back to Q 31

Q32.

Solution

Concept: This objective question is from Revenue and Profit Maximization. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: Profit equals TR minus TC. If MR is less than MC, output should be reduced, not expanded.

Step 5: The complete answer is: True; False.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

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

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

Q33.

Solution

Concept: This objective question is from National Income and Related Aggregates. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: Depreciation is consumption of fixed capital. GDP minus depreciation gives NDP.

Step 5: The complete answer is: Fixed; NDP.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

Final Answer: Fixed; NDP

Answer: (Fixed; NDP) Go Back to Q 33

Q34.

Solution

Concept: This objective question is from National Income Measurement. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: Intermediate goods are excluded, transfer payments are excluded, dealer commission is included as a service, and share purchase is financial.

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

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

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 is from Balance of Payments. Both sub-parts must be answered in the same order.

Solution: Step 1: Read the instruction and identify whether it is True-False, fill-in-the-blank, matching or one-word type.

Step 2: Apply the exact economic term or relation to the first part.

Step 3: Apply the exact economic term or relation to the second part.

Step 4: Accommodating transactions correct BOP imbalance. Visible trade includes goods, not services.

Step 5: The complete answer is: True; False.

Step 6: The reason confirms that the answer is not guessed but based on the syllabus concept.

Final Answer: True; False

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

Q36.

Solution

Concept: This question is based on Introduction to the Study of Economics. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: Economic goods are scarce goods which have a price and involve opportunity cost. Examples are food, clothes, books, machines and houses. To obtain these goods, society must use scarce resources and give up some alternative. Free goods are available in abundance under ordinary conditions and do not command a price. Examples are sunlight and air in normal situations. The distinction depends on scarcity. If a good becomes scarce, even a naturally available thing can become an economic good. Economics mainly studies economic goods because their production and consumption involve choice, allocation of resources and opportunity cost.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

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

Answer: (See Solution) Go Back to Q 36

Q37.

Solution

Concept: This question is based on Central Problems of an Economy. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: A Production Possibility Curve shows different combinations of two goods that an economy can produce with given resources and technology, assuming full and efficient use of resources. It slopes downward because producing more of one good requires sacrificing some units of the other good. It is usually concave due to increasing marginal opportunity cost. A point on the PPC shows efficient production. A point inside the PPC shows unemployment or inefficient use of resources. A point outside the PPC indicates an unattainable combination with present resources and technology. It can be achieved only if resources increase or technology improves.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

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

Answer: (See Solution) Go Back to Q 37

Q38.

Solution

Concept: This question is based on Consumer's Equilibrium. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: Under the indifference curve approach, consumer equilibrium occurs where the budget line is tangent to the highest attainable indifference curve. The budget line shows combinations of two goods that the consumer can buy with given income and prices. An indifference curve shows combinations that give equal satisfaction. At equilibrium, the slope of the indifference curve, called MRS, is equal to the slope of the budget line or price ratio. Therefore MRSxy = Px/Py. If this condition is not satisfied, the consumer can rearrange purchases to reach a higher level of satisfaction. Tangency gives maximum satisfaction within budget.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

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

Answer: (See Solution) Go Back to Q 38

Q39.

Solution

Concept: This question is based on Demand. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: Extension and contraction of demand are movements along the same demand curve caused by change in the commodity's own price. Extension of demand occurs when price falls and quantity demanded rises. For example, if the price of apples falls from ₹ 100 to ₹ 80 per kg, consumers buy more apples. Contraction of demand occurs when price rises and quantity demanded falls. In the OR part, increase and decrease in demand are shifts of the demand curve caused by factors other than own price, such as income, tastes, number of buyers and prices of related goods.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 39

Q40.

Solution

Concept: This question is based on Price Elasticity of Demand. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: The geometric method measures elasticity at a point on a straight-line demand curve. At any point on a linear demand curve, elasticity is measured as the lower segment of the demand curve divided by the upper segment. At the midpoint, the lower and upper segments are equal, so elasticity equals one. Above the midpoint, the lower segment is greater than the upper segment, so demand is elastic. Below the midpoint, the lower segment is smaller than the upper segment, so demand is inelastic. At the price-axis intercept, elasticity is infinity, and at the quantity-axis intercept, elasticity is zero.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

Final Answer: See Solution

Answer: (See Solution) Go Back to Q 40

Q41.

Solution

Concept: This question is based on Production Function. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: Returns to scale describe the long-run relationship between proportional changes in all inputs and the resulting change in output. Increasing returns to scale occur when output increases more than proportionately compared to inputs. This may happen due to specialisation, better machinery and economies of scale. Constant returns to scale occur when output increases in the same proportion as inputs. Decreasing returns to scale occur when output increases less than proportionately, often due to managerial difficulties, coordination problems or diseconomies of scale. Returns to scale differ from the Law of Variable Proportions because all factors are variable in the long run.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

Final Answer: See Solution

Answer: (See Solution) **Go Back to Q 41**

Q42.

Solution

Concept: This question is based on Cost of Production. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: Explicit costs are actual money payments made by a firm to hire factors and buy inputs. Examples include wages paid to workers, rent paid for a building, interest paid on borrowed capital and cost of raw materials. Implicit costs are the estimated costs of self-owned resources used in production. Examples include the rent of the owner's own building, interest on the owner's own capital and salary for the owner's own managerial services. Economic cost includes both explicit and implicit costs. This distinction is important because accounting profit deducts only explicit costs, while economic profit deducts both types of costs.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

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

Answer: (See Solution) Go Back to Q 42

Q43.

Solution

Concept: This question is based on Supply. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: Increase and decrease in supply are shifts of the supply curve caused by factors other than the commodity's own price. Increase in supply means more quantity is supplied at the same price, so the supply curve shifts rightward. It may be caused by better technology, lower input cost, subsidies or increase in number of firms. Decrease in supply means less quantity is supplied at the same price, so the supply curve shifts leftward. It may be caused by higher input cost, taxes, unfavourable weather or exit of firms. These shifts differ from extension and contraction of supply, which are movements along the same curve due to own price changes.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

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

Answer: (See Solution) Go Back to Q 43

Q44.

Solution

Concept: This question is based on Forms of Market. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

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. Important features are single seller, absence of close substitutes, barriers to entry and control over price. Barriers may be legal, technical, financial or natural. A monopolist is called a price-maker because it can influence the price by controlling output. However, this does not mean the monopolist can sell any quantity at any price. Since the demand curve slopes downward, a higher price generally reduces quantity demanded. Therefore the monopolist chooses a price-output combination.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

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

Answer: (See Solution) Go Back to Q 44

Q45.

Solution

Concept: This question is based on Price Determination under Perfect Competition. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

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. The equilibrium price is the price at which quantity demanded equals quantity supplied. If price is above equilibrium, supply exceeds demand, creating unsold stock. Sellers reduce price and the market moves downward. If price is below equilibrium, demand exceeds supply, creating shortage. Buyers compete and price rises. Thus equilibrium price is stable because any deviation creates market forces that bring price back to equilibrium.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

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

Answer: (See Solution) Go Back to Q 45

Q46.

Solution

Concept: This question is based on Revenue and Profit Maximization. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: Total Revenue is the total amount received from selling output. Marginal Revenue is the change in Total Revenue when one more unit is sold. The relationship between TR and MR is direct. When MR is positive, TR rises because each additional unit adds to total revenue. When MR is zero, TR is maximum because the additional unit adds nothing to revenue. When MR becomes negative, TR falls because selling one more unit reduces total revenue. Under perfect competition, MR remains constant and equal to price. Under imperfect competition, MR falls as output increases because the firm reduces price to sell more units.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

Final Answer: See Solution

Answer: (See Solution) **Go Back to Q 46**

Q47.

Solution

Concept: This question is based on National Income and Related Aggregates. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: National Income is NNP at factor cost. Start with GDP at market price = ₹ 7,200 crore. To convert GDPMP to GDPFC, subtract Net Indirect Taxes: GDPFC = 7,200 - 600 = ₹ 6,600 crore. To get NDPFC, subtract depreciation: NDPFC = 6,600 - 450 = ₹ 6,150 crore. Now add Net Factor Income from Abroad. Here NFIA is -₹ 150 crore, so National Income = 6,150 + (-150) = ₹ 6,000 crore. Therefore National Income is ₹ 6,000 crore. The negative NFIA means foreigners earn more factor income domestically than residents earn from abroad.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

Final Answer: $\boxed{\text{National Income = Rs. 6,000 crore}}$

Answer: (See Solution) Go Back to Q 47

Q48.

Solution

Concept: This question is based on National Income Measurement. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: Value added means the net contribution of a producing unit to the value of output. It is calculated as value of output minus intermediate consumption. Suppose a flour mill buys wheat worth ₹ 1,000 and sells flour worth ₹ 1,600. Its value added is ₹ 600. If a bakery buys this flour for ₹ 1,600 and sells bread for ₹ 2,500, the bakery's value added is ₹ 900. Total value added is ₹ 1,500, not ₹ 4,100, because intermediate goods are excluded. Precautions include avoiding double counting and excluding sale of second-hand goods, though dealer commission is included as a current service.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

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

Answer: (See Solution) Go Back to Q 48

Q49.

Solution

Concept: This question is based on Consumption, Saving and Investment. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: The consumption function shows the relationship between consumption and income. It is often written as C = a + bY, where a is autonomous consumption and b is MPC. The saving function shows the relationship between saving and income. Since income is either consumed or saved, Y = C + S. Marginal Propensity to Consume is the ratio of change in consumption to change in income, MPC = Delta C / Delta Y. Marginal Propensity to Save is the ratio of change in saving to change in income, MPS = Delta S / Delta Y. Since Delta Y = Delta C + Delta S, dividing by Delta Y gives 1 = MPC + MPS. Therefore MPC + MPS is always equal to one.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

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

Answer: (See Solution) **Go Back to Q 49**

Q50.

Solution

Concept: This question is based on Balance of Payments. A complete answer should include definition, explanation and relevant formula or example.

Solution: Step 1: Begin with the key definition or formula related to the question.

Step 2: The current account of BOP records transactions in goods, services, income and current transfers. It includes visible trade, invisible trade, factor income and unilateral transfers. The capital account records changes in assets and liabilities, such as foreign investment, loans, banking capital and reserve movements. Autonomous transactions are undertaken for economic motives such as profit, income or investment and are independent of the BOP position. Accommodating transactions are made to settle a deficit or surplus created by autonomous transactions. For example, borrowing from abroad to cover a deficit is accommodating. Thus, current and capital accounts classify transactions, while autonomous and accommodating transactions explain their motive.

Step 3: Add supporting reasoning. If it is a diagram question, label axes and curves. If it is a numerical question, show substitution with units.

Step 4: Link the answer to the relevant economic principle, such as scarcity, equilibrium, factor income, aggregate demand or external transactions.

Step 5: Organise the points according to marks. Longer answers should include examples, diagrams or formula steps where appropriate.

Step 6: End with a clear conclusion or final value.

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