CLASS : 12th (Sr. Secondary) **4361/4311**

Series : SS-M/2019

Total No. of Printed Pages : **56** | ***SET : A, B, C & D***

MARKING INSTRUCTIONS AND MODEL ANSWERS

अर्थशास्त्र

ECONOMICS

ACADEMIC/OPEN

(Only for Fresh/Re-appear Candidates)

उप-परीक्षक मूल्यांकन निर्देशों का ध्यानपूर्वक अवलोकन करके उत्तर-पुस्तिकाओं का मूल्यांकन करें। यदि परीक्षार्थी ने प्रश्न पूर्ण व सही हल किया है तो उसके पूर्ण अंक दें।

General Instructions :

(i) *Examiners are advised to go through the general as well as specific instructions before taking up evaluation of the answer-books.*

(ii) *Instructions given in the marking scheme are to be followed strictly so that there may be uniformity in evaluation.*

(iii) *Mistakes in the answers are to be underlined or encircled.*

(iv) *Examiners need not hesitate in awarding full marks to the examinee if the answer/s is/are absolutely correct.*

(v) *Examiners are requested to ensure that every answer is seriously and honestly gone through before it is awarded mark/s. It will ensure the authenticity as their evaluation and enhance the reputation of the Institution.*

(vi) *A question having parts is to be evaluated and awarded partwise.*

(vii) *If an examinee writes an acceptable answer which is not given in the marking scheme, he or she may be awarded marks only after consultation with the head-examiner.*

(viii) *If an examinee attempts an extra question, that answer deserving higher award should be retained and the other scored out.*

(ix) *Word limit wherever prescribed, if violated up to 10%. On both sides, may be ignored. If the violation exceeds 10%, 1 mark may be deducted.*

(x) *Head-examiners will approve the standard of marking of the examiners under them only after ensuring the non-violation of the instructions given in the marking scheme.*

(xi) *Head-examiners and examiners are once again requested and advised to ensure the authenticity of their evaluation by going through the answers seriously, sincerely and honestly. The advice, if not headed to, will bring a bad name to them and the Institution.*

महत्त्वपूर्ण निर्देश :

(i) *अंक-योजना का उद्देश्य मूल्यांकन को अधिकाधिक वस्तुनिष्ठ बनाना है। अंक-योजना में दिए गए उत्तर-बिन्दु अंतिम नहीं हैं। ये सुझावात्मक एवं सांकेतिक हैं। यदि परीक्षार्थी ने इनसे भिन्न, किन्तु उपयुक्त उत्तर दिए हैं, तो उसे उपयुक्त अंक दिए जाएँ।*

(ii) *शुद्ध, सार्थक एवं सटीक उत्तरों को यथायोग्य अधिमान दिए जाएँ।*

(iii) *परीक्षार्थी द्वारा अपेक्षा के अनुरूप सही उत्तर लिखने पर उसे पूर्णांक दिए जाएँ।*

(iv) *वर्तनीगत अशुद्धियों एवं विषयांतर की स्थिति में अधिक अंक देकर प्रोत्साहित न करें।*

(v) *भाषा-क्षमता एवं अभिव्यक्ति-कौशल पर ध्यान दिया जाए।*

(vi) *मुख्य-परीक्षकों / उप-परीक्षकों को उत्तर-पुस्तिकाओं का मूल्यांकन करने के लिए केवल Marking Instructions/ Guidelines दी जा रही है यदि मूल्यांकन निर्देश में किसी प्रकार की त्रुटि हो, प्रश्न का उत्तर स्पष्ट न हो, मूल्यांकन निर्देश में दिए गए उत्तर से अलग कोई और भी उत्तर सही हो तो परीक्षक, मुख्य-परीक्षक से विचार-विमर्श करके उस प्रश्न का मूल्यांकन अपने विवेक अनुसार करें।*

SET – A

(Objective Questions)

1. (i) (A) 1

(ii) (A) 1

(iii)	(C)	1
(iv)	(D)	1
(v)	(C)	1
(vi)	(C)	1
(vii)	(D)	1
(viii)	False	1
(ix)	False	1
(x)	True	1
(xi)	False	1
(xii)	False	1
(xiii)	True	1

(xiv) True 1

(xv) False 1

(xvi) False 1

(Very Short Answer Type Questions)

2. According to Dr. Marshall, "Economics is a study of mankind in the ordinary business of life. It examines that part of individual and social action which is most closely connected with the obtainment and use of material requisites of well being." 2

3. Demand function studies the functional relationship between demand for a commodity and its various determinants. 2

$$D_x = f\ (P_x, y, P_r, Popu, T \ \&\ F \text{ etc.})$$

4. (i) Marginal cost should be equal to marginal revenue (i. e.) MC = MR. 2

(ii) MC curve intesects MR curve from below.

5. (i) Old age pension. 2

(ii) Scholarships

6. Tertiary sector is that sector which provides the services to the people, such as, banking, insurance, transport, tourism services etc. 2

7. Oligopoly is a form of the market in which there is large number of buyers, but only few big severs of a commodity. Example : Auto market in India; Cement Industry. 2

8. Flexible exchange rate is that rate which is determined by demand for and supply of different currencies in the foreign exchange market. The market where foreign currencies are demanded and supplied is called foreign exchange market. 2

(Short Answer Type Questions)

9. ***Solution :*** 1 + 1 + 1 + 1 = 4

Production (Units)	TC	TFC	TVC	AFC	AVC
0	40	40	0	–	–
1	80	40	40	40	40
2	110	40	70	20	35
3	126	40	86	13.3	28.7
4	128	40	88	10	22
5	135	40	95	8	19
6	180	40	140	6.6	23.3

Note : TC : Total Cost; TFC = Total Fixed cost TVC = Total variable cost, AVC = Average variable cost; AFC = Avarage Fixed Cost.

10. ***Difference between perfect competition and monopoly :*** 4

	Reference	**Perfect Competition**	**Monopoly**
1.	No. of sellers and buyers	Large	One seller, but large no. of buyers
2.	Product	Homogeneous	Homogeneous or Differentiated
3.	Price	Uniform	Not uniform because of price discrimination
4.	Entry of firms	Free entry	Entry not possible

11. Monopoly refers to the market in which there is a single seller of a commodity with complete control over its price : 4

Features :

(i) A single seller.

(ii) Barriers to the entry of new firms.

(iii) No close substitute.

(iv) Full control over price.

(v) Possibility of price discrimination.

12. Intermediate goods are those goods which are used as raw material for further production or are purchased for resale. Final goods are those goods which are used either for final consumption or for investment. 4

13. ***Functions of Central Bank :***

(i) Issuing of notes

(ii) Banker to the Government

(iii) Banker's Bank

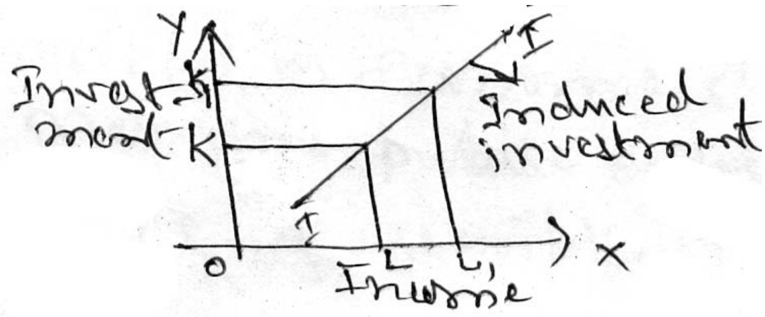
(iv) Supervision of Banks

(v) Lender to the last resort

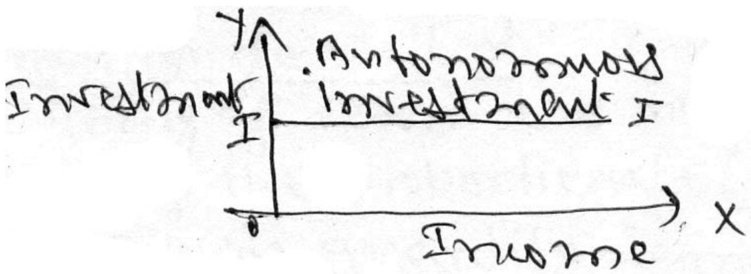
(vi) Control of credit

(Brief description) 4

14. ***Induced Investment :*** It is that investment which depends upon quantum of income and profit of an economy. Investment is induced by expected profitability. It depends upon (i) Marginal efficiency of capital (ii) Rate of interest. 4



Autonomous investment : It refers to that investment which is independent of change in income. This investment is undertaken to promote the aggregate demand in the economy.



It depends upon considerations of Social Welfare.

15. Components of monetary policy : 4

(i) Bank rate

(ii) Open market operations

(iii) Cash reserve ratio

(iv) Statutory dignidity ratio

(Brief description)

16. ***Importance of Govt. Budget :***

(i) Helpful in redistribution of income and wealth.

(ii) Helpful in reallocation of resources.

(iii) Helpful in economic stability.

(iv) Managing public enterprises.

(Brief description) 4

(Long Answer Type Questions)

17. Price elasticity of demand is percentage change in demand divided by percentage change in price. 2 + 4 = 6

Proportionate method : Under this method elasticity of demand is measured by the ratio of the proportionate (Precentage) change in quantity demanded to the proportionate change in price.

$$E_d = (-)\ \frac{\text{Proportionate Change in Quantity Demaned}}{\text{Proportionate Change in Price}}$$

$$= (-)\ \frac{\dfrac{\text{Change in Demand}}{\text{Initial Demand}} \times 100}{\dfrac{\text{Change in Price}}{\text{Initial Price}} \times 100}$$

$$= (-)\ \frac{\dfrac{Q_1 - Q}{Q}}{\dfrac{P_1 - P}{P}} = (-)\ \frac{\dfrac{\Delta Q}{Q}}{\dfrac{\Delta P}{P}}$$

$$E_d = (-)\ \frac{\Delta Q}{Q} \div \frac{\Delta P}{P} = (-)\ \frac{\Delta Q}{Q} \times \frac{P}{\Delta P}$$

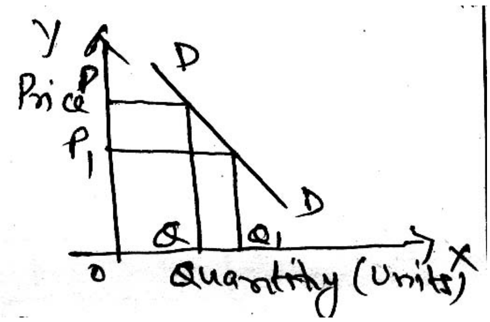
$$\text{or } E_d = (-)\ \frac{\Delta Q}{\Delta P} \cdot \frac{P}{Q}$$

Q = Initial demand; P = Initial Price

ΔQ = Change in demand; ΔP = Change in price.

OR

Law of demand states that, other things being equal, more of a commodity is purchased in response to decrease in its price and vice-versa. Demand curve slopes downwards from left to right, which show the inverse relationship between price and quantity demanded.



Why does demand curve slopes downwards :

(i) Law of diminishing marginal utility.

(ii) Income effect.

(iii) Substitution effect.

(iv) Size of consumer group.

(v) Different uses

(Brief explanation) 2 + 4 = 6

18. Perfect competition is a market situation in which there are large number of buyers and sellers. The sellers sell homogeneous product at a single uniform price. The price is determined not by the firm but by the industry.

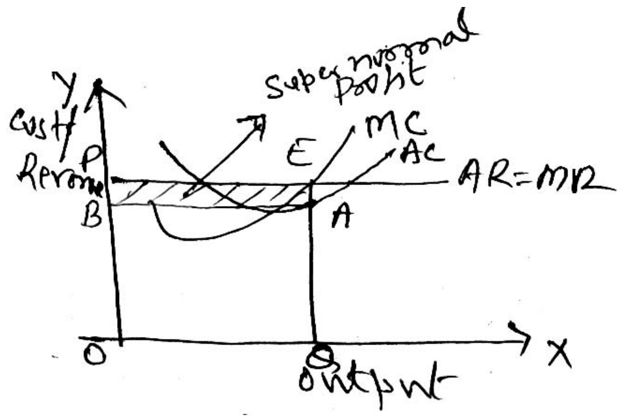
Equilibrium of the firm in short run : Conditions of equilibrium are as :

(i) MC = MR

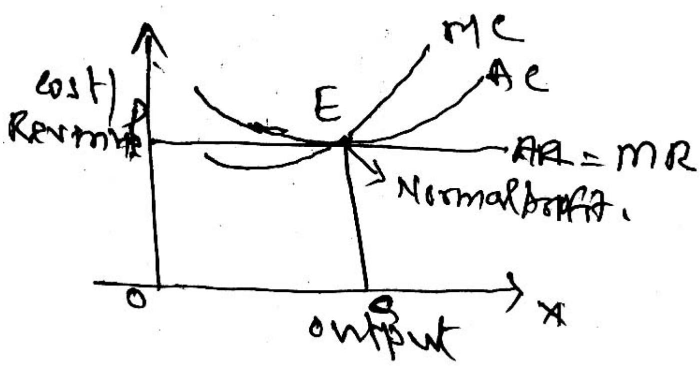
(ii) MC curve intersects MR curve from below

A firm in shortrun may finance any of the three solutions :

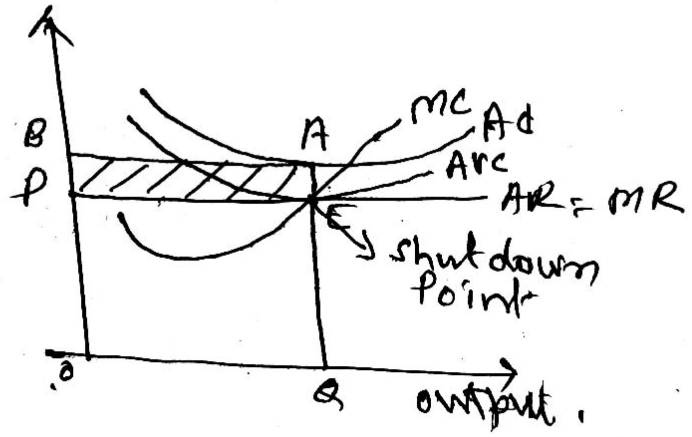
(i) **Super Normal Profits :** A firm is earn super normal profits. When AR > AC. In fig. OP is price (AR) and AC at OQ output level is less than AR(P). The total super normal profit of the firm is ABPE, the shaded area.



(ii) **Normal Profit :** OP is price and OQ is output level. AC = AR, hence, Total Cost is equal to total revenue and the firm earns normal profit.



(iii) **Minimum Loss :** A firm may incur minimum loss when average cost of equilibrium output is more than price (AR) determined by industry, by an amount equal to fixed cost (AC-AR = FC), i. e., when price (AR) is equal to average variable cost (AR = Mini. AVC).



Price is OP and OQ is output at equilibrium level point E, where AC > AR, hence the firm is in loss of PEAB, the shaded area. The firm will bear the loss upto to total fixed cost. 2 + 4 = 6

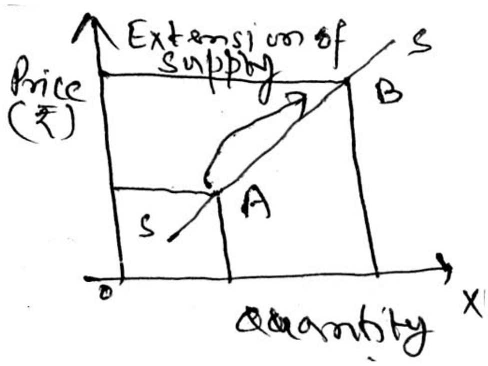
OR

Extension of Supply : Other things being equal, when quantity supplied of a commodity increases due to rise in its price it is called extension of supply. It is shown in Table and Figure given below :

Price ₹	**Quantity (Units)**	**Description**
1	1	Rise in price
		↓
5	5	Extension of Supply

Table shows when price is ₹ 1, then supply is of 1 unit, when price rises to ₹ 5, the supply extends to 5 units.

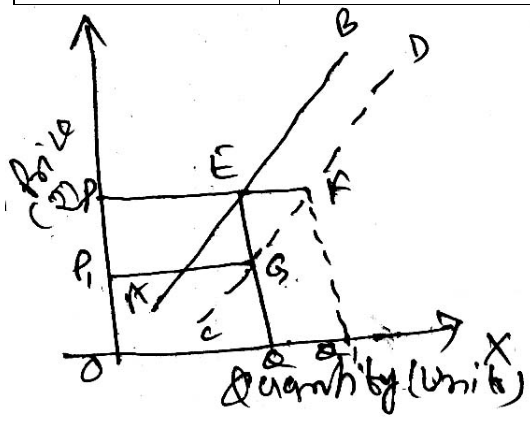
The producer moves from point A to point B on the same supply curve. Thus, the movement from the lower point to the higher point on the supply curve is called extension of supply.



Increase in Supply : More supply at same price or same supply at less price is called increase in supply. Thus, increase in supply implies two things :

Table

Price (₹)	**Quantity Units**
Same Price	More Supply
3	3
3	4 A
Less Price	Same Supply
3	3
2	3 B



(i) **Same Price More Supply :** In table above (Case A), when price is ₹ 3, supply is 3 units, price remains same (₹ 3), if supply goes up to 4 units, it is an increase in supply.

(ii) **Less price same supply :** In table (Case B) When price is ₹ 3, supply is 3 units, If price falls to ₹ 2 and there is no change in supply; i. e., remains the same, it will also an increase in supply.

In figure give above for increase in supply, suppose, AB is the initial supply curve, the produce is at point E. It shifts downwards to the right due to change in factors other than price and assumes the form of CD, it implies two things (i) Supply increase from 3 to 4 units at shown by point F. (ii) Price falls to ₹ 2, but supply remains the same, as shown by point G. New supply curve CD represents increase in supply.

19. ***Expenditure method :*** 6

Expenditure method is the method which measures final expenditure on gross domestic product at market price during an accounting year.

Steps involved in measure expenditure method :

(1) **Identification of Economic Units Incurring Final Expenditure :**

- (i) Household sector
- (ii) Production sector
- (iii) Government sector
- (iv) Rest of the world sector

(2) **Classification of Final Expenditure :**

- (i) Private final consumption expenditure
- (ii) Govt. final consumption expenditure
- (iii) Gross domestic fixed capital formation
- (iv) Change in stock or inventory investment
- (v) Net exports

(3) **Measurement of Final Expenditure :**

(i) Measurement of private final consumption expenditure

(ii) Measurement of govt. final expenditure

(iii) Gross fixed capital formation

(a) Expenditure on construction

(b) Final expenditure on machinery and equipment

(iv) Expenditure on change in stock

(v) Next exports measurement

(X-M)

(4) GDP at MP = (i) + (ii) + (iii) + (iv) + (v)

National Income = GDP at MP
(NNP at FC) – Depreciation + NFIA
– Net Indirect Tax
(Indirect Tax – subsidy)

OR

Income method : Income method measures national income in terms of payments made in the form of wages, rent, interest and profit to the primary factors of production, i. e., Labour, land, capital and enterprise respectively for their productive services in an accounting year.

Steps Involved in Income Method :

(1) **Identification and classification of productive enterprises :**

(i) Primary sector

(ii) Secondary sector

(iii) Tertiary sector

(2) **Classification of Factor Income :**

(i) Compensation of employees

(ii) Operating Surplus

(iii) Mixed Income

(iv) Net factor Income from Abroad

(3) **Estimation of Factor Income :**

(i) Net National Income

(ii) Gross National Income

(iii) Net National product at market price.

(4) NDP at FC = Compensation of employees + Operating Surplus + Mixed Income NNP at FC = NDP at FC + N. F. I. A.

SET – B

(Objective Questions)

1. (i) (A) 1

(ii) (A) 1

(iii) (D) 1

(iv) (B) 1

(v) (B) 1

(vi) (D) 1

(vii) (A) 1

(viii) (C) 1

(ix) False 1

(x) True 1

(xi) False 1

(xii) False 1

(xiii) True 1

(xiv) True 1

(xv) False 1

(xvi) True 1

(Very Short Answer Type Questions)

2. (i) Resources are limited in relation to our wants.

(ii) Resources have alternative uses. 2

3. Inferior goods are those goods whose demand decreases with increase in income and vice-verse, i. e., income effect is negative. 2

4. Production function represents the technical relationship between firms physical production (Output) and the material factors of production (Input). 2

$$Q_X : f(N, L, K, E)$$

5. Compensation of the employees is the payments by the producers, of wages and salaries to their employees in cash and in kind and of contributions paid or imported in respect of their employees to social security schemes. 2

6. (a) (i) Factor incomes are the incomes received by the owners of factors of production for rendering their factor Services to the producers.

(ii) It is included in calculation of national income.

(b) (i) Transfer incomes, on the other hand, are one-sided incomes. These are like charity or grant from one sector to the other sector.

(ii) We can't include it in calculation of national income. 2

7. (i) Accepting Deposits

(ii) Advancing Loans 2

8. Exchange rate is that rate at which one currency can be exchanged for the other in the international foreign exchange market. 2

(Short Answer Type Questions)

9. **Characteristics of Indifference curves :** 4

(i) An indifference curve generally slopes downwards from left to right.

(ii) Convex to the point of origin.

(iii) Two indifference curves never touch or intersects each other.

(iv) Indifference curve need not to be parallel to each other.

10. ***Increase in Supply :*** 4

See the part of Q. No. **18** answer of **SET – A**

11. Macroeconomics is that branch of economics which studies economic problems or economic issues at the level of the economy as a whole. 4

Scope of macroeconomics :

(i) Theory of National Income

(ii) Theory of Employment

(iii) Theory of Money

(iv) Theory of Economic Growth

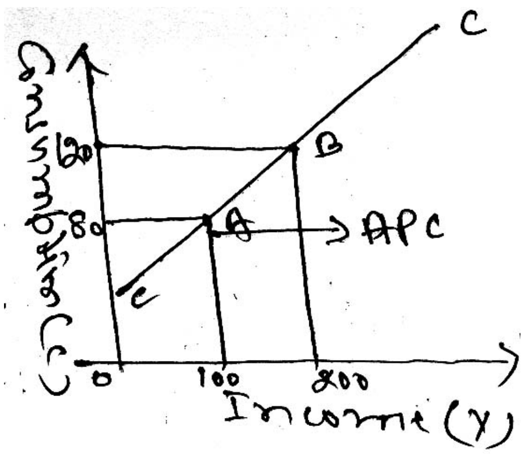
(v) Theory of International Trade

(Brief Description)

12. (i) ***Average Propensity to Consume (APC) :*** It is the ratio between total consumption (C) and total income (Y) It shows what part of their total income, people will spend on consumption. 4

APC = C/Y

Y ₹	C ₹	APC $= \frac{C}{Y}$
100	80	$\frac{80}{100} = 0.8$
200	120	$\frac{120}{200} = 0.6$



(ii) **Marginal Propensity to Consume :** It refers to the ratio between change in consumption (ΔC) and change in Income (ΔY).

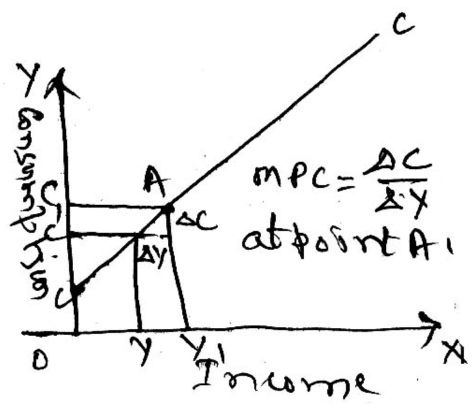
$$MPC = \frac{\Delta C}{\Delta Y}$$

ΔC = Change in consumption

ΔY = Change in Income

Y ₹	ΔY ₹	C ₹	ΔC	MPC = $\frac{\Delta C}{\Delta Y}$
100	–	80	–	–
200	100	120	40	$\frac{40}{100} = 0.4$
300	100	150	30	$\frac{30}{100} = 0.3$

Generally MPC is greater than zero and less than one.



13. Functions of money :

(i) Medium of exchange

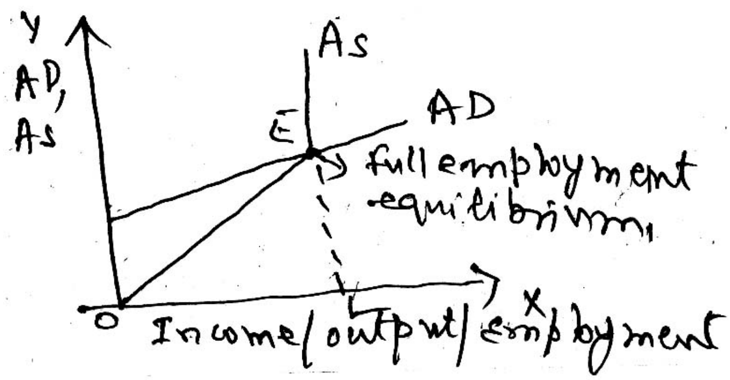
(ii) Measure of value

(iii) Standard of differed payments

(iv) Basis of credit creation

(Brief explanation) 4

14. ***Full Employment Equilibrium :*** In such a situation equality, between AS and AD coincides with fuller utilization of resources in the economy. 4



15. A tax is a legally compulsory payment imposed by the government on the households, firms and producers. The tax payer cannot expect any service or benefit from the government, in return. 4

Main Features :

(i) Compulsory Payment

(ii) Public Welfare

(iii) No proportionate Relation between the Tax and the Benefit.

(iv) Payment of taxes is the personal responsibility of an Individual.

(Brief Explanation)

16.

Balance of Trade	**Balance of Payments**
(i) Narrow term	Broad term
(ii) Only visible items	Visibile and invisible both items

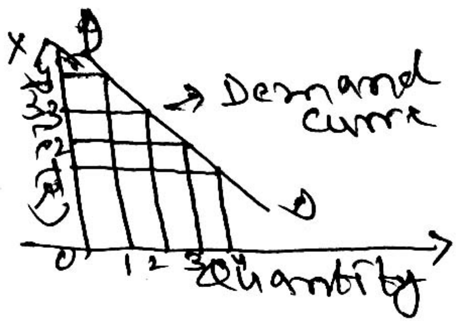
(iii) May have unbalanced	Always balanced
(iv) Partial record of international trade	Complete record of international trade

4

(Long Answer Type Questions)

17. Demand curve is graphic presentation of the inverse relationship between price and quantity demand of a commodity.

DD is the demand curve.



Why does Demand Curve Slope Downwards :

(i) Law of Diminishing Marginal utility

(ii) Income effect

(iii) Substitution effect

(iv) Size of the consumer group

(v) Different uses 6

OR

Definition of price elasticity-See Question No. **17** of **SET – A**. 2 + 4 = 6

Total Expenditure Method :

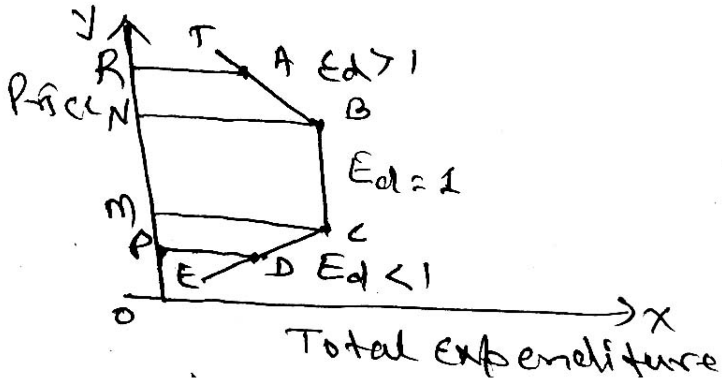
There are three possible situations

(i) **Unitary Elastic Demand :** It rise or fall in price makes no change in total expenditure (TE).

(ii) **Greater than unitary Elastic :** With the fall in price total expenditure increases and with rise in price total expenditure decreases.

(iii) **Less than unitary Elastic :** With fall in price total expenditure decreases and with rise in price total expenditure increases.

	Price ₹	Q_x	T,E.	Effect on T. E.	Elasticity of Demand
A	2 1	4 8	8 8	No Change	$E_d = 1$
B	2 1	4 10	8 10	Increases	$E_d > 1$
C	2 1	3 4	6 4	Decreases	$E_d < 1$



(Brief Explanation)

18. Oligopoly is market in which there is a large number of buyers, but only few big sellers of a commodity. 2 + 4 = 6

Features/Characteristics of Oligopoly :

(i) A few firms

(ii) Large number of buyers

(iii) Barriers

(iv) High degree of interdependence

(v) Not possible to determine firms demand curve

(vi) Formation of cartels

(Brief explanation)

OR

Characteristics of perfect competition : 6

(i) Large number of firms or sellers

(ii) Large number of buyers

(iii) Homogeneous product

(iv) Perfect knowledge

(v) Free entry and exit of firms

(vi) Independent decision making

(vii) Perfect mobility

(viii) No extra transport cost

(Brief explanation)

19. See the Answer of Question No. **19** of SET – **A** 6

OR

Problem/Error of Double Counting : 3 + 3 = 6

The problem of double counting is the problem of estimating the value of goods and services more than once. This is because while estimating national income by using final output method, the value of only final goods and services is taken into consideration. For example if a former sells his wheat to the flour mill of ₹ 400 he converted it into flour and sells to baker for ₹ 600 and baker after making bread sells to shopkeeper for ₹ 800 and shopkeeper sells to the final consumer to ₹ 900 Value of farmer, flour mill, baker and shopkeeper will be as under.

Value of output = 400 + 600 + 800 + 900 = ₹ 2,700

Every producer treats the commodity he sells as final, here the value of wheat, flour and services of baker have been counted more than once. It is called double counting, which leads to over estimation of the national product.

How to Avoid Double Counting :

Two methods are used :

(i) Final output method

(ii) Value Added Method

(Brief Explanation)

SET – C

(Objective Questions)

1. (i) (D) 1

(ii) (A) 1

(iii) (B) 1

(iv)	(C)	1
(v)	(C)	1
(vi)	True	1
(vii)	True	1
(viii)	False	1
(ix)	True	1
(x)	False	1
(xi)	False	1
(xii)	Extension of supply	1
(xiii)	Transfer Income	1
(xiv)	Currency and Bank Deposit	1
(xv)	Revenue and expenditure	1
(xvi)	Investment multiplier	1

(Very Short Answer Type Questions)

2. Economics is the science that studies human behaviour as a relationship between ends and scarce means which have alternative uses. 2

3. Consumer's equilibrium refers to a situation when a consumer maximize his satisfaction, spending his given income across different goods and services. 2

4. Perfect competition is a market situation in which there are large number of buyers and sellers. The sellers sell homogeneous product at a single uniform price. The price is determined by the industry. 2

5. Stock of a commodity refers to the total quantity of that commodity which at any given time is available in the market with the seller. 2

6. See the Answer of Question No. **7**, SET – **B.** 2

7. Deficity budget is that budget in which government receipts are less than the government expenditure; R < E. 2

8. (i) It ensures stability in the exchange market.2

(ii) In encourages international trade.

(Short Answer Type Questions)

9. Returns to a factor are studied with reference to variable proportions type production function, whereas returns to a scale are studied with reference to 'Constant Proportions' type production function. 4

Returns to a scale is only a long period possibility, returns to a factor are often studied with reference to short period.

In case of return to a factor, all factors of production are variable while in case of return to a factor, only one factor of production is variable while other factors remain constant.

10. ***Difference between Perfect Competition and Monopolictic Competition :*** 4

	Reference	**Perfect Competition**	**Monopolistic Competition**
1.	Number of sellers and buyers	Large	Large
2.	Product	Homogenous	Product differentiation
3.	Price	Uniform	Not uniform because of product differentiation
4.	Entry of Firms	Fee Entry	Not absolute freedom
5.	Firm's Demand Curve	Perfectly Elastic	Relativity more elastic

11. The concept of private income is broader than the personal income. Personal income refers to income of individuals and households only.

Private income includes income of private corporations as well.

Personal Income = Private Income – Undistributed profits – Corporate Taxes. 4

12. Mixed income refers to the total income of self-employed and earned profit of unincorporated enterprises, like income of doctor, farmer, etc. These incomes are mixed in terms of wages, rent, interest and profit : that is why it is called mixed income. 4

13. ***Difficulties of Barter System :***

(i) Difficulty of double coincidence of wants.

(ii) Trading costs of barter system.

(iii) Lack of common unit of value.

(iv) Lack of system for deffered payments.

(Brief Explanation) 4

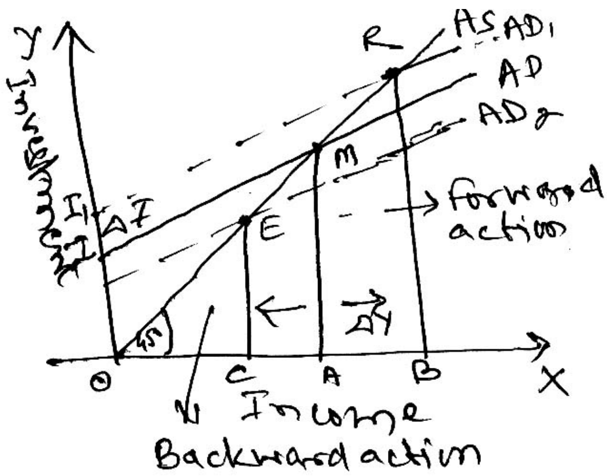
14. See Question No. **14** of SET – **B**. 4

15. Concept of multiplier establishes relationship between additional investment and additional income. It is the ratio between change in income (ΔY) and change in investment (ΔI).

$$K = \frac{\Delta Y}{\Delta I}$$

Working of the Multiplier : It is explained in the following diagram, assuming MPC is 0.5 or $\frac{1}{2}$.

Initial investment and income are in equilibrium at point M. When Investment Increases I to I_1; income change from A to B, which is the for ward action. Decrease in initial investment would leads to backward action. 4



16. (i) Huge development expenditure by the Govt.

(ii) Business cycles

(iii) High rate of inflation

(iv) Change in the cost structure 4

(Long Answer Type Questions)

17. See the Answer of Question No. **17** of SET-**A**.

2 + 4 = 6

OR

See the Answer of Question No. **17** of SET-**B**.

2 + 4 = 6

18. Supply of a commodity refers to those quantities of the commodity that seller is ready to sell at a different possible prices at a given time. 2 + 4 = 6

Factor Affecting Supply :

(i) Price of the commodity

(ii) Prices of other goods

(iii) Number of firms

(iv) Prices of factors of production

(v) Change in technology

(vi) Expected future price

(vii) Govt. Policy

(Brief Explanation)

OR

See the Answer of Question No. **18** of SET – **A**. 6

19. Monopolistic Competition : 6

Monopolistic competition is a form of the market in which there many buyers and sellers of a commodity. A product has a large number of substitute and a producer generally exercises partial control over price.

Characteristics:

(i) Large number of firms and buyers

(ii) Product differentiation

(iii) Freedom of entry and exit of firms

(iv) Selling cost

(v) Lack of perfect knowledge

(vi) Non-price competition

(vii) Partial Price Control

(Brief Explanation)

OR

See the Answer of Question No. **18** of SET **– B**. 6

SET – D

(Objective Type Questions)

1. (i) (A) 1

(ii) (C) 1

(iii) (B) 1

(iv) (D) 1

(v) (B) 1

(vi) (B) 1

(vii) (D) 1

(viii) (D) 1

(ix) True 1

(x) False 1

(xi) False 1

(xii) True 1

(xiii) False 1

(xiv) False 1

(xv) True 1

(xvi) True 1

(Very Short Answer Type Questions)

2. See the Answer of Question No. of **SET– A**. 2

3. Demand referes to the quantities of a commodity that the consumers are able and willing to buy at each possible price of the commodity during the given period of time, other things being equal. 2

4. Law of supply states that, other things being equal, there is a positive relationship between price of a commodity and its quantity supplied. 2

$$S_x - f\ (P_x) \quad \text{(Positive relationship)}$$

5. **Selling Costs :** In monopolistic competition each firm has to spend a lot on advertisement of its products. In order to sell more units of the product, it gives wide publicity of its product in news-papers, journals, ratio, TV etc. The expenses on advertisement and publicity are called selling costs. 2

6. Two differences are as follows : 2

(i) Under monopoly there is only one producer while under monopolistic competition there are large number of producers.

(ii) Product differentiation is an essential characteristics of monopolistic competition. It may not found in monopoly market.

7. (i) Difficulty of double coincidence of wants. 2

(ii) Lack of common unit of value.

8. Tax is a compulsory payments to the government by the households, firms or other institutional units. 2

(Short Answer Type Questions)

9. Relation between Total Product and Marginal Product : 4

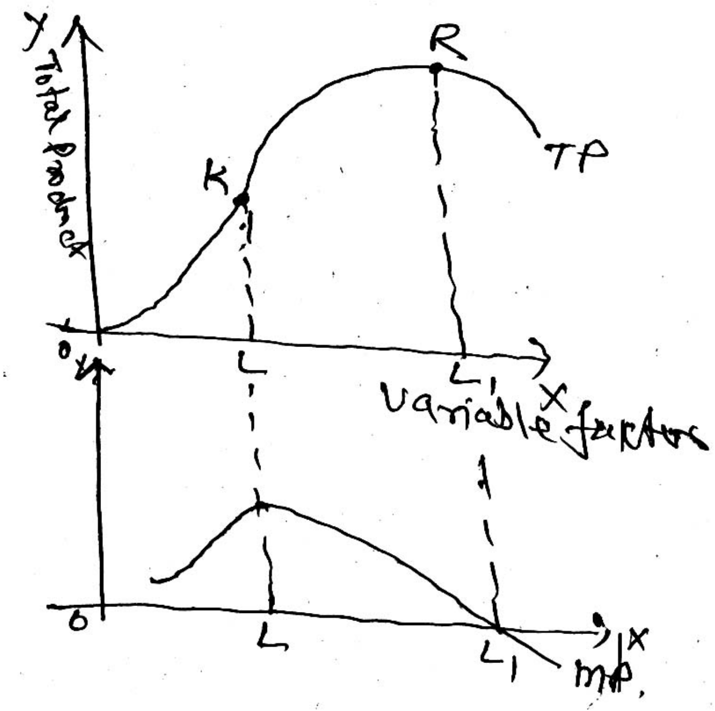
(i) **Total Product :** It is the total amount of goods and services produced in a given period.

(ii) **Marginal Product :** It is the change in total product due to application of one more OX less variable factor. $MP = TP_n - TP_{n-1.}$

(1) Initially both MP & TP increases.

(2) When TP is maximum, MP is zero.

(3) When TP decreases then MP becomes negative.



10. ***Difference between micro and macro-economics :***

(i) Basis of the study

(ii) Degree of aggregation

(iii) Different assumptions

(iv) Central issues

(Brief Explanation) 4

11. ***Difference between Monopoly and perfect competition :*** 4

(i) Nature of product

(ii) Number of sellers and buyers

(iii) Restriction on entry

(iv) Price and output of the commodity

(v) Shape of demand curve

(vi) Price discrimination

(Brief Explanation)

12. Functions of Reserve Bank of India : 4

(i) Note issuing authority

(ii) Banker to the government

(iii) Banker's bank

(iv) Lender of the last resort

(v) Control of Credit

(Brief explanation)

13. See the Answer of Question No. **11** of SET – **C**. 4

14. See the Answer of Question No. **14** of SET – **B**. 4

15. **Revenue Expenditure :** 4

(i) These expenditures do not create assets for the government.

(ii) These expenditure do not cause any liability of the government.

Capital expenditure :

(i) Creats assets for the government.

(ii) Cause reduction in liabilities of the government.

16. See the Answer of Question No. **16** of SET – **B**. 4

(Long Answer Type Questions)

17. See the Answer of Question No. **17** of SET – **A**.

2 + 4 = 6

OR

What is Price Elasticity of Demand :

See the Answer of Question No. **17** of SET – **A**.

2 + 4 = 6

Factors Affecting Elasticity of Demand :

(i) Nature of commodity

(ii) Different uses of commodity

(iii) Income of consumer

(iv) Proportion of income spent on a commodity

(v) Price Level

(vi) Availability of substitutes

(vii) Habit of consumer

(viii) Time period

(Brief Explanation)

18. See the Answer of Question No. **18** of SET – **A**.

3 + 3 = 6

OR

Characteristics of Perfect Competition : 6

(i) Large number of firms or sellers and buyers.

(ii) Homogeneous product

(iii) Perfect Knowledge

(iv) Free entry and exit of firms

(v) Independent decision making

(vi) Perfect mobility

(vii) No extra transport cost

(viii) Same average and marginal revenue

(Brief explanation)

19. See the Answer of Question No. **19** of SET – **A**. 6

OR

Solution :

(i) Domestic Income = Wages + Rent + Interest + Dividend + Mixed Income + Undistributed profits + Social Security Contribution+ Corporate Profit Tax.

∴ Domestic Income = ₹10,000 + ₹ 5,000 + ₹ 400 + ₹ 3,000 + ₹ 400 + ₹ 200 + ₹ 400 + ₹ 400 = ₹ 19,800.

Hence Domestic Income = ₹ 19,800.

(ii) National Income = Domestic Income + Net Factor Income from Abroad

∴ National Income = ₹ 19,800 + ₹ 1,000 = ₹ 20,800.

Income, National Income = ₹ 20,800.