CAREERS360

PRACTICE Series

Maharashtra HSC

Economics Sample Paper 2025

Maharastra HSC Sample Paper 2025 Economics

Time: 3 hours   Maximum Marks:80

Note:

(1) All questions are compulsory.
(2) Figures to the right indicate full marks.
(3) Start answer to every new question on new page.

Q. 1. (A) Choose the correct option :

(i) Method adopted in microeconomic analysis

(a) Lumping method

(b) Aggregative method

(c) Slicing method

(d) Inclusive method
Options: (1) a, c, d
(2) b, c, d
(3) Only c
(4) Only a

Solution:

The method adopted in microeconomic analysis is the slicing method. This approach involves examining individual units or small segments of the economy, such as households or firms, rather than the economy as a whole.

The correct option is: (3) Only c

(ii) Factors which are working in unorganised money market.

(a) Money lenders

(b) Commercial bank

(c) Hundi

(d) Chit funds
Options : (1) a, b, c
(2) b, c
(3) b, d
(4) a, c, d

Solution:

Factors working in the unorganised money market include money lenders, hundis, and chit funds. These entities operate outside the formal banking sector, providing financial services in a less regulated environment.

The correct option is: (4) a, c, d

(iii) Optional functions of Government.

(a) Protection from external attack

(b) Provision of education and health services

(c) Provision of social security measures

(d) Collection of tax

Options : (1) b, c
(2) a, b, c
(3) b, c, d
(4) All of the above

Solution:

Optional functions of the government are those that enhance citizens' quality of life but are not essential for the government's basic operation. These include the provision of education and health services (b) and social security measures (c). Essential functions include protection from external attack (a) and collection of tax (d).

The correct option is: (1) b, c

(iv) Statements that highlight the significance of index numbers.

(a) Index numbers are useful for making future predictions.

(b) Index numbers help in the measurement of inflation.

(c) Index numbers help to frame suitable policies.

(d) Index numbers can be misused.
Options :(1) b, c, d
(2) a, b, c
(3) a, b, d
(4) a, c, d

Solution:

Index numbers are significant because they are useful for making future predictions (a), help in the measurement of inflation (b), and aid in framing suitable policies (c). While they can be misused (d), the main focus is on their utility in economic analysis.

The correct option is: (2) a, b, c

(v) Blood bank is an example of

(a) Place utility

(b) Knowledge utility

(c) Service utility

(d) Time utility
Options: (1) a, b, c
(2) b, c, d
(3) a, b, d
(4) Only d

Solution:

A blood bank primarily provides time utility by storing blood for future use when it is needed, ensuring availability during emergencies. It also offers a service by providing blood to those in need.

The correct option is: (2) b, c, d

(B) Find the odd word out:

(i) Revenue concepts :

Total Revenue, Average Revenue, Total Cost , Marginal Revenue.

Solution: Total Cost

(ii) Quantitative Tools of credit control :

Bank rate, Open market operations, Foreign Exchange rate, Variable reserve ratio.

Solution: Foreign Exchange rate

(iii) Types of budget :

Deficit budget, Zero budget, Balanced budget,

Solution: Zero budget

(iv) Legal monopoly:

Patent, OPEC, Copyright, Trademark.

Solution: OPEC

(v) Non-tax revenue :

Fees, Penalty, Wealth tax, Special levy.

Solution: Wealth tax

(C) Give economic term :

(i) More quantity is demanded due to changes in the favourable factors determining demand other than price.

Solution: Increase in demand

(ii) A desire which is backed by a willingness to purchase and ability to pay.

Solution: demand.

(iii) Very realistic competition in nature.

Solution: Monopolistic competition

(iv) Period in which all factors of production are variable.

Solution: Long run period.

(v) The gross market value of all final goods and services produced within the domestic. territory of a country during a period of a year.

Solution: GDP (Gross Domestic Product).

(D) Complete the correlation :

(i) General equilibrium: Macro Eeonomics : : ______: Micro Economics

Solution: Partial equilibrium

(ii) Output method: _______: Income method: Factor cost method

Solution: Product method or inventory method

(iii) Perfectly elastic demand : $\mathrm{Ed}=\infty :: \square : \mathrm{Ed}=1.$

Solution: Unitary elastic demand

(iv) Output method : Product method : :_______ : Factor cost method.

Solution: Income method

(v) Personal income tax : _________ : : Goods and service tax (GST) : Indirect tax.

Solution: Direct tax

Q. 2. (A) Identify and explain the following concepts :

(i) Manisha satisfied her want of writing an essay by using pen and notebook.

Solution: Concept: Utility
Explanation:
Utility is the capacity of a commodity to satisfy human wants. In other words, utility is the want satisfying power of good. Pen and notebook have utility to satisfy Lalita's/Manisha's want for an essay. Thus the concept is utility.

(ii) England imported cotton from India, made readymade garments from it and sold them to Malaysia.

Solution: Concept: Entrepot trade
Explanation:
i. Entrepot trade refers to the purchase of goods and services from one country for reselling to another country after some processing.
ii. Hence, this illustration relates to the concept of 'entrepot trade' as England imported cotton from India, made readymade garments from it (i.e. processing operations), and sold (i.e. exported) them to Malaysia.

(iii) Out of $4000 \mathrm{kgs}$ of rice the farmer offered to sale 1000 kgs of rice in the market at ₹ 40 per kg.

Solution: Concept: Supply.
Explanation:
- The complete number of goods and services that a seller is willing and able to provide for sale at a specific price, over a specific time period, is referred to as supply.
- For instance, a farmer produces $4000 \mathrm{~kg}$ of rice overall. The entire stock is shown here. He offers to sell $1000 \mathrm{kgs}$ at a price of $\$40$ per kg. The real supply is as stated.

(iv) Raju's father invests his money in a market for long-term funds both equity and debt raised within and outside the country.

Solution: Concept: Capital Market
Explanation:
i. Capital market is a market for long-term funds both equity and debt raised within and outside the country.
ii. Hence, this relates to long-term funds as Raju's/Raghu's father regularly invests his money in long-term funds both equity and debt raised within and outside the country.

(v) Lucy deposited a lumpsum amount of ₹ 1,00,000/-in the Bank of India for the period of one year.

Solution: Concept: Fixed Deposit.
Explanation:
- A customer's lump sum deposit for a specific duration of time is referred to as a fixed deposit.
- As a result, this example relates to the idea of "Fixed Deposit" because Lucy put a lump sum of ₹ 1,00,000/- in the bank for a year.

(B) Distinguish between:

(i) Recurring deposits and Fixed deposits

Solution:

Feature	Recurring Deposits (RD)	Fixed Deposits (FD)
Deposit Frequency	Regular intervals (e.g., monthly)	Lump sum, one-time deposit
Contribution Amount	Fixed amount deposited regularly	A single fixed amount deposited initially
Tenure	Ranges from 6 months to 10 years	Ranges from 7 days to 10 years
Interest Rate	Fixed at account opening, remains constant	Fixed at account opening, remains constant
Maturity Amount	Total deposits plus interest	Principal amount plus interest
Premature Withdrawal	Allowed with penalties or reduced interest	Allowed with penalties or reduced interest
Ideal For	Regular savings from income	Investing a lump sum for fixed returns
Interest Calculation	Compounded quarterly or annually	Compounded quarterly or annually
Objective	Encourage disciplined, periodic saving	Maximize returns on a lump sum investment
Minimum Deposit Amount	Typically lower, varies by bank	Typically higher, varies by bank

(ii) Output method of measuring national income and Income method of measuring national income

Solution:

Aspect	Output Method	Income Method
Definition	Measures national income by adding the value of final goods and services produced within a country.	Measures national income by summing up all incomes earned by individuals and businesses in a country.
Focus	Production and value of goods and services.	Earnings from factors of production.
Components	- Gross Domestic Product (GDP)	- Wages and salaries
	- Value added by each industry	- Rent
	- Adjustments for taxes and subsidies	- Interest
	- Net exports (exports minus imports)	- Profits

		- Mixed incomes (earnings of self-employed)
Formula	National Income = GDP + Net factor income from abroad	National Income = Compensation of employees + Rent + Interest + Profit + Mixed incomes
Examples of Calculation	- Agricultural output	- Wages of workers
	- Industrial production	- Rental income
	- Services sector output	- Corporate profits
		- Interest income
Suitable for	Economies with detailed production data	Economies with comprehensive income data
Advantages	Provides detailed industry-wise breakdown	Reflects actual earnings of residents
Disadvantages	May double-count intermediate goods if not careful	May not capture informal sector incomes accurately

(iii) Total revenue and marginal revenue.

Solution:

Aspect	Total Revenue (TR)	Marginal Revenue (MR)
Definition	The total amount of money a firm receives from selling its products.	The additional revenue generated from selling one more unit of a product.
Formula	TR=Price×Quantity	MR=ΔQuantityΔTR
Calculation Example	If a firm sells 10 units at $5 each, TR =$ 50	If TR increases from $50 to 55 when quantity sold increases from 10 to 11, MR = $5
Relationship	TR increases as more units are sold.	MR indicates the change in TR with each additional unit sold.
Graph Representation	Typically a straight or curved line showing total earnings at different output levels.	Typically a line that can be constant, increasing, or decreasing depending on market structure.
Impact on Decision Making	Helps in understanding overall sales performance.	Helps in making production decisions, such as how much more to produce.
Significance	Used to determine profitability and financial health of the firm.	Used to determine optimal output level for maximizing profit.

Example in Perfect Competition	TR curve is a straight line as price remains constant.	MR equals price, so MR curve is horizontal.
Example in Monopoly	TR curve increases at a decreasing rate due to price reduction needed to sell more units.	MR decreases and can even become negative if total revenue starts to decline with additional units sold.

(iv) Price Index and Quantity Index

Solution:

Aspect	Price Index	Quantity Index
Definition	Measures the average change in prices of a basket of goods and services over time.	Measures the change in quantity or volume of a basket of goods and services over time.
Purpose	To track inflation or deflation by comparing price levels.	To assess changes in the physical volume of production or sales.
Formula	Price Index=(Sum of base period pricesSum of current period prices)×100	Quantity Index=(Sum of base period quantitiesSum of current period quantities)×100
Types	- Consumer Price Index (CPI)	- Laspeyres Quantity Index
	- Producer Price Index (PPI)	- Paasche Quantity Index
	- Wholesale Price Index (WPI)	- Fisher Quantity Index
Calculation Example	If the price of a basket of goods in the base period is $100andinthecurrentperiodis$110, Price Index = 110	If 100 units of a good were produced in the base period and 120 units in the current period, Quantity Index = 120
Interpretation	Indicates how much prices have increased or decreased relative to the base period.	Indicates how much quantities have increased or decreased relative to the base period.
Use Case	Used by policymakers to adjust wages, pensions, and to formulate economic policies.	Used to analyze production performance, sales trends, and economic growth.
Example	CPI measures the average change in prices paid by consumers for a market basket of consumer goods and services.	Quantity Index measures the change in physical output of goods and services produced.
Importance	Helps in understanding cost of living adjustments and purchasing power.	Helps in understanding changes in production capacity and economic activity.

Graph Representation	Typically shown as a line graph tracking price changes over time.	Typically shown as a bar or line graph tracking quantity changes over time.

(v) Internal debt and External debt.

Solution:

Aspect	Internal Debt	External Debt
Definition	Debt owed by a country to its own residents or institutions.	Debt owed by a country to foreign creditors, institutions, or governments.
Source	- Domestic banks	- Foreign governments
	- Financial institutions	- International organizations (e.g., IMF, World Bank)
	- Private investors within the country	- Foreign private investors
Currency	Borrowed in the country's own currency.	Borrowed in foreign currencies.
Repayment	Repayable using the country's own currency.	Repayable in foreign currencies, often leading to exchange rate risk.
Examples	- Government bonds held by domestic investors	- Loans from international banks
	- Treasury bills	- Sovereign bonds held by foreign investors
Impact on Economy	Typically impacts domestic interest rates and inflation.	Affects foreign exchange reserves and exchange rates.
Risk	Lower risk of default as it is within the country's control.	Higher risk due to dependency on foreign exchange availability and external economic conditions.
Debt Servicing	Interest payments are made to residents, keeping money within the economy.	Interest payments are made to foreign entities, leading to outflow of capital.
Government Policy	Easier to manage through domestic monetary policy.	May require adherence to conditions set by international lenders.
Example Country Scenario	United States: Large amount of debt held by domestic institutions.	Argentina: Has significant external debt obligations.
Economic Flexibility	More flexibility in restructuring and repayment.	Less flexibility, may require negotiation with foreign creditors.

Q. 3. Answer the following :

(i) Explain any four types of demand.

Solution: In Economics, demand means a desire which is backed by willingness and ability to pay. The following are the types of demand:

1. Individual Demand:
Individual demand is the quantity of a commodity demanded by an individual (single) consumer at a given price during a given period of time.

2. Market Demand:
Market demand is the total demand for a commodity by all consumers at a given price during a given period of time.

3. Joint Demand or Complementary Demand: When two or more goods are demanded jointly to satisfy one single want, it is known as joint or complementary demand.
E.g.: To satisfy the need of making tea, we need water, tea powder, sugar and milk. Thus, we can say that there is joint demand for these goods. Other examples: Car and petrol, pen and refill, mobile and charger etc.

4. Composite Demand: The demand for a commodity which can be put to several uses is known as composite demand. In other words, it refers to the demand for a commodity which can be used to satisfy two or more wants.
E.g.: Electricity can be used to satisfy the want of watching TV, using the washing machine, charging your mobile etc.

(ii) Explain the Ratio or percentage method of measuring price elasticity of demand.

Solution:

Ratio method is developed by Prof. Marshall. According to this method, elasticity of demand is measured by dividing the percentage change in demand by the percentage change in price. Percentage method is also known as Arithmetic method.
Price elasticity is measured as :
Elasticity of Demand $(Ed)=\frac{\text{Percentage change in Quantity demanded}}{\text{Percentage change in Price}}$

$$\mathrm{Ed}=\frac{\%\Delta\mathrm{Q}}{\%\Delta\mathrm{P}}$$

Mathematically, the above formula can be presented as under.

$$Ed=\frac{\frac{\Delta Q}{Q}}{\frac{\Delta P}{P}}$$

$$\therefore Ed=\frac{\Delta Q}{Q}\times\frac{P}{\Delta P}$$

$Q=$ Original quantity demanded
$\Delta\mathrm{Q}=$ Difference between the new quantity and original quantity demanded.
$P=$ Original price
$\Delta P=$ Difference between new price and original price
For example:

Calculate the Price Elasticity of Demand if the demand for Good X increases from 5 units to 7 units due to fall in price from Rs. 10 to Rs. 6 .

$$\text{Elasticity of Demand } (Ed) = \frac{\text{Percentage change in Quantity demanded}}{\text{Percentage change in Price}}$$

$$\text{Percentage change in Quantity demanded } = \frac{\text{change in Quantity } (\Delta Q)}{\text{Initial quantity } (Q)} \times 100$$

$$\begin{aligned} &= \frac{7-5}{5} \times 100 \\ &= 40\% \end{aligned}$$

$$\text{Percentage change in price } = \frac{\text{Change in Price } (\Delta P)}{\text{Original Price } (P)} \times 100$$

$$\begin{aligned} &= \frac{6-10}{10} \times 100 \\ &= -40\% \\ &= -40 \frac{\%}{40} \% \\ &= -1 \text{ or } 1 \end{aligned}$$

(iii) Elaborate any four features of utility.

Solution: The following are the features of utility:
1) Relative concept: Utility is related to time and place. It varies from time to time and from place to place. For example, (i) woolen clothes have a greater utility in the winter. (ii) Sand has greater utility at the construction site than at the seashore.
2) Subjective concept: It is a psychological concept. Utility differs from person to person. This is due to differences in taste, preferences, likes, dislikes, nature, habits, profession, etc. For example, a stethoscope has utility to a doctor but not to a layman.
3) Ethically neutral concept: The concept of utility has no ethical consideration. It is a morally colourless concept. The commodity should satisfy any want of a person without consideration of what is good or bad, desirable or undesirable. For example, a knife has the utility to cut fruits and vegetables as well as it can be used to harm someone. Both wants are of different natures but are satisfied by the same commodity. Thus, utility is ethically neutral.
4) Utility differs from usefulness: Utility is the capacity of a commodity to satisfy human wants, whereas usefulness indicates the value in the use of the commodity. For example, milk has both utilities as well as usefulness to a consumer, while liquor has utility only to an addict, but has no usefulness.

(iv) Explain any four problems faced by the money market in India.

Solution:

A money market is a financial market wherein lending and borrowing of short-term funds take place. The Indian money market is less developed in terms of volume and liquidity as compared to the advanced countries.

The problems of the Indian Money Market can be explained as follows:
1. Dual Structure of the Money Market: The presence of both, the organized and unorganized sectors in the money market leads to disintegration, lack of transparency, and increased volatility. The unorganized sector of the money market lacks coordination and does not come under the direct control and supervision of the RBI.
2. Lack of uniformity in the rates of interest: The money market comprises various entities such as commercial banks, cooperative banks, non-bank finance companies (NBFCs), development finance institutions, investment companies, etc. The money market also comprises different categories of borrowers.
3. Shortage of funds: The money market faces a shortage of funds due to inadequate savings. The low per capita income (PCI), poor banking habits among the people, indulgence in wasteful consumption, inadequate banking facilities in rural areas, etc. have also been responsible for the paucity of funds in the money market.
4. Seasonal fluctuations: Demand for funds varies as per the seasons. During the peak season, from October to June, finance is required on a large scale for various purposes such as trading in agricultural produce, investment in business activities, etc. This results in wide fluctuations in the money market.

(v) Explain any four features of macro economics.

Solution:

Macro-economics is the branch of economics which analyses the entire economy. It deals with the total employment, national income, national output, total investment, total consumption, total savings, general price level, interest rates, trade cycles, business fluctuations etc.

The following are the features of Macro-economics:
1. General Equilibrium Analysis: Equilibrium means the balance between two factors. Macroeconomics studies the behaviour of large aggregates like aggregate demand, aggregate supply, national income, total investment etc. It studies the equilibrium of these variables as a whole, taking into effect the other market forces. Hence, macroeconomics deals with general equilibrium.
E.g., Macroeconomics explains how equilibrium is achieved between aggregate demand and aggregate supply and how it determines price level in the economy.
2. Interdependence: Macro analysis studies the interdependence between aggregate economic variables such as income, output, employment, investments, price level, etc. For example, Changes in the level of investment will eventually result in changes in income, output, employment, and economic growth.
3. General Price Level: The general price level is the average of all prices of goods and services currently being produced in the economy. Macroeconomics studies how general price levels are determined and the causes of their fluctuation.
4. Income Theory: Macroeconomics studies the concept of national income, its different elements, methods of measurement, and social accounting. It also explains the causes of fluctuations in national income, which lead to business cycles (e.g., inflation and deflation).

Q. 4. State with reasons whether you agree or disagree with the following statements :

(i) Over the last 75 years, India's foreign trade has undergone a complete change in terms of composition and direction.

Solution: I Disagree with the given statement.
Explanation:
Over the last 70 years, India's foreign trade has undergone a complete change in terms of composition and direction.
The main features of the composition of India's foreign trade are as follows:
1. Increasing share of Gross National Income: In 1990-91, the share of India's foreign trade (import-export) in gross national income was 17.55%. It increased to 25% during 2006-07 and to 48.8% during 2016-17.
2. Increase in volume and value of trade: Since 1990-91, the volume and value of India's foreign trade has gone up. India now exports and imports goods which are several times more in value and volume.
3. Change in the composition of exports: Since Independence, the composition of export trade of India has undergone a change. Prior to Independence, India used to export primary products like jute, cotton, tea, oil-seeds, leather, foodgrains, cashew nuts and mineral products. With the passage of time, manufactured items like readymade garments, gems and jewellery, electronic goods, especially computer hardware and software occupy a prime place in India's exports.
4. Change in the composition of imports: Prior to independence, India used to import consumer goods like medicines, cloth, motor vehicles, electrical goods etc. A part from petrol and petroleum, India is now importing mainly capital goods like high-tech machinery chemicals, fertilizers, steel etc.
5. Oceanic trade: Most of India's trade is by sea. India has trade relations with its neighbouring countries like Nepal, Afghanistan, Myanmar, Sri Lanka etc. The share of India's oceanic trade is around 68%.
6. Development of new ports: For its foreign trade, India depended mostly on Mumbai, Kolkata and Chennai ports. Therefore, these ports were overburdened. Recently, India has developed new ports at Kandla, Cochin, Vishakhapatnam, Nhava Sheva etc. to reduce the burden on the existing ports.

(ii) Balance of Trade and Balance of Payment are two different concepts.

Solution: I agree with the given statement.
Explanation:
1. Balance of payments is a systematic record of all international economic transactions of a country during given period, usually a year.
2. On the other hand, balance of trade refers to the difference between the value of a country's exports and imports for given period.
3. Balance of payment is broader concept than balance of trade.
4. Balance of payments includes the value of exchange of goods and services among citizens, businessmen, firms, government etc.
5. Balance of trade includes the value of imports and exports of visible goods and invisible goods.

Therefore, balance of payment and balance of trade are two different concepts

(iii) Price under perfect competition is decided by the interaction between demand and supply.

Solution: I Agree with the given statement.
Reason:
In a market with perfect competition, the price of the good is determined by the interaction of supply and

demand. This price is referred to as the equilibrium price. The forces of supply and demand must coexist in order to establish the market's equilibrium price

(iv) There are no theoretical difficulties in the measurement of National Income.

Solution: I disagree with the above statement.
Reason:
The various theoretical difficulties involved in the estimation of national income are as follows:
1. Illegal income:
Illegal incomes such as income from gambling, black marketing, theft, smuggling, etc. are not included in national income.
2. Changing price level:
The changes in price levels also cause difficulties in calculating national income. E.g. If the price level falls, the national income may show a decreasing trend even when there is a rise in production.
3. Unpaid services:
Only paid goods and services are taken into account while calculating national income. However, there are a number of unpaid services which are not considered in national income estimates.
4. Transfer payments:
Whether the transfer payments (such as scholarships, grants, pensions, unemployment allowance, etc.) should be included in national income or not is a major concern.

(v) Balance of Payment is same as Balance of Trade.

Solution: I disagree with the given statement.
Reason:
A country's balance of payments is a detailed accounting of all its foreign economic transactions over a specific time period, often a year. The difference between a country's exports and imports for a specific time period is referred to as the trade balance.

Q. 5. Study the following table, figure, passage and answer the questions given below it:

(i) Observe the following table and answer the questions given below it :

Unit of commodity	Total Utility (TU) units	Marginal Utility (MU) units
1	6	☐
2	☐	5
3	15	4
4	15	☐
5	☐	-1

Questions :

(1) Complete the above table.

Solution:

Unity of a commodity	Total Utility (TU) units	Marginal Utility (MU) units
1	6	**6**
2	**11**	5
3	15	4
4	15	**0**
5	**14**	-1

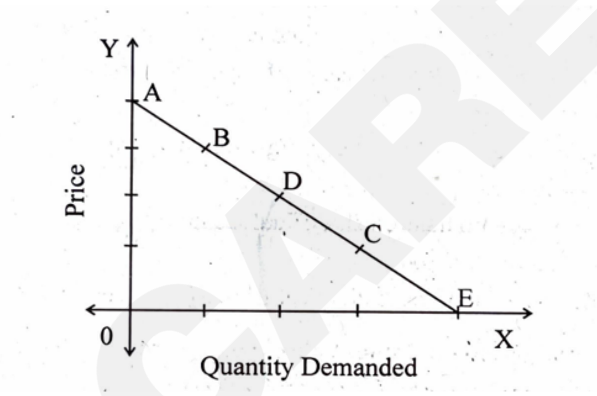
(2) (a) When total utility is Maximum, the marginal untility is $-\square$

Solution: When the total utility is maximum, marginal utility is - zero**.**

(b) When total utility falls, the marginal utility becomes

Solution: When total utility falls, the marginal utility becomes - Negative.

(ii) In the following diagram AE is the linear demand curve of a commodity. On the basis of the given diagram state whether the following statements are True or False :



Quantity Demanded

(1) Demand at point ' C ' is relatively elastic demand.

Solution: This statement is True.
Reason:
The length of the upper segment is 0 at point A. Therefore, $\mathrm{Ed}=\infty$. Thus, at point A, demand is perfectly elastic.

(2) Demand at point ' B ' is unitary elastic demand.

Solution: This statement is False.
Reason:
The length of the lower segment is more as compared to the upper segment at point B. Therefore, Ed > 1. Thus, at point B, demand is relatively elastic.

(3) Demand at point ' D ' is perfectly inelastic demand.

Solution: This statement is False.
Reason:
The length of the lower segment is less as compared to the upper segment at point C. Therefore, $\mathrm{Ed} < 1$. Thus, at point C, demand is relatively inelastic.

(4) Demand at point ' A ' is perfectly elastic demand.

Solution: This statement is False.
Reason:
The length of the lower segment is equal to the upper segment at point D. Therefore, $Ed = 1$. Thus, at point D, demand is unitary elastic.

(iii) Read the given passage and answer the questions :

In common language the term market means a specific place where buyers and sellers of a commodity meet and exchange their goods. But in Economics it is not necessarily a place but it is an arrangement through which buyers and sellers come in contact with each other directly or indirectly and exchange of goods takes place among them.

Market can be classified on the basis of place, time and competition. Market on the basis of competition is perfect competition and imperfect competition. Perfect competition is an imaginary concept of market and in reality, we observe various types of imperfect competition like monopoly, duopoly, oligopoly and monopolistic competition.

In practice monopolistic competition is used. In this market there are some features of perfect competition and monopoly acting together. The uniqueness of this market lies in the fact that a difference is made between cost of production and selling cost. Selling cost refers to the cost incurred by the firm to create more demand for its product and increase the volume of sale. It includes expenditure on advertisement, hoardings, window display etc.

Questions :

(1) Explain the concept of Market from Economic sense.

Solution: It is an arrangement through which buyers and sellers come in contact with each other directly or indirectly and exchange of goods takes place among them.

(2) Write the classification of Market.

Solution: Market can be classified on the basis of place, time and competition. Market on the basis of competition is perfect competition and imperfect competition. Various types of imperfect competition like monopoly, duopoly, oligopoly and monopolistic competition.

(3) Write your own opinion about selling cost.

Solution: In my opinion, selling costs are a vital aspect of a firm's strategy to differentiate its product and stimulate demand. These costs, which encompass advertising and promotional activities, are essential in competitive markets to inform potential customers and persuade them to choose one product over another.

Q. 6. Answer the following questions in detail :

(i) Explain the concept of price elasticity with its types.

Solution: National income is the total market value (in monetary terms) of all final goods and services produced by the firms during an accounting year. In other words, it can be defined as the aggregate of all factor incomes flowing from the firms to the households (i.e. by aggregating the rent, wages, interest and profit earned in the economy). There are three methods of measuring national income, namely: value-added/ product method, income method and expenditure method.

(ii) Explain the meaning of Monopoly with its features.

Solution:

The term monopoly is derived from the Greek word 'Mono' which means single and 'poly' which means seller. Monopoly is a market in which there is only one seller who controls the entire market supply for a product which has no close substitute.

The following are the features of a monopoly:
1. Single seller: In monopoly, there is no competition as there is only one single producer or seller of the product. But, the number of buyers is large.
2. No close substitutes: There are no close substitutes for the product of the monopolist. Therefore, the buyers have no choice. They have to either buy the product from the monopolist or go without it. The cross elasticity of demand for his product is either zero or negative.
3. Barriers to entry: Entry of the rivals is restricted due to legal, natural, and technological barriers which do not allow the competitors to enter the market.
4. Complete control over the market supply: The monopolist has a complete hold over the market. He is the sole producer or seller of the product.
5. Price maker: A monopolist can fix the price of his own product as he controls the whole market supply. Monopolist is a price maker.
6. Price discrimination: Monopolist being a price maker, he can charge different prices to different consumers for the same product, on the basis of time, place etc. Thus, price discrimination is an important feature of monopoly market. For example, students and senior citizens are provided railway tickets at concessional rates.
7. No distinction between firm and industry: A monopolist is the sole seller and producer of the product. A monopoly firm itself is an industry.

(iii) Explain various sources of public revenue.

Solution:

Public revenue means the aggregate collection of income with the government through various sources. Public revenue holds permanent position in the study of public finance which is part of the study of economics. Thus, the necessity of public revenu arises due to public expenditure.

The main sources of public revenue are as follows.
Sources of Public Revenue:
A. Taxes
B. Non-tax Revenue
A) Taxes:

There are two main types of taxes. They are:
- Direct Tax
- Indirect Tax
1) Direct Tax: It is paid by the taxpayer on his income and property. The burden of tax is borne by the person on whom it is levied. As he cannot transfer the burden of the tax to others, the impact and incidence of the direct tax fall on the same persor For example personal income tax, wealth tax, etc.
2) Indirect Tax: It is levied on goods or services. It is paid at the time of production or sale and purchase of a commodity or a service. The burden of an indirect tax can be shifted by the taxpayer (producers) to another person/s. Hence, the impact and incidence of tax are on different heads. For example, the newly implemented Goods and Services Tax (GST) in India has replace almost all indirect taxes, and customs duties.
B) Non-Tax Revenue Sources:

Public revenue received by the government administration, public enterprises, gifts, grants, etc is called non-tax revenue. These sources are different than the taxes. Brief information about these sources is as follows:
1) Fees: A tax is paid compulsorily without any return service whereas, a fee is paid in return for certain specific services rendered by the government. For example- education fees, registration fees, etc.
2) Prices of public goods and services: Modem governments sell various types of commodities and services to the citizens. price is a payment made by the citizens to the government for the goods and services sold to them. For example-railway fares, postal charges etc.
3) Special Assessment: The payment made by the citizens of a particular locality in exchange for certain special facilities given to them by the authorities is known as a 'special assessment.' For example, local bodies can levy a special tax on the residents a particular area where extra/ special facilities of roads, energy, water supply, etc.are provided .