



# ECONOMICS

## BOOKS - RADHA BHUGANA

### ECONOMICS (HINGLISH)

## INTRODUCTION

### Practical Applications

1. Mr Raman works as production manager at a salary of Rs. 80,000 per month in company A.

He got a job offer company B at a salary of Rs 90,000 per month and another job offer from company C at a salary of Rs. 95000 per month. What is his opportunity cost of working as production manager in company A.



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2. Giving reason, comment on the shape of PPC based on the following table:

Good X (units)	0	1	2	3	4
Good Y (units)	4	3	2	1	0



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3. Giving reason, comment on the shape of PPC based on the following table:

Good X (units)	0	1	2	3	4
Good Y (units)	20	18	14	8	0



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4. Calculate marginal opportunity cost (MOC) from the following schedule.

<i>Sarees (Millions)</i>	0	1	2	3	4	5
<i>Machines (Thousands)</i>	100	95	85	70	50	25



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5. Calculate marginal opportunity cost (MOC) from the following schedule.

<i>Production of Wheat (Units)</i>	0	10	20	30	40
<i>Production of Rice (Units)</i>	400	350	250	135	0



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6. A teacher has job from two school ABC offers a salary of Rs. 14,000 and school PQR offers a salary Rs. 18,000. If the teacher at

present draws a salary of Rs. 20,000 in school

MNO, what will be opportunity cost?



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7. Calculate MOC and draw PPC

<i>Production Possibilities</i>	<i>Cotton (in lakh quintals)</i>	<i>Rice (in lakh quintals)</i>
<i>A</i>	0	16
<i>B</i>	1	15
<i>C</i>	2	13
<i>D</i>	3	10
<i>E</i>	4	6
<i>F</i>	5	0



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8. A farmer can produce 1000 quintals of sugar on a plot of land. With same resources, he can also produce 800 quintals of rice. What is the opportunity cost of producing sugar?



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## Let Us Recapitulate Fill In The Blanks

1. The main cause of economic problem is \_\_\_\_\_.



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2. Human wants are unlimited and differ in\_\_\_\_\_.



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3. The problem of allocation of resources among different goods and services is a problem of\_\_\_\_\_.



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4. Energy like electricity is scarce and can be used for various purposes like cooking, heating, lighting etc. What would be the problem when chosen for one use\_\_\_\_\_.



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## Let Us Recapitulate

1. Draft a hypothetical schedule for a straight line PPC





2. Giving reason, comment on the shape of PPC based on the following schedules :

<i>Good X (units)</i>	0	1	2	3	4
<i>Good Y (units)</i>	30	27	21	12	0

<i>Good X (units)</i>	0	1	2	3	4
<i>Good Y (units)</i>	16	12	8	4	0

<i>Good X (units)</i>	0	1	2	3	4
<i>Good Y (units)</i>	10	9	7	4	0



3. Identify positive or normative statements from the following :

Government should be concerned with how to reduce unemployment



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4. Identify positive or normative statements from the following :

Economics is study of choice/alternatives



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5. Identify positive or normative statements from the following :

Equal distribution of income should make India poverty free



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6. Identify positive or normative statements from the following :

5% population of India is below poverty line



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7. Identify positive or normative statements from the following :

Free education should be given to the poor till class XII



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8. Identify positive or normative statements from the following :

Prices have been rising in India



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**9.** Identify positive or normative statements from the following :

There are inequalities in the distribution of income and wealth in India



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**10.** Identify positive or normative statements from the following :

India government should design new polices to control inflation



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**11.** Identify positive or normative statements from the following :

Accommodation of Refugees is posing a big problem for the Europe



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**12.** Identify positive or normative statements from the following :

Inflow of foreign capital shifts PPC to its right.



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**Let Us Recapitulate True False**

**1.** State whether the following statements are true/false

Slope of production possibility curve depends on Marginal opportunity cost\_\_\_\_\_.



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2. State whether the following statements are true/false

An economy can either operate on PPC or inside PPC \_\_\_\_\_.



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3. State whether the following statements are true/false

An economy can operate outside PPC with available production capacity\_\_\_\_\_ .



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4. State whether the following statements are true/false

PPC is concave due to increasing MOC\_\_\_\_\_ .



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## Box 1 1

1. How do the following economic changes affect production possibility curve of a economy ?



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## Multiple Choice Questions

1. Economic problem arises due to

A. scarcity of resources

B. unlimited wants

C. resources can be put to alternatives

uses

D. all of these

**Answer: D**



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2. Which of the following is an assumption of Production Possibility Frontier?

A. Resources are not fully employed

B. Resources are not fully efficient for production of two goods.

C. Resources are not efficiently employed.

D. Resources available are not fixed.

**Answer: B**



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3. PPC will shift to the when there is

A. underutilisation of resources

B. growth of resources

C. technological improvement

D. loss of resources because of natural  
calamity

**Answer: D**



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4. The central problems of an economy are

A. what to produce and how much

B. how to produce

C. for whom to produce

D. all of these

**Answer: D**



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5. Value of a factor in its next best alternative use is

A. social cost

B. opportunity cost

C. marginal rate of substitution

D. PPC

**Answer: B**



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6. PPC is concave when marginal opportunity cost

A. falls

B. remains constant

C. rises

D. all of these

**Answer: C**



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7. Which of the following countries will face the central problems:

A. India

B. China

C. America

D. all the above

**Answer: D**



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**8.** Rightward shift of PPC indicates:

- A. growth of resources
- B. underutilisation of resources
- C. decrease in availability of resources
- D. none of these

**Answer: A**



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**9.** In case of inefficient utilisation of resources:

- A. PPC shifts to its left
- B. PPC shifts to its right
- C. economy operates inside PPC
- D. None of the above

**Answer: C**



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**10.** The central problems of 'How to produce' is the problem of deciding the use of:

A. labour intensive technique only

B. Capital intensive technique only

C. Both labour and capital intensive techniques as per objectives of the producer

D. None of these

**Answer: C**



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11. Microeconomics is the study of:

A. A consumer

B. An industry

C. A producer

D. All of these

**Answer: D**



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12. Which of these is a normative economics:

A. 30% population of India is below poverty line.

B. Increase in FDI has increases GDP of India

C. Govt. increased Repo rate of check inflation

D. Equal distribution of income in India will solve the problem of poverty.

**Answer: D**



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**13. Opportunity cost:**

A. is always lower than the given value of a factor

B. is always higher than the given value of a factor

C. is equal to the given value of a factor

D. can be less than, more than or equal to  
the given value of a factor.

**Answer: D**

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## Objective Type Questions

1. Define economic problem.

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2. Name the branches of economics.



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3. What does the downward slope of PPC indicate ?



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4. Can an economy operate outside PPC with given resources and technology ?



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5. Is it true to say that there would be no economic problem if there is no scarcity.



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## Conceptual Questions

1. What is an economy ?



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2. What is scarcity?



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3. Name the central problems of an economy.



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4. State two features of resources that give rise to an economic problem.





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5. Can there be an economy without central problems?



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6. Why do economic problems arise ?



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7. Why is it that on one hand coal is found in plenty, yet is scarce, while a rotten fruit is abundant but not scarce ?



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8. What is the problem of what to produce ?



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9. What is the problem of 'How to produce'?



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10. What is the problem of 'for whom to produce'?



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11. Define a PPC.



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**12.** Define opportunity cost.



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**13.** What is marginal opportunity cost/marginal rate of transformation ? Explain the concept with a hypothetical numerical example.



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**14.** Draw the shapes of PPC when MOC is (a) Decreasing (b) Constant (c) Increasing.



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**15.** What is efficient technique of production ?



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**16.** What is efficiency in production ?



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**17.** What is (a) Fuller utilisation of resources ?  
(b) Growth of resources ?



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**18.** Define : (a) Micoeconomics (b)  
Macroeconomics



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19. What does a point on PPC indicate ?



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20. Give two examples of underutilisation of resources.



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21. Give two examples of growth of resources.



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**22. What is Rotation of PPC ?**

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**23. What is shift in PPC ?**

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**24. Name the attainable combinations are :**

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**25.** What are unattainable combinations on PPC ?



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**26.** Define normative economics with a suitable example.



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1. How are central problem solves in different types of economies?



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2. "An economy always produces on, but not inside a PPC", defend or refute.

Or

Does production take place only on the PPC ?



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3. "Massive unemployment will shift the PPC to the left", defend or refute.



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4. A lot of people died and many factories were destroyed in an earthquake (natural calamity). How will it affect the PPC ?



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5. Draw a PPC to represent the following on it :

(i) Underemployment of resources

(ii) Fuller utilisation of resources

(iii) Growth of resources



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6. Explain how the following problems of an economy be solved with the help of price mechanism:

(i) What to produce ? (ii) How to produce ?





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7. State and discuss any two factors that will shift the PPF to light.



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8. State any one assumption for the construction of the curve that shows the possibilities of potential production of 2 goods in an economy.



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## Value Based Questions

1. A basic economic problem is that there is oil shortage in India. What measures do you suggest to meet the growing demand of oil ?



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2. The state govt. has sanctioned a certain amount to increase production in rural areas.

Which technique of production will you suggest to the state government for this project?



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**3.** Invention of new technologies and discovery of new resources will solve the central problems completely, Defend or Refute.



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4. Production in an economy is below its potential due to unemployment. Government starts employment generation schemes. Explain its effect using PPC.



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5. For a developmental project, logs of wood and other building material have to be carried to the upper floor of building under renovation by the labour. Alternatively

elevators and lifts can do the job which one will you choose and why ?



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6. A country's resources are fully and efficiently employed. The problem of scarcity exists. What advice be given to raise the efficiency level of the human resource to fight scarcity ?



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## Guidelines To Ncert Questions

1. Discuss the central problems of an economy.



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2. What is production possibility curve ?



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3. Distinguish between a centrally planned economy and marked economy.



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4. What do you understand by positive economic analysis?



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5. What do you understand by normative economic analysis ?



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6. Distinguish between Microeconomics and Macroeconomics.



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**Exercises Very Short Answer Type Questions**

1. Give two reasons for the problem of choice.

Or

Why does the problem of choice arise ?



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2. What is economics



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3. Which branch of economics deals with the problems of economic growth, growth of resources and fuller utilisation of resources ?



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4. Define Central problem?



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5. Why does an economic problem arise ?



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6. What is the meaning of 'for whom to produce' ?



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7. Define marginal opportunity cost.



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8. What is opportunity cost ?



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9. Define production possibility curve.



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10. What do you understand by 'what do produce' ?



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**11.** What is meant by economising of resources ?



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**12.** What does a leftward shift or production possibility curve indicate ?



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**13.** Why does the problem of choice arise ?



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**14.** State any two causes of economic problems.

Or

State two features of resources that give rise to an economic problem.



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**15. Define Microeconomics.**

Or

what is Microeconomics all about ?

Or

Give the meaning of Microeconomics.



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**16. Give one point of difference between Micro and Macroeconomics.**



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**17.** Define macroeconomics.



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**18.** Price determination of a commodity is a subject matter of Macroeconomics ?



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**19.** Is the study of cotton textile industry a Macroeconomic study or a Microeconomic

study ?



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20. Is the study of general price level a Macroeconomics study ?



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21. Give one reason why Macroeconomics and Microeconomics are interdependent.



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**22.** Give one example showing the difference between Microeconomics and Macroeconomics.

Give one example each of Micro and Macroeconomics.



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**23.** Give two examples of Microeconomic studies.

Or

Give two examples of Microeconomics variables.



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24. Why is the study of the problem of unemployment in India considered a Macroeconomics study?



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25. What does a rightward shift of PPC indicate ?



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26. Why is PPC concave ?



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27. Define marginal rate of transformation.



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**28.** State two features of resources that give rise to an economic problem.



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**29.** Define an economy.



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**30.** Define Macroeconomics.



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**31.** Unemployment is reduced due to measures taken by the government. State its economic value in the context of production possibility frontier.



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**32.** Large number of technical training institutions have been started by the

government. State its economic value in the context of PPF.



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**33.** The government has started promoting foreign capital. What is its economic value in the context of production possibility frontier ?



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**34.** Define normative economics with a suitable example.



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## Short Answer Type Questions

**1.** Why is production possibility curve concave to the origin?



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2. What is the effect of growth of resources on a production possibility curve ?



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3. How is economic problem a problem of choice ?



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4. State any two central problems under problem of allocations of resources.



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5. State the central problems of an economy.

Or

Explain the central problem of 'for whom to produce'.



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6. Explain briefly three factors that lead to an economic problem.



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7. What does a PPC show ? When will it shift to the right ?



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**8.** With the help of suitable example explain the problem of for whom to produce.

Or

Explain the central problem of distribution of income.



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**9.** State three reasons which give rise to an economic problem.

Or

Why does an economic problem arise ?

Explain.

Or

Why do problems related to allocation of resources in an economy arise ? Explain.



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**10.** Explain briefly central problem relating to allocation of resources.



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**11.** In what sense is the problem of how to produce a central problem of an economy ?  
Explain.

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**12.** Distinguish between Microeconomics and  
Macroeconomics.

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**13.** Explain the central problem of "how to produce".

Or

Why does an economic problem arise? Explain the problem of how to produce.

Or

Explain the central 'how to produce' with the help of an example.

Or

Explain the central of choice of technique ?



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**14.** Explain the central problem of 'for whom to produce' with the help of an example.



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**15.** How can a production possibility curve solve economic problems faced by an economy ?



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**16.** Define and draw a production possibility curve. What does the movement along this curve show ?



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**17.** Draw and define a production possibility curve. Why is it downward sloping left to right ?

Or

Why is PPC concave to the origin? Explain.







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**18.** Draw a production possibility curve. What does a point below this curve indicate ?



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**19.** Why is production possibility curve called the opportunity cost curve ?



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**20.** Draw a production possibility curve and show the following situations on the diagram.

(a) Full employment of resources, (b) Under utilisation of resources and (c) Economic growth.



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**21.** Explain the meaning of opportunity cost with the help of production possibility schedule.



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22. Calculate marginal opportunity cost in the following example. Plot the production possibility curve by taking Rice consumption on the X-axis. Comment on the shape of the curve.

Rice Production	100	90	70	40	0
Rice Production	0	1	2	3	4



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23. Explain the central problem of distribution in an economy.



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**24.** Distinguish between Microeconomics and Macroeconomics.



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**25.** Explain the slope of a production possibility frontier/curve.



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**26.** How is Production possibility curve affected by unemployment in the economy ?  
Explain.

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**27.** Production in an economy is below its potential due to unemployment, government starts employment generation schemes.  
Explain its effect using PPC.

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**28.** Why is a production possibility curve downward sloping ?



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**29.** What is likely to be the impact of "Make in India" appeal to the foreign investors by the Prime Minister of India, on PPF of India ? Explain.



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**30.** What is likely to be the impact of efforts towards reducing unemployment on the Production Potential of the economy ? Explain.



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**31.** The government establishes a large number of institutes of science and technology. How will it affect the PPC ? Explain.



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**32.** Why do central problems of an economy arise ? Explain the central problem of "For whom to produce" ?



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**33.** Define MOC. Explain the concept with a hypothetical numerical example.



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**34.** State the meaning and properties of PPF.





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**35.** Explain the meaning of opportunity cost with the help of an example.



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## Unsolved Numericals

**1.** Calculate MOC of goods X and draw PPC from the following data :

<i>Good X</i>	0	1	2	3	4	5
<i>Good Y</i>	30	28	24	18	10	0



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2. Complete the following table :

<i>Good A</i>	0	1	2	3	4
<i>Good B</i>	14	-	-	-	-
<i>MOC</i>	-	1	2	3	6



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3. Calculate MOC and discuss the shape of PPC

:

<i>Production of Wheat</i>	0	1	2	3
<i>Production of Rice</i>	12	7	3	0



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4. Draw PPC from the following data and show on it (i) Growth of resources (ii) Inefficient utilisation of resources :

<i>Combination</i>	A	B	C	D	E	F	G
<i>Good X</i>	0	1	2	3	4	5	6
<i>Good Y</i>	26	19	13	8	4	1	0



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