



ECONOMICS

BOOKS - SANDEEP GARG ECONOMICS (HINGLISH)

INTRODUCTION

Practicals On Opportunity Cost

1. Deepak is working as a sales manager at a salary of Rs. 1,00,000 per month. He received 2

major job offers. He got an offer of Rs. 70,000 from Reliance Industry and offer of Rs.85,000 from Tata Industry. What is his opportunity cost for working as a sales manager?



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2. A farmer produces 100 kg of wheat on a piece of land with the help of a given quantity of resources. If this farmer can also produce 70 kg of rice with the same quantity of

resourced, then what is the opportunity cost of producing wheat?



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3. Calculate the marginal opportunity cost (MOC) of commodity A for the given combinations:

Commodity A	0	1	2	3	4	5
Commodity B	15	14	12	9	5	0



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4. Determine the marginal opportunity cost from the following data:

Commodity A	Commodity B
20	10
10	14



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5. Computer marginal opportunity cost (MOC) from the following data:

Good X	0	10	20	30	40
Good Y	200	180	140	80	0



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6. The following table depicts the production possibilities of commodities X and Y:

Possibility	A	B	C	D	E
Commodity X	0	1	2	3	4
Commodity Y	10	9	7	4	0

(a) Show these production possibilities through PPF. What do the points on the curve indicate?

(b) Label a point F inside the curve. What does this point indicate?

(c) Label a point G outside the curve. What does this point indicate?

(d) What must occur so that economy can

attain the level of production as indicated by point G.



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7. A country produces two commodities: X and Y. Its production possibilities are shown in the following table:

Possibility	A	B	C	D	E	F
Commodity X	20	14	9	5	2	0
Commodity Y	0	1	2	3	4	5

(a) Calculate marginal rate of transformation (MRT)

(b) Construct a PPF with the help of the

various possibilities,

(c) Comment on the shape of PPF along with its reason.



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8. Giving reason, comment on the shape of Production possibilities curve based on the following schedule,

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



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9. Giving reason comment on the shape of Production Possibilities Curve based on the following schedule,

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



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Hots Higher Order Thinking Skills Questions

1. Although water is useful, yet it is cheap. On the contrary, diamond is not much of use, still it is very expensive. Give an economic reason for this paradox.



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2. "Only scarce goods attract price" Comment.



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3. What does the slope of PPF indicate?



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4. "Scarcity and Choice go together commodity.



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5. "An economy always produces on, but not inside, a PPF", Defend or refute.



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6. A lot of people died and many factories were destroyed in an earthquake. How will it affect the PPF of the economy?



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7. Massive unemployment will shift the PPF to the left. Defend or refute.



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8. On the basis of given diagram, answer the following questions:

(i) On the production possibility curve AE, if the economy decides to produce 50 million tonnes of wheat then how many tanks it can produce ?

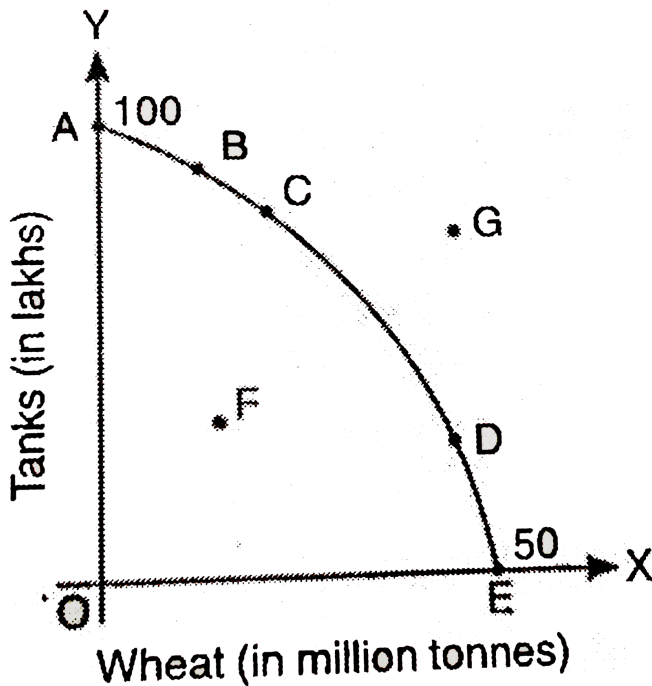
(ii) If there is growth in resources, what will happen to the production possibility curve

(iii) Which point in the diagram represents underutilisation of resources?

(iv) Which of the points in diagram is an

unattainable combination?

(v) Identify the point at which the economy will operate if resources are fully and efficiently utilised.



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9. Identify the following as Microeconomic study and Macroeconomic study, (i) Production of a sugar mill, (ii) Inflation rate, (iii) Car industry, (iv) Supply of money, (v) Wage determination in a company, (vi) Allocation of resources, (vii) Household expenditure, (viii) Aggregate demand, (ix) Foreign exchange rate, (x) Market demand for apples.



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



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11. Production in an economy is below its potential due to unemployment. Government starts employment generation schemes. Explain its effect using production possibilities curve.

or

As a result of various programmes started by the government, more employment opportunities have been created. What will be its effect on production possibilities frontier? Explain.



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12. Why is production possibility curve concave? Explain.



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13. What is Marginal Rate of Transformation ?

Explain with help of an example.



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14. Why does the problem of ' what to produce'

arise ? Explain.



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15. Why does the problem of 'how to produce' arise? Explain.



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16. What will be the impact of recently launched 'Clean India Mission' (Swachh Bharat Mission) on the Production Possibilities curve of the economy and why?



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17. What will likely be the impact of large scale outflow of foreign capital of production possibilities curve of the economy and why ?



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18. What is likely to be the impact of "Make in India" appeal to the foreign investors by the Prime Minister of India, on the production possibilities frontier of India? Explain.



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19. What is likely to be the impact of efforts towards reducing unemployment on the production potential of the economy? Explain.



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20. What will be the impact of "Education for All campaign" (Sarv Shiksha Abhiyan) on the Production Possibilities Curve of the Indian economy and why?



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21. Explain the effects of floods in Jammu and Kashmir on its production possibilities frontier.



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22. The Government establishes a large number of institutes of science and technology. How will it affect the production possibility frontier? Explain.



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23. Do rich countries also face central problems? Give reasons for your answer.



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24. Assuming that no resource is equally efficient in production of all goods, name the curve which shows production potential of the economy. Explain, giving reasons, its properties.



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25. Explain the concepts of Opportunity Cost and Marginal Rate of Transformation using a production possibility schedule based on the assumption that no resource is equally efficient in production of all goods.



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26. Why does the problem of choice arise for producers and for consumers?



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27. The following news item was printed in the Indian Express: "Centre increases number of work days under MGNREGA". As per the news, the Central Government will increase the number of work days under the rural job guarantee scheme from 100 to 150 in drought-affected areas. How would it affect the PPC of the economy.



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28. Explain the shape of a production possibility frontier.



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29. State the problems relating to 'allocation of resources' in an economy.



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30. Economic slow down in some parts of the world has adversely affected demand for Indian exports. What will be its effect on the production possibilities frontier of India? Explain.



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31. Identify the following as Positive Statements and Normative Statements:

(i) People should save more for their future.

(ii) In India, population is increasing at an alarming rate.

(iii) The Government should impose heavy taxes on rich people.

(iv) Smoking should be discouraged in the world.

(v) In India, tax rate slabs increase with increase in income.

(vi) Higher interest rates induces people to save more out of their income.

(vii) High taxes on cigarettes discourage smoking.

(viii) Government should put more efforts to reduce pollution.



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32. An economy may operate inside the PPC even if there is full employment of resources.

'Defend or refute.



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True And False

1. The problem of 'how to produce' involves choice between consumer goods and capital goods.



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2. Economy always operates on production possibility frontier.



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3. Macroeconomics deals with study of cotton extile industry.



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4. If the economy is operating inside the production possibility frontier, it indicates that the economy is saving resources for growth and expansion in future.



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5. Central problems are found only in the developing economies like India and Bangladesh and not in developed countries like USA.



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6. Production possibility frontier shifts towards right when an economy moves from a situation of underutilization to fuller utilization of resources.



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7. Economy can never operate outside the production possibility frontier with the given resources and technology.



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8. Production possibility frontier is concave shaped as production of one good can be increased only by reducing quantity of another good.



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9. The problem of price determination of a product comes under the purview of macroeconomics.



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10. Growth of resources shifts the production possibility frontier towards right.



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11. Microeconomics is concerned with study of problems of the economy like inflation or unemployment.



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12. Microeconomics and macroeconomics are independent branches of economics.



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13. The opportunity cost of a machine which can produce only one product is high.



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14. Economising of resources refer to saving resources of future use.



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15. No Scarcity' means no economic problem.



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16. The part of economics which deals with the question of what, how and for whom to produce is known as macroeconomics.



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17. Production Possibility Curve shows the point at which the economy actually operates.



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Guidelines To Ncert Wuestions

1. Discuss the central problems of an economy.



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2. What do you mean by the production possibilities of an economy ?



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3. What is a production possibility frontier?



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4. Discuss the subject matter of economics.



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5. Distinguish between a centrally planned economy and a market economy.



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6. What do you understand by positive economic analysis?



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7. What do you understand by normative economic analysis?



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8. Distinguish between microeconomics and macroeconomics.



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Very Short Type Questions 1 Mark Each

1. What is meant by scarcity ?



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2. What is the basic reason for economic problem in all economies?



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3. What is meant by economizing resources?



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4. Define an economy.



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5. What is meant by economic problem ?



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6. How is an economic problem, a choice-making activity ?



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7. Why does an economic problem arise ?



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8. State 2 features of resources that give rise to an economic problem.



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9. What is economics all about ?



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10. Name the two important branches of Economics.



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11. Define microeconomics.



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12. Give two examples of Microeconomic studies.



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13. Define Macroeconomics.



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14. Give two examples of macroeconomic studies.



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15. Is the study of cotton textile industry a macroeconomic study or a microeconomic study



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16. Why is the study of the problem of unemployment in India considered a macroeconomic study?



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17. Is the study of general price level a macro economic study?



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18. What are the Central Problem of an Economy?



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19. What is meant by the problem of "What to produce"?



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20. What is meant by the problem of "How to produce"?



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21. What is meant by the problem of "For whom to produce"?



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22. Why the problems of what, how and for whom to produce are known as central problems?



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23. Define opportunity cost.



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24. What is the opportunity cost of an input which has no alternatives use?



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25. What does production possibility curve look concave to the origin?



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26. What does a rightward shift of production possibility curve indicate?



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27. Give examples of 'Growth of resources'.



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28. When does a PPF shift to the right ?



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29. Give an example of decrease in resources.



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30. When is the fuller utilisation of available resources said to have taken place?



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31. What does increasing marginal opportunity cost along of PPF mean?



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32. State two characteristics of the economic resources which give rise to economic problem.



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33. Harish earn Rs. 10 lakhs per year from his business. He gets an offer from a company to work at a salary of Rs.8,40,000 per year. Determine opportunity cost of Harish.

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34. Define Marginal Rate of Transormation'.

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35. What do you mean by alternate uses of resources?



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36. How in any one way can an economy increase its production capacity?



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37. A country 's resources are fully and efficiently employed. The problem of scarcity exist. What advice will be given to rise the efficiency level of the human resources to fight scarcity?



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38. Unemployment is reduced due to the measures taken by the government. State its

economic value in the context of production possibilities frontier.



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39. The government has started promoting foreign capital. What is its economic value in the context of production Possibilities Frontier?



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40. Large number of technical raining institutions have been started by the government. State its economic value in the context of production possibilities frontier.



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41. Name the economic value achieved through the spread of education in the context of production potential.



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42. Name the economic value achievable when attempts are made to increase resources in the country.



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43. State any two central problems under 'problem of allocation of resources'.



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44. What does concavity of PPC indicate?



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45. What is the effect on marginal rate of transformation when we move downwards along a production possibility curve?



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46. Define normative economics with a suitable example.



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



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[Multiple Choice Questions Mcqs](#)

1. The law of scarcity:

A. Does not apply to rich, developed countries.

B. Applies only to the less developed countries.

C. Implies that consumers want will be satisfied in a socialistic system.

D. Implies that consumer's wants will never be completely satisfied.

Answer: D



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2. Assume that a PPF for butter and guns is drawn so that it is a straight line. It means:

A. Less and less units of butter are sacrificed to gain an additional unit of gun.

B. More and more units of butter are sacrificed to gain an additional unit of gun.

C. Same unit of butter are sacrificed to gain an additional unit of gun.

D. None of these.

Answer: C



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3. Which of these is not an assumption of PPC?

A. Resources are fully and efficiently utilised

B. Resources in the economy are fixed

C. There is no change in level of technology

D. Resources are equally efficient in production of all products

Answer: D



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4. In which situation, can PPC be a straight line:

- A. When MRT is decreasing
- B. When MRT is increasing
- C. When MRT is constant
- D. None of these.

Answer: C



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5. Which of these economic problem deals with technique of production?

A. What Produce

B. How to Produce

C. For whom to Produce

D. None of these.

Answer: B



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6. Ramesh is working at a salary of Rs. 35,000 per month. He receives two job offers: (i) To work as an accountant at a salary of Rs. 30,000 per month,(ii) To work as a sales manager at a salary of Rs.25,000 per month. In the given case, his opportunity cost will be:

A. Rs. 25,000

B. Rs.30,000

C. Rs. 35,000

D. Rs. 65,000

Answer: B



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7. PPF is concave to the origin because of:

- A. Increasing MRT
- B. Diminishing MRT
- C. Constant MRT
- D. None of these.

Answer: A



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8. An economy operate of PPF when there is :

A. Optimum utilisation of resources

B. Inefficient use of resources

C. Underemployment of resources

D. None of these.

Answer: A



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9. Identify the central problem which deals with deciding the quantity of goods to be produced:

- A. What of Produce
- B. How to Produce
- C. For whom to Produce
- D. None of these.

Answer: A



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10. Scarcity refers to limitation of ____ in relation to ____ for a commodity.

- A. Demand, Sale
- B. Demand, Supply
- C. Supply, Demand
- D. None of these.

Answer: C



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11. The word 'Economic' is most closely concted with the word:

A. Free

B. Scarcity

C. Unlimited

D. Restricted

Answer: B



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12. A point outside the PPF indicates:

- A. Fuller utilisation of resources
- B. Unutilisation of resources
- C. Unattainable combination
- D. None of these.

Answer: C



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13. Opportunity cost in the:

A. Number of units sacrificed

B. Number of units gained

C. Cost of next best alternative foregone

D. None of these.

Answer: C



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14. Which economic problem involves selection of category of people who will ultimately consume the goods?

- A. How to produce
- B. For whom to produce
- C. What to produce
- D. None of these.

Answer: B



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15. Which of the following will not lead to shift in PPF?

A. Upgradation of Technology

B. Exploration of new oil reserves

C. Massive unemployment

D. Destruction of Resources

Answer: C



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16. The fundamental economic problem being faced is:

A. Unlimited human wants

B. Limited wants and unlimited resources

C. Unlimited wants and scarcity of
resources

D. Limited wants and limited resources

Answer: C



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17. Which part of economic theory aims to determine income and employment level of the economy?

- A. Microeconomics
- B. Macroeconomics
- C. neither (a) nor (b)
- D. Both (a) and (b)

Answer: B



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18. What will happen to PPF if there is technological upgradation in case of both the goods?

A. Rightward shift in PPF

B. Leftward Shift PPF

C. Rotation of PPF

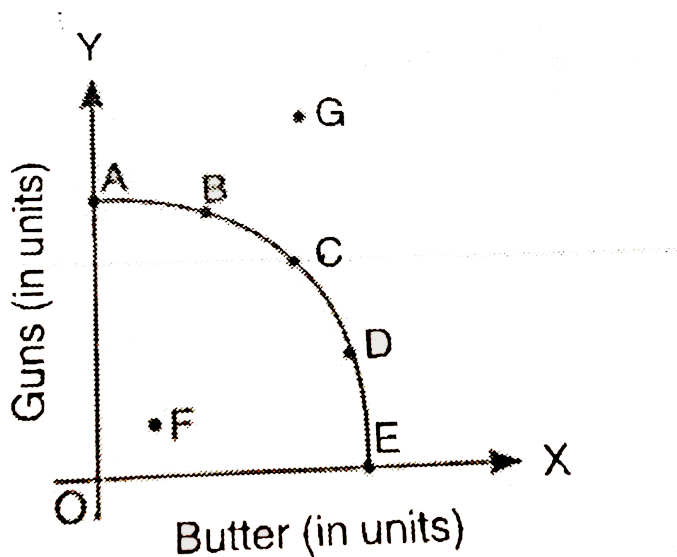
D. None of these.

Answer: A



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19. Answer the following questions with the help of following diagram:



Which of the following point represent underutilisation of resources?

A. G

B. E

C. A

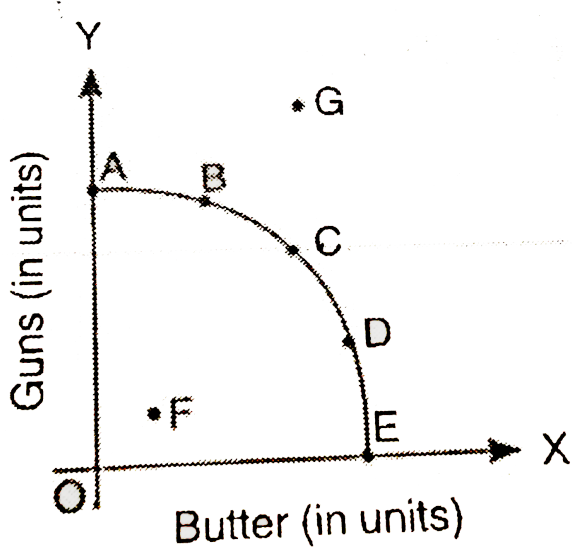
D. F

Answer: D



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20. Answer the following questions with the help of following diagram:



Which of the following point represents fuller and efficient utilisation of resources?

A. B

B. G

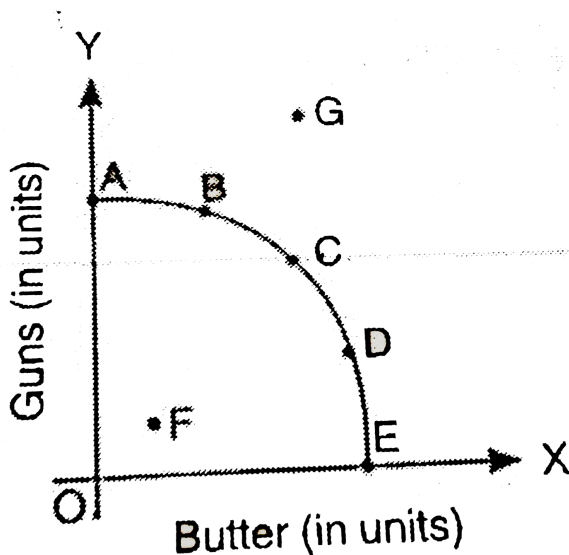
C. F

D. None of these.

Answer: A

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21. Answer the following questions with the help of following diagram:



Which of the following point shows unattainable combination?

A. C

B. F

C. G

D. A

Answer: C



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22. Labour- intensive techniques are chosen
in a:

A. Labour-surplus economy

B. Capital-surplus economy

C. Developed economy

D. Developing economy

Answer: A



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23. Which of the following is related to Microeconomics ?

A. Inflation in the economy

B. Unemployment Problem

C. National income

D. Income from Postal department

Answer: D



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24. Which of the following is a cause of economic problem?

A. Scarcity of Resources

B. Unlimited Wants

C. Alternative Uses

D. All of these

Answer: D



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25. Which of the following is not a central problem of economy?

A. How to produce

B. When to Produce

C. What to produce

D. For whom to Produce

Answer: B



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26. Which of the following illustrates a decrease in the unemployment using the PPC?

A. A movement down along the PPC

B. A rightward shift to the PPC

C. A movement from a point on the PPC to a point inside the PPC

D. A movement from a point inside the PPC to a point towards the PPC

Answer: D

27. The problem of 'What to produce' covers the issue relating to:

- A. What goods are to be produce
- B. What quantities of good to be produced
- C. Both (a) and (b)
- D. Neither (a) nor (b)

Answer: C

28. Consider the following table

Production Possibilities	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>
Guns (Units)	0	1	2	3	4
Butter(Units)	10	9	7	4	0

The opportunity cost of increasing guns production from 2 to 3 units is ____ units of butter.

A. 7

B. 2

C. 7

D. 3

Answer: D



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29. Consider the following table

Production Possibilities	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>
Guns (Units)	0	1	2	3	4
Butter(Units)	10	9	7	4	0

All possibilities A to E deal with:

A. Full use of available resources

B. Under-utilisation of available resources

C. No use of available resources

D. Demand for more resources

Answer: A



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30. Consider the following table

Production Possibilities	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>
Guns (Units)	0	1	2	3	4
Butter(Units)	10	9	7	4	0

If at some other point say G, the economy produces 2 units of guns and 6 units of butter, then,

- A. It represent under-utilization of resources
- B. Economy would operate at a point below PPF
- C. Both (a) and (b)
- D. Neither (a) nor (b)

Answer: C



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31. Consider the following table

Production Possibilities	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>
Guns (Units)	0	1	2	3	4
Butter(Units)	10	9	7	4	0

If the above points A to E are depicted on a graph, then such PPF would be:

- A. Convex to the origin
- B. Concave to the origin
- C. Straight line
- D. Rectangular hyperboal

Answer: B



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32. Economics is the study of:

A. How society manages its unlimited resources

B. How to reduce our wants until we are satisfied

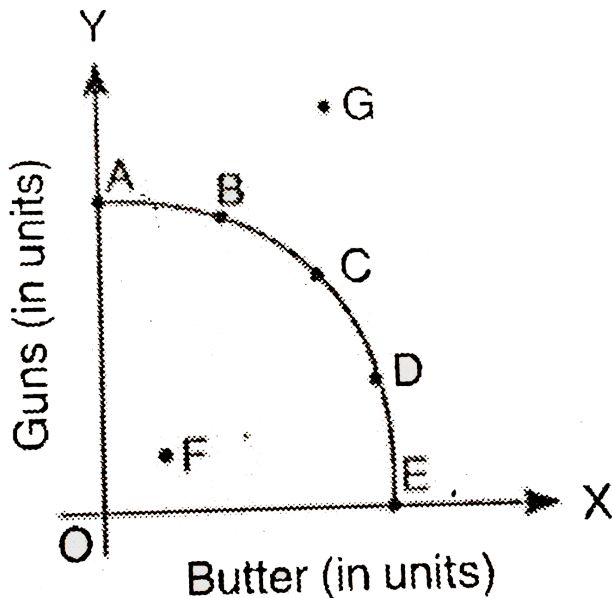
C. How society manages its scarce resources

D. How to fully satisfy our limited wants

Answer: C

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33. Which point on the following PPC shows a "productively efficient" level of output?



A. A

B. B

C. E

D. All of these

Answer: D



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34. In deciding "How to produce" the economy should consider,

A. Labour intensive Techniques

B. Capital Intensive Techniques

C. Both (a) and (b)

D. Neither (a) nor (b)

Answer: C



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35. Opportunity Costs arise:

A. When there is only course of action

B. When there are two or more alternative courses

C. Both (a) and (b)

D. Neither (a) nor (b)

Answer: B



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36. Which of these statement is ture about production possibility curve?

A. It shows various combinations of two goods which yield same level of satisfaction.

B. It shows various combinations of two goods which an economy can produce with a given amount of resources and technology.

C. It shows combination of two goods which an economy can produce with a given budget.

D. It shows various combination of two goods which an economy can produce with a given time.

Answer: B



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37. The Production Possibility Frontier is generally,

A. Convex Shaped Downward Sloping

B. Concave Shaped Downward Sloping

C. Either (a) or (b)

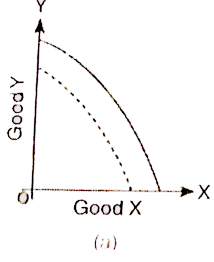
D. Neither (a) nor (b)

Answer: B

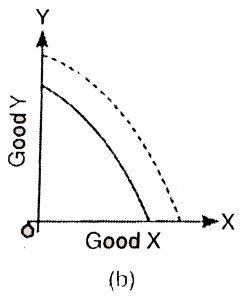


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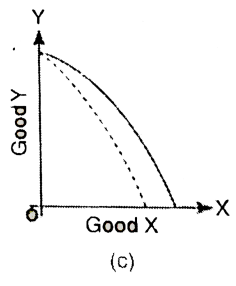
38. Due to 'Make in India', there has been large inflow of foreign capital. It will lead to the following change in PPC:



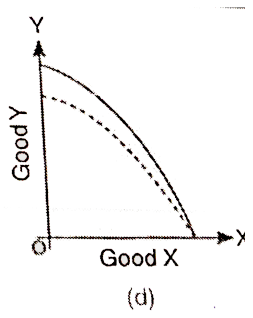
A.



B.



C.

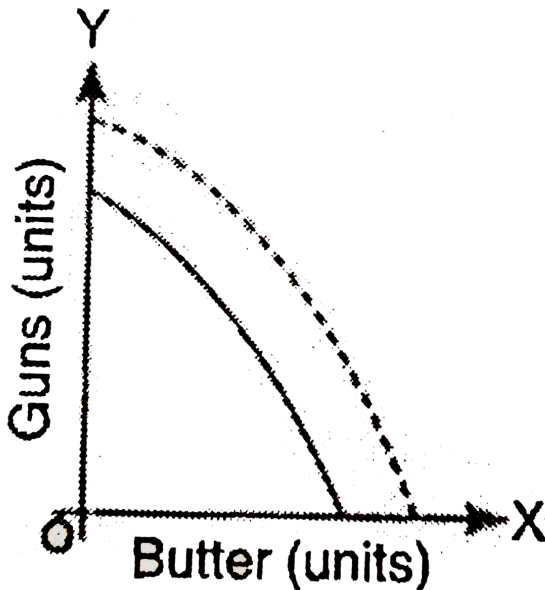


D.

Answer: B

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39. The shift in PPC is caused due to:



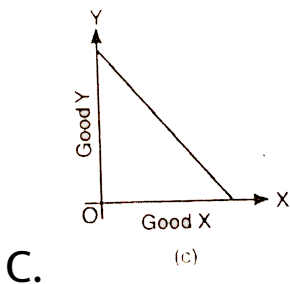
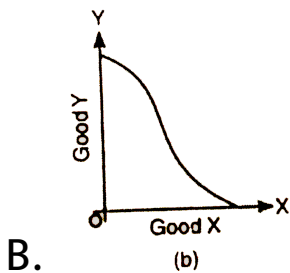
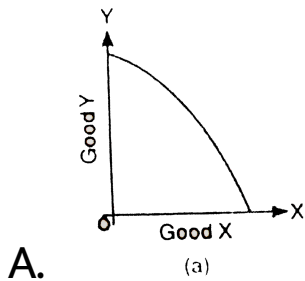
- A. Increase in resources for production of both the goods
- B. Increase in resources for production of butter only
- C. Increase in resources for production of guns only
- D. None of these.

Answer: A

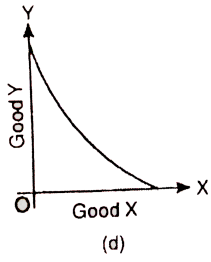


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40. In case of decreasing MRT, the shape of PPC will be depicted by the following diagram:



D.

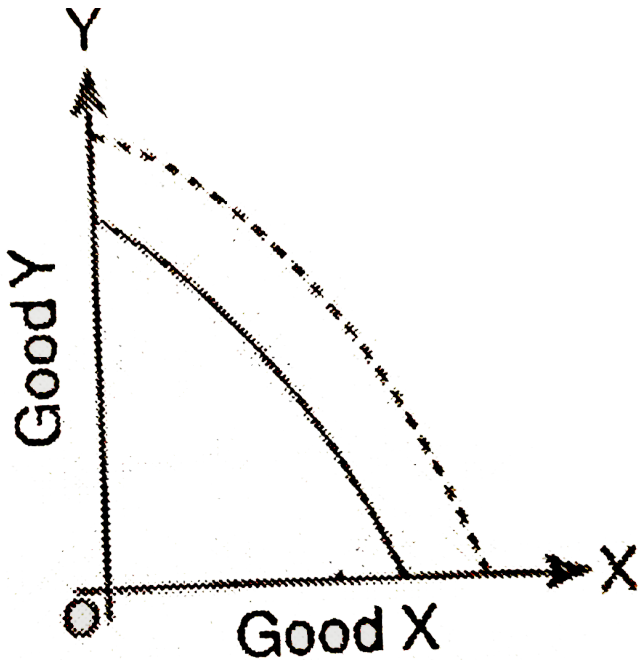


Answer: D



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41. The following change in PPC is due to:



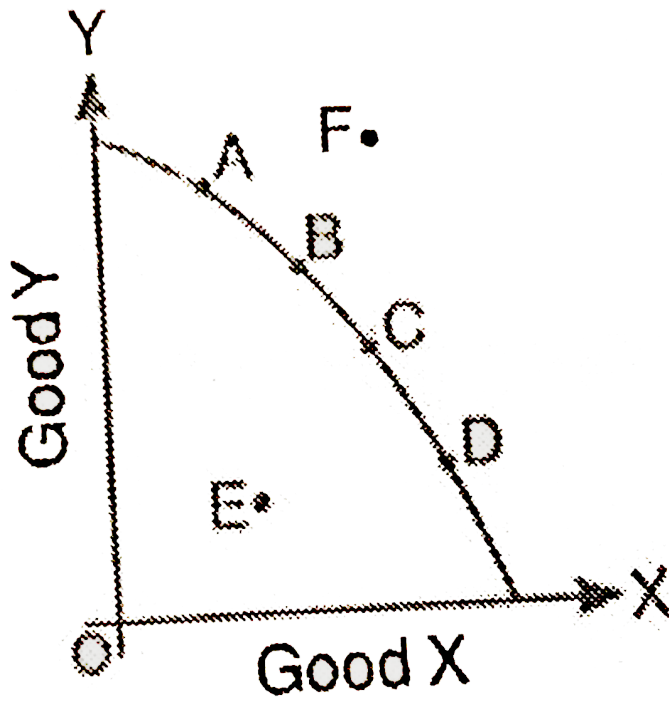
- A. Massive Unemployment
- B. Destruction of Resources
- C. Increase in Resources
- D. Fuller Utilisation of Resources

Answer: C



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42. In the order of sequence, the points of 'Underutilisation' and 'Unattainable' are:



A. A and F

B. F and E

C. D and E

D. E and F

Answer: D



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

- A. Resources are not fully employed.
- B. Resources are not equally efficient for production of the two goods.
- C. Resources are not efficiently employed.

D. Resources available are not fixed.

Answer: B



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44. Macroeconomics focuses on all of the following except:

A. Unemployment Problem

B. Inflation in the Economy

C. Aggregate Demand

D. Jute Industry

Answer: D



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45. Which of the following is an example of a Positive Economy:

A. India should take steps to control rising prices

B. There are inequalities of income in our
economy

C. India should not be an overpopulated
country

D. Income inequalities should be reduced

Answer: B



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46. The statements like 'Economy should control pollution' or 'Unemployment in the economy ought to be reduced' fall within the scope of,

A. Normative Statement

B. Positive Statement

C. Both (a) and (b)

D. None of these.

Answer: A



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47. An economy has 2 alternatives of production from the available resources: (i) $20X + 1Y$, of (ii) $18X + 2Y$. If the economy chooses the second alternative, then what is MOC of producing Y:

A. $1X$

B. $2X$

C. $1Y$

D. None of these.

Answer: B



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48. The Opportunity Cost arises:

- A. When there is just one alternative
- B. When there are two or more alternatives
- C. Either (a) or (b)
- D. None of these.

Answer: B



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49. In the context of rising prices, following statements are made by two people:

Udit: Prices in the economy are continuously rising,

Shivam: The Government should take reasonable steps to control rising prices.

Identify the statements as Positive Statement and Normative Statement.

A. Udit Positive, Shivam, Normative

B. Udit, Normative, Shivam, Positive

C. Both are Positive Statements

D. Both are Normative Statements

Answer: A



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50. Production Possibility Frontier is:

A. Downward Sloping

B. Concave Shaped

C. Both (a) and (b)

D. Either (a) or (b)

Answer: C



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Shory Answer Type Question 3 4 Marks Each

1. Why does an economic problem arise?

Explain.



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2. Distinguish between microeconomics and macroeconomics.



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3. What are the three central problems of an economy? Why do they arise?



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4. What is meant by the problem of allocation of resources?



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5. Distinguish between positive economics and normative economics. Give an example of each.



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6. Explain the central problem of 'how to produce'

OR

Explain in the central problem of the choice of products to be produced.



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7. Explain 'what to produce' with the help of an example

OR

Explain the central problem of the choice of products to be produced.



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8. Explain the central problem of "for whom to produce"

OR

Explain the central problem of distribution in an economy.



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9. What is a production possibility frontier?



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10. Why do central problems arise? Explain.



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11. Explain why a production possibilities curve is concave.



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12. 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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13. What does a production possibility curve show? When will it shift to the right?



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14. How is production possibility curve affected by unemployment in the economy?

Explain.

OR

Explain how a production possibility curve is affected when resources are inefficiently employed in an economy.



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15. What is meant by marginal opportunity cost? Why is marginal opportunity cost increasing in case of PPF?



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16. Give the various reasons for shift in production possibility curve.



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17. Define Marginal Rate of Transformation (MRT).



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18. Define Production Possibilities Curve.
Explain why it is downward sloping from left to right.



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



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20. State any three assumptions on which a 'Production Possibilities Curve' is based.



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21. State the meaning and properties of production possibilities frontier.



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22. What will be the effect on PPC of Bihar if better job opportunities are created in Bihar?



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23. Using a diagram explain what will happen to the PPC of Bihar if the river Kosi causes widespread floods?



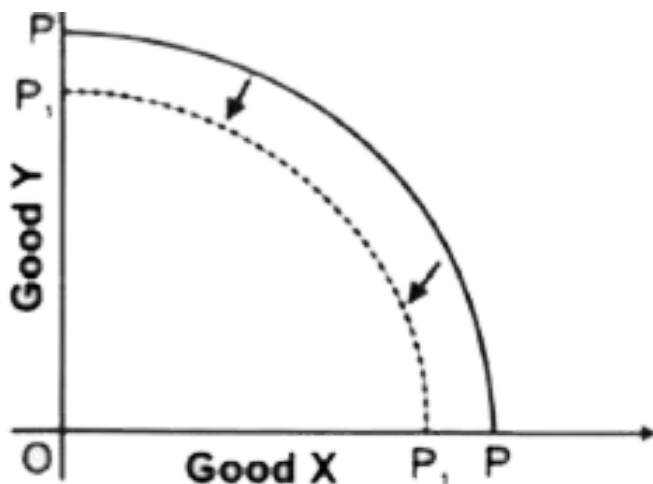
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24. State the central problems of an economy.



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25. What will likely be the impact of large scale outflow of foreign capital on Production Possibility Curve of the economy and why?



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26. Define Marginal Opportunity cost.



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27. In what circumstances may the production possibility frontier shift away from the origin? Explain.



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Unsolved Practicals

1. An unemployed person, Ramesh is looking out for a job. Ramesh received 2 job offers: one for Rs. 20,000 from ICICI Bank and other offer Rs. 15,000 from HDFC Bank. What is the opportunity cost for Ramesh if he accepts the offer of ICICI Bank?



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2. Calculate the marginal opportunity cost (MOC) of commodity X for the given

combinatons:

Commodity X	0	1	2	3	4	5
Commodity Y	100	95	85	70	50	25



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3. A country produces two goods, A and B its production possibilities are shown in the following table. Calculate the values of MRT.

Construct of PPF, with the help given possibilities and discuss the shape of PPF.

Possibilities	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>
Good A	0	1	2	3	4	5
Good B	100	95	85	70	50	25



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4. Giving reason comment on the shape of production Possibilities curve based on the following schedule.

Good X (Units)	Good Y (Units)
0	8
1	6
2	4
3	2
4	0



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5. Giving reason, comment of the shape of the production Possibilities curve based on the following schedule,

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

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6. 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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