



INDIAN SCHOOL AL WADI AL KABIR

Class: XI	Department: Commerce	Date of submission: 17-05-2020
Worksheet No: 3	Topic: Micro Economics: Introduction	SOLUTION

MCQ s:

- Which of the following is not concerned with economic problem?
 - Excessive income.**
 - Alternative use of resources.
 - Unlimited wants.
 - Scarce resources.
- In which of the following situations does scarcity arise?
 - Supply of resources $>$ Demand for resources
 - Demand for resources $>$ Supply of resources**
 - Demand for resources = Supply of resources
 - All of these
- The Government does not interfere in decision making under:
 - Centrally Planned Economy.
 - Market economy.**
 - Mixed Economy.
 - None of these.
- A statement which does not offer any suggestion is called:
 - Positive statement**
 - Normative statement.
 - Both a and b
 - None of these
- Normative economics deals with:
 - Facts
 - Opinions**
 - Both of them
 - None of these
- Issues related to unemployment are studied at:
 - Micro level.
 - Macro level.**
 - None of these

- d. Both at micro and macro level.
7. Example of micro economic variable:
- a. Wholesale Price Index
 - b. National Income
 - c. **Market demand of tomatoes**
 - d. Aggregate Demand
8. Scarcity of resources exist at:
- a. Micro level
 - b. Macro Level
 - c. **Both a and b**
 - d. None of these
9. Slope of PPC is:
- a. a straight line
 - b. Convex to origin
 - c. **Concave to origin**
 - d. None of these
10. Which of the following is related to how to produce?
- a. Factoral distribution of income
 - b. **Choice of technique**
 - c. Choice of product
 - d. None of these

1 mark questions:

1. Define: (Refer to notes for all these answers)
- i. Micro economics
 - ii. Macro Economics
 - iii. Positive Economics
 - iv. Normative Economics
 - v. Economy
 - vi. Scarcity
 - vii. Centrally Planned economy
 - viii. Market economy
 - ix. Mixed Economy
 - x. Economic problem
 - xi. Production Possibility curve
 - xii. Opportunity cost

2. State two characteristics of resources.
A: i. Resources are limited in supply. ii. They have alternate uses.
3. Economic problem and scarcity are not related to each other. True / False? Justify.
4. Positive statements are statements of truth. True/False? Justify.
A: False. They are verifiable, they can be true or false.
5. When can PPC be a straight line?
A: When MRT or slope is constant.
6. Why is there a need for economizing of resources?
A: Because there are unlimited wants but limited resources to satisfy them.
7. Why is PPC downward sloping from left to right?
A: Because resources are constant. If the production of one good increases, production of the other good must decrease.
8. Why does PPC look concave to origin?
A: Because of increasing MRT.
9. What does a point below PPC indicate?
A: Inefficient use of resources.
10. Give one example (each) of i. growth of resources. ii. Depletion of resources.
A: i. Discovery of mines or migration of labourers
ii. Depletion of resources: Destruction of resources due to drought or flood.

3-4 mark questions:

11. Draw a PPC and explain the followings:
a. Full employment of resources. b. Underutilization of resources c. Growth of resources
Refer to notes.
12. Why does an economic problem arise?
A: Refer to notes.
13. Why is PPC downward sloping and concave? Explain.
A: Refer to notes.
14. How is PPC affected by unemployment in the economy?
A: Refer to notes.
15. An economy always produces on, but not inside a PPC. Defend or refute.
A: An economy mostly produces inside the PPC because resources are not utilized efficiently and fully.

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

A: refer to notes.

17. What does increasing marginal opportunity cost along a PPC imply?

A: This is because resources are use specific. When these resources are shifted from their specialized uses, efficiency must suffer. Loss of output of good Y for good X must rise.

18. If PPC relates to iron and copper (on the X axis and the Y axis respectively), draw diagram showing change in PPC when resources remain constant and technology improves only for iron. (Refer to notes)

19. A country produces two goods: dolls and cars. Plot the PPC and verify that it is concave to origin. Calculate MRT. Which pattern in the table that gives rise to the concave shape of the PPC?

Combination	Good X	ΔX	Good Y	ΔY	MRT = Value of $\frac{\Delta y}{\Delta x}$
A	0		15	---	---
B	1		14	-1	1
C	2		12	-2	2
D	3		9	-3	3
E	4		5	-4	4
F	5		0	-5	5

Increasing MRT gives rise to the concave shape of the PPC. Explain.