

**ECONOMICS**

**CHAPTER 1**

**INTRODUCTION**

**CLASS XI**

**QUESTION BANK**

**MCQ**

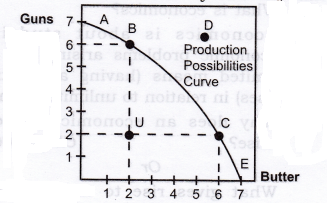
**1.  The law of scarcity**

**(a) Does not apply to rich, developed countries.  
(b) Applies only to the less developed countries.  
(c) Implies that consumers’ wants will be satisfied in a socialistic system.  
(d) Implies that consumers’ wants will never be completely satisfied.**

**2. The central problem in economics is that of**

**(a) Comparing the success of command versus market economies.  
(b) Guaranteeing that production occurs in the most efficient manner.  
(c) Guaranteeing a minimum level of income for every citizen.  
(d) Allocating scarce resources in such a manner that society’s unlimited needs or wants are satisfied in the best possible manner.**

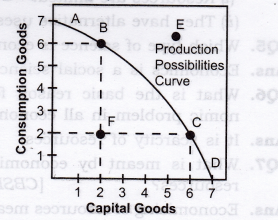
**3. Which one of the following bundles of goods cannot be produced with the resources the economy currently has?**

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**(a) A (b) B  
(c) C (d) D**

**4. An economy achieves “productive efficiency” when:**

**(a) Resources are employed in their most highly valued uses.  
(b) The best resources are employed.  
(c) The total number of produced goods is the greatest.  
(d) Goods and services are produced at least cost and no resources are wasted.  
Using the figure gives below answer the following (Q.5 to Q.7)**

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**5. Which point on PPF shows a “productively efficient” level of output?  
(a) A (b) B  
(c) C (d) All of the above.**

**6. Which of the following clearly represents a movement toward greater productive efficiency?**

**(a) A movement from point A to point B.  
(b) A movement from point C to point D.  
(c) A movement from point F to point C.  
(d) A movement from point E to point B.**

**7. Which one of the following alternatives illustrate a decrease in unemployment using the PPF?**

**(a) A movement down along the PPF.  
(b) A rightward shift of the PPF.  
(c) A movement from a point on the PPF to a point inside the PPF.  
(d) A movement from a point inside the PPF to a point on the PPF.**

**8. If the PPF is linear, i.e., a straight line, which one of the following statements is true?**

**(a) As the production of a good increases, the opportunity cost of that good rises.  
(b) As the production of a good increases, the opportunity cost of that good falls.  
(c) Opportunity costs are constant.  
(d) The economy is not at full employment when operating on the PPF.**

**9. Which one of the following statements is a reason for the negative slope of PPF?**

**(a) The inverse relationship between the use of technology and the use of natural resources.  
(b) Scarcity at any point of time due to limited amounts of productive resources.  
(c) Resource specialisation.  
(d) Increasing opportunity costs.**

**10. Capital intensive technique is chosen in a**

**(a) Labour surplus economy.  
(b) Capital surplus economy.  
(c) Developed economy.  
(d) Developing economy.**

**11. Labour intensive technique is chosen in a**

**(a) Labour surplus economy.  
(b) Capital surplus economy.  
(c) Developed economy.  
(d) Developing economy.**

**12. If the marginal (additional) opportunity cost is a constant, PPC would be**

**(a) Convex.  
(b) A straight line.  
(c) Backward bending.  
(d) Concave.**

**13. The branch of economic theory that deals with the problem of allocation of resources is**

**(a) Micro economic theory.  
(b) Macroeconomic theory.  
(c) Econometric’s.  
(d) None of them.**

**14. Which one of the following options is likely to cause an inward shift in a country’s PPC?**

**(a) Earthquake destroying resources of the country.  
(b) Scientists discovering new machines.  
(c) Workers getting jobs in a new metro- project.  
(d) The country finds new reserves of crude oil.**

**15. The various combinations of goods that can be produced in any economy when it uses its available resources and technology efficiently are depicted by**

**(a) Demand curve.  
(b) Production curve.  
(c) Supply curve.  
(d) Production possibilities curve.**

**16. Scarcity is a situation in which**

**(a) wants exceed the resources available to satisfy them  
(b) something is being wasted  
(c) people are poor  
(d) none of them**

**17. Production Possibilities Curve is also known as**

**(a) Demand curve  
(b) Supply curve  
(c) Indifference curve  
(d) Transformation curve**

**18. A lot of people die and many factories are destroyed due to floods in a country.**

**How will it affect the production possibility curve? [CBSE 2014]  
(a) PPC will shift towards right  
(b) PPC will shift towards left.  
(c) PPC will remain the same  
(d) None of the above.**

**19. Which of the following is not a subject matter of microeconomics?**

**(a) Consumer’s behavior  
(b) Market structure  
(c) Monetary Policy  
(d) Pricing of factor services**

**20. 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.**

**SHORT ANSWER QUESTIONS**

**1.  Why does an economic problem arise?**

**Or  
State any two causes of economic problem.**

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

**Or   
Why does problem of choice arise?**

**Or  
Explain three factors that lead to an economic problem.**

**2. Give reasons for the following statements:**

1. **Every economy has to make the decision relating to what to produce.**
2. **Problem of choice arises because available resources have alternative uses.**

**3.  Why do all economies have similar central problems?**

**4. State the central problems of an economy.**

**5. Define Production Possibility Curve and state its properties.**

**6. State any three assumptions on which a production possibilities curve is based.**

**7. Does production take place only on PPC?**

**8. “An economy always produces on but not inside PPC. Defend or refute.**

**9. Why is Production Possibilities Curve concave? Explain.**

**10. Give reasons for the following statements:**

1. **A Production Possibility Frontier is always a downward sloping concave curve.**
2. **An efficient economy would always produce a combination of goods**  
   **that lies on the given Production Possibility Frontier.**
3. **Growth of an economy is represented in the form of a rightward shift of a Production Possibility Frontier.**

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

**12.  Define Marginal Opportunity Cost. Explain the concept with a hypothetical numerical example.**

**LONG ANSWER QUESTIONS**

1. **Discuss the central problems of the economy.**
2. **Distinguish between a Mixed Economy and a Capital economy.**
3. **Distinguish between microeconomics and Macro Economics.**
4. **What is the difference between the Centrally Planned Economy and  Market  Economy?**
5. **“Scarcity and choice go all together”. Defend or refute.**
6. **Explain the following Concepts:-**

**A. Meaning of Opportunity Cost with the help of Production Possibility Schedule.**

**B. Marginal Opportunity Cost. Explain the concept with a hypothetical numerical example.**