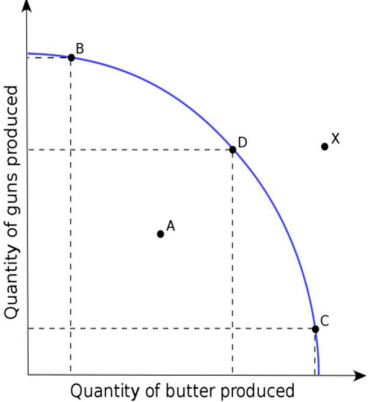




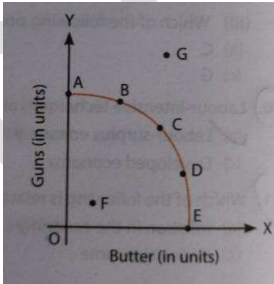
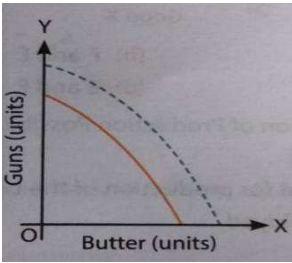
PART B: MICRO

Chapter 1 : Introduction

Q. NO	QUESTION	MARKS
1	Study the following statements and state the economics (positive/ normative) India is a developing country. The contribution of service sector to GDP is rising. People are adopting new technologies in the field of production. Our attitude towards women is changing in their favour	1
2	The economy where there is coexistence of private and public sector under the guidance of centralized planning : a) Capitalist economy b) Socialist economy c) Mixed economy None of these	1
3	The normal shape of production possibility curve is concave. In which case it may be a straight line a) When MOC rises b) When MOC constant c) When MOC falls None of these	1
4	The production possibility curve is drawn with the assumption: a) Resources are given b) Technology is given and constant c) Factors are not equally efficient to produce both the goods All of these	1
5	A candidate at a time qualified for three jobs as follows: Bank PO with monthly income Rs 50000 Income tax officer with monthly income Rs52000 A CBI inspector with monthly income Rs 48000. On the basis of the above statements what is the opportunity cost of becoming an income tax officer	1
6	A farmer X is using 15 hours of labour force and 2 hours of machine to produce certain crop in his field. Another farmer Y is using 12 hours of labour force and 3 hours of machine to produce the same amount of crop as produced by X. which technology is farmer Y using?	1

7	 <p>Quantity of guns produced</p> <p>Quantity of butter produced</p> <p>Study the above PPC and the point A stands for :</p>	1
8	In the production process the factors such as land, labour, interest and organizer are remunerated. This involves which problem in economics?	1
9	<p>Study the following statements and answer the option given below.</p> <p>Statement I: what to produce is related to what type of goods are to be produced</p> <p>Statement II: what to produce is related to how much quantity of goods to be produced</p> <p>Alternatives:</p> <p>A. Statement I and II are correct</p> <p>B. Statement I is correct and statement II is false</p> <p>C. Statement II is correct and statement I is false</p> <p>Both statements are wrong</p>	1
10	<p>Assertion:PPC shifts to the right</p> <p>Reason: when there is exploration of resource and improvement in technology</p> <p>a) Both Assertion (A) and Reason (R) are the true and Reason (R) is a correct explanation of Assertion (A).</p> <p>(b) Both Assertion (A) and Reason (R) are the true but Reason (R) is not a correct explanation of Assertion (A).</p> <p>(c) Assertion (A) is true and Reason (R) is false.</p> <p>(d) Assertion (A) is false and Reason (R) is true.</p>	1
11	<p>Unemployment is reduced due to measures taken by the government. How will it affect the PPC?</p> <p>(a) Leftward Shift</p> <p>(b) Unchanged PPC</p> <p>(c) Rightward Shift</p> <p>(d) None of the above</p>	1
12	<p>Which of the following is a statement of normative nature in economics</p> <p>(a) Economics is a study of choices /alternatives</p> <p>(b)The government should be concerned with how to reduce unemployment</p> <p>(c) According to the estimate, in spite of severe shortage, more than 10% of houses in Indian cities are vacant</p> <p>(d) Accommodation of refugees is posing a big problem for Europe</p>	1
13	<p>Assertion (A): Tools of microeconomics are demand and supply.</p> <p>Reason (R): Microeconomics studies the behaviour of individual units of an economy.</p> <p>(a) Both assertion (A) and Reason(R) are true and Reason (R) is the correct explanation of Assertion (A).</p>	1

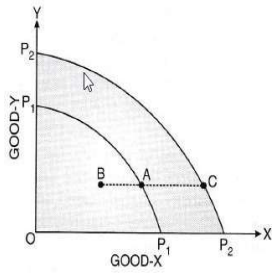
	<p>(b) Both assertion (A) and Reason(R) are true and Reason (R) is not the correct explanation of Assertion (A).</p> <p>(c) Assertion (A) is true but Reason (R) is false.</p> <p>(d) Assertion (A) is False but Reason (R) is True</p>											
14	<p>Assertion (A): Positive Economics avoids economic value judgments.</p> <p>Reason (R): Positive Statements can be verified as true or false by comparing with actual data.</p> <p>(a) Both assertion (A) and Reason(R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>(b) Both assertion (A) and Reason(R) are true and Reason (R) is not the correct explanation of Assertion (A).</p> <p>(c) Assertion (A) is true but Reason (R) is false.</p> <p>(d) Assertion (A) is False but Reason (R) is True</p>	1										
15	<p>In the following questions, statement 1 is followed by statement 2. Choose the correct option.</p> <p>Statement 1: Positive statements do not pass any value judgement.</p> <p>Statement 2: Normative statements can be verified.</p> <p>(a) Both statements are true</p> <p>(b) Both statements are false</p> <p>(c) Statement 1 is true and statement 2 is false</p> <p>(d) Statement 2 true and statement 2 is false</p>	1										
16	<p>Choose the correct option.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Column A</th> <th style="width: 50%;">Column B</th> </tr> </thead> <tbody> <tr> <td>(i) Normative statement</td> <td>(a) Rightward shift of PPC</td> </tr> <tr> <td>(ii) MOC</td> <td>(b) Aggregate units</td> </tr> <tr> <td>(iii) Macroeconomics</td> <td>(c) Value judgement</td> </tr> <tr> <td>(iv) Growth of resources</td> <td>(d) Rate of sacrifice</td> </tr> </tbody> </table> <p>A. (i)-(a), (ii)-(b), (iii)-(c), (iv)-(d)</p> <p>B. (i)-(b), (ii)-(c), (iii)-(d), (iv)-(a)</p> <p>C. (i)-(c), (ii)-(d), (iii)-(b), (iv)-(a)</p> <p>(i)-(c), (ii)-(b), (iii)-(a), (iv)-(d)</p>	Column A	Column B	(i) Normative statement	(a) Rightward shift of PPC	(ii) MOC	(b) Aggregate units	(iii) Macroeconomics	(c) Value judgement	(iv) Growth of resources	(d) Rate of sacrifice	1
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(ii) MOC	(b) Aggregate units											
(iii) Macroeconomics	(c) Value judgement											
(iv) Growth of resources	(d) Rate of sacrifice											
17	<p>Identify the normative statement from the following.</p> <p>(a) About 25% population of India are below poverty line.</p> <p>(b) Level of unemployment is rising in India</p> <p>(c) The GDP growth rate of India in the last year was 6.1%.</p> <p>Indian government should design new policies to control inflation.</p>	1										
18	<p>Marginal opportunity cost is:</p> <p>(a) The slope of budget line</p> <p>(b) The slope of indifference curve</p> <p>(c) The slope of PPC</p> <p>None of these</p>	1										
19	<p>PPC is concave when marginal opportunity cost :</p> <p>(a) Falls</p> <p>(b) Remains constant</p>	1										

	(c) Rises None of these	
20	A person has job offers from four companies. Company A offers him ₹20000 per month, Company B offers him ₹22000 per month, Company C offers him ₹18000 per month and Company D offers him ₹25000 per month. If he joins company D, then his opportunity cost will be: (a) ₹18000 (b) ₹20000 (c) ₹22000 25000	1
21	Jay Prakash is working at a salary of ₹ 35000 per month. He receives two job offers: (i) To work as an accountant at a salary of ₹ 30000 per month; (ii) To work as a sales manager at a salary of ₹ 25000 per month. In the given case, his opportunity cost will be: (A) ₹25000 (B) ₹30000 (C) ₹ 35000 (D) ₹ 65000	1
22	Labour-intensive technique is chosen in a: (A) Labour-surplus economy (B) Capital-surplus economy (C) Developed economy (D) Developing economy	1
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	1
24	Which point on the following PPC shows a “productively efficient” level of output? 	1
25	The shift in PPC is caused due to: 	1
	(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	

26	The statements like 'Economy should control pollution' or 'Unemployment in the economy ought to be reduced' fall within the scope of: (A) Normative Statements (B) Positive Statements (C) Both A and B (D) None of these	1
27	Positive Economic analysis is concerned with: (A) Opinions (B) Value Judgements (C) Facts and figures (D) Ideals	1
28	'Fit India Movement' launched by the Indian Government will lead to: (A) Leftward shift in PPC (B) Rightward shift in PPC (C) Forward rotation on X-axis (D) No change in PPC	1
29	Out of the following, which one is Macro variable? (A) Production of food grains in India (B) Pricing decision by TATA motors (C) Measurement of General price level (D) Fall in price petrol	1
30	A country's resources are fully and efficient employed. The problem of scarcity exists. What advise will be given to raise the efficiency level of the human resources to fight scarcity?	1
31	The opportunity cost of watching a movie will be equal to: (a) The time lost while watching the show. (b) The pleasure that could have been enjoyed watching TV instead. (c) The pleasure enjoyed by watching the show. The amount paid to buy the tickets.	1
32	Microeconomics deals with which of the following? (a) Total output of an economy. (b) Measurement of a nation's inflation rate. (c) How producers and consumers interact in individual market? How tax policies influence economic growth?	1
33	Darshit is working at a salary of ₹ 70,000 per month. He receives two job offers: i. To work as an accountant at a salary of ₹ 60,000 per month. ii. To work as a sales manager at a salary of ₹ 50,000 per month. In the given case, his opportunity cost will be: (a) ₹ 50,000 (b) ₹ 60,000 (c) ₹ 70,000 (d) ₹ 1,30,000	1
34	In the context of rising prices, following statements are made by two people: Hemant: Prices in the economy are continuously rising. Sachin: The Government should take reasonable steps to control rising prices. Identify the statements as Positive Statement and Normative Statement. (a) Hemant: Positive, Sachin: Normative (b) Hemant: Normative, Sachin: Positive (c) Both are Positive Statements Both are Normative Statements	1

<p>35</p>	<p>Identify the correct pair from Column I and Column II and choose the correct alternate:</p> <table border="1" data-bbox="337 247 862 1010"> <thead> <tr> <th data-bbox="337 247 613 279">Column I</th> <th data-bbox="613 247 862 279">Column II</th> </tr> </thead> <tbody> <tr> <td data-bbox="337 279 613 527">A. Microeconomics</td> <td data-bbox="613 279 862 527">i) Deals with the economic problems or economic issues at the level of an economy as a whole</td> </tr> <tr> <td data-bbox="337 527 613 632">B. Positive economic analysis</td> <td data-bbox="613 527 862 632">ii) Deals with the things 'as they are'</td> </tr> <tr> <td data-bbox="337 632 613 835">C. Macroeconomics</td> <td data-bbox="613 632 862 835">iii) Deals with the economic problems or economic issues at the level of an individual</td> </tr> <tr> <td data-bbox="337 835 613 1010">D. For whom to produce</td> <td data-bbox="613 835 862 1010">iv) Deals with the problem of choosing the technique of production</td> </tr> </tbody> </table> <p>(a) A – (i) (b) B – (ii) (c) C – (iii) (d) D – (iv)</p>	Column I	Column II	A. Microeconomics	i) Deals with the economic problems or economic issues at the level of an economy as a whole	B. Positive economic analysis	ii) Deals with the things 'as they are'	C. Macroeconomics	iii) Deals with the economic problems or economic issues at the level of an individual	D. For whom to produce	iv) Deals with the problem of choosing the technique of production	<p>1</p>
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<p>36</p>	<p>Which of this statement is true about Production Possibility Curve?</p> <p>(a) It shows various combinations of two goods which yield same level of satisfaction.</p> <p>(b) It shows various combination of two goods which an economy can produce with a given amount of resources and technology.</p> <p>(c) It shows various combination of two goods which an economy can produce with a given budget.</p> <p>It shows various combination of two goods which an economy can produce with a given time.</p>	<p>1</p>										
<p>37</p>	<p>In the given figure, the movement on the production possibility curve from point A to point B shows _____.</p> <div data-bbox="431 1608 792 1808" data-label="Figure"> </div> <p>(a) Growth of all the resources in the economy. (b) Underutilisation of resources.</p>	<p>1</p>										

	(c) Production of more units of Good X and less units of Good Y. Production of more units of Good Y and less units of Good X.	
38	'Fit India Movement' launched by the Indian Government will lead to: (a) Leftward Shift in PPC (b) Rightward Shift in PPC (c) Forward Rotation on X-axis No Change in PPC	1
39	Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below. Assertion (A): Production Possibility Frontier (PPF) is a Concave Shaped curve. Reason (R): PPF shows all the maximum possible combination of two goods, which can be produced with the available resources and technology. Alternatives: (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A). (c) Assertion (A) is True but Reason (R) is False. Assertion (A) is False but Reason (R) is True.	1
40	Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below. Assertion (A): Positive Economics avoids economic value judgements. Reason (R): Positive Statements can be verified as true or false by comparing with actual data. Alternatives: (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A). (c) Assertion (A) is True but Reason (R) is False. Assertion (A) is False but Reason (R) is True.	1
41	"An economy always produces on, but not inside a PPF," Defend or refute.	3
42	A lot of people died and many factories were destroyed in an earthquake. How will be affect the PPF of the economy?	3
43	Production in an economy is below its potential due to unemployment. Government starts employment generation schemes. Explain its effect using production possibilities curve.	3
44	Choice of techniques in the field of production is always a central problem for any economy. Explain.	3
45	Scarcity and choice go together. Do you agree. Justify your answer.	3
46	From the following PPC curve where P_2 P_2 is a rightward shifted PPC , identify growth of resource, full utilization of resource and inefficient utilization of resource.	3



47	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.	3
48	What does the slope of PPF indicate?	3
49	Differentiate between Positive and Normative Economics.	3
50	<p>Read the following hypothetical text and answer the given questions: Each economy has scarce resources and will have possibility of being exhausted gradually after a continuous use. Growth of resources, therefore, becomes a basic problem of the economy. It can achieve this objective through technological advancement. Under-developed countries like India, Pakistan, Thailand etc. have remained poor because of poor growth of their resources. Besides fuller utilization of resources, these countries should try to raise their productive capacities, by exploring further availability of natural resources and discovering better techniques for their use. Moreover, full use of productive capacity is also indispensable for the growth of the economy. Since economic theory is classified into Micro and Macro Theory. Microeconomic theory deals with the allocation of resources in the market economy. In this theory, decisions regarding ‘what’, ‘how’ and ‘for whom’ to produce are decided on the basis of price mechanism. Goods are freely bought and sold in the market economy on an agreed price. Macroeconomic theory deals with the fuller and efficient use of resources. It also deals with the growth of resources and problems relating saving, investment, inflation, unemployment etc. Development economics deals with the problem of growth of resource.</p> <p>(i) Which is a central problem of an economy? (a) Allocation of resources (b) optimum utilization of resources (c) Growth of resources (d) all of these</p> <p>(ii) To which factor, economic problem is basically related to: (a) Choice (b) Consumer selection (c) firm selection (d) none of these</p> <p>(iii) Macro Economics deals with the (a) Allocation of resources (b) Aggregate use of resources (c) both (a) & (b) (d) none of these</p>	3
51	Complete the following table	3

	X	0	1	2	3	4		
	Y	14	---	---	---	---		
	MRT	---	1	2	3	5		
52	Explain the problem of 'choice of techniques' of production.							3
53	Differentiate positive and normative statements. Give examples of each.							4
54	Calculate MOC and comment on the shape of the PPC based on the following table.							4
	A	0	1	2	3	4	5	
	B	200	180	150	110	60	0	
55	Distinguish between Microeconomics and Macroeconomics. Give examples.							4
56	Production in an economy is below its potential due to unemployment. Government starts employment generation schemes. Explain its effect using PPC.							4
57	Differentiate between Microeconomics and Macroeconomics.							4
58	State whether the following statements are True or False giving proper reasons. a) Macroeconomics deals with study of cotton textile industry. b) Central problems are found only in the developing economies like India and Bangladesh and not in developed countries like USA. c) Economy can never operate outside the production possibility frontier with the given resources and technology. 'No Scarcity' means no economic problem.							4
59	"Problem of resource allocation would not arise, if resources do not have alternative uses." Defend or refute the statement with valid arguments.							4
60	Gulf countries have acquired more capital goods by selling oil to various countries. What would be its impact on Production Possibility Curve?							4
61	After completing the BBA, Nitin wants to do job, while his parents want him to pursue higher studies. What is the opportunity cost of opting for higher studies instead of doing job?							4
62	An unemployed person, Jatin is looking out for a job. Jatin received 2 job offers: one for ₹ 20000 from ICICI Bank and other offer of ₹ 15000 from Bank. What is the opportunity cost for Jatin if he accepts the offer of ICICI Bank?							6
63	A country produces two goods: A and B its production possibilities are shown in the following table. Calculate the values of MRT. Construct a PPF, with the help of given possibilities and discuss the shape of PPF.							6
	Possibilities	A	B	C	D	E	F	
	GGOD A	0	1	2	3	4	5	
	GOOD B	100	95	85	70	50	25	
64	Giving reason, comment on the shape of production possibilities Curve based on the following table:							6
	Good X (units)			Good Y (units)				
	0			4				
	1			3				
	2			2				
	3			1				
	0			0				
65	Explain the central problem of "What to Produce?" and "How to Produce?"							6
66	Complete the table and comment on shape of PPC.							6
			Possibilities	Good X	Good Y (units)	MRT		

		(units)			
	A	0	20	-	
	B	1	?	6Y:1X	
	C	2	9	?	
	D	3	?	4Y:1X	
	E	4	2	?	
	F	5	?	2Y:1X	
67	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.				6
68	Draw a production possibility curve and show the following situations on the diagram. (a) Full employment of resources (b) Effect of widespread flood (c) Use of advanced technology in production.				6
69	How do the following changes affect the production possibility curve of an economy and why? (a) Opening of more number of AIIMS in India. Massive landslides in Himachal Pradesh.				6
70	The problem of 'how to produce' is an important basic problem of an economy. Explain how is it solved in free economy? On what factors does the solution of this problem depend?				6

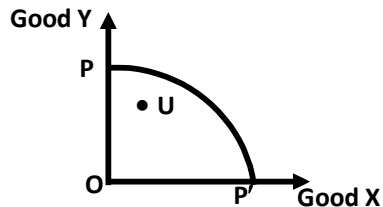
ANSWER

1	Positive economics
2	Mixed economy
3	B. When MOC constant
4	d. All of these
5	Bank PO
6	Capital intensive technology
7	Under utilisation of resource
8	Problem of distribution
9	Statement I and II are correct
10	a) Both Assertion (A) and Reason (R) are the true and Reason (R) is a correct explanation of Assertion (A)
11	(b)
12	(b)
13	(b)
14	(b)
15	(a)
16	(c)
17	(d)
18	(c)
19	(c)

20	(c)
21	₹ 30000
22	(A) Labour-surplus economy
23	(D) Income from postal department
24	(D) All of these
25	(A) Increase in resources for production of both the goods
26	(A) Normative Statements
27	(C) Facts and figures
28	(B) Rightward shift in PPC
29	(C) Measurement of General price level
30	Spread od education and Training
31	(b) The pleasure that could have been enjoyed watching TV instead.
32	(c) How producers and consumers interact in individual market?
33	(b) ₹ 60,000
34	(a) Hemant: Positive, Sachin: Normative
35	(b) B – (ii)
36	(b) It shows various combination of two goods which an economy can produce with a given amount of resources and technology.
37	(c) Production of more units of Good X and less units of Good Y.
38	(b) Rightward Shift in PPC
39	(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
40	(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
41	The given statement is refuted. An economy operates on PPF, only when resources are fully and efficiently utilised. It means, if there is unemployment or inefficient use of resources, then the economy may operate inside the PPF.
42	PPF of the economy will shift to the left from PP to P1P1. It happens because the number of possible combinations available with the economy has decreased, due to destruction of resources in the economy.
43	Production below the potential means that total production in the economy is somewhere below the production possibility curvePP',for example at point U in the diagram
44	Choice of technique is a problem related to how to produce. There are two techniques of production such as Labour intensive technique Capital intensive technique. In LIT more labour force and less machine hour is used whereas in CiT more machine hour and less labour force is used. The economy cannot use both the techniques due to certain problems like Shortage of fund Availability of factors etc.

	If CIT is given priority over LIT there will problem of unemployment On the other hand if LIT is given priority over CIT then the output will be inadequate, low quality with less longevity.					
45	Yes, resources are not only scarce, but also have alternative uses. Land can be used for producing wheat or constructing warehouses. Hence, the problem of choice is the essence of an economic problem. However if resources weren't scarce one could have everything at any time and there would be no problem of choice.					
46	A - full utilization B- Inefficient utilization Growth of resource					
47	The economic reason for this paradox is scarcity. Although water is useful, yet it is cheap due to its abundance in the economy. Diamonds are very expensive because they are scarce and people are ready to pay a high price.					
48	PPF is a downward sloping concave shaped curve. (i) Its downward slope indicates that more of one good can be produced only by taking resources away from the production of another good. Its concave shape indicates that more and more units of one commodity have to be sacrificed to gain an additional unit of another commodity.					
49	Difference between Positive Economics and Normative Economics					
	Positive Economics			Normative Economics		
	1. It deals with what is or how the economic problems are actually solved.			1. It deals with what ought to be or how the economic problems should be solved.		
	2. It can be verified with actual data.			2. It cannot be verified with actual data.		
	3. It does not give any value judgements.			3. It gives value judgements.		
50	(i)- (d) (ii)- (a) (iii)-(b)					
51	X	0	1	2	3	4
	Y	14	13	11	8	3
	MRT	---	1	2	3	5
52	The problem of 'choice of techniques' is also known as the problem of 'how to produce'. After deciding what to produce, an economy has to decide how to produce the decided goods and services. There are two techniques of production: (i) Labour intensive technique: under this technique more units of labour and less units of capital are used. (ii) Under this technique more units of capital and less units of labour are used. An economy has to decide which technique is suitable and choose it accordingly.					
53	Positive Statements			Normative statements		
	1. These statements explain 'what is' or 'what was' under certain circumstances.			1. These statements explains what ought to be under certain circumstances.		
	2. These statements can be empirically verified.			2. These statements cannot be empirically verified.		
	3. These are factual in nature.			3. These are suggestive in nature.		

	<ul style="list-style-type: none"> 4. These statements do not pass any value judgement. 5. Ex. India's trade deficit has increased by 2% in 2022-23 with the USA 	<ul style="list-style-type: none"> 4. These statements pass value judgements. 5. Ex. Indian government should take immediate step to reduce the trade deficit China. 																						
54	<table border="1"> <tr> <td>A</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>B</td> <td>200</td> <td>180</td> <td>150</td> <td>110</td> <td>60</td> <td>0</td> </tr> <tr> <td>MOC</td> <td>---</td> <td>20</td> <td>30</td> <td>40</td> <td>50</td> <td>60</td> </tr> </table>	A	0	1	2	3	4	5	B	200	180	150	110	60	0	MOC	---	20	30	40	50	60		<p>As the MRT is increasing, more and more units of Y is sacrificed to produce every additional units of X. Hence, PPC is concave to the point of origin.</p>
A	0	1	2	3	4	5																		
B	200	180	150	110	60	0																		
MOC	---	20	30	40	50	60																		
55	<p>Microeconomics</p> <ul style="list-style-type: none"> 1. It is that branch economic theory which studies the individual units of an economy. 2. The main instruments to study microeconomic problems are demand and supply. 3. It is also known as 'Price Theory' 4. It uses partial equilibrium analysis. 5. Ex. Demand for a commodity, price of a commodity, income of a consumer etc. 	<p>Macroeconomics</p> <ul style="list-style-type: none"> 1. It is that branch economic theory which studies the economy as a whole. 2. The main instruments to study microeconomic problems are aggregate demand and aggregate supply. 3. It is also known as 'Theory of Income and Employment' 4. It uses general equilibrium analysis. 5. Ex. Aggregate demand, aggregate supply, national income. 																						
56	<p>Production below the potential means that total production in the economy is somewhere below the production possibility curve PP', for example at point U in the diagram. When government starts employment generation schemes, and since the below potential production is due to unemployment, the economy moves forward in its attempt to remove unemployment and reach the potential. The movement forward is towards the PP' curve.</p>																							



57	Difference between Microeconomics and Macroeconomics										
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">Microeconomics</th> <th style="width: 50%; text-align: center;">Macroeconomics</th> </tr> </thead> <tbody> <tr> <td>1. Microeconomics is that part of economic theory which studies the behaviour of individual units of individual units of an economy.</td> <td>1. Macroeconomics is that part of economic theory which studies the behaviour of aggregates of the economy as a whole.</td> </tr> <tr> <td>2. Demand and Supply are the main tools of Microeconomics.</td> <td>2. Aggregate Demand and Aggregate Supply are the main tools of Macroeconomics.</td> </tr> <tr> <td>3. It aims to determine price of a commodity or factors of production.</td> <td>3. It aims to determine income and employment level of the economy.</td> </tr> <tr> <td>4. It is also known as 'Price Theory'.</td> <td>4. It is also known as 'Income and Employment Theory'.</td> </tr> </tbody> </table>	Microeconomics	Macroeconomics	1. Microeconomics is that part of economic theory which studies the behaviour of individual units of individual units of an economy.	1. Macroeconomics is that part of economic theory which studies the behaviour of aggregates of the economy as a whole.	2. Demand and Supply are the main tools of Microeconomics.	2. Aggregate Demand and Aggregate Supply are the main tools of Macroeconomics.	3. It aims to determine price of a commodity or factors of production.	3. It aims to determine income and employment level of the economy.	4. It is also known as 'Price Theory'.	4. It is also known as 'Income and Employment Theory'.
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58	<p>a) False. Cotton textile industry is a micro concept as it is one of the parts of industry. So, it is studied under microeconomics.</p> <p>b) False. Central problems are found in all economies (both developed and developing economies) as every economy faces problem of scarcity of resources.</p> <p>c) True. As all points outside production possibility frontier with the given resources and technology.</p> <p>True. If there is no scarcity, then there would be no economic problem as scarcity is the basic reason for economic problem.</p>										
59	Yes, the given statement is correct. The economic problem of resources allocation arises because resources are scarce and can be put to alternate uses. If a resource can be put only to specific use then the problem of resources allocation would not arise.										
60	Due to increase in capital goods, production capacity of the gulf countries will increase. As a result, production possibilities curve will shift towards right.										
61	Opportunity cost is the salary that Nitin would have earned in the doing job.										
62	₹ 15000										
63	MRT- 5:1, 10:1, 15:1, 20:1,25:1 and PPF will be concave shaped.										
64	As MRT is constant, PPC will be downward sloping straight line.										
65	<p>What to Produce? This problem involves selection of goods and services to be produced and the quantity to be produced of each selected commodity. Every economy has limited resources and thus, cannot produce all the goods. More of one good or service usually means less of others. For example, production of more sugar is possible only by reducing the production of other goods. Production of more war goods is possible only by reducing the production of civil goods. This is a problem of allocation of resources among different goods.</p> <p>How to Produce?</p>										

	<p>This problem refers to selection of technique to be used for production of goods and services. A good can be produced by using two techniques: (i) Labour Intensive Techniques, and (ii) Capital Intensive Techniques. (i) In Labour Intensive Technique, more labour and less capital (in the form of machines etc.) is used. (ii) In Capital Intensive Technique, there is more capital and less labour utilisation. Countries having labour abundance will use labour intensive techniques and countries having abundance of capital will use capital intensive techniques.</p>																												
66	<table border="1" data-bbox="521 470 1297 722"> <thead> <tr> <th>Possibilities</th> <th>Good X (units)</th> <th>Good Y (units)</th> <th>MRT</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>0</td> <td>20</td> <td>-</td> </tr> <tr> <td>B</td> <td>1</td> <td>14</td> <td>6Y:1X</td> </tr> <tr> <td>C</td> <td>2</td> <td>9</td> <td>5Y:1X</td> </tr> <tr> <td>D</td> <td>3</td> <td>5</td> <td>4Y:1X</td> </tr> <tr> <td>E</td> <td>4</td> <td>2</td> <td>3Y:1X</td> </tr> <tr> <td>F</td> <td>5</td> <td>0</td> <td>2Y:1X</td> </tr> </tbody> </table> <p>Production Possibility Curve (PPC) is convex shaped due to decreasing MRT, i.e. less and less units of commodity Y are sacrificed to gain an additional unit of commodity X.</p>	Possibilities	Good X (units)	Good Y (units)	MRT	A	0	20	-	B	1	14	6Y:1X	C	2	9	5Y:1X	D	3	5	4Y:1X	E	4	2	3Y:1X	F	5	0	2Y:1X
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67	<p>Suppose the only two goods produced are X and Y.</p> <table border="1" data-bbox="521 827 1297 1041"> <thead> <tr> <th>Combinations</th> <th>X (units)</th> <th>Y (units)</th> <th>MRT (=ΔY: ΔX)</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>0</td> <td>20</td> <td>-</td> </tr> <tr> <td>B</td> <td>1</td> <td>18</td> <td>2Y:1X</td> </tr> <tr> <td>C</td> <td>2</td> <td>14</td> <td>4Y:1X</td> </tr> <tr> <td>D</td> <td>3</td> <td>8</td> <td>6Y:1X</td> </tr> <tr> <td>E</td> <td>4</td> <td>0</td> <td>8Y:1X</td> </tr> </tbody> </table> <p>Opportunity Cost refers to the quantity of one good foregone to obtain more quantity of the other good. For example, when we move from combination A to B, the economy foregoes 2 units of Y to obtain one more units of X. So, opportunity cost of obtaining 1X is 2Y. MRT means quantity of one good sacrificed to produce an additional unit of the other good. For example, when we move from combination B to C, the MRT is 4Y:1X. MRT increases as to produce more of good X, we need to transfer less and less efficient resources from good Y.</p>	Combinations	X (units)	Y (units)	MRT (=ΔY: ΔX)	A	0	20	-	B	1	18	2Y:1X	C	2	14	4Y:1X	D	3	8	6Y:1X	E	4	0	8Y:1X				
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68	<p>(a) In the diagram of a PPC, any combination lying on the PPC shows full employment of resources. (b) PPC will shift leftward in the diagram. PPC will shift rightward in the diagram.</p>																												
69	<p>(a) Opening of more AIIMS improves health condition of the people and it increases the productivity in turn. As a result the PPC will shift rightwards. Massive landslides in Himachal Pradesh destroyed the means of production. As a result there is decrease of resources. Hence, PPC shifts leftwards.</p>																												
70	<p>The problem of 'how to produce' is also called the problem of 'choice of techniques of production'. Once the economy decides what goods and services are to be produce and in what quantities, it must decide how these goods shall be produced. There are two techniques of production: (i) Labour intensive technique: under this technique more units of labour and less units of capital are used. (ii) Under this technique more units of capital and less units of labour are used. The choice of techniques would depend on the supply and prices of factors of production. An economy has to decide which technique is suitable according to the availability of factors and their prices and choose it accordingly.</p>																												