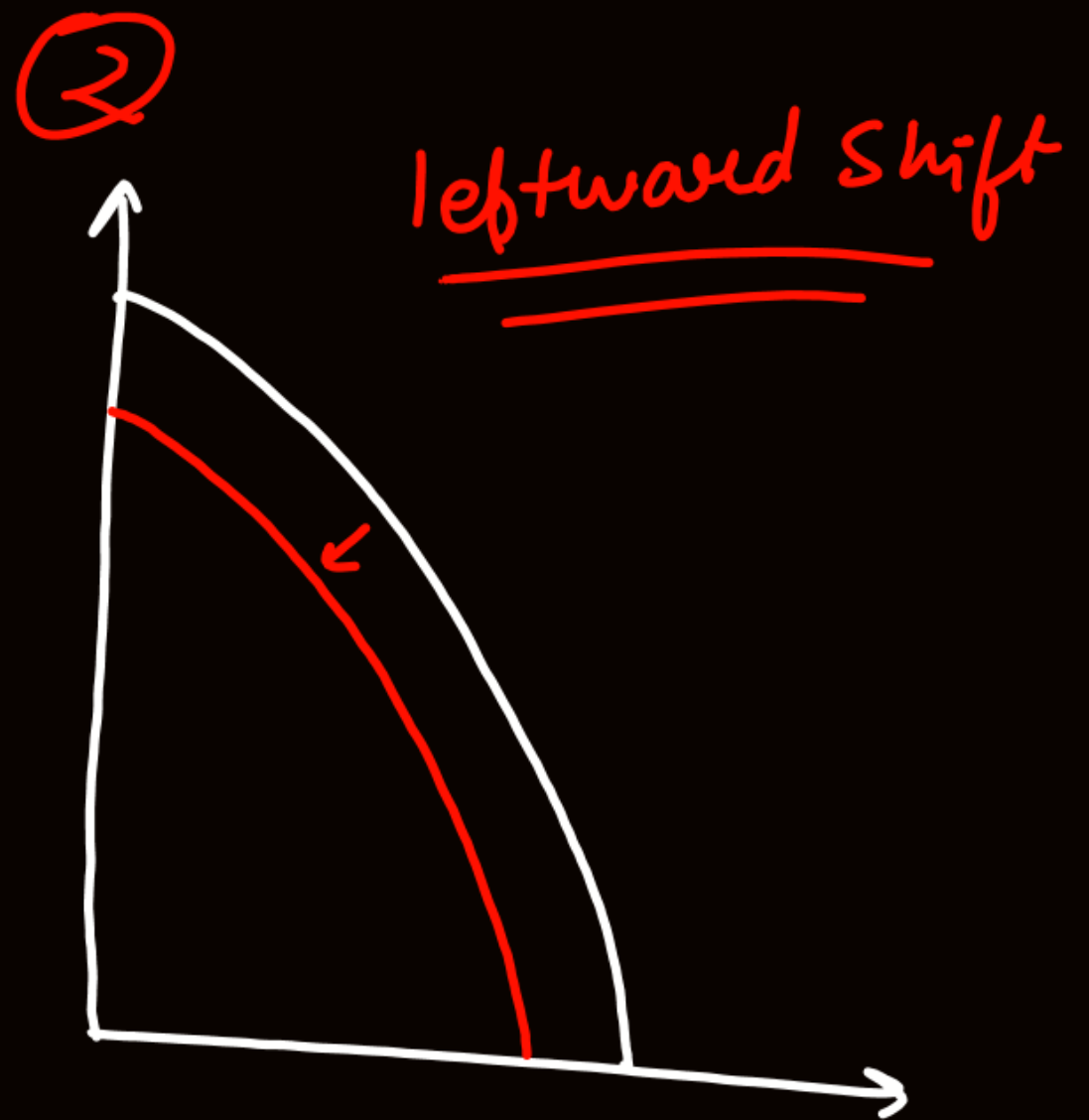
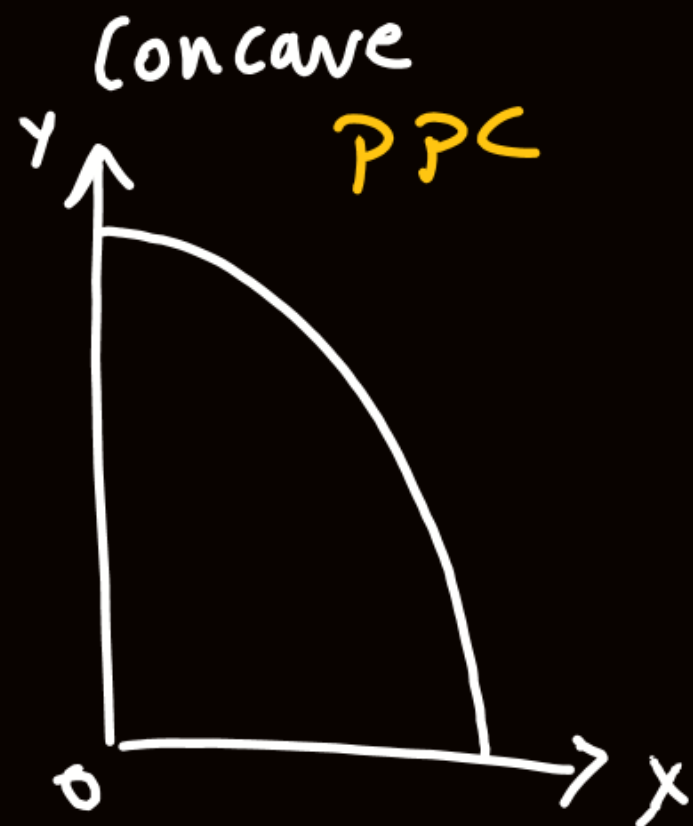


Labour force ↑

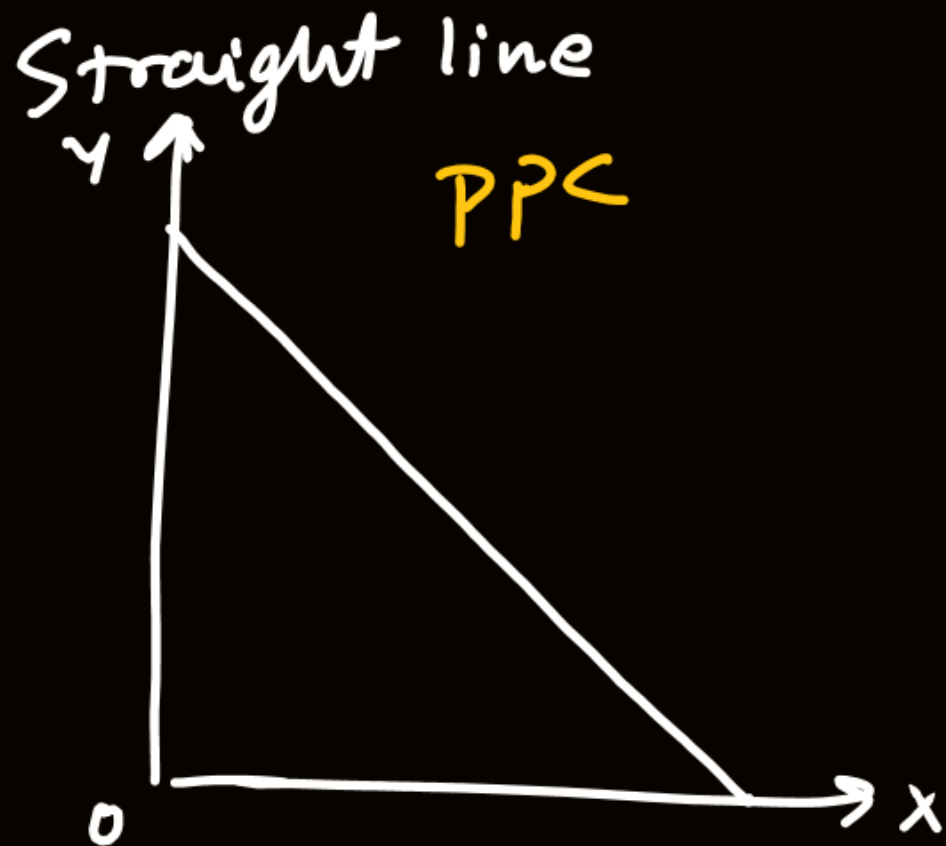


Capital ↓



$$\frac{\text{Sacrifice} \uparrow}{\text{gain} \downarrow} = \boxed{\text{MRT} \uparrow}$$

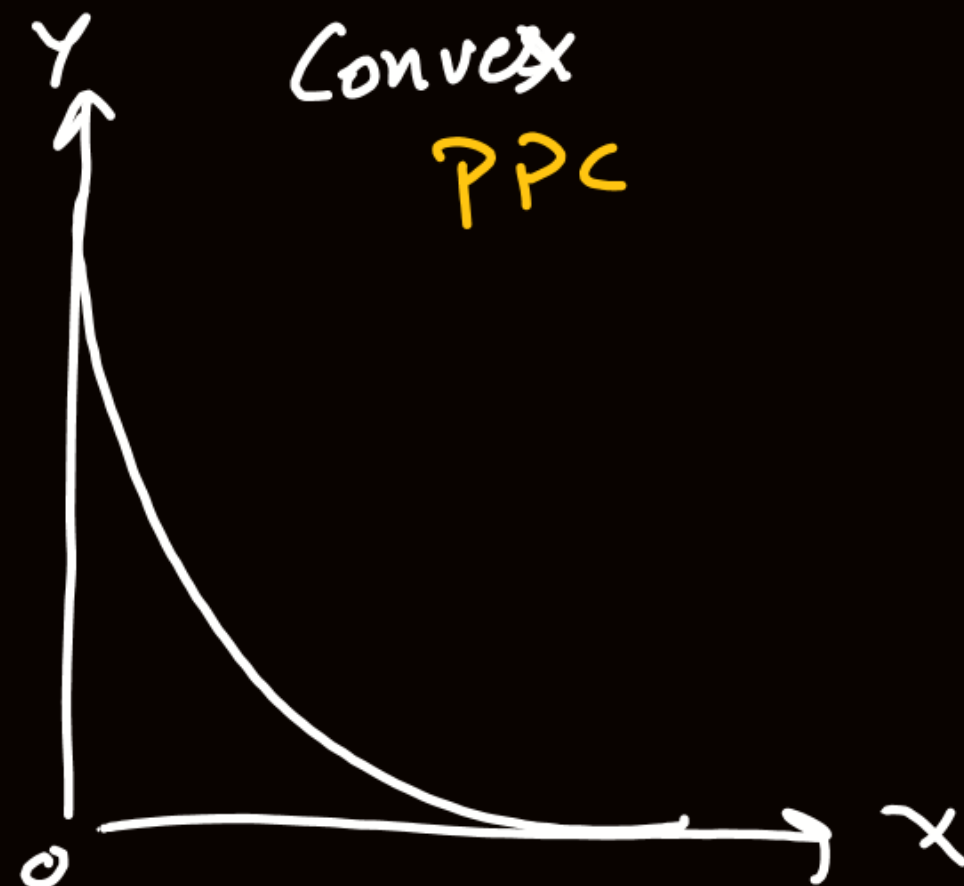
$$\frac{2}{1} \text{ or } \frac{3}{1} \text{ or } \frac{4}{1} \text{ or } \frac{5}{1}$$



Sacrifice = gain

$$\frac{2}{3} \text{ or } \frac{\cancel{2}}{\cancel{3}} \text{ or } \frac{\cancel{2}}{\cancel{3}}$$

MRT = Constant



$$\frac{\text{Sacrifice} \downarrow}{\text{gain} \uparrow} = \text{MRT} \downarrow$$

$$\frac{5}{1} \text{ or } \frac{4}{1} \text{ or } \frac{3}{1} \text{ or } \frac{2}{1} \text{ or } \frac{1}{1}$$

**Class 11<sup>th</sup> | Economics**



# **Unit : 1**

## **Introduction of Economics**

**LECTURE - 5**

## MCQ

1. Which of the following questions is/are the part of normative economics?
- (a) What are the cause of unemployment?
  - (b) Why prices are rising?
  - ☒ (c) Was demonetisation justified?
  - (d) All of the above

**Ans.** (c ) Was demonetisation justified?

## MCQ

2. The ideal shape of production possibility frontier is \_\_\_\_\_ towards the origin.

(a) Convex

☒ (b) Concave  $\uparrow$  MRT

(c) Straight line

(d) Rectangular

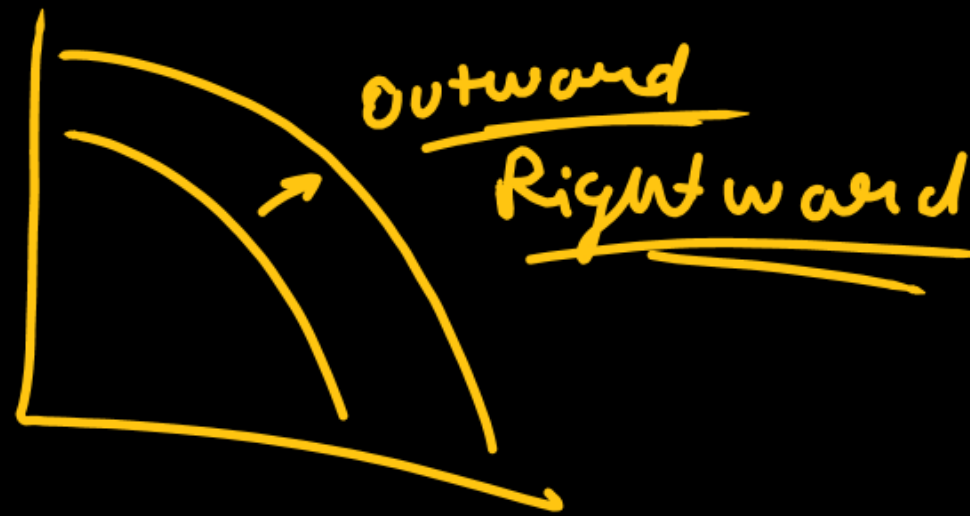
Ans. (b ) Concave

## MCQ

3. According to economic growth, production possibility frontier will show\_\_\_\_\_

- (a) a downward shift
- (b) an inward shift
- ~~(c)~~ an outward shift
- (d) no effect

Ans. (c ) an outward shift



## MCQ

4. \_\_\_\_\_ is a curve, which shows various combinations of two goods that can be produced with given resources and technology.

- (a) Indifference curve
- ☒ (b) Production possibility frontier
- (c) Demand curve
- (d) Supply curve

**Ans.** (b ) Production possibility frontier

## MCQ

5. According to economic growth, production possibility frontier will show\_\_\_\_

- (a) a downward shift
- (b) an inward shift
- (c) an outward shift
- (d) no effect

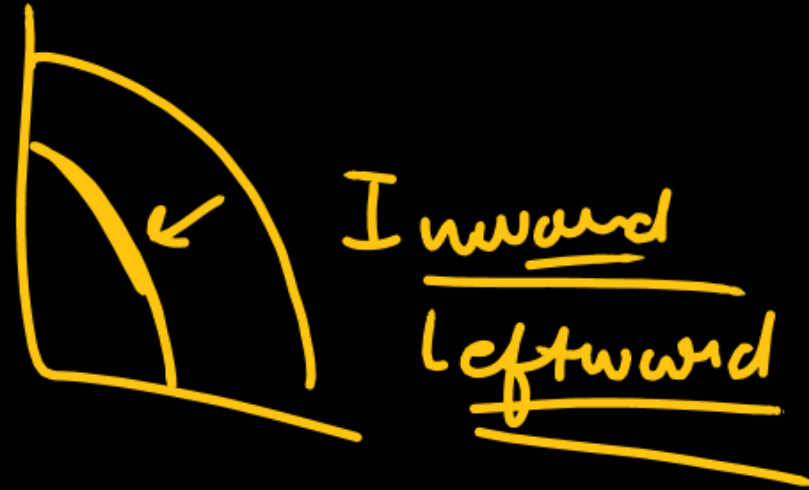
**Ans.** (c) an outward shift



## MCQ

6. When there is use of outdated technology in the production then, the production possibility curve will

- (a) shift to right
- ☒ (b) shift to left
- (c) become straight line
- (d) remain same



**Ans.** (b) When the resources are destroyed or there is a use of outdated technology, then production of an economy goes down and as a result production possibility curve will shift to left.

## MCQ

7. If one a piece of land, a farmer can produce either 1,000 kg rice or 1,500 kg pulses with given resources, then find the opportunity cost of production pulses.

(a) 1,500 kg pulses

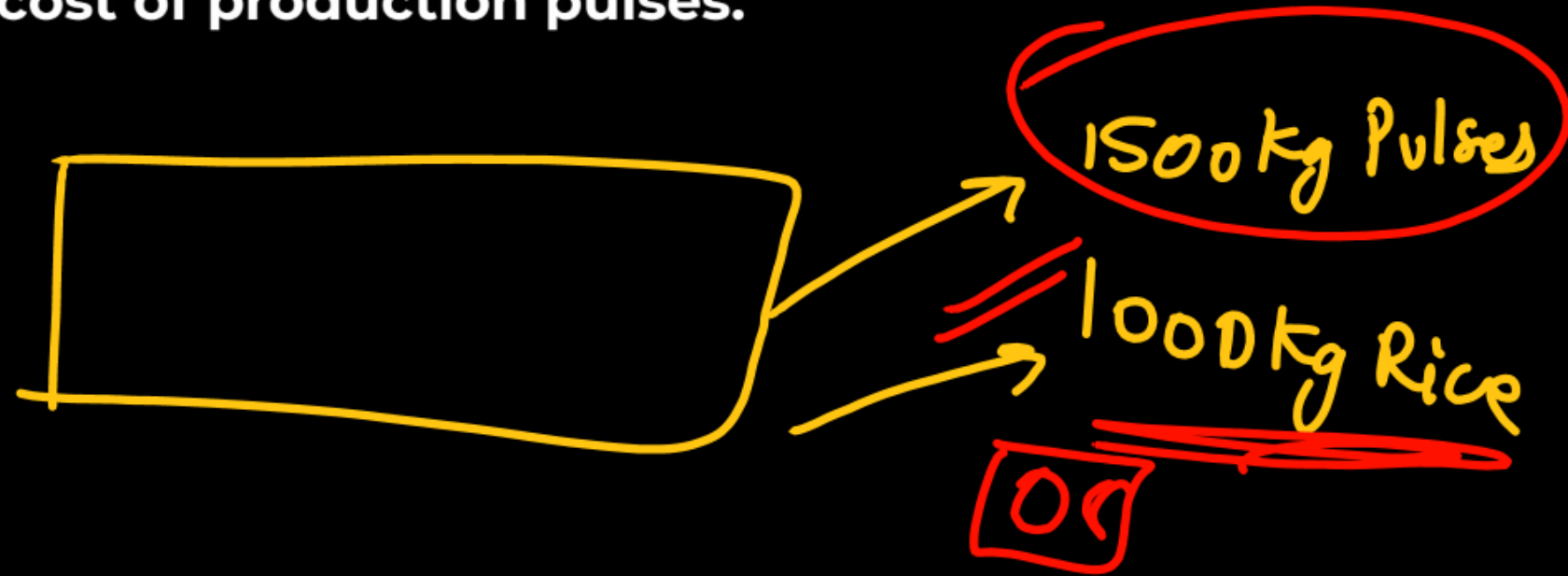
~~(b)~~ 1,000 kg pulses

~~(c)~~ 1,000 kg rice

(d) 1.5 1,500 kg rice

Ans. ~~(b)~~ Opportunity cost of producing 1,500 kg pulses is production of 1,000 kg rice sacrificed.

(c)



## MCQ

**8.** What will be the impact of the coronavirus pandemic on the transformation curve of a given country?

(a) Downward movement on PPC

☒ (b) Leftward shift in PPC

(c) Production possibility will come down, keeping PPC unchanged

(d) No change in PPC

Lockdown

**Ans.** (b) Due to the pandemic, there is decrease in human resources, leading to fall in production capacity of an economy.

## QUESTIONS & ANSWERS

1. Explain the problem of 'how to produce'.

**Ans.** There are two types of techniques of production, which are as follows-

- **Labour Intensive** Technique It is that technique in which labour is required more than capital.
- **Capital Intensive** Technique It is that technique in which capital is required more than labour.

## QUESTIONS & ANSWERS

2. State reasons why does an economic problem arise.

**Ans.** The main reasons for an economic problem a

- Scarce resources. (2)
- Wants are unlimited and recurring in nature. (1)
- Alternative uses of resources. (3)



## QUESTIONS & ANSWERS

3. Do you think that, if India imports new and advanced technology from USA (a developed country), it would solve the central problem of 'how to produce'?

**Ans.** India being a developing country usually imports new and advanced technology from USA, which would definitely expand India's production capacity. However, it cannot solve the central problem of 'how to produce' to its full extent, due to unlimited and recurring nature of wants and technology cannot be imported in unlimited quantities.

limited

140C2+

## QUESTIONS & ANSWERS

4. Which technology of production would you prefer in rural India, a 'labour intensive' one, which would curtail the problem of unemployment to certain extent or a 'capital intensive' one, which is very highly productive in nature?

**Ans.** India, being a labour intensive country have a good stock of human resources and is also faced with the problem of high rate of unemployment. So, it would be preferable to opt for a technology which is labour intensive in nature, as a highly capital intensive technique of production would require less labour, causing the problem of unemployment to deteriorate.

## QUESTIONS & ANSWERS

**5. What is opportunity cost? Explain with the help of a numerical example.**

**Ans.** Opportunity cost for a commodity is the amount of other commodity that has been foregone in order to produce additional unit of the first. e.g. if a person 'A' is working in a bank and gets a job offer of a journalist. A as a bank executive, gets ₹40,000 and as journalist would get ₹45,000. In this case, the opportunity cost of being a journalist is ₹40,000, which is the second best opportunity.



## QUESTIONS & ANSWERS

**6. Why is production possibility curve called opportunity cost curve?**

**Ans.** Production possibility curve is also called opportunity cost curve because slope of the curve at each and every point measures opportunity cost of one commodity in term of alternative commodity given up. The rate of this sacrifice is called the marginal opportunity cost of the expanding good.

## QUESTIONS & ANSWERS

7. Which of the following statements are true or false?

- An economy always produces on but not inside the production possibility curve.
- Massive unemployment shifts the production possibility curve to the left.
- An economy cannot operate on any point outside the production possibility curve.

**Ans.**

- **False**, When there is underutilisation or inefficient utilisation of resources, the economy will produce at a point inside the production possibility curve.
- **False**, Massive unemployment does not cause a shift in the production possibility curve but causes the economy to operate at a point inside the production possibility curve.
- **True**, A production possibility curve is drawn by assuming given resources and technology constant. With these assumptions, the economy can operate at a point on production possibility curve but not beyond it.

## QUESTIONS & ANSWERS

8. With the same amount of resources, a farmer can feed the following combinations of goats and cows

Options	Goats	Cows
I	188	64
II	170	70

$$3 \frac{18}{6} = 1 \text{ cow} = 3 \text{ goats}$$

With the given options, what is the opportunity cost of the farmer feeding one cow?

**Ans.** The opportunity cost of the farmer feeding one cow will be equal to the number of goats which cannot be fed because of feeding a cow.

## QUESTIONS & ANSWERS

Here, to increase the number of cows to be fed from 64 to 70, i.e. 6, the number of goats which are fed reduced from 188 to 170, i.e. 18.

Thus, the opportunity cost of the farmer feeding 1 cow

$$= \left[ \frac{18}{6} = 3 \right] \text{ goats.}$$



## QUESTIONS & ANSWERS

**9.** Which of the following statements are true or false?

- An economy always produces on but not inside the production possibility curve.
- Massive unemployment shifts the production possibility curve to the left.
- An economy cannot operate on any point outside the production possibility curve.

**Ans.**

- **False**, When there is underutilisation or inefficient utilisation of resources, the economy will produce at a point inside the production possibility curve.
- **False**, Massive unemployment does not cause a shift in the production possibility curve but causes the economy to operate at a point inside the production possibility curve.
- **True**, A production possibility curve is drawn by assuming given resources and technology constant. With these assumptions, the economy can operate at a point on production possibility curve but not beyond it.

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