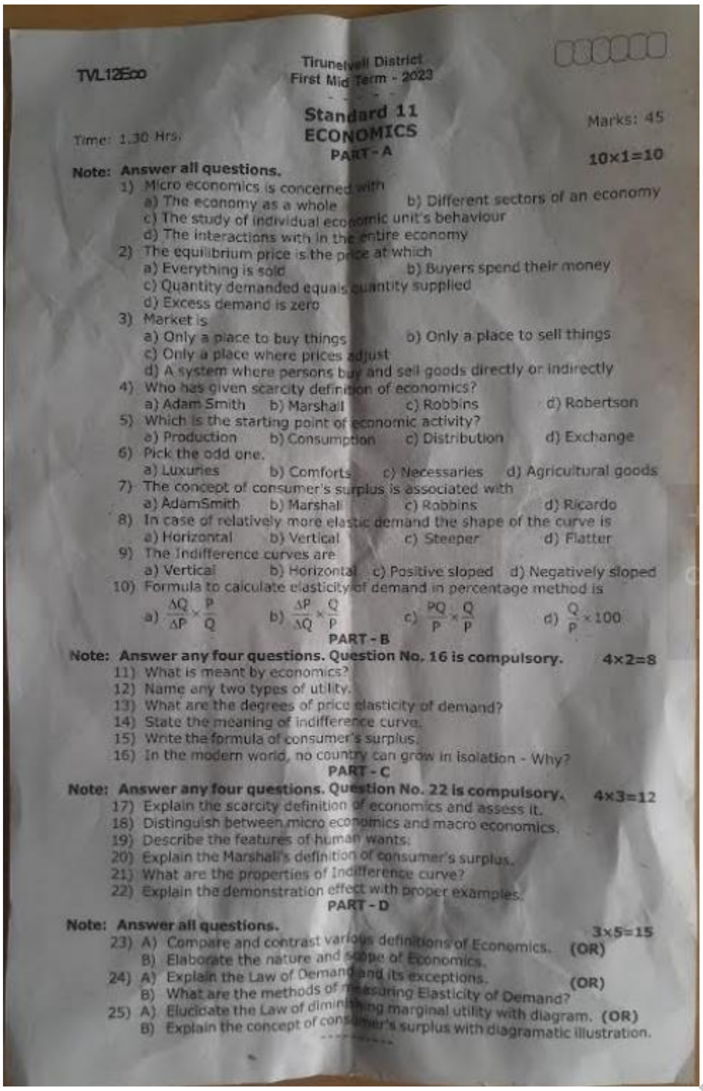


TVL12Eco

Tirunelveli District
First Mid Term - 2023

Standard 11
ECONOMICS

Time: 1.30 Hrs.

Marks: 45

PART - A

Note: **Answer all questions.** 10×1=10

1) Micro economics is concerned with
a) The economy as a whole b) Different sectors of an economy
c) The study of individual economic unit's behaviour
d) The interactions with in the entire economy

2) The equilibrium price is the price at which
a) Everything is sold b) Buyers spend their money
c) Quantity demanded equals quantity supplied
d) Excess demand is zero

3) Market is
a) Only a place to buy things b) Only a place to sell things
c) Only a place where prices adjust
d) A system where persons buy and sell goods directly or indirectly

4) Who has given scarcity definition of economics?
a) Adam Smith b) Marshall c) Robbins d) Robertson

5) Which is the starting point of economic activity?
a) Production b) Consumption c) Distribution d) Exchange

6) Pick the odd one.
a) Luxuries b) Comforts c) Necessaries d) Agricultural goods

7) The concept of consumer's surplus is associated with
a) AdamSmith b) Marshal c) Robbins d) Ricardo

8) In case of relatively more elastic demand the shape of the curve is
a) Horizontal b) Vertical c) Steeper d) Flatter

9) The Indifference curves are
a) Vertical b) Horizontal c) Positive sloped d) Negatively sloped

10) Formula to calculate elasticity of demand in percentage method is
a) $\frac{\Delta Q}{\Delta P}\times\frac{P}{Q}$ b) $\frac{\Delta P}{\Delta Q}\times\frac{Q}{P}$ c) $\frac{PQ}{P}\times\frac{Q}{P}$ d) $\frac{Q}{P}\times 100$

PART - B

Note: **Answer any four questions. Question No. 16 is compulsory.** 4×2=8

11) What is meant by economics?
12) Name any two types of utility.
13) What are the degrees of price elasticity of demand?
14) State the meaning of indifference curve.
15) Write the formula of consumer's surplus.
16) In the modern world, no country can grow in isolation - Why?

PART - C

Note: **Answer any four questions. Question No. 22 is compulsory.** 4×3=12

17) Explain the scarcity definition of economics and assess it.
18) Distinguish between micro economics and macro economics.
19) Describe the features of human wants.
20) Explain the Marshall's definition of consumer's surplus.
21) What are the properties of Indifference curve?
22) Explain the demonstration effect with proper examples.

PART - D

Note: **Answer all questions.** 3×5=15

23) A) Compare and contrast various definitions of Economics. (OR)
B) Elaborate the nature and scope of Economics.
24) A) Explain the Law of Demand and its exceptions. (OR)
B) What are the methods of measuring Elasticity of Demand?
25) A) Elucidate the Law of diminishing marginal utility with diagram. (OR)
B) Explain the concept of consumer's surplus with diagramatic illustration.

XI-ECONOMICS – I MID TERM ANSWER KEY

I. CHOOSE THE BEST ANSWER (10×1=10)

Q.NO	OPTION CODE	ANSWER
1	c	The study of individual economic units behavior
2	c	Quantity demanded equals quantity supplied
3	d	A system where persons buy and sell goods directly or indirectly
4	c	Robbins
5	b	Consumption
6	d	Agricultural Goods
7	b	Marshall
8	a	Horizontal
9	d	Negatively Sloped
10	a	*c*

II. 2MARKS (16 IS COMPULSORY) (4×2=8)

11. Economics: Meaning

The term or word ‘Economics’ comes from the Ancient Greek oikonomikos

‘Economics’ means ‘management of households’.

12. Types of tility

1. Form Utility, 2. Time Utility, 3. Place Utility,
4. Service Utility, 5. Possession Utility, 6. Knowledge Utility

13. Degrees of price elasticity of Demand

1. Perfectly Elastic Demand (Ep = ∞)
2. Perfectly Inelastic Demand (Ep =0)
3. Relatively Elastic Demand (Ep>1)
4. Relatively Inelastic Demand (Ep<1)
5. Unitary Elastic Demand (Ep =1)

14. IndifferenceCurves

ICs means all those combinations of any two goods which give equal satisfaction to the consumer.

15. Formula for Consumer surplus

Consumer’s surplus = What a person is willing to pay – What he actually pays.

(OR)

Consumer’s surplus = Potential price– Actual price.

Mathematically,

Consumer’s surplus = TU – (P x Q)

16.

In the modern world, no country can grow in isolation. Because, Every country is having links with the other countries through foreign capital, investment (foreign direct investment) and international trade.

III. 3 Marks (22 is compulsory) (4×3=12)

17. Scarcity definition

Definition:

“Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses”.

Major Features.

a. Ends refer to human wants.

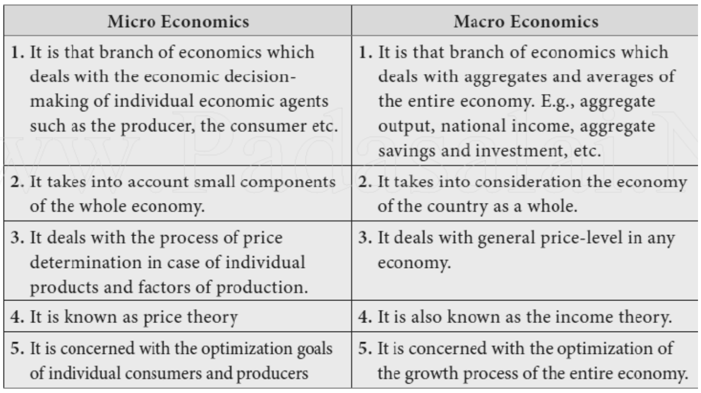
b. Resources or means that got to satisfy the unlimited human wants.

c. The scarce means are capable of having alternative uses.

Criticism:

1. Robbins does not make any distinction between goods conducive to human welfare and goods that are not.
2. Robbins’ definition does not cover the theory of economic growth and development.

18.



Micro Economics	Macro Economics
1. It is that branch of economics which deals with the economic decision-making of individual economic agents such as the producer, the consumer etc.	1. It is that branch of economics which deals with aggregates and averages of the entire economy. E.g., aggregate output, national income, aggregate savings and investment, etc.
2. It takes into account small components of the whole economy.	2. It takes into consideration the economy of the country as a whole.
3. It deals with the process of price determination in case of individual products and factors of production.	3. It deals with general price-level in any economy.
4. It is known as price theory	4. It is also known as the income theory.
5. It is concerned with the optimization goals of individual consumers and producers	5. It is concerned with the optimization of the growth process of the entire economy.

19. feature of human wants.

- Wants are unlimited
- Wants become habits
- Wants are Satiable
- Wants are Alternative
- Wants are Competitive
- Wants are Complementary

- Wants are Recurring Some wants occur again and again.

20. Alfred Marshall defines consumer’s surplus

“the excess of price which a person would be willing to pay a thing rather than go without the thing, over that which he actually does pay is the economic measure of this surplus satisfaction. This may be called consumer’s surplus”.

21. properties of indifference curves

1. Indifference curve must have negative slope
2. Indifference Curves are convex to the origin
3. Indifference curve cannot intersect
4. Indifference curves do not touch the horizontal or vertical axis.

22. Veblen or Demonstration effect:

Rich people buy certain goods because it gives social distinction or prestige.

For example, diamonds.

IV. 5 Marks (3×5=15)

23.

PART I	Wealth Definition	Welfare Definition
Author	Adam Smith	Alfred Marshal
Year	1776	1890
“Definition”	“Economics as the science of wealth”	“Economics is a study of mankind in the ordinary business of life”
Key Concepts	1. Individual in the society wants to promote his own gain and in this process 2. Man is guided and led by an “invisible hand”. 3. It means that each person works for his own good.	1. Economics studies on one side a study of wealth, on the other, and more important side, a part of the study of man 2. Man promotes primarily welfare and not wealth. 3. Economics contains the concerns of ordinary people.
Criticisms	1. Economics as a ‘dismal science’, “pig science” etc. 2. As it teaches selfishness which is against ethics.	1. Does not consider immaterial things, 2. Welfare varies from person to person, country to country and one period to another.

(or)

Nature and scope of Economics.

Economics nature:

This nature is understood by studying the various definitions given by the notable economists. .

“Political economy is said to have strangled itself with definitions.”

Their presence makes studying a subject interesting, exciting, enjoyable or worthwhile.

In fact their presence in a social science subject is a clear sign of the growth of the science.

Scope of economics:

The scope of the subject of economics refers to on the subject matter of economics.

It throws light on whether it is an art or science and if science, whether it is a positive science or a normative science.

24.

Law of Demand

The Law of Demand says as “the quantity demanded increases with a fall in price and diminishes with a rise in price”. – Marshall

Assumptions of Law of Demand(any 4)

1.The income,the taste, habit and preference of the consumer remain the same.

2.The prices of other related goods should not change.

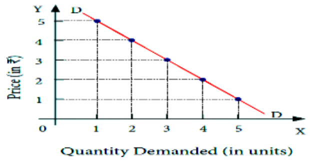
3.There should be no substitutes for the commodity in the study.

4.The demand for the commodity must be continuous.

5.There should not be any change in the quality of the commodity’.

6.Given these assumptions, the law of demand operates. If there is change even in one of these assumptions, the law will not operate.

Price	Quantity Demanded
5	1
4	2
3	3
2	4
1	5



Explanation:

This law states that quantity demanded of a commodity expands with a fall in price and contracts with a rise in price.

Exceptions to the law of demand:

A fall in price brings about a contraction of demand and a rise in price results in an extension of demand. Therefore the demand curve slopes upwards from left to right. It is known as exceptional demand curve.

(or)

Methods of measuring Elasticity of Demand:

1. The Percentage Method
2. Total Outlay Method
3. Point or Geometrical Elasticity

1. The Percentage method:

It is also known as ratio method, when we measure the ratio as: $\frac{\Delta Q}{\Delta P}$ X $\frac{P}{Q}$ where,

% ΔQ = Percentage change in demand

% ΔP = Percentage change in price

2. Total Outlay Method:

change in total outlay of the consumer or total revenue of the firm. Total Revenue = (Price × Quantity Sold)

TR = (P × Q)

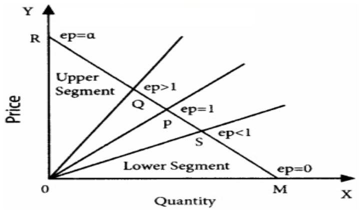
Total Outlay Method

Price	Quantity Demanded	Total Outlay	Elasticity
150	3	450	e > 1
125	4	500	e = 1
100	5	500	e > 1
75	6	450	

3. Point or Geometrical Elasticity:

Graphically, the point elasticity of a linear demand curve is shown by the ratio of the segments of the line to the right and to the left of the particular point.

$$\text{Point Elasticity} = \frac{\text{Lower segment of the demand curve below the given point}}{\text{Upper segment of the demand curve above the given point}}$$



25. law of diminishing marginal utility

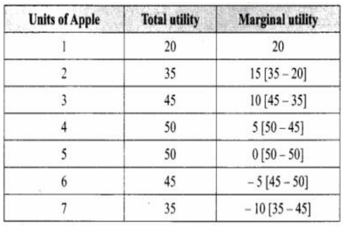
Definition:

Marshall states the law as “ the additional benefit which a person derives from a given increase of his stock of a thing, diminishes with every increase in the stock that he already has”.

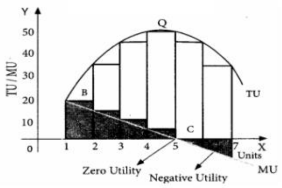
Assumptions:

1.Utility can be measured by cardinal numbers

2.The MU of money of the consumer remains constant.
3.The consumer should be a rational consumer
4.The commodity consumed must be reasonable in size.
5.The commodity consumed should be homogeneous
6.The consumption of goods must take place continuously at a given period of time.
7.There should be no change in the taste, habits preferences, fashions, income and character of the consumer during the process of consumption.



Units of Apple	Total utility	Marginal utility
1	20	20
2	35	15 [35 – 20]
3	45	10 [45 – 35]
4	50	5 [50 – 45]
5	50	0 [50 – 50]
6	45	– 5 [45 – 50]
7	35	– 10 [35 – 45]



Explanation:

The Law of Diminishing Marginal utility states that if a consumer continues to consume more and more units of the same commodity, its marginal utility diminishes.
•The X-axis represents the number of apples consumed
•Y-axis represents total utility and marginal utility
•TU – represents total utility
•MU – represents marginal utility

Criticisms:

Utility cannot be measured numerically, because utility is subjective.
This law is based on unrealistic assumptions.
This law is not applicable to indivisible commodities.

(or)

Consumer's Surplus

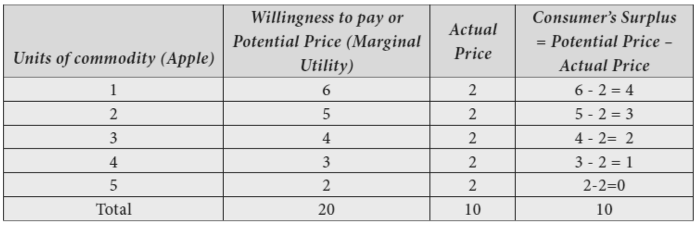
Alfred Marshall defines consumer's surplus as, "the excess of price which a person would be willing to pay a thing rather than go without the thing, over that which he actually does pay is the economic measure of this surplus satisfaction. This may be called consumer's surplus".

Assumptions(Any 4)
1. Marshall assumed that utility can be measured.
2. The marginal utilities of money of the consumer remain constant.
3. There are no substitutes for the commodity in question.
4. The taste, income and characterr of the consumer do not change.
5. Utility of one commodity does not depend upon the other commodities.

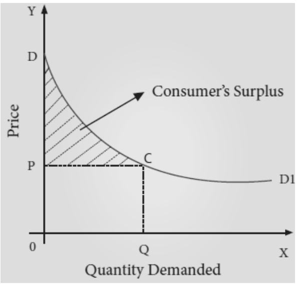
Consumer's surplus = What a person is willing to pay – What he actually pays.

OR

Consumer's surplus = Potential price– Actual price.
Mathematically,
Consumer's surplus = TU – (P x Q)



Units of commodity (Apple)	*Willingness to pay or Potential Price (Marginal Utility)*	*Actual Price*	*Consumer's Surplus = Potential Price – Actual Price*
1	6	2	6 - 2 = 4
2	5	2	5 - 2 = 3
3	4	2	4 - 2= 2
4	3	2	3 - 2 = 1
5	2	2	2-2=0
Total	20	10	10



DD1 shows the utility which the consumer derives from the purchase of different amounts of commodity.
When price is OP, the amount demanded is OQ.
Hence, actual price is OPCQ (OP x OQ).
Potential Price (Total Utility) is ODCQ.
Therefore,
Consumer' Surplus = ODCQ – OPCQ = PDC

Criticism
1. Utility cannot be measured, because utility is subjective.
2. Marginal utility of money does not remain constant.
3. Potential price is internal, it might be known to the consumer himself.

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