

# DHOSTH

## XI STANDARD

# ECONOMICS


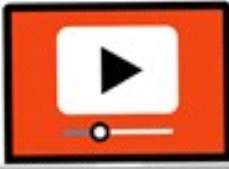

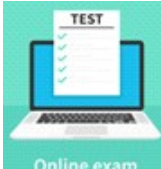




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9443172023 - 8144447811

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**DHOSTH MLM**  
**BOOK BACK ONE WORD**  
**CHOOSE THE CORRECT ANSWERS**

1. Economics is a study of mankind in the ordinary business of life-It is the statement of Ans: **Alfred Marshall**
2. The basic problem studying in Economics is Ans: **Scarcity**
3. Micro Economics is concerned with Ans: **The study of individual economic units behaviour**
4. Which of the following is a micro economics statement? Ans: **The price of wheat determines its demand**
5. Find the odd one out Ans: **Ceteris Paribus**
6. The equilibrium price is the price at which Ans: **Quantity demanded equals quantity supplied**
7. Author of "An inquiry into the Nature and causes of wealth of Nations" Ans: **Adam Smith**
8. "Economics studies human behaviour as a relationship between ends and scarce means which have alternative uses" is the definition of economics of Ans: **Lionel Robbins**
9. Who is the father of Economics? Ans: **Adam Smith**
10. Economics is a science" the basis of this statement is Ans: **Experiments**
11. Utility means Ans: **Want - satisfying capacity of goods and services**
12. A market is Ans: **A system where persons buy and sell goods directly or indirectly**
13. Which one of the following is not a point in the Welfare Definition of Economics? Ans: **Economics deals with unlimited wants and limited means**
14. Growth definition takes into account Ans: **The problem of choice in the dynamic frame work of Economics**
15. Which theory is generally included under micro economics? Ans: **Price Theory**
16. \_\_\_\_\_ have exchange value and their ownership rights can be established and exchanged Ans: **Goods**
17. Identify the correct characteristics of utility Ans: **It depends upon consumer's mental attitude**
18. Who has given scarcity definition of economic? Ans: **Robbins**
19. The process of reasoning from particular to general is Ans: **Inductive method**
20. Total revenue is equal to total output sold multiplied by Ans: **Price**
21. Pick the odd one out Ans: **Agricultural goods**
22. Choice is always constrained or limited by the of our \_\_\_\_\_ resources. Ans: **Scarcity**
23. The chief exponent of the cardinal utility approach was Ans: **Marshall**
24. Marginal utility is measured by using the formula of Ans: **TUn - TUn-1**
25. When marginal utility reaches zero, the total utility will be Ans: **Maximum**
26. Gossen's first law is known as Ans: **Law of Diminishing Marginal Utility**
27. The basic for the law of demand is related to Ans: **Law of Diminishing Marginal Utility**
28. The concept of consumer's surplus is associated with Ans: **Marshall**
29. Given potential price is Rs. 250 and the actual price is Rs. 200. find the consumer surplus. Ans: **50**
30. Indifference curve approach is based on Ans: **Ordinal approach**
31. The concept of elasticity of demand was introduced by Ans: **Marshall**
32. Increase in demand is caused by Ans: **Higher subsidy**
33. The movement on or along the given demand curve is known as \_\_\_\_\_ Ans: **extension and contraction of demand**
34. In case of relatively more elastic demand the shape of the curve is Ans: **Flatter**
35. A consumer is in equilibrium when marginal utilities from two goods are Ans: **Equal**
36. Indifference curve was first invented by Ans: **Edgeworth**
37. Elasticity of demand in equal to one Indicates Ans: **Unitary Elastic Demand**
38. The locus of the points which gives same level of satisfaction is associated with Ans: **Indifference Curves**
39. Ordinal Utility can be measured by Ans: **Ranking**
40. The indifference curve are Ans: **negatively sloped**
41. The primary factors, of production are: Ans: **Land and Labour**
42. The man-made physical goods used to produce other goods and services are referred to as Ans: **Capital**
43. Formula for calculating AP is Ans: **TP/N**
44. Which factor is called the changing agent of the Society Ans: **Organizer**
45. Who said, that one of the key of an entrepreneur is "uncertainty-bearing" Ans: **Knight**
46. The functional relationship between "inputs" and "outputs" is called as Ans: **Production Function**
47. In a firm 5 units as factors produce 24 units of the product. When the number of factor increases by one, the production increases to 30 units. Calculate the Average Product Ans: **5**
48. The short-run production is studied through Ans: **The Law of Variable Proportions**
49. The long-run production function is explained by Ans: **Returns to Scale**
50. An ISO - quant curve is also known as Ans: **Equal Product Curve**
51. Mention the economies reaped from inside the firm Ans: **all the above**

52. Cobb - Douglas production function assumes. Ans: **Constant returns to scale**
53. Name the returns to scale when the output increases by more than 5% for a 5% increase in the inputs, Ans: **Increasing returns to scale**
54. Which of the following is not a characteristic of land? Ans: **Its is mobile**
55. Product obtained from additional factors of production is termed as Ans: **Marginal product**
56. Modern economists have propounded the law of Ans: **Increasing returns**
57. Producer's equilibrium is achieved at the point where: Ans: **MRTS and price ratio are equal to each other**
58. The relationship between the price of a commodity and the supply of commodity is Ans: **Positive**
59. If average product is decreasing, then marginal product Ans: **must be less than average product**
60. A production function measures the relation between \_\_\_\_  
Ans: **the quantity of inputs and the quantity of output**
61. Cost refers to \_\_\_\_\_. Ans: **cost of production**
62. Cost functions are derived from \_\_\_\_ function. Ans: **production**
63. Money cost is also known as \_\_\_\_ cost. Ans: **explicit**
64. Explicit cost plus implicit cost denote \_\_\_\_ cost. Ans: **economic**
65. Explicit costs are termed as Ans: **out of pocket expenses**
66. The costs of self-owned resources are termed as \_\_\_\_ cost. Ans: **implicit**
67. The cost that remains constant at all levels of output is \_\_\_\_ cost. Ans: **fixed**
68. Identify the formula of estimating average variable cost. Ans: **TVC/Q**
69. The cost incurred by producing one more unit of \_\_\_\_ output is cost. Ans: **marginal**
70. The cost that varies with the level of output is termed as \_\_\_\_ cost. Ans: **variable cost**
71. Wage is an example for \_\_\_\_ cost of the production. Ans: **variable**
72. The cost per unit of output is denoted by cost \_\_\_\_\_. Ans: **average**
73. Identify the formula of estimating average cost. Ans: **TC/Q**
74. Find total cost where TFC = 100 and TVC = 125. Ans: **225**
75. Long run average cost curve is also called as \_\_\_\_ curve. Ans: **planning**
76. Revenue received from the sale of products is known as \_\_\_\_ revenue. Ans: **total revenue**
77. Revenue received from the sale of additional unit is termed as \_\_\_\_ revenue. Ans: **marginal**
78. Marginal revenue is the addition made to the \_\_\_\_\_. Ans: **total revenue**
79. When price remains constant. AR will be \_\_\_\_ MR. Ans: **equal to**
80. A bookseller sold 40 books with the price of Rs. 10 each the total revenue of the seller is Rs. \_\_\_\_  
Ans: **400**
81. In which of the following is not a type of market structure price will be very high? Ans: **Perfect competition**
82. Equilibrium condition of a firm is \_\_\_\_\_. Ans: **MC=MR**
83. Which of the following is a feature of monopolistic competition? Ans: **Product differentiation**
84. A firm under monopoly can earn \_\_\_\_ in the short run Ans: **Super normal profit**
85. There is no excess capacity under \_\_\_\_\_. Ans: **Perfect competition**
86. Profit of a firm is obtained when \_\_\_\_\_. Ans: **TR>TC**
87. Another name of price is \_\_\_\_\_. Ans: **Average Revenue**
88. In which type of market, AR and MR are equal \_\_\_\_\_. Ans: **Perfect competition**
89. In monopoly, MR curve lies below \_\_\_\_\_. Ans: **AR**
90. Perfect competition assumes \_\_\_\_\_. Ans: **Homogeneous goods**
91. Group equilibrium is analysed in \_\_\_\_\_. Ans: **Monopolistic competition**
92. In monopolistic competition, the essential feature is \_\_\_\_\_. Ans: **Selling cost**
93. Monopolistic competition is a form of \_\_\_\_\_. Ans: **Imperfect competition**
94. Price leadership is the attribute of \_\_\_\_\_. Ans: **Oligopoly**
95. Price discrimination will always lead to \_\_\_\_\_. Ans: **'b' and 'c'**
96. The average revenue curve under monopolistic competition will be \_\_\_\_\_. Ans: **Relatively**
97. Under perfect competition, the shape of demand curve of a firm is \_\_\_\_\_. Ans: **Horizontal**
98. In which market form does, an absence of competition prevail? Ans: **Monopoly**
99. Which of the following involves maximum exploitation of consumers? Ans: **Monopoly**
100. An example of selling cost is \_\_\_\_\_. Ans: **Advertisement cost**
101. In Economics, distribution of income is among \_\_\_\_\_. Ans: **factors of production**
102. Theory of distribution is popularly known as \_\_\_\_\_. Ans: **Theory of factor - pricing**
103. Rent is the reward for the use of \_\_\_\_\_. Ans: **Land**
104. The concept of Quasi-Rent is associated with \_\_\_\_\_. Ans: **Marshall**
105. The Classical Theory of rent was propounded by \_\_\_\_\_. Ans: **Ricardo**
106. Original and indestructible power of the soil is the term used by \_\_\_\_\_. Ans: **Ricardo**

107. The reward for labour is \_\_\_\_\_. Ans: **Wage**
108. Money wages are also known as \_\_\_\_\_. Ans: **Nominal wages**
109. Residual Claimant Theory is propounded by \_\_\_\_\_. Ans: **Walker**
110. The reward given for the use of capital \_\_\_\_\_. Ans: **Interest**
111. Keynesian Theory of interest is popularly known as \_\_\_\_\_. Ans: **Liquidity Preference Theory**
112. According to the Loanable Funds Theory, supply of loanable funds is equal to \_\_\_\_\_. Ans: **S + BC + DH + DI**
113. The concept of meeting unexpected expenditure according to Keynes is \_\_\_\_\_. Ans: **Precautionary motive**
114. The distribution of income or wealth of a country among the individuals are \_\_\_\_\_. Ans: **Personal distribution**
115. Profit is the reward for \_\_\_\_\_. Ans: **Organization**
116. Innovation Theory of profit was given by \_\_\_\_\_. Ans: **Schumpeter**
117. Quasi - rent arises in \_\_\_\_\_. Ans: **Man-made appliances**
118. "Wages as a sum of money are paid under contract by an employer to a worker for services rendered" said this? Ans: **Benham**
119. Abstinence Theory of Interest was propounded by \_\_\_\_\_. Ans: **N.W. Senior**
120. Loanable Funds Theory of Interest is called as \_\_\_\_\_. Ans: **Neo-Classical Theory**
121. The main gold mine region in Karnataka is \_\_\_\_\_. Ans: **Kolar**
122. Economic growth of a country is measured by national income indicated by \_\_\_\_\_. Ans: **GDP**
123. Which one of the following is a developed nation? Ans: **France**
124. The position of Indian Economy among the other strongest economies in the world is \_\_\_\_\_. Ans: **Seventh**
125. Mixed economy means \_\_\_\_\_. Ans: **Co-existence of Public and Private sectors**
126. The weakness of Indian Economy is \_\_\_\_\_. Ans: **Economic disparities**
127. A scientific study of the characteristics of population is \_\_\_\_\_. Ans: **Demography**
128. The year 1961 is known as \_\_\_\_\_. Ans: **Year of Population Explosion**
129. In which year the population of India crossed one billion mark? Ans: **2001**
130. The number of deaths per thousand of population is called as \_\_\_\_\_. Ans: **Crude Death Rate**
131. The number of births per thousand population is called as \_\_\_\_\_. Ans: **Crude birth rate**
132. Density of population = \_\_\_\_\_. Ans: **Total Population / Land area of the region**
133. Who introduced the National Development Council in India? Ans: **Jawaharlal Nehru**
134. Who among the following propagated Gandhian Economic thoughts? Ans: **JC Kumarappa**
135. The advocate of democratic socialism was \_\_\_\_\_. Ans: **Jawaharlal Nehru**
136. Ambedkar studied the problem in the context of Indian Economy is \_\_\_\_\_. Ans: **Problem of Indian Currency**
137. Gandhian Economics is based on the Principle \_\_\_\_\_. Ans: **Ethical foundation**
138. V.K.R.V Rao was a student of \_\_\_\_\_. Ans: **(a) J.M. Keynes**
139. Amartya Kumar Sen received the Nobel Prize in Economics in the year \_\_\_\_\_. Ans: **1998**
140. Thiruvalluvar economic ideas mainly dealt with \_\_\_\_\_. Ans: **All of them**
141. The arrival of Vasco da Gama in Calicut, India \_\_\_\_\_. Ans: **1498**
142. In 1614 Sir Thomas Roe was successful in getting permission from \_\_\_\_\_. Ans: **Jahangir**
143. The power for governance of India was transferred from the East India Company (EIC) to the British crown in \_\_\_\_\_. Ans: **1858**
144. Ryotwari system was initially introduced in \_\_\_\_\_. Ans: **Tamil Nadu**
145. First World War started in the year \_\_\_\_\_. Ans: **1914**
146. When did the Government of India declare its first Industrial Policy? Ans: **1948**
147. The objective of the Industrial policy 1956 was \_\_\_\_\_. Ans: **Develop heavy Industries**
148. The industry which was de-reserved in 1993? Ans: **Mining of copper and zinc**
149. The father of Green Revolution in India was \_\_\_\_\_. Ans: **M.S. Swaminathan**
150. How many commercial banks were nationalised in 1969? Ans: **14**
151. The main objective of nationalisation of banks was \_\_\_\_\_. Ans: **Social welfare**
152. The Planning Commission was setup in the year \_\_\_\_\_. Ans: **1950**
153. In the first five year plan, the top priority was given to \_\_\_\_ Sector. Ans: **Agriculture**
154. Tenth five year plan period was \_\_\_\_\_. Ans: **2002 - 2007**
155. According to HDR (2016), India ranked \_\_\_\_ out of 188 countries. Ans: **131**
156. Annual plans formed in the year \_\_\_\_\_. Ans: **1990 - 1992**
157. The Oldest large scale industry in India \_\_\_\_\_. Ans: **cotton**
158. Human development index developed by \_\_\_\_\_. Ans: **Amartya sen**
159. The main theme of the Twelfth Five Year Plan \_\_\_\_\_. Ans: **faster, more inclusive and sustainable growth**
160. The PQLI was developed by \_\_\_\_\_. Ans: **Morris**
161. Which of the following is the way of privatisation? Ans: **All the above**

162. Countries today are to be \_\_ for their growth. Ans: **Interdependent**
163. The Arguments against LPG is \_\_\_\_ Ans: **Disparities among people and regions**
164. Expansion of FDI \_\_\_\_ Ans: **Foreign Direct Investment**
165. India is the largest producer of \_\_\_\_ in the world Ans: **fruits**
166. Foreign investment includes \_\_\_\_ Ans: **FDI and FPI**
167. The Special Economic Zones policy was announced in \_\_\_\_ Ans: **April 2000**
168. Agricultural Produce Market Committee is a \_\_\_\_ Ans: **Statutory body**
169. Goods and Service Tax is \_\_\_\_ Ans: **a single point tax with the cascading effects**
170. The New Foreign Trade Policy was announced in the year \_\_\_\_ Ans: **2015**
171. Financial sector reforms mainly related to \_\_\_\_ Ans: **Both a and b**
172. The new economic policy is concerned with the following Ans: **All the above**
173. The recommendation of Narashimham Committee Report was submitted in the year \_\_\_\_ Ans: **1991**
174. The farmers have access to credit under Kisan credit card scheme through the following except \_\_\_\_ Ans: **Co operative banks**
175. The Raja Chelliah Committee on Trade Policy Reforms suggested the peak rate on import duties at \_\_\_\_ Ans: **50%**
176. The first ever SEZ in India was set up at \_\_\_\_ Ans: **Kandla**
177. The 'Hindu Rate of Growth' coined by Raj Krishna refers to \_\_\_\_ Ans: **Low rate of economic growth**
178. The highest rate of tax under GST is \_\_\_\_ (as on July, 2017). Ans: **28%**
179. The transfer of ownership from public sector to private sector is known as \_\_\_\_ Ans: **Privatization**
180. The Goods and Services Tax Act came into effect on \_\_\_\_ Ans: **1st January 2017**
181. Which is considered as the basic unit for rural areas? Ans: **Village**
182. Which feature is identified with rural areas? Ans: **Low population density**
183. Identify the feature of rural economy \_\_\_\_ Ans: **Dependence on agriculture**
184. What percentage of the total population live in rural area, as per 2011 census? Ans: **60**
185. How do you term people employed in excess over and above the requirements? Ans: **Underemployment or Disguised Unemployment**
186. What is the term used to denote the coexistence of two different sectors in an economy? Ans: **Dualism**
187. The process of improving the rural areas, rural people and rural living is defined as \_\_\_\_ Ans: **Rural development**
188. Identify the agriculture related problem of rural economy \_\_\_\_ Ans: **Small size of landholding**
189. The recommended nutritional intake per person in rural areas \_\_\_\_ Ans: **2400 calories**
190. Indicate the cause for rural poverty \_\_\_\_ Ans: **Lack of non - farm employment**
191. What is the other name for concealed unemployment? Ans: **Disguised**
192. How do you term the employment occurring only on a particular season? Ans: **Seasonal**
193. Identify an example for rural industries? Ans: **Mat making industry**
194. How much share of rural families in India is in debt? Ans: **Three fourth**
195. Identify the cause for rural indebtedness in India Ans: **Poverty**
196. In which year, Regional Rural Banks came into existence? Ans: **1975**
197. Identify the year of launch of MUDRA Bank? Ans: **2015**
198. Identify the year in which National Rural Health Mission was launched Ans: **2005**
199. Identify the advantages of rural roads. Ans: **All the above**
200. "An Indian farmer is born in debt, lives in debt, dies in debt and bequeaths debt" - who said this? Ans: **Sir Malcolm Darling**
201. In health index, Tamil Nadu is a head of \_\_\_\_ Ans: **Gujarat**
202. In sex ratio, Tamil Nadu ranks \_\_\_\_ Ans: **third**
203. Tamil Nadu is rich in \_\_\_\_ Ans: **Human resource**
204. The main source of irrigation in Tamil Nadu is \_\_\_\_ Ans: **well**
205. Knitted garment production is concentrated in \_\_\_\_ Ans: **Tiruppur**
206. Which of the following is wrongly matched? Ans: **Home textile city - Erode**
207. Which of the following cities does not have international airport? Ans: **Paramakudi**
208. TN tops in the production of the following crops except \_\_\_\_ Ans: **Cardamom**
209. Largest area of land is used in the cultivation of \_\_\_\_ Ans: **Paddy**
210. In literacy rate, TN ranks \_\_\_\_ Ans: **eighth**
211. In investment proposals filed by MSMEs, TN ranks \_\_\_\_ Ans: **(a) I**
212. Which district in TN has the highest sex ratio? Ans: **Nilgiris**
213. Which district has the lowest child sex ratio? Ans: **Ariyalur**
214. Which Union Territory has the highest sex ratio? Ans: **Pondicherry**

- 215.The largest contribution to GSDP in Tamil Nadu comes from \_\_\_\_\_ Ans: **services**  
 216.In human development index, TN is ranked Ans: **seventh**  
 217.SPIC is located in Ans: **Tuticorin**  
 218.The TICEL park is Ans: **Bio park**  
 219.In India's total cement production, Tamil Nadu ranks Ans: **third**  
 220.The Headquarters of Southern Railway is at Ans: **Chennai**  
 221.Mathematical Economics is the integration of Ans: **Mathematics and Economics**  
 222.The construction of demand line or supply line is the result of using Ans: **Analytical geometry**  
 223.The first person used the mathematics in Economic is Ans: **Giovanni Ceva**  
 224.Function with single independent variable is known as Ans: **Univariate Function**  
 225.A statement of equality between two quantities is called Ans: **Equations**  
 226.An incremental change in dependent variable with respect to change in independent variable is known as  
 Ans: **slope**  
 227. $(y-y) = M(x-x)$  gives the Ans: **Straight line**  
 228.Suppose  $D=50 - 5P$  when D is zero then Ans: **P is 10**  
 229. Suppose  $D = 150 - 50P$ . Then, the slope is Ans: **-50**  
 230. Suppose determinant of a matrix  $\tilde{A} = 0$ , then the solution Ans: **Does not exists**  
 231.State of rest is a point termed as Ans: **Equilibrium**  
 232.Differentiation of constant term gives Ans: **zero**  
 233.Differentiation of X is Ans:  **$nx^{(n-1)}$**   
 234. Fixed cost is the \_\_\_ term in cost function represented in mathematical form Ans: **Constant**  
 235.The first differentiation of Total Revenue function gives \_\_\_\_\_ Ans: **Marginal Revenue**  
 236.The elasticity of demand is the ratio of \_\_\_\_\_  
 Ans: **Marginal demand function to Average demand function**  
 237.If  $x + = 5$  and  $x-y = 3$  then value of x Ans: **4**  
 238.Integration is the reverse process of Ans: **Differentiation**  
 239.Data processing is done by Ans: **Both PC and Calculator**  
 240.The command Ctrl +M is applied for Ans: **Getting new slide**



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**BOOK BACK 2 Mark, 3 Marks, 5 Marks Questions****Chapter 1****Very Short Answers:****1. What is meant by Economics?**

1. The term or word 'Economics' comes from the Ancient Greek oikonomikos
2. Oikos means "households"; and, nomos means "management".
3. Thus, the term 'Economics' means 'management of households'.

**2. Define microeconomics.**

Micro Economics is the study of the economic actions of individual units, say individual Households, individual firms or individual industries.

**3. What are goods?**

- ❖ In Economics, the term 'goods' implies the term 'services' also, unless specified otherwise.
- ❖ Goods (also called 'products', 'commodities', 'things' etc),

**4. Distinguish goods from services.**

| S.no | Goods                    | Services      |
|------|--------------------------|---------------|
| 1    | Tangible                 | Intangible    |
| 2    | Have physical dimensions | Heterogeneous |
| 3    | Transferable             | Perishable    |

**5. Name any two types of utility.**

- ★ Form Utility,                      ★ Time Utility,
- ★ Place Utility,                      ★ Service Utility,
- ★ Possession Utility,              ★ Knowledge Utility

**6. Define positive economics.**

Positive economics means, it analyses a problem on the basis of facts and examines its causes. For example, at the time of a price increase, its causes are analysed.

**7. Give the meaning of deductive method.**

- It is also named as analytical or abstract method.
- It consists in deriving conclusions from general truths; it takes few general principles and applies them to draw conclusions.

**III. Short Answer Questions:****1. Explain the scarcity definition of Economics and assess it.**

*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.

*Criticism:*

1. Robbins does not make any distinction between goods conducive to human welfare and goods that are not.
2. Robbins reduces Economics merely to theory of resource allocation.

**2. What are the crucial decisions involving 'what is produced'?**

- ☛ Whether to produce more of food, clothing and housing or to have more luxury goods
- ☛ Whether to have more agricultural goods or to have industrial goods and services
- ☛ Whether to use more resources in education and health or to use more resources in military services
- ☛ Whether to have more consumption goods or to have investment goods

**3. Explain different types of economic activities.**

*Consumption:*

Human wants coming under consumption is the starting point of economic activity.

*Production:*

Production is the process of transformation of inputs into output.

*Exchange:*

Exchange is concerned with price determination in different market forms.

**4. Elucidate different features of services.**

*Intangible:* Intangible things are not physical objects but exist in connection to other things, for example, brand image, goodwill etc.

*Heterogeneous:*

- ❖ Services vary across regions or cultural backgrounds.

❖ Inseparable from their makers: Services are inextricably connected to their makers.

*Perishable:* Services cannot be stored as inventories like assets.

**5. What are the important features of utility?**

1. Utility is psychological.
2. Utility is not equivalent to usefulness.
3. Utility is not the same as pleasure.
4. Utility is the function of the intensity of human want.

**6. Distinguish between microeconomics and macroeconomics.**

| S.No | Micro Economics  | Macro Economics  |
|------|--|--|
| 1.   | Micro means small  | Macro means large  |
| 2.   | Micro Economics is the study of individuals households, firms etc. | Macro Economics concerned with the economy as a whole.                         |
| 3.   | It covers value theory and Theory of economic welfare.             | It is the study of aggregates such as national output, unemployment and taxes. |
| 4.   | Price theory.- Alfred Marshall                                     | Income theory.- J.M. Keynes  |

**7. Compare positive economics and normative economics.**

| Positive Economics  | Normative Economics   |
|---|---|
| Positive science deals with 'what it is'                          | Normative science concerned with 'what ought to be'.                                      |
| It analyses problem on the basis of facts and examines its causes | Here the conclusions and results are not based on facts, but on different considerations. |
| Positive science, would be looked into why and how?               | Normative science it would be seen whether good or bad.                                   |

**IV. Long Answer Questions:**

1. Compare and contrast various definitions of Economics.

*PART I*

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

*PART II*

|                     | Scarcity definition  | Growth definition  |
|---------------------|--|--|
| <b>Author</b>       | Lionel Robbins   | Paul Samuelson   |
| <b>Year</b>         | 1932   | 1948   |
| <b>"Definition"</b> | "Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses".        | "Economics is the study of how men and society choose, with or without the use of money, to produce various commodities over time, and distribute them for consumption, now and in the future" |
| <b>Key Concepts</b> | 1. Human beings have unlimited wants<br>2. Resources are limited or scarce.<br>3. the scarce means are capable of having alternative uses. | 1. Samuelson makes his definition dynamic.<br>2. Covers various aspects like production, distribution and consumption.   |
| <b>Criticisms</b>   | 1. Does not make any distinction between goods conducive to human welfare and goods that are not   | 1. Samuelson's definition is applicable also in a barter economy, where money is not used.   |

**2. Explain various divisions of Economics.**

**Economics has been divided into some branches.**

**1. Consumption**

Human wants coming under consumption is the starting point of economic activity.

**2. Production**

Production is the process of transformation of inputs into output. the factors of production namely Land, Labour, Capital and Organization

**3. Exchange**

Exchange is concerned with price determination in different market forms. This division covers trade and commerce.

**4. Distribution**

Production is the result of the coordination of factors of production. The reward for factors of production is studied in this division under rent, wages, interest and profit. Distribution studies about the pricing of factors of production.

**3. Elaborate the nature and scope of Economics.****I. Nature of Economics:**

1. A Law expresses a causal relation between two or more than two phenomena.
2. Marshall states that the Economic laws are statement of tendencies the laws function with cause and effect.
3. Economic laws are not as precise and certain
4. Economic laws are not inviolable
5. The use of the assumption 'other things remaining the same'
6. Economics makes the Economic laws hypothetical.
7. Laws in economics are more exact, precise and accurate than the other social sciences.
8. Some economic laws are simply truisms.

**II. The scope of the subject of Economics refers to on the subject-matter of Economics.**

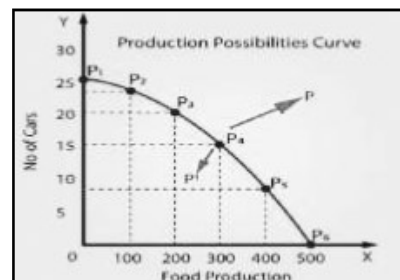
1. All human activities related to wealth constitute the subject-matter of Economics.
2. Production, consumption and capital formation are called the basic economic activities of an economy.
3. The flow chart give the scope of economics.
4. Economics focuses on the behaviour and interactions among economic agents, individuals and groups belonging to an economic system.
5. Human activities not related to wealth (non- economic activities) are not treated in Economics. For example, playing cricket for pleasure, mother's child care.

**4. Explain basic problems of the economy with the help of production possibility curve.****Production Possibility Curve****Meaning**

Production possibility curve shows the menu of choice along which a society can choose to substitute one good for another.

Choice between relatively scarce commodities due to limited productive resources with the help of a "Geometric Device" (that is production possibility curve)

| Production Possibilities | Quantity of food production in tons | No of car production |
|--------------------------|-------------------------------------|----------------------|
| I                        | 0                                   | 25                   |
| II                       | 100                                 | 23                   |
| III                      | 200                                 | 20                   |
| IV                       | 300                                 | 15                   |
| V                        | 400                                 | 8                    |
| VI                       | 500                                 | 0                    |

**Assumptions**

- (i) The time period does not change.
- (ii) Techniques of production are fixed.
- (iii) There is full employment in the economy.
- (iv) Only two goods can be produced from the given resources.
- (v) Resources of production are fully mobile.

**Explanation**

1. The quantity of food is shown on x-axis and the number of cars is shown on y-axis
2. The different six production possibilities are being shown as point P1 P2 P3 P4 P5 & P6.
3. A maximum of 500 tons of food can be produced, given the existing technology.
4. If on the other hand, all resources are instead used for producing cars, 25 cars can be produced.
5. In between these two extremes, possibilities exist.

**5. Explain various steps of Deductive and Inductive methods.****a. Steps of Deductive Method**

*Step 1:* The analyst must have a clear and precise idea of the problem to be inquired into.

*Step 2:* The analyst clearly defines the technical terms used in the analysis. Further, assumptions of the theory are to be precise.

*Step 3:* Deduce hypothesis from the assumptions taken .

*Step 4:* Hypotheses should be verified through direct observation of events in the real world and through statistical methods. (eg) There exists an inverse relationship between price and quantity demanded of a good.

**b. Inductive Method of Economic Analysis**

*Step 1:* Data are collected about 1 certain economic phenomenon . These are systematically arranged and the general conclusions are drawn from them

*Step 1:* Data are collected about certain economic phenomenon . These are systematically arranged and the general conclusions are drawn from them .

*Step 2:* By observing the data , conclusions are easily drawn .

*Step 3:* Generalization of the data and then Hypothesis Formulation

*Step 4:* Verification of the hypothesis (eg. Engel's law)

**Chapter 2****II. Very Short Answer Questions:****1. Define Utility.**

- In Economics, utility is the want-satisfying power of a commodity or a service.
- It is in the goods and services for an individual consumer at a particular time and at a particular place.

**2. Mention the classifications of wants.**

- ★ *Necessaries:-* For example, food, clothing and shelter.
- ★ *Comforts:-* Example: TV, Fan, Refrigerator and Air conditioner.
- ★ *Luxuries:-* Example: Jewelry, Diamonds and Cars.

**3. Name the basic approaches to consumer behaviour.**

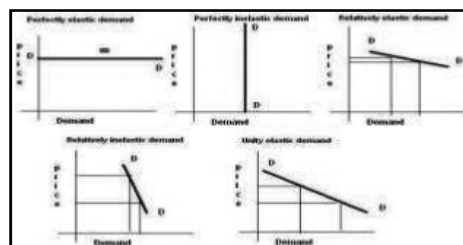
The basic approaches to consumer behaviour are

- Cardinal Approach
- Ordinal Approach

**4. What are the degrees of price elasticity of Demand?**

The degrees of price elasticity of Demand are five as follow,

1. Perfectly Elastic Demand ( $E_p = \infty$ )
2. Perfectly Inelastic Demand ( $E_p = 0$ )
3. Relatively Elastic Demand ( $E_p > 1$ )
4. Relatively Inelastic Demand ( $E_p < 1$ )
5. Unitary Elastic Demand ( $E_p = 1$ )

**5. State the meaning of indifference curves.**

- An indifference curve is the locus of all combinations of commodities from which the consumer derives the same level of satisfaction.
- It is also called "Iso- Utility Curve" or "Equal Satisfaction Curve".

**6. Write the formula of consumers surplus.**

- ★ Consumer's surplus = Potential price – Actual price
- ★ Consumer's Surplus =  $TU - (P \times Q)$

**7. What are Giffen goods? Why?**

- ◆ The Giffen good or **inferior good is an exception to the law of demand.**
- ◆ When the price of an **inferior good falls, the poor will buy less and vice versa.**

**III. Short Answer Questions:****1. Describe the feature of human wants.****a. Wants are unlimited**

Human wants are countless in number and various in kinds.

**b. Wants become habits**

Wants become habits; for example, when a man starts reading news paper in the morning, it becomes a habit.

## c. Wants are Alternative

There are alternative ways to satisfy a particular want

## d. Wants are Competitive

- \* All our wants are not equally important.
- \* Consumer Equilibrium :  $MRS_{xy} = P_x / P_y$
- \* Consumer's surplus = Potential price – Actual price

## 2. Mention the relationship between marginal utility and total utility.

## MARGINAL UTILITY TOTAL UTILITY

1. Marginal utility is the addition made to the total utility by consuming one more unit of a commodity  
( $MU_n = TU_n - TU_{n-1}$ ) Total utility refers to the sum of utilities of all U units of a commodity consumed  
( $TU = \Sigma$ )

2. It declines It increases

3. It reaches zero It reaches maximum

4. It becomes negative It declines

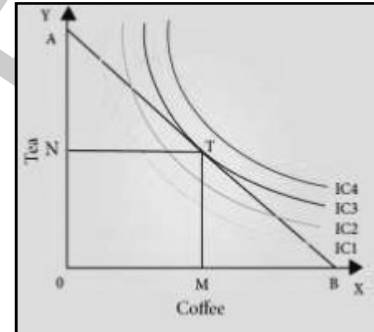
## 3. Explain the concept of consumer's equilibrium with a diagram.

**Meaning:** Consumer will attain equilibrium when he gets maximum satisfaction from his expenditure on different goods is highest.

T is the point of equilibrium as budget line AB is tangent on indifference curve IC3 the upper IC which implies maximum possible level of satisfaction.

At equilibrium point,

The slope of IC refers to  $MRS_{xy}$  and the slope of AB refers to ratio of price of X to price of Y i.e.  $P_x/P_y$ . Therefore  $MRS_{x,y} = P_x/P_y$ .



## 4. Explain the theory of "consumer's surplus".

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

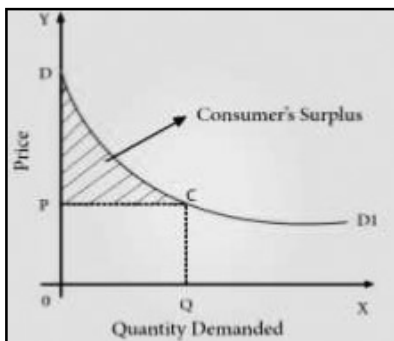
Consumer's Surplus =  $TU - (P \times Q)$

where, TU = Total Utility, P = Price and Q = Quantity of the commodity

**Assumptions**

1. X axis shows the amount demanded and Y axis represents the price.
2. DD1 shows the utility which the consumer derives from the purchase of different amounts of commodity.
3. When price is OP, the amount demanded is OQ.
4. Hence, actual price is OPCQ ( $OP \times OQ$ ). Potential Price (Total Utility) is ODCQ.

Therefore, Consumer's Surplus =  $ODCQ - OPCQ = PDC$  (the shaded area).



## 5. Distinguish between extension and contraction of demand.

The changes in the quantity demanded for a commodity due to the change in its price alone are called "Extension and Contraction of Demand".

## 6. What are the 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.

## 7. Briefly explain the concept of Consumer's Equilibrium.

It refers to a situation under which a consumer spends his entire income on a purchase of a goods in such a manner that it gives him maximum satisfaction and he has no tendency to change it.

## IV. Long Answer Questions:

## 1. Explain the law of demand and its exceptions.

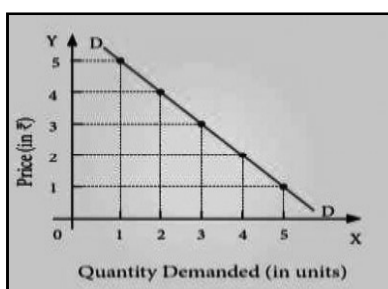
*Definition*

According to Alfred Marshall, The Law of Demand said as "the quantity demanded increases with a fall in price and diminishes with a rise in price".

*Assumptions of Law of Demand*

1. The income of the consumer remains constant.
2. The taste, habit and preference of the consumer remain the same.
3. The prices of other related goods should not change.
4. There should be no substitutes for the commodity in study.

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



#### Explanation

1. Quantity demanded and Y axis represents the price of the commodity.
2. DD is the demand curve, which has a negative slope.
3. Slope downward from left to right which indicates that when price falls, the demand expands and when price rises, the demand contracts.

#### Conclusion

Therefore, the law of demand states that there is an inverse relationship between the price and the quantity demanded of a commodity.

## 2. Elucidate the law of diminishing marginal utility with diagram.

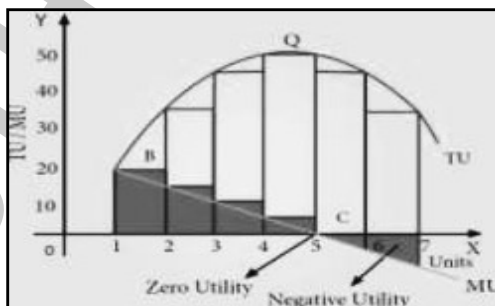
#### Definition

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".

#### Assumption

1. Utility can be measured by cardinal number (Eg:1,2, 3..)
2. The marginal utility of money remains constant.
3. The consumer should be a rational consumer
4. The units of the commodity must be reasonable in size.
5. The commodity consumed should be homogeneous

| 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

1. Suppose a consumer wants to consume 7 apples one after another.
2. The utility from the first apple is 20. But the utility from the second apple will be less than that of the first (say 15), the third less than that of the second (say 10) and so on.
3. Finally, the utility from the fifth apple becomes zero and the utilities from sixth and seventh apples are negative.

#### Criticisms

1. Utility cannot be measured numerically.
2. This law is based on the unrealistic assumptions.
3. This law is not applicable

## 3. Explain the law of Equi-marginal utility.

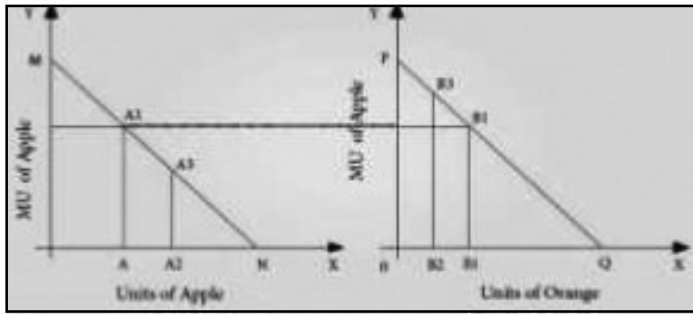
#### Meaning

- The law of equi-marginal utility states that the consumer will distribute his money income between the goods in such a way that the utility derived from the last rupee spend on each good is equal.
- In other words, consumer is in equilibrium position when marginal utility of money expenditure on each goods is the same.

#### Equi-marginal =

#### Assumption

1. The consumer is rational in the sense that he wants to get maximum satisfaction.
2. The utility of each commodity is measurable in cardinal numbers.
3. The marginal utility of money remains constant. law of Equi-marginal utility.

**Explanation**

1. X axis represents the amount of money spent and Y axis represents the marginal utilities of Apple and Orange respectively.
2. If the consumer spends ₹ 6 on Apple and ₹ 5 on Orange, the marginal utilities of both are equal i.e.,  $AA_1 = BB_1$  ( $4 = 4$ ).
3. Hence, he gets maximum utility.

**4. What are the methods of measuring Elasticity of demand?**

Methods of measuring Elasticity of Demand:

- \* The Percentage Method
- \* Total Outlay Method
- \* Point or Geometrical Elasticity

**1. The Percentage Method**

It is also known as ratio method, when we measure the ratio as:  $E_p = L / U$

**2. Total Outlay Method**

This examines the change in total outlay of the consumer or total revenue of the firm.

Total Revenue = (Price x Quantity Sold)  $TR = (P \times Q)$

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

**3. Point or Geometrical Elasticity**

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.

where 'ep' stands for point elasticity, 'L' stands for the lower segment and 'U' for the upper segment.

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

## Chapter 3

**II. Very Short Answer Questions:****1. Classify the factors of production.**

- ♦ Land, Labour - 'primary factors of production'.
- ♦ Capital and Organisation - 'secondary factors of production'.

**2. Define Labour. Labour refers to any work undertaken for securing an income or reward.**

According to Marshall, labour represents services provided by the factor labour, which helps in yielding an income to the owner of the labour-power.

**3. State the production function.**

- According to George J. Stigler, "Production function is the relationship between inputs of productive services per unit of time and outputs of product per unit of time".
- Production function may be expressed as:  $Q = f(N, L, K, T)$
- Where, Q = Quantity of output, N = Land; L = Labour; K = Capital; and T = Technology.

**4. Define Marginal Product of a factor.**

It is the addition or the increment made to the total product when one more unit of the variable input is employed.

**5. What is Iso-cost line?**

The iso-cost line illustrates all the possible combinations of two factors that can be used at given costs and for a given producer's budget.

**6. What are conditions for producer's equilibrium?**

- \* The iso-cost line must be tangent to iso-quant curve.
- \* At point of tangency, the iso-quant curve must be convex to the origin.

**7. What are the reasons for upward sloping supply curve?**

- ▲ As the price of the commodity increases, the quantum supplied of the commodity also increases.
- ▲ Thus the supply curve has a positive slope (upward slop) from left to right.

### III. Short Answer Questions:

#### 1. What are the characteristics of land?

- 1) Land is a primary factor of production.
- 2) Land is a passive factor of production.
- 3) Land is the free gift of Nature.
- 4) Land has no cost of production.
- 5) Land is fixed in supply. It is inelastic in supply.
- 6) Land is permanent.

#### 2. What are the factors governing elasticity of supply?

- ◆ Nature of the commodity
- ◆ Cost of production
- ◆ Technical condition
- ◆ Time factor

#### 3. What are the functions of Entrepreneur?

*Initiation:* An organizer is the initiator of the business,

*Innovation:* A successful entrepreneur is always an innovator.

*Coordination:* An organizer applies a particular combination of the factors of production.

*Control, Direction & Supervision:* An organizer prevents the organisation from achieving its goal.

*Risk-taking and Uncertainty-bearing:*

#### 4. State and explain the elasticity of supply.

Elasticity of supply may be defined as the degree of responsiveness of change in supply to change in price on the part of sellers.

It is mathematically expressed as:  $es = (\Delta Q_s / Q_s) / (\Delta P / P)$ ;  $es = \Delta Q_s / \Delta P \times P / Q_s$

Where  $Q_s$  represents the supply,  $P$  represents price,  $\Delta$  denotes a change.

#### 5. Bring out the Relationship among Total, Average and Marginal Products.

**Stages TP MP AP**

*Stage I* increases at an increasing rate Beginning it increases, reaches a maximum and starts to decrease increases, then attains maximum.

*Stage II* increase at a diminishing rate and reaches maximum diminish and becomes equal to zero equal to MP and then begins to diminish

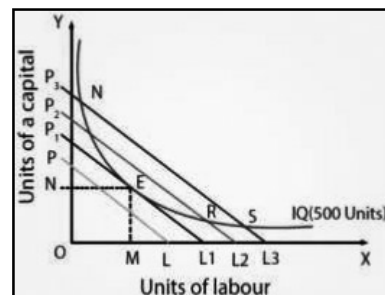
*Stage III* Diminishes becomes negative Continues to diminish but always greater than zero

#### 6. Illustrate the concept of producer's Equilibrium

The producer manufactures a given amount of output with 'least cost combination of factors', with his given budget.

*Conditions for Producer Equilibrium:*

- \* The iso-cost line must be tangent to iso-quant curve.
- \* At point of tangency, the iso-quant curve must be convex to the origin or MRTSLk must be declining.
- \* At point E, the firm employs OM units of labour and ON units of capital.
- \* The other points such as H, K, R and S lie on higher iso cost lines indicating that a larger outlay is required, which exceeds the financial resources of the firm.



#### 7. State the Cobb-Douglas Production Function.

*Meaning*

According to Cobb-Douglas, "Linear homogeneous production function implies that the factors of production can be substituted for one another up to a certain extent only".

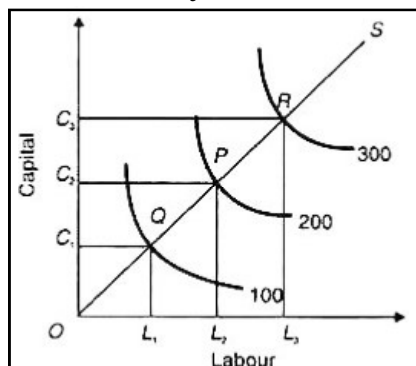
The Cobb-Douglas production function can be expressed as follows.

$$Q = AL^\alpha K^\beta$$

Where,  $Q$  = output;  $A$  = positive constant;  $K$  = capital;  $L$  = Labor  $\alpha$  and  $\beta$  are positive fractions showing the elasticity coefficients of outputs for the inputs labor and capital, respectively.

◆  $\beta = (1 - \alpha)$  since  $\alpha + \beta = 1$ . denoting constant returns to scale.

◆ Factor intensity can be measured by the ratio  $\beta / \alpha$ .





**IV. Long Answer Questions:****1. Examine the Law of Variable Proportions with the help of a diagram.***Definition*

According to G. Stigler, "As equal increments of one input are added, the inputs of other productive services being held constant, beyond a certain point, the resulting increments of product will decrease, i.e., the marginal product will diminish".

*Meaning*

The law of variable proportions states that as the quantity of one factor is increased, keeping the other factors fixed, the marginal product of that factor will eventually decline.

*Assumptions*

1. Only one factor is variable while others are held constant.
2. All units of the variable factor are homogeneous.
3. The product is measured in physical units.

*Total Product (TP)*

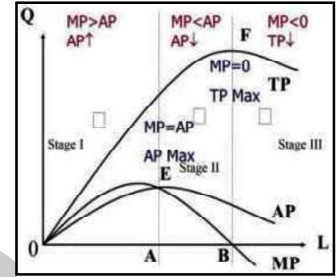
It refers to the total amount of commodity produced by the combination of all inputs.  $TP = \sum MP$

*Average Product (AP)*

It is the result of the total product divided by the total units of the input employed.  $AP = TP/N$

*Marginal Product (MP)*

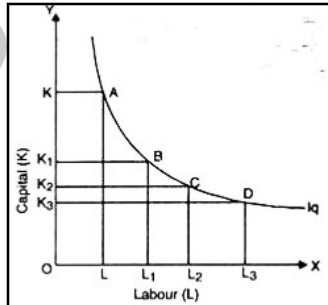
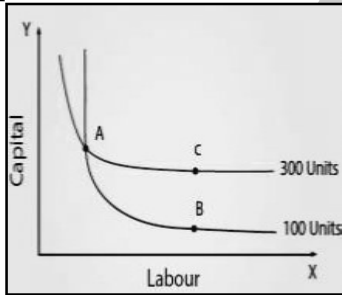
- ❖ It is the addition or the increment made to the total product.  $MP = \Delta TP / \Delta N$  (or)  $MP = TP(n) - TP(n-1)$
- ❖ In diagram, the number of workers is measured on X axis while TP, AP, MP are denoted on Y axis. The diagram explains the three stages of production as given in the below table.

**2. List out the properties of iso-quants with the help of diagrams.***Meaning*

- ▲ An iso-quant curve can be defined as the locus of points representing various combinations of two inputs capital and labour yielding the same output.
- ▲ The iso-quant is also called as the "Equal Product Curve" or the "Product Indifference Curve".

*Properties of Iso-quant Curve*

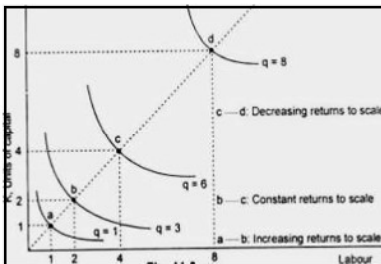
1. The iso-quant curve has negative slope.
2. Convex to the origin.
3. Non inter-section of Iso-quant curves.
4. An upper iso-quant curve represents a higher level of output
5. Iso- quant curve does not touch either X axis Y axis.

**3. Elucidate the Laws of Returns to Scale. Illustrate.***Meaning*

The laws of returns to scale explain the relationship between output and the scale of inputs in the long-run when all the inputs are increased in the same proportion.

*Assumption*

1. All the factors of production are variable but organization is fixed.
2. There is no change in technology.
3. There is perfect competition in the market.
4. Outputs or returns are measured in physical quantities.



| Stages | Input | Output  | Returns to scale |
|--------|-------|---------|------------------|
| a to b | 100%↑ | 200%↑   | Increasing       |
| b to c | 100%↑ | 100%↑   | Constant         |
| c to d | 100%↑ | 33.33%↑ | Decreasing       |

*Three Phases of Returns to Scale*

- ◆ Increasing Returns to Scale    ◆ Constant Returns to Scale    ◆ Diminishing Returns to Scale

*Explanation*

1. In the the movement from point **a** to point **b** represents increasing returns to scale.
2. The law of constant returns to scale is implied by the movement from the point **b** to point **c**.
3. Decreasing returns to scale are denoted by the movement from the point **c** to point **d**.

**4. Explain the internal and external economies of scale.**

Basic Difference Internal Economies External Economies

1. *Technical Economies*: There is a possibility to introduce up- to-date technologies Increased transport facilities.
2. *Financial Economies*: Big firms can float shares in the market for capital expansion, Banking facilities
3. *Managerial Economies*: Large scale production facilitates specialisation and delegation. Development of townships.
4. *Labour Economies*: Large scale production implies greater and minute division of labour. Development of information and communication
5. *Marketing Economies*: The producers can both buy rawmaterials in bulk at cheaper cost and can take the products to distant markets. Expansion of the Plant size

$$C = f(Q)$$

$$TR = P \times Q$$



## Chapter 4

**II. Very Short Answer Questions:****1. Define cost.**

- ◆ Cost refers to the total expenses incurred in the production of a commodity.
- ◆ Cost analysis refers to the study of behaviour of cost in relation to one or more production

**2. Define cost function.**

The functional relationship between cost and output is expressed as 'Cost Function'. where, C=Cost and Q=Quantity of output.

**3. What do you mean by fixed cost?**

- ✧ Fixed Cost does not change with the change in the quantity of output.
- ✧ Fixed cost is also called as 'Supplementary Cost' or 'Overhead Cost'.

**4. Define Revenue.**

The amount of money that a producer receives in exchange for the sale of goods is known as revenue. In short, revenue means sales revenue.

**5. Explicit Cost - Define.**

- ◆ It refers to the actual expenditures of the firm to purchase or hire the inputs the firm needs.
- ◆ Examples: i) wages, ii) payment for raw material and etc.,

**6. Give the definition for 'Real Cost'.**

- Real cost refers to the payment made to compensate the efforts and sacrifices of all factor owners for their services in production.
- It includes the efforts and sacrifices landlords in the use of land.

**7. What is meant by Sunk cost?**

- ◆ A cost incurred in the past and cannot be recovered in future is called as Sunk Cost.
- ◆ It is called as sunk because, they are unalterable, unrecoverable, and if once invested it should be treated as drowned or disappeared. Example : Cost of specialized equipments.

**III. Short Answer Questions:****1. Distinguish between fixed cost and variable cost.**

| Fixed cost   | Variable cost  |
|--|--|
| It refers to the cost incurred on the fixed factors of production. | The refers to the cost incurred on the variable factors of production. |
| This cost maintains constant irrespective of the levels of output. | It varies with levels of output  |
| Even if the outputs is nil, fixed cost will be incurred            | This cost will increase/decrease with the levels of outputs.           |
| This is also known as supplementary costs or overhead costs        | This is also known as prime costs.                                     |

**2. State the differences between money cost and real cost.**

| Money Cost   | Real Cost   |
|--|---|
| Production cost expressed in money terms is called as money cost.                          | The efforts and sacrifices of all factor owners for their services in production.   |
| It includes the expenditures such as cost of raw materials, payment of wages and salaries, | It includes the efforts and sacrifices of landlords in the use of land, capitalists |
| These costs are considered as out of pocket expenses.                                      | Adam Smith regarded pains and sacrifices of labour as real cost of production.      |
| Money costs are also called as Prime Cost or Direct Cost or Nominal Cost.                  | It is also called opportunity cost or displacement cost                             |

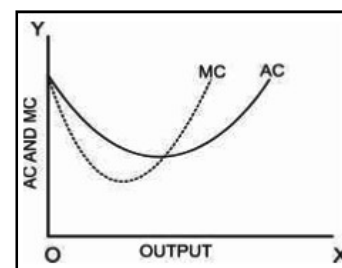
**3. Distinguish between explicit cost and implicit cost.**

| Explicit cost  | Implicit cost   |
|--|---|
| It includes actual money expenditure incurred by a firm hiring or buying the factors in needs in the production process. | It is not actual money expenditure but is the cost of factors owned by the firm and used by the in its production |
| It is explicitly shown in the firms books of accounts and is thus, called accounting costs.                              | It does not enter in the firms books of accounts  |
| It is a payment concept  | It is a receipt concept, i.e., the payments are received by producer for supplied services                        |
| Example: wages, rent, interest, insurance, etc   | Examples: Wages of self labour, rent for self owned premises, etc   |

**4. Define opportunity cost and provide an example.**

1. It refers to the cost of next best alternative use.
2. In other words, it is the value of the next best alternative foregone.
3. For example, a farmer can cultivate both paddy and sugarcane in a farm land.
4. Opportunity Cost is also called as 'Alternative Cost' or 'Transfer Cost'.

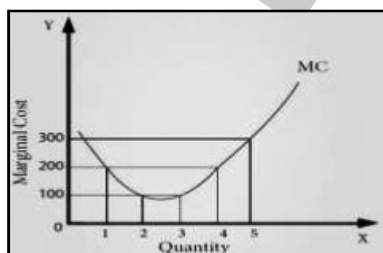
- When  $MC < AC$ , AC falls
- When  $MC = AC$ , AC is constant and at its minimum point
- When  $MC > AC$ , AC rises

**5. State the relationship between AC and MC.**

- ◆ When AC is falling, MC lies below AC.
- ◆ When AC becomes constant, MC also becomes equal to it.
- ◆ When AC starts increasing, MC lies above the AC.
- ◆ MC curve always cuts AC at its minimum point from below.

**6. Write a short note on Marginal Revenue.**

- ❖ Marginal cost is the addition made to the total cost by producing one extra unit of output.
- ❖  $MC = \Delta TC / \Delta Q$ , where MC denotes Marginal Cost,  $\Delta TC$  denotes change in total cost and  $\Delta Q$  denotes change in x.



The other method of estimating MC is:

$$MC = TC_n - TC_{n-1} \text{ or } TC_{n+1} - TC_n$$

where, 'MC' denotes Marginal Cost, 'TC<sub>n</sub>' denotes Total cost of 'n'th item, TC<sub>n-1</sub> denotes Total Cost of 'n-1' th item, TC<sub>n+1</sub> denotes Total Cost of n+1 th item.

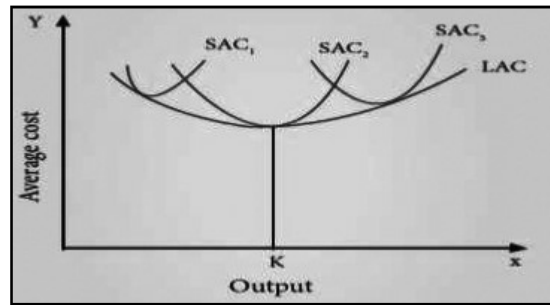
**7. Discuss the Long run cost curves with suitable diagram.**

1. In the long run all factors of production become variable.
2. The existing size of the firm can be increased in the case of long run.
3. There are neither fixed inputs nor fixed costs in the long run.

1.  $LAC = LTC/Q$  where, LAC denotes Long-Run Average Cost, LTC denotes Long-run Total Cost and Q denotes the quantity of output.
2. The LAC curve is derived from short-run average cost curves.
3. It is the locus of points denoting the least cost curve of producing the corresponding output.

*Other names of LAC:*

The LAC curve is called as 'Plant Curve' or 'Boat shape Curve' or 'Planning Curve' or 'Envelope Curve'.



#### IV. Long Answer Questions:

1. If total cost =  $10 + Q^3$ , find out AC, AVC, TFC, AFC when  $Q=5$ .

$$AFC = TFC / Q$$

$$AVC = TVC / Q$$

$$MC_n = TC_n - TC_{n-1}$$

**AFC:**

$$TC = 10 + Q^3$$

$$AC = \frac{TC}{Q}$$

$$AC = \frac{10 + Q^3}{Q}$$

$$\text{If } Q = 5, Q = 5 \times 5 \times 5 = 125$$

$$AC = \frac{10 + 125}{5} = \frac{135}{5} = 27$$

**ACV:**

$$TC = 10 + Q^3,$$

$$TVC = Q^3$$

$$AVC = \frac{TVC}{Q}$$

$$= \frac{Q^3}{Q} = Q^2$$

$$\text{If } Q = 5 \text{ then } AVC = 5^2 \quad AVC = 25$$

$$TC = TFC + TVC$$

**TFC:**

$$TC = 10 + Q^3$$

$$TC = TFC + TVC$$

$$TFC = 10$$

**AFC :**

$$AFC = \frac{TFC}{Q}$$

$$= \frac{10}{5}$$

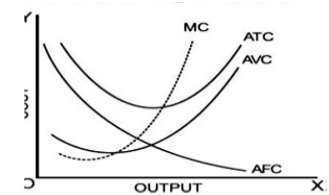
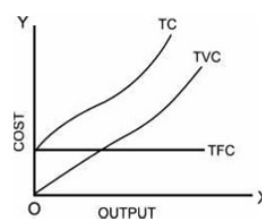
$$AFC = 2$$

2. Discuss the short run cost curves with suitable diagram.

**Short run cost curves:**

1. TFC - Total Fixed Cost Curve
2. TVC - Total Variable Cost Curve
3. TC - Total Cost Curve
4. AFC - Average Fixed Cost Curve
5. AVC - Average Variable Cost Curve
6. AC OR ATC - Average Cost or Average Total Cost
7. MC - Marginal Cost

*Total Cost Curves*



**Total cost**

Total cost is the sum of total fixed cost and total variable cost.

where

TC = Total cost

TFC = Total Fixed cost (cost of fixed factors)

TVC = Total variable cost (Cost of Variable Factors)

*Short run average cost curves*

*Average Fixed Cost (AFC)*

The average fixed cost is the fixed cost per unit of output. It is obtained by dividing the total fixed cost by the number of units of the commodity produced.

*Average Variable cost (AVC)*

Average variable cost is the variable cost per unit of output. It is the total variable cost divided by the number of units of output produced.

*Average Total Cost or Average Cost*

Average total cost is simply called average cost which is the total cost divided by the number of units of output produced.

$$AC = TC / Q \text{ (or)}$$

$$AC = AFC + AVC$$

*Marginal Cost*

Marginal cost is defined as the addition made to the total cost by the production of one additional unit of output.

$$TC = TFC + TVC,$$

$$AR = TR / Q$$

$$MR_n = TR_n - TR_{n-1}$$

### 3. Bring out the relationship between AR and MR curves under various price conditions.

#### Average Revenue

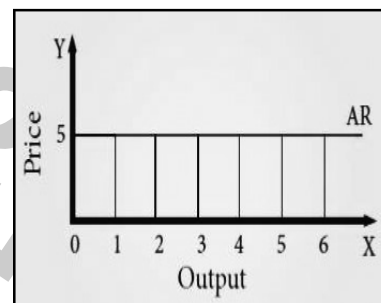
Average revenue is the revenue per unit of the commodity sold. It is calculated by dividing the total revenue by the number of units sold.

#### Marginal Revenue

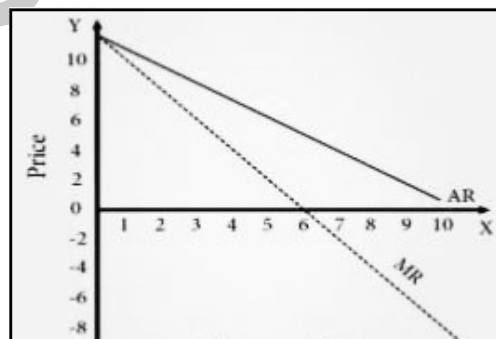
♦ Marginal Revenue is the addition made to the total revenue by selling one more unit of a commodity.

Constant AR and MR (at Fixed Price) Declining AR and MR (at declining Price)

| Quantity Sold (Q) | Price (P) | Total Revenue (TR) | Average Revenue (AR) | Marginal Revenue (MR) |
|-------------------|-----------|--------------------|----------------------|-----------------------|
| 1                 | 5         | 5                  | 5                    | 5                     |
| 2                 | 5         | 10                 | 5                    | 5                     |
| 3                 | 5         | 15                 | 5                    | 5                     |
| 4                 | 5         | 20                 | 5                    | 5                     |
| 5                 | 5         | 25                 | 5                    | 5                     |
| 6                 | 5         | 30                 | 5                    | 5                     |



| Quantity Sold (Q) | Price (P)/<br>Average<br>Revenue<br>(AR) | Total<br>Revenue<br>(TR) | Marginal<br>Revenue<br>(MR) |
|-------------------|--|--------------------------|-----------------------------|
| 1                 | 10                                       | 10                       | -                           |
| 2                 | 9  | 18                       | 8                           |
| 3                 | 8  | 24                       | 6                           |
| 4                 | 7  | 28                       | 4                           |
| 5                 | 6  | 30                       | 2                           |
| 6                 | 5  | 30                       | 0                           |
| 7                 | 4  | 28                       | -2                          |
| 8                 | 3  | 24                       | -4                          |
| 9                 | 2  | 18                       | -6                          |
| 10                | 1  | 10                       | -8                          |



#### Explanation

1. If a firm is able to sell additional units at the same price then AR and MR will be constant and equal.
2. If the firm is able to sell additional units only by reducing the price, then both AR and MR will fall and be different.

## Chapter 5

### II. Very Short Answer Questions:

#### 1. Define Market.

In Economics, the term 'market' refers to a system of exchange between the buyers and the sellers of a commodity, directly or indirectly.

#### 2. Who is price-taker?

1. A **price taker** is a seller who has no control to fix **prices** for a good or service.
2. A price taker simply has to accept the market price.

#### 3. Point out the essential features of pure competition.

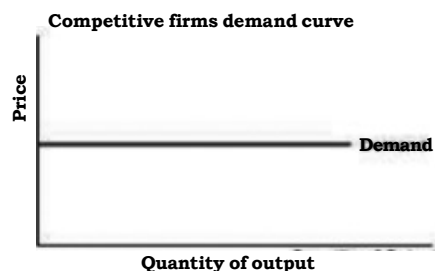
- a. Large Number of Buyers and Sellers
- b. Homogeneous Product and Uniform Price
- c. Free Entry and Exit
- d. Absence Of Transport Cost

#### 4. What is selling cost?

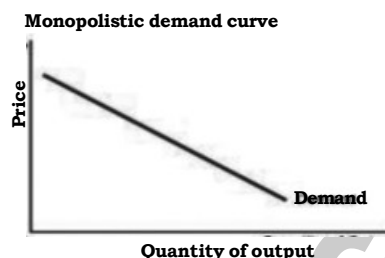
**Selling costs** refer to those expenses which are incurred for popularizing the differentiated product and increasing the demand for it.

## 5. Draw demand curve of a firm for the following:

## a) Perfect Competition



## b) Monopoly



## 6. Mention any two types of price discrimination

(i) **Personal** – Different prices are charged for different individuals (Ex: Railways Ticket)

(ii) **Geographical** - Different prices are charged at different places for the same product (Ex: same book sold in different countries at different prices)

## 7. Define “Excess capacity”.

A monopolistic firm produces deliberately output which is less than the optimum output that is the output corresponding to the minimum average cost.

## III. Short Answer Questions:

## 1. What are the features of a market?

1. Buyers and sellers of a commodity or a service
2. A commodity to be bought and sold
3. Price agreeable to buyer and seller
4. Direct or indirect exchange.

## 2. Specify the nature of entry of competitors in perfect competition and monopoly.

*Nature of Entry of competitor Perfect Competition Monopoly*

It is possible for the very efficient producer, producing the product at a very low cost, to earn super normal profits. Attracted by such a profit, new firms enter into the industry. There is strict barrier for entry of any new firm.

## 3. Describe the degrees of price discrimination.

According to A.C.Pigou, there are three degrees of price discrimination.

(i) *First degree price discrimination*

A monopolist charges the maximum price that a buyer is willing to pay. Example: Auctions

(ii) *Second degree price discrimination*

Under this degree, buyers are charged prices in such a way that a part of their consumer's surplus is taken away by the sellers. Example: Cinema theatres .

(iii) *Third degree price discrimination*

The monopolist splits the entire market into a few sub-market and charges different price in each submarket.

Example : Railways Ticket

## 4. State the meaning of selling cost with an example.

1. It was Chamberlin who introduced the analysis of selling costs.
2. Selling costs play the key role in monopolistic competition. The firms have to compete to promote their sale by spending on advertisements and publicity ads to the demand of the product.
3. In selling costs we include the salaries of sales persons, allowances to retailers to display the products etc. besides the advertisements.

## 5. Mention the similarities between perfect competition and monopolistic competition.

| Basis of Similarities       | Perfect Competition          | Monopolistic Competition  |
|-----------------------------|------------------------------|---------------------------|
| Number of Producers/sellers | Innumerable                  | Large                     |
| Entry / Exit                | Free                         | Free                      |
| Profit                      | Abnormal profit in short-run | Normal profit in long-run |
| Quantity                    | Very large                   | Substantial               |

## 6. Differentiate between 'firm' and 'industry'.

| Basic      | Firm   | Industry   |
|------------|--|--|
| Meaning    | A firm refers to a single production unit in an industry       | An industry refers to a group of firms               |
| Production | Producing a large or a small quantum of a commodity or service | Producing the same product or service in an economy. |
| Example    | A single cement firm   | Cement Industry (group of firms)                     |

## 7. State the features of duopoly.

1. Each seller is fully aware of his rival's motive and actions.
2. Both sellers may collude (they agree on all matters regarding the sale of the commodity).
3. They may enter into cut-throat competition.
4. They fix the price for their product with a view to maximising their profit.

## IV. Long Answer Questions:

### 1. Bring out the features of perfect competition.

#### Meaning of Perfect Competition

Perfect Competition market is that type of market in which the number of buyers and sellers is very large, all are engaged in buying and selling a homogenous product at uniform price.

#### Features

##### 1. Large Number of Buyers and Sellers

The term, 'large number of sellers' implies that share of each individual seller is a very, very small quantum of a product.

##### 2. Homogeneous Product and Uniform Price

All the units of the product are identical (ie) of the same size, shape, colour, quality etc. Therefore, a uniform price prevails in the market.

##### 3. Free Entry and Exit

Efficient producer producing the product at a very low cost, to earn super normal profits. Attracted by such a profit, new firms enter into the industry.

##### 4. Absence Of Transport Cost

The prevalence of the uniform price is also due to the absence of the transport cost.

##### 5. Perfect Knowledge of the Market

All buyers and sellers have a thorough knowledge of the quality of the product, prevailing price etc.

##### 6. No Government Intervention

There is no government regulation on supply of raw materials, and in the determination of price etc.

### 2. How price and output are determined under the perfect competition?

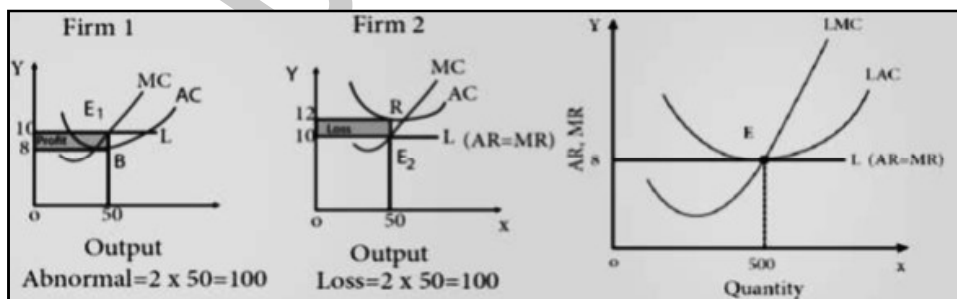
#### Meaning of Perfect Competition

Perfect Competition market is that type of market in which the number of buyers and sellers is very large, all are engaged in buying and selling a homogenous product at uniform price.

#### Important Features

1. Large Number of Buyers and Sellers
2. Free Entry and Exit
3. Homogeneous Product and Uniform Price
4. Absence Of Transport Cost

#### Price & Output Determination-Perfect Competition during Short Run



AR – Average Revenue AC – Average Cost

MR – Marginal Revenue MC – Marginal Cost

The firms under Perfect Competition take the price (10) from the industry and start adjusting their quantities produced.

For example  $Q_d = 100 - 5P$  and  $Q_s = 5P$ . At equilibrium  $Q_d = Q_s$ . Therefore  $100 - 5P = 5P$ .

$$100 = 10P; 100/10 = P \quad Q_d = \text{demand} \quad P = 10 \quad P = \text{Price}$$

$$Q_d = 100 - 5(10) \quad Q_s = \text{Supply } 100 - 50 = 50$$

$$Q_s = 5(10) = 50$$

**Therefore 50 = 50**

Its total revenue is  $50 \times 10 = 500$ . Its total cost is  $50 \times 12 = 600$ . Therefore, its total loss is  $600 - 500 = 100$ .

Price = AR = MR = Minimum AC

### 3. Describe the features oligopoly.

#### 1. Few large firms

Very few big firms own the major control of the whole market by producing major portion of the market demand.

#### 2. Interdependence among firms

The price and quality decisions of a particular firm are dependent on the price and quality decisions of the rival firms.

#### 3. Group behaviour

The firms under oligopoly realise the importance of mutual co-operation.

#### 4. Advertisement cost

The oligopolist could raise sales either by advertising or improving the quality of the product.

#### 5. Nature of product

Perfect oligopoly means homogeneous products and imperfect oligopoly deals with heterogeneous products.

#### 6. Price rigidity

The oligopolistic firms do not change their prices due to the fear of rivals' reaction.

### 4. Illustrate price and output determination under Monopoly.

#### Meaning

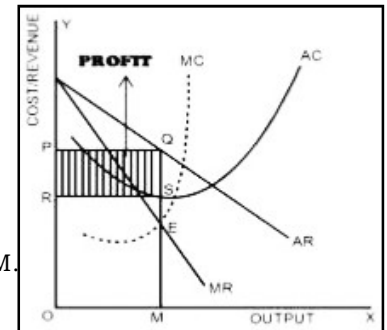
Monopoly is a market structure characterized by a single seller, selling the unique product with the restriction for a new firm to enter the market.

#### Features of Monopoly

1. There is a single producer / seller of a product;
2. The product of a monopolist is unique and has no close substitute;
3. There is strict barrier for entry of any new firm;
4. The monopolist is a price-maker

#### Explanation

1. The Diagram shows that MC cuts MR at E to give equilibrium output as OM. Total profit = (Average Revenue - Average Cost) X Total output
2. At OM, the price charged is OP (we find this by extending line EM till it touches AR or demand curve).
3. Also at OM, the cost per unit is MS.
4. Therefore, profit per unit is SQ or total profit is PQRS.



Price & Output Determination Under Monopoly

### 5. Explain price and output determined under monopolistic competition with help of diagram.

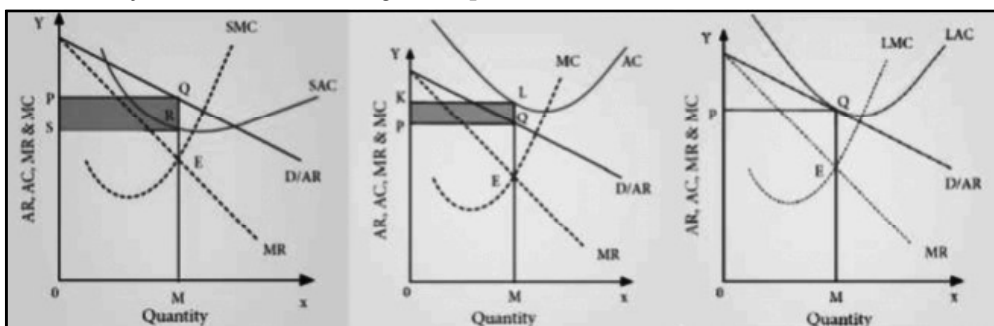
#### Meaning

Monopolistic competition refers to a market situation where there are many firms selling a differentiated product.

#### Important Features

1. Large number of buyers and many sellers.
2. Firms produce differentiated products.
3. Firms compete with each other by incurring selling cost
4. Non - price competition

Short run Profit Short run Loss Long run Equilibrium





**Explanation**

1. The profit maximisation is achieved when  $MC=MR$ .
2. Total profit is 'PQRS'. This is super normal profit under short-run.
3. Total loss is 'PQLK'. This firm incurs loss in the short run.
4. In the long run AR curve is more elastic
5. At E' point =  $AR=AC$  and  $MC=MR$ . It means that a firm earns normal profit. AR is tangent to the Long Run Average Cost (LAC) curve at point 'Q'.



## Chapter 6

### II. Very Short Answer Questions:

#### 1. What is meant by distribution?

- ❖ Distribution means division of income among the four factors of production.
- ❖ Distribution is given in terms of rent to landlords, wage to labour, interest to capital and profit to entrepreneurs.

#### 2. Mention the types of distribution.

1. *Personal Distribution*: Personal Distribution is the distribution of national income among the individuals.
2. *Functional Distribution*: Functional Distribution means the distribution of income among the four factors of production.

#### 3. Define 'Rent'.

**According David Ricardo**, Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil".

#### 4. Distinguish between real and money wages.

| Real wages   | Money wages   |
|--|---|
| Production cost expressed in money terms is called as money cost.        | The efforts and sacrifices of all factor owners for their services in production. |
| Money costs are also called as Prime Cost or Direct Cost or Nominal Cost | It is also called opportunity cost or displacement cost                           |

#### 5. What do you mean by interest?

- ◆ According Alfred Marshall, "Interest is the price paid for the use of capital in any market"
- ◆ Interest is the reward paid by the borrower to the lender for the use of capital.

#### 6. What is profit?

- ❖ Profit is a return to the entrepreneur for the use of his entrepreneurial ability.
- ❖ It is the net income of the organizer.

#### 7. State the meaning of liquidity preference.

Liquidity preference means the preference of the people to hold wealth in the form of liquid cash other than bonds, securities, gold and etc.,.

### III. Short Answer Questions:

#### 1. What are the motives of demand for money?

- ◆ *The Transaction Motive* The transaction motive relates to the desire of the people to hold cash for the current transactions.  $M_t = f(y)$
- ◆ *The Precautionary Motive* The precautionary motive relates to the desire of the people to hold cash to meet unexpected or unforeseen expenditures.  $M_p = f(y)$
- ◆ *The Speculative Motive* The speculative motive relates to the desire of the people to hold cash in order to take advantage of market movements.  $M_s = f(i)$ .

#### 2. List out the kinds of wages.

*Nominal Wages or Money Wages*: Nominal wages are referred to the wages paid in terms of money.

*Real Wages*: Real wages are the wages paid in terms of goods and services.

*Piece Wages*: Wages that are paid on the basis of quantum of work done.

*Time Wages*: Wages that are paid on the basis of the amount of time.

#### 3. Distinguish between rent and quasi-rent.

| RENT                                 | QUASI-RENT   |
|--------------------------------------|--|
| Rent accrues to land                 | Quasi-rent accrues to manmade appliances.                          |
| The supply of land is fixed forever. | The supply of manmade appliances is fixed for a short period only. |
| It enters into price                 | It does not enter into price                                       |

**4. Briefly explain the Subsistence Theory of Wages.**

1. According to this theory, wage must be equal to the subsistence level of the labourer and his family
2. Subsistence means the minimum amount of food, clothing and shelter which workers and their family require for existence.
3. If workers are paid higher wages than the subsistence level, the workers would be better off and they will have large families.

**5. State the Dynamic Theory of Profit.**

According to J.B Clark profit is the reward for dynamic changes in society. Profit cannot arise in a static (unchanged) society.

- ◆ Population is increasing
- ◆ Volume of Capital is increasing.
- ◆ Methods of production are improving.
- ◆ Forms of industrial organization are changing.
- ◆ The wants of consumer are multiplying.

**6. Describe briefly the Innovation Theory of Profit.**

According Schumpeter profit is the reward for "innovation". Innovation means invention put into commercial practice. An innovation may consist of the following:

- ▶ Introduction of a new product.
- ▶ Introduction of a new method of production.
- ▶ Opening up of a new market.
- ▶ Discovery of new raw materials
- ▶ Reorganization of an industry / firm.

**7. Write a note on Risk bearing theory of profit**

According to Hawley profit is the reward for "risk taking" in business. Risk taking is an essential function of the entrepreneur and is the basis of profit.

1. Since the entrepreneur undertakes the risks, he receives profits.
2. If the entrepreneur does not receive the reward, he will not be prepared to undertake the risks. Thus, higher the risks, the greater are the profit.
3. It is the profit that induces the entrepreneurs to undertake such risks.

**IV. Long Answer Questions:****1. Explain the Marginal Productivity Theory of Distribution.***Meaning*

According to the Marginal Productivity Theory of Distribution, the price or the reward for any factor of production is equal to the marginal productivity of that factor. In short, each factor is rewarded according to its marginal productivity.

*Assumption*

1. All the factors of production are homogenous.
2. Factors of production can be substituted for each other.
3. There is perfect competition both in the factor market and product market.
4. There is perfect mobility of factors of production.

*Marginal Product*

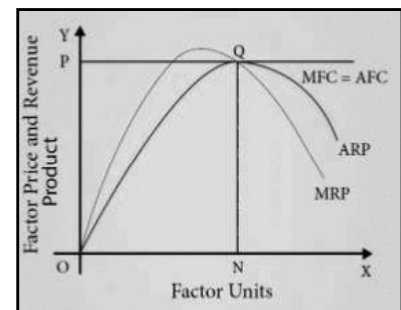
The Marginal product of a factor of production means the addition made to the total product by employment of an additional unit of that factor. The Marginal Product may be expressed as MPP, VMP and MRP.

*MP : Under Perfect Competition*

1. When there is perfect competition in the factor market, the firm is in equilibrium (i.e., earning maximum profits) only when  $MFC = MRP$ .
2. Hence, in the diagram, the firm reaches equilibrium at point Q by employing ON units of factors. Marginal Physical Product (MPP) Value of Marginal Product =  $VMP = MPP \times \text{Price}$  Marginal Revenue Product  $MRP = MPP \times MR$  and paying OP price (NQ) where  $MFC = MRP$ .

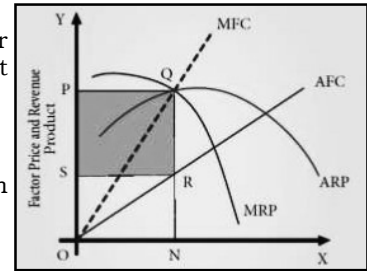
At the point Q,  $MRP = ARP$ .

3. The price paid to the factor (NQ) is also equal to marginal revenue product (NQ) and average revenue product (NQ).



*Under Imperfect Competition*

1. Under imperfect competition, At the point Q,  $MFC = MRP$ , where the employer attains his maximum profit and so he stops employment of the factors at the point.
2. The total exploitation of factor by the employer is  $RQ \times SR = "PQRS"$  (shaded area).
3. Thus, under imperfect competition, factor is exploited at the equilibrium position.

**2. Illustrate the Ricardian Theory of Rent.***Definition*

According to Ricardo, "Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil".

*Assumption*

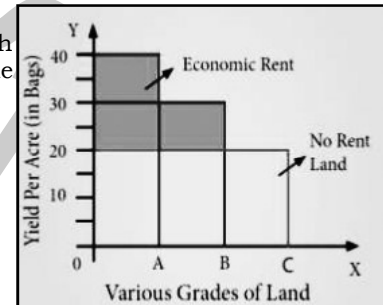
1. Land differs in fertility.
2. The law of diminishing returns operates in agriculture.
3. Rent depends upon fertility and location of land.
4. Theory assumes perfect competition.

Schedule of Ricardian Theory of Rent Grades of lands Production Surplus

|   |    |            |
|---|----|------------|
| A | 40 | $40-20=20$ |
| B | 30 | $30-20=10$ |
| C | 20 | $20-20=0$  |

*Explanation*

1. In diagram, X axis represents various grades of land and Y axis represents yield per acre (in bags).
2. OA, AB and BC are the 'A' grade, 'B' grade and 'C' grade lands respectively.
3. The application of equal amount of labour and capital on each of them gives a yield represented by the rectangles standing just above the respective bases.
4. The 'C' grade land is the "no-rent land" 'A' and 'B' grade lands are "intra - marginal lands".

**Demand for Loanable Funds**

1. Demand for Investment (I)
2. Demand for Consumption (C)
3. Demand for Hoarding (H)

**Supply of Loanable Funds**

1. Savings (S)
2. Bank Credit (BC)
3. Dishoarding (DH)
4. Disinvestment (DI)

**3. Elucidate the Loanable Funds Theory of Interest.***Definition*

According to Loanable Funds theory, The rate of interest is determined by the equilibrium between demand for and supply of loanable funds in the credit market.

The Loanable Funds Theory, also known as the "Neo-Classical Theory", Equilibrium

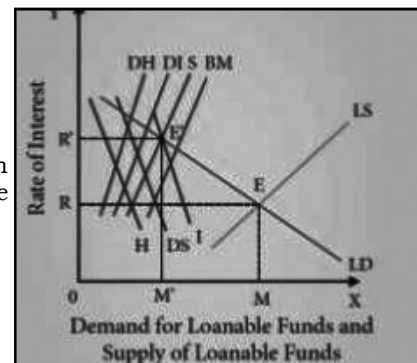
The rate of interest is determined by the equilibrium between the total demand for and the total supply of loanable funds.

Supply of loanable funds =  $S + BC + DH + DI$  Demand for loanable funds =  $I + C + H$

1. In Diagram, X axis represents the demand for and supply of loanable funds and Y axis represents the rate of interest.
2. The LD and LS curves, intersect each other at the point "E" the equilibrium point. At this point, OR rate of interest and OM is the amount of loanable funds.

*Criticisms*

1. The loanable funds theory is "indeterminate" unless the income level is already known.
2. Difficult to combine real factors like savings and investment with monetary factors like bank credit.

**4. Explain the Keynesian Theory of Interest.***Meaning*

Liquidity preference means the preference of the people to hold wealth in the form of liquid cash rather than in other non-liquid assets like bonds, securities, bills of exchange, land, building, gold etc.

*Motives of Demand for Money**1. The Transaction Motive*

The desire of the people to hold cash for the current transactions (day-to-day expenses)  $M_t = f(y)$

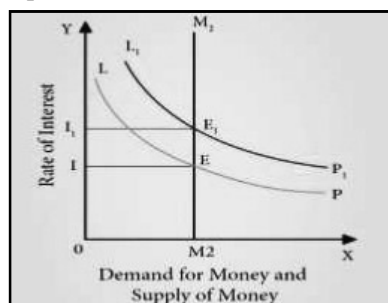
### 2. The Precautionary Motive

Desire of the people to hold cash to meet unexpected or unforeseen expenditures (sickness, accidents).  $M_p = f(y)$

### 3. The Speculative Motive

The speculative motive relates to the desire of the people to hold cash in order to take advantage of market movements regarding the future.  $M_s = f(i)$

### Equilibrium between Demand and Supply of Money.



✳ The rate of interest is determined by the demand for money and the supply of money.

✳ If liquidity preference increases from  $L_P$  to  $L_{P1}$  the supply of money remains constant,

✳  $E = S + BC + DH + DI = I + C + H$

✳ The rate of interest would increase from  $OI$  to  $OI_1$ .

✳ The supply of money remains constants.

✳ Total demand for money =  $M_t + M_p + M_s$

Demand for money = supply of money at equilibrium point;

Equilibrium Point 1 =  $E = L_P = M_2 = I = \text{Rate of Interest} \dots (1)$

Equilibrium Point 2 =  $E_1 = L_{P1} = M_2 = I_1 = \text{Rate of Interest} \dots (2)$

## Chapter 7

### II. Very Short Answer Questions:

#### 1. Write the meaning of Economic Growth

A country's economic growth is usually measured by National Income, indicated by Gross Domestic Product (GDP).

#### 2. State any two features of developed economy

1. High national income
2. High per capita income
3. High standard of living
4. Full employment

#### 3. Write the short note on natural resources

1. Any stock or reserve that can be drawn from nature is a Natural Resource.
2. The major natural resources are -land, forest, water, mineral and energy.

#### 4. Point out any one feature of Indian Economy.

*India has a mixed economy:* Indian economy is a typical example of mixed economy. This means both private and public sectors co-exist and function smoothly.

#### 5. Give the meaning of non-renewable energy

As the name suggests, the sources of energy which cannot be renewed or re-used are called non renewable energy sources. coal, oil, gas etc.

#### 6. Give a short note on Sen's 'Choice of Technique'.

Sen's 'Choice of Technique' was a research work where he argued that in a labour surplus economy (like India), generation of employment cannot be increased at the initial stage by the adaptation of capital-intensive technique.

#### 7. List out the reasons for low per capita income as given by V.K.R.V. Rao.

- ❖ Uneconomic holdings with sub-divisions and fragmentation;
- ❖ Low levels of water availability for crops;
- ❖ Excess population pressure on agriculture due to the absence of a large industrial sector;
- ❖ Absence of capital.

### III. Short Answer Questions:

#### 1. Define Economic Development.

1. The level economic development is indicated not just by GDP, but by an increase in citizens' quality of life or well-being.
2. The quality of life is being assessed by several indices such as Human Development Index (HDI), Physical Quality of Life Index (PQLI) and Gross National Happiness Index (GNHI).
3. The level of economic development, nations are classified as developed and developing economics

#### 2. State Ambedkar's Economic ideas on agricultural economics.

- In 1918, Ambedkar published a paper "Small Holding in India and their Remedies".
- Citing Adam Smith's 'Wealth of Nations', he made a fine distinction between "Consolidation of Holdings" and "Enlargement of Holdings".
- This paper attempts to deal with the problem of the size of holding it affects agricultural productivity.

**3. Write on short note on village sarvodaya.**

- + According to Gandhi, "Real India was to be found in villages and not in towns or cities."
- + So he suggested the development of self-sufficient, self-dependent villages.
- + Sarvodaya is a Sanskrit term meaning 'universal uplift' or 'progress of all'.

**4. Write the strategy of Jawaharlal Nehru in India's planning.**

- The Plan was essentially an integrated approach for development.
- The essence of planning is to find the best way to utilize all resources of manpower, of money and so on.
- Economic growth on a self-accelerating growth.

**5. Write the V.K.R.V.Rao's contribution on multiplier concept.**

- \* Rao's examination of the "interrelation between investment, income and multiplier in an under developed economy".
- \* Dr. Rao argued that whereas a primary increase in investment would take place, a subsequent, secondary and tertiary affects through the expansion of output in the consumption goods sector would not take place.
- \* Consequently, the multiplier process would not be operation.

**6. Write a short note on Welfare Economics given by Amartya Sen.**

1. Sen's major point has been that the distribution of income/ consumption among the persons below the poverty line is to be taken into account.
2. The concept of capabilities developed by Sen has been cited as a better index of wellbeing than commodities or utilities.
3. Sen has included the concept of entitlement items like nutrition, food, medical and health care, employment, security of food supply in times of famine etc.

**7. Explain Social infrastructure.**

- ❖ Social infrastructure refers to those structures which are improving the quality of manpower and contribute indirectly towards the growth of an economy.
- ❖ These structures are outside the system of production and distribution.
- ❖ The development of these social structures help in increasing the efficiency and productivity of manpower. For example, schools, colleges, hospitals and other civic amenities.

**IV. Long Answer Questions:****1. Explain strong features Indian economy**

Important Strong features of Indian Economy

1. *India has a mixed economy:* Indian economy is a typical example of mixed economy. This means both private and public sectors co-exist and function smoothly.
2. *Agriculture plays the key role:* Around 60% of the people in India depend upon agriculture for their livelihood. In fact, about 17% of our GDP today is contributed by the agricultural sector.
3. *An emerging market:* India has a high potential for prospective growth. This also makes it an emerging market for the world.
4. *Fast Growing Economy :* India has emerged as the world's fastest growing economy in the year 2016-17 with the growth rate of 7.1% in GDP next to sChina.
5. *Fast growing Service Sector:* The service sector, contributes a lion's share of the GDP in India. There has been a high rise growth in the technical sectors like Information Technology, BPO etc.
6. *Demographic dividend:* The human capital of India is young. This means that India is a pride owner of the maximum percentage of youth.

**2. Write the importance of mineral resources in India.**

- a. *Iron-Ore:* India possesses high quality iron-ore in abundance. Hematite iron is mainly found in Chattisgarh, Jharkhand, Odisha, Goa and Karnataka.
- b. *Coal and Lignite:* India ranks third in the world after China and USA in coal production. The main centres of coal in India are the West Bengal, Bihar, Madhya Pradesh, Maharashtra, Odisha and Andhra Pradesh.
- c. *Bauxite:* Major reserves are concentrated in the East Coast bauxite deposits of Odisha and Andhra Pradesh.
- d. *Mica:* India stands first in sheet mica production and contributes 60% of mica trade in the world.
- e. *Crude Oil:* Oil is being explored in India at many places of Assam and Gujarat.
- f. *Gold:* India possesses only a limited gold reserve. There are only three main gold mine regions—Kolar Goldfield, Hutti Goldfield (both in Karnataka) and Ramgiri Goldfield (Andhra Pradesh).

**3. Bring out Jawaharlal Nehru's contribution to the idea of economic development.**

- Jawaharlal Nehru, one of the chief builders of Modern India,
- He was a great patriot, thinker and statesman.
- His views on economics and social problems are found in the innumerable speeches he made and in the books he wrote.

- ☞ Jawaharlal Nehru was a firm believer in democracy.
- ☞ Secularism is another significant contribution of Nehru to India.
- ☞ To Jawaharlal Nehru, the Plan was essentially an integrated approach for development.
- ☞ Jawaharlal Nehru was responsible for the introduction of planning in our country.
- ☞ It was during his period, many IITs and Research Institutions were established.
- ☞ Socialism is another contribution of Nehru to India. Nehru's socialism is democratic socialism.

**4. Write a brief note on the Gandhi an economic ideas.**

|                             |  |
|-----------------------------|--|
| Gandhian Thought            | Gandhian Economics is based on ethical foundations.  |
| Village Republics           | To Gandhi, India lives in villages. He was interested in developing the villages as self-sufficient units.   |
| On Machinery                | Gandhi described machinery as 'Great sin'.   |
| Industrialism               | Gandhi considered industrialism as a curse on mankind.   |
| Decentralization            | He advocated a decentralized economy,  |
| Village Sarvodaya           | He suggested the development of self-sufficient, selfdependent villages.                                     |
| The Doctrine of Trusteeship | Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one |



## Chapter 8

**II. Very Short Answer Questions:**

**1. What are the Phases of colonial exploitation of India?**

- + Period of merchant capital    + The period of industrial capital and    + The period of finance capital

**2. Name out the different types of land tenure existed in India before Independence.**

1. Zamindari system                      2. Mahalwari system                      3. Ryotwari system

**3. State the features that distinguish a land tenure system from other system.**

- \* Who owns the land ;                      \* Who cultivates the land;
- \* Who is responsible for paying the land revenue to the government.

**4. List out the weaknesses on Green Revolution.**

- Indian Agriculture was still a gamble of the monsoons.
- This strategy needed heavy investment in seeds, fertilizers, pesticides and water.
- The income gap between large,
- Widespread unemployment among agricultural labourers in the rural areas.

**5. What are the objectives of Tenth five year plan?**

Main Objectives 10th FYP (2002-2007)

1. This plan aimed to double the per capita income of India in the next 10 years.
2. It aimed to reduce the poverty ratio to 15% by 2012.
3. Its growth target was 8.0% but it achieved only 7.2%.

**6. What is the difference between HDI and PQLI ?**

| Points          | PQLI   | HDI  |
|-----------------|--|--|
| <b>Meaning</b>  | It refers to overall wellbeing of people   | It refers to complete measure of economic & social progress to find out the quality of human life                      |
| <b>Made by</b>  | Morris D. Morris in 1979   | Mahabub-ul-Haq in 1990 for UNDP  |
| <b>Based on</b> | PQLI is based on<br>a) Life expectancy indicator<br>b) Infant mortality indicator<br>c) Basic literacy indicator | HDI is based on<br>a) Life expectancy indicator<br>b) Educational attainment indicator<br>c) Standard living indicator |

**7. Mention the indicators which are used to calculate HDI.**

1. Life expectancy at birth                      2. Adult literacy rate
3. Gross Enrollment ratio                      4. GDP Per capita (PPP US \$)

**III. Short Answer Questions:****1. Explain about the Period of Merchant Capital.**

1. The period of merchant capital was from 1757 to 1813.
2. The only aim of the East India Company was to earn profit.
3. India had been considered as the best hunting ground for capital by EIC
4. The company administration succeeded in generating huge surpluses which were repatriated to England.

**2. The Handicrafts declined in India in British Period. Why?**

- + Through discriminatory tariff policy, the British Government purposefully destroyed the handicrafts.
- + With the disappearance of nawabs and kings, there was no one to protect Indian handicrafts.
- + Indian handicraft products could not compete with machine-made products.
- + The introduction of railways in India increased the domestic market for the British goods.

**3. Elucidate the different types of land tenure system in colonial India.**

- Zamindari System or the Land lord-Tenant System
- Zamindars were declared as the owners of the land and they were responsible to pay the land revenue to the government.
- Mahalwari System or Communal System of Farming
- The ownership of the land was maintained by the collective body usually the villagers which served as a unit of management.
- Ryotwari System or the Owner-Cultivator System
- Under this system the ownership rights of use and control of land were held by the tiller himself.

**4. State the reasons for nationalization of commercial banks.**

- ❖ The main objective of nationalization was to attain social welfare.
- ❖ Nationalisation of banks helped to curb private monopolies
- ❖ Needed to encourage the banking habit among the rural population.
- ❖ To reduce the regional imbalances where the banking facilities were not available.
- ❖ Credit facilities mainly to the agriculture sector and its allied activities

**5. Write any three objectives of Industrial Policy 1991.**

*Objectives:*

- + Reduce disparities in income and wealth
- + Focus on development of small scale sector
- + Higher employment generation
- + Rural industrialization

**6. Give a note on Twelfth Five Year Plan.**

1. Its main theme is "Faster, More Inclusive and Sustainable Growth".
2. Its growth rate target is 8%.

*Major Objectives:*

- For growth to be more inclusive we need: Better performance in agricultural
- Faster creation of jobs, especially in manufacturing
- Stronger efforts at health, education and infrastructure

**7. What is PQLI?**

- \* Morris D Morris developed the Physical Quality of Life Index (PQLI).
- \* The PQLI is a measure to calculate the quality of life (well being of a country).
- \* For this, he included three indicators such as life expectancy, infant mortality rate and literacy rate.
- \* A scale of each indicator ranges from the number 1 to 100.

**IV. Long Answer Questions:****1. Discuss about the Indian economy during British Period.**

On the basis of the form of colonial exploitation, economic historians have divided the British period into three phases: namely,

1. The period of merchant capital
2. The period of industrial capital
3. The period of finance capital

| Periods of British Rule      | Period            | State of Indian Economy   |
|------------------------------|-------------------|---|
| Period of merchant capital   | From 1757 to 1813 | 4. Aim of the East India Company was to earn profit<br>5. The best hunting ground for capital<br>6. The officers of the company were unscrupulous   |
| Period of Industrial capital | From 1813 to 1858 | 4. India had become a market for British textiles.<br>5. Indians were exploited.<br>6. India's traditional handicrafts were thrown out of gear.   |
| Period of Finance capital    | From 1858 to 1947 | 4. Finance imperialism began to entrench itself<br>5. Britain decide to make massive investments in various fields<br>6. Railway constructions policy of the British led to unimaginable as well as uneconomic. |

**2. Explain the role of SSIs in economic development?**

1. *Provide Employment:* SSIs use labour intensive techniques. Hence, they provide employment opportunities to a large number of people.
2. *Bring Balanced Regional Development:* SSIs promote decentralized development of industries as most of the SSIs are set up in backward and rural areas.
3. *Help in Mobilization of Local Resources:* SSIs help to mobilize and utilize local resources like small savings, entrepreneurial talent etc.,
4. *Pave for Optimisation of Capital:* SSIs require less capital per unit of output. They provide quick return on investment
5. *Promote Exports:* SSIs do not require sophisticated machinery. There is a great demand for goods produced by SSIs in international market.
6. *Develop Entrepreneurship :* SSIs help to develop a class of entrepreneurs in the society

**3. Explain the objectives of nationalization of commercial banks.**

- ⇒ The main objective of nationalization was to attain social welfare.
- ⇒ Nationalisation of banks helped to curb private monopolies in order to ensure a smooth supply of credit
- ⇒ To encourage the banking habit among the rural population.
- ⇒ To reduce the regional imbalances where the banking facilities were not available.
- ⇒ After nationalization, new bank branches were opened in both rural and urban.
- ⇒ Credit facilities mainly to the agriculture sector and its allied activities

**4. Describe the performance of 12th five year plan in India.**

- ✦ Its main theme is "Faster, More Inclusive and Sustainable Growth".
- ✦ Its growth rate target is 8%.

*Major Objectives:*

- ❖ For growth to be more inclusive we need; Better performance in agriculture
- ❖ Faster creation of jobs, especially in manufacturing
- ❖ Stronger efforts at health, education and infrastructure.
- ❖ Special plans for disadvantaged/backward regions

*Major Achievements (Performance of 12th Five Year Plan)*

- \* Implementation of Pandit Madan Mohan Malaviya National Mission on Teachers & Teaching.
- \* Uchcharat Aavishkar Abhiyan programme to promote industry-specific need-based research.
- \* The National Mission on Education through Information and Communication Technology for making the best use of ICT
- \* Rashtriya Uchcharat Shiksha Abhiyan (RUSA) has been approved which aims to achieve equity, access and excellence in higher education.
- \* Free and compulsory education to all children in the age group of 6 to 14 years
- \* Construction of school toilets under Swachh Vidyalay initiative
- \* Implementation of Udaan programme to ensure quality education for girl child
- \* Padhe Bharat Badhe Bharat initiative to increase learning outcomes in children.

**Chapter 9**

**II. Very Short Answer Questions:**

**1. Why was structural reform implemented in Indian Economy?**

Indian economy responded to the crisis by introducing a set of policies known as Structural Reforms.

**2. State the reasons for implementing LPG.**

Basic reasons behind liberalization, privatization could be summarized as nations believe that globalization and nation - states are not in contradiction.

**3. State the meaning of Privatization.**

Privatization means transfer of ownership and management of enterprises from public sector to private sector.

**4. Define disinvestment**

Disinvestment means selling of government securities of Public Sector Undertakings (PSUs) to other PSUs or private sectors or banks.

**5. Write three policy initiative introduced in 1991 - 92 to correct the fiscal imbalance.**

- ✦ Reduction in fertilizer subsidy
- ✦ Abolition of subsidy on sugar
- ✦ Disinvestment of a part of the government holdings



**6. State the meaning of Special Economic Zones.**

A special economic zone (SEZ) is an area in which business and trade laws are different from the rest of the country. and their aims include: increased trade, increased investment, job creation

**7. State the various components of Central sector schemes under post - harvest measures.**

The ministry of food processing Industries (MOFPI) has implemented various components of central sector schemes, namely: (i) Mega Food Parks (ii) Scheme for Quality Assurance.

**III. Short Answer Questions:****1. How do you justify the merits of Privatisation?**

- \* Helps in reducing the burden on government.
- \* Makes the public sector units competitive.
- \* Greater autonomy for public sector units.
- \* Industrial growth.

**2. What are the measures taken towards Globalization?**

- + "Globalization refers to the integration of the domestic (Indian) economy with the rest of the world" Measures of globalization
- + Import liberalization through reduction of tariff and non-tariff barriers,
- + opening the doors to Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) are some of the measures towards globalization.
- + The economic activity of multinational firms and the internationalisation of technology.

**3. Write a note on Foreign investment policy?**

Red carpet welcome to foreign investment and foreign technology Enhanced the industrial competition and improved business, including FDI and FPI were allowed Automatic permission was granted for a specified list of high-technology and high- investment priority industries

**4. Give short note on Cold storage.**

- India is the largest producer of fruits and second largest producer of vegetables in the world.
- Most of the problems relating to the marketing of fruits and vegetables can be traced to their perishability.
- In order to overcome this constraint, the Government of India and the Ministry of Agriculture promulgated an order known as "Cold Storage Order, 1964"

**5. Mention the functions of APMC.**

- ☞ To promote public private partnership in the ambit of agricultural markets.
- ☞ To provide market led extension services to farmer.
- ☞ To bring transparency in pricing system and transactions taking place in a transparent manner.
- ☞ To promote agricultural activities.

**6. List out the features of new trade policy.**

- + Free imports and exports: Prior to 1991, in India imports were regulated. From 1992, imports were regulated by a limited negative list.
- + Rationalization of tariff structure and removal of quantitative restrictions
- + Free imports and exports
- + Reducing tariffs
- + Liberalization of the exchange rate regime

**7. What is GST? Write its advantages.**

- "Goods and Services Tax (GST) is defined as the tax levied when a consumer buys a good or service"
- The Act came into effect on 1st July 2017. The motto is one nation, one market, one tax.

*Advantages:*

- ❖ Removing cascading tax effect
- ❖ Single point tax
- ❖ Higher threshold for registration
- ❖ Composition scheme for small business

**IV. Long Answer Questions:****1. Discuss the important initiatives taken by the Government of India towards Industrial Policy.**

*Meaning of Industrial Policy:*

- ☞ Any government action aimed at affecting industry may be considered to be part of industrial policy, which makes it a limitless field.
- ☞ It usually means government action to influence the ownership and structure of industry and its performance, paying subsidies or providing finance, or of regulation.
- ☞ Industrial Policy Important Initiatives

*Industrial Policy Resolutions 1948*

1. It ushered india as a the system of mixed economy.
2. Industries were classified into four groups such as public sector, public-cum -private Sector, controlled private sector, private and co-operative sectors.
3. This policy endeavoured to protect cottage and small scale industries.

*Industrial Policy Resolution 1956*

1. It assured a fair treatment to the private sector
2. Support and encourage cottage and small scale enterprises
3. Indianisation of foreign concerns

*The New Industrial Policy of 1991*

1. Industrial licensing will be abolished for all projects except for a short list of industries
2. The policy provides for automatic clearance for import of capital goods

**2. Explain the objectives and characteristics of SEZs.***Meaning of Special Economic Zones:*

1. A special economic zone (SEZ) is an area in which business and trade laws are different from the rest of the country.
2. SEZs are located within a country's national borders, and their aims include: increased trade, increased investment, job creation and effective administration.

*Major Objectives of SEZs*

1. To enhance foreign investment (especially FDI)
2. To increase shares in Global Export
3. To generate additional economic activity.
4. To create employment opportunities.
5. To develop infrastructure facilities.

*Main Characteristics of SEZ*

1. Geographically demarked area with physical security
2. Administered by single body/ authority
3. Streamlined procedures
4. Having separate custom area
5. Governed by more liberal economic laws.

**3. Describe the salient features of EXIM policy (2015 – 2020)**

1. Reduce export obligations by 25% and give boost to domestic manufacturing supporting the “Make in India” concept.
2. As a step to Digital India concept, online procedure to upload digitally signed document by CA/CS/Cost Accountant are developed and further mobile app for filing tax, stamp duty has been developed.
3. Repeated submission of physical copies of documents available on Exporter Importer Profile is not required.
4. Export obligation period for export items related to defence, military store, aerospace and nuclear energy to be 24 months.
5. EXIM Policy 2015-2020 is expected to double the share of India in World Trade from present level of 3% by the year 2020. This appears to be too ambitious.



## Chapter 10

**II. Very Short Answer Questions:****1. Define Rural Economy.**

- Rural areas are geographical areas located outside towns and cities.
- Rural economy refers to villages, and rural community refers to people living in villages.

**2. What do you mean by Rural Development?**

- ✦ Rural Development is a strategy designed to improve the economic and social life of a specific group of people - rural poor.
- ✦ In short, rural development is a process of improving the rural areas, rural people and rural living.

**3. Rural Poverty – Define.**

Poverty in India has been defined as the situation in which an individual fails to earn sufficient income to buy the basic minimum of subsistence.

**4. Define Open Unemployment.**

1. In Open Unemployment, unemployed persons are identified as they remain without work.
2. This type of unemployment is found among agricultural labours.

**5. What is meant by Disguised Unemployment?**

In Rural areas, many are employed below their productive capacity and even if they are withdrawn from work the output will not diminish. It is called Unemployment

**6. Define Cottage Industry.**

Cottage industries are generally associated with agriculture and provide both part- time and full-time jobs in rural areas. Examples: Pottery, Basket Weaving, Coir products and etc.,

**7. What do you mean by Micro Finance?**

Micro finance, also known as micro credit, is a financial service that offers loans, savings and insurance to entrepreneurs and small business owners who do not have access to traditional sources of capital, like banks or investors.

**8. State any two causes of housing problem in rural areas.**

- ⇒ Rapid adaptation of nuclear families
- ⇒ Lack of proper water supply
- ⇒ Lack of good sanitation and
- ⇒ Lack of proper disposal of sewage

**9. Define Rural Electrification.**

The main aims of rural electrification are to provide electricity to agricultural operations and to enhance agricultural productivity.

**10. State any two factors hindering Rural Electrification in India.**

1. Lack of Funds    2. Inter-state Disputes    3. Uneven Terrain    4. High Transmission Loss

**III. Short Answer Questions:****1. State the importance of Rural Development.**

1. A major share of population contributions are very much supportive for the nation building activities.
2. The rural economy supports the urban sectors
3. Improvements in education, health and sanitation in villages can help avoid many urban problems
4. providing gainful employment in rural areas and improving overall food production.
5. rural-urban migration can be reduced

**2. Explain the causes for rural development.**

- + The distribution of land is highly skewed in rural areas.
- + Non-farm employment opportunities do not match the increasing labour force.
- + Lack of public sector investment on human resource development.
- + Steady increase in prices affects the purchasing power
- + Low productivity of rural labour

**3. Enumerate the remedial measures to Rural Poverty.**

- (i) Creation of employment opportunities.
- (ii) To help the poor to become more productive.
- (iii) Necessary changes in the economic structure as well as occupational structure.
- (iv) Control the unproductive expenditures by villagers.
- (v) Effective implementation of assets.

**4. What are the remedial measures for Rural Unemployment?**

1. To reduce the seasonal unemployment rural people should be encouraged to adopt subsidiary occupations.
2. Rural Works Programme such as construction and maintenance of roads, digging of drains, canals, etc
3. The increased cropping intensity creates additional demand for labour.
4. To provide employment new industries should be set up in rural areas.

**5. Write a note on Regional Rural Banks.**

1. Regional Rural Banks came into existence in 1975.
2. At present, there are 64 Regional Rural Banks in India.
3. To develop rural economy by providing credit and,
4. Other facilities particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs

**6. Mention the features of SHGs.**

1. SHG is generally an economically homogeneous group formed through a process of self-selection based upon the affinity of its members.
2. Most SHGs are women's groups with membership ranging between 10 and 20.
3. SHGs have well-defined rules and by-laws, hold regular meetings and maintain records and savings and credit discipline.
4. SHGs are self-managed institutions characterized by participatory and collective decision making.

**7. List out the objectives of MUDRA Bank.**

1. Regulate the lender and the borrower of microfinance
2. bring stability to the microfinance system .
3. lend money to small businesses, retailers, self-help groups and individuals.
4. introduce a system of performance rating and accreditation for the first time.

**IV. Long Answer Questions:****1. The features of Rural Economy are peculiar'- Argue.**

*Meaning*

Rural economy refers to villages, and rural community refers to people living in villages. Village is an Institution:

The Village is a primary institution and it satisfies almost all the needs of the rural community.

1. Dependence on Agriculture: The rural economy depends much on nature and agricultural activities.

2. Life of Rural People: Lifestyles in villages are very simple. Public services like education, housing, health and sanitation, transport and communication, banking, roads and markets are limited and unavailable.
3. Population Density: Population density, measured by number of persons living per sq. km is very low and houses are scattered in the entire villages.
4. Employment: Exists unemployment, seasonal unemployment and underemployment in rural areas.
5. Poverty: About 22 crores of people in rural areas are poor and live below the poverty line.



## 2. Discuss the problems of Rural Economy.

1. The problems related to individuals and their standard of living consist of illiteracy etc.,
2. Agricultural problems as 1.Lack of expected awareness, knowledge, skill and attitude, Unavailability of inputs and so on.
3. Poor infrastructure facilities like, water, electricity, transport, educational institutions, communication, health and etc.,
4. The economic problems related to rural areas are: inability to adopt high cost technology, high cost of inputs and so on.
5. Leadership among the hands of inactive and incompetent people, self-interest of leaders.

## 3. Analyse the causes for Rural Indebtedness.

### Meaning

Rural indebtedness refers to the situation of the rural people unable to repay the loan accumulated over a period.

### 1. Poverty of Farmers:

The vicious circle of poverty forces the farmers to borrow for consumption, cultivation and celebrations. Thus, poverty, debt and high rates of interest hold the farmer in the grip of money lenders.

### 2. Failure of Monsoon:

Frequent failure of monsoon is a curse to the farmers and they have to suffer due to the failure of nature. Therefore, farmers find it difficult to identify good years to repay their debts.

### 3. Litigation:

Due to land disputes litigation in the court compels them to borrow heavily. Being uneducated and ignorant they are caught in the litigation process and dry away their savings and resources.

### 4. Money Lenders and High Rate of Interest:

The rate of interest charged by the local money lenders is very high and the compounding of interest leads to perpetuate indebtedness of the farmer.



Notes: \_\_\_\_\_

**II. Very Short Answer Questions:****1. State any two districts with favorable sex ratio. Indicate the ratios.**

| S.No                           | District            | Sex Ratio (No. of Females per 1000 Males) |
|--------------------------------|---------------------|---|
| 1.                             | <b>The Nilgiris</b> | <b>1041</b>                               |
| 2.                             | Thanjavur           | 1031                                      |
| 3.                             | Nagapattinam        | 1025                                      |
| 4.                             | Tirunelveli         | 1024                                      |
| 5.                             | Thoothukkudi        | 1024                                      |
| Source : Census of India, 2011 |                     |   |

**2. Define GSDP.**

1. The Gross State Domestic Product refers to the total money value of all the goods and services produced annually in the State.
2. Tamil Nadu is the second largest economy (GSDP) in India

**3. Mention any four food crops which are favourable to Tamil Nadu.**

- ❖ Rice                      ❖ Kambu                      ❖ Corn
- ❖ Groundnut              ❖ Oil Seeds                  ❖ Sugarcane

**4. What are major ports in Tamil Nadu?**

Tamil Nadu has three major ports, - Chennai, Ennore, and Tuticorin

**5. What is heritage tourism?**

“Heritage tourism is traveling to experience the places, artifacts and activities that authentically represent the stories and people of the past and present. It includes cultural, historic, and natural resources.”

**6. What are the nuclear power plants in Tamil Nadu?**

The Kalpakkam Nuclear Power Plant and the Koodankulam Nuclear Power Plant are the major nuclear energy plants for the energy grid.

**7. Define Micro industry**

The guidelines with regard to investment in plant and machinery or equipment as defined in the MSMED Act, 2006 are: Enterprise with a capital investment, not exceeding 25 lakhs is called micro industry.

**III. Short Answer Questions:****1. Write a note on mineral resources in Tamil Nadu.**

- + Tamil Nadu has a few mining projects based on Titanium, Lignite, Magnesite, Graphite, Limestone, Granite and Bauxite.
- + The first one is the Neyveli Lignite Corporation that has led development of large industrial complex around Neyveli in Cuddalore district with Thermal power plants.
- + Magnesite mining is at Salem from which mining of Bauxite ores are carried out at Yercaud and this region is also rich in Iron Ore at Kanjamalai.

**2. Explain GSDP in Tamil Nadu.**

- \* Tamil Nadu is the second largest economy in India with a GSDP of \$ 207.8 billion in 2016-17 according to the Directorate of Economics and Statistics, Tamil Nadu.
- \* The GSDP of Tamil Nadu is equal to the GDP of Kuwait on nominal term and GDP of UAE on PPP terms.
- \* The GSDP of Tamil Nadu is far higher compared to many countries as shown below. This is mainly due to population effect.

**3. Describe development of textile industry in Tamil Nadu.**

1. Tamil Nadu is the largest textile hub of India.
2. Tamil Nadu is known as the “Yarn Bowl” of the country accounting for 41% of India’s cotton yarn production.
3. Employment to an estimated 35 million people
4. The textile sector contributes to 14% of the manufacturing sector.

**4. Compare productivity of any two food crops between Tamil Nadu and India.**

1. The Government of Tamil Nadu lays emphasis on agricultural production and productivity.
2. As a result, Tamil Nadu tops in productivity, in food crops as well as non-food crops, among the States in India.

**5. Explain the prospect for development of tourism.**

1. Tamil Nadu has since ancient past been a hub for tourism. In recent years, the state has emerged as one of the leading tourist destinations for both domestic and foreign tourists.

2. The State currently ranks the highest among Indian States with about 25 crore arrivals
3. Approximately 28 lakh foreign and 11 crore domestic tourists visit the State.

**6. What are the renewable sources of power in Tamil Nadu?**

*1. Hydel Energy*

- ✦ There are about 20 hydro electric units in TamilNadu.
- ✦ The prominent units are Hundah, Mettur, Periyar, Maravakandy, Parson Valley etc.

*2. Solar Energy*

Southern Tamil Nadu is considered as one of the most suitable regions in the country for developing solar power projects.

*3. Wind Energy*

Tamil Nadu has the highest installed wind energy capacity in India. The State has very high quality of off shore wind energy.

**7. Describe the performance of Tamil Nadu economy in health.**

- ✦ Tamil Nadu has a three – tier health infrastructure comprising hospitals, primary health centres, health units, community health centres and sub-centres.
- ✦ As of March 2015, the State had 34 district hospitals, 229 sub-divisional hospitals, 1,254 primary health centres, 7,555 Sub-centres and 313 community health centres.

**IV. Long Answer Questions:**

**1. Describe the qualitative aspects of population.**

*Meaning*

Quantitative aspects include composition, density, distribution, growth, movement, size, and structure of the population.

*Sex ratio (Number of female per 1000 males)*

- ❖ Balanced sex ratio implies improvement in quality of life of female population. The sex ratio in Tamil Nadu is nearing balance with 995 which is far better compared to most of the States and all India level.
- ❖ Infant Mortality Rate (mortality before completing 1 year)
- ❖ Maternal Mortality Rate (MMR) (Mother's death at the time of delivery per 1 lakh)
- ❖ Life Expectancy at birth The average period that a person may expect to live is called life expectancy.
- ❖ Literacy The literacy rate of Tamil Nadu is higher than in many States.

**2. Explain the various sources of energy in Tamil Nadu.**

- ☞ Tamil Nadu tops in power generation among the southern States
- ☞ Tamil Nadu is in the forefront of all other Indian States in installed capacity.
- ☞ There are about 20 hydro electric units in Tamil Nadu.
- ☞ The Kalpakkam Nuclear Power Plant and the Koodankulam Nuclear Power Plant are the major nuclear energy plants for the energy grid.
- ☞ The thermal power plants are at Athippattu (North Chennai) Ennore, Mettur, Neyveli and Thoothukudi.
- ☞ Tamil Nadu has the highest installed wind energy capacity in India.

**3. Explain the public transport system in Tamil Nadu.**

*Tamil Nadu Public Transport System*

Tamil Nadu has a well established transportation system that connects all parts of the State.

- a. *Road:* There are 28 national highways in the State, covering a total distance of 5,036 km. It ranks second in India with a share of over 20% in total road projects under operation.
- b. *Rail:* Tamil Nadu has a well-developed rail network as part of Southern Railway, Headquartered at Chennai. Tamil Nadu has a total railway track length of 6,693 km and there are 690 railway stations in the State.
- c. *Ports:* Tamil Nadu has three major ports; one each at Chennai, Ennore, and Tuticorin, as well as one intermediate port in Nagapattinam, and 23 minor ports.



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 Video classes for TNPSC  
 Tamil doubts clarifications  
 Stories videos for children  
 Moral stories  
 These are all given in the form of video

**II. Very short Answer Questions.****1. What are the main menus of MS Word?**

- + Home menu      + Insert      + Page Layout
- + Reference      + Review      + View

**III. Short Answers Questions.****1. Illustrate the uses of Mathematical Methods in Economics.**

- ⇒ Mathematical methods help to present the Economic problems in a more precise form.
- ⇒ Mathematical Methods help to explain the economic concepts.
- ⇒ Mathematical Methods help to use a large Number variables in economic analyses.
- ⇒ Mathematical method help to quantify the impact of effect of any economic activity implemented by Government or anybody.

**2. What are the steps involved in executing a MS-Excel sheet?**

- + Plan the keystrokes needed to complete the tasks.
- + Click tools.
- + Assign a Name for the Macro.
- + Assign a shortcut key for Macro.
- + Click ok.
- + Perform the steps needed to create your report.
- + Click on the stop button on the Macro toolbar to stop recording and save the Macro.

**IV. Long Answers:**

**1. A Research scholar researching the market for fresh cow milk assumes the  $Q_t = f(P_t, Y, A, N, P_c)$  where  $Q_t$  is the quantity of milk demanded,  $P_t$  is the price of the fresh cow milk,  $Y$  is average households income,  $A$  is advertising expenditure on processed pocket milk,  $N$  is population and  $P_c$  is the price of processed pocket milk.**

**(a) What does  $Q_t = f(P_t, Y, A, N, P_c)$  mean in words?**

**(b) Identify the Independent variables.**

**(c) Make up a specific form for this function (use your knowledge of Economics to deduce to whether the coefficients of the different independent variables should be positive or negative.)**

- a) i)  $Q_t$  is the function of  $P_t, Y, A, N, P_c$ .
- ii) Other determinants of demand are,
  - $P_t$  price of fresh cow milk.  $Y$ - average household income.
  - $A$ - Advertising expenditure on processed pocket milk.
  - $N$ - Population
  - $P_c$ - Price processed pocket milk
- (b) i) ' $Y$ ' (Average household Income and population) and ' $N$ ' are independent variables.
- ii)  $P_c$  is depending on  $P_t, A$  and ' $N$ '.
- iii) ' $A$ ' is depending on ' $N$ '.
- (c) When price of fresh cow milk increases quantity of milk demanded decreases.
- When average household income increases and quantity of milk demanded is also increases.

**2. What are the ideas of information and communication technology used in economics?**

- (i) Information and communication technology (ICT) is the infrastructure that enables computing faster and accurate.
- (ii) The following tables give an idea of range of technologies that fall under the category of ICT.

| Sl.No | Information | Technologies   |
|-------|-------------|--|
| 1     | Creation    | Personal computers, Digital camera, Scanner, Smart phone |
| 2     | Processing  | Calculator, PC, Smart phone                              |
| 3     | Storage     | CD,DVD, Pen Drive, Micro chip, Cloud                     |
| 4     | Display     | PC, TV, Projector, Smart phone                           |

**Very Short Answers**

**1. If  $62 = 34 + 4x$  What is  $x$ ?**

*Solution:*

$$62 = 34 + 4x$$

$$62 - 34 = 4x$$

$$28 = 4x$$

$$x = \frac{28}{4} = 7$$

$$x = 7$$

**2. Given the demand function  $q = 150 - 3p$ , derive in function for MR?**

*Solution:*

Demand function  $q = 150 - 3p$ ,  $MR = ?$

$$\frac{dq}{dp} = -3$$

$$\eta_d = \frac{-p}{q} \frac{dq}{dp} = \frac{-p}{150-3p} \cdot -3$$

$$\begin{aligned} MR &= P \left[ 1 - \frac{1}{\eta_d} \right] = P \left[ 1 - \frac{1}{\frac{-p}{150-3p} \cdot -3} \right] = P \left[ 1 - \frac{(150-3p)}{3p} \right] \\ &= P \left[ \frac{3p-150+3p}{3p} \right] = P \left[ \frac{6p-150}{3p} \right] = \frac{6}{3} [P-25] \\ &= 2[P-25] \\ \boxed{MR = 2P-25} \end{aligned}$$

**3. Find the average cost function where  $TC = 60+10x+15x^2$**

*Solution:*

$$TC = 60 + 10x + 15x^2$$

$$\text{Formula} = \frac{TC}{x}$$

$$\begin{aligned} \text{Average cost function} &= \frac{60}{x} + \frac{10x}{x} + \frac{15x^2}{x} \\ &= \frac{60}{x} + 10 + 15x \end{aligned}$$

**4. The demand function is given by  $x = 20 - 2P - P^2$  Where  $P$  and  $x$  are the price and quantity respectively. Find the elasticity of demand for  $P=2.5$**

*Solution:*

$$\eta_d = \frac{p}{x} \frac{dx}{dp}$$

$$\frac{dx}{dp} = -2 - 2p$$

$$\eta_d = \frac{-P}{20-2P-P^2} (-2 - 2p)$$

$$= \frac{2P (r+P)}{20-2P-P^2}$$

When  $P = 2.5$

$$\eta_d = \frac{2 (2.5) (1 + 2.5)}{20 - (2(2.5) - (2.5)^2)}$$

$$= \frac{5 (3.5)}{20 - 5 - 6.25}$$

$$= \frac{17.5}{8.75} \quad \boxed{\text{Ans} = 2}$$



5. Suppose the price  $P$  and Quantity  $q$  of a commodity are related by the equation  $q = 30 - 4P - P^2$

Find (i) eq. at  $P=2$  (ii) MR

Solution: (i)

$$\begin{aligned}\frac{dq}{dp} &= (-4 - 2p) \\ \eta_d &= \frac{-p}{q} \left[ \frac{dq}{dp} \right] \\ &= \frac{-P}{30 - 4P - P^2} (-4 - 2p) = \frac{4P + 2P^2}{30 - 4P - P^2}\end{aligned}$$

Put  $p = 2$

$$\begin{aligned}&= \frac{4(2) + 2(2)^2}{30 - 4(2) - 4} = \frac{8 + 8}{30 - 8 - 4} \\ &= \frac{16}{30 - 12} = \frac{16}{18} = \frac{8}{9}\end{aligned}$$

Solution: (ii)

$$MR = 7$$

$$MR = \frac{dq}{dp} = (-4 - 2p)$$

$$R = pq$$

$$= p(30 - 4p - p^2)$$

$$= 30p - 4p^2 - p^3$$

$$MR = \frac{dR}{dp}$$

$$= 30(1) - 4(2P) - 3(P^2)$$

$$= 30 - 8P - 3P^2$$

$$MR = 30 - 8P - 3P^2$$

6. What is the formula for elasticity of supply if you know the supply function?

Solution:

$$\text{Elasticity of supply} = \frac{p}{q} \frac{dq}{dp}$$

PS =  $X_0 P_0$  - integration of supply function within limited

$$= X_0 P_0 - \int_0^{x_0} q(x) dx$$

Short Answers

1. Solve for  $x$  quantity demanded if  $16x - 4 = 68$

Solution:

$$16x - 4 = 68 + 7x$$

$$16x - 7x = 68 + 4$$

$$9x = 72$$

$$x = \frac{72}{9}$$

Therefore  $x = 8$

3. A firm has the revenue function  $R = 600q - 0.03q^2$  and the cost function  $C = 150q + 60,000$ , Where  $q$  is the number of units produced. Find AR, AC, MR and MC.

Solution:

$$MR = \text{Marginal Revenue} = \left[ R \frac{1}{q} \right]$$

$$R = 600q - 0.03q^2$$

$$R' = 600 - (0.03) 2(q) = 600 - 0.06q$$

$$AR = \frac{R}{q}$$

$$= \frac{600q - 0.03q^2}{q} = \frac{600q}{q} - \frac{0.03q^2}{q}$$

$$AR = 600 - 0.03q$$

$$\text{Average cost (AC)} = \frac{\text{Total Cost}}{\text{Total output}}$$

$$= \frac{150q + 60000}{q}$$

$$AC = \frac{150q}{q} + \frac{60000}{q}$$

$$AC = 150 + \frac{60000}{q} \quad \text{Marginal cost (M)} = \frac{d}{dq} (150q + 60000) = MC = 150$$

**4. Solve the following linear equations by using Cramer's rule.**

$$\begin{aligned}x_1 - x_2 + x_3 &= 2; \\x_1 + x_2 + x_3 &= 0; \\-x_1 - x_2 - x_3 &= -6\end{aligned}$$

*Solution:*

$$\begin{aligned}x_1 - x_2 + x_3 &= 2; \\x_1 + x_2 + x_3 &= 0; \quad (1 + 4 - 3) \\-x_1 - x_2 - x_3 &= -6\end{aligned}$$

$$\begin{bmatrix} 1 & -1 & 1 \\ 1 & 1 & -1 \\ -1 & -1 & -1 \end{bmatrix} \begin{bmatrix} x_1 \\ x_2 \\ x_3 \end{bmatrix} = \begin{bmatrix} 2 \\ 0 \\ -6 \end{bmatrix}$$

$$\Delta x = B$$

$$\Delta = \begin{bmatrix} 1 & -1 & 1 \\ 1 & 1 & -1 \\ -1 & -1 & -1 \end{bmatrix} \quad \Delta = \begin{bmatrix} 1 & -1 & 1 \\ 1 & 1 & -1 \\ -1 & -1 & -1 \end{bmatrix}$$

$$\begin{aligned}&= 1(-1-1) + 1(-1-1) + 1(-1+1) \\&= -2 - 2 + 0\end{aligned}$$

$$\text{Therefore } \Delta = -4$$

**5. If the firm face the total cost function  $TC = 5 + x^2$ . Where  $x$  is output, What is TC when  $x$  is 10?**

$$\begin{aligned}\text{Solution: } TC &= 5 + (10)^2 \\&= 5 + 100\end{aligned}$$

$$\text{Therefore } TC = 105$$

**6. If  $TC = 2.5q^3 - 13q^2 + 50q + 12$  derive the function and AC function**

*Solution:*

$$\frac{dc}{dq} = M.C \quad A.C = \frac{\text{Total cost}}{\text{Output}}$$

$$\frac{dc}{dq} = 2.5 (3)q^2 - (13 \times 2)q + 50 \quad \boxed{MC = 7.5q^2 - 26q + 50}$$

$$AC = \frac{2.5q^3 - 13q^2 + 50q + 12}{q} = \frac{2.5q^3}{q} - \frac{13q^2}{q} + \frac{50q}{q} + \frac{12}{q}$$

$$\text{Therefore } AC = 2.5q^2 - 13q + 50 + \frac{12}{q}$$

**2. Calculate the Elasticity of demand for the demand schedule by using differential calculus method.  $P=60-0.2Q$  Where price is i) Zero ii) Rs.20 iii) Rs.40**

*Solution:* Elasticity of demand

$$ed = \frac{q}{p} \frac{dp}{dq} \quad \begin{array}{l} \text{(i) } q = 0 \\ P = 60 - 0.2(0) = 6 - 0 \end{array}$$

$$p = 60 - 0.2q \quad ed = \frac{0}{600} \times (-0.2)$$

$$\frac{dp}{dq} = 0 - 0.2(1)$$

$$\frac{dp}{dq} = -0.2$$

$$\boxed{ed = 0}$$

$$\begin{array}{l} \text{(ii) } q = 20 \\ P = 60 - 0.2(20) \\ = 60 - 4 \quad P = 56 \end{array}$$

$$ed = \frac{20}{56} \times (-0.2) = -\frac{4}{56}$$

$$\boxed{ed = 0.071}$$

$$\begin{array}{l} \text{(iii) } q = 40 \\ P = 60 - 0.2(40) = 60 - 8 \quad P = 52 \end{array}$$

$$ed = \frac{40}{52} \times (-0.2) = -\frac{8}{52}$$

$$\boxed{ed = 0.153}$$

3. The demand and supply functions are  $P_d = 1600 - x^2$  and  $P_s = 2x^2 + 400$  respectively. Find the consumer's surplus and producer's surplus at equilibrium point.

*Solution:*

$$P_d = 1600 - x^2$$

$$P_s = 2x^2 + 400 \quad P_d = P_s$$

$$1600 - x^2 = 2x^2 + 400$$

$$1600 - x^2 = x^2 - 2x^2 - 400 = 0$$

$$-3x^2 + 1200 = 0$$

$$+3x^2 = +1200$$

$$x^2 = \frac{+1200}{3} = 400$$

$$x = \pm\sqrt{400}$$

$$q = \frac{60}{0.2} \times \frac{10}{10} = \frac{600}{2} = 300$$

$$q = 300$$

$$\eta_d = \frac{-p}{q} \frac{dq}{dp} = \frac{-0}{300} \times \frac{-1}{0.2}$$

$$= \frac{0}{60} = 0$$

$$\eta_d = 0$$

$$\text{When } P = 40$$

$$0.2q = 60 - 40$$

$$0.2q = 20$$

$$q = \frac{20}{0.2} \times \frac{10}{10} = \frac{200}{2} = 100$$

$$q = 100$$

$$\eta_d = \frac{-p}{q} \frac{dq}{dp} = \frac{-40}{100} - \frac{1}{0.2} = \frac{40}{20}$$

$$\eta_d = 2$$

|          |     |     |     |
|----------|-----|-----|-----|
| P        | 0   | 20  | 40  |
| q        | 300 | 200 | 100 |
| $\eta_d$ | 0   | 0.5 | 2   |

**DHOSTH MLM**  
**DO YOU KNOW QUESTIONS**

1. Economics is everywhere and understanding economics can help you make better decisions and lead a happier life. Ans: **Tyler cowen**
2. **IMPORTANCE OF MICRO ECONOMICS**
  - ★ To understand the operation of an economics.
  - ★ To provide tools for economic policies
  - ★ To examine the condition of economic welfare
  - ★ Efficient utilization of resources
  - ★ Useful in international trade
  - ★ Useful in decision making
  - ★ Optimal resources allocation
  - ★ Basis for prediction
  - ★ Price determination
3. Consumption is the sole end and object of economic activity -J M KEYNES
4. Production is any activity diverted to the satisfaction of other people's wants through exchange. -J R HICKS
5. The big hurdle is going out and raising the revenue. -TYLER COWEN
6. Marketing is not the art of finding clever ways to dispose of what you make .It is the art of creating genuine customer value. -PHILIP KOTLER
7. Distribution accounts for the sharing of wealth produced by a community among the agents or owners of the factors which have been active in its production. -CHAPMAN
8. India will be a global player in the digital economy. -SUNDAR PICHAI CEO Google
9. **FEATURES OF A DEVELOPED ECONOMY**

|   |  |
|---|--|
| <ul style="list-style-type: none"><li>❖ High national income</li><li>❖ High standard of living</li><li>❖ Dominance of industrial sector</li><li>❖ High industrialisation</li><li>❖ High level of urbanisation</li><li>❖ Social equity ,gender equality and low level of poverty</li></ul> | <ul style="list-style-type: none"><li>❖ High per capita income</li><li>❖ Full employment of resources</li><li>❖ High level of technology</li><li>❖ High consumption</li><li>❖ Smooth economic growth</li><li>❖ Political stability and good governance</li></ul> |
|---|--|
10. **MONOPSONY**

Monopsony is a market structure in which there is only one buyer of a goods and service.if there is only one customer for a certain good that customer has monopsony power in the market for that good. monopsony is analogous to monopoly, but monopsony has market power on the demand side rather than on the supply side.
11. **TYPES OF NATURAL RESOURCES**

**RENEWABLE RESOURCES**  
That can be regenerated in a given span of time e.g.for us wild life, wind, biomass, tidal, hydro energies.

**NON-RENEWABLE RESOURCES**  
Resources that cannot be regenerated. Eg fossil fuels, petroleum, minerals, coal.
12. Freedom is never dear at any price.It is the breath of life. What would a man for not pay for living?  
-TYLER COWEN
13. **TOP THREE COUNTRIES OF HDI**

|              |                  |                   |
|--------------|------------------|-------------------|
| Norway 0.949 | Australia 0.939f | Switzerland 0.939 |
|--------------|------------------|-------------------|
14. The new agricultural strategy was also called by various names modern agricultural technology seed fertilizer water technology or simply green revolution.
15. Reform,Peform,Transform.
16. **DISINVESTMENT**

Disinvestment means selling of government securities of public sector undertakings (PSUs)to other PSUs or private sector or banks.This process has not been fully implemented.
17. India lives in villages -mahatma Gandhi
18. PETER Diamond Dale Mortensen and christoper pissarides shared 2010 economics noble price for jobs study. Their model called DMP model help us understand called DMP MODEL help us understand how regulation and economic policies affect unemployment job vacancies and wages.
19. If the nature of the work is properly appreciated and applied.it will stand in the same relation to the higher facilities as food is to the physical body. -J C KUMARAPPA
20. The matter economist must possess a rare combination of gifts.he must be mathematics, historian, statesman, philosopher to some degrees. -J M KEYNES
21. If the power of any non zero real number is zero .if the value is 1  $x^0=1$  when x is not equal to zero

**1 Mark additional**

1. Identify the correct characteristics of utility. It depends upon consumer's mental attitude
2. Environmental economics is a study of inter disciplinary tools for the problems of \_\_\_\_.  
(a) Ecology (b) Economy (c) Environment (d) All of these **[Ans. [All of these]**
3. Which of the following goods best meets the definition of scarcity? **Ans: water in a city**
4. Who propounded the opportunity cost theory of international trade? **Ans: Haberler**
5. Who is the father of 'New Economics' ? **Ans: J.M. Keynes**
6. Pick the odd one out Agricultural **Ans: goods**
7. The indifference curve are **Ans: Vertical**
8. According to the law of diminishing marginal utility, the utility from the consumption of each additional unit starts \_\_\_\_.  
**Ans: diminishing**
9. Equi - Marginal Utility means equal marginal utilities derived from the consumption of more than \_\_\_\_.  
**Ans: two goods**
10. The primary factors of production are **Ans: Land and Labour**
11. Formula for calculating AP is **Ans:  $TP=N1$**
12. Who said, that one of the key of an entrepreneur is **Ans: "uncertainty -bearing" Knight**
13. \_\_\_\_ is facilitated by transport and communication systems. **Ans: Place utilities**
14. \_\_\_\_ said that 'exertion of body or mind' results in labour. **Ans: Alfred Marshall**
15. Annual income flows are called \_\_\_\_.  
**Ans: Annuities**
16. \_\_\_\_ represent Human capital. **Ans: Money**
17. Education and training given to labour is \_\_\_\_.  
**Ans: human capital**
18. Accumulation of more and more physical capital is called **Ans: Physical capital formation**
19. Cost functions are derived from \_\_\_\_ function. **Ans: production**
20. Money cost is also known as \_\_\_\_ cost. **Ans: explicit**
21. Explicit cost plus implicit cost denote \_\_\_\_ cost. **Ans: economic**
22. Explicit costs are termed as **Ans: out of pocket expenses**
23. A book seller sold 40 books with the price of Rs. 10 each. The total revenue of the seller is Rs. \_\_\_\_.  
**Ans: 400**
24. Identify the formula of average fixed cost. **Ans:  $TFC/Q$**
25. Planning curve is also called as \_\_\_\_.  
(a) Envelop curve (b) Long run average cost curve  
(c) Group of short run average cost curve (d) All the above **Ans: All the above**
26. When AR remains constant MR is also \_\_\_\_.  
**Ans: constant**
27. The functional relationship between cost and output is expressed as \_\_\_\_.  
**Ans: Cost function**
28. Find total cost where  $TFC = 200$  and  $TVC = 150$ . **Ans: 350**
29. Find total fixed cost where  $TC = 500$  and  $TVC = 100$ . **Ans: 400**
30. A shop keeper sold 20 bags with the price of Rs. 100 each. The total revenue of the seller is Rs. \_\_\_\_.  
**Ans: 2000**
31. Find Total Variable Cost where  $TC = 200$  and  $TFC = 50$ . **Ans: 150**
32. Find out profit, when  $TR = 55$ ,  $TC = 30$ . **Ans: 25**
33.  $TR = TC$  is **Ans: Break Even Point**
34. Find out AFC, when  $AC = 100$ ,  $AVC = 80$ . **Ans: 20**
35. What is the shape of the average fixed cost (AFC) curve? **Ans: Rectangular hyperbola**
36. In which of the following is not a type of market structure price will be very high? **Ans: Monopoly**
37. A firm under monopoly can earn \_\_\_\_ in the short run. **Ans: Super normal profit**
38. Under perfect competition, the shape of demand curve of a firm is \_\_\_\_.  
**Ans: Horizontal**
39. An example of selling cost is \_\_\_\_.  
**Ans: Advertisement cost**
40. \_\_\_\_ classifies market on the basis of time **Ans: Alfred Marshall**
41. Very short period is also called \_\_\_\_ period **Ans: Market Period**
42. Very long period market is also called as \_\_\_\_.  
**Ans: Secular Period**
43. The supply curve is \_\_\_\_ in the long period. **Ans: Very much elastic**

44. Imperfect competition market which comprises \_\_\_\_.  
 (a) Monopoly market (b) Monopolistic competition market (c) Duopoly market  
 (d) Oligopoly market (e) All of these  
 Ans: **All of these**
45.  $TR = TC$  is \_\_\_\_.  
 Ans: **Break Even Point**
46.  $MC = MR$  is \_\_\_\_.  
 Ans: **Equilibrium**
47. Under perfect competition there is \_\_\_\_ price prevails in the market.  
 Ans: **Uniform price**
48. Product and services are sold at world level are called \_\_\_\_ Market.  
 Ans: **International**
49. Group of firm is known as \_\_\_\_.  
 Ans: **Industry**
50. Long run average cost curve is \_\_\_\_ shaped curve.  
 Ans: **Flatter 'U' shaped curve**
51. Theory of distribution is popularly known as \_\_\_\_.  
 Ans: **Theory of factor - pricing**
52. The concept of 'Quasi-Rent' is associated with \_\_\_\_.  
 Ans: **Marshall**
53. Abstinence Theory of Interest was propounded by \_\_\_\_.  
 Ans: **N.W. Senior**
54. Loanable Funds Theory of Interest is called as \_\_\_\_.  
 Ans: **Neo - Classical Theory**
55. Marginal productivity theory of distribution is also known as \_\_\_\_.  
 (a) General theory of distribution (b) National Dividend theory of distribution  
 (c) Both 'a' and 'b' (d) None of these  
 Ans: **Both 'a' and 'b'**
56.  $VMP =$  \_\_\_\_.  
 Ans:  **$MPP \times Price$**
57.  $MRP =$  \_\_\_\_.  
 Ans:  **$MPP \times MR$**
58. Wages is the reward for \_\_\_\_.  
 Ans: **Labour**
59. Quasi - Rent was given by \_\_\_\_.  
 Ans: **Alfred Marshall**
60. Rent theory was propounded by \_\_\_\_.  
 Ans: **David Ricardo**
61. David Ricardo is a \_\_\_\_ economists.  
 Ans: **Classical Economists**
62. Economists like Joan Robinson and Boulding have contributed their ideas for the determination of rent, which is known as \_\_\_\_.  
 Ans: **Modern theory of Rent**
63. Wages are divided into \_\_\_\_ types.  
 Ans: **Four**
64. \_\_\_\_ is the surplus of income over expenses on production.  
 Ans: **Profit**
65. The producer's demand for a factor of production is governed by the \_\_\_\_ of the factor.  
 Ans: **Marginal productivity**
66. Under conditions of perfect competition in the product market.  
 Ans:  **$MRP = VMP$**
67. Which statistical measurer helps in measuring the purchasing power of money? Ans: **Index numbers**
68. The main gold mine region in Karnataka is \_\_\_\_.  
 Ans: **Kolar**
69. Ambedkar was a \_\_\_\_.  
 Ans: **Socialist**
70. "Interrelation between investment, income and multiplier in an under developed economy" was introduced in  
 Ans: **1952**
71. Joseph Chelladurai Kumarappa was born on \_\_\_\_.  
 Ans: **4th January 1892**
72. V.K.R.V. Rao was deeply interested in three large themes are \_\_\_\_.  
 Ans: **All the above**
73. Before independence, the density of population was less than \_\_\_\_.  
 Ans: **100**
74. \_\_\_\_ refers to the average number of persons residing per square kilometer. Ans: **Density of population**
75. Hematite iron is mainly found in \_\_\_\_.  
 (a) Chattisgarh and Karnataka (b) Jharkhand (c) Odisha, Goa (d) All the above Ans: **All the above**
76. \_\_\_\_ is the largest available mineral resources in India.  
 Ans: **Coal**
77. \_\_\_\_ has the lowest sex ratio among other states.  
 Ans: **Haryana**
78. \_\_\_\_ being the maximum pursued occupation in India.  
 Ans: **Agriculture**
79. Ryotwari system was initially introduced in \_\_\_\_.  
 Ans: **Tamil Nadu**
80. The \_\_\_\_ had traded in Goa as early as 1510.  
 Ans: **Portuguese**
81. Britain had exploited \_\_\_\_ over a period of two centuries of its colonial rule.  
 Ans: **India**
82. The British capitalists who established \_\_\_\_ in Bengal.  
 Ans: **Jute Mills**
83. The Indian handicraft products had a \_\_\_\_ market.  
 Ans: **Worldwide Market**
84. The production of coal had risen to over \_\_\_\_ tonnes per annum.  
 Ans: **6 million tonnes**
85. At the end of \_\_\_\_ century there were about 36 Jute Mills, 194 Cotton Mills and good number of plantation industries.  
 Ans: **19th Century**
86. The East Indian Company had captured political power to secure maximum goods for \_\_\_\_.

87. Oil and Natural Gas commission (ONGC) was established in \_\_\_\_.  
Ans: **Minimum payment**  
Ans: **1956**
88. Duration for twelfth five year plan is \_\_\_\_.  
Ans: **2012 - 2017**
89. The Arguments against LPG is \_\_\_\_.  
Ans: **Disparitees among people and regions**
90. 'The Hindu Rate of Growth' coined by Raj Krishna refers to \_\_\_\_.  
Ans: **Low rate of economic growth**
91. In 1947, India was a typically \_\_\_\_ economy.  
Ans: **backward**
92. India suffered from the twin problems of \_\_\_\_ and \_\_\_\_.  
Ans: **Poverty, Unemployment**
93. \_\_\_\_ Architect of new conomic policy.  
Ans: **Manmohan Sing**
94. Duty credit scrip to be freely transferable and usable for payments of \_\_\_\_.  
(a) Custom duty (b) Excise duty (c) Service tax (d) All the above  
Ans: **All the above**
95. The main cause for economic reforms  
(a) Growing inefficiency in the use of resources (b) Over production of industry  
(c) Mismanagement of firms and the economy (d) All the above  
Ans: **All the above**
96. Raja J. Chellaiah committee was meant for \_\_\_\_.  
Ans: **Financial reforms**
97. India was one of the first in Asia to recognize the effectiveness of the \_\_\_\_ processing zone.  
Ans: **Export**
98. Which is considered as the basic unit for rural areas?  
Ans: **Village**
99. What percentage of the total population live in rural area, as per 2011 censuses?
100. As per the planning commission estimates, the percentages of people living below poverty in rural areas was \_\_\_\_ during 2009 - 2010.  
Ans: **54.10**
101. SSIs are also known as \_\_\_\_.  
(a) Micro (b) Small (c) Medium Enterprises (d) All the above  
Ans: **All the above**
102. Gur ad Khandsari, cane and bamboo basket are the examples of \_\_\_\_.  
Ans: **Village Industries**
103. The excess supply of labour in rural areas reduces the \_\_\_\_.  
Ans: **wages**
104. Tamil Nadu is rich in \_\_\_\_.  
Ans: **Human resource**
105. The main source of irrigation in Tamil Nadu is \_\_\_\_.  
Ans: **well**
106. Knitted garment production is concentrated in \_\_\_\_.  
Ans: **Tiruppur**
107. Which of the following is wronglymatched?  
Ans: **Home textile city - Erode**
108. The largest contribution to GSDP in Tamil Nadu comes from \_\_\_\_.  
Ans: **services**
109. SPIC is located in \_\_\_\_.  
Ans: **Tuticorin**
110. The TICEL park is \_\_\_\_.  
Ans: **Bio park**
111. In India's total cement production, Tamil Nadu ranks \_\_\_\_.  
Ans: **third**
112. The Headquarters of southern Railway is at \_\_\_\_.  
Ans: **Chennai**
113. Tamil Nadu being the \_\_\_\_ largest in area.  
Ans: **Eleventh**
114. Thoothukudi is the major \_\_\_\_ producer in the state.  
Ans: **Chemical**
115. \_\_\_\_ has the highest number of internet subscribers in the country.  
Ans: **Maharashtra**
116. There are \_\_\_\_ national highways in the state, covering a total distance of 5,036 Km.  
Ans: **28**
117. Tamil Nadu has \_\_\_\_ major international airports.  
Ans: **Four**
118. \_\_\_\_ International Airport is currently the third largest airport in India after Mumbai and Delhi.  
Ans: **Chennai**
119. \_\_\_\_ ranked I in Tamil Nadu.  
Ans: **Indian Institute of Technology**
120. The construction of demand line or supply line is the result of using \_\_\_\_.  
Ans: **Analytical Geometry**
121. Function with single independent variable is known as \_\_\_\_.  
Ans: **Univariate Function**
122. Functions, with more or equal to two independent variables, are called \_\_\_\_ functions.  
Ans: **Multivariable functions**
123.  $110 - 20P = 50 + 10P$  therefore  $P = ?$   
Ans: **P = 2**
124. Suppose  $D = 200 - 40P$ . When D is zero then P is \_\_\_\_.  
Ans: **5**
125. Suppose  $D = 150 - 25P$ . Then, the slope is \_\_\_\_.  
Ans: **-25**
126. The algebraic sum of deviation of a set of n values from arithmetic mean is : \_\_\_\_.  
Ans: **0**
127. What is the range of simple correction of co-efficient?  
Ans: **Minus one to plus one**
128. The word economy comes from the greek word \_\_\_\_.  
Ans: **One who manages a household**
129. Economics deals primarily with the concept of \_\_\_\_.  
Ans: **Scarcity**
130. Both household and societies face many decision because \_\_\_\_.  
Ans: **Resources are scarce**
131. The horizontal demand curve parallel to x axis implies that the elasticity of demand is \_\_\_\_.  
Ans: **Infinite**

**DHOSTH MLM**  
**ADDITIONAL 2 MARKS**

**1. What are the various books available in the titles of economics?**

- (i) Introductory Economics      (ii) Economics an Introduction
- (iii) Basic Economics          (iv) Elements of Economics
- (v) Elementary Economics      (vi) Fundamentals of Economics etc.

**2. State four definitions of economics.**

- (i) Smith's Wealth Definition, representing the classical stage.
- (ii) Marshall's Welfare Definition, representing the neoclassical stage.
- (iii) Robbin's Scarcity Definition, representing the New age, and
- (iv) Samuelson's Growth Definition, representing the Modern age

**3. Who criticized Adam Smith's Wealth definition?**

- (i) Ruskin and Carlyle criticized economics as a 'Dismal science', 'Pig science' etc.
- (ii) As it teaches selfishness which is against ethics

**4. What are the major features of Robbins definitions?**

- (i) Ends refer to wants, Human beings have unlimited wants.
- (ii) Means are limited.
- (iii) The scarce means time and money are utilized in alternative uses.

**5. Distinguish between free goods and economic goods.**

| <b>Economic Goods</b>                           | <b>Free Goods</b>                                |
|---|--|
| 1. Goods which scarce are called economic goods | Goods that are not scarce are called free goods. |
| 2. Example: Chair, Table etc                    | Example: Air and Sunshine.                       |

**6. Distinguish between consumer goods and capital goods.**

| <b>Consumer Goods</b>   | <b>Capital Goods</b>                       |
|-------------------------|--|
| Consumer goods directly | Satisfy human wants                        |
| Goods do not satisfy    | Consumer directly are called capital goods |
| Example: TV             | Example : Machines                         |

**7. What are the classification of services?**

- (i) Intangible
- (ii) Hetrogeneous
- (iii) Inseparable from their makers'
- (iv) Perishable

**8. What is market?**

- ☛ Market means a place or geographical area, where buyers and sellers meet together.
- ☛ Buyers and sellers who involve in the transaction of goods and services.

**9. What are the methods of analysis?**

- (i) Inductive method and      (ii) Deductive method

**10. Differ Economic Goods with free goods.**

- ❖ Good which scarce are called Economic goods. but goods that are not scarce are called free goods.
- ❖ Chair, Table, Tv, are the example for Economic goods.

**11. What are the definitions of Economics?**

- 1. Adam smith's wealth definition- representing the classical stage
- 2. Alfred marshall's welfare definition representing the neoclassical stage
- 3. Lionel Robbin's scarcity definition representing the new age and
- 4. Growth definitions of samuelson representing the modern age.

**12. Classify the market based on the are.**

- (i) Local Market                      (ii) Regional Market
- (iii) National Market              (iv) International Market

**13. Classify the market based on the competitions?**

- (a) Monopoly - Single
- (b) Duopoly - Two seller
- (c) Oligopoly - A few sellers

**14. Difference consumer goods and capital goods ?**

| <b>Consumer goods</b>              | <b>Capital Goods</b>                           |
|------------------------------------|--|
| Human wants are satisfied directly | The consumer goods                             |
| Goods do not satisfy               | The consumer directly are called capital goods |
| Example : TV                       | Fridge Example: Machinery                      |



**15. What are the major features of scarcity definitions (Robbins definitions)**

1. Human beings have unlimited wants - Ends refers to wants
2. To satisfy unlimited wants means are limited
3. The scare means time and money are utilized in alternative uses.

**16. Name the four definition of Economics?**

- i) Adam Smith Wealth Definition, representing the classical era.
- ii) Alfred Marshall's Welfare Definition, representing the Neo-classical era.
- iii) Lionel Robbins's Scarcity Definition representing the New Age and
- iv) Samuelson's Growth Definition, representing the Modern Age.

**17. State Lionel Robbins definition of Economics?**

Lionel Robbins defines "Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses".

**18. What are the main divisions of Economics?**

Consumption, Production, Exchange, Distribution and Public Finance.

**19. State the Basic concepts in Economics.**

Economics also (other sciences) has concepts to explain its theories.

- |                       |               |
|-----------------------|---------------|
| i) Goods and services | ii) Utility   |
| iii) Price            | iv) Market    |
| v) Cost               | vi) Revenue   |
| vii) Equilibrium      | viii) Income. |

**20. Define - Cost.**

Cost refers to the expenses incurred to produce (or) acquire a given quantum of good. It determines (with revenue) the profit gained (or) the loss incurred by a firm.

**21. What is Income?**

Income represents the amount of monetary (or) other returns either earned (or) unearned small or big accruing over a period of time to an economic unit.

**22. How to fix the price of a commodity (or) goods?**

The price of a good is fixed by the forces of demand for and supply of the good. The price system that regulates the economic activity of a society.

**23. What is Revenue?**

The amount of Money, which the firm receives by the sale of its output in the market is known as its revenue.

**24. Distinguish between Perishable goods and Durable goods?**

| Perishable Goods                     | Durable goods                        |
|--------------------------------------|--------------------------------------|
| 1. Perishable goods are short lived. | 1. Durable goods have a longer life. |
| 2. Their life span is limited        | 2. Their life span is longer         |
| 3. (Ex) Fish, Fruits Flowers.        | 3. (Ex.) A Table and A Chair         |

**25. Mention the methods of Economic Analysis?**

Economics uses two Methods.

- i) Inductive Method (or) Empirical Method
- ii) Deductive Method (or) Abstract (or) Analytical Method.

**26. Distinguish between Durable goods and Nondurable goods.**

| Durable goods   | Non-durable goods   |
|---|---|
| 1. Products that do not need to be purchased often      | 1. Products that expire more quickly.                     |
| 2. A Hard good is a good that does not Quickly wearout. | 2. A soft goods that are immediately consumed in one use. |
| 3. (Ex.) Car, Furniture, Electronics.                   | 3. (Ex.) Cosmetics, Paper products food.                  |

**27. Define Macro Economics?**

Macro Economics is concerned with the economy as a whole. It is the study of aggregates such as national output, inflation, unemployment and taxes. The General Theory of Employment, Interest and Money published by Keynes is the basis of modern Macro Economics.

**28. What are the different types of goods?**

1. Free and Economic goods
2. Consumer goods and capital goods
3. Perishable goods and durable goods

**29. Define utility?**

- Utility means “usefulness”. In Economics utility is the want satisfying power of a commodity or service.
- Utility is a subjective or psychological concept.

**30. What is meant by “Market”?**

Generally market means a place where commodities are bought and sold. But in Economics it represents where buyers and sellers enter in to . an exchange of goods and services over a price.

**31. Define Total Revenue?**

Total Revenue (TR) represents the money obtained from the sale of all the units of a good.

$$TR = P \times Q$$

TR - Total Revenue

P is the price per unit of the good

Q - is the total quantity of the goods sold

**32. What is stable Equilibrium?**

Prof. Stigler state that “equilibrium is a position from which there is no net tendency to move”. Static equilibrium is based on given and constant prices, income, technology population etc.

**33. Distinguish between nominal income and real income?**

| Real Income   | Nominal Income  |
|---|---|
| Real Income is the amount of goods that can be purchased with money as Income | Nominal Income refers to income expressed in terms of money |
| It is the purchasing power of Income (Money)                                  | It is termed as the money income                            |

**34. Give the meaning of inductive method?**

Inductive method involves the process of reasoning from particular facts to general principle. It is also called empirical method. It is adopted by the “Historical school of Economists”.

**35. What are the basic economic problem of any society?**

1. What and how much to produce?  
More agricultural goods or Industrial goods and ‘services
2. How to produce?  
Whether it will be labour intensive or capital intensive Technology
3. For whom to produce?  
To be distributed among different sections of the society (rich, poor, middle class people)

**36. What are the assumption of production possibility curve?**

1. The time period does not change.
2. Techniques of production are fixed.
3. There is full employment in the economy.
4. Only two goods can be produced from the given resources.

**37. Define Environmental economics?**

Environmental economics which analyses the inter relationship between economy and environment. It is a study of inter disciplinary tools for the problems of ecology, economy and environment. State the definition of Economics given by Alfred Marshall.

“Political Economy” or Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well-being. Thus, it is on one side a study of wealth; and on the other, and more important side, a part of the study of man”. - by Alfred Marshall.

**38. Write the Economics definition given by Paul Samuelson.**

“The study of how men and society choose, with or without the use of money, to employ scarce productive resources which could have alternative uses, to produce various commodities over time, and distribute them for consumption, now and in the future among various people and groups of society”. - by Paul Samuelson.

**39. What is meant by ‘normative science’ ?**

- (i) Normative science responds to a question like what ought to be.
- (ii) Here, the conclusion and results are not based on facts, but on different considerations belonging to social, cultural, political, religious realms.
- (iii) They are basically subjective in nature.

**40. What are Free goods?**

- (i) Free goods are goods available in nature and in abundance.
- (ii) Man does not need to incur any expenditure to own or use them.
- (iii) Example: Air and sunshine

**41. What are 'economic goods'?**

- (i) Economic goods are goods which are not available in plenty.
- (ii) They are scarce in supply.
- (iii) Man has to spend money to own or use them

**42. What are consumer goods?**

- (i) Consumer goods are goods which directly satisfy human wants.
- (ii) Example: T.V., Furniture, Automobiles, dress, etc

**43. What are capital goods?**

- (i) Capital goods are goods which do not directly satisfy the consumer wants.
- (ii) But they help to produce consumer goods.
- (iii) For example, machines do not directly satisfy the consumers, but in factories, the manufacturers use them to produce consumer goods.

**44. Distinguish perishable goods and durable goods.**

- (i) Perishable goods are short lived. Their span of life is limited.
- (ii) For example fish, flower, fruits, etc, do not have a long life.
- (iii) Durable goods and semi-durable goods have a little longer lifetime than the perishable goods.
- (iv) For example a table, a chair, etc.

**45. What is meant by the term 'Utility'?**

- (i) 'Utility' means usefulness.
- (ii) In Economics, utility is the want-satisfying power of a commodity or a service.
- (iii) It is in the goods and services for an individual consumer at a particular time and at a particular place.

**46. What does the term 'Market' mean in Economics.**

- (i) Generally, market means a place where commodities are bought and sold.
- (ii) But in Economics, it represents where buyers and sellers enter into an exchange of goods and services over a price.

**47. What do you mean by 'Total Revenue'?**

- (i) Revenue is income obtained from the sale of goods and services.
- (ii) Total Revenue (TR) represents the money obtained from the sale of all the units of a good.
- (iii)  $TR = P \times Q$ , where TR is Total Revenue; P is the price per unit, and Q is the Total Quantity of the goods sold.

**48. What is meant by 'Real Income'?**

- (i) Real income is the amount of goods that can be purchased with money as income.
- (ii) It is the purchasing power of income which is based on the rate of inflation.

**49. Distinguish between Public goods and Private Goods.***Public goods*

- (i) A good available to everyone to consume, regardless of who pays and who doesn't
  - (ii) Spillover benefits
  - (iii) Non-rival in consumption and non-excludable;
- E.g: National defence, Law enforcement.

*Private Goods*

- (i) A good consumed by a single person or Household;
  - (ii) No spillover benefits;
  - (iii) Rival in consumption and excludable
- E.g: Food and drink

**50. Define total utility.**

It is the sum total of the marginal utilities obtained from the consumption of successive units of a commodity.

$$TU = MU_1 + MU_2 + MU_3 + \dots + MU_n \text{ or } \Sigma MU$$

**51. Define budget line.**

Budget line is a line showing different combinations of two goods which a consumer can attain at his given Income and Market price of the goods.

**52. What do you mean by indifference map?**

Indifference map refers to a set of indifference curves corresponding to different income levels of satisfaction.

**53. Define budget set.**

It refers to attainable combinations of a set of two goods at given prices of goods and income of the consumer.

**54. What is market demand?**

Market demand means the total quantity of a commodity that all its buyers are willing to purchase at different prices over a given period of time.

**55. When the demand is elastic?**

The demand is elastic when percentage change in quantity demanded is greater than percentage change in its price.

**56. What are the degrees of price elasticity of demand?**

- (i) Perfectly Elastic Demand ( $E_p = \infty$ )
- (ii) Perfectly Inelastic Demand ( $E_p = 0$ )
- (iii) Relatively Elastic Demand ( $E_p > 1$ )
- (iv) Relatively Inelastic Demand ( $E_p < 1$ )
- (v) Unitary Elastic Demand ( $E_p = 1$ )

**57. What is indifference curve?**

Locus of different combination of two commodities.

**58. What is consumption?**

Consumption is defined as “the use of goods and services for satisfying wants”. Consumption is the beginning of economic science. In the absence of consumption there is no production, exchange or distribution. Consumption is also an end of production.

**59. Explain - “Human wants”.**

- i) Wants are the basis for human behavior to buy and consume goods.
- ii) All desires, tastes and motives of human beings are called wants in Economics.
- iii) The existence of human wants is the basis of all economic activity in a society

**60. Define the Law of Diminishing Marginal Utility?**

Marshall states the law as “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”

**61. Explain the following concepts of Total utility.**

Total Utility: Total utility refers to the sum of utilities of all units of a commodity consumed.

For example if a consumer consumes ten apples, then the total utility is the sum of satisfaction of consuming all the ten apples.

**62. Explain the following concepts of Marginal utility.**

Marginal Utility: Marginal utility is the addition made to the total utility by consuming one more unit of a commodity. For example if a consumer consumes 10 apples, the marginal utility is the utility derived from the 10th units. It is nothing but the total utility of 10 apples minus the total utility of 9th apples  $MU_n = TU_n - TU_{n-1}$ .

**63. Define consumer surplus in the word of Marshall?**

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”.

**64. Describe the Demand Function?**

Demand depends upon Price. This means demand for a commodity is a function of price. Demand function mathematically is denoted as,  $D = f(P)$ , D = Demand, f = Function, P = Price.

**65. Explain Law of Demand?**

The Law of demand was first stated by Augustin Cournot in 1838. Later it was refined and elaborated by Alfred Marshall.

The law of demand says as “the quantity demanded increases with a fall in price and diminishes with a rise in price” - Marshall.

**66. Mention few determinants of Demand?**

- i. Change in Taste and Fashions
- ii. Changes in Weather
- iii. Taxation and subsidy
- iv. Changes in savings
- v. Advertisement
- vi. Change in income and population

**67. Mention few determinants of Elasticity of demand?**

Determinants of Elasticity of demand

- i) Availability of substitutes.
- ii) Proportion of Consumer's Income.
- iii) Number of uses of Commodity.
- iv) Complementarity between goods and
- v) Time.

**68. What are the types of Elasticity of demand?**

- i. Price Elasticity of demand
- ii. Income Elasticity of demand
- iii. Cross Elasticity of demand
- iv. Advertising Elasticity of demand

**69. Define Price line?**

Price line (or) Budget line is represented by set of indifference curve depends on his money income and price level.

**70. When the consumer reach the equilibrium?**

- i) The consumer reaches equilibrium at the point where the budget line is tangent on the indifference curve.
- ii) At equilibrium point the slope of IC refers to MRS and the slope of BL (Budget line) refers to price of X to price of Y that is  $P_X / P_Y$  Therefore  $MRS_{xy} = P_X / P_Y$

**71. What are the degrees of price elasticity of Demand?**

Degrees of price elasticity of Demand:

- (i) Perfectly elastic demand
- (ii) Perfectly inelastic demand
- (iii) Unitary elastic demand
- (iv) Relatively elastic demand
- (v) Relatively inelastic demand

**72. Define consumption.**

Consumption is defined as "The use of goods and services for satisfying wants".

**73. State the meaning of 'wants' in Economics.**

- (i) In ordinary language desire and want mean the same thing.
- (ii) But in economics, they have different meanings. Wants are the basis for human behaviour to buy and consume goods.

**74. What do you mean by "necessaries"?**

*Necessaries :*

- (i) Goods which are indispensable for the human beings to exist in the world are called "necessaries"
- (ii) For example:- food, clothing and shelter.

**75. What are called 'Comforts'?**

*Comforts:*

- (i) Goods which are not indispensable for life but to make our life easy, convenient and comfortable are called comforts.
- (ii) Examples: T.V, Fan, Refrigerator and Air-conditioner.

**76. What are called 'Luxuries'?**

*Luxuries:*

- (i) Goods which are not essential but are very costly are known as 'Luxuries'.
- (ii) Example: Jewellery, Diamonds and Cars.
- (iii) However, for people with higher income they may look necessities and comforts.

**77. State the law of Diminishing Marginal Utility (DMU) as given by Marshall.**

**Law of Diminishing Marginal Utility (DMU):**

"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". - states Marshall.

**78. Mention a few exceptions to the law of Diminishing Marginal Utility.**

*Exceptions to the law of Diminishing Marginal Utility:*

- (i) Hobbies      (ii) Drunkards      (iii) Misers      (iv) Music      (v) Poetry      (vi) Readings.

**79. State the Marshall's definition on the Law of Equi-Marginal Utility.**

*Law of Equi-Marginal Utility:*

"If a person has a thing which he can put to several uses, he will distribute it among these uses in such a way that it has the same marginal utility in all. For, if it had a greater marginal utility in one use than another he would gain by taking away some of it from the second use and applying it to first". - states Marshall.

**80. What are the criticisms made on the law of Equi-Marginal Utility?**

*Criticisms made on the law of Equi-Marginal Utility:*

- (i) In practice, utility cannot be measured, only be felt.
- (ii) This law cannot be applied to durable goods.

**81. Define 'Consumer's surplus' in the words of Marshall.**

*Consumer's surplus:*

Alfred Marshall defines consumer 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."

**82. State the Criticism made on 'Consumer's Surplus'.**

*Criticism made on 'Consumer's Surplus':*

- (i) Utility cannot be measured because utility is subjective.
- (ii) Marginal Utility of money does not remain constant.
- (iii) Potential price is internal, it might be known to the consumer.

**83. What is 'Demand according to Stonier and Hague.**

*According to Stonier and Hague:*

"Demand in Economics means desire backed up by enough money to pay for the good demanded".

**84. Define 'Law of Demand' in the words of Marshall.**

The law of Demand says as "the quantity demanded increases with a fall in price and diminishes with a rise in price" - Marshall.

**85. What are the characteristics of Demand?**

*Characteristics of Demand:*

- (i) *Price:* Demand is always related to price.
- (ii) *Time:* Demand always means demand per unit of time, per day, per week, per month or per year.
- (iii) *Market:* Demand is always related to the market, buyer and sellers.
- (iv) *Amount:* Demand is always a specific quantity which a consumer is willing to purchase.

**86. Define "The law of Demand" in the words of Samuelson.**

"The law of Demand states that people will buy more at lower price and buy less at higher prices, other things remaining the same". - Samuelson.

**87. State the meaning of "Elasticity of demand" as given by Stonier and Hague.**

*Elasticity of Demand:*

"Elasticity of demand is, therefore, a technical term used by the Economists to describe the degree of responsiveness of the Quantity demanded for a commodity to a change in its price". - Stonier and Hague.

**88. What is meant by the Cross Elasticity of demand?**

**The Cross Elasticity of demand** refers to the percentage change in quantity demanded for one commodity as a result of a small change in the price of another commodity.

**89. What is meant by 'Advertising Elasticity of Demand'?**

*Advertising Elasticity of Demand:* The responsiveness of the change in demand due to the change in advertising or other promotional expenses, is known as advertising elasticity of demand.

**90. State the methods of measuring price elasticity of demand.**

There are three methods of measuring price elasticity of demand. They are (i) The percentage method, (ii) Total outlay method, (iii) Point or Geometrical elasticity.

**91. Define Marginal Rate of Substitution.**

*Marginal Rate of Substitution:*

According to Leftwich "The Marginal Rate of Substitution of x for y (MRS) is defined as the maximum amount of Y the consumer is willing to give up for getting an additional unit of X and still remaining on the same indifference curve".

**92. What is a price line or a Budget line?**

A price line or a budget line is the line joining various combinations of the two goods which the consumer can buy at given prices and income.

**93. What does consumer's Equilibrium refer to ?**

Consumer's Equilibrium refers to a situation under which a consumer spends his entire income on purchase of a goods in such a manner that it gives him maximum satisfaction and he has no tendency to change it.

**94. What are the assumptions of Iso-quant curve?**

- (i) It is assumed that only two factors are used to produce a commodity.
- (ii) Factors of production can be divided into small parts
- (iii) Technique of production is constant.
- (iv) Under the given techniques, factors of production can be used with maximum efficiency.

**95. What are factors of production?**

- (i) The inputs that a firm uses in the production process are called factors of production.
- (ii) It includes factor inputs and non factor inputs

**96. What is production?**

- (i) Production refers to the creation or addition of value.
- (ii) Production is a process of value adding.
- (iii) In other words, production is also defined as the transformation of input into output.

**97. What do you mean by labour According to Karl Marx?**

Karl Marx says labour is a value and it is the basis for surplus value.

**98. Who is an 'Organizer'?**

- (i) The man behind organizing the business is called as 'Organizer' or 'Entrepreneur'
- (ii) An organizer is the most important factors of production.

**99. What are the three phases of Returns to Scale.**

- (i) Increasing Returns to scale
- (ii) Constant Returns to scale
- (iii) Diminishing Returns to scale

**100. Economies are divided into how many types? what are they?**

Economies are broadly divided into two types. They are,

- (1) Internal Economies of scale
- (2) External Economies of scale

**101. Write the short note on Internal economies of scale.**

- (i) It refers to the advantages enjoyed by the production units.
- (ii) For example, a firm enjoying the advantage of an application of most modern machinery,

**102. What do you mean by Iso quant?**

- (i) An Iso quant curve can be defined as the locus of points representing various combinations of two inputs capital and labour yielding the same output.
- (ii) The Iso quant is also called as the "Equal product curve" (or) The "Iso-Product curve".

**103. Give the formula for elasticity of supply.**

Q=Quantity

P=Price

=Change

$$ES = \frac{\Delta Q_s / Q_s}{\Delta P / P}$$

$$ES = \Delta Q_s / \Delta P \times \frac{P}{Q_s}$$

**104. What do you mean by law of supply?**

- (i) Law of supply is associated with production analysis.
- (ii) It explains the positive (or) direct relationship between Price and Quantity supply.

**105. Draw the diagram for supply curve**

X - axis represent - Commodity

Y - axis represent - Price

SS - represent - Supply Curve.

**106. What is meant by division of labour?**

Division of labour means dividing the process of production into distinct and several component processes and assigning each component in the hands of a labour or a set of labourers who are specialists in the particular process the concept of Division of Labour was introduced by Adam Smith.

**107. What are the forms of capital?**

The forms of capital are:

- 1. Physical capital or Material Resources.
- 2. Money Capital or Monetary Resources, and
- 3. Human Capital or Human Resources.

**108. What is production function? What are its classification?**

- a. Production Function: The functional relationship between inputs and outputs is known as production function. Inputs refers to the factors services which are used in production i.e. Land labour capital and enterprise. Output refers to the volume of goods produced.
- b. Classification of production function. Production function may be classified into two:
  - i. Short - run production function which is studied through Law of Variable Proportions.
  - ii. Long-run production function which is explained by Returns to scale.

**109. What is land ?**

Land as a factor of production refers to all those natural resources or gifts of nature which are provided free to man. It includes within itself several things such as land surface air, water, minerals, forests, rivers, lakes, seas, mountains climate and weather. Thus, "Land" includes all things that are not made by man.

**110. Who is an entrepreneur?**

An entrepreneur is a person who combines the different factors of production (land, labour and capital in the right proportion and initiates the process of production and also bears the risk involved in it. The entrepreneur is also called 'organiser'

**111. What do you mean by "Production"?**

- i) Production refers to all activities which are under taken to produce goods which satisfy human wants.
- ii) Production means the creation of utilities.
- iii) Production is the process of Transformation take place inputs are converted into an output.

**112. Define land?**

In ordinary sense 'land' refers to the soil or the surface of the earth or ground. But, in Economics, land means all gifts of Nature owned and controlled by human beings which yield an income. Land is the original source of all material wealth.

**113. Define - "Capital".**

Marshall says "Capital consists of all kinds of wealth other than free gifts of nature, which yield income" Bohm - Bawerk defines it as "a produced means of Production".

**114. What is Financial Capital?**

- i) Financial capital means the assets needed by a firm to provide goods and services measured in terms of money value.
- ii) It is normally raised through debt and equity issues.
- iii) The prime aim of it is to a mass wealth in terms of profit.

**115. Define Average product?**

The result of the total product divided by the total units of the input employed. In other words, it refers to the output per unit of the input.

Mathematically;  $AP = TP/N$

Where,  $AP = \text{Average Product}$

$TP = \text{Total Product}$

$N = \text{Total units of inputs employed.}$

**116. Explain - "Scale of Production"?**

"Scale of Production" refers to the ratio of factors of production. This ratio can change because of availability of factors. The scale of production is an important factor (or) affecting the cost of production.

**117. What is Iso-quant?**

According to Ferguson, "An iso-quant is a curve showing all possible combinations of inputs physically capable of producing a given level of output"

**118. What are the different types of economics of scale? What are they?**

There are two types of economics of scale.

- i) Internal economics of scale.
- ii) External economics of scale.

**119. Define Law of supply?**

Law of Supply is associated with production analysis. It explains the positive relationship between the price of a commodity and the supply of that commodity. Law of Supply describes a direct relation between price of a good and the supply of that good.

**120. Explain the supply function mathematically?**

Mathematically the supply function is

$$Q = f(P, P_r, T, O, E)$$

Where  $Q_s = \text{Quantity supplied of x commodity}$

$P = \text{Price of x Commodity}$

$P_r = \text{Price of related goods}$

$P_f = \text{Price of factors of production}$

$T = \text{Technology}$

$O = \text{Objective of the producer}$

$E = \text{Expected Price of the commodity.}$

$s, x', I, f,$

$x, r, f$

**121. Mention the Factors determining supply?**

Factors determining supply

- i) Price of the commodity.
- ii) Price of other commodities.
- iii) Price expectations.
- iv) Technology.
- v) Natural factors.
- vi) Taxes and subsidies.



**122. What are the benefits using economics of scale in the production process?**

- ❖ Economics of scale is effected both by the internal and external factors of the firm.
- ❖ Economies of scale reduces the cost of production: and, diseconomies of scale increases the cost of production.

**123. What is meant by Land in Economics**

In Economics, Land means all gifts of nature owned and controlled by human beings which yield an income.

**124. Define Capital in the words of Marshall**

Marshall says "Capital consists of all kinds of wealth other than free gifts of nature, which yield income."

**125. What does Joseph Schumpeter say on an entrepreneur?**

- (i) Joseph Schumpeter says that an entrepreneur innovates, co-ordinates other factors of production, plans and runs a business.
- (ii) He not only runs the business, but bears the risk of business.
- (iii) His reward is residual. This residual is either positive (profit) or negative (loss) or zero.

**126. What is production function according to George J. Stigler?**

According to George J. Stigler "Production function is the relationship between inputs of productive services per unit of time and outputs of product per unit of time."

**127. What is short run production function in Micro economics**

- (i) In Micro economics the short run is the period where some inputs are variable, while others are fixed.
- (ii) Another feature is that firms do not enter into the industry and existing firms may not leave the industry

**128. What is meant by Long run in Micro economics**

In Micro economics, Long run, on the other hand, is the period featured by the entry of new firms to the industry and exit of existing firms from the industry.

**129. What is meant by Total Product (TP) ?**

- (i) Total Product (TP) refers to the total amount of commodity produced by the combination of all inputs in a given period of time.
- (ii)  $TP = \sum MP$ , i.e., TP is the summation of Marginal product.

**130. What is Average Product (AP) ?**

- (i) Average product is the result of the total product divided by the total units of the input employed.
- (ii) In other words, it refers to the output per unit of the input.

$$AP = TP/N$$

where AP = Average Product, TP = Total Product, N = Total units of input employed

**131. State the Laws of returns to scale**

The Laws of returns to scale explain the relationship between output and scale of inputs in the long run when all the inputs are increased in the same proportion

**132. What does the term 'Internal Economies of scale' refer to ?**

- (i) The term 'Internal Economies of scale' refers to the advantages enjoyed by the production unit which causes a reduction in the cost of production of the commodity.
- (ii) For example, a firm enjoying the advantage of an application of most modern machinery which reduces the cost of production.

**133. Mention the various types of Internal Economies of scale**

The various types of Internal Economies of scale are

- |                          |                           |
|--------------------------|---------------------------|
| (a) Technical Economies  | (d) Labour Economies      |
| (b) Financial Economies  | (e) Marketing Economies   |
| (c) Managerial Economies | (t) Economies of survival |

**134. What does the term External Economies to scale refer to?**

- (i) The term "External Economies to scale" refers to changes in any factor outside the firm causing an improvement in the production process. This can take place in the case of industry also.
- (ii) These are the advantages enjoyed by all the firms in the industry due to structural growth.

**135. List out the important external economies of scale.**

Important external economies of scale are

- (i) Increased transport facilities
- (ii) Banking facilities
- (iii) Development of townships.
- (iv) Development of information and communication.

**136. What is meant by diseconomies of the scale.**

- (i) The diseconomies of the scale are a disadvantage to a firm or an industry or an organisation.
- (ii) This necessarily increases the cost of production of a commodity or service. Further it delays the speed of the supply of the product to the market.

**137. What does the term “External diseconomies of scale refer to?**

- (i) The term “External diseconomies” refers to the threat or disturbance to a firm or an industry from factor lying outside it.
- (ii) Examples. Bus strike, bandh, establishment of new economic units in the locality etc

**138. What is Economic cost?**

- (i) It refers to all payments made to the resources owned and purchased
- (ii) It is the summation of explicit and implicit costs.
- (iii) Economic Cost = Implicit Cost + Explicit Cost.

**139. Write a short note on floating cost.**

- (i) It refers to all expenses that are directly associated with business activities but not with asset creation.
- (ii) A floating cost is necessary to run the day-to-day business of a firm.

**140. What is prime cost?**

- (i) All costs that vary with output, together with the costs of administration are known as prime cost.
- (ii) In shorts, prime cost = variable costs + cost of administration.

**141. What is Average Revenue?**

- (i) Average revenue is the revenue per unit of the commodity sold.
- (ii) It is calculated by dividing the total revenue (TR) by the number of units sold (Q).
- (iii)  $AR = TR / Q$   
where AR = Average Revenue, TR = Total Revenue, Q = Quantity Sold.

**142. Give example for TFC.**

- (i) Rent of the factory.
- (ii) Watchman’s wages.
- (iii) Permanent worker’s salary.
- (iv) payments for minimum equipments and machines insurance premium.
- (v) Deposit for power.
- (vi) License fee etc.

**143. What is Marginal Revenue?**

- (i) Marginal Revenue is the addition made to the total revenue by the sale of an additional unit of a commodity.
- (ii)  $MR_n = TR - TR_{n-1}$

**144. What is Break Even Point?**

- (i) The break-even point is where a company produces the same amount of revenues as expenses either during a manufacturing process.
- (ii) BEP - means No Profit No Loss situation.

*Implicit cost*

Payment made to the use of resources summation of explicit and implicit cost

**145. Mention the relationship between MC and AC.**

The relationship between the marginal and the average cost is more a Mathematical one rather than economic

**146. Define Opportunity cost?**

The Opportunity cost of any good is the next best alternative good that is sacrificed

**147. Define marginal cost?**

Marginal cost is defined as the addition made to the total cost by the production of one additional unity of output.

**148. Define Floating Cost**

- ✱ It refers to all expenses that are directly associated with business activities, but not with asset creation.
- ✱ Floating cost is necessary to run the day-to-day business of a firm.

**149. Define - Total cost.**

Total cost means the sum total of all payments made in the production. It is also called as Total cost of production.  $TC = TFC + TVC$ .

**150. What do you mean by Long run cost?**

In the Longrun all factors of production become variable. The existing size of the firm can be increased in the case of long run. Long run average cost (LAC) is equal to long run total cost divided by the level of output.  $LAC = LTC/Q$ .

**151. Give examples for variable cost.**

- i) Cost of Raw materials.
- ii) Fuel cost.
- iii) Electricity charges.
- iv) Wages of temporary workers.

**152. Write a short note on AFC and AVC.**

*Average Fixed cost:* It refers to the fixed cost per unit of output. It is obtained by dividing the total fixed cost by the quantity of output.  $AFC = TFC / Q$

*Average Variable Cost:* It refers to the total variable cost per unit of output. It is obtained by dividing total variable cost (TVC) by the quantity of output (Q).  $AVC = TVC / Q$ .

**153. What is Average Cost (AC)?**

It refers to the total cost per unit of output. It can be obtained in two ways.

i) By dividing the firm's total cost (TC) by the Quantity of output (Q).  $ATC$  (or)  $AC = TC/Q$ .

ii) By ATC is derived by adding together Average Fixed cost (AFC) and Average variable cost (AVC) at each level of output.  $ATC = AFC + AVC$ .

**154. What does cost analysis refer to ?**

Cost analysis refers to the study of behaviour of cost in relation to one or more production criteria, namely size of output, scale of production, prices of factors and other economic variables

**155. What is meant by 'Money Cost'?**

(i) Production cost expressed in money terms is called as money cost.

(ii) In other words, it is the total money expenses incurred by a firm in producing a commodity

**156. What is meant by 'Total fixed cost' ?**

*Total fixed cost:*

(i) All payments for the fixed factors of production are known as Total fixed cost.

(ii) Total fixed cost does not change with output.

**157. What is meant by 'Total Variable Cost'?**

*Total Variable Cost:*

(i) All payments to the variable factors of production is called as Total Variable Cost.

(ii) As output increases 'Total Variable Cost' also increases.

**158. What is meant by 'Total Cost'?**

*Total Cost:*

(i) Total cost means the sum total of all payments made in the production.

(ii) Total cost is the summation of Total Fixed Cost (TFC) and Total Variable Cost (TVC)  $TC = TFC + TVC$

(iii) Total cost is also called as Total Cost of Production.

**159. What does 'Average Fixed Cost' refer to ?**

*Average Fixed Cost (AFC):*

(i) Average Fixed Cost refers to the fixed cost per unit of output.

(ii) It is obtained by dividing the total fixed cost by the quantity of output.  $AFC = TFC / Q$

**160. What does 'Average Total Cost' refer to?**

*Average Total Cost (ATC (or) Average Cost (AC):*

(i) Average Total Cost refers to the total cost per unit of output.

(ii) It can be obtained in two ways.

(a) By dividing the firm's total cost by the quantity of output.  $ATC = TC/Q$

(b) By adding together Average Fixed Cost and Average Variable Cost  $ATC = AFC + AVC$

**161. What is meant by Total Revenue?**

*Total Revenue (TR):*

(i) Total Revenue is the amount of income received by the firm from the sale of its products.

(ii) It is obtained by multiplying the price of the commodity by the number of units sold.  $TR = pxQ$

**162. State the relationship among TR, AR and MR curves.**

*Relationship among TR, AR and MR Curves:*

(i) When marginal revenue is positive, total revenue rises, when MR is zero the total revenue becomes maximum.

(ii) When marginal revenue becomes negative total revenue starts falling.

(iii) When AR and MR both are falling, then MR falls at a faster rate than AR.

**163. Classify the market on the basis of time.**

(i) Very short period (or) Market Period      (ii) Short period

(iii) Long-period      (iv) Very long period (or) Secular period

**164. What is Monopoly?**

(i) Monopoly has been derived from two words 'Mono' - single, 'poly' - to control.

(ii) Monopoly is a market situation in which there is only one seller.

(iii) There is no scope for competition.

**165. Write the sources of monopoly power.**

(i) Natural Monopoly      (ii) State Monopoly      (iii) Legal Monopoly

**166. When AR = 100, AC = 32, Total output = 5 find total profit.**

*Formula:*

Total Profit = (Average Revenue - Average Cost) x Total Output

AR = 100, AC = 32, Total Output = 5

TP = (AR - AC) x Total Output

= (100 - 32) x 5

= 68 x 5

Total Profit = 340

**167. What is price discrimination?**

- (i) A discriminating monopoly is a single entry.
- (ii) It charges different prices for different consumers.

**168. What is Oligopoly?**

- (i) Oligopoly is a market situation in which there are few firms selling homogeneous or differentiate products.
- (ii) Competition among only a few firms in the market.

**169. What is 'Bilateral Monopoly'?**

Bilateral Monopoly refers to a Market situation in which a single producer faces a single buyer.

**170. What are the wastages of monopolistic competition?**

There are five kinds of wastages under monopolistic competition they are,

- (i) Excess capacity
- (ii) Unemployment
- (iii) Advertisement
- (iv) Too many varieties of goods.
- (v) Inefficient firms.

**171. Write a note on 'Dumping'.**

- (i) Dumping refers to the practice of the monopolist charging the higher price in the local market and, lower price in the foreign market.
- (ii) Through dumping a country expands its command over other countries for its product. It is called as 'international price discrimination'.

**172. Who introduced imperfect competition?**

The concept of imperfect competition was propounded in 1933 in England by Mrs. Joan Robinson (1903 -1983) and in America by E.H. Chamberlin (1899 - 1967).

On the basis of Quantity of the commodity.

- (i) Whole-sale market
- (ii) Retail market
- (iii) Perfect competition market
- (iv) Imperfect competition market

**173. What is the meaning of monopoly?**

The word monopoly has been derived from the combination of two words i.e., 'Mono' and 'Poly'. Mono refers to a single and "Poly" to seller.

**174. Define Firm.**

A single organization which employs factors of production to produce goods and sells.

**175. Explain the whole-sale and retail market.**

(a) *Whole-sale Market*

It is for bulk selling and buying of goods (clothing, grocery, etc.). The price is likely to be low compared to retail market.

(b) *Retail Market*

It is for selling (or) buying of commodities in small quantities (clothing, vegetables, etc.).

**176. What are the Equilibrium conditions for a firm?**

Equilibrium of the firm means that the firm realizes the maximum profit.

- i. MC = MR.
- ii. MC cuts MR curve from below (sufficient conditions).

**177. Define Monopoly.**

Monopoly is a form of market where there is a single seller selling a particular commodity for which there are no close substitutes.

**178. What is Local Market?**

Local market arises when products or services are sold and bought in the place of their production. In such markets, the products exchanged are 'mostly perishable and semi-durable in nature: For example, Vegetable, fruits etc.

**179. Distinguish between National Market and International Market?**

*National Market International Market*

- a) when products and services are sold and bought throughout a country. when products and services are sold and bought at the world level.
- b) Nation-wide market Global Market (or) World-wide Market
- c) (Ex) Tea, Coffee, Cement, Electrical goods, some printed books etc (Ex) Petro, gold etc

**180. What are the classification of Time period given by Alfred Marshall?**

Alfred Marshall classifies market on the basis of time. The 'time' here refers to the nature of the factors, such as fixed factors and variable factors, used in the production process

- i) Very short period market or Market Period.
- ii) Short period market.
- iii) Long period market.
- iv) Very long period market (or a Secular Period Market).

**181. Why the transport cost is nil under Perfect Competition?**

Under perfect competition, a commodity is sold at uniform price throughout the market. So it is assumed that there is no transport cost.

**182. Define the nature of product under Perfect Competition.**

The product sold and bought is homogeneous in nature. All the units of the product are identical that is the same size, shape, color quantity etc.

**183. What is a local market?**

- (i) When products or services are sold and bought in the place of their production, it is known as local market.
- (ii) In such markets, the products exchanged are mostly perishable and semi-durable in nature. Example: Vegetables, fruits, etc.

**184. What is a 'National Market'?**

- (i) When products and services are sold and bought throughout a country, it is known as National market.
- (ii) For example, Nation-wide market for, tea, coffee, cement, electrical goods, etc.

**185. What is known as "International market"?**

- (i) When products and services are sold and bought at the world level, it is known as 'International market' (or) Global market.
- (ii) Example: Petrol, Gold, Cars, etc

**186. What do you mean by very short period market or market period?**

- (i) Very short period or Market period refers to the type of competitive market in which the quantum supplied of a product cannot be increased or decreased.
- (ii) In this market, the market supply is perfectly inelastic.
- (iii) The demand force is more active than the supply force in the determination of price. Example: flowers during festivals

**187. What is meant by short period market?**

- (i) Short period market refers to that period in which supply can be increased or decreased to limited extent by varying the variable factors alone.
- (ii) The short period supply curve is relatively elastic.

**188. What do you mean by long period?**

- (i) Long period is the time period during which the quantum supplied of a product can be increased or decreased to meet the new demand conditions.
- (ii) Thus the supply curve in the long period is perfectly elastic.

**189. What is meant by secular period?**

- (i) Secular period is the time period in which the entire economy undergoes a drastic change.
- (ii) Newer technologies are introduced and most modern products are produced.
- (iii) All factors of production can be changed according to the need and demand of the products

**190. State the different types of Imperfect competition.**

*Different types of Imperfect competition are:*

- (i) Monopoly
- (ii) Discriminating monopoly,
- (iii) Bilateral monopoly,
- (iv) Monopolistic competition,
- (v) Oligopoly and
- (vi) Duopoly.

**191. What does Dumping refer to?**

*Dumping:*

- (i) Dumping refers to practice of the monopolist charging higher price for his product in the local market and lower price in the foreign market.
- (ii) Through dumping, a country expands its command over other countries for its products.
- (iii) This is also called as 'International Price Discrimination'.
- (iv) Example: Electronic market in India is flooded with the products of China

**192. How can markets be classified on the basis of quantity of the commodity?**

*Markets on the basis of quantity of the commodity:*

- (i) Whole-sale market is for bulk selling and buying of goods (Clothing, Grocery etc.). The price is likely to be low compared to retail market.
- (ii) Retail market is for selling or buying of commodities in small quantities (Clothing, Vegetable etc).

**193. How can markets be classified on the basis of competition?**

*Markets on the Basis of Competition:*

- (i) Perfect competition market
- (ii) Imperfect competition market which comprises monopoly market, monopolistic competition market, duopoly market, oligopoly market, etc.

**194. Define Imperfect Competition.**

Imperfect competition is a competitive market situation where there are many sellers but they are selling heterogeneous (dissimilar) goods as opposed to the perfect competitive market scenario. As the name suggests, competitive markets are imperfect in nature.

**195. What is functional distribution?**

- (i) Functional distribution means the distribution income among the four factors of production.
- (ii) The four factors of production are land, labour, capital and organisation.

**196. Draw a diagram of marginal productivity under perfect competition?**

Marginal Productivity of Theory of Distribution

**197. Write down the criticisms of marginal productivity theory of distribution?**

- (i) In reality, the factors of production are not homogeneous.
- (ii) In practice, factors cannot be substituted for each other.
- (iii) This theory is applicable only in the long run.

**198. Draw the diagram for Ricardian theory of rent. Ricardian Theory of rent****199. What do you mean by transfer of earning?**

- (i) Rent is the difference between the actual earnings of a factor of production and its transfer earning.
- (ii) The minimum payment that has to be made to a particular factor of production to retain it in its present use is known as transfer of earning.  $\text{Rent} = \text{Actual earning} - \text{Transfer earning}$ .

**200. What do you mean by wages?**

- (i) Wage is the price paid to the labourer for the services rendered.
- (ii) Wage may be paid daily, weekly and monthly etc.

**201. What are the theories of wages?**

- (i) The subsistence theory of wages.
- (ii) The standard of living theory of wages.
- (iii) The wage fund theory of wages.
- (iv) The residual claimant theory wages.
- (v) Marginal productivity theory of wages.

**202. What are the kinds of interest?**

- (i) Gross interest
- (ii) Net interest

Notes:

**203. What is net interest?**

- (i) Net interest is only a part of the gross interest.
- (ii) It is the payment for use of capital only.
- (iii) Net interest is otherwise known as pure interest

**204. What are the factors determining demand for loanable funds?**

The demand for loanable funds depend upon the following:

- (i) Demand for Investment (I)
- (ii) Demand for Consumption (C)
- (iii) Demand for Hoarding (H)

**205. What are the motives of liquidity?**

- (i) The transaction motive
- (ii) The precautionary motive.
- (iii) The speculative motive

**206. What are the criticisms of liquidity preference?**

- (i) Liquidity preference theory does not explain the existence of different interest rates prevailing in the market.
- (ii) It explains interest only in the short run.

**207. What is Rent?**

Rent = Actual earning - Transfer earning.

**208. What is net profit ?**

Net profit = Gross Profit - Implicit costs

**209. Define Transfer earnings ?**

Transfer earnings refers to minimum payment payable to a factor to retain it in its present use.

**210. What are the Recent theories of wages.**

- (i) The marginal productivity theory of wages
- (ii) The market theory of wages
- (iii) The bargaining theory of wages.

**211. What are the kinds of wages?**

- (i) Nominal wages (or) money wages
- (ii) Real wages
- (iii) Piece wages
- (iv) Time wages

**212. Define Marginal Product.**

The Marginal Product of a factor of Production means the addition made to the total product by employment of an additional unit of that factor. The Marginal Product may be expressed as MPP, VMP and MRP.

**213. Define "Quasi Rent" in the words of Alfred Marshall.**

Alfred Marshall introduced the concept of Quasi-Rent. He defined "Quasi-Rent is the income derived from machines and other appliances made by man".

**214. Mention the kinds of wages.**

- i) Transaction Motive.
- ii) Precautionary Motive.
- iii) Speculative Motive.

**215. What is Standard of Living Theory of Wages?**

According to the theory, wage is equal to the standard of living of the workers. Standard of living wage means the amount necessary to maintain the labourer in the standard of life.

**216. Name the few Theories of Interest.**

- i) Abstinence (or) Waiting theory.
- ii) Agio Theory of Interest.
- iii) Loanable Fund Theory.
- iv) Liquidity Preference Theory.

**217. What are the three motives of liquidity preference?**

- i) Transaction Motive.
- ii) Precautionary Motive.
- iii) Speculative Motive.

**218. What are the changes taking place in adynamic society?**

- i) Population is increasing.
- ii) Volume of capital is increasing.
- iii) Methods of production are improving.
- iv) Forms of industrial organization are changing.
- v) The wants of consumer are multiplying.

**219. In which theory is called General Theory of Distribution? Why?**

Marginal productivity theory of distribution is known as General Theory of Distribution because this theory explains how the prices of various factors of production are determined. This theory explains how rent, wages, interest and profit are determined.

**220. What is Transfer earnings?**

Transfer earnings refer to minimum payment payable to a factor to retain it in its present use.

**221. What is innovation?**

Invention put into commercial practice. An invention becomes an innovation only when it is applied to industrial processes. Innovation includes introduction of new goods (or) new methods of production and opening new market. Innovation are introduced by the entrepreneur profit is the reward for "innovation"

**222. What is personal distribution?**

Personal distribution is the distribution of National Income among the individuals.

**223. What is meant by Marginal Physical Product (MPP)?**

The Marginal Physical Product (MPP) of a factor is the increment in the total product obtained by the employment of an additional unit of that factor.

**224. How is the Value of Marginal Product (VMP) obtained?**

The Value of Marginal Product (VMP) is obtained by multiplying the Marginal Physical Product (MPP) by the price of the product  $VMP = MPP \times Price$ .

**225. What is meant by Marginal Revenue Product (MRP)?**

The Marginal Revenue Product of a factor is the increment in the Total Revenue which is obtained by the employment of an additional unit of that factor.  $MRP = MPP \times MR$

**226. Define 'Rent' in the words of Joan Robinson**

Rent: "The essence of the conception of rent is the conception of surplus earned by a particular part of a factor of production over and above the minimum earnings that is necessary to induce it to do work" - Joan Robinson.

**227. What is Gross Interest?**

*Gross Interest:*

- (i) Gross interest is the total interest amount received by creditors from debtors.
- (ii)  $Gross\ interest = (Net\ interest) + (reward\ for\ inconvenience) + (insurance\ against\ risk\ of\ non-payment) + (payment\ for\ service\ of\ debt\ management)$

**228. What do you mean by 'Net Interest'?**

- (i) Net interest is only a part of the gross interest.
- (ii) It is the payment for use of capital only.
- (iii) A good example for net interest is the interest payable for Government securities

**229. According to classical theory, how is equilibrium interest rate determined?**

- (i) According to classical theory the equilibrium interest rate is determined by the intersection of demand and supply curves
- (ii) Demand for money refers to investment and supply of money refers to savings.
- (iii)  $S = I$

**230. What is 'Gross Profit'?**

Gross Profit is the surplus which accrues to a firm when it subtracts its total expenditure from its Total Revenue.  $Gross\ Profit = Total\ Revenue - Total\ Cost$ .

**231. What is Net Profit?**

Net profit is the residual left with entrepreneur after deducting from Gross profit the remuneration for the self-owned factors of production, which are called implicit cost.

$Net\ Profit = Gross\ Profit - Implicit\ costs$

**232. Distinguish between Normal Profit and Super Normal Profit.**

- (i) Normal Profit: Normal Profit refers to the minimum expected return to stay in business.
- (ii) Super Normal Profit: Super normal profits are over and above the normal profit.

$Super\ Normal\ Profit = Actual\ Profit - Normal\ Profit$

**233. What do you mean by Insurable Risks?**

- (i) Certain risks are measurable or calculable.
- (ii) Examples: risk of fire, theft and natural disasters.
- (iii) Such risks are compensated by the Insurance companies

**234. What is meant by excellent human capital?**

This means that India is a pride owner of the maximum percentage of youth which is also an indicator of the growth.

**235. Write any five features of developed economy?**

- (i) High national income
- (ii) High per capita income
- (iii) High standard of living.
- (iv) Full employment of resources
- (v) High level of technology.

**236. How do you determine a country's economic development?**

A country's economic development is usually indicated not just by GDP, but by an increase in citizen's quality of life or well-being of a country.



**237. Which is called developed economies?**

Developed economies are those countries which are industrialised utilized their resources efficiently and high percapita income.

**238. Write any five weakness of Indian economy?**

- (i) Large population
- (ii) Increasing prices of essential goods.
- (iii) Lack of infrastructure.
- (iv) Inadequate employment opportunities.
- (v) Economic Disparities.

**239. Write any five strengths of Indian economy?**

- (i) Mixed economy.
- (ii) Agriculture
- (iii) Newly Industrialized economy.
- (iv) Emerging market
- (v) Large Domestic Consumption.

**240. What is mean by infrastructure development?**

- (i) Infrastructure development means the development of many support facilities.
- (ii) These facilities may be divided into economic infrastructure and social infrastructure.

**241. What are energy sources?**

The energy sources are classified under two heds based on the availability of the raw materials used, while generating energy.

- (i) Non - renewable energy sources
- (ii) Renewable energy sources.

**242. What is mean by social infrastructure?**

Social infrastructure refers to those structures which are improving the quality of manpower and contribute indirectly towards the growth of an economy.

**243. What are the six levels of education system in India?**

- (i) Nursery Class
- (ii) Primary Class
- (iii) Secondary Class
- (iv) Higher Secondary Class
- (v) Graduation
- (vi) Post Graduation

**244. What do you mean by Gross National Happiness Index?**

The term "Gross National Happiness was coined by the fourth King of Bhutan, Jigme singye wang chuck, in 1972.

**245. What is mean by outdated technology?**

Obsolete refers to outdated computer hardware, software, technology, services on practices that are no longer used, even if they are in working condition.

**246. What are the demographic trends in India?**

- (i) Size of population.
- (ii) Rate of growth.
- (iii) Birth and death rate.
- (iv) Density population.
- (v) Sex ratio.
- (vi) Life expectancy at birth.
- (vii) Literacy ratio

**247. What do you mean by literacy ratio?**

It refers to the number of literates as a percentage of the total population. In 1951, only one-fourth of the males and one-twelfth of the females were literates

**248. What do you know about renewable resources?**

Renewable resources that can be regenerated in a given span of time. e.g. forests, wildlife, wind, biomass, tidal, hydro energies etc.

**249. What do you mean by economic infrastructure?**

Economic infrastructure is the support system which helps in facilitating production and distribution for instance railways, trucks, ports, canals..

**250. Explain about Health care services in India.**

The health care services in India are mainly the responsibility of the ministry of health, state wise, health status is b.etter in Kerala as compared to other states.

**251. What do you know about National Income methodology?**

- (i) To develop the national income concept situated to India and developing countries generally.
- (ii) To analyse the concepts of investment, saving and multipliers in an under developed economy.
- (iii) To study the compatibility of the national incomes of industrialized and under developed countries.

**252. What are the large themes of V.K.R.V. Rao?**

Y.K.R.Y. Rao was deeply interested in three large themes. They were

- (1) National Income
- (2) Food, Nutrition and the distribution of good.
- (3) Employment and occupational distributions.

**253. What is life expectancy at birth?**

- (1) It refers to the mean expectation of life at birth.
- (2) Life expectancy has improved over the years.
- (3) Life expectancy is low when death rate is high.

**254. Name any two under developed countries?**

Pakistan, Indonesia

**255. Define Density of Population ?**

It refers to the average number of persons residing per square kilometre. It represents the man-land ratio.

**256. What are Renewable Resources?**

Resources that can be regenerated in a given span of time. E.g. forests, wildlife, wind, biomass, tidal, hydro energies etc.

**257. What are Non - Renewable Resources?**

Resources that cannot be regenerated. E.g. Fossil fuels - coal, petroleum, minerals, etc.

**258. Give to Renewable energy sources?**

Solar Energy, Wind Energy, Tidal Energy

**259. What is energy?**

Electrical energy is one of the necessary components of our life now a day without electricity, we cannot survive in this world of technology.

**260. Write the meaning of Gross National Happiness Index (GNHI).**

The term "Gross National Happiness" was coined by the fourth King, of Bhutan, Jigme Singye Wangchuck in 1972. It is an indicator of progress, which measures sustainable development, environmental conservation promotion of culture and good governance.

**261. Define Mixed economy.**

Mixed economy means both Private and Public sectors co-exist and function smoothly. Indian economy is a typical example of mixed. economy. The public sector functions as a socialistic economy and the private sector as a free enterprise economy.

**262. Mention few aspects of demographic trends in India**

Aspects of demographic trends in India.

- |                                 |                               |
|---------------------------------|-------------------------------|
| i) Size of population.          | ii) Rate of growth.           |
| iii) Birth rate and Death rate. | iv) Density of population.    |
| v) Sex ratio.                   | vi) Life expectancy at birth. |
| vii) Literacy ratio.            |                               |

**263. Explain density of population.**

It refers to the average number of persons residing per square kilometre. It represents the man-land ratio. As the total land area remains the same, an increase in population causes density of population to rise.

Density of population =  $\frac{\text{Total population}}{\text{Land area of the region}}$

**264. Give short note on Forest resources.**

India's Forest cover in 2007 is 69.09 million. hectare, which constitutes 21.02 percent, of the total geographical area. Of this, 8.35 million hectare is very dense forest, 31.90 million hectare is moderately dense forest and the rest 28.84 million hectare is open forest.

**265. What are the different types of Natural resources?**

*Natural Resources*

Any stock (or) reserve that can be drawn from nature is a Natural resource.

*Types of Natural Resources*

- i) *Renewable Resources* than can regenerated in a given span of time. forest, biomass, hydro-energies, etc.
- ii) *Non-renewable Resources* :- Resources that cannot be regenerated. Eg., fossil fuels - coal, petroleum, minerals, etc.

**266. What' are the facility to develop the infrastructure?**

Economic infrastructure is the support system which helps in facilitating production and distribution for instance railways, trucks, post and telegraph offices, posts, canals power plants, banks, insurance companies, etc., are all economic infrastructure of an economy. They help in the production of goods and services.

**267. What is Deforestation?**

Deforestation refers to Clearing of forests, trees and thereby forest land is converted to a non-forest use.

**268. Define Gross Domestic product.**

Total monetary value of the goods and services produced by that country over a specific period of time, normally a year.

**269. Define Per capita Income.**

Average national income per head of population. It is obtained by dividing the National Income by population size.

**270. What are the important elements of a welfare state given by Thiruvalluvar**

The important elements of a welfare state are

- (i) perfect health 'of the people without disease
- (ii) abundant wealth
- (iii) good crop
- (iv) prosperity and happiness and
- (v) Full security for the people.

**271. State the indices which are used to assess the quality of life in India.**

The quality of life is being assessed by several indices such as

- (i) Human Development Index (HDI)
- (ii) Physical Quality of Life Index (PQLI) and
- (iii) Gross National Happiness Index (GNHI)

**272. What are termed as under developed economies? Give example.**

- (i) Countries which have not fully utilized their resources like land, mines, workers, etc. and have low per capita income are termed as under developed economies
- (ii) They are also termed as undeveloped countries or Backward Nations or Third World Nations.
- (iii) Examples: Certain African countries, Bangladesh, Myanmar, Pakistan, Indonesia, etc.

**273. What are the various aspects of demographic trends in India.**

Various aspects of demographic trends in India :

- (i) Size of population
- (ii) Rate of growth
- (iii) Birth and death rates
- (iv) Density of population
- (v) Sex-ratio
- (vi) Life expectancy at birth
- (vii) Literacy ratio

**274. Write a short note on India's forest.**

*Forest Resources:*

- (i) India's forest cover in 2007 is 69.09 million hectare which constitutes 21.02 per cent of the total geographical area.
- (ii) Of this, 8.35 million hectare is very dense forest, 31.90 million hectare is moderately dense forest and the rest 28.84 million hectare is open forest.

**275. What is meant by Infrastructural development?**

*Infrastructure:*

- (i) Infrastructural development means the development of many support facilities.
- (ii) These facilities may be divided into (a) economic infrastructure and (b) social infrastructure.
- (iii) Economic infrastructure includes - transport, communication, energy, irrigation, monetary and financial institutions.
- (iv) Social infrastructure includes - education, training and research, health, housing and civic amenities.

**276. State Engel's law.**

According to Engel's Law "The proportion of total expenditure incurred on food items declines as total expenditure [which is proxy for income] goes on increasing."

**277. What does 'Average Variable Cost' refer to?**

*Average Variable Cost (AVC):*

- (i) Average Variable Cost refers to the total variable cost per unit of output.
- (ii) It is obtained by dividing total variable cost by the quantity of output.  $AVC = TVC / Q$

**278. state the Marginal Productivity Theory of Distribution.**

Marginal Productivity Theory of Distribution states that

- a) The price of a factor of production depends upon its productivity.
- b) The price of a factor is determined by and will be equal to marginal revenue product of that factor.
- c) Under certain conditions, the price of a factor will be equal to both the average and marginal products of that factor.

**279. Give a short note on "Public Finance" as stated by Thiruvalluvar.**

**Public Finance** - Thiruvalluvar has elaborately public finance under the heading public Revenue Financial Administration and Public Expenditure.

He has stated these as (1) creation of revenue, (2) income of revenue (3) management of revenue (4) public expenditure.



**19. Mathematical Economics is the integration of \_\_\_\_\_**

- a) Mathematics and Economics      b) Economics and Statistics  
c) Economics and Equations      d) Graphs and Economics

**20. The point of intersection of demand line and supply line is known as \_\_\_\_\_.**

- a) Equilibrium      b) Equation      c) Solution      d) Constant

**PART - II****Note: Answer any seven questions. Q. No. 30 is compulsory.****7×2=14**

21. Define micro economics.
22. What are the degrees of price elasticity of demand?
23. Define Revenue.
24. Who is price taker?
25. Define Rent.
26. State any two features of developed economy.
27. Define Zamindari System.
28. Why was structural reform implemented in Indian Economy?
29. Write any three causes for rural poverty.
30. How to open a Word Document?

**PART - III****Note: Answer any seven questions. Q. No. 40 is compulsory.****7×3=21**

31. Compare positive economics and normative economics.
32. Distinguish between extension and contraction of demand.
33. What are the factors governing elasticity of supply?
34. State the relationship between AC and MC.
35. Differentiate between "Firm" and "Industry".
36. List out the kinds of wages.
37. State Ambedkar's Economic ideas on agricultural economics.
38. Explain any three weaknesses of Green Revolution.
39. What are the schemes under poverty eradication?
40. Explain various types of transport in Tamil Nadu.

**PART - IV****Note: Answer all the questions.****7×5=35**

41. a) Explain the various steps of Deductive and Inductive Method. (OR)
  - b) What are the types of Economics?
  42. a) What are the methods of measuring elasticity of demand? (OR)
  - b) Explain the law of supply with a diagram.
  43. a) Elucidate the Laws of Returns to Scale. Illustrate. (OR)
  - b) How price and output are determined under the perfect competition?
  44. a) Explain Long run equilibrium of a firm and the group equilibrium in monopolistic competition. (OR)
  - b) Explain the Keynesian Theory of interest.
  45. a) Explain about Health in India. (OR)
  - b) Describe the performance of 12th Five year Plan in India.
  46. a) Describe the salient features of EXIM Policy (2015–2020). (OR)
  - b) Compare the Per Capita Income of Tamil Nadu with other Countries.
  47. a) Explain the various sources of energy in Tamil Nadu. (OR)
  - b) Find the solution of the system of equation.
- $$7x^1 - x^2 - x^3 = 0$$
- $$10x^1 - 2x^2 + x^3 = 8$$
- $$6x^1 + 3x^2 - 2x^3 = 7$$



**DHOSTH MODEL QUESTION PAPER 2****PART III  
ECONOMICS****Time allowed: 2.30 hours****Maximum Mark: 90****PART A****(i) Answer all the questions****20 x 1=20****(ii) Choose the most appropriate answer from the given four alternatives and write the option code and the corresponding answer.****1. Who defined "Economics as the science of wealth"?**

- a) Karl Marx                      b) Paul A. Samuelson                      c) Max Muller                      d) Adam Smith

**2. Utility means \_\_\_\_\_.**

- a) Total value of commodity.                      b) Desire for goods and services.  
c) Equilibrium point at which demand and supply are equal.  
d) Want satisfying capacity of goods and services.

**3. Given the consumer's surplus is ' 75 and the actual price is ' 372, find the potential price \_\_\_\_\_.**

- a) 447                      b) 50                      c) 375                      d) 474

**4. Which factor is called the changing agent of the society?**

- a) Organizer                      b) Capital                      c) Labour                      d) Land

**5. Which of the following is not a characteristic of Land?**

- a) Heterogeneous                      b) Gift of Nature                      c) Its Limited Supply                      d) It is Mobile

**6.  $\alpha + \beta = 1$  is refers \_\_\_\_\_.**

- a) Increasing returns to scale                      b) Constant returns to scale  
c) Diminishing returns to scale                      d) None

**7. Formula for estimating average variable cost \_\_\_\_\_.**

- a)  $TFC/Q$                       b)  $TAC/Q$                       c)  $TC/Q$                       d)  $TVC/Q$

**8. Match the following:**

- |                           |                           |                           |                          |
|---------------------------|---------------------------|---------------------------|--------------------------|
| 1) Explicit Cost          | i) Book Cost              |                           |                          |
| 2) Implicit Cost          | ii) External Cost         |                           |                          |
| 3) Social Cost            | iii) Transfer Cost        |                           |                          |
| 4) Opportunity Cost       | iv) Money Cost            |                           |                          |
| a) 1-iv, 2-i, 3-iii, 4-ii | b) 1-iv, 2-i, 3-ii, 4-iii | c) 1-ii, 2-iii, 3-iv, 4-i | d) 1-iii 2-iv, 3-i, 4-ii |

**9. The concept of imperfect competition was propounded by \_\_\_\_\_.**

- a) J.M.Keynes                      b) Irving Fisher                      c) Marshall                      d) Joan Robinson

**10. Identify the wrong statement about the features of Duopol.**

- a) There is product differentiation.  
b) They fix the price for their product to maximize their profit.  
c) Each seller is fully aware of his rival's motive and actions.  
d) Both sellers may collude regarding the sale of commodity.

**11. "Wages is a sum of money paid under contract by an employer to a worker for the services rendered". Who said this statement?**

- a) Walker                      b) Marshall                      c) Ricardo                      d) Benham

**12. The first Wi-fi facility was provided by Indian Railways in \_\_\_\_\_.**

- a) Bengaluru                      b) Chennai                      c) Delhi                      d) Mumbai

**13. Density of population = \_\_\_\_\_.**

- a) Total Population/Land Area of the Region                      b) Total Population/Employment  
c) Land Area/Total Population                      d) Land Area/Employment

**14. The oldest large scale industry in India is \_\_\_\_\_.**

- a) Steel                      b) Cement                      c) Cotton                      d) Jute

**15. Twelfth Five Year Plan period \_\_\_\_\_.**

- a) 2007-2012                      b) 1997-2002                      c) 2012-2017                      d) 2002-2007

**16. India is the largest producer of \_\_\_\_\_ in the world.**

- a) Petrol                      b) Diesel                      c) Fruits                      d) Gold

**17. 'India live in Villages', said by \_\_\_\_\_.**

- a) V.K.R.V.Rao                      b) J.C.Kumarappa                      c) Mahatma Gandhi                      d) Jawaharlal Nehru

**18. \_\_\_\_\_ are set up with a view to develop rural economy by providing credit and other facilities to small and marginal farmers.**

- a) MUDRA Bank                      b) RRB                      c) SHG                      d) NABARD

**19. Which of the following is wrongly matched?**

- a) SAIL - Salem      b) The Pump city - Coimbatore      c) BHEL - Trichy      d) Knitting city - Karur

**20. The first person to apply mathematical method to economic problem was \_\_\_\_\_.**

- a) G. Crammer      b) Paul Samuelson      c) Sir William Petty      d) Giovanni Ceva

**PART - II****Note: Answer any seven questions. Q. No. 30 is compulsory.****7×2=14**

21. Define Consumer's Surplus according to Alfred Marshall.  
 22. What is meant by Sunk Cost?  
 23. What are the kinds of profit? Explain them.  
 24. What is NITI Aayog? What are its functions?  
 25. State any four features of developed economy.  
 26. Define disinvestment.  
 27. Define Cottage Industry. State any two characteristics of cottage industries.  
 28. What is crop insurance?  
 29. Find the value of the determination for the matrix  $A = \begin{pmatrix} 3 & 4 \\ 10 & -2 \end{pmatrix}$   
 30. Write short notes on mineral resources of Tamil Nadu.

**PART - III****Note: Answer any seven questions. Q. No. 40 is compulsory.****7×3=21**

31. What are the differences between micro-economics and macroeconomics?  
 32. Describe the features of human wants.  
 33. Find out the missing Marginal Product and Average Product for the given table.

| Units of Variable Factor (L) | Total Product(TP) | Marginal Product (MP) | Average Product (AP) |
|------------------------------|-------------------|-----------------------|----------------------|
| 1                            | 2                 | 2                     | ?                    |
| 2                            | 6                 | 4                     | 3                    |
| 3                            | 12                | ?                     | ?                    |
| 4                            | 16                | ?                     | ?                    |
| 5                            | 18                | ?                     | 3.6                  |
| 6                            | 18                | 0                     | 3                    |
| 7                            | 16                | -2                    | 2.28                 |

34. Define opportunity cost with an example.  
 35. What is Monopsony?  
 36. What are the types of Natural resources?  
 37. List out the objectives of MUDRA BANK.  
 38. Describe the development of Textile industry in Tamil Nadu.  
 39. Solve for x quantity demanded if  $16x - 4 = 68 + 7x$ .  
 40. Differentiate between Rent and Quasi-Rent.

**PART - IV****Note: Answer all the questions.****7×5=35**

41. a) Explain basic problems of the economy with the help of Production Possibility Curve. (OR)  
 b) Explain the public transport system in Tamil Nadu.  
 42. a) Explain the law of demand with a diagram. (OR)  
 b) Illustrate the Ricardian theory of Rent.  
 43. a) Describe the properties of Iso-quants with help of diagrams. (OR)  
 b) Explain about the Industry clusters in Tamil Nadu.  
 44. a) Bring out the relationship between AR and MR Curves under various price conditions. (OR)  
 b) If the demand function is  $P = 35 - 2x - x^2$  and the demand  $x^0$  is 3, what will be the consumer's surplus?  
 45. a) Explain the features of Oligopoly. (OR)  
 b) Write a brief note on the Gandhian economic ideas.  
 46. a) Explain the objectives of nationalization of commercial banks. (OR)  
 b) How are the Information and Communication Technologies (ICT) used in economics?  
 47. a) Explain the objectives and characteristics of Special Economic Zones (SEZ). (OR)  
 b) Analyse the causes for Rural Indebtedness.



DHOSTH MLM  
**DHOSTH MODEL QUESTION PAPER 1**

**XI STANDARD  
ECONOMICS**

**PART A**

**20 x 1=20**

**(i) Answer all the questions**

**(ii) Choose the most appropriate answer from the given four alternatives and write the option code and the corresponding answer.**

1. Utility means
  - (a) Equilibrium point at which demand and supply are equal
  - (b) Want - satisfying capacity of goods and services
  - (c) Total value of commodity
  - (d) Desire for goods and services
2. \_\_\_\_\_ have exchange value and their ownership rights can be established and exchanged
  - (a) Goods
  - (b) Services
  - (c) Markets
  - (d) Revenue
3. The scarcity of a commodity is only in relation to its
  - (a) Supply
  - (b) Demand
  - (c) Choice
  - (d) None
4. The General theory of Employment, Interest and Money published by
  - (a) A.C. Pigou
  - (b) J.M. Keynes
  - (c) Marshall
  - (d) Lionel Robbins
5. When marginal utility reaches zero, the total utility will be
  - (a) Minimum
  - (b) Maximum
  - (c) Zero
  - (d) Negative
6. Given potential price is Rs. 250 and the actual price is Rs. 200. find the consumer surplus.
  - (a) 375
  - (b) 175
  - (c) 200
  - (d) 50
7. The indifference curve approach is based on the concept
  - (a) Diminishing marginal rate of substitution
  - (b) The law of maximum satisfaction
  - (c) Single mode commodity
  - (d) All the above
8. Demand curve in general cases slopes\_\_\_\_\_.
  - (a) upward towards left
  - (b) vertical and parallel to Y axis
  - (c) downward from left to right
  - (d) horizontal and parallel to X axis
9. Which factor is called the changing agent of the Society
  - (a) Labourer
  - (b) Land
  - (c) Organizer
  - (d) Capital
10. Name the returns to scale when the output increases by more than 5% for a 5% increase in the inputs,
  - (a) Increasing returns to scale
  - (b) Decreasing returns to scale
  - (c) Constant returns to scale
  - (d) All of the above
11. At the point of inflexion, the marginal product is \_\_\_\_\_.
  - (a) Increasing
  - (b) Decreasing
  - (c) Maximum
  - (d) Negative
12. \_\_\_\_\_ is the result of Cooperation of four factors of production.
  - (a) Production
  - (b) Distribution
  - (c) Exchange
  - (d) Trade
13. The cost that remains constant at all levels of output is \_\_\_\_\_ cost.
  - (a) fixed
  - (b) variable
  - (c) real
  - (d) social
14. Long run average cost curve is also called as \_\_\_\_\_ curve.
  - (a) demand
  - (b) planning
  - (c) Production
  - (d) sales
15. Find total cost where TFC = 200 and TVC = 150
  - (a) 300
  - (b) 350
  - (c) 200
  - (d) 150
16. MC curve is a \_\_\_\_\_ shaped curve.
  - (a) V
  - (b) L
  - (c) A
  - (d) U
17. Another name of price is \_\_\_\_\_.
  - (a) Average Revenue
  - (b) Marginal Revenue
  - (c) Total Revenue
  - (d) Average cost
18. In monopolistic competition, the essential feature is \_\_\_\_\_.
  - (a) Same product
  - (b) Selling cost
  - (c) Single seller
  - (d) Single buyer
19. Under perfect competition, there is \_\_\_\_\_ price prevails in the market.
  - (a) High price
  - (b) Low price
  - (c) Uniform price
  - (d) None of these
20.  $TR = P \times Q$ .
  - (a) True
  - (b) False
  - (c) Partially true
  - (d) None of these



## PART - II

**Note: Answer any seven questions. Q. No. 30 is compulsory.**

**7×2=14**

21. What are the major features of Robbins definitions?
22. Distinguish between nominal income and real income?
23. What are Giffen goods? Why?
24. What are the degrees of price elasticity of demand?
25. Mention few determinants of Elasticity of demand?
26. State the law of Diminishing Marginal Utility (DMU) as given by Marshall.
27. Classify the factors of production.
28. What are the reasons for upward sloping supply curve?
29. What is meant by Economics?
30. What are goods?

## PART - III

**Note: Answer any seven questions. Q. No. 40 is compulsory.**

**7×3=21**

31. Explain the scarcity definition of Economics and assess it.
32. What are the important features of utility?
33. Examine the major implications of Samuelson growth definition.
34. Explain the importance of microeconomics.
35. Mention the relationship between marginal utility and total utility.
36. Explain the theory of "Consumer's surplus".
37. What are the properties of indifference curves?
38. What are the factors influencing elasticity of demand?
39. What are the factors governing elasticity of supply?
40. Bring out the relationship among Total, Average and Marginal Products.

## PART - IV

**Note: Answer all the questions.**

**7×5=35**

41. (a) Compare and contrast various definitions of Economics. (OR)
- (b) Elaborate the nature and scope of Economics
42. (a) Explain the wealth definition given by Adam Smith (OR)
- (b) Examine the nature of Economic laws.
43. (a) Elucidate the law of diminishing marginal utility with diagram. (OR)
- (b) Explain the law of Equi - marginal utility
44. (a) Explain the indifference curve approach? (OR)
- (b) Enumerate the determinants of Demand?
45. (a) Examine the Law of Variable Proportions with the help of diagram. (OR)
- (b) List out the properties of iso - quants with the help of diagrams
46. (a) What are the factors determining supply? (OR)
- (b) Explain briefly the Iso-cost Line with the help of a diagram?
47. (a) Discuss the short run cost curves with suitable diagram? (OR)
- (b) Bring out the relationship between AR and MR curves under various price conditions.



DHOSTH MLM  
**DHOSTH MODEL QUESTION PAPER 2**

**XI STANDARD  
ECONOMICS**

**PART A**

**(i) Answer all the questions**

**20 x 1=20**

**(ii) Choose the most appropriate answer from the given four alternatives and write the option code and the corresponding answer.**

1. Quasi - rent arises in \_\_\_\_\_.  
(a) Man-made appliances (b) Home made items (c) Imported items (d) None of these
2. "Wages as a sum of money are paid under contract by an employer to a worker for services rendered" - Who said this?  
(a) Benham (b) Marshall (c) Walker (d) J.S. Mill
3. Interest is the reward for \_\_\_\_\_.  
(a) Land (b) Labour (c) Capital (d) Organisation
4. Profits are the reward for \_\_\_\_\_.  
(a) land (b) capital (c) labour (d) organisation
5. Mixed economy means \_\_\_\_\_.  
(a) Private sectors and banks (b) Co-existence of Public and Private sectors  
(c) Public sectors and banks (d) Public sectors only
6. Who among the following propagated Gandhian Economic thinkings.  
(a) Jawaharlal Nehru (b) VKRV Rao (c) JC Kumarappa (d) A.K.Sen
7. There are only \_\_\_\_\_ main gold mine regions.  
(a) three (b) two (c) one (d) none of the above
8. Human Development Index was developed by the Indian economist \_\_\_\_\_.  
(a) Marshall (b) Mahbub ul Haq (c) J.M. Keynes (d) Amartya Sen
9. The Planning Commission was setup in the year \_\_\_\_\_.  
(a) 1950 (b) 1955 (c) 1960 (d) 1952
10. According to HDR (2016), India ranked \_\_\_\_\_ out of 188 countries.  
(a) 130 (b) 131 (c) 135 (d) 145
11. The British capitalists who established \_\_\_\_\_ in Bengal.  
(a) Thread Mills (b) Cotton Mills (c) Rice Mills (d) Jute Mills
12. There is a great demand for \_\_\_\_\_ in developed countries.  
(a) consumer goods (b) capital goods (c) handicraft goods (d) intermediate goods
13. Expansion of FDI \_\_\_\_\_.  
(a) Foreign Private Investment (b) Foreign Portfolio  
(c) Foreign Direct Investment (d) Forex Private Investment
14. The Goods and Services Tax Act come into effect on \_\_\_\_\_.  
(a) 1<sup>st</sup> July 2017 (b) 1<sup>st</sup> July 2018 (c) 1<sup>st</sup> January 2017 (d) 1<sup>st</sup> January 2016
15. EPZ indicates \_\_\_\_\_.  
(a) Export Product Zone (b) Export Processing Zone (c) Export Price Zone  
(d) Export Zone
16. India Shares \_\_\_\_\_ percent of the total world population  
(a) 17.5 (b) 20.5 (c) 35.6 (d) 10.5
17. Which is considered as the basic unit for rural areas?  
(a) Panchayat (b) Village (c) Town (d) Municipality
18. Identify the year of launch of MUDRA Bank?  
(a) 1995 (b) 2000 (c) 2010 (d) 2015
19. \_\_\_\_\_ is an important component for ensuring better quality of life  
(a) Health (b) Technology (c) Jewellery (d) None of these
20. \_\_\_\_\_ is also called disguised unemployment.  
(a) Concealed unemployment (b) Under employment  
(c) Open unemployment (d) Technical unemployment

## PART - II

**Note: Answer any seven questions. Q. No. 30 is compulsory.****7×2=14**

21. What do you mean by Iso quant?
22. What does the term External Economies to scale refer to?
23. Define cost.
24. Give the definition for 'Real cost'.
25. What is Marginal Revenue?
26. What is Average Cost (AC)?
27. Define Market.
28. Who is price-taker?
29. What are the Equilibrium conditions for a firm?
30. State the different types of Imperfect competition.

## PART - III

**Note: Answer any seven questions. Q. No. 40 is compulsory.****7×3=21**

31. Explain Iso quant map with the help of diagram.
32. Bring out the differences between short run and long run production function.
33. State the differences between money cost and real cost.
34. Write a short note on Marginal Revenue.
35. Define Accounting cost.
36. Distinguish between Economic cost and Social cost.
37. State the meaning of selling cost with an example.
38. Differentiate between 'firm' and 'industry'.
39. What are the conditions of price discrimination?
40. Briefly explain the defects of monopolistic competition.

## PART - IV

**Note: Answer all the questions. 7×5=35**

41. (a) Explain briefly total cost with a suitable diagram. (OR)
- (b) Explain the short run Average Cost curves with suitable diagrams.
42. (a) Bring out the features of perfect competition. (OR)
- (b) How price and output are determined under the perfect competition?
43. (a) Explain the comparison among the features of various markets. (OR)
- (b) Differentiate between perfect competition and monopoly.
44. (a) Explain the Marginal Productivity Theory of Distribution. (OR)
- (b) Illustrate the Ricardian Theory of Rent.
45. (a) Explain the Wage Fund Theory of Wages (OR)
- (b) Explain the Marginal Productivity theory of wage.
46. (a) Write the importance of mineral resources in India. (OR)
- (b) Bring out Jawaharlal Nehru's contribution to the idea of economic development.
47. (a) Explain the B.R. Ambedkar Economic ideas in Agricultural Economics. (OR)
- (b) Discuss Thiruvalluvar's contribution to Indian economy.



**DHOSTH MLM**  
**DHOSTH MODEL QUESTION PAPER 3**

**XI STANDARD**  
**ECONOMICS**

**PART A**

**20 x 1=20**

**(i) Answer all the questions**

**(ii) Choose the most appropriate answer from the given four alternatives and write the option code and the corresponding answer.**

1. Which Union Territory has the highest sex ratio?  
(a) Chandigarh (b) Pondicherry (c) Lakshadweep (d) Andaman Nicobar
2. The largest contribution to GSDP in Tamil Nadu comes from \_\_\_\_\_.  
(a) agriculture (b) industry (c) mining (d) services
3. Coimbatore is also referred to as \_\_\_\_\_.  
(a) The pump city (b) Detroit of Tamil Nadu (c) Gateway of Tamil Nadu (d) Little Japan
4. \_\_\_\_\_ International Airport is currently the third largest airport in India after Mumbai and Delhi.  
(a) Chennai (b) Kolkata (c) Madurai (d) Coimbatore
5. Differentiation of constant term gives  
(a) one (b) zero (c) infinity (d) non-infinity
6. The first differentiation of Total Revenue function gives \_\_\_\_\_.  
(a) Average Revenue (b) Profit (c) Marginal Revenue (d) Zero
7. \_\_\_\_\_ methods are helpful for achieving the objectives of the economic analysis.  
(a) Inductive method (b) Deductive method (c) Mathematical methods (d) Statistical methods
8. Given the consumer's surplus is '75 and the actual price is '372, find the potential price \_\_\_\_\_.  
(a) 447 (b) 50 (c) 375 (d) 474
9. The cost that varies with the level of output is termed as \_\_\_\_\_ cost.  
(a) Money (b) Variable cost (c) total cost (d) fixed cost
10. \_\_\_\_\_ arises when products or services are sold and bought in the place of their production.  
(a) Local market (b) Provisional market (c) National market (d) International Market
11. Which one of the Following is the feature of Monopoly  
(a) There is a single producer/ seller of a product (b) not a price maker  
(c) Earn no profit (d) All the above
12. The highest rate (as on 1st July 2017)  
(a) 18% (b) 24% (c) 28% (d) 32%
13. Which is not the feature of Rural economy?  
(a) Poverty (b) Employment (c) Dualism (d) Non dependent on agriculture
14. If the power of any non zero real number is zero, its value is \_\_\_\_\_.  
(a) 2 (b) 0 (c) 1 (d) 4
15. The publication of Adam Smith's "The Wealth of Nations" in \_\_\_\_\_.  
(a) 1880 (b) 1776 (c) 1770 (d) 1886
16. Who defined Growth definition?  
(a) Adam Smith (b) Alfred Marshall (c) Robbin (d) Samuelson
17. Interest is the price paid for the use of capital in any market, stated by  
(a) Alfred Marshall (b) Benham (c) Chapman (d) Adam Smith
18. Freedom is never dear at any price. It is the breath of life. What would a man not pay for living? Who stated this definition?  
(a) Tyler Cowen (b) Amartya Kumar Sen (c) Marshall (d) Keynes
19. Who introduced permanent settlement Act?  
(a) William (b) Lord Cornwallis (c) Mahatma Gandhi (d) Keynes
20. Ordinal Utility can be measured by \_\_\_\_\_.  
(a) Ranking (b) Numbering (c) Wording (d) None of these

**Note: Answer any seven questions. Q. No. 30 is compulsory.**

**7×2=14**

21. What is profit?
22. State the meaning of liquidity preference.
23. Write down the criticisms of marginal productivity theory of distribution?
24. Define Marginal Product.
25. Give a short note on Sen's 'Choice of Technique'.
26. List out the reasons for low per capita income as given by V.K.R.V. Rao.
27. Write any five weakness of Indian economy?
28. What are the different types of Natural resources?
29. What are the objectives of Tenth five year plan?
30. Mention the indicators which are used to calculate HDI.

**PART - III**

**Note: Answer any seven questions. Q. No. 40 is compulsory.**

**7×3=21**

31. What is PQLI?
32. Explain the small scale industries in Indian economy
33. Discuss the second Green Revolution?
34. Give short note on Cold storage.
35. What is GST? Write its advantages.
36. Explain SEZ ?
37. What are the major objectives of SEZ's?
38. Write a note on Regional Rural Banks.
39. Mention the features of SHGs.
40. What are the requirements for Rural Development?

**PART - IV**

**Note: Answer all the questions.**

**7×5=35**

41. (a) Explain the role of SSIs in economic development. (OR)
- (b) Describe the performance of five year plans in India.
42. (a) Briefly explain about Human development Report 2016 (OR)
- (b) What are the problems of British Rule in India?
43. (a) Explain the objectives and characteristics of SEZs. (OR)
- (b) Describe the salient features of EXIM policy (2015 - 2020)
44. (a) Explain about Agrarian Crisis after reforms. (OR)
- (b) Discuss the Arguments in favour of LPG ?
45. (a) The features of Rural Economy are peculiar'- Argue. (OR)
- (b) Discuss the problems of Rural Economy.
46. (a) What are the problem in Agree ? (OR)
- (b) What are the causes of Rural Poverty?
47. (a) Describe the quantitative aspects of population. (OR)
- (b) Explain the public transport system in Tamil Nadu.



## PART -I

## Economics

## ANSWER ALL THE QUESTIONS

1. Who is the father of economics?  
a) Paul samuelson      b) Max muller      c) Adam smith      d) Karl marx
2. Marginal utility is measured by using the formula of  
a)  $TU_n + TU_{n+1}$       b)  $TU_n + TU_{n-1}$       c)  $TU_n - TU_{n+1}$       d)  $TU_n + TU_{n-1}$
3. The indifference curves are  
a) Negatively slope      b) Vertical      c) horizontal      d) Positively sloped
4. The short run production is studied through  
a) Law of demand      b) The law of returns to scale  
c) The law of variable proportions      d) Iso quants
5. Modern economists have propounded the law of  
a) Variable proportions      b) Increasing returns      c) Decreasing returns      d) constant returns
6. Revenue received from the sale of products is known as \_\_\_\_\_ revenue  
a) Marginal      b) profit      c) total revenue      d) average
7. Perfect competition assumes  
a) Homogeneous goods      b) Luxury goods      c) Producer goods      d) Differentiated goods
8. Dumping refers to practice of the monopolistic charging higher price for his product in the local market and \_\_\_\_\_ in the foreign market  
a) no price      b) higher price      c) lower price      d) equal price
9. Residual claimant theory is propounded by  
a) Knight      b) Keynes      c) Walker      d) Hawley
10. Quasi Rent is the income derived from machines and other appliances made by man Whose quote is this?  
a) J S Mill      b) Joan Robinson      c) Alfred Marshall      d) Adam smith
11. Year of small divide  
a) 1975      b) 1951      c) 1961      d) 1971
12. The basic objective of sixth five year plan was  
a) Growth with justice and equality      b) Agricultural development  
c) Poverty eradication      d) industrial development
13. The arguments against LPG is  
a) modernization      b) economic growth      c) More investment      d) Disparities among people and regions
14. The triple pillar of new economic policy are  
a) GST      b) LPG      c) PSU      d) SEZ
15. Identify the advantages of rural roads  
a) Rural development      b) Rural marketing      c) Rural employment      d) all the above
16. In which year SHG bank linked programme started?  
a) 2010      b) 2009      c) 1992      d) 1991
17. The largest contribution to GSDP in tamilnadu comes from  
a) service      b) Agriculture      c) industry      d) mining
18. Chennai is called as  
a) Detroit of asia      b) Detroit of india      c) Detroit of Tamil nadu      d) Detroit of South india
19. Integration is the reverse process of  
a) Differentiation      b) Difference      c) Mixing      d) Amalgamation
20. PPT stands for  
a) Perform point presentation      b) Primary point presentation  
c) Power point presentation      d) physical point presentation

**ANSWER ANY SEVEN QUESTIONS Q NO 30 IS COMPULSORY**

21. What are the goods? name the kinds of goods.
22. State the meaning of indifference curves and elasticity of demand.
23. What is Implicit and explicit cost?
24. What is selling cost?
25. What is meant by distribution? what are its kinds?
26. Give a short note on sens choice of technique?
27. Define PQLI
28. State the meaning of privatization
29. Name any three poverty eradication schemes with year of launching
30. What are the formulae for estimating marginal cost and marginal product?

**Part =III**

31. What are the important features of utility?
32. Explain the theory of Consumer surplus?
33. What are the functions of entrepreneur?
34. How is cobb douglas production function express?
35. State the features of duopoly?
36. Write a note on risk bearing theory of profit?
37. State the doctrine of trusteeship?
38. What is national rural health mission?
39. What are the indicators of human development index?
40. What are the indicators of human development index?

**Part – IV****ANSWER ALL THE QUESTIONS**

41. a)Elaborate the nature and scope of economics. (OR)  
b)Explain the sub divisions of economics.
42. a)Explain the law of equi marginal utility. (OR)  
b)Explain the sectoral contribution of Tamilnadu.
43. a)Illustrate Price and Output determination under Monopoly. (OR)  
b)Elucidate the loanable funds theory of interest.
44. a)Explain the strong features of Indian economy. (OR)  
b)Elaborate the land tenure systems in india.
45. a)Explain the role of SSIs in economic development. (OR)  
b)Explain the arguments against LPG
46. a)The features of rural economy are peculiar .Argue. (OR)  
b)Explain the tourism and Transport system in tamilnadu.
47. a)If the total cost  $= 10 + Q^3$  ,find AC,AVC ,TFC,AFC,when  $Q=5$  (OR)  
b)Find the value of x and y in the equations by using cramer s rule . $x+3y=1$  and  $3x-2y=14$ .



# ALL THE BEST

**AVAILABLE DHOSTH MLMS**

| S.NO | SUBJECTS<br>(FOR ENGLISH MEDIUM) | பாடங்கள்<br>(தமிழ் வழி) |
|------|----------------------------------|-------------------------|
| 1    | TAMIL - தமிழ்                    | தமிழ்                   |
| 2    | ENGLISH                          | ஆங்கிலம்                |
| 3    | GENERAL MATHS                    | கணிதவியல்               |
| 4    | BUSINESS MATHS                   | வணிகக் கணிதம்           |
| 5    | PHYSICS                          | இயற்பியல்               |
| 6    | CHEMISTRY                        | வேதியியல்               |
| 7    | BIO - BOTONY                     | உயிர் - தாவரவியல்       |
| 8    | BIO - ZOOLOGY                    | உயிர் - விலங்கிலயல்     |
| 9    | BIOLOGY                          | உயிரியல்                |
| 10   | COMMERCE                         | வணிகவியல்               |
| 11   | ACCOUNTANCY                      | கணக்குப் பதிவியல்       |
| 12   | ECONOMICS                        | பொருளியல்               |
| 13   | COMPUTER SCIENCE                 | கணினி அறிவியல்          |
| 14   | COMPUTER APPLICATION             | கணினிப் பயன்பாடுகள்     |
| 15   | COMPUTER TECHNOLOGY              | கணினி தொழில் நுட்பம்    |
| 16   | HISTORY                          | வரலாறு                  |
| 17   | COMMUNICATIVE ENGLISH            | சிறப்புத் தமிழ்         |
| 18   | STATISTICS                       | புள்ளியியல்             |
| 19   | GEOGRAPHY                        | புவியியல்               |
| 20   | POLITICAL SCIENCE                | அரசியல் அறிவியல்        |