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ECONOMICS

XI



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**THE EASIEST MADE SUPPORTIVE MATERIAL FOR +1 ECONOMICS
(Mainly for average and below average students but very useful for all)**

Instructions :

PART-A

(Objective type – One Mark from Question No.1 to 20)

1. Just make students to **remember only keywords** in the questions and right answers which are typed in bold letters and underlined.
2. Get thorough **practice through oral and written tests** till you satisfy that they can answer confidently.

PART-B

(Short Answers – 2 Marks from Question No.21 to 30 – 7 out of 10, 30th question is compulsory)

1. **Any nine lessons** from the given lessons, make them read as many lessons as they can one after another.

PART-C

(Paragraph Answers-3 Marks from Question No.31 to 40 7 out of 10, 40th question is compulsory)

1. Make them **read only sub-headings**.
2. **Any nine lessons** are more than sufficient.

Note : Part-A, Part-B and Part- C are very must

PART-D

Essay Type-5 Marks

(This part is optional from Question No.41 to 47 Internal choice pattern i.e., a or b under the same question)

1. Make them **read alternative lessons** that is (1, 3, 5, 7...) or (2, 4, 6,8,)
2. This formula probably works out since this section is of internal choice pattern.
3. **Only sub-headings to be read.**

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1. INTRODUCTION TO MICRO-ECONOMICS**• What is meant by Economics?**

Economics means management of households.

1. Define Micro-Economics .

It is the study of individual economic unit behaviour.

2. What are goods?

- In Economics, all things that have value and satisfy human wants are called goods (i.e goods and services)

3. Distinguish goods from services.

- Goods are tangible i.e *it can be seen, touched.*
- Transferred but services *can't be seen, touched and transferred.*

4. Name any two types of utility.

- Form Utility
- Time Utility

5. Define positive Economics.

- Economics as a positive science explains "What is".
- That is cause and effect relationship between economic variables.
- *It does not pass any value judgement.*

6. Give the meaning of deductive method.

- It is also known as **analytical or abstract method** (i.e. Not from the real).
- **Logic** starts from **the General to particular.**

2. CONSUMPTION ANALYSIS**1. Define utility**

Want satisfying power of goods and services in known as utility .

2. Mention the classification of wants.

- Necessaries
- Comforts
- Luxuries

3. Name the basic approaches to consumer behaviour.

Cardinal Analysis & Ordinal Analysis

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

- Perfectly elastic demand
- Perfectly inelastic demand
- Elastic demand
- Inelastic demand
- Unitary Elastic Demand.

5. State the meaning of indifference curves

- It means all those combinations of any two goods which give equal satisfaction.

6. Write the formula for consumer surplus.

Consumer surplus = potential price – Actual price.

7. What are Giffen goods? Why?

- Giffen goods are inferior goods are an exception to the law of demand.
- when the price of an inferior good falls, the poor will buy less and vice-versa.



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3. PRODUCTION ANALYSIS

- 1. Classify the factors of production**
 - *Primary factors of Production* (Land, Labour)
 - *Secondary factors of production* (capital, organization)
- 2. Define Labour**
 - Labour refers to any work undertaken for securing an income or reward.
- 3. State the production function .**
 - Technological relationship between inputs and output.
- 4. Define marginal product of a factor**
 - It is an 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?**
 - Iso-cost line represents different combinations of inputs which shows the same amount of cost.
- 6. What are the conditions for producer's equilibrium?**
 - The Iso – cost line must be tangent to Iso – quant curve.
 - At the point of tangency Iso-quant curve must be convex to the origin or $MRTS_{LK}$ must be declining.
- 7. What are reasons for upward sloping supply curve?**
 - As the price and supply of commodity are positively related supply curve slopes upward.

4. COST AND REVENUE ANALYSIS

- 1. Define cost**

It refers to expenses incurred in the production of commodity.
- 2. Define cost function.**

The functional relationship between cost and output is expressed as cost function.

$C = f(Q)$ where C = Cost 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.
 - Ex: rent of the factory, Watchman wages etc.
- 4. Define Revenue.**
 - It means sales revenue.
 - The amount of money that a producer receives in exchange for the sale of goods.
- 5. Explicit cost – Define .**
 - It refers to out of pocket expenses or money cost or accounting costs.
 - They are the payments made to others.
- 6. Give the definition for Real cost.**

It refers to the payment made to compensate the efforts, pains and sacrifices of all factor owners for their services in production.
- 7. What is meant by sunk cost?**

It refers to the cost incurred in the past that can't be recovered in the future.



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5.MARKET STRUCTURE AND PRICING

1. Define Market

Market refers to a system of exchange between the buyers and sellers of a commodity.

2. Who is a price – taker?

A firm in the competitive market is a price – taker.

3. Point out the essential features of pure competition.

1. Large member of buyers and sellers
2. Homogeneous product and uniform price
3. Free entry and exit

4. What is selling cost?

Cost incurred for sales promotion
Ex. Advertisement in Newspapers, Cinemas, TV's etc.,

5. Mention any two types of price discrimination.

- First degree price discrimination (Perfect price discrimination)
- Second degree price discrimination (imperfect price discrimination)

6. Define Excess capacity

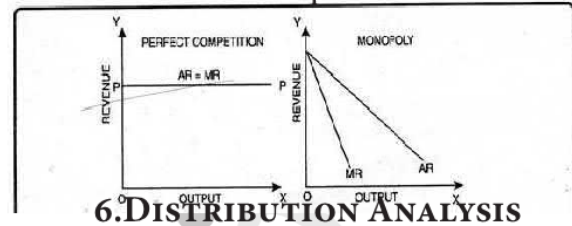
- In the long run, monopolistic firm produces output at less than optimum output wantedly to create artificial and to rise price. It leads to excess capacity (unused capacity)

7. Draw demand curve of a firm for the following.

Perfect Competition : Demand curve is horizontal straight line parallel to X-axis

Monopoly :

Demand curve – slopes down ward



6.DISTRIBUTION ANALYSIS

1. What is meant by distribution?

- It means division of income among the four factors of production in terms of rent to land, wage to labour, interest to capital and profit to entrepreneurs.

2. Mention types of distribution

1. Personal distribution
2. Functional distribution

3. Define Rent

Rent is the reward for the use of land

4. What do you mean by interest?

Interest is the price paid for the use of capital

5. What is profit?

Profit is the reward for organization or entrepreneurship.

6. State the meaning of liquidity preference.

It is the preference of the people to hold wealth in form of cash than other forms.

7. Distinguish between real and money wages.

Money wages (Nominal wages) here wages are paid in money term.

Real wages : It is the wages paid in term of goods and services. It is the purchasing power of money wages.



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7. INDIAN ECONOMY

1. Write the meaning of Economics Growth.

- Economic Growth is measured by national income indicated by GDP.
- It is the total monetary value of goods and services produced in a year by that Country.

2. State any two features of developed Economy

- High National Income
- High per capital income (PCI)

3. Write the short note on natural resources.

- Goods and services provided by the nature.
- In other words any stock or reserve that can be drawn from nature.

4. Point out any one feature of Indian Economy.

- Agriculture plays an important role in our Economy with main source of livelihood to the majority of people with 17% of our GDP.

5. Give the meaning of Non-renewable energy.

- Resources that are exhaustive and cannot be regenerated.

6. Give a short note on the choice of Technique.

To him, in a labour surplus economy, generation of employment cannot be increased at the initial stage by the adoption of capital – intensive technique.

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

- Uneconomic holding with sub division and fragmentation
- Excess population pressure on agriculture without alternative
- Scarcity of water for crops

8. INDIAN ECONOMY BEFORE AND AFTER INDEPENDENCE

1. What are the phases of colonial exploitation of India?

Three phases of colonial exploitation of India are:

1. Period of merchant capital
2. Period of Industrial Capital
3. Period of finance capital.

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

- Zamindari system
- Mahalwari system,
- Ryotwari system

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

1. Who owns the land
2. Who cultivates the land
3. Who is responsible for paying the land revenue to the Government.



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4. List out the weaknesses on green revolution

1. It is still a gamble of monsoon.
2. Strategy needs heavy investment in seeds, fertilizers, pesticides and water.
3. Gap between large marginal and small farmer has increased.

5. What are the objectives of tenth five plan?

- To double the per capita income of India in the next 10 years
- To reduce the poverty ratio to 15% by 2012.

6. What is the difference between HDI and PQLI?

- The main difference between the two is inclusion of Income in HDI and exclusion of Income from PQLI.
- HDI represents both physical and financial attributes of development of PQLI has only physical aspect of life

7. Mention the indicators which are used to calculate HDI

- Longevity
- Educational attainment
- Standard of living.



9. DEVELOPMENT EXPERIENCES IN INDIA

1. Why was structural reform Implemented in Indian Economy.

- To correct a severe economic crisis in the form of serious balance of payment problem.
- To Correct the weaknesses and rigidities in the various sectors of economy.

2. State the reasons for implementing LPG

- **Liberalisation** supports the growth of the economy.
- **Privatization** creates enough employment opportunities to earn more money.
- **Globalisation** integrates all economies of the world and redistributes economic power.

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 (PSU's) to other PSU'S or private sector or banks.*

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

- Reduction in fertilizer subsidy
- abolition of subsidy on sugar and
- disinvestment of a part of the gov-



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ernment's equity holdings in select public sector undertakings.

6. State the meaning of special economic zones.

- It is an area in which the business and trade laws are different from the rest of country mainly aiming at increasing trade, investment and job creation.

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

- Mega food parks
- integrated cold chain value
- addition preservation infrastructure
- Modernization of slaughter house.

10.RURAL ECONOMICS

1. Define Rural Economy.

Rural Economy refers to villages and rural community referring people living in village with their economic activities.

2. What do you mean by rural development?

Rural development is a process of improving the rural areas, rural people

3. Rural Poverty – define.

It is the situation of a individual failing to earn sufficient income to buy the basic minimum of subsistence.

4. Define open unemployment.

Unemployed persons are identified as they remain without work.

5. What is meant by disguised unemployment.

Disguised unemployment refers to people employed in excess, over and above the requirement.

6. Define cottage industry.

Cottage industries are generally associated with agriculture and provide both part – time and full-time jobs in rural areas

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 rise of nuclear families
- 2. sewage facilities

9. Define rural electrification.

It refers to providing electric power to rural areas

10. State two factors hindering rural electrification in India

- Lack of funds
- Inter-state disputes
- Uneven terrain



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11. TAMIL NADU ECONOMY**1. State any two districts / states with favorable sex ratio indicate ratios.**

- Two districts – Dindigal and Coimbatore with 100% sex ratio each.

2. Define GSDP explain GSDP in Tamil Nadu.

- Money value of goods and services produced annually.

3. Mention any four crops which are favorable to Tamil Nadu.

- Rice, Maize, Cumbu, Groundnut, oilseeds, cotton, sugarcane etc.,

4. What are the major ports in Tamil Nadu?

- Chennai,
- Ennore,
- Tuticorin.

5. What is heritage tourism.

- Tourism with rich heritage attraction
- ex. Chennai, Museum, Mahabalipuram, Rockcuts,

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

- Kalpakkam nuclear power plant
- Koodankulam nuclear power plant.

7. Define Micro Industry.

- Enterprise with capital investment above 25 lakhs but below 10 crores.

PART – C**1. INTRODUCTION TO MICRO-ECONOMICS****1. Explain the scarcity definition of Economics and assess it.**

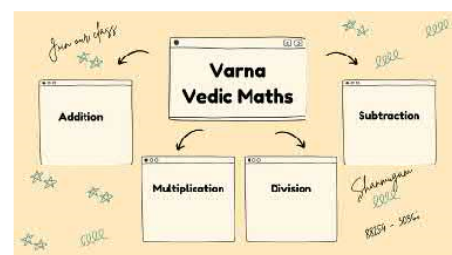
According to Lionel Robbins, “*Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses.*”

This definition is based on the following facts.

- Ends/wants are unlimited but differ in importance.
- Means/resources are limited with alternative uses.
- It means that resources are scarce in relation to wants, by that time how man makes efficient use of available resources to satisfy human wants to its best.

2. What are the crucial decision involving “what is produced”?

- Whether to produce more necessaries or luxuries.
- Whether to have more agricultural products or industrial products.
- Whether to use more resources on health & education or military goods.





WHY VEDIC MATHS?

- Many Indian Secondary School students consider Mathematics a very difficult subject.
- Some students encounter difficulty with basic arithmetical operations.
- Some students feel it difficult to manipulate symbols and balance equations.
- In other words, abstract and logical reasoning is their hurdle.



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3. Explain different type of economic activities.

An Economy is a system that provides people with the means to work and earn a living in the process of production.

We can divide Economic activities into **three sectors** like,

1. Primary Sector (Agricultural)
2. Secondary sector (industrial)
3. Tertiary sector (service sector).

1. Primary Sector:

- People use energy in land and produce agricultural products becomes sources of their livelihood.
- People take relevant activities like, cattle rearing, poultry farming, mining, horticultural etc. income in this sector.

2. Secondary Sector:

- People involve strictly in producing industrial goods.

3. Tertiary Sector:

- Services help both agricultural and Industrial Sector like Education, health, transport, banking services etc.



4. Elucidate different features of services.

Four features of services are,

1. **Intangible:** Intangible things are not physical objects but exist in connection to other things.

For Example: Brand Image, Goodwill etc.

2. **Heterogeneous:** A single type services yields multiple experiences

For Example: Music etc.

3. **Inseparable from their makers**

Services are inextricably connected to their makers.

For Example: Labour

4. **Perishable :** Services cannot be stored as inventories.

For Example: Cricket Match

5. What are the importance features of utility?

- Utility is psychological:

It depends on mental attitude.

- Utility is not equivalent to usefulness:

For example, a smoker derives utility from a cigarette, but his health gets affected.

- Utility is not the same as pleasure:

Patient get medicines to cure his disease, but it is not happy for him.

- Utility is personal and relative:

Utility vary from place and situation.

- Utility is subjective:

It depends on mental attitude.

It has no ethical or moral significance.



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Distinguish between micro economics and macro economics.

| No | Micro Economics | Macro Exonomics |
|----|--|--|
| 1 | Micro means small | Macro means large |
| 2 | Micro Economics is the study of individuals of individuals house-holds, 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. | Income theory. |
| 5 | Alfred Marshall is the father of micro economics. | J.M. Keynes is the father of macro economics |

7. Compare positive economics and normative economics.

| No | Positive Economics | Normative Economics |
|----|---|---|
| 1 | Positive science deals with 'what it is' | Normative science concerned with 'what ought to be'. |
| 2 | 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. |
| 3 | Positive science would be looked into why and how? | Normative science it would be seen whether good or bad |

LESSON - 02. CONSUMPTION ANALYSIS.

1. Mention the relationship between marginal utility and total utility.

| No | MARGINAL UTILITY | TOTAL UTILITY |
|----|---|---|
| 1 | Marginal utility is the addition made to the total utility by consuming <u>one more unit of a commodity</u> ($MU_n = TU_n - TU_{n-1}$) | Total utility refer to the <u>sum of utilities</u> of all units of a commodity consumed ($TU = \sum MU$) |
| 2 | It decline | It increases |
| 3 | It reaches zero | It reaches maximum |
| 4 | It becomes negative | It declines |



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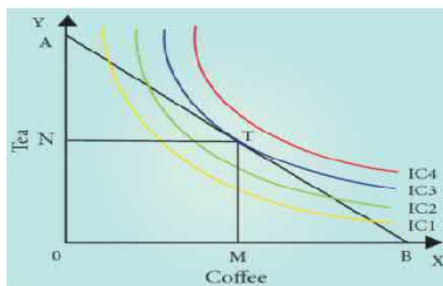
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2. Explain the concept of consumer's equilibrium with a diagram.

- Consumer equilibrium mean it is state of rest/balance..
- At this point consumer gets maximum satisfaction.
- A Consumer spends amount that he has till marginal utility becomes equal to price.

Consumer Equilibrium :

$$MRS_{xy} = P_x / P_y.$$



Explanation:

- 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}
- the slope of AB (Budget Line) refers to ratio of price of X to price of Y ie P_x/P_y .
- Therefore $MRS_{x,y} = P_x/P_y$.

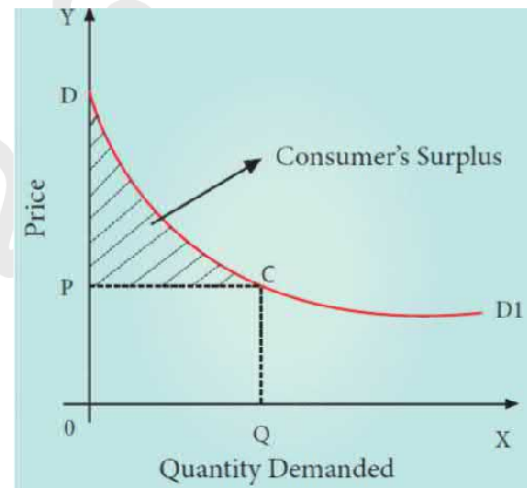
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3. Explain the theory of “consumer's surplus”

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

$$\text{Consumer's surplus} = TU - (P \times Q)$$

Diagram :



Explanation:

- X axis shows the amount demanded
- Y axis represents the price.
- D,D1 shows the utility which the consumer derives from the purchase of different amounts of commodity.
- When price is OP, the amount demanded is OQ.
- Hence, actual price is OPCQ (OP x OQ).
- Potential Price (Total Utility) is ODCQ.



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4. 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.

3. PRODUCTION ANALYSIS

1. What are the characteristics of land?

1. Primary factor of production.
2. Passive factor of production.
3. Free gift of Nature.
4. No cost of production.
5. Fixed in supply.
6. Permanent.
7. Immovable.
8. Land is heterogeneous as it differs in fertility.
9. Land has alternative uses.

2. What are the factors governing elasticity of supply?

1. Nature of the commodity:

Durables have high elasticity but Perishable have low elasticity of supply.

2. Cost of production:

Cost of factors production decide the level of supply

3. Technical condition:

It capital investment and technology is less and simple, supply can be increased or else vice-versa.

4. Time factor:

During very short period when

supply cannot be adjusted, elasticity of demand is very low.

3. What are the functions of Entrepreneur?

1. **Initiation:** An organizer is the initiator of the business,
2. **Innovation:** A successful entrepreneur is always an innovator.
3. **Coordination:** An organizer applies a particular combination of the factors of production
4. **Control, Direction and Supervision:** An organiser controls so that nothing prevents the organisation from achieving its goal.
5. **Risk-taking and Uncertainty-bearing:** There are risk-bearing and uncertainty-bearing obstacles.

4. State the Cobb-Douglas Production Function.

Cobb-Douglas Production Function is specific standard equation applied to describe how much output can be made with capital and labour inputs.

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 α and β are positive fractions showing, the elasticity coefficients of outputs for the inputs labor and capital, respectively.



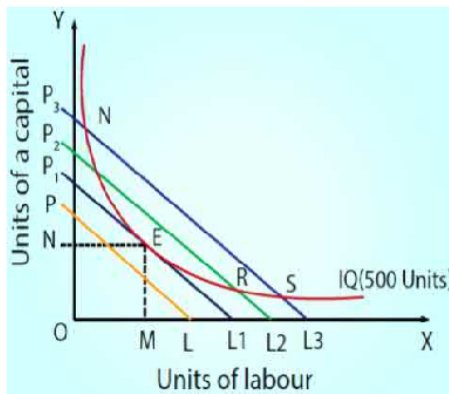
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- i) $(\alpha + \beta) = 1$, constant returns to scale.
- ii) $(\alpha + \beta) < 1$, diminishing returns to scale.
- iii) $(\alpha + \beta) > 1$, increasing returns to scale.

5. Illustrate the concept of Producer's Equilibrium

Conditions for Producer Equilibrium

1. The iso-cost line must be tangent to iso-quant curve.
2. At point of tangency, the iso-quant curve must be convex to the origin or $MRTSLK$ must be declining



1. At point E, the firm employs OM units of labour and ON units of capital.
2. 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.

4 COST AND REVENUE ANALYSIS

1. Define opportunity cost and provide an example.

- It refers to the cost of **next best alternative use.**
- It is *the value of the next best alternative foregone.*
- **For example,** a farmer can cultivate both paddy and sugarcane in a farm land.
- If he cultivates paddy, the opportunity cost of paddy output is the amount of sugarcane output given up.

2. Write a short note on Marginal Revenue.

- The total revenue by the **sale of an additional unit of a commodity.**
- MR can be found out by **dividing** change in total revenue by the change in quantity sold out.

$$MR = \Delta TR / \Delta Q$$

Where,

- **MR** denotes Marginal Revenue,
- ΔTR denotes change in Total Revenue
- ΔQ denotes change in total quantity.

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



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3. Distinguish between fixed cost and variable cost.

| No. | Fixed Cost | Variable Cost |
|-----|--|--|
| 1 | Do not change with the change in output. | Change directly with the change in output. |
| 2 | It is Short run concept | It is a short run and long run concept. |
| 3 | It is related to the fixed factors . | It is related to the variable factors . |
| 4 | For example, <ul style="list-style-type: none"> Rent of the factory, Watchman's wages, | Examples of variable costs are: <ul style="list-style-type: none"> cost of labour, cost of raw materials, fuel, Power cost, etc., |

4. State the differences between money cost and real cost.

| | Money Cost | Real Cost |
|---|---|---|
| 1 | Expenses incurred in the form of money for the purchase of inputs | Payment made to compensate the <i>efforts and sacrifices</i> for the factor owners. |
| 2 | 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 |

5. Distinguish between explicit cost and implicit cost.

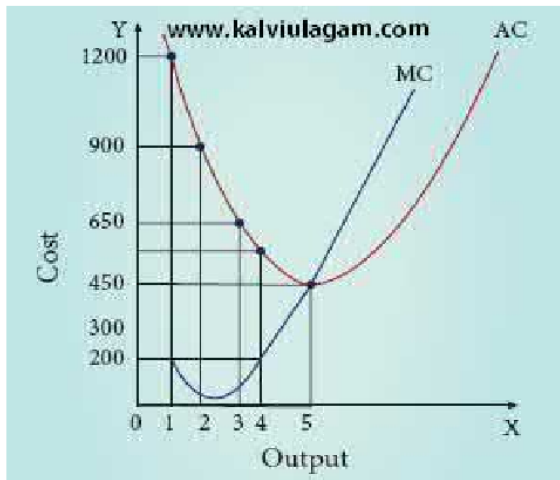
| | Explicit Cost | Implicit cost. |
|---|---|--|
| 1 | Payment made for the purchase of factors of production | Payment made to the use of resources of the firms own self owned, self employed resources. |
| 2 | It refers to the actual expenditures of the firm to purchase or hire the inputs the firm needs. | In simple terms, Implicit Cost refers to the imputed cost of a firm's self-owned and self-employed resources. |
| 3 | Explicit cost includes, <i>i) wages, ii) payment for raw material.</i> | A firm or producer may use his own land, building, machinery, car and other factors in the process of production. |



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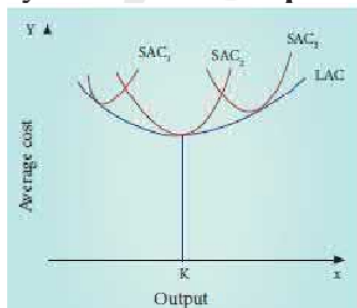
6. State the relationship between AC and MC.



1. When AC is **falling**, MC lies **below AC**.
2. When AC becomes **constant**, MC also becomes **equal** to it.
3. When AC starts **increasing**, MC lies **above** the AC.
4. MC curve always cuts AC at its **minimum point** from below.

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

- In the long run all factors of production become variable.
- (LAC) is equal to long run total costs divided by **the level of output**.



$$\underline{LAC = LTC/Q}$$

where,

- **LAC** denotes Long-Run Average Cost,

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- **LTC** denotes Long-run Total Cost
- **Q** denotes the quantity of output.
- The LAC curve is derived from short-run average cost curves.
- It is the locus of points denoting the least cost curve of producing the corresponding output.
- The LAC curve is called as '**Plant Curve**' or '**Boat shape Curve**' or '**Planning Curve**' or '**Envelope Curve**'.

5 MARKET STRUCTURE AND PRICING

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.

Perfect competition:

- Homogeneous product and uniform price.
- **Free entry and exit.**
- Absence of transport cost.
- Perfect mobility of factors of production.

Features of Monopoly:

- There is a strict barrier to entry of any new firm.
- The monopolist is a price-maker.
- The monopolist earns maximum profit / abnormal profit.

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3. Describe the degrees of price discrimination.

Price discrimination has become widespread in almost all monopoly markets.

(i) First-degree price discrimination:

1. A monopolist charges the maximum price that a buyer is willing to pay.
2. This is called as perfect price discrimination.

(ii) Second-degree price discrimination:

1. Buyers are charged prices in such a way that a part of their consumer's surplus is taken away by seller and buyers are divided into different groups and a different price is charged for each group.
2. This is called as imperfect price discrimination.

(iii) Third-degree price discrimination:

1. The monopolist splits the entire market into a few sub-market and charges different price based on age, sex and location.
2. For Example, Railway charges lower fares from senior citizens.

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

1. Cost incurred for sales promotion and to compare the market is known as selling cost.
2. This expenditure involved in selling the product is called selling cost.
3. **Ex:** Advertisement for a product in cine Theater's,

Newspapers, TV's through popular cine stars etc.,

5. 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. There is no product differentiation.
5. They fix the price for their product with a view to maximising their profit.



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6. 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 | Abnormal profit in short-run, Normal profit in long-run |
| Quantity | Very large | Substantial |

7. Differentiate between 'firm' and 'industry'.

| | 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 producing cement) |

6 DISTRIBUTION ANALYSIS

1. Distinguish between rent and quasi-rent.

| Rent | Quasi - Rent |
|--------------------------------------|---|
| Rent accrues to land | Quasi -Rent accrues to man made appliances. |
| The supply of land is fixed for ever | The supply of man made appliances is fixed for a short period only. |
| It enters into price. | It does not enter into price. |

2. What are the motives of demand for money?

1. The Transaction Motive : Cash in hand to meet day to day expenses.

$$M_t = f(y)$$

2. The Precautionary Motive: Cash in hand to meet unexpected Expenses like Sickness, accident etc., $M_p = f(y)$

3. The Speculative Motive: Cash in hand for commercial (Profit Motive) purpose. $M_s = f(i).$



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3. List out the kinds of wages.

1. Nominal Wages or Money Wages.

Nominal wages are referred to the wages paid in terms of money.

2. Real Wages

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

3. Piece Wages

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

4. Time Wages

Wages that are paid on the basis of the amount of time.

4. Briefly explain the Subsistence Theory of Wages.

- It's one of the oldest theories of wages.
- Subsistence means the minimum amount of food, clothing and shelter which workers and their family require for existence.
- If workers are paid higher wages than the subsistence level it will increase the workers it leads to reduced the wages.
- If the wages are lower than the subsistence level, the supply of labour falls and wages increases.

Criticisms :

1. This theory **ignored** the role of trade unions in collective bargaining.
2. It **does not explain** the differences in wages in different occupations.

5. State the Dynamic Theory of profit.

1. **Prof. Clark** is the author of this theory.
2. **Profits** are the result of dynamic changes in society.
3. Clark has defined profits as the excess of the prices of goods over the cost of production.
4. Some of the important changes relate to the size of population, supply of capital, production techniques, industrial organization and human wants.
5. According to Clark, profit is the result of economic, dynamics and not of static.

Criticism:

- (i) This theory ignores the elements of risk taking, uncertainty, and innovation.
- (ii) It doesn't explain the monopoly profit

5. Describe briefly the Innovation Theory of Profit.

1. According to **Schumpeter**, profits are the reward for innovation.
2. An innovation is something more than an invention.
3. Innovation includes introduction of new goods, new method of production, open a new market, discovery of new raw materials.
4. Innovation is introduced by an entrepreneur.
5. Profit is the reward for dynamic changes in society.



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6. Write a note on Risk-bearing Theory of Profit.

1. According to F.B. Hawley, profit is the reward for “**risk-taking**” in business.
2. Risk taking and profit-making go together.
3. Entrepreneur has to take risk if to get profit, more the risk more the profit and the vice-versa.
4. He produces goods with an anticipation of demand. if he is right he gets profit or else loss.

Criticism:

- Risk theory ignores the elements of uncertainty, innovation and dynamic changes.
- It does not explain the monopoly profit.
- It fails to explain the quantum of profit

LESSON -07 INDIAN ECONOMY

1. Define Economic Development.

- Economic Development is indicated not just by GDP but also an increase in citizen’s quality of life or well being.
- The quality of life is being assessed by several indices such as,
 1. Human Development Index (HDI),
 2. Physical Quality of Life Index (PQLI)
 3. Gross National Happiness Index (GNHI).

2. State the B.R. Ambedkar Economic Ideas in agricultural economics.

1. In 1918 Ambedkar published a paper “Small holding in India and their remedies”
2. Citing Adam Smiths “Wealth of Nations” he made a fine distinction between “Consolidation of holding” and “Enlargement of holdings”.

3. Write the short note on village sarvodaya.

Village Sarvodaya :

1. According to Gandhi, “Real India was to be found in villages and not in towns or cities”.
2. So he suggested the development of **self-sufficient and self-dependent** villages.

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

1. Jawaharlal Nehru was responsible for the **introduction of planning** in our country.
2. His strategy is essentially an **integrated approach** for development.
3. To him, the essence of planning is to find the best way to utilize all resources of man power, of money and so on.
4. Nehru carried through this basic strategy of planned development.

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

1. Rao’s examination of the **inter-relation between investment, income and multiplier in an under developed economy (1952).**



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2. This was his major contribution to macro economic theory.
3. Rao was a thinker, teacher, economic adviser and direct policy maker.
4. Rao followed the footsteps of his great teacher J .M. Keynes.

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

1. Amartya Sen was awarded the nobel prize “for his contributions to welfare economics”.
2. Social choice theory.
3. Development Economics.
4. Study on poverty and famines and concept of entitlement and capability development (1998).
 - **Poverty and famine :** He studied poverty and famine in an original Angle and drew attention to incidence of absolute and relative deprivation.
 - **Poverty and inequality:** Distribution of consumption / income among the persons below poverty line is to be taken into account
 - **Concept of capability:** Well being is the better index than commodities or utilities.
 - **Entitlement:** He stressed provision of items like nutrition, food, medical health care, employment, food security to avoid poverty and famines.

7. Explain social infrastructure.

1. Social infrastructure refers to those structures which are *im-*

proving the quality of manpower and contribute indirectly towards the growth of an economy.

2. The development of these social structures help in *increasing the efficiency and productivity of man power.*
3. For examples schools, colleges, hospitals and other civic amenities.
4. It is a fact that one of the reasons for the low productivity of Indian workers is the lack of development of social infrastructure.

8 INDIAN ECONOMY BEFORE AND AFTER INDEPENDENCE

1. Explain about the Period of Merchant Capital.

1. The period of merchant capital was from **1757 - 1813**.
2. The only **aim** is *to earn profit* by monopoly trade in the goods with India and East India's.
3. India was their best hunting ground to develop Industrial capitalism in Britain.

2. The Handicrafts declined in India in British Period. why?

1. **Discriminatory tariff** policy, the British government successfully *destroyed the demand for handicrafts.*
2. Indian products *couldn't complete* with machine - made products.
3. There is no one like nawab, kings to protect Indian handicrafts.
4. Introduction of railways in India increased the domestic market for the British goods.



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

(1) Zamindari system (or) Land lords :

- The land lords or the zamindars were declared as the owner of the land and responsible to pay land revenue to the Government.

(2) Mahalwari System :

- The ownership of the land was maintained by the collective body usually the villagers which served as a unit of a management.

(3) Ryotwari system or the owner cultivator system :

- The rights of ownership and control of land were held by the tiller.
- There was the direct relationship between owners.
- This system was the least oppressive system.

4. State the reasons for nationalization of commercial banks.

1. The main objective of the economic planning *aimed at social welfare.*
2. Commercial banks were in private sector failed to help to attain social welfare.
3. Therefore, the government decided to nationalize 14 major commercial banks.

5. Write any three objectives of Industrial Policy 1991.

(i) **Reform, Perform, Transforms** was

the objectives of industries policy of 1991.

(ii) **LPG** (Liberalization, Privatization, Globalization) was the way for rapid Industrial development.

(iii) **Easy and flexible policies** were introduced for high growth of GDP. employment opportunities, foreign trade.

6. Give a note a Twelfth Five Year Plan.

(i) This plan aimed to double the per capital income of India in the next 10 years.

(ii) To reduce the poverty ratio of 15% by 2012.

(iii) Its growth target was 8.0% but it achieved only 7.2%.

54. What is PQLI?

- PQLI is a measure to calculate, the quality of life (well being of a country).
- Morris D Morris developed physical quality of life Index (PQLI)
- 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.
- Number 1 represents the **worst performance** by any country.
- 100 is the **best performance**.



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9 DEVELOPMENT EXPERIENCES **IN INDIA**

1. How do you justify the merits of Privatisation?

1. Privatization helps to produce goods qualitatively and cheaply.
2. It helps to create employment opportunities.
3. Increases standard of living and growth of the economy.

2. What are the measures taken towards Globalization?

- Import liberalization through reduction of tariff and non tariff barriers.
- Opening the doors to foreign direct investment.
- Foreign direct investment (FDI) and Foreign portfolio Investment (FPI) are some of the measures towards globalization.

3. Write a note on Foreign investment policy

- Red carpet welcomes to foreign investment and foreign technology.
- Foreign investment including FDI and FPI were allowed.
- In 1991 the government announced a specific list of high technology and high investment priority industries.
- Foreign Investment Promotion Board (FIPB) has been setup to negotiate with international firms and approve direct foreign investment in select areas.

4. Give short note on Cold storage.

- India is the largest producer of fruits and second largest producer of vegetables in the world.
- With a view to increase per capita availability of fruits and vegetables by protecting from post-harvest losses cold storage order 1964 was passed.
- To stop perishability of fruits and vegetables by which high marketing costs, market gluts price fluctuation can be avoided.
- It helps to protect quality of a sizable quantity on its transit to the market.

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

1. To promote public private partnership in the ambit of agriculture markets.
2. To provide market led extension services to farmer.
3. To ensure payments to the farmers for the sale of agricultural produces on the same day.
4. To promote agricultural activities.
5. To display data on arrivals and rates of agricultural produce from time to time into the market.

6. List out the features of new trade policy.

1. Free imports and exports
2. Rationalization of tari s structure and removal of quantitative restrictions.
3. Trading Houses
4. Export and Import policy.



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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.
- It's indirect tax on the purchase of goods and services at Single Point without cascading effect.

Advantages of GST :

1. Removing cascading tax effect.
2. Higher threshold for registration.
3. Composition scheme for small business.
4. Online simpler procedure
5. Define treatment for e-commerce.
6. Increased efficiency in logistics.
7. Controls unorganized sector.

10 RURAL ECONOMICS**1. State the importance of Rural Development.**

- As Indian lives in villages, its strength decides nation building
- It supports the urban sectors by way of supplying drinking water, food and raw materials.
- Development of agriculture and allied activities for gainful employment.
- Improvements in education, health and sanitation in villages can help avoid many urban problems namely begging, rick picking and road side slumming.
- In order to better utilise the unused and under-utilised resources.

2. Explain the causes for Rural Backwardness.

1. The distribution of land is highly skewed in rural areas.
2. Non-farm employment opportunities do not match the increasing labour force
3. The root cause of rural poverty in our country is lack of public sector investment on human resource development.
4. Steady increase in prices affects the purchasing power of the rural poor leading to rural poverty.
5. Low productivity of rural labour and farm activities is a cause as well as the effect of poverty.

3. Enumerate the remedial measures to Rural poverty.

1. Creation of employment opportunities.
2. To help the poor to become more productive.
3. Necessary changes in the economic structure as well as occupational structure.
4. Control the unproductive expenditures by villagers.
5. Effective implementation of assets.
6. Equitable distribution of credit to the rural farmers.

4. What are the remedial measures for Rural Unemployment?**Control on raising population:**

Rural people should be taught the benefits of smaller families.



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Subsidiary Occupation:

To reduce the seasonal unemployment and to adopt subsidiary occupations.

Technical Education:

Employment oriented courses should be introduced in schools and colleges.

Rural Industrialisation :

- New industries should be setup in the rural areas.
- Irrigation facilities should be expanded to enable the farmers to adopt multiple cropping.

65. Write a note on Regional Rural Banks.

- RRBs are recommended to develop rural economy by providing credit and other facilities particularly to the small and marginal farmers, agricultural labours and small entrepreneurs.
- There are setup with joint effort of Centre, State- Govt and Commercial Banks.
- RRB lending only to the weaker section and their lending rates are at par with prevailing rate of co-operative societies

66. 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.

67. List out the objectives of MUDRA Bank

1. To regulate the lender and the borrower of micro ,finance and bring stability to the micro finance system.
2. Extend finance and credit support to micro finance institution.
3. Provide structure guidelines for the borrowers to follow to avoid failure of the business.
4. Offer a credit guarantee scheme for providing guarantees to loans being offered to micro business.
5. Introduce appropriate technologies to assist in the process of efficient lending, borrowing and monitoring of distributed capital.

LESSON -11 TAMILNADU ECONOMY

1 The features of Rural Economy are peculiar – argue.

- 1. Village is an institution :**
Villages help to one another with a sense of unity.
- 2. Dependence on Agriculture:**
People depend agriculture and allied activities.



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3. Life of Rural People: Life style in villages is simple. Public services like education, housing, health transport, roads banks are very limited.

4. Population Density: Very low density as houses are scattered.

5. Employment: Here employment is less and least productive (disguised employment).

6. Poverty: It is the very feature with inability to purchase basic needs.

7. Rural Indebtedness

8. Rural Income

9. Dualism

10. Inequity

11. Migration

2. Analysis causes for Rural Indebtedness.

1. Poverty of farmers:

Vicious circle of poverty compels them to get loans at high rate of interest and get suffered.

2. Failure of Monsoon:

Monsoon failure hit much farmers to repay loan

3. Litigation:

Solving land disputes has become costly job loses their savings and assets too.

4. Money lenders and high Rate of Interests:

Compounding interest leads to perpetuate indebtedness of the farmers.

3. Discuss the problems of rural economy.

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1. People related problems:

Problems like low per capita income illiteracy low self confidence, blind, beliefs, low technical know now etc.

2. Agricultural Problems:

- small holding, sub-division and fragmentation of land-holding, storage of inputs, finance, marketing facilities.

3. Infra structural related problems:

- Poor infra-structure like water, electricity, Transport, health, education, employment etc.

4. Economic related problems:

- Can't adopt high cost technology, inputs, economic, indebtedness, uneven / hand distribution.

5. Leadership Related Problems:

Leadership with less-active incompetent, selfish, biased political will, low skills.

6. Administrative Problems:

- Political interference, lack of motivation and interest, low wages, improper utilization of budget, absence monitoring and implementation of rural development program.

1. What are the features of word processor?

The features of word processor are :

1. Document can be created, copied, edited and formatted.
2. Words and sentences can be inserted, changed or deleted.
3. Formatting can be applied.
4. Margins and Page size can be adjusted.
5. Spell check can be availed.

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