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**Subject:** Microeconomics (Class 11)

**Max Marks:** 30

**Document:** Answer Key & Marking Scheme

**Chapter:** Introduction to Microeconomics

## SECTION A: MULTIPLE CHOICE QUESTIONS (MARKING: 1 MARK EACH)

**Q1. Which of the following is a central problem of an economy?**

> **Correct Answer: (d) All of the above**
>
> *Explanation:* Every economy faces three basic central economic problems: What to produce, How to produce, and For whom to produce due to the scarcity of resources relative to human wants.

**Q2. Scarcity refers to a situation where:**

> **Correct Answer: (b) Demand for resources exceeds their supply**
>
> *Explanation:* Scarcity is the universal economic problem where the availability of resources is insufficient to satisfy all human wants ($Demand > Supply$).

**Q3. Microeconomics deals with the study of:**

> **Correct Answer: (c) Individual economic units like a firm or consumer**
>
> *Explanation:* Microeconomics looks at components of the economy at a granular level, analyzing how individual consumers, households, and firms make economic choices.

**Q4. The Production Possibility Curve (PPC) is concave to the origin because of:**

> **Correct Answer: (a) Increasing Marginal Opportunity Cost**
>
> *Explanation:* To produce an additional unit of one good, the economy must sacrifice increasing amounts of the alternative good because resources are specialized and not equally efficient in the production of all commodities.

## SECTION B: SHORT ANSWER QUESTIONS (MARKING: 3 MARKS EACH)

**Q5. Distinguish between Microeconomics and Macroeconomics. Give two examples of each.**

**Key Differences:**

- **Microeconomics:** Studies individual economic units (e.g., consumer behavior, pricing of a single product). *Examples:* Individual demand, Product pricing.
- **Macroeconomics:** Studies the economy as a whole (aggregates). *Examples:* National Income, Aggregate Supply, Unemployment rate.

*[Marking: 1 Mark for defining Micro, 1 Mark for Macro, 1 Mark for correct examples]*

**Q6. Explain the problem of "How to produce" with the help of suitable examples.**

This central problem relates to the choice of production technique. An economy can choose between:

1. **Labor-Intensive Technique (LIT):** Uses more labor relative to capital. Highly beneficial for economies like India to tackle unemployment.
2. **Capital-Intensive Technique (CIT):** Uses more machinery/capital relative to labor. It improves efficiency and production scale.

The choice depends on maximizing output while minimizing cost based on factor availability.

*[Marking: 1 Mark for identifying choice of technique, 1 Mark for explaining LIT vs CIT, 1 Mark for clarity/examples]*

**Q7. What is Marginal Opportunity Cost (MOC)? Explain how its behavior shapes the Production Possibility Curve.**

**Definition:** MOC is the ratio of loss of output of one good to the gain of output of another good when resources are shifted from one use to another. Formula: $MOC = \Delta Loss / \Delta Gain$.
**Behavior & Shape:** As resources are shifted, MOC tends to rise because resources are not equally efficient in all fields. An **increasing MOC** gives the PPC its characteristic **concave to the origin** shape.

*[Marking: 1 Mark for Definition/Formula, 2 Marks for linking increasing MOC behavior to a concave PPC shape]*

## SECTION C: LONG ANSWER QUESTIONS (MARKING: 4 MARKS EACH)

**Q8. Differentiate between Positive Economics and Normative Economics. Provide relevant examples to support your answer.**

| Basis | Positive Economics | Normative Economics |
|---|---|---|
| **Meaning** | Deals with "What is" or actual facts of the economy. | Deals with "What ought to be" or value judgments. |
| **Verification** | Can be verified empirically with data. | Cannot be verified as it represents pure opinions. |
| **Nature** | Objective and descriptive. | Subjective and prescriptive. |
| **Example** | "India's current inflation rate is 5.4%." | "The government should give direct cash transfers to reduce poverty." |

*[Marking: 1 Mark per distinct, accurate point of difference up to 4 marks]*

**Q9. An economy produces two goods: Guns and Butter. Calculate the MOC and comment on the shape.**

**(a) MOC Calculation Table:**

| Possibility | Guns (units) | Butter (units) | Marginal Opportunity Cost (MOC) $(\Delta Guns / \Delta Butter)$ |
|---|---|---|---|
| **A** | 15 | 0 | - |
| **B** | 14 | 1 | (15 - 14) / (1 - 0) = **1** |
| **C** | 12 | 2 | (14 - 12) / (2 - 1) = **2** |
| **D** | 9 | 3 | (12 - 9) / (3 - 2) = **3** |
| **E** | 5 | 4 | (9 - 5) / (4 - 3) = **4** |
| **F** | 0 | 5 | (5 - 0) / (5 - 4) = **5** |

**(b) Comment on Shape:**

Since the Marginal Opportunity Cost is continuously increasing (1, 2, 3, 4, 5) as we produce more units of butter, the resulting Production Possibility Curve (PPC) will be strictly **concave to the origin**.

*[Marking: 2 Marks for completing the accurate table calculations, 2 Marks for identifying the correct shape with justification]*

## SECTION D: CASE-BASED / ASSERTION-REASONING (MARKING: 4 MARKS)

**Q10. Assertion (A): A PPC can shift to the right. Reason (R): Clean India Mission, skill development programs, etc. increase productive capacity.**

> **Correct Answer:** **(a) Both (A) and (R) are true and (R) is the correct explanation of (A).**
>
> *Detailed Justification:* A rightward shift of the PPC signifies an increase in the maximum output capacity of the economy. Resource development initiatives like Skill India enhance the productivity/efficiency of labor, while clean-up and health initiatives prevent workdays from being lost, meaning the nation can produce more of both commodities with the same initial baseline populations.
>
> *[Marking: 2 Marks for selecting the correct option, 2 Marks for detailing structural alignment between resource expansion and rightward shifts]*

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~ End of Answer Key & Marking Scheme ~