MasterG.Net

CBSE COACHING CLASSES

Web: www.masterg.net
Call: +91 99107 25407

Subject: Microeconomics (Class 11)

Max Marks: 30

Document: Answer Key & Marking Scheme (Set B)

Chapter: Introduction to Microeconomics

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

Q1. Which of the following is an example of a normative statement?

> **Correct Answer:** **(b) The government should reduce taxes to help families.**
>
> *Explanation:* Normative statements involve value judgments, opinions, or ethical considerations ("what ought to be") rather than objective, verifiable facts.

Q2. An economy achieved economic growth. This will lead to:

> **Correct Answer:** **(c) An outward shift of the PPC**
>
> *Explanation:* Economic growth implies an expansion of total productive resources or advancement in technology, shifting the entire PPC boundary outward away from the origin.

Q3. What is the fundamental reason behind the existence of all economic problems?

> **Correct Answer:** **(d) Scarcity of resources and alternative uses**
>
> *Explanation:* If resources were abundant or had only a single use, no choice or optimization problems would exist. The intersection of limited capacity and alternative applications forces economic choices.

Q4. If the Marginal Opportunity Cost is constant, the shape of the PPC will be:

> **Correct Answer:** **(b) Downward-sloping straight line**
>
> *Explanation:* A constant MOC/MRT means that the exact same quantity of one good must be sacrificed to gain an extra unit of another good at every level of production, resulting in a fixed, uniform slope.

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

Q5. Explain the central problem of "For whom to produce". How does income distribution affect it?

> This problem concerns the distribution of the final goods and services generated within an economy. Goods are produced for those who possess the purchasing power to buy them.
> **Role of Income Distribution:** Purchasing power depends entirely on the distribution of national income among factors of production (rent, wages, interest, profit). An unequal distribution shifts production toward luxury goods for the rich, while a more egalitarian structure steers resource allocation toward essential goods for the general masses.
>
> *[Marking: 1.5 Marks for detailing the problem statement, 1.5 Marks for explaining the direct impact of distribution channels]*

Q6. "An economy always operates on the Production Possibility Curve." Defend or refute this statement with valid logic.

> The statement is **refuted**.
> An economy operates strictly *on* the PPC only when its existing resources are fully and efficiently utilized. In real-world scenarios, economies frequently experience structural unemployment, striking workers, or idle industrial units. Under these circumstances of underutilization or resource inefficiency, the economy operates at an attainable point **inside** the PPC boundary.
>
> *[Marking: 1 Mark for explicit stance (Refute), 2 Marks for explaining the deviation due to resource underutilization/ unemployment]*

Q7. Differentiate between an attainment point inside the PPC boundary and a point outside the PPC boundary.

> - **Point Inside the PPC:** Represents an *attainable* combination of output, but signifies that the economy is suffering from inefficient allocation, waste, or underutilization of its active resource base.
> - **Point Outside the PPC:** Represents an *unattainable* combination of output given the current constraints of technology and resource availability. It can only be reached in future cycles via discovery of new assets or technological advancements.
>
> *[Marking: 1.5 Marks for explaining inner points, 1.5 Marks for explaining external boundaries]*

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

Q8. Explain how a market economy handles the three central problems of economics differently compared to a centrally planned economy.

Problem	Market Economy (Capitalist)	Centrally Planned Economy (Socialist)
What to Produce	Determined by consumer demand and price signals (Profit Maximization).	Determined by the government planning authority based on Social Welfare.
How to Produce	Firms choose the cheapest, most cost-efficient technique to maximize margins.	Chosen based on social utility (e.g., using LIT to clear job unemployment).
For Whom	For those who have the income/ purchasing power to buy the commodities.	Distributed based on the essential needs of citizens, ensuring minimum standards.

[Marking: 1.5 Marks for 'What', 1.5 Marks for 'How', 1 Mark for 'For Whom' comparisons]

Q9. Consider a production framework of an economy producing Clothes and Wheat. Compute MRT and explain drought impacts.

(a) MRT Calculation Table:

Formula: $MRT = \Delta Wheat / \Delta Clothes$ (units of Wheat sacrificed per unit of Clothes gained).

Schedule	Clothes (bales)	Wheat (tons)	Marginal Rate of Transformation (MRT)
P	0	30	-
Q	1	27	(30 - 27) / (1 - 0) = **3 W : 1 C**
R	2	23	(27 - 23) / (2 - 1) = **4 W : 1 C**
S	3	18	(23 - 18) / (3 - 2) = **5 W : 1 C**
T	4	12	(18 - 12) / (4 - 3) = **6 W : 1 C**
U	5	5	(12 - 5) / (5 - 4) = **7 W : 1 C**

(b) Impact of Drought:

A severe drought causes a physical destruction/degradation of resource capability (land fertility). Since land is used directly in agricultural outputs, the total maximum production capability shrinks. This results in an **inward (leftward) shift** of the entire PPC curve.

[Marking: 2 Marks for accurate mathematical calculations, 2 Marks for stating and explaining the inward shift]

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

Q10. Assertion (A): Choosing to invest in technology assets causes an immediate leftward shift of the current year's PPC...

Correct Answer: **(c) (A) is false but (R) is true.**

Detailed Justification:

Diverting scarce active resources away from producing consumer goods toward building labs and code infrastructure means you move to a different point **along the same existing PPC boundary** (sacrificing consumer goods for capital assets). It does *not* cause a leftward shift of the boundary curve itself because the total available resource volume hasn't decreased—it has simply been reallocated. Therefore, Assertion (A) is completely false. Reason (R) is true because it accurately details the opportunity cost trade-off of consumer goods production from a fixed resource pool.

[Marking: 2 Marks for option isolation, 2 Marks for clear structural parsing of movement along a curve vs shifts]

~ End of Answer Key & Marking Scheme (Set B) ~