

XI

MCQs

HOTS

VALUE-BASED-QUESTIONS

NCERT TEXTUAL QUESTIONS WITH ANSWERS

Including
Project
Work

Saraswati

INTRODUCTORY MICROECONOMICS



Dr Deepashree

Strictly in accordance with the latest syllabus prescribed by CBSE, New Delhi and adopted by various boards, like—Haryana School Education Board, Bhiwani; Jharkhand Academic Council, Ranchi; and Bihar School Examination Board, Patna.

Saraswati

INTRODUCTORY MICROECONOMICS

[For Class XI]

By

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Preface

It gives me great pleasure in presenting the revised edition of '**Saraswati Introductory Microeconomics**', according to the **latest syllabus** prescribed by CBSE.

Some unique features of this book are:

- Clear and **precise exposition** of the subject.
- A brief **Chapter Scheme** outlining the contents of the Chapter.
- The **analysis** in each Chapter is developed in a step-by-step, systematic manner, based on logical reasoning.
- **Points to Remember** have been given at the end of every Chapter.
- Chapterwise questions under the heading—**Test Your Knowledge** have been given to enhance and cross-check the understanding of the subject. They are set on the pattern of the Board examination.
- Seven unsolved **Practice Papers**.
- A large number of **figures, examples and tables** give complete knowledge of various concepts.
- A large number of **solved numerical problems** have also been given.
- Many **new concepts** given in NCERT book have been given under the title **Annexure**.
- Completely covers the NCERT book and CBSE supplementary reading.
- **Value Based** and **Higher Order Thinking Questions** (HOTS Questions) with answers have been given at the end of each unit.
- **Answers to NCERT textual questions** have been given at the end of each unit.
- **MCQs** have been included in every chapter.

The book is a product of thirty three years of my teaching experience and personal interaction with the commerce and economics students at Shri Ram College of Commerce, University of Delhi, Delhi. Through them, I have learnt the needs and requirements of the senior secondary school students. I am of the opinion that such students must be made to imbibe fundamental knowledge in a simple and scientific way.

Over the years, I have received many suggestions from teachers and students. I am thankful to them for their valuable inputs.

I am specially thankful to the Publisher, New Saraswati House (India) Pvt. Ltd., for giving me an opportunity to work for them.

Last but not the least, my heartfelt gratitude to Sushil, Sudeep and Saumya. Without their love and cooperation, I would have never been able to complete this book.

April 2018

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Syllabus

Theory: 80 Marks

3 Hours

Project: 20 Marks

| Units | Marks | Periods |
|---|-----------|------------|
| Part A: Introductory Microeconomics | | |
| 1. Introduction | 4 | 8 |
| 2. Consumer's Equilibrium and Demand | 13 | 32 |
| 3. Producer Behaviour and Supply | 13 | 32 |
| 4. Forms of Market and Price Determination under Perfect Competition with Simple Applications | 10 | 28 |
| | 40 | 100 |
| Part B: Statistics for Economics | | |
| 1. Introduction | 13 | 7 |
| 2. Collection, Organisation and Presentation of Data | | 27 |
| 3. Statistical Tools and Interpretation | 27 | 66 |
| | 40 | 100 |
| Part C: Project Work | 20 | 20 |

PART-A INTRODUCTORY MICROECONOMICS

Unit 1 : Introduction (8 Periods)

Meaning of microeconomics and macroeconomics; positive and normative economics
What is an economy? Central problems of an economy: what, how and for whom to produce; concepts of production possibility frontier and opportunity cost.

Unit 2 : Consumer's Equilibrium and Demand (32 Periods)

Consumer's equilibrium—meaning of utility, marginal utility, law of diminishing marginal utility, conditions of consumer's equilibrium using marginal utility analysis. Indifference curve analysis of consumer's equilibrium—the consumer's budget (budget set and budget line), preferences of the consumer (indifference curve, indifference map) and conditions of consumer's equilibrium.

Demand, market demand, determinants of demand, demand schedule, demand curve and its slope, movement along and shifts in the demand curve; price elasticity of demand—factors affecting price elasticity of demand; measurement of price elasticity of demand—percentage-change method.

Unit 3 : Producer Behaviour and Supply (32 Periods)

Meaning of Production Function: Short-Run and Long-Run.
Total Product, Average Product and Marginal Product.
Returns to a Factor.

Cost: Short run costs—total cost, total fixed cost, total variable cost; Average cost; Average fixed cost, average variable cost and marginal cost—meaning and their relationships.

Revenue—total, average and marginal revenue: meaning and their relationship.
Producer's equilibrium—meaning and its conditions in terms of marginal revenue—marginal cost.

Supply, market supply, determinants of supply, supply schedule, supply curve and its slope, movements along and shifts in supply curve, price elasticity of supply; measurement of price elasticity of supply—percentage-change method.

Unit 4 : Forms of Market and Price Determination under Perfect Competition with Simple Applications (28 Periods)

Perfect competition—Features; Determination of market equilibrium and effects of shifts in demand and supply.

Other Market Forms—monopoly, monopolistic competition, oligopoly—their meaning and features.

Simple Applications of Demand and Supply: Price ceiling, price floor.

**PART-B
STATISTICS FOR ECONOMICS**

In this course, the learners are expected to acquire skills in collection, organisation and presentation of quantitative and qualitative information pertaining to various simple economic aspects systematically. It also intends to provide some basic statistical tools to analyse, and interpret any economic information and draw appropriate inferences. In this process, the learners are also expected to understand the behaviour of various economic data.

Unit-1 : Introduction (7 Periods)

What is Economics?

Meaning, scope functions and importance of statistics in Economics

Unit-2 : Collection, Organisation and Presentation of Data (27 Periods)

Collection of data. Sources of data—primary and secondary; how basic data is collected, with concepts of samplings; Sampling and Non-sampling errors; methods of collecting data; some important sources of secondary data: Census of India and National Sample Survey Organisation.

Organisation of Data. Meaning and types of variables; Frequency Distribution.

Presentation of Data. Tabular Presentation and Diagrammatic Presentation of Data: (i) Geometric forms (bar diagrams and pie diagrams), (ii) Frequency diagrams (histogram, polygon and ogive) and (iii) Arithmetic line graphs (time series graph).

Unit-3 : Statistical Tools and Interpretation (66 Periods)

(For all the numerical problems and solutions, the appropriate economic interpretation may be attempted. This means, the students need to solve the problems and provide interpretation for the results derived.)

Measures of Central Tendency. Mean (simple and weighted), median and mode.

Measures of Dispersion. Absolute dispersion (range, quartile deviation, mean deviation and standard deviation); relative dispersion (co-efficient of range, co-efficient of quartile-deviation, co-efficient of mean deviation, co-efficient of variation); Lorenz Curve: Meaning, construction and its application.

Correlation. Meaning and properties scatter diagram; Measures of correlation – Karl Pearson’s method (two variables ungrouped data) Spearman’s rank correlation.

Introduction to Index Numbers. Meaning, types – wholesale price index, consumer price index and index of industrial production, uses of index numbers; Inflation and index numbers.

PART C:
DEVELOPING PROJECTS IN ECONOMICS (20 Periods)

The students may be encouraged to develop projects, as per the suggested project guidelines. Case studies of a few organisations/outlets may also be encouraged. Under this the students will do only one comprehensive projects using concepts from both part A and part B.

Some of the examples of the projects are as follows (they are not mandatory but suggestive):

- (i) A report on demographic structure of your neighborhood.
- (ii) Changing consumer awareness amongst households.
- (iii) Dissemination of price information for growers and its impact on consumers.
- (iv) Study of a cooperative institution: milk cooperatives, marketing cooperatives, etc.
- (v) Case studies on public private partnership, outsourcing and outward Foreign Direct Investment.
- (vi) Global warming.
- (vii) Designing eco-friendly projects applicable in school such as paper and water recycle.

The idea behind introducing this unit is to enable the students to develop the ways and means by which a project can be developed using the skills learned in the course. This includes all the steps involved in designing a project starting from choosing a title, exploring the information relating to the title, collection of primary and secondary data, analysing the data, presentation of the project and using various statistical tools and their interpretation and conclusion.

Latest Question Paper Design

Theory: 80 Marks + Project: 20 Marks

Duration: 3 hrs.

| S. No. | Typology of Questions | Very Short Answer MCQ 1 Mark | Short Answer I 3 Marks | Short Answer II 4 Marks | Long Answer 6 Marks | Marks | % |
|--------|---|---------------------------------|---------------------------|----------------------------|------------------------|--|-----|
| 1. | Remembering- (Knowledge based) Simple recall questions, to know meaning of specific facts, terms, concepts, principles, or theories; identify, information) | 2 | – | 2 | 2 | 22 | 27 |
| 2. | Understanding- (Comprehension- to be familiar with meaning and to understand conceptually, interpret, compare, contrast, explain, paraphrase, or interpret information) | 2 | 1 | 2 | 1 | 19 | 24 |
| 3. | Application (Use abstract information in concrete situation, to apply knowledge to new situations; Use given content to interpret a situation, provide an example, or solve a problem) | 2 | 1 | 1 | 1 | 15 | 19 |
| 4. | Higher Order Thinking Skills (Analysis & Synthesis- Classify, compare, contrast, or differentiate between different pieces of information; Organize and/or integrate unique pieces of information from a variety of sources) | 1 | 1 | 1 | 1 | 14 | 17 |
| 5. | Evaluation and Multi- Disciplinary- (Appraise, judge, and/ or justify the value or worth of a decision or outcome, or to predict outcomes based on values) | 1 | 1 | – | 1 | 10 | 13 |
| Total | | $8 \times 1 = 8$ | $4 \times 3 = 12$ | $6 \times 4 = 24$ | $6 \times 6 = 36$ | Theory 80 + 20 Project = 100 marks | 100 |

Note: There will be **Internal Choice** in questions of 3 marks, 4 marks and 6 marks in both sections (A and B). (Total 3 internal choices in section A and total 3 internal choices in section B.)

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*Dedicated to the
Memory of
my dear Parents*



The background is a light gray gradient. It features several overlapping, semi-transparent squares of various sizes and orientations. Some squares have a subtle radial gradient. Additionally, there are several sets of wavy, horizontal lines that appear to flow across the page, some originating from the left and others from the right, creating a sense of movement and depth.

UNIT-1
Introduction



This Unit Contains

1. Introduction to Economics

Introduction to Economics



Chapter Scheme

1.1 What Economics is All About?

1.2 Microeconomics and Macroeconomics

- 1.2.1 Subject-matter of Economics
- 1.2.2 Microeconomics—Meaning, Subject-matter, Importance and Limitations
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- 1.7.1 Allocation of Resources—What to Produce and How much to Produce?
- 1.7.2 Full Utilisation of Resources
- 1.7.3 Economic Efficiency
- 1.7.4 Economic Growth

- **Points to Remember**
- **Test Your Knowledge**
- **Answers to MCQs and Short Answer Questions**

1.1 WHAT ECONOMICS IS ALL ABOUT?

The science of economics was born with the publication of [Adam Smith's](#) *An Inquiry into the Nature and Causes of Wealth of Nations* in the year 1776. [Adam Smith](#) is known as the father of Economics. At its birth, the name of economics was 'Political Economy'.

Towards the end of the 19th century there was a definite change from use of word 'Political Economy' to 'Economics'.

The word 'Economics' was derived from two Greek words *oikou* (a house) and *nomos* (to manage). Thus, the word economics was used to mean home management with limited funds available in the most economical manner possible.

[Lionel Robbins](#) defines economics as a science of scarcity. [Prof. Robbins](#) in his book *Nature and Significance of Economic Science* states, "Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses".

[Paul A. Samuelson](#) defines economics as "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 future among various people and groups of society.” This definition emphasises growth over time. It is modern and wider in scope. The definition takes into account consumption, production, distribution and exchange of goods. Hence, it is **most satisfactory** definition of economics. This definition has been accepted universally.

1.2 MICROECONOMICS AND MACROECONOMICS

1.2.1 Subject-matter of Economics

Before 1930, there was only one ‘economics’. **Ragnar Frisch** coined the words ‘micro’ and ‘macro’ in 1933 to denote the two branches of economic theory, namely, microeconomics and macroeconomics.

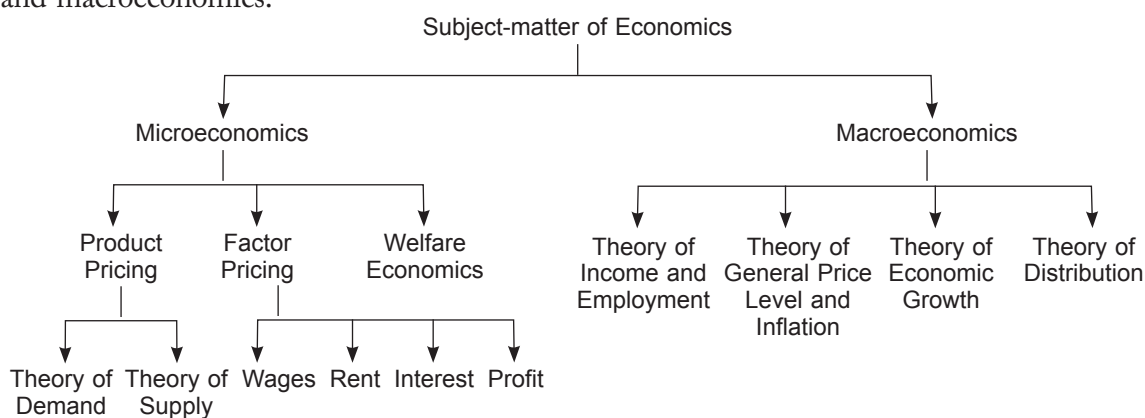


Fig. 1.1 Subject-matter of Economics

1.2.2 Microeconomics

Meaning and Subject-matter of Microeconomics

The word ‘Micro’ is derived from the Greek word *mikros* meaning small. *Microeconomics deals with small segments of the society*. **Microeconomics is defined as the study of behaviour of individual decision-making units, such as consumers, resource owners and firms**. It is also known as **Price Theory** since its major subject-matter deals with the determination of price of commodities and factors.

Microeconomics has both theoretical and practical importance. **It solves the three central problems of an economy, i.e., what, how and for whom to produce**. Subject-matter of microeconomics is vast and includes the following topics as shown in Fig. 1.2.

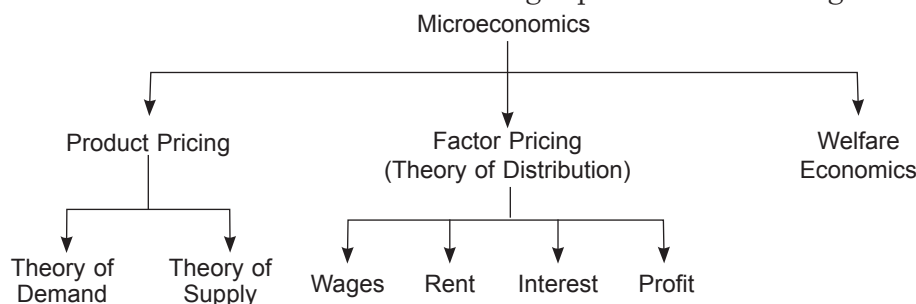


Fig. 1.2 Subject-matter of Microeconomics

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