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Answers Key:

Answer any six questions

1. **Definition:** "Economics is a science which studies human behaviour as a relationship between ends and scarce means, which have alternative uses."
   Explanation:
   (i) Human beings have unlimited wants (ends)
   (ii) Supply of resources is scarce in relation to demand.
   (iii) Scarce resources have alternative uses.
   Assessment:
   (i) Robbins says that economics is neutral between ends.
   (ii) He focuses on the theory of resource allocation.
   (iii) He ignores theory of economic growth and development and macroeconomic aspects.
2. (i) Whether to produce more of food, or clothing or housing or luxury goods.
   (ii) Whether to produce more agricultural or industrial goods and services.
   (iii) Whether to use more resources in education and health or military services.
   (iv) Whether to have more consumption goods or investment goods.
   (v) Whether to spend more on basic education or higher education.
3. **Consumption:** Human wants come under consumption.
   Production: It deals with the transformation of inputs into output.
   Exchange: It deals with trade and commerce.
   Distribution: It deals with the reward to the factors of production.
4. (i) Intangible things are not physical objects but exist in connection to other things (eg) goodwill.
   (ii) Heterogeneous services vary. A single service gives different experiences (eg) music.
   (iii) Inseparable from their makers: Labour and labourer are inseparable.
   (iv) Perishable so they cannot be stored in inventories
5. (i) Psychological - it depends on consumer's mental attitude
   (ii) Not equal to usefulness.
   (iii) Is personal and relative.
   (iv) Is the function of the intensity of human wants.
   (v) Cannot be measured objectively; has no ethical significance.
6.

S.No	Micro Economics	Macro Economics
1	Micro Economics is that branch of economics which deals with the economic decision-making of individual economic agents such as the producer, the consumer etc.	Macro Economics is that branch of economics which deals with aggregates and averages of the entire economy. E.g., aggregate output, national income, aggregate savings and investment, etc.
2	It takes into account small components of the whole economy.	It takes into consideration the economy of the country as a whole.
3	It deals with the process of price determination in case of individual products and factors of production.	It deals with general price-level in any economy
4	It is known as price theory	It is also known as the income theory.
5	It is concerned with the optimization goals of individual consumers and producers	It is concerned with the optimization of the growth process of the entire economy.

7.

S.No	Positive Economics	Normative Economics
1	Deals with what is, how and why	deals with what ought to be
2	Analyses a problem on the basis of facts and examines its causes.	results are not based on facts but on social, cultural, political and religious considerations.
3		it is subjective
4	(eg) if rate of interest increases we see why & how it can be reduced.	(eg) if rate of interest increases, we see whether it is good or bad

Answer any six questions

8. (i) Economics means management of households.
   (ii) It comes from the Greek word oikonomikos.
9. (i) Micro economics studies economic actions of small group of individuals, a household, firm or industry
   (ii) It covers value theory and theory of economic welfare.
10. (i) Goods are tangible and have physical dimension.
    (ii) Goods are transferable and have value in exchange.
11. (i) Goods are tangible, (eg) car but services are intangible (eg) goodwill.
    (ii) Goods can be stored but services cannot be stored.
12. (i) Form utility
    (ii) Time utility
    (iii) Place utility
    (iv) Service utility
    (v) Possession utility
    (vi) Knowledge utility
13. (i) Positive science deals with what it is.
    (ii) It is concerned with how and why.
14. (i) In deductive method we move from general to particular.
    (ii) It is also called as analytical (or) abstract method.

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Multiple Choice Question

15. (c) Alfred Marshall
16. (c) Scarcity
17. (c) The study of individual economic units' behaviour
18. (c) The price of wheat determines its demand
19. (d) "Ceteris Paribus"
20. (c) Quantity demanded equals quantity supplied
21. (b) Adam Smith
22. (a) Lionel Robbins
23. (b) Adam Smith
24. (d) All of the above
25. (b) Want - satisfying capacity of goods and services
26. (d) A system where persons buy and sell goods directly or indirectly
27. (d) Economics deals with unlimited wants and limited means
28. (a) The problem of choice in the dynamic framework of Economics
29. (a) Price Theory
30. (a) Goods
31. (d) It depends upon consumer's mental attitude
32. (c) Robbins
33. (b) Inductive method
34. (a) Price