50 SURE SHOT VERY SHORT QUESTION AND ANSWER XII ECONOMICS

Q1	What do you mean by 'for whom to produce'?
Ans	This central problem is related with distribution of goods and distribution of income.
Q2	Write any three assumptions of PPC?
Ans	1. There are two good. 2.Resources are given. 3.Technology is constant 4.All the resources are not equally efficient.
Q3	Define MRT/MOC/Marginal rate of sacrifice.
Ans	It is the amount of one good given up, in order to produce, one more unit of other good.
Q4	Why is PPC concave to the origin?
Ans	PPC is concave to the origin due to increase in MOC/MRT.
Q5	Define Law of diminishing Marginal utility.
Ans	When a consumer consumes more and more amount of a good utility diminishes.
Q6	State the condition of consumer's equilibrium in case of two commodities.
Ans	(2) Expenditure on two goods = Income of the consumer
Q7	Write any three properties of IC?
Ans	1. IC is downward slopping 2. IC is convex to origin 3. IC never touch any axis 4. Higher IC gives Higher satisfaction
Q8	Define MRSxy (Marginal Rate of substitution) or slope of IC.
Ans	It is the amount of one good given up, in order to consume, one more unit of other good.
Q9	Why does MRSxy diminish?
Ans	As the amount of Good X increases utility diminishes. So consumer will sacrifice less amount of Good Y.
Q10	What is condition for consumer equilibrium (IC approach/ordinal approach/Hicksian approach)
Ans	1.MRSxy=Px/Py 2.MRS xy is diminishing.
Q11	Give the law of demand?
Ans	Other things remaining unchanged, if price of a good increases its quantity demanded decreases and if price of a good decreases its quantity demanded increases .
Q12	Define substitute goods.
Ans	If price of one good increases demand for other also increases. If price of one good decreases demand for other also decreases.
Q13	Define complementary goods.
Ans	If price of one good increases demand for other decreases. If price of one good decreases demand for other increases.
Q14	Define normal goods.
Ans	Those goods for which demand increases with increase in income. And demand falls with fall in income.
Q15	Define inferior goods

Ans	Those goods for which demand increases with decrease in income. And demand falls with rise in income.
Q16	Define Marginal Product.
Ans	Net addition to total product due to one more unit of variable factor is employed.
Q17	Define law of variable proportion.
Ans	When one variable factor is increased on other fixed factors -TP first increases at increasing rate then increases at diminishing rate and finaly TP decreases.
Q18	Why MC is 'U' shaped ?
Ans	Due to law of diminishing marginal product.
Q19	Define Returns to scale.
Ans	When all factors increased in same proportion, the output will increase at an increasing rate or constant rate or decreasing rate.
Q20	Write the conditions of producer's equilibrium.
Ans	1.Marginal Cost becomes equal to Marginal Revenue (MC = MR) 2.Marginal Cost is increasing after equating MR
Q21	Write four features of perfect completion market.
Ans	Large number of sellers (2) Homogeneous product (3) Free entry and exit of firms (4) No selling cost (5) Perfect factor mobility (6) Firm is a price taker
Q22	Write four features of Monopoly market.
Ans	Single seller (2) Unique product (3) No entry and exit of firms (4) No selling cost (5) No factor mobility (6) Firm is a price Maker
Q23	Write four features of Monopolistic competition market.
Ans	(1)Many sellers (2) product differentiation (3) Free entry and exit of firms (4) selling cost (5) Firm's partial control over price.
Q24	Write four features of Oligopoly market.
Ans	(1) Few big sellers (2) Identical/ differentiated products (3) restriction on entry and exit of firms (4) selling cost 5) Huge investment
Q25	Define market equilibrium.
Ans	It is situation when market demand is equal to the market supply for a commodity.
Q26	What is problem of double counting?
Ans	Counting the value of commodities more than one time in national income.
Q27	Write the formula of GDP deflator.
Ans	GDP deflator = Nominal GNP *100/Real GNP
Q28	Write the main steps involved in measuring national income through product method.
Ans	Gross Value Added(GDPMP) = Value of output - intermediate consumption NNPFC = GDPMP – Depreciation + NFIA - NIT
Q29	Write the main steps involved in measuring national income through expenditure method.
Ans	GDPMP = PFCE + GFCE + GDCF (GDFCF +ΔS) + NET EXPORT NNPFC = GDPMP – Depreciation + NFIA - NIT
Q30	Write the steps involved in calculation of national income through income method.
Ans	NDPFC = Compensation of employees + Operating surplus + Mixed income of self employed NNPFC = NDPFC + NFIFA
Q31	What do you understand by double coincidence of wants ?
Ans	It implies that goods in possession of two different individuals are needed by each other.
Q32	Write the four functions of money.
Ans	1. Medium of exchange 2. Measure/ unit of value 3.Store of value 4.Standard of deferred payments
Q33	Write the functions of RBI.

Ans	1.Issuing of the currency 2. Government's Bank 3. Banker's Bank 4. Credit control
Q34	Write the quantitative instruments of credit control of RBI.
Ans	1.Cash reserve ratio 2.Statutary liquidity ratio 3. Bank rate 4. Repo rate 5. Open market operation
Q35	Define repo rate
Ans	The rate of interest at which the commercial bank borrow the loan from central bank against securities for short term.
Q36	What are the conditions for equilibrium level of income/output?
Ans	AD=AS or Saving= Investment
Q37	Define deficient demand.
Ans	The level of demand which is less than the required demand for full employment level of output. It leads deflationary Gap.
Q38	Define excess demand.
Ans	The level of demand which is more than the required demand for full employment level of output. It leads Inflationary Gap.
Q39	Write the equation of consumption function.
Ans	C= a+by
Q40	Define Multiplier.
Ans	It is the ratio of a change in income to a change in investment. K= $\Delta Y/\Delta I$
Q41	Write any three functions of Government budget.
Ans	1.Re-distribution of Income and wealth 2.Re-allocation of resources 3.Economic stability
Q42	Give definition of Capital receipts.
Ans	Receipts which either create a liability or reduce assets. Eg. Loan, selling of PSUs.
Q43	Give meaning of Capital expenditure.
Ans	Expenditure which create assets or reduce liabilities. . Eg. Repayment of loan
Q44	What is fiscal deficit
Ans	Fiscal deficit is the excess of total expenditure over total receipts other than borrowing . Fiscal deficit = Total budget expenditure(RE + CE) – Total budget receipts(RR + CR other than borrowing)
Q45	What is revenue deficit?
Ans	Revenue deficit is the excess of revenue expenditure over revenue receipts. Revenue deficit = Revenue Expenditure(RE) – Revenue Receipts(RR)
Q46	Define BOP
Ans	It is the systematic record of all economic transactions between reporting country and rest of the world.
Q47	Define BOT
Ans	The difference between the value of exports of goods and imports of goods.
Q48	What is Current Account?
Ans	The current account records imports and exports of goods and services and unilateral transfers.
Q49	What is Capital Account?
Ans	Records of all such transactions which causes a change in the assets or liability of a country.
Q50	What are the sources of demand for foreign exchange?
Ans	Imports of goods and services, repayment of international loans, for giving gifts and grants.