

**LATEST  
EDITION**



# **CBSE**

# **QUESTION & CONCEPT BANK**

**Chapter-wise & Topic-wise**

## **CLASS 11**



Chapter-wise

**CONCEPT MAPS**



Definitions & Summarized Concepts

**NCERT & SMART SNAPS**



Important Questions & MCQ's

**POWER PRACTICE**

## **INTRODUCTORY MICROECONOMICS**



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# Chapter 1

# INTRODUCTION TO MICRO-ECONOMICS



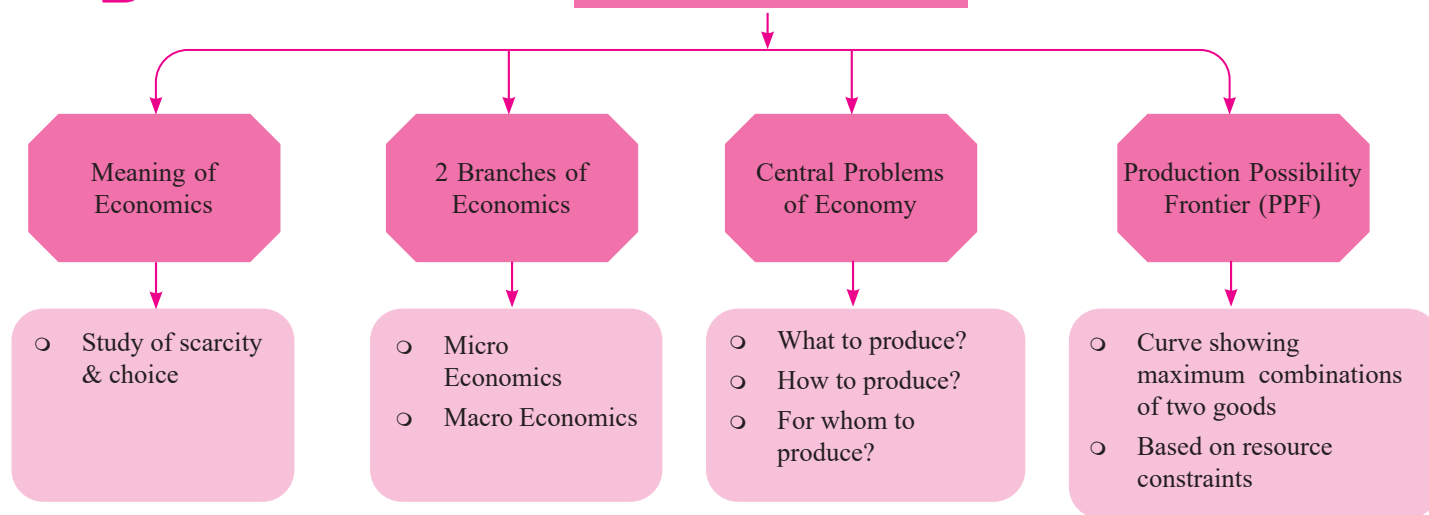
## LEARNING OBJECTIVES

- ❖ Understand the meaning of **microeconomics**.
- ❖ Distinguish between **microeconomics** and **macroeconomics**.
- ❖ Identify the **central problems** of an economy.
- ❖ Explain the concept of **opportunity cost**.
- ❖ Understand the **Production Possibility Frontier (PPF)**.



## CONCEPT MAP

### INTRODUCTION TO MICROECONOMICS



## 1. Meaning of Economics

Economics is the study of how people make choices under conditions of scarcity. It involves allocating limited resources to satisfy the seemingly unlimited human wants.

### Positive and Normative Economics

Basis	Positive Economics	Normative Economics
Meaning	It deals with <b>what is</b> – facts and cause-effect relationships.	It deals with <b>what ought to be</b> – opinions and value judgments.
Nature	Descriptive	Prescriptive
Objectivity	Objective and fact-based	Subjective and opinion-based
Use	Explains economic behavior	Gives suggestions for economic policies
Example	“India’s unemployment rate is 7.8%.”	“The government should reduce unemployment.”

## 2. Microeconomics vs. Macroeconomics

- Microeconomics examines individual economic units, including consumers, firms, and markets.
- Macroeconomics deals with the economy as a whole—topics like national income, inflation, and unemployment.

## 3. Central Problems of an Economy

Every economy faces three fundamental problems due to limited resources:

### 1. What to produce?

Choosing which goods and services to produce and in what quantity.

### 2. How to produce?

Deciding on the technique of production—labour-intensive or capital-intensive.

### 3. For whom to produce?

Determining the distribution of goods—who will consume how much?

## 4. Causes of Economic Problems

### (A) Scarcity of Resources

- Resources like land, labour, capital, and raw materials are limited in supply.
- However, these limited resources must meet the competing demands of the economy.
- Because supply is scarce and cannot fulfill all human wants, economic problems arise.

### (B) Unlimited Human Wants

- Human desires for goods and services are never-ending and keep increasing over time.
- As soon as one want is satisfied, another takes its place, creating continuous demand.
- Since resources are limited, not all wants can be fulfilled, causing the need for choice and prioritization.

### (C) Alternative Uses of Resources

- Most resources can be used for multiple purposes (e.g., land can be used for farming, building, or industry).
- This leads to the problem of deciding how to allocate resources for maximum satisfaction best.
- Choosing one use means sacrificing another, which creates the core of economic decision-making.

## 5. Opportunity Cost

- It refers to the value of second best alternative use of a commodity.
- **Example:** If a person have two job options i.e. either to earn 10000 in job one or to earn 9000 in job two then 9000 will be the opportunity cost of choosing job one.

## 6. Economy and Its Types

An economy is a system through which people earn their living. Types of economies include:

### (A) Capitalist Economy (Market-Based)

- In a capitalist economy, private individuals or firms own and control the means of production.
- Economic decisions like what to produce, how to produce, and for whom to produce are made through the market forces of demand and supply.
- There is minimal government intervention.
- Example: USA

### (B) Socialist Economy (Government-Controlled)

- In a socialist system, the government owns and controls all major resources and industries.
- The aim is to ensure equal distribution of wealth and eliminate economic inequality.
- Decisions are made centrally by the government for the welfare of society, not profit.
- Example: Former Soviet Union

### (C) Mixed Economy (Co-existence of Public and Private Sector)

- A mixed economy combines features of both capitalism and socialism.
- Both the private sector and the government play significant roles in economic activities.
- The government regulates the private sector to prevent exploitation and ensure social welfare.
- Example: India

## 7. Production Possibility Frontier (PPF)

- It is a curve showing different combinations of production of 2 goods out of given resources and constant technology.
- Also Known As: PPC or Transformation Curve.
- Assumptions:
  - Resources are limited,
  - Fuller utilization of resources,
  - Production technology remains constant,
  - MRT is rising and no resource is equally efficient for the production of both the goods, and
  - Only two goods are produced.
- Features:
  - It is downward sloping from left to right,
  - It is concave to the point of origin

## 8. PPF Shape Explained

- Concave to Origin:
  - Cause: Resources aren't equally suited for all activities.
  - Effect: Higher opportunity cost with increased production.
- Convex to Origin (rare):
  - Cause: Equal productivity across resources.
  - Effect: Lower opportunity cost.
- Straight Line:
  - Cause: Constant trade-off rate (constant MRT).
  - Effect: Opportunity cost remains constant as production changes.

## 9. Shifting in Production Possibility Curve

The Production possibility curve will shift under following two condition:

- Change in resources,
- Change in technology of production
  - Rightward shift of PPF shows increase in resources or improvement in technology. Ex- Labour becoming more skilled, improvement in technology, increase in productivity of land.
  - Leftward shift of PPF shows the decrease in resources or degradation of technology in the economy.

### ROTATION OF PPF

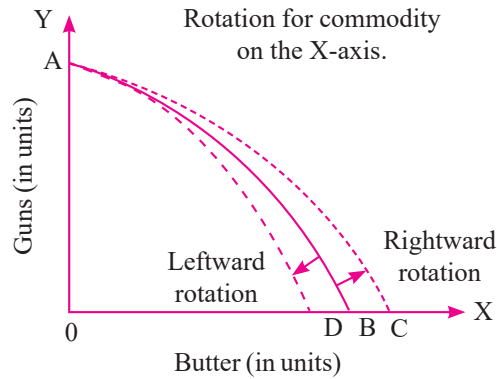
It happens when there is change in productive capacity (resources or technology) with respect to only one good. The rotation can be either for the commodity on the X-axis or for commodity on the Y-axis.

#### 1. Rotation for commodity on the X-axis:

Where there is a technology improvement or an increase in resources for production of the commodity on the X-axis (say butter), then PPF will rotate from AB to AC

However, in case of technological degradation or decrease in resources for production of butter then PPF will rotate to the left from AB to AD.

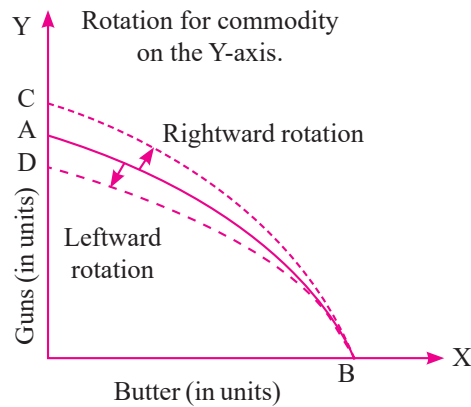




## 2. Rotation for commodity on the Y-axis:

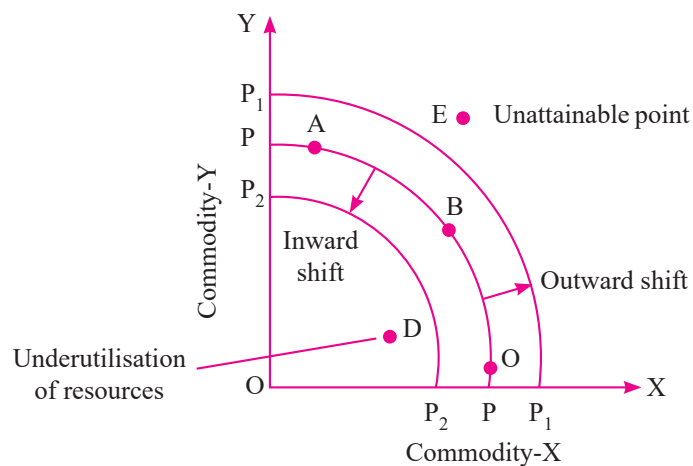
A technological improvement or an increase in resources for production of commodity on Y-axis (say, butter) will rotate the PPF from AB to CB.

However, in case of degradation in technology or a decrease in resources for production of guns, will rotate the PPF to the left from AB to DB as shown in figure.



## OVERVIEW OF PPF

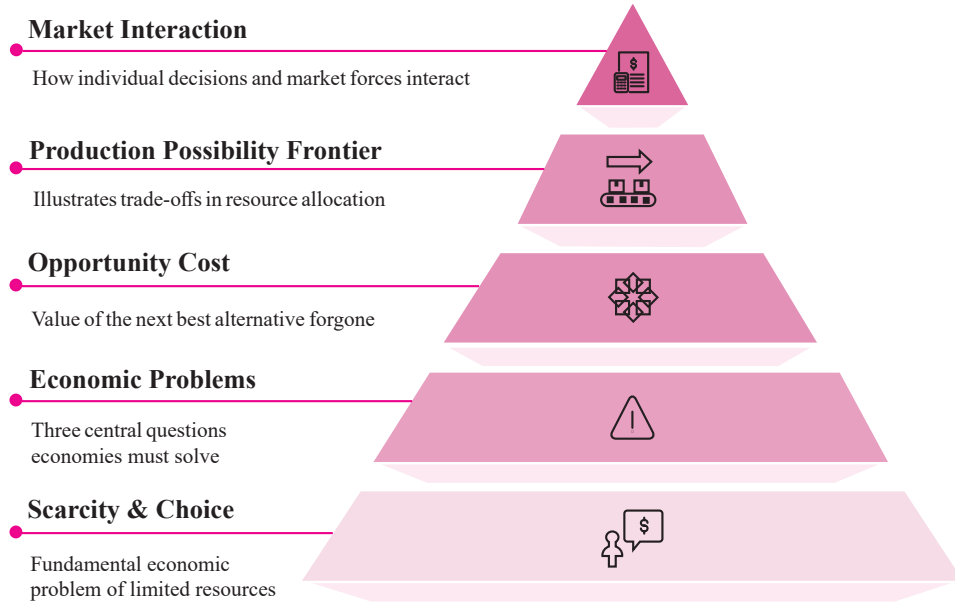
Let us quickly revise the concept of PPF with the help of diagram.



## Conclusion

This chapter builds the foundation of economic reasoning, helping students understand how individuals and societies make economic choices in the face of scarcity. It sets the stage for deeper learning in microeconomics by focusing on individual behaviour, choices, and resource allocation.

## Economic Decision-Making Hierarchy





## IT'S TIME FOR EXERCISES

### Multiple Choice Questions

**Instructions:** Choose the most appropriate option.

#### 1. Meaning of Microeconomics

1. Which of the following best defines microeconomics?

- (a) Study of national income
- (b) Study of economic growth
- (c) Study of individual units of the economy
- (d) Study of the general price level

**Ans:** (c) Microeconomics is the study of how individuals and firms make decisions regarding resource allocation, pricing, etc.

2. Microeconomics deals with:

- (a) Employment level in the economy
- (b) Inflation trends
- (c) Price and output decisions of a firm
- (d) National income

**Ans:** (c) Microeconomics analyses individual producers' or firms' decisions about prices and quantities.

3. Microeconomics is also known as:

- (a) Aggregate economics
- (b) National economics
- (c) Individual economics
- (d) Global economics

**Ans:** (c) Microeconomics is also called price theory or individual economics because it deals with individual behavior.

4. The study of individual consumer behavior falls under:

- (a) Macroeconomics
- (b) Econometrics
- (c) Microeconomics
- (d) International economics

**Ans:** (c) Consumer behavior, such as utility, demand, and choices, is a topic studied under microeconomics.

#### 2. Micro vs. Macro Economics

5. Macroeconomics is concerned with:

- (a) Firm's pricing policy
- (b) Individual consumer's budget
- (c) Inflation and unemployment
- (d) Production decisions of a factory

**Ans:** (c) These are economy-wide issues, and thus part of macroeconomics, not microeconomics.

6. Which of the following is studied under microeconomics?

- (a) Balance of payments
- (b) Individual firm's cost
- (c) Fiscal deficit
- (d) National output

**Ans:** (b) Microeconomics focuses on the cost structures and decision-making of individual firms.

7. The price determination of a commodity is studied under:

- (a) Macroeconomics
- (b) Financial Economics
- (c) Microeconomics
- (d) Econometrics

**Ans:** (c) How prices are set for individual goods is the concern of microeconomics.

8. Microeconomics focuses on:

- (a) Aggregate demand
- (b) Aggregate supply
- (c) Individual choices
- (d) Government budgeting

**Ans:** (c) Microeconomics explains how individual consumers and producers make choices to optimize utility and profit.

#### 3. Central Problems of the Economy

9. Which of the following is not a central problem of an economy?

- (a) What to produce
- (b) How to produce
- (c) For whom to produce
- (d) When to produce

**Ans:** (d) 'When to produce' is not considered one of the central economic problems.



### Assertion-Reason Type MCQs

**Directions:** In the questions given below, there are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the correct option:

- (a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true, but Reason (R) is false.
- (d) Assertion (A) is false, but Reason (R) is true.

**1. Assertion (A):** Microeconomics studies the behavior of individual consumers and producers.

**Reason (R):** Microeconomics focuses on the functioning of the whole economy, including national income and employment.

**Ans:** (c) Microeconomics focuses on individual decision-makers, like households and firms. National income and employment fall under macroeconomics, so the reason is incorrect.

**2. Assertion (A):** Every economy has to make choices regarding the use of its resources.

**Reason (R):** Resources are scarce about human wants.

**Ans:** (a) The scarcity of resources compels every economy to choose what, how, and for whom to produce. Hence, the assertion and the reason are both correct, and the reason explains the assertion.

**3. Assertion (A):** A mixed economy allows both public and private sectors to operate.

**Reason (R):** In a mixed economy, all economic decisions are made by the private sector only.

**Ans:** (c) A is true, but R is false

**Explanation:** Mixed economies include both government and private participation. The reason is false because decisions are shared between the public and private sectors.

**4. Assertion (A):** Microeconomic analysis often involves marginal thinking.

**Reason (R):** Marginal analysis compares the additional benefit with the extra cost.

**Ans:** (a) Marginal analysis helps decision-makers weigh the benefit of one more unit against its cost. This forms a core part of microeconomic reasoning.

**5. Assertion (A):** Normative economics provides an objective analysis of facts.

**Reason (R):** Normative economics is based on personal opinions about what should happen in the economy.

- (a) Both A and R are true, and R is the correct explanation of A
- (b) Both A and R are true, but R is not the correct explanation of A
- (c) A is true, but R is false
- (d) A is false, but R is true

**Ans:** (d) Normative economics is not objective. It reflects values and opinions (e.g., “The rich should be taxed more”), not factual analysis.

### Two-Statement Based MCQs

**Instructions:**

**Read both statements carefully and choose the correct option:**

**Statement I and Statement II**

**Choose the correct option:**

- (a) Both statements are true, and Statement II correctly explains Statement I.
- (b) Both statements are true, but Statement II does not explain Statement I.
- (c) Statement I is true, but Statement II is false.
- (d) Statement I is false, but Statement II is true.

**1. Statement I:** Microeconomics focuses on individual economic units like households and firms.

**Statement II:** Microeconomics studies the economy as a whole, including national income and employment.

**Ans:** (c) Microeconomics deals with individual units. Studying the overall economy is the subject of macroeconomics, so Statement II is incorrect.

**2. Statement I:** Scarcity is the basic reason why every economy faces the problem of choice.

**Statement II:** Resources are unlimited, and wants are limited.



**Ans:** (b) Scarcity arises because **resources are limited** and **wants are unlimited**, not the other way around. Hence, only Statement I is correct.

**3. Statement I:** In a centrally planned economy, economic decisions are made by individual consumers and producers.

**Statement II:** In a mixed economy, both the government and private individuals play a role in economic decision-making.

**Ans:** (c) In centrally planned economies, the **government**, not individuals, takes major economic decisions. In a **mixed economy**, both the government and private sector participate.

**4. Statement I:** 'What to produce' is one of the central economic problems.

**Statement II:** This problem arises because resources can satisfy all human wants.

**Ans:** (b) The problem of '**what to produce**' arises **because resources are scarce**, and they cannot satisfy all wants. Hence, only Statement I is correct.

**5. Statement I:** Normative economics deals with factual and data-based analysis.

**Statement II:** Positive economics explains what is, while normative economics explains what ought to be.

**Ans:** (c) **Normative economics** is based on **opinions or value judgments**, not facts. **Positive economics** deals with factual analysis. Thus, Statement II is correct.

### Match the Following Questions

1. Match the items in Column I with those in Column II. Choose the correct pair.

Column I	Column II
A. Microeconomics	1. The economy as a whole
B. Positive Economics	2. Decision-making at the macro level
C. Scarcity	3. Unlimited wants and limited resources
D. Central Problem	4. Price level and national income

**Ans:** Correct Pair: C – 3

2. Match Column I with Column II:

Column I	Column II
A. Macroeconomics	1. Study of one consumer
B. Marginal Opportunity Cost	2. Total cost of all alternatives
C. Positive Economics	3. Study of resource allocation
D. Microeconomics	4. Focuses on inflation and GDP

**Ans:** Correct Pair: D – 1

3. Match Column I with Column II:

Column I	Column II
A. Free Goods	1. Limited in supply
B. Economic Goods	2. Have no opportunity cost
C. Macroeconomics	3. Concerned with fiscal policy
D. Normative Economics	4. Deals only with facts

**Ans:** Correct Pair: B – 1

4. Match Column I with Column II:

Column I	Column II
A. Wants	1. Free of cost
B. Economic Problems	2. Result of scarcity
C. Production Possibility	3. Based on value judgement
D. Positive Economics	4. Based on facts

**Ans:** Correct Pair: B – 2

5. Match Column I with Column II:

Column I	Column II
A. Capitalist Economy	1. The government decides allocation
B. Socialist Economy	2. Based on customs and traditions
C. Mixed Economy	3. Based on market forces
D. Centrally Planned Economy	4. Dual role of market and government

**Ans:** Correct Pair: C – 4

### Exam Based Subjective Questions

#### EXAM-BASED SUBJECTIVE QUESTIONS (3 MARKS)

1. Define microeconomics. How is it different from macroeconomics?

**Ans:** Microeconomics is the branch of economics that studies individual economic units such as households, firms, and markets. It focuses on how decisions are made regarding resource allocation, pricing, and consumption at a small scale.

**Difference:**

Microeconomics analyzes **individual units**, whereas macroeconomics deals with **aggregates** like national income, inflation, and employment.

2. Explain the central problem of ‘how to produce’.

**Ans:** The problem of ‘how to produce’ relates to choosing the technique of production — whether to use **labour-intensive** methods (more labour, less capital) or **capital-intensive** methods (more capital, less labour).

This decision depends on the availability of resources and the goal of minimizing cost and maximizing efficiency.

3. What is a mixed economy? Give two features.

**Ans:** A mixed economy is an economic system in which both the **government and private sector** play a role in economic decision-making and production activities.

**Features:**

1. Co-existence of public and private sectors.
2. Economic planning by the government, along with market-based mechanisms.

4. Distinguish between economic and non-economic activities with examples.

**Ans:** **Economic activities** are those performed to earn income, e.g., a teacher teaching in a school.

**Non-economic activities** are done for personal satisfaction or social obligation, not for income, e.g., a mother cooking for her family.

5. What is meant by opportunity cost? Explain with an example.

**Ans:** Opportunity cost refers to the **value of the next best alternative foregone** when a choice is made.

**Example:** If a student chooses to study instead of watching a movie, the opportunity cost is the enjoyment of the movie that was sacrificed.

#### EXAM-BASED SUBJECTIVE QUESTIONS (4 MARKS)

1. Explain the subject matter of economics.

**Ans:** Economics is essentially concerned with how individuals and societies allocate scarce resources. The subject is divided into two broad branches:

- **Microeconomics:** Focuses on individual units such as households and firms. It covers theories like:
  - ◆ Consumer behavior
  - ◆ Producer decision-making
  - ◆ Price determination
- **Macroeconomics:** Deals with the economy as a whole. It covers broader topics like:
  - ◆ National income and employment
  - ◆ Inflation and deflation
  - ◆ Government budget and fiscal policy
  - ◆ Foreign trade and balance of payments

### Scope of Microeconomics:

Microeconomics deals with various aspects of individual decision-making and the functioning of markets. Its scope can be understood through the following three key areas:

1. **Consumer's Behaviour:** It studies how **consumers allocate their limited income** to different goods and services to **maximize satisfaction**. Concepts such as utility, demand, and consumer equilibrium fall under this.

**Example:** Understanding why the demand for smartphones increases when their prices fall.

2. **Producer's Behaviour and Production Decisions:** Microeconomics examines how a **firm decides what and how much to produce**, and how it uses resources to **minimize cost and maximize profit**. It covers concepts like production function, cost, revenue, and the producer's equilibrium.

**Example:** A bakery deciding how many cakes to produce based on ingredient costs and expected sales.

3. **Price Determination through Markets:** Microeconomics explains **how prices of goods and services are determined** through the interaction of **demand and supply** in a market. It also studies how prices allocate resources efficiently.

**Example:** The rise in vegetable prices due to a sudden drop in supply caused by floods.

### Conclusion:

Microeconomics plays a crucial role in understanding **individual economic behavior**, the **functioning of markets**, and helps in **efficient resource allocation**. Businesses, policymakers, and consumers need to make informed economic decisions.

### CASE STUDY-BASED QUESTIONS

Read the passage and answer the following questions:

*A small village named Rampur has limited land and labor. The villagers can either grow wheat or vegetables using their available resources. Initially, most land is used for growing wheat because it has a higher demand in the market. However, over time, the demand for vegetables rises due to nearby urban areas, and the prices of vegetables go up.*

*The village panchayat decides to allocate more land to vegetable farming. Some farmers shift their resources from wheat to vegetables. But not all land is equally suitable for growing vegetables, so the output per unit starts decreasing. Some farmers also face challenges in choosing whether to use traditional labor-intensive methods or modern machines for cultivation.*

1. Identify the central economic problem being faced by the farmers in Rampur. (1 marks)

**Ans:** The central economic problem is “What to produce” – choosing between growing wheat or vegetables.

2. Which concept explains the villagers' decision to shift resources from wheat to vegetables? (1 marks)

**Ans:** The concept of **opportunity cost** explains this shift — the farmers gave up wheat production to benefit from the higher price of vegetables.

3. Which economic question is being addressed when farmers choose between manual labour and machines? (2 marks)

**Ans:** The question being addressed is “How to produce” – choosing the technique of production (labour-intensive vs capital-intensive methods).

4. Explain why the output of vegetables started decreasing when more land was shifted to their cultivation. (2 marks)

**Ans:** This is due to the **Law of Increasing Opportunity Cost**. As more land (less suitable for vegetables) is used, it becomes less efficient, and the marginal productivity declines, reducing overall output per additional unit of input.

### WORD OF ADVICE

“Master the basics here — they're the foundation of all future economic understanding. Focus on key terms like scarcity, choice, opportunity cost, and central problems. Don't just memorize — try to relate them to real-life situations (like choosing between study time and leisure). A strong grip on this chapter will make Microeconomics logical and easy throughout the year!”

#### Tips:

- Understand **why scarcity leads to choice** and, hence, economic problems.
- Learn the **3 central problems** of an economy deeply — they're frequently asked in exams.
- Get comfortable with terms like **MRT (Marginal Rate of Transformation)**, **opportunity cost**, and **PPF (Production Possibility Frontier)**.
- Practice small **numerical examples** related to PPF and trade-offs.

# SAMPLE QUESTION PAPER

TIME: 3 HRS

MAXIMUM MARKS: 80

## GENERAL INSTRUCTIONS

1. This question paper contains two sections:  
**Section A – Micro Economics**  
**Section B – Statistics**
2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

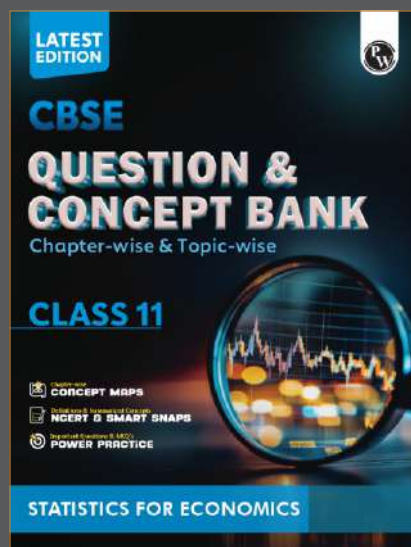
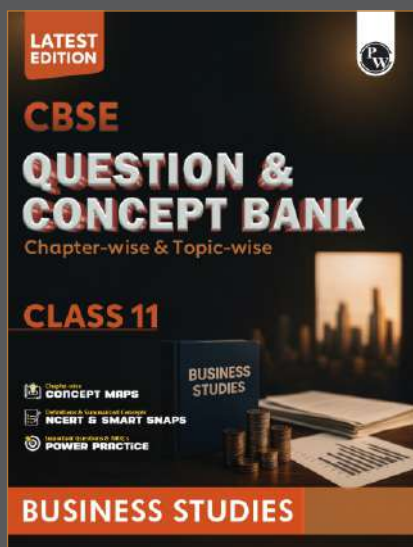
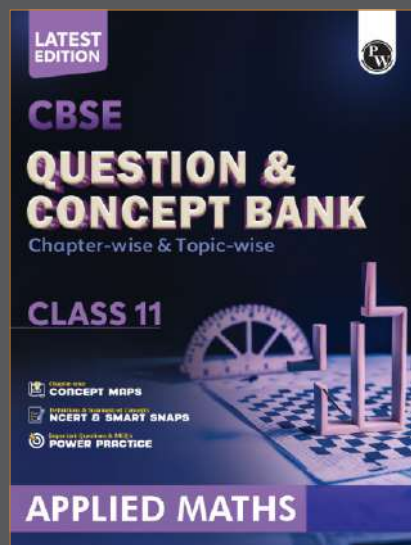
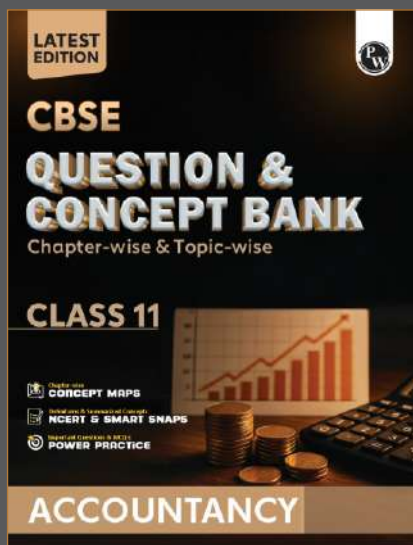
## Section A – Micro Economics

1. **Assertion (A):** 100, 95, 48, 86, 35, 65, 90, 54, 65, 98 are the scores of a class of 10 students in Statistics. This is an example of statistical data.  
**Reason (R):** The statistical data are expressed in numbers and have to have some homogeneity. [1]  
(a) Both A and R are true and R is the correct explanation of A.  
(b) Both A and R are true but R is not the correct explanation of A.  
(c) A is true but R is false.  
(d) A is false but R is true.s
2. Paasche index is based on [1]  
(a) Average of current and base year  
(b) Current year quantities.  
(c) Base year quantities  
(d) Base year Prices
3. If the relationship between  $x$  and  $y$  is positive, as variable  $y$  decreases, variable  $x$  [1]  
(a) Increases  
(b) Remains same  
(c) Changes linearly  
(d) Decreases
4. Calculate index numbers from the following data by simple aggregate method taking prices of 2000 as base. [1]

Commodity		A	B	C	D
Price per unit (in Rupees)	2000	80	50	90	30
	2001	95	60	100	45

  
(a) 120  
(b) 150  
(c) 130  
(d) 140
5. If with the rise of 10% in prices the wages are increased by 20%, the real wage increase [1]  
(a) 2  
(b) 30  
(c) 10  
(d) 20
6. Index Number reveals the state of [1]  
(a) None  
(b) Inflation  
(c) Deflation  
(d) Both

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