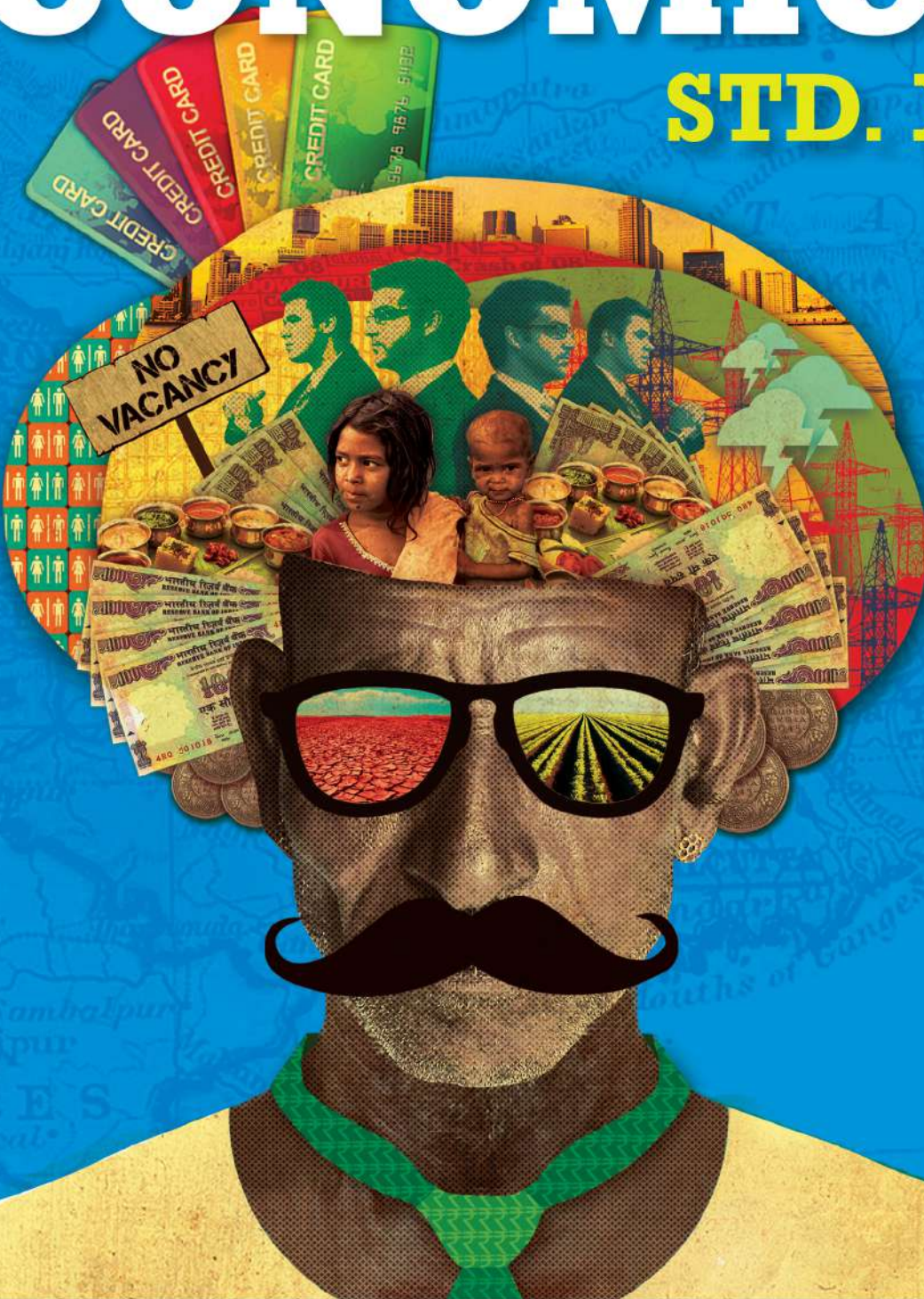


SAMPLE CONTENT

PRECISE

ECONOMICS

STD. XI



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- Note:**
1. All textual questions are represented by (T) mark.
 2. At the start of each chapter, we have provided a chapter index to enable the students to get an overview of the chapter.

Scan the adjacent QR Code to know more about our “**Supplementary Questions Book**” for Std. XI (Comm). Get sufficient practice of all objective questions across all subjects.



Sample Content

SR. NO.	PARTICULARS	READ 1	READ 2	READ 3
1.	The laws of social sciences are not universal but they are only statements of general human tendencies. Explain.			
2.	Economics is a social science. Explain.			
3.	Write about Kautilya's views on Economics.			
4.	What are the key points of Adam Smith's definition?			
5.	How are Alfred Marshall's and Lionel Robbins' definitions of Economics different from each other?			
6.	Explain in brief the basic concepts of Micro Economics.			
7.	Explain the characteristics of human wants. (T)			
8.	What is a want? How are wants classified?			
9.	What is the difference between 'value-in-use' and 'value-in-exchange'?			
10.	Explain the features of wealth. (T)			
11.	What are the various types of income?			
12.	Explain in detail the types of economic activities.			
13.	Explain the basic concepts of Macro Economics. (T)			
14.	Distinguish Between: 1. Economic Growth and Economic Development			
16.	Objective Questions: (T)			

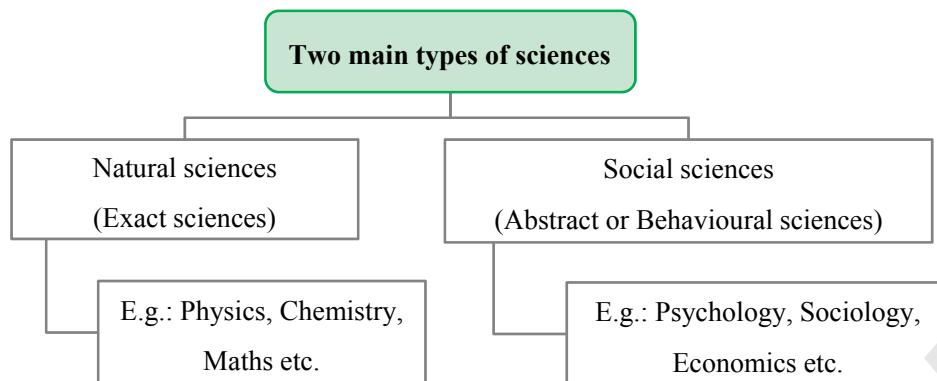


Q.1. Answer the following in detail

1. The laws of social sciences are not universal but they are only statements of general human tendencies. Explain.

- Ans:**
- 1) Science is the systematic body of knowledge. There are two main types of sciences:
 - i. Natural sciences
 - ii. Social sciences
 - 2) Natural science is the one whose laws are universally acceptable.
 - 3) The validity of the laws of natural sciences can be tested in a laboratory under controlled conditions.
 - 4) Therefore, **natural sciences are also called as exact sciences** because of their empirical approach to the study.
E.g.: Physics, Chemistry, Maths.
 - 5) Social science is related to study of some or the other aspect of human behaviour.
 - 6) Therefore, **social science is also called as abstract or behavioural science**.
E.g.: Psychology is related to 'mental' aspect of human behaviour. Sociology is related to 'social' aspect of man as member of the society.
 - 7) Unlike the laws of natural sciences, human behaviour can neither be studied in the laboratory nor can it be empirically tested.
 - 8) Hence, the laws of social sciences are not universal but they are only statements of general human tendencies.

Note: Empirical approach is an evidence-based approach that relies on real world data to study and interpret information.



2. Economics is a social science. Explain.

- Ans:**
- 1) Science is a systematic body of knowledge.
 - 2) There are two main types of sciences:
 - i. Natural sciences
 - ii. Social sciences
 - 3) Natural science is the one whose laws are universally acceptable.
 - 4) Social science is related to study of some or the other aspect of human behaviour.
 - 5) Economics deals with the 'economic' aspect of human behaviour. It explains how human beings satisfy unlimited wants with limited means.
 - 6) Therefore, Economics is a social science.
 - 7) In fact, it is referred to as 'Queen of Social Sciences' by Paul Samuelson.
 - 8) The origin of the term 'Economics' lies in the Greek word, 'Oikonomia' which means management of the household.

Note: Paul Anthony Samuelson was an American economist and the first American to win the Nobel Memorial Prize in Economic Sciences.

3. Write about Kautilya's views on Economics.

- Ans:**
- 1) Kautilya authored the ancient Indian political treatise, the 'Arthashastra'.
 - 2) Artha means 'wealth' and Shastra means 'science'.
 - 3) Arthashastra implies the science of acquiring and managing wealth.
 - 4) Arthashastra is a basically a treatise on Political Economy in its broadest sense.
 - 5) The key points based on Kautilya's views are as follows:
 - i. Crucial role of the state or government.
 - ii. Focus on creation of wealth as the means to ensure welfare of the state.
 - iii. Need for efficient administrative machinery for good governance.
 - iv. Compilation of political ideas into Arthashastra.

Note: Treatise is defined as a written work dealing formally and systematically with a subject.

4. What are the key points of Adam Smith's definition?

- Ans:**
- 1) Adam Smith, a classical economist, is regarded as the "**Father of Economics**".
 - 2) He has written various books on Economics, but he is most famous for his book "An Inquiry into the Nature and Causes of Wealth of Nations" published in the year 1776.
 - 3) He has given the **wealth-oriented definition** of Economics.
 - 4) He defines Economics as "a science of wealth".
 - 5) The key points of Adam Smith's definition are as follows:

SMART CODE

L A N D

- i. **L**aissez faire i.e. non-intervention of the government.
- ii. **A**ccumulation of capital and wealth.
- iii. **N**ature's law in economic affairs.
- iv. **D**ivision of labour as an aspect of growth theory.



5. How are Alfred Marshall's and Lionel Robbins' definitions of Economics different from each other?

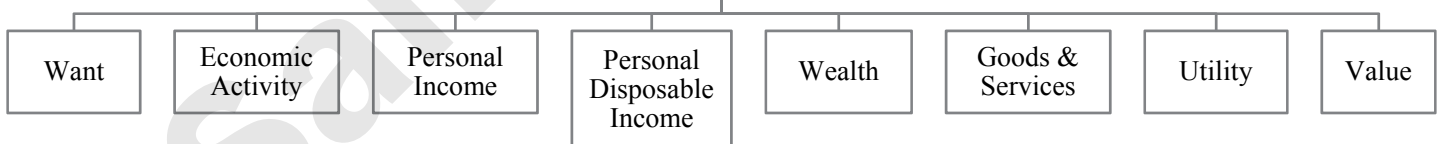
- Ans:**
- 1) Prof. Alfred Marshall was a neo-classical economist and authored the book "Principles of Economics" in the year 1890.
 - 2) He gave the '**welfare-oriented**' definition of Economics in his book.
 - 3) His definition states "Economics is a study of mankind in the ordinary business of life. It examines that part of individual and social action, which is closely connected with the attainment and use of material requisites of well-being."
 - 4) The key points of Marshall's definition are:
 - i. Study of an ordinary man.
 - ii. Study of material welfare.
 - iii. Economics is a behavioural science.
 - iv. Economics is not simply the study of wealth.
 - 5) Lionel Robbins was a modern economist and authored the book "An Essay on the Nature and Significance of Economic Science" in the year 1932.
 - 6) He gave the '**scarcity-oriented**' definition of Economics in his book.
 - 7) His definition states "Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses."
 - 8) The key points of Robbins' definition are:
 - i. Wants (ends) are unlimited.
 - ii. Means are comparatively limited.
 - iii. Wants are gradable on the basis of priority.
 - iv. Means have alternative uses.
 - 9) Primarily, Marshall's definition is 'welfare-oriented' whereas Robbins' definition is 'scarcity-oriented'. Both the definitions are based on two diametrically different ideologies and hence, they are different from each other.

Note: Material welfare refers to the fact or state of having enough housing, clothing, food and possessions etc. to live comfortably.

6. Explain in brief the basic concepts of Micro Economics.

- Ans:** In 1933, Sir Ragnar Frisch coined the terms 'Micro Economics' and 'Macro Economics.' These terms are derived from the Greek words 'Mikros' and 'Makros', respectively. Micro means small. Micro Economics deals with the behaviour of the individual variables such as a household, worker, firm, industry etc. According to Kenneth E. Boulding, "Micro Economics is the study of particular firms, particular households, individual prices, wages, incomes, individual industries, particular commodities". The basic concept of Micro Economics can be explained as follows:

Basic Concepts of Micro Economics



SMART CODE

I **WANT** to perform **ECONOMIC ACTIVITY** to earn **PERSONAL INCOME** and **PERSONAL DISPOSABLE INCOME** to accumulate **WEALTH** so that I can buy **GOODS & SERVICES** of high **UTILITY** and **VALUE**.

- 1) **WANT**
In simple words, want can be referred to as a need. In Economics, want denotes a feeling of 'lack of satisfaction'. This feeling enables the individual to satisfy his want.
- 2) **ECONOMIC ACTIVITY**
Economic activities can be classified into four types; namely, production, distribution, exchange and consumption.
- 3) **PERSONAL INCOME**
The earnings that a person receives from all sources is called his personal income.



- 4) **PERSONAL DISPOSABLE INCOME**
It is that part of personal income which is left over after payment of direct taxes such as income tax, wealth tax etc.
- 5) **WEALTH**
Wealth refers to anything which has market value and can be exchanged for money. To be regarded as wealth, a commodity must possess the characteristics of utility, scarcity, transferability and externality.
- 6) **GOODS & SERVICES**
Anything that satisfies human wants is termed as 'good'. Goods have material existence. Services also satisfy human wants, but do not have any material existence.
- 7) **UTILITY**
The capacity of a commodity to satisfy human wants is called as utility.
- 8) **VALUE**
Value has two approaches in Economics i.e. 'value-in-use' and 'value-in-exchange'. In simple words, value-in-use refers to usefulness of a commodity. On the other hand, value-in-exchange refers to the worth of a commodity or a service expressed in terms of another commodity.

7. Explain the characteristics of human wants. T

Ans: Want is one of the basic concepts of Micro Economics. In simple words, want refers to need. In Economics, want denotes a feeling of 'lack of satisfaction'. This feeling enables the individual to satisfy his want. Human wants have grown in number for two basic reasons:

- 1) Desire for better living due to inventions and innovations.
- 2) Rise in population.

The following are characteristics of wants:

SMART CODE

U C R

G A P S

- 1) **WANTS ARE UNLIMITED**
Wants not only arise again and again but they are also unending. If one want gets satisfied, another arises. Wants go on multiplying in number.
E.g.: You may want to go for shopping clothes every month (wants arise again and again). In fact, once one want of clothes gets satisfied, you may want to purchase accessories, glares, footwear etc. that goes well with your outfit (wants go on multiplying in number).
- 2) **WANTS DIFFER DUE TO CULTURE**
The culture & upbringing of a person also influences his wants. The influence can be seen on the choice of dressing, food habits & overall spending habits.
E.g.: i. A person belonging to rich family might want to travel by personal vehicle whereas a person belonging to a middle-class family might want to travel by public transport.
ii. A Maharashtrian would want a meal consisting of chapati bhaji whereas a South Indian would prefer a meal of rice & sambhar.
- 3) **WANTS ARE RECURRING IN NATURE**
Several human wants occur again and again, while some might be only occasional.
E.g.: We might want to go for a movie every fortnight but we might want to go on a vacation occasionally.
- 4) **WANTS DIFFER WITH GENDER**
Men and women want different goods according to their needs. Men and women both have certain peculiar goods which satisfy their needs.
E.g.: Men would want a shaving kit while women would want a hair clip.
- 5) **WANTS DIFFER WITH AGE**
Wants and their satisfaction differ with age of a person.
E.g.: We might want a new gel pen while in school. In college, we might want fancy branded clothes.
- 6) **WANTS DIFFER DUE TO PREFERENCES**
Individual habits, tastes and preferences greatly influence the wants of people.
E.g.: One person would want to eat Chinese food while another person would want to eat Italian.
- 7) **WANTS DIFFER WITH SEASONS**
It is obvious that certain goods would be more in demand during certain seasons.
E.g.: We want air conditioner during summer season whereas light cotton clothing during summers.

**8. What is a want? How are wants classified?**

Ans: Want is one of the basic concepts of Micro Economics. In simple words, want refers to need. In Economics, want denotes a feeling of 'lack of satisfaction'. This feeling enables the individual to satisfy his want. Wants can be classified in the following ways:

1) ECONOMIC AND NON-ECONOMIC WANTS

Economic wants are those where monetary transaction is involved. A person who has an economic want has to pay the price to satisfy his want.

E.g.: Food, medicines, travel, internet connection etc.

Non-economic wants are those where no monetary transaction is involved. A person who has a non-economic want can satisfy his want without making any monetary payment.

E.g.: air, sun shine, walking etc.

2) INDIVIDUAL WANTS AND COLLECTIVE WANTS

Individual wants or personal wants are those wants which are satisfied at the individual level.

E.g.: a chef would want a knife, a guitarist would want his guitar, a student would want his notebook etc.

Collective wants are social wants where there is collective satisfaction of wants.

E.g.: travelling by train, learning in a classroom, free WIFI at railway stations etc.

3) NECESSITIES, COMFORTS AND LUXURIES

Necessities are the very basic needs of life.

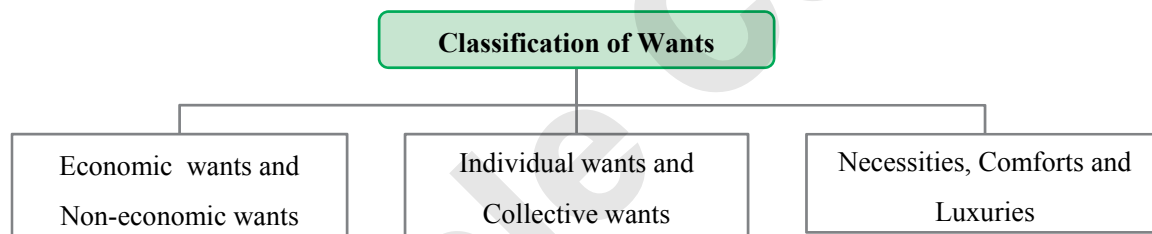
E.g.: food, clothing, shelter, education and health.

Comforts are those wants which make our life comfortable.

E.g.: washing machine, mixer, mobile phone etc.

Luxuries are those wants which are meant for pleasure and enjoyment.

E.g.: foreign vacations, dinner at expensive restaurant, high-end phone etc.

**9. What is the difference between 'value-in-use' and 'value-in-exchange'?**

Ans: Value is a basic concept of Micro Economics. Value has two approaches in Economics i.e. 'value-in-use' and 'value-in-exchange'.

VALUE-IN-USE

1) It refers to the worth of a commodity.

2) In simple words, it is the usefulness of a commodity.

3) E.g.: No one has to pay for sunshine but it is very useful for us. Similarly, oxygen is available freely in nature but it is very useful for us.

4) In economic language, sunshine or oxygen are said to have high value-in-use.

5) They are examples of 'free goods'.

VALUE-IN-EXCHANGE

1) It refers to the worth of a commodity or a service expressed in terms of another commodity. E.g.: I will give you my TV in exchange for your old laptop. Here, the laptop is the value-in-exchange for the TV and vice versa.

2) When this value is expressed in terms of money, it is called as the price of a commodity.

3) Any good which commands a price is termed as 'economic goods'.

E.g.: TV, car, salt, bottled water etc.

Some commodities have high value-in-use but low value-in-exchange.

E.g.: water, oxygen in the atmosphere

Some commodities have low value-in-use but high value-in-exchange due to their scarcity.

E.g.: diamonds, expensive paintings



10. Explain the features of wealth. T

Ans: Wealth is a basic concept of Micro Economics. Wealth refers to “anything which has market value and can be exchanged for money”. To be regarded as wealth, a commodity must possess the following characteristics:

SMART CODE **U** **S** **E** **T**

- 1) **UTILITY**
A commodity must have the capacity to satisfy human wants for it to be considered as wealth. E.g. furniture, refrigerator etc. can be considered as wealth. On the other hand, we exchange old newspapers for money but it has no utility for us. Therefore, it cannot be considered as wealth.
- 2) **SCARCITY**
A commodity must be scarce in supply in relation to its demand if it is to be considered as ‘wealth’. E.g. all economic goods for which price is paid.
- 3) **EXTERNALITY**
A good can be transferred only if it is external to human body. E.g. bag, books, car etc. Health is not wealth in Economics as it is not external to human body, i.e. it does not possess the characteristic of ‘externality’.
- 4) **TRANSFERABILITY**
A commodity should be transferable from person to person and place to place to be considered as ‘wealth’. It is possible to transfer commodity from one place to another only when it is in material form or is tangible. E.g.: vehicle, jewellery etc.
Here, transfer can also mean the transfer of ownership. Therefore, even self-owned house property, land etc. can be considered as wealth.

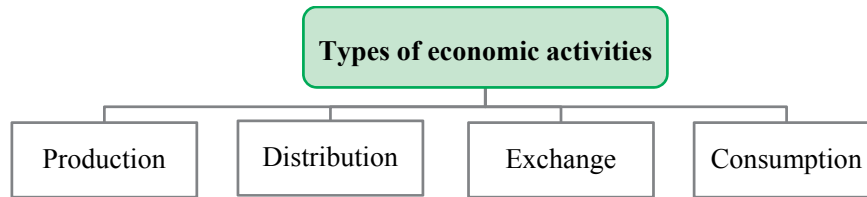
11. What are the various types of income?

Ans: Individual income is a basic concept of Micro Economics. The following are various types of income:

- 1) **PERSONAL INCOME**
The earnings that a person receives from all sources is called his personal income.
- 2) **PERSONAL DISPOSABLE INCOME**
It is that part of personal income which is left over after payment of direct taxes such as income tax, wealth tax etc.
- 3) **FIXED INCOME**
Income which remains stable over a period of time is called as fixed income.
E.g.: rent, salary, wages etc.
- 4) **FLUCTUATING INCOME**
Income which is not fixed and keeps on changing or fluctuating is called as fluctuating income. This income can be positive, negative or zero.
E.g.: profit from business, earnings from stock market investments etc.
- 5) **MONEY INCOME**
It is the income which is received in actual currency of the country. In other words, it is income in cash. E.g.: ₹ 5000.
- 6) **REAL INCOME**
It is the purchasing power of money income. E.g.: commodities purchased out of money income.
- 7) **CONTRACTUAL INCOME**
This income is paid as per the terms and conditions of contract. E.g. rent, wages, professional fees etc.
- 8) **RESIDUAL INCOME**
Income which is left over after making payments to all factors of production is called residual income. E.g.: profit
- 9) **EARNED INCOME**
The income that is earned after participating in a productive activity is called as earned income.
E.g.: rent, interest, wages, profit.
- 10) **UNEARNED INCOME**
Income received from all sources without indulging in any productive activity.
E.g.: windfall gains, inheritance from ancestors, lottery prizes etc.

**12. Explain in detail the types of economic activities.**

Ans: Economic activity is a basic concept of Micro Economics. Economic activities can be classified into four types which include production, distribution, exchange and consumption.

**1) PRODUCTION**

Production is creation of utility. There are four factors of production; namely, land, labour, capital & entrepreneur.

i. Land:

- a. Land is a **natural factor** of production.
- b. Any natural resource that is available on, above and below the surface of the earth is called 'land' in Economics.
- c. E.g.: soil, water on the surface of the earth; sunshine, air, wind etc. above the surface of the earth and minerals, gas, oil etc. below the surface of the earth.
- d. Therefore, 'land' is a wide term in Economics.
- e. Land earns 'rent' in productive activity.

ii. Labour:

- a. Labour is a **human factor** of production.
- b. Any physical or mental effort undergone during the process of production to earn the reward of 'wages' is called labour.
- c. E.g.: carpenter, engineer, accountant, bus conductor etc.

iii. Capital:

- a. Capital is a **produced means** for further production.
- b. It is a **man-made factor** of production.
- c. Capital earns 'interest' as reward.
- d. E.g.: machinery, technology, factory building etc.

iv. Entrepreneur:

- a. Entrepreneur is the **organizer** who is a real captain of the industry.
- b. He is a **special kind of labour** who co-ordinates, organizes and gets work done from other factors of production.
- c. He earns 'profit' as reward.

2) DISTRIBUTION

- i. Distribution refers to division of factor rewards among different segments of the society.
- ii. In other words, the payment of rent to land, wages to labour, interest to capital and profit to entrepreneur takes place through the process of distribution.

3) EXCHANGE

- i. Exchange refers to sale and purchase of goods and services.
- ii. It refers to give and take between various units in the economy.
- iii. In Economics, exchange has to be a monetary transaction.

4) CONSUMPTION

Consumption refers to making use of goods & services to satisfy human wants.

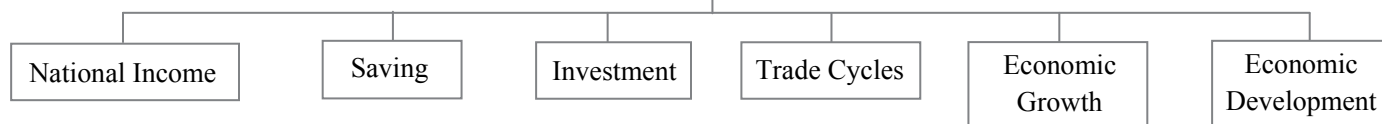
13. Explain the basic concepts of Macro Economics.

Ans: In 1933, Sir Ragnar Frisch coined the terms 'Micro Economics' and 'Macro Economics'. These terms are derived from the Greek words 'Mikros' and 'Makros', respectively. Macro means large or aggregate or total. Macro-Economics is therefore the study of aggregates covering the entire economy such as total employment, national income, national output, total investment, total savings, total consumption, aggregate supply, aggregate demand, general price level etc.

According to Kenneth E. Boulding, "Macro Economics deals not with individual quantities as such, but with the aggregates of these quantities, not with the individual incomes but with the national income, not with individual prices but with the general price level, not with individual output but with the national output."



Basic Concepts of Macro Economics



SMART CODE N S I T E²

1) NATIONAL INCOME

In simple words, national income means the total income of the country. It reveals the total economic performance of a nation. In the economic sense, national income is the aggregate monetary value of all final goods and services produced in an economy during a year.

According to National Income Committee, “A national estimate measures the volume of commodities and services turned out during a given period counted without duplication”.

2) SAVING

Saving is that part of the income which is not currently spent on consumption. This part (of income) is usually set aside to be able to satisfy needs that arise in the future.

E.g.: If the national income of a country is ₹ 50,000 crores, it may allocate funds on various plans & programmes only up to the extent of ₹ 40,000 crores and save ₹ 10,000 crores for an emergency or future year.

3) INVESTMENT

It refers to creation of capital assets through mobilisation (collection) of savings.

E.g.: machinery, equipment etc.

4) TRADE CYCLES

Trade cycles are fluctuations in business. They are ups and downs in the overall economic activities. Ups and downs refer to fluctuations caused by inflation and depression, respectively. Inflation refers to a continuous rise in general price level. Conversely, depression is a continuous fall in overall prices and slowdown of economic activity in general.

5) ECONOMIC GROWTH

Economic growth means an increase in the real national income of the country over a long period of time. The term economic growth has a ‘quantitative’ dimension.

6) ECONOMIC DEVELOPMENT

Economic development refers to economic growth plus progressive changes in certain important variables which determine the well-being of people like education, health and sanitation etc. The term economic development has a ‘qualitative’ dimension. It is a wider concept than economic growth.



Q.2. Distinguish Between:

1. Economic Growth and Economic Development

Economic Growth	Economic Development
1) Meaning	
Economic growth means an increase in the real national income of the country.	Economic development indicates economic growth plus progressive changes in certain important variables which determine well-being of the people.
2) Scope	
This concept is narrow and quantitative.	This concept is broader and qualitative.
3) Interrelation	
Economic growth is possible without economic development.	Economic development is not possible without economic growth.
4) Dimensions	
Economic growth is a unidimensional concept.	Economic development is a multi-dimensional concept.



5) Nature	
Economic growth is spontaneous and reversible.	Economic development is deliberate and irreversible.
6) Measurement	
Economic growth is measured in terms of national income and per capita income.	Economic development is measured in terms of agricultural productivity, industrial productivity, quality of human life etc.

**Objective Questions: (T)****(A) Choose the correct option:**

- Statements related to Economics:
 - Economics is a social science.
 - Concept of economics is derived from Greek word 'Oikonomia'.
 - Economics is related to the study of human economic behaviour.
 - Economics is related to management of the household.

a. i, ii and iii b. i and ii c. ii and iii d. i, ii, iii and iv
- Statements incorrect with reference to Adam Smith's definition:
 - Adam Smith is a classical economist.
 - Wealth of Nations is authored by Adam Smith.
 - Economics is the science of wealth.
 - Economics studies common man.

a. iv b. i, ii and iii c. i and iv d. iii and iv
- Key points in Lionel Robbins' definition:
 - Wants are unlimited.
 - Means are limited.
 - Wants are not gradable.
 - Means have alternative uses.

a. i and ii b. ii and iii c. i, ii and iv d. i, ii, iii and iv
- Statements related to wealth
 - Wealth means anything which has market value and can be exchanged for money.
 - It is external to human being.
 - Wealth has no utility.
 - Wealth is scarce and exchangeable.

a. i, ii and iv b. i, iii and iv c. ii, iii and iv d. None of the above
- Aspects considered in national income
 - Final goods and services are included in national income.
 - Produced goods and services in a financial year are included in national income.
 - Double counting is avoided.
 - Value is considered as per market price.

a. i and iii b. ii and iii c. i, ii and iv d. i, ii, iii and iv

Answers: 1 – d 2 – a 3 – c 4 – a 5 – d

(B) Complete the correlation:

- Natural sciences : Exact sciences : : Social Sciences : _____
- Physics : _____ : : Psychology : Social Science
- Arthashastra : Kautilya : : Wealth of Nations : _____
- Necessity : _____ : : Comforts : Washing machine
- Free goods : Value-in-use : : Economic goods : _____

Abstract or
Behavioural Sciences

Natural or Exact
Science

Adam Smith

Food/Clothing/ Shelter

Value-in-exchange



Identify and explain the concepts from the given illustrations: (T)

1. **My father purchased a two-wheeler vehicle. This helps to fulfil my travel needs.**

Ans: Concept: Individual want

Explanation:

- i. In economics, want denotes a feeling of 'lack of satisfaction'. This feeling enables the individual to satisfy his want.
- ii. Personal or individual wants refer to those wants which are satisfied at the individual level.
- iii. Collective wants are social wants where there is collective satisfaction of wants.
- iv. In the given illustration, a two-wheeler will only satisfy that person's travel needs.
- v. Hence, it is an example of individual want.

2. **A study of the annual income of the family of Ramesh.**

Ans: Concept: Micro Economics

Explanation:

- i. Micro means small and macro means large.
- ii. Micro Economics deals with the behaviour of the individual variables such as household, worker, firm, industry.
- iii. On the other hand, Macro Economics is the study of aggregates covering the entire economy such as total employment, national income, total investment etc.
- iv. A study of annual income of the family of Ramesh is the study of an individual variable i.e. a household.
- v. Hence, this illustration relates to the concept of Micro Economics.

3. **As per the data for financial year 2018-19, the country's production of goods and services increased by 20%.**

Ans: Concept: Economic growth

Explanation:

- i. In the economic sense, national income is the aggregate monetary value of all final goods and services produced in an economy during a year.
- ii. Economic growth means an increase in the real national income of the country.
- iii. The given case highlights the fact that the country's production of goods and services increased by 20%.
- iv. Hence, the given illustration relates to the concept of economic growth.

4. **Karuna's mother saves ₹ 1000/- every month out of her given salary.**

Ans: Concept: Saving

Explanation:

- i. Saving is that part of income which is set aside to satisfy the future needs by foregoing current consumption.
- ii. In other words, saving is that part of income which is not spent currently on consumption.
- iii. Karuna's mother saves ₹ 1000 every month out of her given salary.
- iv. In other words, she is not spending that amount on current consumption and setting it aside to satisfy the future needs.
- v. Hence, the illustration relates to the concept of saving.

5. **Ram's father utilized his provident fund amount to set up grocery store.**

Ans: Concept: Capital and Entrepreneur

Explanation:

- i. Capital is a factor of production.
- ii. It is the produced means for further production.
- iii. Ram's father utilized his provident fund to set up the grocery store i.e. he introduced capital in the business.
- iv. Further, Ram's father will earn the reward of 'profit' from the grocery store that he sets up.
- v. In economic sense, he will be an entrepreneur.
- vi. Hence, the given illustration relates to concepts of capital and entrepreneur.



State with reasons whether you agree or disagree with the following statements: (T)

1. All wants can be satisfied at a time.

Ans: I disagree with the above statement. All wants cannot be satisfied at a time.

Reasons:

- i. Want is one of the basic concepts of Micro Economics.
- ii. In simple words, want refers to need.
- iii. In economics, want denotes a feeling of 'lack of satisfaction'. This feeling enables the individual to satisfy his want.
- iv. Wants not only arise again and again but they are also unending.
- v. If one want gets satisfied, another arises.
- vi. Wants go on multiplying in number.
- vii. Several human wants occur again and again, while some might be only occasional.
- viii. Thus, all wants cannot be satisfied at a time.

2. Human wants change as per the seasons and preferences.

Ans: I agree with the above statement.

Reasons:

- i. Want is one of the basic concepts of Micro Economics.
- ii. In simple words, want refers to need.
- iii. In economics, want denotes a feeling of 'lack of satisfaction'. This feeling enables the individual to satisfy his want.
- iv. Individual habits, tastes and preferences greatly influence the wants of people.
E.g.: One person would want to eat Chinese food while another person would want to eat Italian.
- v. Also, certain goods would be more in demand during certain seasons.
E.g.: We want air conditioner during summer season whereas light cotton clothing during summers.
- vi. Thus, we can say that human wants change as per the seasons and preferences.

3. Value-in-use and Value-in-exchange are the same.

Ans: I disagree with the above statement. Value-in-use and value-in-exchange are two different concepts.

Reasons: Refer Q.1 - 9 from theory section.

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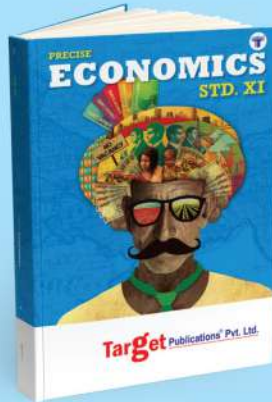




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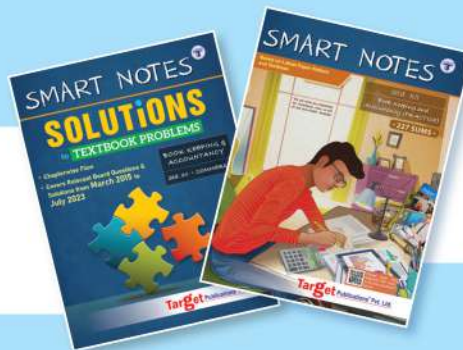


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