

Answer the following questions

1. What is an economic problem ? Why does it arise ?
2. State the Central problems of an economy. why do they arise? (AI 2006, 2007C)
3. Why do Central problems arise ? Explain the problem of allocation of resources.
4. Explain how economic problem is a problem arising from the necessity of choice.
5. What is meant by production possibility curve ? Illustrate with the help of a table and diagram.
6. What is meant by production possibility curve ? Illustrate the central problems of an economy with this curve.
7. Draw the production possibility curve and indicate the following situation on the diagram.
 - (a) Full employment of resources.
 - (b) Under Utilisation of resources.
 - (c) Growth of Resources.
8. Explain the relationship between marginal opportunity cost and slope of PPC.

NUMERICAL QUESTIONS

1. Find opportunity cost and marginal opportunity cost from following

Wheat (Kg)	Rice (Kg)
0	100
10	90
20	70
30	36
50	0

2. Draw a production possibility curve for the following information.

Production of Cricket Bats (thousands)	Production of Sarees (lakhs)
0	75
1	70
2	62
3	50
4	30
5	0

3. Following table relates to various production possibilities. Calculate marginal opportunity cost of T-Shirts at various combinations.

T-Shirts (In million)	Cell Phones (In thousands)
0	90000
1	80000
2	68000
3	52000
4	34000
5	10000

4. The production possibilities of a country are shown in the following table. Plot the PPC on graph paper and verify that it is concave to the origin. What is the pattern in the table that gives rise to concave shape of PPC.

Possibilities	Greenchillies	Sugar
A	100	0
B	95	1
C	85	2
D	70	3
E	50	4
F	25	5