

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

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## Introduction to Economics

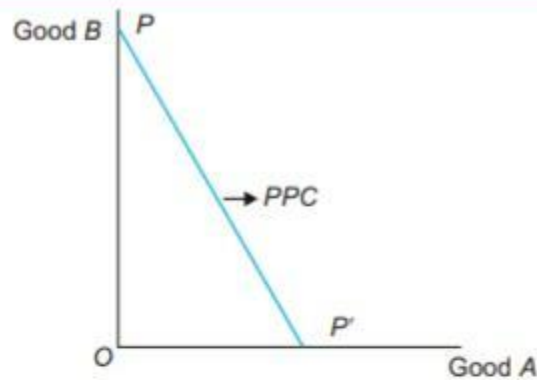
Q8. Calculate Marginal opportunity cost from the following table. What will be the shape of PPC and why?

Good A	Good B
0	50
1	45
2	40
3	35
4	30

Ans. Marginal opportunity cost of expanding good A

$$= \frac{\text{Amt. of good B given up}}{\text{Amt. of good A gained}}$$

Good A	Good B	Marginal Opportunity Cost
0	50	—
1	45	5 B : 1A
2	40	5 B : 1A
3	35	5 B : 1A
4	30	5 B : 1A



Good *B* will be plotted on the *y*-axis as it the good sacrificed and good *A* will be plotted on the *x*-axis as it the good gained. *PPC* will be straight downward sloping line because its slope, marginal opportunity cost, is constant.

**Q9. Why do problems related to allocation of resources in economy arise? Explain.**

**Ans.** The economic problems are the problems of choice or problems of fuller and efficient utilisation of limited resources to satisfy maximum number of wants. These arise due to the following reasons:

1. **Human Wants are Unlimited.** Human beings have wants which are unlimited. Human wants get satisfied by consuming goods and services, but new wants keep arising.
2. **Economic Resources are Limited.** Economic or productive resources can be of four kinds:
  - (a) *Natural resources:* land, air, minerals, forest, etc.
  - (b) *Human resources:* labour
  - (c) *Capital resources:* machines, equipment, etc.
  - (d) *Entrepreneurial resources:* entrepreneur is a person who combines all the other resources to produce output and bears risk.

These resources are limited in supply in relation to their demand. Scarcity is the basic feature of every economy. No economy can be self-sufficient in everything. Scarcity is a universal phenomenon which continues indefinitely. The scarcity of resources creates economic problems for every country in the world.

3. **Resources have Alternative Uses.** The resources are not only scarce in supply but they also have alternative uses. *For example,* land can be used to produce wheat or rice or build a hospital or a school. A *choice* between the alternative use of land has to be made. This problem of choice leads to economic problems.