

1. **b) Microeconomics**
Microeconomics is the study of individual decision-making units, including consumers, firms, and industries. It examines how they allocate scarce resources to satisfy unlimited wants. Unlike macroeconomics, which studies the economy as a whole, microeconomics focuses on specific markets and agents.
2. **(b) The goods sacrificed to produce it**
Opportunity cost refers to the value of the next best alternative foregone when a choice is made. It is not just about money spent but also includes the resources, time, and other goods that could have been produced instead.
3. **(b) Limited resources and unlimited wants**
The concept of economic choice arises because resources such as land, labor, and capital are scarce, while human wants are unlimited. Due to this imbalance, individuals and firms must make choices on how to allocate resources efficiently.
4. **(a) What to produce?**
The decision to allocate resources between consumer and capital goods relates to the fundamental economic problem of "what to produce?" It reflects a country's priorities, as producing more consumer goods satisfies immediate needs, while capital goods ensure long-term economic growth.
5. **(a) Resources are limited while human wants are unlimited**
Scarcity is a fundamental economic problem because resources such as natural resources, human labor, and capital are finite, whereas human needs and desires continue to grow. This mismatch forces societies to make decisions about allocation and efficiency.
6. **(c) Choosing between labor-intensive and capital-intensive production methods**
The problem of "how to produce?" involves selecting the most efficient method of production. Economies must decide whether to use more labor or machinery, considering factors such as cost, technology, and available resources to achieve maximum productivity.
7. **(b) There is economic growth**
The production possibility curve (PPC) represents the maximum output possible with existing resources. If the PPC shifts outward, it indicates an increase in the availability of resources, improved technology, or better efficiency, all contributing to economic growth.
8. **(b) The functioning of individual markets and decision-making by consumers and firms**
Microeconomics studies how consumers and firms interact within specific markets. It analyzes factors such as pricing, production, and market structures, unlike

macroeconomics, which focuses on aggregate economic indicators like GDP, inflation, and national employment rates.

9. **(b) The concept of opportunity cost in decision-making**

Microeconomics studies how individuals and firms make choices based on opportunity costs and trade-offs. For example, understanding why consumers substitute one good for another based on price changes is a key area of microeconomic study.

10. **(a) It studies the behavior of individual firms and consumers in the economy**

The scope of microeconomics includes demand and supply analysis, price determination, production decisions, and market structures. It contrasts with macroeconomics, which deals with broader topics like national income, inflation, and fiscal policy.

11. **(b) The study of facts and cause-and-effect relationships in economic behavior**

Positive microeconomics analyzes objective data and factual information without value judgments. It examines cause-and-effect relationships, such as how changes in taxation impact consumer demand, rather than prescribing what should be done.

12. **(b) Policy recommendations based on subjective judgments**

Normative microeconomics involves value-based judgments and policy suggestions, such as advocating for higher minimum wages to improve living standards. It contrasts with positive economics, which focuses on factual, cause-and-effect relationships.

13. **(a) A study on how consumers respond to price changes in the mobile phone industry**

Descriptive microeconomics involves collecting and presenting factual economic data. For example, observing how consumers react to price changes in a specific industry helps policymakers and businesses understand demand elasticity.

14. **(b) Externalities, monopolies, or information asymmetry distort the optimal allocation of resources**

Market failure occurs when free markets do not allocate resources efficiently. Externalities, monopolies, and asymmetric information lead to inefficiencies, requiring government intervention to correct distortions and improve welfare.

15. **(b) Signal scarcity and guide resource allocation**

The price mechanism functions as an automatic signal system in free markets, indicating shortages and surpluses. When prices rise, producers are incentivized to supply more, while consumers may reduce demand, ensuring efficient resource distribution.

16. **(b) The economy produces at the lowest possible cost**
Production efficiency occurs when goods are produced using the least amount of resources while maximizing output. It implies that no additional output can be produced without increasing costs or reallocating inputs.
17. **(a) The economy is producing the goods most desired by society**
Allocative efficiency ensures that resources are distributed based on consumer preferences, maximizing societal welfare. It occurs when goods are produced in quantities that align with consumer demand, preventing overproduction or underproduction.
18. **(c) Other things remaining constant**
"Ceteris paribus" is an economic assumption that allows for the analysis of one variable while holding other factors constant. This simplifies economic modeling and helps in understanding cause-and-effect relationships.
19. **(b) Underutilization of resources**
When an economy operates inside the PPC, it means that resources are not being fully utilized, leading to inefficiency. Factors like unemployment, poor resource management, or outdated technology can cause this underperformance.
20. **(a) ₹50,000**
Opportunity cost is the value of the best alternative foregone. Since the farmer sacrifices ₹50,000 in rice revenue to grow wheat, this amount represents the opportunity cost.
21. **(a) It studies the behavior of individual firms and consumers in the economy**
Microeconomics examines decision-making at an individual level, focusing on pricing, market structures, and consumer behavior. Unlike macroeconomics, it does not analyze aggregate economic indicators such as inflation or GDP.
22. **(b) The study of individual markets and decision-making of consumers and firms**
Microeconomics investigates how consumers and firms make choices regarding resource allocation. It includes demand and supply analysis, market equilibrium, and factors affecting prices.
23. **(a) Studying the impact of a tax increase on cigarette consumption**
Applied microeconomics examines how real-world policies, such as taxation, affect consumer and firm behavior. For example, higher taxes on cigarettes may reduce smoking while generating government revenue.
24. **(c) Applied microeconomics**
Applied microeconomics studies how economic policies influence real-world

decision-making. It uses theoretical concepts to analyze practical issues like minimum wage laws or environmental regulations.

25. (b) Individual firms, consumers, and specific markets

Microeconomics focuses on market interactions, studying how individual entities respond to price changes, cost variations, and economic incentives, unlike macroeconomics, which deals with national economic policies and trends.

26. (b) Individual consumers, firms, and markets

Microeconomics examines how individuals and firms make decisions, focusing on topics such as pricing strategies, market equilibrium, and production choices.

27. (c) Individual consumer choices and firm behavior

The primary concern of microeconomics is understanding how consumers and firms make decisions to allocate scarce resources, determine prices, and respond to changes in market conditions.

28. (b) Microeconomics

Microeconomics analyzes how firms decide on production levels based on costs, demand, and competition. This includes decisions on output quantity, pricing, and resource allocation.

29. (b) Limited resources and unlimited wants

The problem of choice exists because resources are scarce, requiring individuals and firms to prioritize and make trade-offs.

30. (b) Maximizing utility with given income and resources

A rational consumer aims to derive maximum satisfaction from limited resources by making optimal purchasing decisions.

31. (c) Scarcity and choice

Microeconomics is fundamentally based on the concepts of scarcity and choice. Since resources are limited, individuals and firms must make choices regarding their allocation. These choices determine how goods and services are produced, distributed, and consumed within an economy.

32. (b) Price and value theory

Microeconomics is often referred to as the "Price and Value Theory" because it focuses on how prices are determined in individual markets. It analyzes demand and supply interactions and how consumers and producers assign value to goods and services.

33. (c) A consumer deciding how much of a product to buy

A microeconomic issue involves decisions at an individual level, such as how much of a product to buy based on price and income constraints. Unlike macroeconomics,

which deals with national economic trends, microeconomics examines specific consumer behavior.

34. (c) If the price of coffee increases, demand for tea will increase

Positive economic analysis deals with objective, fact-based statements. The given statement is an example of the substitution effect, which predicts that when the price of a good rises, consumers switch to alternatives, assuming other factors remain constant.

35. (b) Suggesting what ought to be done based on value judgments

Normative microeconomics involves prescriptive statements that recommend policies based on opinions and values. Unlike positive economics, which describes what is, normative economics focuses on what should be, such as advocating for higher minimum wages or environmental regulations.

36. (a) Studying the impact of a new tax on small businesses

Applied microeconomics examines real-world economic applications, such as assessing how taxation affects small businesses. It combines microeconomic theories with empirical research to evaluate policies and their implications on businesses, consumers, and markets.

37. (b) Collecting and presenting factual economic data

Descriptive microeconomics involves gathering and analyzing economic data to present a factual account of economic activities. It does not involve policy recommendations but provides a foundation for further economic analysis and decision-making.

38. (b) Allocate scarce resources in the best possible manner

Economic efficiency aims to maximize resource utilization to satisfy human wants most effectively. This includes both productive efficiency, which minimizes costs, and allocative efficiency, which ensures that goods and services align with consumer preferences.

39. (b) Resources are distributed based on consumer preferences

Allocative efficiency occurs when resources are allocated in a way that maximizes societal welfare. It ensures that goods are produced in quantities that meet consumer demand, preventing wastage or shortages in the market.

40. (a) Firms are maximizing their output using the least-cost combination of resources

Productive efficiency is achieved when firms use the most efficient production methods to minimize costs and maximize output. This ensures that no additional output can be produced without increasing input costs.

41. **(c) Resources are not allocated efficiently**
Market failure occurs when free markets fail to allocate resources optimally. Causes include externalities, monopolies, and public goods. When markets do not function efficiently, government intervention may be required to correct distortions.
42. **(c) A factory polluting a nearby river without bearing the cost**
Market failure occurs when negative externalities arise, such as pollution, where the costs of production are not fully borne by producers. This leads to inefficiencies and justifies government intervention through policies like taxation or regulation.
43. **(b) Allocates resources based on supply and demand**
In a free market economy, the price mechanism acts as an automatic system that balances supply and demand. Prices adjust based on market conditions, guiding producers and consumers in resource allocation.
44. **(c) The next best alternative foregone**
Opportunity cost represents the value of the best alternative that must be given up when making a choice. It is a fundamental economic concept that helps individuals and firms make informed decisions about resource allocation.
45. **(a) The relationship between two goods that an economy can produce efficiently**
The Production Possibility Curve (PPC) illustrates the trade-offs between producing different goods given limited resources. It shows the maximum possible production combinations an economy can achieve without wasting resources.
46. **(b) Underutilization of resources**
If an economy operates inside the PPC, it means that resources are not being used efficiently. Factors such as unemployment, underproduction, or inefficient resource allocation can cause this underperformance.
47. **(b) Deciding the distribution of goods and services in an economy**
The problem of "for whom to produce?" deals with determining how goods and services are distributed among different groups in society. This decision affects income distribution, equity, and access to resources.
48. **(b) Maximizes benefits while minimizing costs**
A rational decision-maker evaluates the costs and benefits of each option before making a choice. The goal is to maximize satisfaction or profit while minimizing resource expenditure.
49. **(b) What goods and services to produce**
Every economy faces the fundamental question of determining what goods and services should be produced to satisfy the needs of its population. This decision depends on resource availability and societal priorities.
50. **(a) Unlimited wants and limited resources**
The economic problem of scarcity arises because human wants are infinite, but resources are limited. This necessitates choices about how to allocate resources efficiently to meet the most urgent needs.

51. (b) The problem of how to produce

Firms must decide whether to use labor-intensive or capital-intensive methods. This decision affects production costs, employment levels, and efficiency, depending on the availability of technology and resources.

52. (a) Producing maximum goods using the least amount of resources

Economic efficiency occurs when an economy utilizes its resources in the best possible way to maximize output. It involves both productive efficiency (minimizing costs)