

CLASS XII

PRODUCTION POSSIBILITY CURVE

I. Answer in one sentence each

1. Define goods.
2. Distinguish between goods and services.
3. What do you understand by 'individual' in economics?
4. What does 'allocation of resources' mean?
5. Define 'scarcity' in economics.
6. Define positive economics.
7. Give an example for a positive statement.
8. Define normative economics.
9. Give an example for normative statement.
10. Define micro economics
11. Give two examples for micro economic variables.
12. Define macro economics.
13. Give two examples for macro economic variables.

II. Answer in around 60 words each

14. How does problem of choices arise in an economy?
15. Define production possibilities. Show various production possibilities on a production possibility curve.
16. Define production possibility curve. State any two assumptions behind the concept of production possibility curve?
17. What does the problem of 'for whom to produce' signify'?
18. What does the problem of 'how to produce' signify'?

III. Answer in around 75 words each

19. Define a market. What are the characteristics of a market economy?
20. How do central problems get solved in a 'market economy'?
21. What are resources? What are the basic characteristics of resources?
22. Define a mixed economy. How are central problems solved in such an economic system?
23. Define opportunity cost. Explain with the help of an illustration.
24. Define marginal opportunity cost. How does it determine the shape of production possibility curve?
25. What does the following signify:
 - Economy functions along the production possibility curve.
 - Production possibility curve shifts to right (outward).
 - Production possibility curve shifts to left (inward).
 - Economy functions below the production possibility curve.
26. What could be the shape of production possibility curve if 'marginal rate of transformation' is increasing in nature? Show with diagram
27. What can you say about the shape of production possibility curve if resources are equally efficient in the production of both the good? Show with diagram.

IV. Answer in around 100 words each

28. How does Production possibility curve explain the problem of 'What to Produce'? Show with a diagram
29. Why does increasing Marginal Rate of Transformation occur? Show the concept on a production possibility curve with schedule.
30. What happens to production possibility curve When
- Technology of production improves?
 - Earth quake destroys existing stock of capital
 - Economy employs all the resources efficiently and fully.
