

Concept Questions: 12th Economics

Q) IDENTIFY AND EXPLAIN THE CONCEPTS FROM THE GIVEN ILLUSTRATIONS:

1) Gauri collected the information about the income of a particular firm.

Ans: Study of individual economic unit.

The study of economic behaviour of a particular unit by isolating it from the other forces of economy is known as the study of individual economic unit. For example, microeconomics deals with the study of individual economic units such as individual firm, individual price etc.

2) Ramesh decided to take all decisions related to production, such as what and how to produce?

Ans : Business decision in a free market economy

In a free market economy, producer has to make some decisions in order to achieve efficiency in production. Such decisions are called business decisions in a free market economy. The producer has to take business decision regarding the price of the product, production cost etc. In such situation, there is no intervention by the government or any other agency.

3) Shabana paid wages to workers in her factory and interest on her bank loan.

Ans : Payment of factor price /reward.

The factors of production viz. land, labour, capital and entrepreneur are essential for the production of goods. These factors of production get rewards in the form of rent, wages, interest and profit respectively from the producer for participating in the production process.

4) Salma purchased sweater for her father in winter season.

Ans : Time utility.

When the utility of a commodity increases with a change in its time of utilization, it is called time utility.

5) Nilesh purchased ornaments for his sister.

Ans : Possession utility.

Utility increased/ obtained from the transfer of ownership rights of goods from one person to another, is called possession utility.

6) Kavita consumed five units of oranges one after the other.

Ans : Continuity in consumption.

Continuity in consumption is a type of assumption in which various units of a commodity are consumed in quick succession, one after another (i.e. without any time gap). Continuity in consumption is one of the important assumptions of Law of DMU.

7) Bhushan refused to eat fifth chapati after eating four chapatis.

Ans : Point of satiety of a rational consumer.

The various units of a commodity consumed in quick succession leads to decrease in intensity of want and increase in the satisfaction. At a particular point, consumer's want gets fully satisfied. This point is called as a point of satiety. A rational consumer refuses to consume the next unit of commodity after the point of satiety.

8) Lalita satisfied her want of writing on essay by using pen and notebook.

Ans: Utility.

Utility refers to the capacity of a commodity to satisfy human wants.

9) Vrinda receives monthly pension of ₹ 5,000/- from the State Government.

Ans : Transfer income.

If the expenditure incurred by another person/organization is received by an individual in the form of income without any form of productive work, then such income is called transfer income.

10) Viru kept aside 100 Kgs of wheat produced in his farm for her family.

Ans : Product for self consumption.

The product for self-consumption is that part of the product that is set aside to meet the needs of oneself and one's family.

11) Sheetal purchased wheat flour for her bakery from the flour mill.

Ans : Private investment expenditure

Expenditure incurred by an entrepreneur or a private entity on raw materials, machinery etc for the manufacture of various goods and services is called private investment expenditure.

12) Shobha collected data regarding the money value of final goods and services produced in the country for the financial year 2018-2019.

Ans : Measurement of national Income by product method.

Measurement of national income by summing the economic values of all final goods and services produced in a particular financial year is a measure of national income by product method.

13) Rajendra has a total stock of 500 gel pens in his shop which includes the 200 gel pens produced in the previous financial year.

Ans : Inventories

Inventories refer to the stock of raw materials, medium goods, semi- finished goods and final goods in the current year and in the previous financial year available to the producer.

14) Raghu's father regularly invests his money in stock and bonds.

Ans : Investment in Stock market

Stock market (Exchange) is an important constituent of the capital market which is an association or organization in which stocks, bonds, commodities etc are traded .

15) Sara makes a monthly contribution to a fund jointly created by her friends. The collected fund is then given to a chosen member through lucky draw.

Ans : Chit fund.

Chit funds is a constituent of unorganized money market in India in which members make regular contribution to the fund. Bids or draws are made on the basis of a criteria mutually agreed upon by the members. Accordingly, the collected fund is given to the chosen member.

16) Tina deposited a lumpsum amount of ₹ 50,0 00 in the bank for a period of one year.

Ans : Fixed deposit.

A Fixed deposit is a type of deposit in which the saver deposit a certain amount in the form of a deposit in a commercial bank for a fixed period of time and he can withdraw the amount from the deposit after a specified period.

17) ABC bank provides d-mat facility, safe deposit lockers, internet banking facilities to its customers.

Ans : Ancillary functions of commercial bank

It refers to some additional functions performed by banks apart from primary and secondary functions such as transfer of funds, collection of money, safe deposit lockers, D-mat facility, internet banking etc.

18) India purchased petroleum from Iran.

Ans : Import Trade.

Import trade refers to purchase of goods and services by one country from another country.

19) Maharashtra purchased wheat from Punjab.

Ans : Internal Trade.

Buying and selling of goods and services within the boundaries of a nation is known as Internal Trade.

20) England imported cotton from India, made readymade garments from it and sold them to Malaysia.


Ans : Entrepot Trade.

Entrepot trade refers to purchase of goods and services from one country and then selling them to another country after some processing operations.

21) Japan sells smart phones to Myanmar.

Ans : Export Trade.

Export trade refers to the sale of goods and services by one country to another country.

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