SUGGESTED SOLUTION

FYJC 2020

SUBJECT- ECONOMICS

Test Code - FYJ 6084

BRANCH - () (Date :)

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ANSWER : 1 **(05)**

1. **1**
2. **4**
3. **1**
4. **3**
5. **4**

ANSWER : 2 **(05)**

(1) **(A)** Identified concept : Individual want
(B) Explanation of concept : Individual want is that want which is satisfied at individual level.

(2) **(A)** **Identified concept :** Microeconomic variable
(B) **Explanation of concept :** Microeconomic variable is that element that can be used to describe the behavior of an individual economic unit like particular individual, particular family particular industry, etc.

(3) **(A)** **Identified concept :** Economic growth
(B) **Explanation of concept :** Economic growth refers to quantitative increase in real national income (Production of final goods and services).

(4) **(A)** **Identified concept :** Savings
(B) **Explanation of concept :** Savings can be defined as that portion of disposable income salary which is not spent currently on consuming goods or services.

(5) **(A)** **Identified concept :** Investment
(B) **Explanation of concept :** Investment refers to creation of capital assets through mobilization of savings.

ANSWER : 3 **(02)**

1. **DIFFERENCE BETWEEN ECONOMIC GROWTH AND ECONOMIC DEVELOPMENT**

ECONOMIC GROWTH	**ECONOMIC DEVELOPMENT**
1) Economic growth means an increase in the real national income of the country.	1) Economic development indicates economic growth plus progressive changes in certain important variables which determine well – being of the people.
2) This concept is narrow and quantitative.	2) This concept is broader and qualitative.
3) Economic growth is possible without economic development.	3) Economic development is not possible without economic growth.
4) Economic growth is a uni dimensional concept.	4) Economic development is a multi – dimensional concept.
5) Economic growth is spontaneous and reversible.	5) Economic development is deliberate and irreversible.
6) Economic growth is measured in terms of national income and per capita income.	6) Economic development is measured in terms of agricultural productivity, industrial

	productivity quality of human life etc.

2. MICRO ECONOMICS & MACRO ECONOMICS

POINT	MICRO ECONOMICS	MACRO ECONOMICS
Meaning	According to Kenneth Boulding, "Micro economics is the study of particular firms, particular households, individual prices, wages, incomes individual industries, particular commodities".	According to Kenneth Boulding, "Macro economics deals not with individual quantities as such, but with the aggregate of these quantities, not with the individual incomes but with the national income, not with individual prices but with the general price level, not with individual output but with the national output".
Nature	Micro economics is individualistic in nature.	Macro economics is aggregative in nature.

ANSWER : 4 **(08)**

(1) No, I do not agree with this statement.

Reasons :

(1) Human wants are unlimited and the means to satisfy human wants are comparatively limited.
(2) Unlimited wants compete among themselves to be satisfied first.
(3) For example, a person may want a fridge and a T.V. or anything else at the same time but he / she cannot buy all because of limited resources (income).
Thus, all wants cannot be satisfied at a time.

(2) Yes, I agree with this statement.

(1) Human wants change according to change in the seasons, taste and preferences, etc.
(2) Human wants change as per the change in season. For example, A person may want an umbrella during rainy season but will want woolen clothes during winter.
(3) Individual tastes, habits, preference also determine his/ her wants, an office going person will want formal clothes more whereas, the college students will want more of casual clothes.
Thus, wants changes as per the change in seasons and preferences.

(3) No, I do not agree with this statement.

Reasons :

(1) Value – in – use refers to the utility of the commodity in day to day life. Whereas value – in – exchange refers to the worth of commodity expressed in terms of price.
(2) Commodities like water, air are highly essential for human life. Thus, these commodities have high value – in – use. But as these commodities are available on a large scale. So they have low value – in – exchange.
(3) Commodities like gold, diamonds are not very essential for human life. Thus, these commodities have less value – in – use. But as these commodities are available on a small scale or scarce they have high value – in – exchange.

Therefore, Value – in – use and value – in – exchange are two different concepts.

ANSWER : 5 **(10)**

1.

Features of wealth :

Wealth refers to “anything which has market value and can be exchanged for money.”

To be regarded as ‘wealth’, a commodity must possess the following Characteristics:

(i) Utility
(ii) Scarcity
(iii) Transferability
(iv) Externality

(i) **Utility :** A commodity must have the capacity to satisfy human wants, e.g. furniture, refrigerator etc.

(ii) **Scarcity :** A commodity must be scarce in supply in relation to its demand if it is to be included in the term ‘Wealth’, e.g. all economic goods for which price is paid.

(iii) **Transferability :** A commodity should be transferable from person to person as well as place to place. If the good is material or tangible then only it is possible to transfer it from place to place, e.g. vehicle, jewellery etc.

(iv) **Externality :** A good can be transferred only if it is external to human body, e.g. bag, chair etc.

2. **(05)**

CHARACTERISTICS OF WANTS :

(i) **Wants are unlimited :** Wants not only arise again and again but they are also unending. If one want gets satisfied, another arises. Wants go on multiplying in number.

(ii) **Wants are recurring in nature :** Several human wants occur again and again, while some might be only occasional.

(iii) **Wants differ with age :** Wants and their satisfaction differ as per the chronological age.

(iv) **Wants differ with gender :** Men and women want different goods according to their needs.

(v) **Wants differ due to preferences :** Individual habits, tastes and preferences matter a lot while deciding wants of the people.

(vi) **Wants differ with seasons :** Wants keep on changing with seasons.

(vii) **Wants differ due to culture :** Differences in culture influence wants that are related to food, dressing styles etc.

3. **(05)**

(i) **Land :** ‘Land’ in Economics is a wide term. It is a natural factor of production. Any natural resource that is available on, above and below the surface of the earth is called ‘land’ in Economics, e.g. minerals which are found below the surface of the earth ; soil, water on the surface of the earth; air, sunshine, wind are above the surface of the earth. Land earns ‘rent’ in productive activity.

(ii) **Labour :** Labour is a human factor of production. Any physical or mental effort undergone during the process of production to earn the reward of 'wages' is called 'labour', e.g. carpenter, accountant, engineer etc.

(iii) **Capital :** Capital is a produced means for further production. It is a man – made factor of production which earns the reward in the form of 'interest', e.g. machinery, technology, factory building etc.

(iv) **Entrepreneur :** Entrepreneur is the organizer who is a real captain of the industry. He is a special kind of labour who gets the work done to earn the reward of 'profit' in the process of production.

4. **(05)**

VARIOUS TYPES OF INCOME :

(a) **Fixed income :** Income which remains stable over a period of time, e.g. rent, wages.

(b) **Fluctuating income :** Income which is not fixed but keeps on changing, e.g. profit. It can be positive, negative or zero.

(c) **Money income :** It is the income received in actual currency of the country. In other words, it is the income in cash, e.g. Rs. 5,000.

(d) **Real income :** It is the purchasing power of money income, e.g. commodities purchased out of money income.

(e) **Contractual income :** This income is paid as per the terms and conditions of contract, e.g. rent, wages.

(f) **Residual income :** Income which is left over after making payments to all factors of production is called residual income, e.g. profit.

(g) **Earned income :** Income obtained after participating in the productive activity, e.g. rent, wages, interest, profit.

(h) **Unearned income :** Income received from all sources without indulging in any productive activity, e.g. windfall gains, lottery prizes.

ANSWER : 6 **(10)**

(1) According to Kenneth Boulding, "Macro economics deals not with individual quantities as such, but with the aggregate of these quantities, not with the individual incomes but with the national income, not with individual prices but with the general price level, not with individual output but with the national output".

The basic concepts of macroeconomics are as follows :

(1) **National Income :** National Income is the aggregate monetary value of all find goods and services produced in an economy during a year.

(2) **Aggregate Saving :** Saving is a part of income which is kept aside to satisfy future needs. Aggregate saving is the aggregate monetary value of total savings in an economy.

(3) **Aggregate Investment :** Investment refers to mobilization of savings and creation of capital assets such as furniture, machinery, building, etc. Aggregate investment is the aggregate monetary value of total investments in an economy.

(4) **Trade Cycle :** Trade cycles are the fluctuations in business. They are ups and downs in the overall economic activity. This fluctuations are caused by (a) inflation (b) deflation / depression.

(a) Inflation : Inflation refers to a general rise in price of overall goods and services.

(b) Deflation : Deflation refers to a fall in price of overall goods and services.

(5) **Economic growth :** Economic growth implies an increase in the real national income over a long period of time. It is a quantitative concept.

(6) **Economic development :** Economic development indicates economic growth plus progressive changes. It has a qualitative dimension as it is related to overall well – being of people.

(2) According to Kenneth Boulding, "Micro economics is the study of particular firms, particular households, individual prices, wages, incomes individual industries, particular commodities".

Basic concepts of microeconomics.

(1) Want : Want means a feeling of 'lack of satisfaction. This feeling enables the individual to satisfy his wants. The main reasons for increase in want are invention and innovation and rise in population.

(2) Goods and Services : Anything that satisfy human wants whether material (goods) or immaterial (services) is considered as good or service for example. Chalk used by a teacher is good whereas the teaching provided by her is service.

(3) Utility : Utility refers to a want satisfying power of a commodity. Utility is one of the characteristics of wealth.

(4) Value : In economics, value has two approaches :

(a) Value – in – use refers to utility of a commodity in day – to – day life.
(b) Value – in – exchange refers to the worth of commodity expressed in terms of price.

(5) Wealth : Wealth refers to "anything which has a market value and can be exchanged for money." Commodity possessing utility, scarcity, transferability and externality is regarded as wealth.

(6) Personal Income : Personal income is the income received by a person from all the sources. For example from salary, rent, dividend, etc.

(7) Personal Disposable Income : The income which remains with a person after deducting taxation is called as Personal Disposable Income.

(8) Economic activity : Economic activities are classified as production, distribution, exchange and consumption.