

ECONOMICS

Simple point based Answers for all Questions as per **Govt. Exam Key Pattern**. Slow-learner's answers also included.

Based on the Updated New Textbook

Salient Features

- ◆ Complete Solutions to **Textbook Exercises**.
- ◆ Answers as per **Govt. Exam key pattern**.
- ◆ Important words are **Highlighted**.
- ◆ Answers for **Slow Learning Students**.
- ◆ Model Question Papers **1 to 6 (PTA)** : Questions are incorporated in the appropriate sections.
- ◆ Govt. Model Question Paper - 2019 (**Govt. MQP-'19**), Quarterly Exam - 2019, 2023 & 2024 (**QY-'19, '23 & '24**), Half Yearly Exam-2019, 2023 & 2024 (**HY-'19, '23 & '24**), Public Exam March 2020 & 2025, May-2022, April 2023 & 2024 (**Mar-2020 & '25, May-'22, April-'23 & '24**), Govt. Suppl. Exam September 2020, August 2021, July 2022, June 2023, 2024 & 2025 (**Sep-2020, Aug-'21, July-'22, June-'23, '24 & '25**) and First & Second Revision Test - 2022 (**FRT & SRT-'22**) questions are incorporated in the appropriate sections.
- ◆ Additional 1, 2, 3 and 5 Marks Questions with Answers.
- ◆ Instant Supplementary Exam. - July 2025 Question Paper is given with answers.

Slow
Learner's
Answers given



SURA PUBLICATIONS

Chennai



For Orders Contact :

**80562 94222 / 81242 01000 / 81243 01000 /
96001 75757 / 98409 26027**

© Reserved with Publishers

Code No : SG 95

All rights reserved @ SURA Publications

No part of this book may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, digitally, electronically, mechanically, photocopying, recorded or otherwise, without the written permission of the publishers. Strict action will be taken.

Authors

Mr. A. Mohammed, M.A., M.Phil., B.Ed., Chennai

Ms. Rahima Ajisha, M.Com., M.Phil., Namakkal.

Mr. L. Somasundaram, M.A., M.Ed., M.Phil, Coimbatore

Edited by

Ms. Anusuya, M.A., B.Ed., Chennai

Mr. Ramamoorthy, M.A., M.Ed., Trichy

Reviewed by

Dr. Shanmugam M.A., M.Phil., Ph.D., Madurai

Dr. Arjun, M.A., M.Phil., Ph.D., Vellore

Head Office

Sura Publications

1620, 'J' Block, 16th Main Road,
Anna Nagar, Chennai - 600 040.

Phone : 044-4862 9977, 044-4862 7755

e-mail : orders@surabooks.com

website : www.surabooks.com

For Orders Contact



80562 94222

81242 01000

81243 01000

96001 75757

98409 26027

Preface

The woods are lovely, dark and deep.

But I have promises to keep, and

miles to go before I sleep

- Robert Frost

Respected Principals, Correspondents,
Headmasters/ Headmistresses, Teachers,

From the bottom of our heart, we at SURA Publications sincerely thank you for the support and patronage that you have extended to us for more than a decade.

It is in our sincerest effort we take the pride of releasing **SURA'S Economics** for +2 Standard. This guide has been authored and edited by qualified teachers having teaching experience for over a decade in their respective subject fields. This Guide has been reviewed by reputed Professors who are currently serving as Head of the Department in esteemed Universities and Colleges.

With due respect to Teachers, I would like to mention that this guide will serve as a teaching companion to qualified teachers. Also, this guide will be an excellent learning companion to students with exhaustive exercises and in-text questions in addition to precise answers for textual questions.

In complete cognizance of the dedicated role of Teachers, I completely believe that our students will learn the subject effectively with this guide and prove their excellence in Board Examinations.

I once again sincerely thank the Teachers, Parents and Students for supporting and valuing our efforts.

God Bless all.

Subash Raj, B.E., M.S.

- Publisher

Sura Publications

All the Best

Content

Chapter No	Title	Page No	Month
1.	INTRODUCTION TO MACRO ECONOMICS	1 - 16	June
2.	NATIONAL INCOME	17 - 40	
3.	THEORIES OF EMPLOYMENT AND INCOME	41 - 58	
4.	CONSUMPTION AND INVESTMENT FUNCTIONS	59 - 84	July
5.	MONETARY ECONOMICS	85 - 104	
First Mid-Term 1 to 5 Chapters			
6.	BANKING	105 - 124	August
7.	INTERNATIONAL ECONOMICS	125 - 147	
8.	INTERNATIONAL ECONOMIC ORGANISATIONS	148 - 162	September
Quarterly 1 to 8 Chapters			
9.	FISCAL ECONOMICS	163 - 185	October
10.	ENVIRONMENTAL ECONOMICS	186 - 203	
11.	ECONOMICS OF DEVELOPMENT AND PLANNING	204 - 221	November
Second Mid-Term 9 to 11 Chapters			
12.	INTRODUCTION TO STATISTICAL METHODS AND ECONOMETRICS	222 - 244	November
HALF YEARLY EXAMINATION (Full Portions)			
Instant Supplementary Exam. - July 2025 Question Paper is given with answers.		245 - 252	

TO ORDER WITH US

SCHOOLS and TEACHERS:

We are grateful for your support and patronage to '**SURA PUBLICATIONS**'
Kindly prepare your order in your School letterhead and send it to us.
For Orders contact: 81242 01000 / 81243 01000

DIRECT DEPOSIT

A/c Name : **Sura Publications**
Our A/c No. : **36550290536**
Bank Name : **STATE BANK OF INDIA**
Bank Branch : Padi
IFSC : SBIN0005083

A/c Name : **Sura Publications**
Our A/c No. : **21000210001240**
Bank Name : **UCO BANK**
Bank Branch : Anna Nagar West
IFSC : UCBA0002100

A/c Name : **Sura Publications**
Our A/c No. : **6502699356**
Bank Name : **INDIAN BANK**
Bank Branch : Asiad Colony
IFSC : IDIB000A098

A/c Name : **Sura Publications**
Our A/c No. : **1154135000017684**
Bank Name : **KVB BANK**
Bank Branch : Anna Nagar
IFSC : KVBL0001154

A/c Name : **Sura Publications**
Our A/c No. : **13240200032412**
Bank Name : **FEDERAL BANK**
Bank Branch : Anna Nagar
IFSC : FDRL0001324

A/c Name : **Sura Publications**
Our A/c No. : **50200031530945**
Bank Name : **HDFC BANK**
Bank Branch : Cenotaph Road, Teynampet
IFSC : HDFC0001216

After Deposit, please send challan and order to our address.
email to : orders@surabooks.com / Whatsapp : 81242 01000.



For Google Pay :
98409 26027



For PhonePe :
98409 26027



DEMAND DRAFT / CHEQUE

Please send Demand Draft / cheque in favour of '**SURA PUBLICATIONS**'
payable at **Chennai**. The Demand Draft / cheque should be sent with your order
in School letterhead.



SURA PUBLICATIONS

1620, 'J' Block, 16th Main Road, Anna Nagar, Chennai - 600 040.

Phone : 044-4862 9977, 044-4862 7755.

Mobile : 96001 75757 / 81242 01000 / 81243 01000.

email : orders@surabooks.com Website : www.surabooks.com

1. Introduction to Macro Economics

Important Terms

Macro Economics	:	Macro Economics deals with aggregates such as national income, employment, output etc.
Business Cycle	:	All economies face the problem of business fluctuations and business cycle.
Economic Systems	:	Economic system refers to the manner in which individuals and institutions are connected together to carry out economic activities in a particular area.
Globalism	:	Globalisation that connects nations together through international trade and aiming at global development.
Capitalist Economy / Market Economy / Free Economy	:	Capitalist economy is where the role of the government is minimum and market determines the economic activities.
Socialist Economy / Command Economy / Socialism	:	Socialism refers to a system of total planning, public ownership and state control on economic activities.
Mixed Economy / Mixedism	:	In a mixed economy system both private and public sectors co-exist and work together towards economic development.
Economic Models	:	A model is a simplified representation of real situation.
Circular flow of Income	:	The circular flow of income is a model of an economy showing connections between different sectors of an economy.
Stock	:	Stock refers to a quantity of a commodity measured at a point of time.

Definitions

- Macro Economics** : According to Dorn Busch, Fischer and Startz, “Macro economics is very much about tying together facts and theories”.
- Economy** : The term economy has been defined by A.J. Brown as, “A system by which people earn their living”.
- J.R. Hicks Definition of Economy** : J.R. Hicks defined it as, “An economy is a cooperation of producers and workers to make goods and services that satisfy the wants of the consumers”.
- Capitalist Economy** : According to “Adam Smith” capitalist economy is also termed as a free economy (Laissez faire, in Latin) or market economy where the role of the government is minimum and market determines the economic activities.
- Socialism** : Socialism is defined as a way of organizing a society in which major industries are owned and controlled by the government.
- Circular flow of income** : It shows flow of income, goods and services and factors of production between economic agents such as firms, households, government and nations.

Model Questions

Part - A

Multiple Choice Questions

1. **The branches of the subject Economics are _____.** [PTA-6; FRT & May-'22; June-'24]
 (a) Wealth and welfare (b) Production and consumption
 (c) Demand and supply (d) Micro and macro [Ans. (d) Micro and macro]
2. **Who coined the word 'Macro'?** [QY-'19; Mar-'25]
 (a) Adam Smith (b) J M Keynes (c) Ragnar Frisch (d) Karl Marx
 [Ans. (c) Ragnar Frisch]
3. **Who is regarded as the Father of Modern Macro Economics?** [Govt. MQP-'19; Mar & Sep-2020; FRT-'22]
 (a) Adam Smith (b) J M Keynes (c) Ragnar Frisch (d) Karl Marx
 [Ans. (b) J M Keynes]
4. **Identify the other name for Macro Economics.** [PTA-1; FRT & July-'22; Mar. & HY-'23]
 (a) Price Theory (b) Income Theory
 (c) Market Theory (d) Micro Theory [Ans. (b) Income Theory]

5. Macro economics is a study of _____. [PTA-2 Mar-2020; QY-'23 & '24]

- (a) individuals (b) firms
(c) a nation (d) aggregates

[Ans. (d) aggregates]

6. Indicate the contribution of J M Keynes to economics. [May-'22; Mar-'25]

- (a) Wealth of Nations
(b) General Theory (c) Capital
(d) Public Finance

[Ans. (b) General Theory]

7. A steady increase in general price level is termed as _____. [June-'24]

- (a) Wholesale price index
(b) Business Cycle
(c) Inflation (d) National Income

[Ans. (c) Inflation]

8. Identify the necessity of Economic policies. [PTA-5]

- (a) to solve the basic problems
(b) to overcome the obstacles
(c) to achieve growth
(d) all the above

[Ans. (d) all the above]

9. Indicate the fundamental economic activities of an economy.

- (a) Production and Distribution
(b) Production and Exchange
(c) Production and Consumption
(d) Production and Marketing

[Ans. (c) Production and Consumption]

10. An economy consists of

[PTA-4; HY-'19; QY-'23]

- (a) Consumption sector
(b) Production sector
(c) Government sector
(d) All the above

[Ans. (d) All the above]

11. Identify the economic system where only private ownership of production exists. [Mar-'24]

- (a) Capitalist Economy
(b) Socialist Economy
(c) Globalist Economy
(d) Mixed Economy

[Ans. (a) Capitalist Economy]

12. Economic system representing equality in distribution is _____. [Ans. (d) Socialism]

- (a) Capitalism (b) Globalism
(c) Mixedism (d) Socialism

13. Who is referred as 'Father of Capitalism'? [FRT-'22]

- (a) Adam Smith (b) Karl Marx
(c) Thackeray (d) J M Keynes

[Ans. (a) Adam Smith]

14. The country following Capitalism is _____. [PTA-3; Aug-'21; Mar. & QY-'23 & '24]

- (a) Russia (b) America
(c) India (d) China

[Ans. (b) America]

15. Identify The Father of Socialism.

[PTA-1; HY-'19 & '23; Aug-'21; June-'23]

- (a) J M Keynes
(b) Karl Marx (c) Adam Smith
(d) Samuelson

[Ans. (b) Karl Marx]

16. An economic system where the economic activities of a nation are done both by the private and the public sectors together is termed as _____. [PTA-6; July-'22]

- (a) Capitalist Economy
(b) Socialist Economy
(c) Globalist Economy
(d) Mixed Economy

[Ans. (d) Mixed Economy]

17. Quantity of a commodity measured at a point of time is termed as ____.

- (a) production (b) stock [July-'25]
(c) variable (d) flow

[Ans. (b) stock]

18. Identify the flow variable.

- (a) money supply [QY-'19; Sep-2020]
(b) assets (c) income
(d) foreign exchange reserves

[Ans. (c) income]

19. Identify the sectors of a Two Sector Model. [PTA-4; FRT-'22]

- (a) Households and Firms
(b) Private and Public
(c) Internal and External
(d) Firms and Government

[Ans. (a) Households and Firms]

20. The Circular Flow Model that represents an open Economy. [PTA-2]

- (a) Two Sector Model
(b) Three Sector Model
(c) Four Sector Model
(d) All the above

[Ans. (c) Four Sector Model]

Part - B

Answer the following questions in one or two sentences

21. Define Macro Economics.

[PTA-4; QY-'19; FRT-'22; May-'22]

- Macro Economics is the study of the economy as a whole.
- It deals with aggregates such as national income, employment, etc.
- It is also known as **"Income theory"**.

22. Define the term 'Inflation'.

[Govt. MQP-'19; QY-'19; Mar-2020 & '25; July-'22]

- Inflation refers to steady increase in general price level.

23. What is meant by an 'Economy'?

[PTA-1 & 5; HY-'19; QY-'24]

- Economy means "A system by which people earn their living". - A.J. Brown

24. Classify the economies based on the status of development. [June-'23 & '24]

- Developed economies.
- Underdeveloped economies.
- Undeveloped economies.
- Developing economies.

25. What do you mean by Capitalism?

[HY-'19; FRT-'22]

- The means of production in a capitalist economy are privately owned.
- Market economy where the role of the government is minimum.

26. Define 'Economic Model'.

[PTA-6; Mar & HY-'23; July-'25]

- It is an explanation of how the economy, or parts of the economy, works.
- Most economic models are built with mathematics, graphs and equations.

27. 'Circular Flow of Income' - Define.

[PTA-2; QY-'23]

- The circular flow of income is a model of an economy showing connections between different sectors of an economy.

Part - C

Answer the following questions in about a paragraph

28. State the importance of Macro Economics.

[PTA-5; Mar-2020; FRT-'22; June-'23]

- Macro economics provides ample opportunities to use scientific investigation to understand the reality.

- It helps to make meaningful comparison and analysis of economic indicators.
- It helps for better prediction about future.

29. Describe the different types of economic systems.

[QY-'19; FRT & May-'22; Mar-'25]

- **Capitalism** : Market economy where the role of the government is minimum.
- **Socialism** : Social welfare is the main motive of socialism.
- **Mixedism** : Co-existence of both public and private sectors.

30. Outline the major merits of capitalism.

[PTA-6; Aug-'21; July-'22; QY-'23 & '24]

- **Efficient use of Resources** : All resources are put into optimum use.
- **Incentives for Hard work** : Entrepreneurs get more profit for more efficiency.
- **Consumers Sovereignty** : All production activities are aimed at satisfying the consumers.

31. Indicate the demerits of socialism.

[PTA-1; Mar. & QY-'23]

- **Absence of Incentive** : Socialism does not provide any incentive for efficiency.
- **Limited Freedom of Choice** : Consumers do not enjoy freedom of choice.
- **Concentration of Power** : The State takes all major decisions.

32. Enumerate the features of mixed economy. [PTA-2; HY-'19; Sep-2020; FRT-'22]

- **Co-existence of Public and Private Sectors** : In mixed economies, both private and public sectors co-exist.
- **Economic Planning** : The central planning authority prepares the economic plans.

- **Freedom and Control** : Though private sector has freedom to own resources, produce goods and services and distribute the same, the overall control on the economic activities rests with the government.

33. Distinguish between Capitalism and Globalism. [PTA-4]

Capitalism	Globalism
The means of production in a Capitalist economy are privately owned.	The new market ideology of globalisation that connects nations together through international trade and aiming at global development.
Adam Smith is the father of Capitalism.	Globalism is coined by Manfred B. Steger.
It is also termed as "Free Economy".	It is also termed as "Extended Capitalism".

34. Briefly explain the two sector circular flow model. [May-'22; June & QY-'24]

Two Sectors :

- In a two-sector economy, production and sales are equal.
- There will be a circular flow of income and goods.



Two-sector Economy

(i) Real flow :

- Outer circle represents real flow of factors and goods.
- It indicates the factor services flow from household sector to the business sector.

(ii) Money flow :

- Inner circle represents the monetary flow of factor prices and commodity prices.
- Goods and services flow from business sector to the household.

$$Y = C + I$$

Part - D

Answer the following questions in one page

35. Discuss the scope of Macro Economics. [PTA-1; QY-'19 & '23; June-'23; Mar. & QY-'24; July-'25]

Scope of macro economics:**National Income :**

- Measurement of national income and its composition by sectors are the basic aspects of macroeconomic analysis.
- The trends in National Income and its composition provide a long term understanding of the growth process of an economy.

Inflation :

- Inflation refers to steady increase in general price level.
- Estimating the general price level by constructing various price index numbers such as Wholesale Price Index, Consumer Price Index, etc, are needed.

Business Cycle :

- Almost all economies face the problem of business fluctuations and business cycle.

- The cyclical movements (boom, recession, depression and recovery) in the economy need to be carefully studied based on aggregate economic variables.

Poverty and Unemployment :

- The major problems of most resource - rich nations are poverty and unemployment. This is one of the economic paradoxes.
- A clear understanding about the magnitude of poverty and unemployment facilitates allocation of resources and initiating corrective measures.

Economic Growth :

- The growth and development of an economy and the factors determining them could be understood only through macro analysis.

Economic Policies :

- Macro Economics is significant for evolving suitable economic policies.
- Economic policies are necessary to solve the basic problems, to overcome the obstacles and to achieve growth.

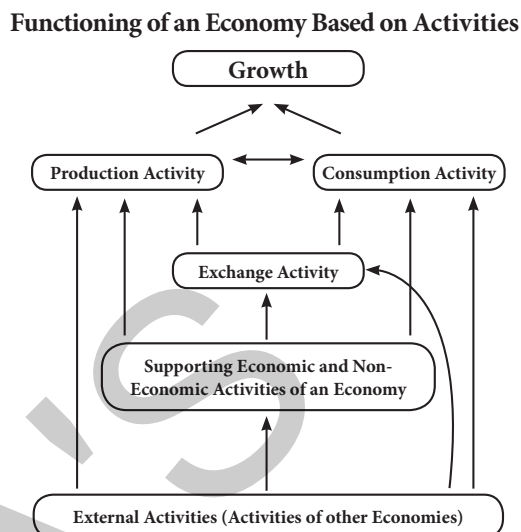
For Slow Learners

- **National Income :** Measurement of national income and its composition by sectors are the basic aspects of macroeconomic analysis.
- **Inflation :** It refers to steady increase in general price level.
- **Business Cycle :** Almost all economies face the problem of business fluctuations and business cycle.
- **Poverty and Unemployment :** A clear understanding about the magnitude of poverty and unemployment facilitates allocation of resources and initiating corrective measures.
- **Economic Policies :** Macro Economics is significant for evolving suitable economic policies.

36. Illustrate the functioning of an economy based on its activities.

[Govt. MQP-'19; PTA-2, 3, 5; July-'22; HY-'23; June-'24; Mar-'25]

- In an economy, the fundamental economic activities are production and consumption.
- These two activities are supported by several other activities.
- The ultimate aim of these activities is to achieve growth.
- The 'exchange activity' supports the production and consumption activities.
- The major economic activities include transportation, banking, advertising, planning, government policy and others.
- The major non-economic activities are environment, health, education, entertainment, regulations etc.
- In addition to these supporting activities, external activities from other economies such as import, export, international relations, emigration, immigration, foreign investment, foreign exchange earnings, etc. also influence the entire functioning of the economy.



For Slow Learners

- In an economy, the fundamental economic activities are production and consumption.
- These activities are influenced by several economic and non-economic activities.
- The major economic activities such as banking, planning, government policy and others.
- The major non-economic activities are environment, health, education, entertainment, regulations etc.

Hint : Refer to the image above

37. Compare the features of Capitalism, Socialism and Mixedism.

[PTA-3, 4, 6; Aug-'21; Mar & Sep-2020; May-'22; Mar. & QY-'23; FRT-'22; June-'24 & '25]

No.	Features	Capitalism	Socialism	Mixedism
1.	Ownership of means of production.	Private ownership	Public ownership	Private ownership and Public ownership
2.	Economic motive.	Profit	Social welfare	Social welfare and profit motive
3.	Solution of central problems.	Free market system	Central planning system	Central planning system and free market system
4.	Government Role.	Internal Regulation only	Complete Involvement	Limited Role
5.	Income Distribution.	Unequal	Equal	Less unequal

No.	Features	Capitalism	Socialism	Mixedism
6.	Nature of Enterprise.	Private Enterprise	Government Enterprise	Both Private and State enterprises
7.	Economic Freedom.	Complete Freedom	Lack of Freedom	Limited freedom
8.	Major problem.	Inequality	Inefficiency	Inequality and Inefficiency

For Slow Learners

No.	Features	Capitalism	Socialism	Mixedism
1.	Ownership of means of production.	Private	Public	Public and Private.
2.	Economic motive.	Profit	Social welfare.	Social welfare and profit motive.
3.	Income Distribution.	Unequal	Equal	Less unequal.
4.	Nature of Enterprise.	Private Enterprise.	Government Enterprise.	Both Private and State enterprises.
5.	Major problem.	Inequality	Inefficiency	Inequality and Inefficiency.

PTA & Government Exam Questions and Answers

1 Mark

- (i) J.M. Keynes is the Father of modern micro economics. [PTA-5]
 (ii) J.M. Keynes is the Father of modern macro economics.
 (a) Both (i) and (ii) are true (b) Both (i) and (ii) are false
 (c) (i) is true and (ii) are false (d) (i) is false but (ii) is true
- Which of the following is the basic identity of three sector economic model?
 (a) $Y = C + I$ (b) $Y = C + I + G$ [July-'25]
 (c) $Y = C + I + G + X - M$ (d) All of the above

2 Marks

- How are economies classified? (Write any 4) [July-'22]

 - Status of Development. ➤ System of Activities. ➤ Scale of Activities.
 - Nature of Functioning. ➤ Nature of Operation. ➤ Nature of Advancement.
 - Level of National Income.

3 Marks

1. What are the limitation of Macro Economics.

[Govt. MQP-'19]

Macro economics suffers from certain limitation. They are

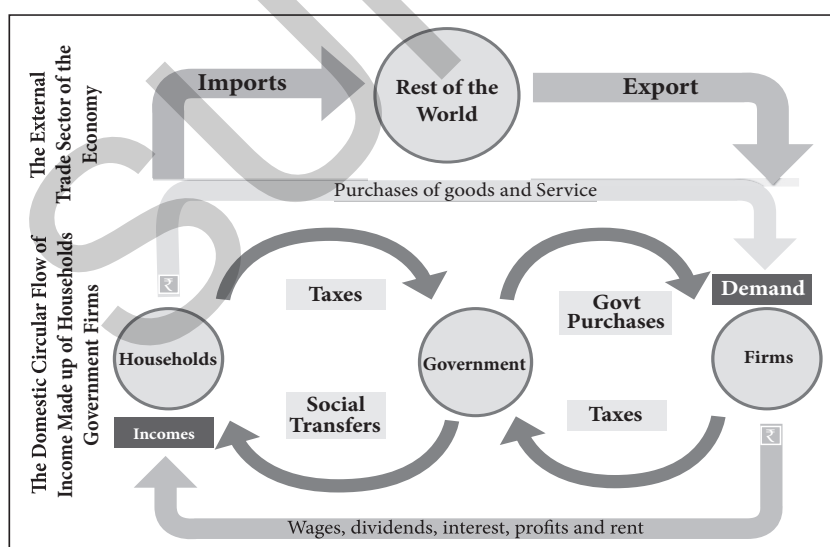
- There is a danger of excessive generalisation of the economy as a whole.
- It assumes homogeneity among the individual units.
- There is a fallacy of composition.
- Many non-economic factors determine economic activities; but they do not find place in the usual macroeconomic books.

5 Marks

1. Explain the four sector circular flow model.

[PTA-3; QY-'19; FRT-'22]

- In a four - sector economy, in addition to household, firms and government, a fourth sector namely, external sector is included.
- In real life, only four-sector economy is exists.
- This model is composed of four sectors namely.
 - ◆ Households ◆ Firms ◆ Government ◆ External Sector
- The external sector comprises exports and imports.
- It is illustrated in the flow chart.



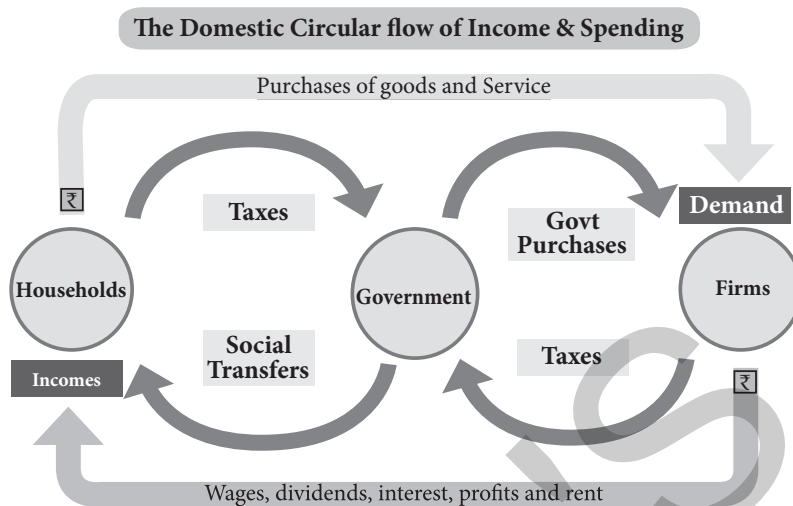
- In four-sector economy, expenditure for the entire economy include domestic expenditure. ($C + I + G$) and net exports ($X - M$)
- Therefore four sector model expressed as

$$Y = C + I + G + (X - M)$$

2. Briefly explain the three sector circular flow model.

[Sep-2020; May-'22]

- Circular flow of income in a Three sector Economy:



- In addition to household and firms, inclusion of the government sector makes this model a three-sector model.
- The government levies taxes on households and firms, purchases goods and services from firms, and firms receive factors of production from household sector.
- On the other hand, the government also makes social transfers such as pension, relief, subsidies to the households.
- Under three sector model, national income (Y) is obtained by adding Consumption expenditure (C), Investment expenditure (I) and Government expenditure (G).

Therefore:

$$Y = C + I + G$$

3. What are the merits of Mixed Economy?

[FRT-'22]

- **Rapid Economic Growth :** The best advantage of mixed economy is that it promotes rapid economic growth. Thus, both public requirements and private needs are taken care of.
- **Balanced Economic Growth :** Mixedism promotes balanced growth of the economy. It promotes balanced growth between agriculture and industry, consumer goods and capital goods, rural and urban areas etc.
- **Proper Utilisation of Resources :** The government can ensure proper utilization of resources. The government controls most of the important activities directly and the private sector indirectly.
- **Economic Equality :** The government uses progressive rates of taxation for levying income tax to bring about economic equality.
- **Special Advantages to the society :** The government safeguards the interest of the workers and weaker sections by legislating on minimum wages and rationing, establishing fair price shops and formulating social welfare measures.

Additional Questions and Answers

Part - A - 1 Mark

Multiple Choice Questions

1. A steady fall in general price level is termed as _____.
(a) Deflation (b) Inflation
(c) Trade
(d) To achieve growth
2. Micro means _____.
(a) Large (b) Big
(c) Small (d) Both 'a' and 'b'
3. Macro means _____.
(a) Large (b) Aggregate
(c) Economy as a whole
(d) All the above
4. Macro economics is also known as _____.
(a) Price theory (b) Income theory
(c) Business cycle
(d) Poverty and unemployment
5. Planned economy is also known as _____.
(a) Capitalist Economy
(b) Socialist Economy
(c) Mixed Economy
(d) All the above
6. Example for Mixed Economy _____.
(a) India (b) France
(c) China (d) Both 'a' and 'b'
7. Combination of both capitalism and socialism _____.
(a) Capitalist Economy
(b) Traditional Economy
(c) Mixed Economy
(d) Socialist Economy
8. Socialist Economy promotes _____.
(a) Social welfare motive
(b) Collective welfare motive
(c) Profit motive
(d) Both 'a' and 'b'
9. Market forces are _____.
(a) Supply and price
(b) Demand and price
(c) Prices of commodity
(d) Supply and demand
10. Non-interference of the state is a characteristic features of the _____.
(a) Socialist Economy
(b) Capitalist Economy
(c) Traditional Economy
(d) Command Economy
11. The right to property exists largely in _____.
(a) Traditional society
(b) Capitalism
(c) Socialism
(d) Mixed economy
12. Absence of Price Mechanism is a characteristic feature of the _____.
(a) Socialist economy
(b) Capitalist economy
(c) Traditional economy
(d) Mixed economy
13. _____ sector sells the entire output to households.
(a) Firm (b) House hold
(c) Government (d) Foreign trade
14. Identify the Father of Scientific Socialism.
(a) Adamsmith (d) Marshall
(c) J.M. Keynes (d) Karl Marx
15. In addition to household and firms, inclusion of the government sector make this model a _____ model.
(a) Single sector model
(b) Two sector model
(c) Three sector model
(d) Four sector model

16. Identify the stock variable.
 (a) **Wealth** (b) Income
 (c) Foreign exchange
 (d) Money
17. Identify the economic system where only public ownership of production exists.
 (a) Capitalist economy
 (b) **Socialist economy**
 (c) Globalist economy
 (d) Mixed economy
18. Capitalism leads to _____.
 (a) Central planning
 (b) **Class struggle**
 (c) Welfare (d) All the above
19. Identify the economic system where all decision are under taken by the central planning authority.
 (a) **Socialist economy**
 (b) Globalist economy
 (c) Mixed economy
 (d) Capitalist economy
20. The term 'Globalism' was coined by _____.
 (a) Adam Smith (b) J.M. Keynes
 (c) **Manfred D Steger**
 (d) Karl Marx
21. In four sector economy $Y =$ _____.
 (a) **$C + I + G + (X - M)$**
 (b) $C + I + G + (X \times M)$
 (c) $C + I + G + (X + M)$
 (d) $C + I + G + (X \div M)$
22. _____ Ideology is also termed as 'Extended capitalism'.
 (a) Capitalism (b) **Globalism**
 (c) Socialism (d) Mixedism
23. _____ is the heart of the capitalism.
 (a) Profit
 (b) Social welfare
 (c) **Price mechanism**
 (d) All the above
24. An economy is "A system by which people earn their living"-said by _____.
 (a) J.M. Keynes
 (b) Manfred B. Steger
 (c) J.R. Hicks
 (d) **A.J. Brown**
25. _____ and _____ are the fundamental economic activities.
 (a) Demand, supply
 (b) **Production, consumption**
 (c) Production, distribution
 (d) Consumption, demand
26. _____ is the sole buyer of goods and services.
 (a) **Household sector**
 (b) Firms (c) Governments
 (d) External sector
27. There are _____ major types of economic system.
 (a) Two (b) **three**
 (c) Four (d) Five

Match the following and choose the correct answer by using codes given below.

1.	(A)	Father of Macro Economics	(i)	J.M. Keynes
	(B)	Father of Socialist Economy	(ii)	Karl Marx
	(C)	Micro	(iii)	Small
	(D)	Macro	(iv)	Large

Codes :

- (a) A - (i), B - (ii), C - (iii), D - (iv) (b) A - (ii), B - (i), C - (iii), D - (iv)
(c) A - (iv), B - (iii), C - (ii), D - (i) (d) A - (iii), B - (iv), C - (ii), D - (iii)

2.	(A)	Role of Government	(i)	Mixed Economy
	(B)	Customs and Tradition	(ii)	Capitalist Economy
	(C)	Profit Motive	(iii)	Socialist Economy
	(D)	Co-existence of public and private	(iv)	Traditional Economy

Codes :

- (a) A - (ii), B - (iii), C - (iv), D - (i) (b) A - (iii), B - (iv), C - (ii), D - (i)
(c) A - (iii), B - (i), C - (iv), D - (ii) (d) A - (iv), B - (iii), C - (i), D - (ii)

State whether the statements are true or false

- (i) In a Socialist economy, the central planning authority prepares the economic plans.

(ii) In a mixed economy both private and public sectors co-exist.

(a) Both (i) and (ii) are true (b) Both (i) and (ii) are false
(c) (i) is true but (ii) is false (d) (i) is false but (ii) is true
- (i) The word 'Macro' is derived from the Greek word.

(ii) The word 'Macro' is derived from the latin word.

(a) Both (i) and (ii) are true (b) Both (i) and (ii) are false
(c) (i) is true but (ii) is false (d) (i) is false but (ii) is true

Which one of the following is correctly matched?

1.	(a)	Capitalism	-	Welfare motive
	(b)	Socialist	-	Profit motive
	(c)	Traditional economy	-	Modern technology
	(d)	Mixed economy	-	Social welfare and profit motive

[Ans. (d) Mixed economy - Social welfare and profit motive]

2.	(a)	Micro	-	Large
	(b)	Macro	-	Small
	(c)	Father of macro economics	-	Adam Smith
	(d)	Father of Socialism	-	Karl Marx

[Ans. (d) Father of Socialism - Karl Marx]

Which one of the following is Not correctly matched?

1.	(a)	Mixed Economy	-	Efficient utilization
	(b)	Socialism	-	Promotes Social Welfare
	(c)	Capitalist Economy	-	Profit Motive
	(d)	Traditional Economy	-	Modern Technology

[Ans. (d) Traditional Economy - Modern Technology]

2.	(a)	General System of Economics	-	Socialist Economy
	(b)	One of the scope of Macro Economics	-	Central Planning Authority
	(c)	Father of Capitalism	-	Adam Smith
	(d)	Capitalist Economy	-	Welfare Motive

[Ans. (d) Capitalist Economy - Welfare Motive]

Assertion and Reason

- Assertion (A)** : The fundamental economic activities are production and consumption.
Reason (R) : The ultimate aim of these activities is to achieve growth.

(a) Both 'A' and 'R' are true and R is the correct explanation of A
 (b) Both 'A' and 'R' are true but R is not the correct explanation of A
 (c) A is true but R is false (d) A is false but R is true
- Assertion (A)** : Profit is the driving force behind Capitalist economy.
Reason (R) : Price Mechanism is the heart of any Capitalist economy.

(a) Both 'A' and 'R' are true and R is the correct explanation of A
 (b) Both 'A' and 'R' are true but R is not the correct explanation of A
 (c) A is true but R is false (d) A is false but R is true

Pick the Odd one Out

- The subject matters covered Macro economics are _____**

(a) Investment and Saving (b) Inflation Business Cycle
 (c) International Trade (d) **Individual Demand and Supply**
- Features of Capitalist Economy :**

(a) Freedom of choice & enterprise (b) Profit motive
 (c) **Collective welfare** (d) Price Mechanism
- Demerits of Socialism**

(a) Red Tapism and Bureaucracy (b) **Reduction in inequalities**
 (c) Absence of incentives (d) Limited freedom of choice

Part - B - 2 Marks

Answer the following questions in one or two sentences

- 1. What is Globalism?**
 - An economic system where the economic activities of a nation are inter connected and inter dependent on each other nation.
- 2. What do you mean by Socialism?**
 - Socialism refers to a system of total planning, public ownership and state control on economic activities.
- 3. What is Mixed Economy?**
 - In a mixed economy system both private and public sectors co-exist and work together towards economic development.
- 4. Give examples for Mixed Economic countries.**
 - India ➤ England ➤ France ➤ Brazil
- 5. Give the countries which have communism.**
 - North Korea ➤ China ➤ Venezuela
- 6. Write down the examples for Capitalist economies.**
 - The USA ➤ West Germany
 - Australia ➤ Japan
- 7. What is Economic Policies?**
 - Economic policies are necessary to solve the basic problems, to overcome the obstacles and to achieve growth.
- 8. What is Price Mechanism?**
 - Price Mechanism is the heart of any Capitalist economy. All economic activities are regulated through price mechanism.
- 9. Write a note on Central Planning.**
 - Planning is an integral part of a Socialist economy.
 - In this system, all decisions are undertaken by the central planning authority

10. What is stock?

- A quantity of a commodity that is constant at a point of time. (Static).

Part - C - 3 Marks

Answer the following questions in one paragraph

- 1. What are the demerits of mixed economy?**
 - **Lack of Coordination** : The greatest drawback of mixedism is lack of coordination between public sector and private sector. As both work with divergent motives, it creates many coordination related problems.
 - **Competitive Attitude** : It is expected that both government and private should work with a complementary spirit towards the welfare of the society, but in reality they are competitive in their activities.
 - **Inefficiency** : Some people criticise that most of the public sector enterprises remain inefficient due to lethargic bureaucracy, red tapism and lack of motivation.
 - **Fear of Nationalization** : In a mixed economy, the fear of nationalization discourages the private entrepreneurs in their business operations and innovative initiatives.
 - **Widening Inequality** : Ownership of resources, laws of inheritance and profit motive of people widens the gap between the rich and the poor.
- 2. Describe the three models of circular flow of income.**
 - **Two Sector Model** : It is for a simple economy with households and firms.
 - **Three Sector Model** : It is for a mixed and closed economy with households, firms and government.
 - **Four Sector Model** : It is for an open economy with households, firms, government and rest of the world.

3. Explain any three features of Capitalist Economy.

- **Private Ownership of Property and Law of Inheritance :** The basic feature of capitalism is that all resources namely, land, capital, machines, mines etc. are owned by private individuals.
- **Freedom of Choice and Enterprise :** Each individual is free to carry out any occupation or trade at any place and produce any commodity.
- **Free Competition :** There is free competition in both product market and factor market. The government or any authority cannot prevent firms from buying or selling in the market. There is competition between buyers and sellers.

Part - D - 5 Marks

Answer the following questions in one page

1. Explain the merits of socialism.

- **Reduction in Inequalities :** No one is allowed to own and use private property to exploit others.
- **Rational Allocation of Resources:**
- The central planning authority allocates the resources in a planned manner. Wastages are minimised and investments are made in a pre planned manner.

- **Absence of Class Conflicts :** As inequalities are minimum, there is no conflict between rich and poor class. Society functions in a harmonious manner.
- **End of Trade Cycles :** Planning authority takes control over production and distribution of goods and services. Therefore, economic fluctuations can be avoided.
- **Promotes Social Welfare :** Absence of exploitation, reduction in economic inequalities, avoidance of trade cycles and increase in productive efficiency help to promote social welfare.

2. Explain the Demerits of capitalism.

- **Concentration of Wealth and Income:** Capitalism causes concentration of wealth and income in a few hands and thereby increases inequalities of income.
- **Wastage of Resources :** Large amount of resources are wasted on competitive advertising and duplication of products.
- **Class Struggle :** Capitalism leads to class struggle as it divides the society into capitalists and workers.
- **Business Cycle :** Free market system leads to frequent violent economic fluctuations and crises.
- **Production of non essential goods :** Even the harmful goods are produced if there is possibility to make profit from them.

