

## CHAPTER-1 | Introduction

QUIZ  
PART-01

1. Which of the following best defines an economy?
- A. A system that only produces goods
  - B. A system that helps people earn money through illegal means
  - C. A system that provides people means to work and earn a living
  - D. A system that only provides services (C)

**Explanation :** An economy is a system that enables people to work and earn a living by producing goods and providing services.

2. Goods are defined as
- A. Intangible objects satisfying wants
  - B. Tangible objects satisfying wants
  - C. Services provided by the government
  - D. Income earned by consumers (B)

**Explanation :** Goods are tangible, physical objects used to satisfy people's wants and needs.

3. Services differ from goods because they
- A. Are physical in nature
  - B. Can be stored for future use
  - C. Capture intangible satisfaction of wants and needs
  - D. Do not require resources (C)

**Explanation :** Services are intangible activities like teaching or healthcare that satisfy wants but cannot be touched.

4. The fundamental reason central problems of an economy exist is
- A. Scarcity of resources and unlimited wants
  - B. Efficient resource allocation
  - C. Government planning
  - D. Excess supply of goods (A)

**Explanation :** Central problems arise because human wants are unlimited while resources are scarce and limited.

5. The problem of "What to produce?" refers to
- A. Choosing the right production technology
  - B. Deciding the distribution of goods
  - C. Selecting the mix of goods and services to be produced
  - D. Deciding the price of goods in the market (C)

**Explanation :** It involves deciding the balance between various goods like food, clothing, healthcare, or luxury items.

6. The problem of "How to produce?" is concerned with
- A. Determining who consumes the goods
  - B. Choosing the production techniques and resource combinations
  - C. Fixing the selling price of goods
  - D. Reducing consumer wants (B)

**Explanation :** It involves selecting resource combinations such as labor vs. machines and the technology to use.

7. The problem of "For whom to produce?" is about
- A. Deciding which industries should produce goods
  - B. Determining how output is distributed among people
  - C. Setting up the pricing system for goods
  - D. Reducing costs of production (B)

**Explanation :** It addresses how goods and services are distributed and ensuring basic needs like education and health are met.

8. The Production Possibility Frontier (PPF) represents
- A. Only one possible combination of goods
  - B. All combinations of goods produced without using resources
  - C. All possible combinations of goods produced with full use of resources and technology
  - D. The maximum goods produced in future years (D)

**Explanation :** The PPF shows all possible combinations of two goods that can be produced with fully utilized resources.

9. Opportunity cost refers to
- A. The total profit earned from producing goods
  - B. The cost of producing one more unit of a good
  - C. The benefit of the next best alternative forgone
  - D. The actual cost of production (C)

**Explanation :** Opportunity cost is the value of the next best alternative sacrificed when making a choice.

10. Which statement about points on the PPF curve is correct?
- A. Points outside the PPF are attainable with current resources
  - B. Points on or inside the PPF are attainable
  - C. Points below the PPF show full utilization of resources
  - D. Points on the PPF show underutilization (B)

**Explanation :** Points on or inside the PPF are attainable, while points below indicate underutilization and outside are unattainable.