B.K. BIRLA CENTRE FOR EDUCATION

SARALA BIRLA GROUP OF SCHOOLS
A CBSE DAY-CUM-BOYS' RESIDENTIAL SCHOOL

PRE MID – TERM TEST 2025-26

ECONOMICS

Class: XI **Time: 1hr**
Date: 02.08.25 **Max Marks: 25**
Admission no: **MARKING KEY** **Roll no.:**

1. c) Both Statement 1 and 2 are true 1)
2. c) Improvement in technology and increase in supply of resource 1)
3. b) Buy more of good X and less of good Y 1)
4. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A). 1)
5. b) a – 12, b – 39 1)

6) 1. Consumer will prefer IC_2, because consumer will get more satisfaction from IC_2 than IC_1. 3)
2. No, because it lies in the no feasible area.
3. Consumer prefers point B, because consumer will get more satisfaction from higher indifference curve.

7) Opportunity cost is the value of the next best alternative forgone when making a choice, while marginal opportunity cost is the additional opportunity cost incurred when producing one more unit of a good or service. In simpler terms, opportunity cost is about the overall cost of a decision, while marginal opportunity cost is about the cost of making a small change to that decision. 3)

8) The Production Possibility Curve (PPC), also known as the Production Possibility Frontier (PPF), is a graphical representation of the maximum possible combinations of two goods or services that an economy can produce when all resources are fully and efficiently employed. 4)

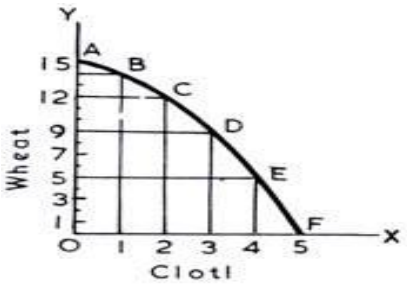
1. Downward Sloping:

The PPC slopes downward from left to right. This indicates that to produce more of one good, an economy must reduce the production of the other.

2. Concave to the Origin:

The PPC is typically bowed inward (concave) towards the origin. This shape reflects the law of increasing opportunity cost. As an economy produces more of one good, the opportunity cost of producing even more of that good increases, meaning more and more of the other good must be sacrificed.

3. Shows Resource Allocation:



Production Possibility Curve
Fig. 21.2

9. **Consumer Equilibrium Condition:** **4)**

In a two-good scenario, a consumer is in equilibrium when the marginal utility per dollar spent on good X equals the marginal utility per dollar spent on good Y. This can be expressed as: MUx / Px = MUy / Py, where MUx and MUy are the marginal utilities of good X and Y, and Px and Py are their respective prices.

- **Current Situation:**

If MUx > MUy (assuming prices are equal or similar), the consumer is not in equilibrium. This means they are getting more satisfaction from the last dollar spent on X than on Y.

- **Adjustment:**

To reach equilibrium, the consumer will shift their spending from good Y to good X.

- **Law of Diminishing Marginal Utility:**

As the consumer consumes more of good X, the marginal utility of X (MUx) will decrease. Conversely, as the consumer consumes less of good Y, the marginal utility of Y (MUy) will increase.

- **Equilibrium Point:**

The consumer will continue to reallocate spending until the marginal utility per dollar spent on both goods is equal (MUx / Px = MUy / Py), at which point they are in equilibrium and maximizing their total satisfaction.

10) (a) 4)

(i) 1X + 8Y, 2X + 6Y

(ii) 1X + 2Y, 2X + 2Y

(iii) Equation of the budget line is $P_XQ_X + P_YQ_Y = M$

$40Q_X + 20Q_Y = 200$

Slope of Budget line (-) $\frac{Px}{Py}$ =(-) $\frac{40}{20}$ = -2

(iv) When the consumer is in equilibrium, MRS = $\frac{Px}{Py}$

Substituting Price of X = 4, Price of Y = 2, we have MRS = $\frac{4}{2}$ = 2:1

(b) If Price of Y falls, $MU_X/P_X < MU_Y/P_Y$, then it means that satisfaction derived from spending a rupee on good X is lesser than the satisfaction derived from spending a rupee on Good Y. 2)

Mr. Aman will reallocate his income by substituting Good Y for Good X . As the consumption of Good Y increases the MU derived from it goes on diminishing and reverse occurs for Good X, this process continues till MU_X/P_X becomes equal to MU_Y/P_Y.

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