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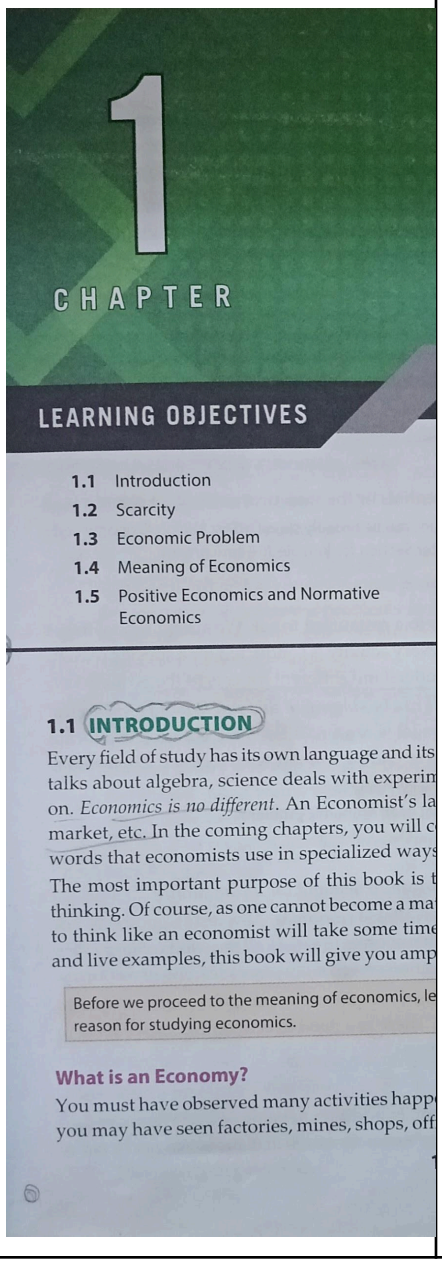
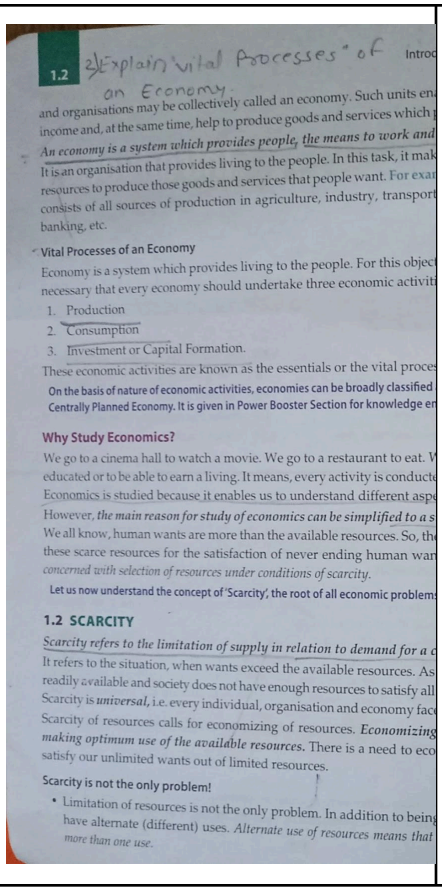
Class-11. Section- Commerce
Subject- Economics

S. N.	Date	LessonTopic	C.W.	H.W.
1	**18/06/ 2025**	**Ch-1 Introduction**		1. What are the 3 economic problems? 2. Define : (i) Scarcity (ii) Economy

1.2 2) Explain 'vital Processes' of an Economy.

Introd

and organisations may be collectively called an economy. Such units en
income and, at the same time, help to produce goods and services which
An economy is a system which provides people, the means to work and
It is an organisation that provides living to the people. In this task, it mak
resources to produce those goods and services that people want. For exa
consists of all sources of production in agriculture, industry, transport
banking, etc.

Vital Processes of an Economy

Economy is a system which provides living to the people. For this objec
necessary that every economy should undertake three economic activiti

1. Production
2. Consumption
3. Investment or Capital Formation.

These economic activities are known as the essentials or the vital proce

On the basis of nature of economic activities, economies can be broadly classified
Centrally Planned Economy. It is given in Power Booster Section for knowledge en

Why Study Economics?

We go to a cinema hall to watch a movie. We go to a restaurant to eat. W
educated or to be able to earn a living. It means, every activity is conduct
Economics is studied because it enables us to understand different asp
However, ***the main reason for study of economics can be simplified to a s***
We all know, human wants are more than the available resources. So, th
these scarce resources for the satisfaction of never ending human wan
concerned with selection of resources under conditions of scarcity.

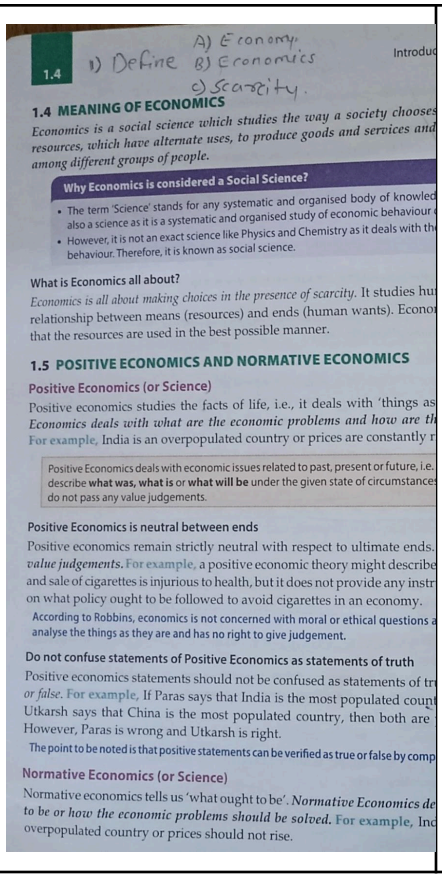
Let us now understand the concept of 'Scarcity', the root of all economic problem

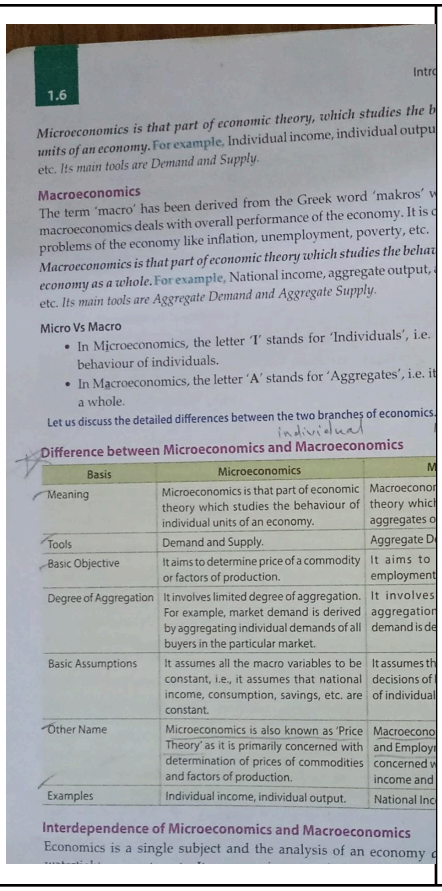
1.2 SCARCITY

Scarcity refers to the limitation of supply in relation to demand for a c
It refers to the situation, when wants exceed the available resources. As
readily available and society does not have enough resources to satisfy all
Scarcity is ***universal,*** i.e. every individual, organisation and economy fac
Scarcity of resources calls for economizing of resources. ***Economizing***
making optimum use of the available resources. There is a need to eco
satisfy our unlimited wants out of limited resources.

Scarcity is not the only problem!

- Limitation of resources is not the only problem. In addition to bein
have alternate (different) uses. *Alternate use of resources means that*
more than one use.

2	**19/06/ 2025**	**Ch-1 Introduction**		1. Differentiate between microeconomics and microeconomics . 2. Differentiate between normative economics and positive economics

3	20/06/ 2025	**Ch-1 Introduction**		1. What are the 3 Central Problems of economy? 2. Define the problem of what to produce and its 2 types. 3. What do you mean by the problem of for whom to produce?

1.6

Intro

Microeconomics is that part of economic theory, which studies the b units of an economy. For example, Individual income, individual output etc. *Its main tools are Demand and Supply.*

Macroeconomics

The term 'macro' has been derived from the Greek word 'makros' w macroeconomics deals with overall performance of the economy. It is c problems of the economy like inflation, unemployment, poverty, etc.

Macroeconomics is that part of economic theory which studies the behav economy as a whole. For example, National income, aggregate output, etc. *Its main tools are Aggregate Demand and Aggregate Supply.*

Micro Vs Macro

- In Microeconomics, the letter 'I' stands for 'Individuals', i.e. behaviour of individuals.
- In Macroeconomics, the letter 'A' stands for 'Aggregates', i.e. it a whole.

Let us discuss the detailed differences between the two branches of economics.

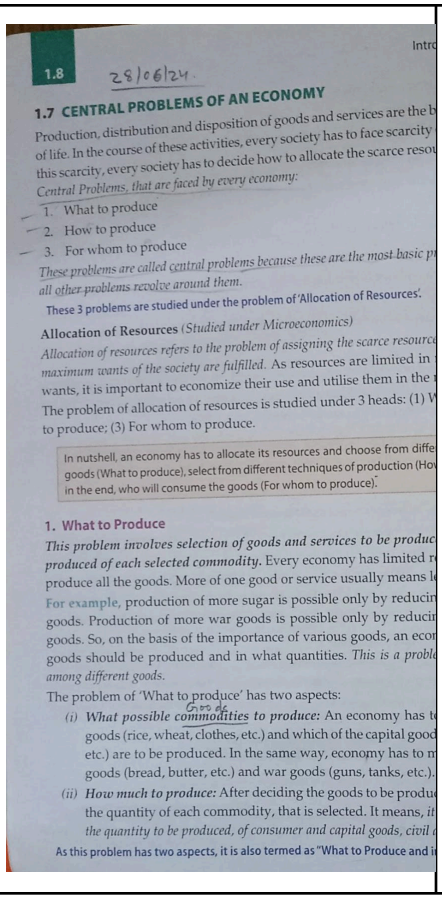
individual

Difference between Microeconomics and Macroeconomics

Basis	Microeconomics	M
Meaning	Microeconomics is that part of economic theory which studies the behaviour of individual units of an economy.	Macroconor theory whic aggregates o
Tools	Demand and Supply.	Aggregate D
Basic Objective	It aims to determine price of a commodity or factors of production.	It aims to employment
Degree of Aggregation	It involves limited degree of aggregation. For example, market demand is derived by aggregating individual demands of all buyers in the particular market.	It involves aggregation demand is de
Basic Assumptions	It assumes all the macro variables to be constant, i.e., it assumes that national income, consumption, savings, etc. are constant.	It assumes th decisions of of individual
Other Name	Microeconomics is also known as 'Price Theory' as it is primarily concerned with determination of prices of commodities and factors of production.	Macroconor and Employ concerned w income and
Examples	Individual income, individual output.	National Inc

Interdependence of Microeconomics and Macroeconomics

Economics is a single subject and the analysis of an economy

Intro

1.8 28/06/24

1.7 CENTRAL PROBLEMS OF AN ECONOMY

Production, distribution and disposition of goods and services are the b
of life. In the course of these activities, every society has to face scarcity
this scarcity, every society has to decide how to allocate the scarce resou
Central Problems, that are faced by every economy:

1. What to produce
2. How to produce
3. For whom to produce

*These problems are called central problems because these are the most basic pr
all other problems revolve around them.*

These 3 problems are studied under the problem of 'Allocation of Resources'.

Allocation of Resources *(Studied under Microeconomics)*

*Allocation of resources refers to the problem of assigning the scarce resource
maximum wants of the society are fulfilled.* As resources are limited in
wants, it is important to economize their use and utilise them in the
The problem of allocation of resources is studied under 3 heads: (1) W
to produce; (3) For whom to produce.

In nutshell, an economy has to allocate its resources and choose from diffe
goods (What to produce), select from different techniques of production (Hov
in the end, who will consume the goods (For whom to produce).

1. What to Produce

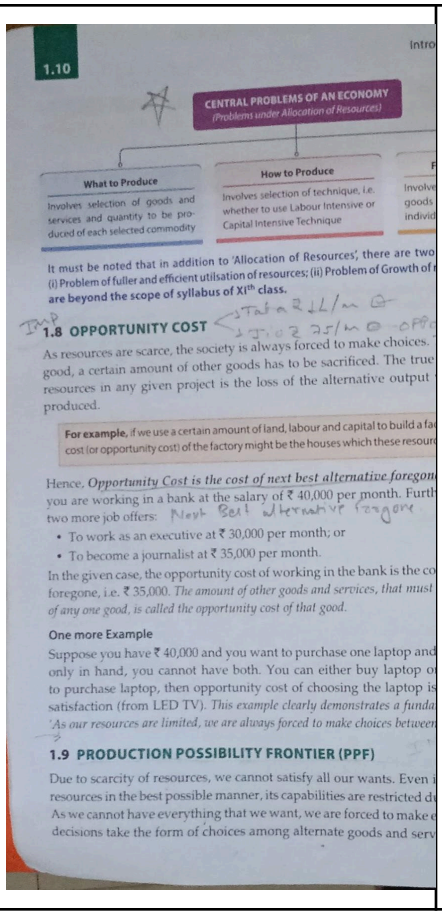
***This problem involves selection of goods and services to be produc
produced of each selected commodity.*** Every economy has limited r
produce all the goods. More of one good or service usually means l
For example, production of more sugar is possible only by reducir
goods. Production of more war goods is possible only by reducir
goods. So, on the basis of the importance of various goods, an eco
goods should be produced and in what quantities. *This is a proble
among different goods.*

The problem of 'What to produce' has two aspects:

(i) ***What possible commodities to produce:*** An economy has t
goods (rice, wheat, clothes, etc.) and which of the capital good
etc.) are to be produced. In the same way, economy has to m
goods (bread, butter, etc.) and war goods (guns, tanks, etc.).

(ii) ***How much to produce:*** After deciding the goods to be produ
the quantity of each commodity, that is selected. It means, *it
the quantity to be produced, of consumer and capital goods, civil a*

As this problem has two aspects, it is also termed as "What to Produce and i

4	23/06/2025	**Ch-1 Introduction**		1. What do you mean by : (i) MOC(ii) MRT 2. Differentiate between attainable and unattainable combinations. 3. Unsolved Q.No. 2. 4. Unsolved Q.No.3.

1.10

CENTRAL PROBLEMS OF AN ECONOMY
(Problems under Allocation of Resources)

What to Produce
Involves selection of goods and services and quantity to be produced of each selected commodity

How to Produce
Involves selection of technique, i.e. whether to use Labour Intensive or Capital Intensive Technique

It must be noted that in addition to 'Allocation of Resources', there are two (i) Problem of fuller and efficient utilsation of resources; (ii) Problem of Growth of are beyond the scope of syllabus of XI^th class.

1.8 OPPORTUNITY COST

As resources are scarce, the society is always forced to make choices. good, a certain amount of other goods has to be sacrificed. The true resources in any given project is the loss of the alternative output produced.

For example, if we use a certain amount of land, labour and capital to build a fa cost (or opportunity cost) of the factory might be the houses which these resour

Hence, *Opportunity Cost is the cost of next best alternative foregon* you are working in a bank at the salary of ₹ 40,000 per month. Furth two more job offers:

- To work as an executive at ₹ 30,000 per month; or
- To become a journalist at ₹ 35,000 per month.

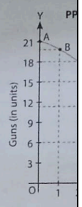
In the given case, the opportunity cost of working in the bank is the co foregone, i.e. ₹ 35,000. *The amount of other goods and services, that must of any one good, is called the opportunity cost of that good.*

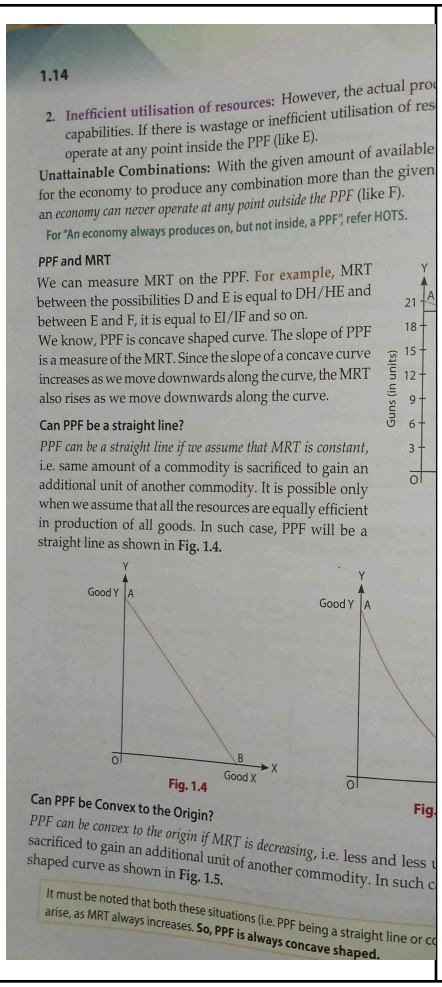
One more Example

Suppose you have ₹ 40,000 and you want to purchase one laptop and only in hand, you cannot have both. You can either buy laptop o to purchase laptop, then opportunity cost of choosing the laptop is satisfaction (from LED TV). *This example clearly demonstrates a funda 'As our resources are limited, we are always forced to make choices between*

1.9 PRODUCTION POSSIBILITY FRONTIER (PPF)

Due to scarcity of resources, we cannot satisfy all our wants. Even i resources in the best possible manner, its capabilities are restricted du As we cannot have everything that we want, we are forced to make c decisions take the form of choices among alternate goods and serv

			 Table 1.1 shows the various possibilities of guns and butter. This data is gr in **Fig. 1.1**. • If the economy uses all its resources to produce only guns, then maximum of 21 units of guns and no butter can be produced (point 'A'). • On the other hand, if all resources are used for butter, then maximum 6 units of butter and no guns can be produced (point 'G'). • In between, there are various possibilities with different combinations of guns and butter. • *When points A, B, C, D, E, F and G are joined, we get a curve AG, known as 'Production Possibility Frontier'.* **AG curve shows the maximum limit of production of guns and butter.**  **Marginal Opportunity Cost (MOC)** *MOC refers to the number of units of a commodity sacrificed to gain one add commodity.* ***In case of PPF, MOC is always increasing,*** i.e. more and more have to be sacrificed to gain an additional unit of another commodity. **Why Increasing MOC operates?** Increasing MOC operates because productivity and efficiency of factors of prod they are shifted from one use to another. Let us understand this with the help of an an economy produces only two goods (say, guns and butter). A worker is employe guns because he is best suited for it. If economy decides to reduce production of production of butter, then worker will be transferred to production of butter. H that efficient in production of butter as he was in guns. As a result, his productivi low and MOC will increase. **Marginal Rate of Transformation (MRT)** *MRT is the ratio of number of units of a commodity sacrificed to gain an addi commodity.* MRT = $\frac{\Delta \text{ Units Sacrificed}}{\Delta \text{ Units Gained}}$. In the given example of guns and bu *MRT measures the slope of Production Possibility Frontier.* **Example of MRT** According to **Table 1.1**, 20 units of guns and 1 unit of butter (i.e. 20G + 1 by utilising the resources fully and efficiently. If the economy decides to has to cut down production of guns by 2 units. In the given case, 2G is the producing 1B, i.e. *MRT is 2G:1B.*	

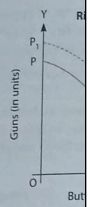
5	24/06/ 2025	**Ch-1 Introduction**		1. Differentiate between leopard shift and rightward shift. 2. What is rotation of PPF on x-axis? 3. What is rotation of EPF on y axis?

1.16

1. Shift in PPF

The PPF can shift either towards *right* or towards *left*, when there is change in resources or technology with respect to both the goods.

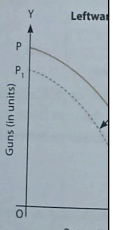
(i) ***Rightward Shift in PPF:*** When there is *"Advancement or Upgradation of Technology"* or/and *"Growth of Resources"* in respect to both the goods, then PPF will shift to the right. **For example,** if there is increase in resources for production of butter and guns, we can produce more of both the goods. In such case, existing PPF (PP) will shift to the right, represented by P_1P_1 in **Fig. 1.7.**



"Growth of Resources" take place whe

- Quantity of Resources increases, like: (i) Discovery of new natural Capital; (iii) Increase in labour force.
- Quality of Resources increases, like: (i) "Skill Development of Human R of Educational Institutes or schemes like Pradhan Mantri Kaushal Vika Environment" due to 'Clean India Mission' (Swachh Bharat Mission).

(ii) ***Leftward Shift in PPF:*** PPF will shift towards left, when there is a technological degradation and/or decrease in resources with respect to both the goods. **For example,** destruction of resources in an earthquake will reduce the productive capacity and as a result, PPF will shift to the left from PP to P_1P_1 (**Fig. 1.8**).

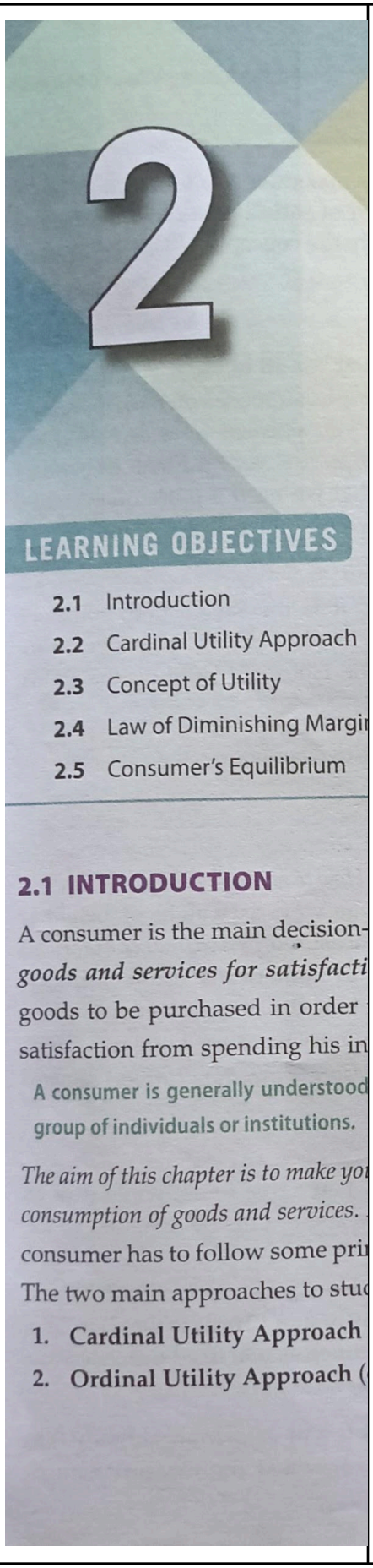


For, "How PPF will be affected by massive unemployment", refer HOTS.

2. Rotation of PPF

It happens when there is change in productive capacity (resource to *only one good*. The rotation can be either for the commodity on on the Y-axis.

(i) ***Rotation for commodity on the X-axis:*** When there is a te an increase in resources for production of the commodity then PPF will rotate from AB to AC.

6	25/06/2025	**Ch-2 Consumers Equilibrium**		1. Who is the consumer? 2. What are the two approaches of measuring consumer's equilibrium?

Do Consider it

1. The utility derived from the first unit of a commodity is known as *initia*
utils from the first ice-cream is termed as the initial utility.
2. Total utility is zero at zero level of consumption.

Marginal Utility (MU)

Marginal utility is the additional utility derived from the cons
the given commodity. It is the utility derived from the last unit c
As per given example, when 3rd ice-cream is consumed, TU incre
The additional 10 utils from the 3rd ice-cream is the MU. *In the a*
utility is addition made to total utility by consuming one more un
MU can be calculated as: $MU_n = TU_n - TU_{n-1}$

Where: MU_n = Marginal utility from n^{th} unit; TU_n = Total utility from n units;
TU_{n-1} = Total utility from n – 1 units; n = Number of units of consumption

MU of 3rd ice-cream will be: $MU_3 = TU_3 - TU_2 = 46 - 36 = 10$ utils

One More way to Calculate MU

MU is the change in TU when one more unit is consumed. How
consumed is more than one, then MU can also be calculated as:

$$MU = \frac{\text{Change in Total Utility}}{\text{Change in number of Units}} = \frac{\Delta T}{\Delta}$$

Total Utility is Summation of Marginal Utilities

Total utility can also be calculated as the sum of marginal utilities
$TU_n = MU_1 + MU_2 + MU_3 + \ldots\ldots + MU_n$ or simply,

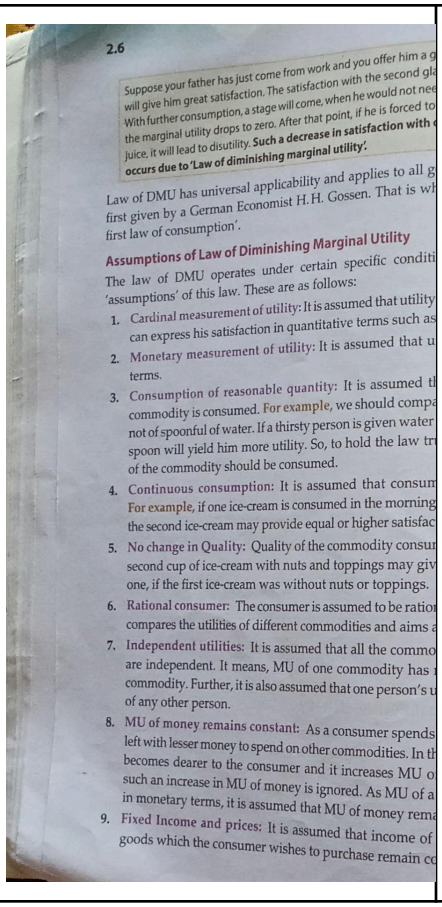
$$TU = \Sigma MU$$

The concepts of TU and MU can be better understood from the follow

Table 2.1: **TU and MU**

Ice-creams Consumed	*Marginal Utility (MU)*	
1	20	
2	16	
3	10	
4	4	
5	0	
6	– 6	20

In **Fig. 2.1**, units of ice-cream are shown along the X-axis and TU ar
the Y-axis. MU is positive and TU is increasing till the 4th ice-crear
ice-cream, MU is zero and TU is maximum. *This point is*

7	26/06/ 2025	Ch-2 Consumers Equilibrium		1. Write down all the assumptions of law of DMU. 2. Explain consumer's equilibrium with the help of graph and schedule. 3. Explain consumers equilibrium in case of 2 goods.

2.6

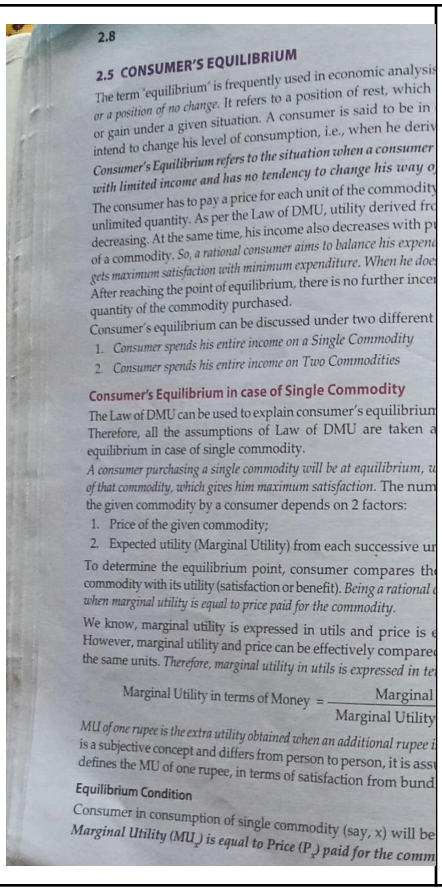
Suppose your father has just come from work and you offer him a g will give him great satisfaction. The satisfaction with the second gl With further consumption, a stage will come, when he would not nee the marginal utility drops to zero. After that point, if he is forced to juice, it will lead to disutility. **Such a decrease in satisfaction with occurs due to 'Law of diminishing marginal utility'.**

Law of DMU has universal applicability and applies to all g first given by a German Economist H.H. Gossen. That is wh first law of consumption'.

Assumptions of Law of Diminishing Marginal Utility

The law of DMU operates under certain specific conditi 'assumptions' of this law. These are as follows:

1. Cardinal measurement of utility: It is assumed that utility can express his satisfaction in quantitative terms such as
2. Monetary measurement of utility: It is assumed that u terms.
3. Consumption of reasonable quantity: It is assumed th commodity is consumed. For example, we should compa not of spoonful of water. If a thirsty person is given water spoon will yield him more utility. So, to hold the law tr of the commodity should be consumed.
4. Continuous consumption: It is assumed that consum For example, if one ice-cream is consumed in the morning the second ice-cream may provide equal or higher satisfac
5. No change in Quality: Quality of the commodity consur second cup of ice-cream with nuts and toppings may giv one, if the first ice-cream was without nuts or toppings.
6. Rational consumer: The consumer is assumed to be ratio compares the utilities of different commodities and aims a
7. Independent utilities: It is assumed that all the commo are independent. It means, MU of one commodity has commodity. Further, it is also assumed that one person's u of any other person.
8. MU of money remains constant: As a consumer spends left with lesser money to spend on other commodities. In th becomes dearer to the consumer and it increases MU o such an increase in MU of money is ignored. As MU of a in monetary terms, it is assumed that MU of money rema
9. Fixed Income and prices: It is assumed that income of goods which the consumer wishes to purchase remain co

2.8

2.5 CONSUMER'S EQUILIBRIUM

The term 'equilibrium' is frequently used in economic analysis *or a position of no change.* It refers to a position of rest, which or gain under a given situation. A consumer is said to be in intend to change his level of consumption, i.e., when he deriv ***Consumer's Equilibrium refers to the situation when a consumer with limited income and has no tendency to change his way o*** The consumer has to pay a price for each unit of the commodity unlimited quantity. As per the Law of DMU, utility derived fr decreasing. At the same time, his income also decreases with pu of a commodity. *So, a rational consumer aims to balance his expen gets maximum satisfaction with minimum expenditure. When he doe* After reaching the point of equilibrium, there is no further incer quantity of the commodity purchased.

Consumer's equilibrium can be discussed under two different

1. *Consumer spends his entire income on a Single Commodity*
2. *Consumer spends his entire income on Two Commodities*

Consumer's Equilibrium in case of Single Commodity

The Law of DMU can be used to explain consumer's equilibrium Therefore, all the assumptions of Law of DMU are taken a equilibrium in case of single commodity.

A consumer purchasing a single commodity will be at equilibrium, u of that commodity, which gives him maximum satisfaction. The num the given commodity by a consumer depends on 2 factors:

1. Price of the given commodity;
2. Expected utility (Marginal Utility) from each successive ur

To determine the equilibrium point, consumer compares the commodity with its utility (satisfaction or benefit). *Being a rational when marginal utility is equal to price paid for the commodity.*

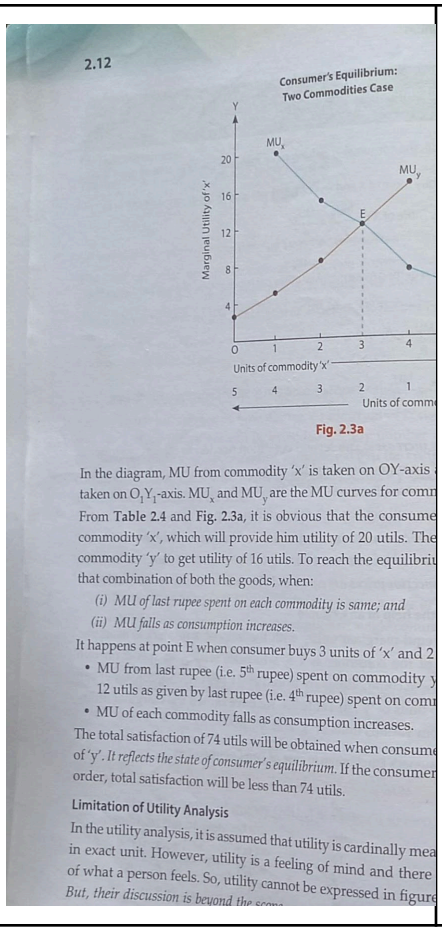
We know, marginal utility is expressed in utils and price is e However, marginal utility and price can be effectively compare the same units. *Therefore, marginal utility in utils is expressed in te*

$$\text{Marginal Utility in terms of Money} = \frac{\text{Marginal}}{\text{Marginal Utility}}$$

MU of one rupee is the extra utility obtained when an additional rupee i is a subjective concept and differs from person to person, it is ass defines the MU of one rupee, in terms of satisfaction from bund

Equilibrium Condition

Consumer in consumption of single commodity (say, x) will be ***Marginal Utility (MU_x) is equal to Price (P_x) paid for the comm***

8	28/06/ 2025	Ch-2 Consumers Equilibrium		1. Explain ordinal measure of utility. 2. Define : (i) Indifference curve (ii) Indifference map 3. Differentiate between budget line and budget set.

2.12

Consumer's Equilibrium: Two Commodities Case

Fig. 2.3a

In the diagram, MU from commodity 'x' is taken on OY-axis taken on O_1Y_1-axis. MU_x and MU_y are the MU curves for comm From **Table 2.4** and **Fig. 2.3a**, it is obvious that the consume commodity 'x', which will provide him utility of 20 utils. The commodity 'y' to get utility of 16 utils. To reach the equilibri that combination of both the goods, when:

(i) MU of last rupee spent on each commodity is same; and

(ii) MU falls as consumption increases.

It happens at point E when consumer buys 3 units of 'x' and 2

- MU from last rupee (i.e. 5th rupee) spent on commodity y 12 utils as given by last rupee (i.e. 4th rupee) spent on comm
- MU of each commodity falls as consumption increases.

The total satisfaction of 74 utils will be obtained when consume of 'y'. *It reflects the state of consumer's equilibrium.* If the consumer order, total satisfaction will be less than 74 utils.

Limitation of Utility Analysis

In the utility analysis, it is assumed that utility is cardinally mea in exact unit. However, utility is a feeling of mind and there of what a person feels. So, utility cannot be expressed in figure *But, their discussion is beyond the*

			2.14 R 3 S 4 T 5 As seen in the schedule, consumer is indifferent between five combinations of apple and banana. Combination 'P' (1A + 15B) gives the same utility as (2A + 10B), (3A + 6B) and so on. When these combinations are represented graphically and joined together, we get an indifference curve 'IC_1' as shown in **Fig. 2.4**. In the diagram, apples are measured along the X-axis and bananas on the Y-axis. All points (P, Q, R, S and T) on the curve show different combinations of apples and bananas. These points are joined with the help of a smooth curve, known as indifference curve (IC_1). *An indifference curve is the locus of all the points, representing different combinations, that are equally satisfactory to the consumer.* Every point on IC_1 represents an equal amount of satisfacti is said to be indifferent between the combinations located Bananas (B) The combinations P, Q, R, S and T give equal satisfaction to the c among them. These combinations are together known as 'Indif **Important Points** • *Increase of one Good requires Decrease of other good* Curve, each combination of two goods gives equal increases the consumption of one good, then co decreased, so as to maintain same level of satisfactio when consumer moves from combination P to Q, co unit, while that of Bananas decreases by 5 units. • *Why Does it Happen?* It happens because if consumpt of bananas is not decreased or vice-versa, then in su more quantity of 1 good, which means more satisfactio which is against the basic assumption of indifference same satisfaction. **One More Observation:** As the quantity of one good (Apples in o good (say, bananas) not only decreases but it decreases at a dec moves from combination P to Q, he is willing to give up 5 bana moves from Q to R, he is willing to give up ONLY 4 bananas to obt later in the chapter under the heading 'Why MRS	

MRS_{AB} is the rate at which a consumer is willing to give up Ban

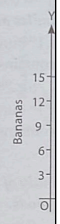
It means, MRS measures the slope of indifference curve.

It must be noted that in mathematical terms, MRS should always be n
sacrificed) will always have negative value. However, for analysis, absolute

The concept of MRS_{AB} is explained through **Table 2.6** and **Fig.**

Table 2.6: MRS between Apple and Banana

Combination	*Apples (A)*	*Banana (B)*	*MRS_{AB}*
P	1	15	—
Q	2	10	5B : 1A
R	3	6	4B : 1A
S	4	3	3B : 1A
T	5	1	2B : 1A



As seen in the given schedule and diagram, when consumer moves from P to Q, he sacrifices 5 bananas for 1 apple. Thus, MRS_{AB} comes out to be 5:1. Similarly, from Q to R, MRS_{AB} is 4:1. In combination T, the sacrifice falls to 2 bananas for 1 apple. In other words, the MRS of apples for bananas is diminishing or slope of Indi by MRS) is continuously declining as we move downwards alo shape to the indifference curve.

Why MRS diminishes?

MRS falls because of the law of diminishing marginal utility. In th bananas, Combination 'P' has only 1 apple and, therefore, app than bananas. Due to this, the consumer is willing to give up r apple. But as he consumes more and more of apples, his margi declining. As a result, he is willing to give up less and less of ba

Assumptions of Indifference Curve

The various assumptions of indifference curve are:

1. **Two commodities:** It is assumed that the consumer has a of which is to be spent on the two goods, given constant p
2. **Non Satiety:** It is assumed that the consumer has not re A consumer always prefers more of both commodities, i.e higher indifference curve to get higher and higher satisfac presumed to be monotonic, i.e. a consumer always prefers it offers him a higher level of satisfaction.
3. **Ordinal Utility:** Consumer can rank his preferences on th each bundle of goods.