

THEORY PROGRAM <b>FORTNIGHTLY REVIEW [FNR]</b> Suggested 'Answers'	FNR: <b>01</b>	Issued on:
	<b>AL - 2023</b>	Due on:

ATTEMPT. PRACTICE. LEARN. IMPROVE. ACHIEVE.

**Part [A]**

Question	Answer	Question	Answer
01	1	16	3
02	5	17	5
03	2	18	1
04	4	19	2
05	2	20	2
06	4		
07	2	(I)	True
08	5	(II)	False
09	2	(III)	False
10	1	(IV)	True
11	2	(V)	False
12	4	(VI)	False
13	3	(VII)	False
14	2	(VIII)	True
15	4	(IX)	False
		(X)	True

**Part [B]**

**Question (01)**

- (1) **Basic in nature**
  - Easy to identify (biological)
  - Cannot be artificially created
  - Human needs tend to be common (universal) among all societies
  
- (2) **Relatively limited in nature**
  - Limited to a small number of basic and other needs
  - Sufficient if fulfilled at a minimum level (socially acceptable level)

**[02 marks each, total 04 marks]**

**Alternative Approach:**

- Basic or biological in nature
- Relatively limited in nature
- Common or universal in nature
- Cannot be artificially created (intrinsic in nature)

[01 mark each, total 04 marks]

**Question (02)**

Yes, can agree. [01 mark]

**In economics human needs are defined as essential or necessary requirements to live one's life in a socially acceptable manner, as a human being.**

*Needs tend to be indispensable (things we find difficult not to have or can't do without). Unless certain basic human needs are satisfied, humans cannot live or survive in society.*

[01 mark]

In the study of economics human needs are mainly classified (categorized) in to material and psychological needs.

**Material needs** which are fulfilled using goods (and services), include needs such as food, water, clothes, transport, education, shelter. **Psychological needs** which cannot be effectively fulfilled using goods, and only fulfilled through human relationships, includes items such as security, respect, family, love, and sex.

Accordingly, the study of economics only focusses on the material needs which can be fulfilled or satisfied using goods and services, which are produced using scarce resources with alternative uses, by making economic decisions.

[02 marks] [Total 04 marks]

**Question (03)**

**Production resources** (factors) refer to **any item or input** used in the process of **producing** goods and services to satisfy human wants and needs. Production resources are generally (or commonly) classified (or categorised) as economic and non-economic (free) resources.

[02 mark]

**Economic resources** refer to any resource which is **limited in comparison to unlimited human wants**, used as inputs within the production process. The **distinct feature** of **economic resources** tends to be the **relative limitedness**, along with the creation of **opportunity cost**.

Such economic resources or factors of production are generally classified in to four categories namely:

- **Land** (Natural Resource)
- **Labour** (Human Resource)
- **Capital** (Man-made Resource)
- **Entrepreneurship** (Special Human Resource)

[02 mark] [Total 04 marks]

**Question (04)**

Scarcity of resources (or relative scarcity) is the fundamental or central problem in economics.

Scarcity in the study of economics refer to the **'limitedness or inadequateness of a given society's productive resource endowment, in comparison to their human wants (unlimited human wants)'**.

[02 marks]

Scarcity is a problem common to all societies (scarcity is universal). Scarcity is a result of two characteristics, which essentially exist with in all human societies:

- The human wants within a given society being unlimited at a given point of time.
- The stock of productive resources held by a society, which can be used to produce goods and services to satisfy said wants to be limited or inadequate, at a given point of time.

[02 marks] [Total 04 marks]

**Question (05)**

**Capital as a factor of production is defined as any manmade real asset which directly contribute or act as a production aids in the process of producing goods and services. The price /reward in economics is termed as 'interest' or 'interest rate'.**

*Money which cannot directly contribute to the production process is a financial asset and is not capital in economics. Capital is considered as a stock concept and is generally subject to depreciation.*

[02 marks]

**Alternative Definition:**

Capital is a human-made resources, and it consists of all physical assets of the society such as tools, equipment, machinery, buildings, computers, and transportation networks. Capital is used to assist the production of goods and services.

[Source: P.Perera, 2020; p30]

**Examples of capital includes:**

- Plant and machinery
- Equipment, tools and vehicles
- Buildings and factories
- Weapons and defense systems
- Irrigation facilities and Livestock
- Transportation networks
- Research and Development, Computer's software

[01 mark each, Sub-total 04 marks] [Total 06 marks]

**Question (06)**

Feature	Goods	Services
Tangibility	<b>Tangible</b> /Yes	<b>Intangible</b> /No
Perishability	<b>Non-perishable</b> /No	<b>Perishable</b> /Yes
Variability	<b>Non variable</b> / uniformed /No	<b>Variable</b> /Yes
Separable	<b>Separable</b> /Yes	<b>Non-separable</b> /No
	½ mark each, subtotal 02 marks	½ mark each, subtotal 02 marks

**Question (07)****Can not agree**

Whether a given good is 'capital' or 'consumer' does not depend on the nature of the good, rather the 'usage' of the good.

**[01 mark]**

**A capital goods** are used to produce other goods and services. Capital goods are produced (produced or man-made goods) used in the process of producing consumer goods. Capital goods tend to be durable assets (real assets)

**A consumer goods** are **not** used to produce other goods and services, instead for final use of consumption. Consumer goods can be both durable and nondurable

**[02 marks]**

Accordingly, a bed and a desktop printer cannot be a consumer and capital good respectively in any context, and it depends on the usage.

**[01 mark] [Total 04 marks]**

*A bed used in a hotel or BNB is a capital good and a desktop printer used to printout your economics assignments at home can be consumer durable good.*

**Question (08)**

Certain land resources tend to be Non-Renewable in nature, i.e., **lifeless natural resources** such as **crude oil deposits and coal or certain natural gas and mineral deposits** of the world, **shall depreciate** with use and would eventually be completely used-up or eliminated due to human production activities and are not naturally renewed.

**[Description 2 marks, 01 for examples]**

Certain other **live natural resources** tend to be **naturally renewed** or can be re-established some extent due to human interventions through improvements in science and technology, such as forest resources, fisheries resources etc., such resources therefore are termed as Renewable.

**[Description 2 marks, 01 for examples] [Total 06 marks]**

**Question (09)**

- (A) The opportunity cost is the value of the next best alternative sacrificed or foregone when a choice must be made among alternative choices.

Opportunity cost the value of the nest best alternative forgone when an item or activity is chosen

Opportunity cost is the value of the next best alternative choice that could have been made instead of the actual choice made

**[02 marks for any one the alternative definitions]**

(B)

- **Subjective** in nature
- **Real** concept
- May involve an **External Cost**
- Being **Positive**
- Includes monetary cost & foregone income (especially when estimating total cost of production)
- Goods with opportunity cost are **Economic Goods**
- Situations of **Zero Opportunity Cost** exist

**[01 mark each for any four features, essentially including the first two features]**

(C)

- [01] The use of free or non-economic goods:**

Opportunity cost is zero when making a choice with regards to **free goods** or **non-economic resources**. The process of using free goods shall result in zero opportunity cost, since the use of a free good doesn't represent a foregone benefit.

- [02] The use of single use factors or capital goods:**

In the use of '**single use factors** or **capital goods**. Such factors do not represent any other practical alternative use. Therefore, a choice is not required and opportunity cost will not be created.

Ex: A bridge, power station, a ship anchor

- [03] A situations of General Unemployment**

In situations where all resources used to produce a certain product was unemployed (such a situation is known as '**General unemployment**'). The use of unemployed resources will not create opportunity cost since there will not be any foregone benefit.

**[01 mark each, explanation is not required] [Total 03 marks]**

**Question (10)**

**[1] Unlimited Nature of Wants**

- At a given point of time, there are many unattained (unsatisfied) human wants, when considering the society of any country as whole.
- When one want is fulfilled, immediately another want(s) is created, generally related to the formerly fulfilled want.
- Factors that determine (make) wants unlimited:
  - **Inherent properties (birth, religious beliefs, family background)**
  - **Physical and material needs**
  - **Social environment**
  - **Advertising, new technologies and innovations**

**[01 mark, explanation is not required]**

**[2] Human wants are inherent** (non-biological reasons: traditions, customs & culture)

[3] Human wants are complementary (people want things in groups/pairs)

[4] Human wants are competitive (one good competes with another for selection)

[5] There are material and non-material wants

[6] Wants to vary with time, place and person

[7] Wants have alternatives (many ways of satisfying the same want)

**[8] Wants are created through advertising** (the image of a good life)

**[9] Wants multiply with modernization**

[10] Wants change into habits

[11] Present wants are more important than future wants

**[01 mark each, subtotal 04 marks]**

**[Total 05 marks]**

Notes

Notes



*Achieve your 'A' Grade*

The printed text and written notes contained in this document (Pages 1 to 6) is an **original publication and is the sole property** of **Mind-ventures Educational Services** and any unauthorized extractions, publishing, referencing and commercial use of this material is strictly **prohibited**. We at Mind-ventures are dedicated towards providing high **quality education** and safeguarding **ethical** educational and teaching practices.

**MVSEP / FNR ANS (1)/ ORIGINAL PUBLICATION / 01 / 01 / 2022**  
**MIND-HUB, COL.6 / 23 THEORY**