



ST. LAWRENCE HIGH SCHOOL



A Jesuit Christian minority Institution

Subject: Economics Class- XI

Date:08/08/2020

Answer key of Worksheet-29

Chapter- Role of the government in the economy

Topic- Market failures, price floor, price ceiling , private goods and public goods

1. Choose the correct alternative. 1x15=15
- a) Any economic system has the problems of i) what to produce and how much to produce ii) how to produce iii) for whom to produce **iv) all of the above**
 - b) Main function of the government in the economy is i) to secure adjustment in the allocation of resources ii) to secure the adjustment in the distribution of income and wealth iii) to secure economic stabilization **iv) all of the above**
 - c) Government is required to intervene i) when there is perfect competition ii) market fails to achieve efficient utilization of resources iii) when price is higher than competitive market **iv) both (ii) and (iii)**
 - d) Government must intervene in **i) monopoly market** ii) perfectly competitive market iii) both (i) and (ii) iv) none of these
 - e) Government intervention is required **i) in case of large investment** ii) in case of small investment iii) both (i) and (ii) iv) none of these
 - f) Due to indivisibility of capital when some products can not be produced in small scale then i) private investors come forward to invest ii) government has to come forward iii) market fails **iv) both (ii) and (iii)**
 - g) Government provides the goods and services like i) durable goods ii) defence iii) law and order **iv) both (ii) and (iii)**
 - h) Private entrepreneurs are not willing to provide **i) social goods** ii) perishable goods iii) durable goods iv) none of these
 - i) Government plays important role **i) when there is overutilization common property resources** ii) in controlling prices in a perfectly competitive market iii) when there is overutilization of private property iv) none of these

- j) Government should play important role i) during shortage of food grains ii) when private sellers are charging higher prices **iii) both (i) and (ii)** iv) none of these
- k) Government should intervene i) in monopoly market ii) in distribution of food grains for poor buyers through ration shops **iii) in both situations (i) and (ii)** iv) none of these
- l) Floor price fixed by government i) less than equilibrium price ii) **greater than equilibrium price** iii) equal to equilibrium price iv) none of these
- m) When there are no external effects **i) private cost is equal to social cost** ii) private cost is greater than social cost iii) social cost is greater than private cost iv) none of these
- n) When there is external diseconomies i) private cost is greater than the social cost **ii) social cost greater than the private cost** iii) private cost is equal to social cost iv) none of these
- o) Non exclusion principle of public goods refer to the fact i) it is not divisible ii) consumption of public good by one individual does not reduce the amount of public good for the consumption of others **iii) even if an individual does not pay for any public good he is not excluded from the consumption of that good** iv) none of these

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