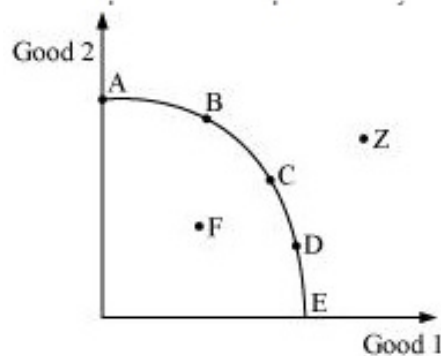Q3. What is a production possibility frontier?
Ans: The production possibility frontier (PPF) refers to a curve that shows various alternative combinations of two goods that can be produced with efficient utilization of the given resources and technology. It is also called production possibility curve (PPC).


All the points lying on the PPC, that is curved AE, are associated with different quantities of good 1 and good 2 produced, by employing the available resources fully and in an efficient manner. While any point lying under the curve, like F, depicts inefficiency or underutilization of available resources. Whereas any point lying outside the curve, like Z, depicts over utilization of the available endowment of resources and technology; making it non-feasible.

Q4. Discuss the subject matter of economics.
Ans: The subject matter of economics is sub-divided into two core branches, Micro Economics and Macro Economics. This division came into existence only after 1930 as per the suggestion by Ragnar Frisch.
The domains of interest of these two branches of economics can be presented as
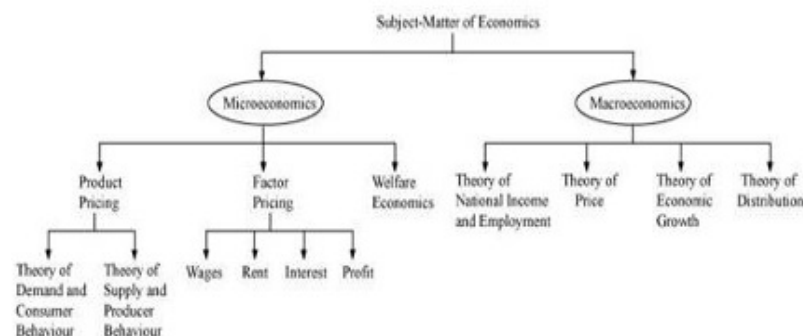
Microeconomics is the study of individual economic units, i.e. the behavior of consumers and firms. The study of how they utilize the given resources in the best possible manner in order to maximize their rational objectives falls under the domain of microeconomics. It is also the study of demand and supply and how their interaction determines prices of various goods and services. Microeconomics helps in solving the three central problems of an economy. It is also called the Price theory as it primarily focuses on how prices are determined both in commodity and factor markets.

In Macroeconomics we study how the economy as a whole operates. It focuses on the determination of the aggregate measures, like aggregate demand, aggregate supply and overall price level and how they change over time. It is also known as the Theory of Income and Employment as its main focus is on how income and employment levels are determined. Macroeconomics helps in understanding and solving problems like inflation, unemployment, Balance of Payments (BOP) disequilibrium, poverty, etc.

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