MICROECONOMICS

UNIT 1
INTRODUCTION

Q. 1 PPC is concave because of:
A. Law of diminishing returns. B. Law of DMU
C. Both D. None

Q2. PPC is downward sloping because of:

a) MRT is diminishing b) Constant MRT
c) Increasing MRT d) All of the above

Q3. Which of the following is not a microeconomic study?

a) demand for a commodity b) price determination
c) general price level d) national income

Q4. The main cause of economic problem is:

a) Human wants are unlimited b) resources are limited
c) Resources have alternative uses d) All of the above

Q5. An economy produces inside the PP curve when:
a) Resources are efficiently used b) There is scarcity of resources
c) Resources are inefficiently used d) overutilsation of resources

Q6. Suppose 10,000 laborers migrate to India. India's PPC would move:

a) To the right b) to the left
c) Does not change d) None of the above

Q7. A growth of resources in an economy is shown on PPC by:

a) leftward shift b) unchanged PPC
c) Rightward shift d) None of the above

Q8. The central problems of the economy can be explained with the help of:

a) P.P.C. b) Budget line
c) indifference curve d) demand curve

Q. 9 Opportunity cost is:
A. That which we forgo or give up while a choice
B. The value of a factor in its next best alternative use
C. Both A and B
D. None

Q.10. With the help of an example, define micro economics.

Q.11 Define macro economics with the help of an example.

Q.12. Define opportunity cost.

Q.13. Why does an economic problem arise?

Q.14. Write two characteristics of resources.

Q.15. What do you mean by scarcity?

Q.16. What do you mean by marginal opportunity cost?

Q.17. What do you mean by an economy?

Q.18. What is meant by economising the use of resources?

Q.19. What do you mean by alternative uses of resources?

Q.20. What will be the shape of PPF when MRT (Marginal Rate Transformation) is constant?

Q.21. Unemployment in India is a subject matter of Microeconomics or Macroeconomics . Give reason.

Q22.Massive unemployment will shift the PPF to the left. Defend or refute.

Q23.What is the opportunity cost of an input which has no alternative use?

3 -4 MARKS QUESTIONS

Q.1 Why is a production possibilities curve concave? Explain. (V. Imp)

Q. 2 Explain properties of a production possibilities curve.

Q. 3 Explain the problem of what to produce.

Q. 4 What is Marginal Rate of Transformation.? Explain with the help of an example. (V. Imp)

Q. 5 Explain the problem How to produce.

Q.6 What is meant by scarcity of resources?

Q.7 Why does economic problem arise ? Explain.

Q. 8 What does a point below PPC indicate?

Q. 9 Mention the assumptions of PPC.

Q. 10 Explain how scarcity and choice go together.

Q. 11 Why PPC is downward sloping? (V. Imp)

Q.12 Explain the central problem of distribution of income.

Q. 13 Discuss the Scope of economics.

Q. 14 Explain the meaning of Micro Economics. Give example.

Q 15. Distinguish between microeconomics and macroeconomics. Give example.

Q 16. Why does an economic problem arise? Explain the problem of 'How to Produce'? (V. Imp)

Q 17. Explain the problem of 'What to Produce' with the help of an example.

Q 18. ’For whom to produce’. is a central problem of an economy. Explain.

Q 19. Why is a production possibility curve concave? Explain.

Q 20. Define opportunity cost with the help of an example, how does it differ from marginal opportunity cost?

Q 21. What is .Marginal Rate of Transformation.? Explain with the help of an example.

Q 22. What is PP Frontier? Explain it with the help of an imaginary schedule and diagram.

Q 23. Show the following situation with PPF (V. Imp)

(a) Fuller utilisation of resources (b) Growth of resources.
(c) Under utilisation of resources.

Q 24. .An economy always produces on, but not inside a PPC.. Defend or refute.

Q 25. A lot of people die and many factories were destroyed because of a severe earthquake in a country. How will it affect the country’s PPC?

Q.26 Economic slowdown in some parts of the world has adversely affected demand for Indian exports. What will be its effect on PPF of India.

Q.27 Distinguish between a centrally planned and market economy.

Q.28 How are the fundamental problems solved in a capitalist economy?

Q.29 How are fundamental problems solved in a planned economy ?

CONSUMER'S EQUILIBRIUM AND DEMAND
UNIT 2

VERY SHORT ANSWER TYPE QUESTIONS (1 MARK)

Q.1. The demand for a good falls with an increase in income of the consumer. What type of good is it?

a) Inferior good b) giffen good
c) Normal good d) Both a and b.

Q.2. What is the curve showing different combination of two goods, maintaining the same level of output known as?

a) Demand curve b) production possibility curve
c) Indifference curve d) None of the above

Q 3. Which of the following is not a property of indifference curve?

a) I.C. is convex to the origin b) I.C. slopes downwards to the right
c) Two I.C's can cross each other d) none of the above.

Q 4. Which of the following is not a determinant of demand?

a) Price of the commodity b) income of the consumer
c) price of inputs d) price of substitute goods.

Q 5. When the demand is perfectly elastic, the demand curve is:

a) Parallel to X – axis b) parallel to Y-axis
c) Downward sloping curve d) upward sloping curve

Q 6. When demand for a good falls due to rise income of the consumer, what is the change in demand called?

a) Expansion of demand b) Contraction of demand
c) Increase in demand d) Decrease in demand

.

Q7. Which of the following would be complements?

a) Bread and butter b) Car and petrol
c) Tea and coffee d) All of the above

Q 8. When MU is negative, TU:

a) Remains constant b) Increases
c) Falls d) None of the above.

Q.9. What is meant by utility?

Q.10. How is Total utility derived from marginal utility?

Q.11. What is Law of Diminishing Marginal Utility?

Q.12. What will be the behaviour of total utility when marginal utility is zero?

Q.13. State condition of consumer's equilibrium in respect of one good.

Q.14. Define consumer’s equilibrium.

Q.15. What is meant by Marginal Rate of Substitution (MRS).

Q.16. What is meant by budget set.

Q.17. Define Indifference curve Map.

Q.18. How is budget line defined?

Q.19. Why does higher indifference curve give more satisfaction?

Q.20. What is the impact of diminishing marginal rate of substitution on the slope of indifference curve?

Q.21. Define monotonic preference.

Q.22. How is market demand schedule derived with the help of individual demand schedules?

Q.23. Define normal good.

Q.24. How does availability of substitute good affect the elasticity of demand?

Q.25. Demand of good .X. falls due to increase in the income of the consumer what type of good ‘X’ is?

Q.26. What will be the impact on demand of the good due to increase in price of the substitute good?

Q.27. A rise in price of a good results in a decrease in expenditure of it. Is its demand elastic or inelastic?

Q.28. What is meant by market demand?

Q.29 Define demand schedule.

Q.30. What cause an upward movement along a demand curve?

Q.31 . If the number of consumers increase, in which direction will the demand curve shift?

Q.32. A straight line demand curve is given. What will be elasticity of demand on the mid point of this curve.

Q.33. If the slope of a demand curve is parallel to X-axis, what will be the elasticity of demand?

Q.34. Why is demand of water inelastic?

Q.35. Define price elasticity of demand.

Q.36 Define Inferior/Substitute/Complimentary good.

Q36.In order to encourage tourism in Goa, Indian Airlines reduces the air fare to Goa.How will it affect market demand curve for air travel to Goa ?

3 - 4 MARKS QUESTIONS

Q.1 Distinguish between 'increase in demand' and 'increase in quantity Demanded' of a commodity.

Q. 2 Given price of a good, how does a consumer decide as to how much of that good to buy?

Q. 3 A consumer consumes only two goods X and Y. State & explain the conditions of consumer's equilibrium with the help of utility analysis. (V. Imp)

Q. 4 Explain how the demand for a good is affected by the price of its related goods. Give examples.

Q. 5 Distinguish between normal goods and inferior goods. Give example also

.Q. 6 Explain any four factors that affect price elasticity of demand. (V. Imp)

Q. 7 Explain relationship between total utility and marginal utility with the help of a schedule.

Q. 8 Define marginal utility. State the law of diminishing marginal utility.

Q. 9 Show that TU is maximum when MU is zero.

Q. 10 Discuss the properties of Indifference curve. (V. Imp)

Q. 11 What is the difference between ordinal and cardinal utility? (V. Imp)

Q.12 Define Budget line and how it is derived.

Q.13. Explain the law of diminishing marginal utility with the help of a utility schedule.

Q.14. Explain consumer's equilibrium with utility approach in case of single good.

Q.15. What do you mean by budget line? What are the reasons of change in budget line?

Q.16. Explain the relationship between total utility and marginal utility with the help of schedule.

Q.17. State three features of indifference curve.

Q.18. Why do two indifference curves not intersect each other?

Q.19. Under what situations there will be parallel shift in budget line?

Q.20. Explain the effect of a rise in the prices of .related goods. on the demand for a good X.

Q.21. Why does demand of a normal good increase due to increase in consumer's income?

Q.22. State elasticity of demand of following : (V. Imp)

(a) Luxury goods
(b) Goods of alternate use
(c) Necessity goods.

Q.23. Distinguish between expansion of demand and increase in demand with the help of diagram.

Q.24. Measure Price Elasticity of Demand on the following points of a straight line demand curve :

(a) Centre point of the demand curve.
(b) Demand curve intercepting y-axis
(c) Demand curve intercepting x-axis.

Q.25. Distinguish between change in demand and change in quantity demanded.

Q.26. What will be the effect of following on elasticity of demand.
(a) time factor (b) nature of the product.

Q.27. What will be the slope of demand curve under following situations.
(a) Perfectly elastic demand
(b) Perfectly inelastic demand
(c) Unit elastic demand.

Q.28. State the factors of rightward shift of demand curve. Explain any one. (V. Imp)

Q.29. When price of a good is Rs. 7 per unit a consumer buys 12 units. When price falls to Rs. 6 per unit he spends Rs. 72 on the good. Calculate price elasticity of demand by using the percentage method. Comment on the likely shape of demand curve based on this measure of elasticity.

Q.30. A consumer buys 10 units of a good at a price of Rs. 9 per unit. At price of Rs. 10 per unit he buys 9 units. What is price elasticity of demand? Use expenditure approach Comment on the likely shape of demand curve on the basis of this measure of elasticity.

Q.31. A consumer buys 20 units of a good at a price of Rs. 5 per unit. He incurs an expenditure of Rs. 120 when he buys 24 units. Calculate price elasticity of demand of the percentage method. Comment on the likely shape of demand curve based on this information.

Q.32. The price elasticity of demand of a commodity is .0.5. At a price of Rs. 20 per unit, total expenditure on it is Rs. 2,000. Its price is reduced by 10 percent. Calculate its demand at the reduced price.

Q 33. Complete the following table:

Output(units)	1	2	3	4
TR (Rs.)	4	6	6	4
MR (Rs.)				
AR (Rs.)				

Q34. Complete the following table:

Output (units)	Price (Rs)	MR	TR
1			10
2		4	
3			15
4		-3	

Q35. Given that the price of bananas is fixed at Rs 2 per banana and the following table. Calculate optimum level of consumption.

Number of Bananas	1	2	3	4	5	6	7	8
T U	5	9.5	13.5	17	20	22.5	24.5	26

Q.36. Explain the relationship between demand and price of related goods.

Q.37 Explain the causes behind the law of demand.

Q.38 Explain income effect and substitution effect.

Q.39 Distinguish between cardinal and ordinal utility.

6 MARKS QUESTIONS

Q.1 Explain the three properties of indifference curves.

Q. 2 Explain the conditions of consumer's equilibrium using indifference curve analysis. Use diagram. (V. Imp)

Q.3 Explain consumer equilibrium in case of single commodity with the help of utility schedule. (V. Imp)

Q. 4 Explain consumer equilibrium in case of two commodities case with the help of schedule and diagram

Q. 5 How equilibrium is achieved with IC approach?

Q.6 . Explain the conditions of consumer's equilibrium with the help of the indifference curve analysis. Represent the same in a diagram.

Q.7. Explain the determination of consumers equilibrium with the help of a schedule in case of two commodities by using utility approach. (V. Imp)

Q.8. Why does demand curve slope downward?

Q.9. Explain the determinants of price elasticity of demand. (V. Imp)

Q.10. With the help of diagrams, explain the effect of following changes on the demand of a commodity.

(a) A fall in the income of its buyer.
(b) A rise in price of complementary good.

Q.11. What are the conditions of consumer's equilibrium under the indifference curve approach? What changes will take place if the conditions are not fulfilled to reach equilibrium? (V. Imp)

Q12. Price elasticity of demand is (-1). The consumer buys 50 units at price Rs 2 per unit. How many units will he buy if price rises to Rs 4 per unit? Answer this with the help of total expenditure method of determining price elasticity of demand.

Q.13 How would you as a consumer change your consumption basket when the rate ,at which you are willing to substitute good X for good Y, is higher than the rate the market allows you to do it?

Q.14 A consumer consumes only two goods. What are the conditions of consumer's equilibrium in the utility approach? Explain the changes that will take place when consumer is not in equilibrium.

Q.15 Define market demand. State factors that affect market demand.

PRODUCER BEHAVIOUR AND SUPPLY
UNIT III

VERY SHORT ANSWER TYPE QUESTIONS (1 MARK)

Q. 1 AR and MR curve is parallel to X-axis under which form of market.

A. Monoploy
B. Duopoly
C. Perfect Competition
D. Oligopoly

Q.2 Which is an explicit cost in the following venture?

A. wages paid to hired workers
B. interest on capital
C. Both the above.
D. None the above

Q.3 The area under MC is called as:

A. AVC
B. TFC
C. TC
D. AC

Q.4 The average cost at 5 units is Rs. 10. The Fixed cost is Rs. 20. The average variable cost at 5 units of output is:

A. Rs. 6
B. Rs. 16
C. Rs. 10
D. Rs. 4

Q.5. Define production function.

Q.6. Define marginal product.

Q.7. What will be the behaviour of total product when marginal product of variable input is falling but is positive?

Q.8. What is the relation between average and marginal product when average product is falling?

Q.9. Define average production.

Q.10. What do you mean by fixed factors of production? Give example.

Q.11. By which behaviour of marginal product will total product be maximum

Q.12. How does fall in total product affects marginal product?

Q.13. What do you mean by cost?

Q.14. Define explicit costs.

Q.15. Which cost curve is parallel to ox-axis? Why?

Q.16. What do you mean by implicit costs?

Q.17. Define marginal cost.

Q.18. Why does the difference between average total cost and average variable cost falls with increase in output?

Q.19. Define Revenue.

Q.20. At what rate average and marginal revenue falls, with fall in per unit price of a good?

Q.21. What will be the behaviour of Average revenue when total revenue increases at constant rate?

Q.22. What do you mean by marginal revenue?

Q.23. What will be the behaviour of total revenue when marginal revenue is zero?

Q.24. Why does average cost curve and averages variable cost curve never intersect each other?

Q.25. What do you mean by producer's equilibrium?

Q.26. State any two conditions of producers equilibrium according to marginal revenue and marginal cost approach.

Q.27. Define supply.

Q.28. What do you mean by individual supply schedule?

Q.29. Define Market Supply

Q.30. Name two determinants of supply.

Q.31. What is meant by change in supply?

Q.32. What type of change in price is the cause of upward movement along a supply curve?

Q.33. What effect does an increase is tax rates have on supply of a commodity?

Q.34. What is meant by elasticity of supply?

Q.35. What is the price elasticity of supply, if supply curve is parallel to y-axis.

Q.36. When does the elasticity of supply of commodity called equal to unity?

Q.37. When does the producer increase the supply of a good at given price, give two reasons.

Q.38. What causes an extension in supply?

Q.39. If the price of a commodity falls by 10% and, consequently, the quantity supplied decreases by 20%. What will be its price elasticity of supply?

Q40. Trendz produces both jeans and shirts .How will an increase in the price of jeans affect the supply curve of shirts ?

Q41. A severe drought results in a drastic fall in the output of wheat. Analyze how it will affect the market price of wheat.

3 - 4 MARKS QUESTIONS

Q. 1 Explain the likely behaviour of total product under the stage of increasing return to a factor with the help of numerical example.

Q. 2 With the help of example distinguish between total fixed cost and total variable cost.

Q. 3 Draw average cost, average variable cost and marginal cost curves on a single diagram and explain their relations.

Q. 4 Draw average cost, average variable cost and average fixed cost curves on a single diagram and explain their relation. (V. Imp)

Q.5 Explain the relation between average revenue and marginal revenue when a firm can sell an additional unit or a good by lowering the price. (V. Imp)

Q. 6 Distinguish between change in quantity supplied and change in supply. (V. Imp)

Q. 7 Explain how does change in price of input affect the supply of a good.

Q. 8 Explain how changes in prices of other products influence the supply of a given product.

Q. 9 Explain how technological advancement influence the supply of a given product.

Q.10 Why does the law of diminishing returns apply? (V. Imp)

Q.11.How does total product behave with change in marginal product?

Q.12. Briefly explain the causes of increasing returns to a factor with the help of marginal product.

Q.13. Explain the likely behaviour of total product. When only the unit of a variable factor is increased to increase the output. Use numeric example.
(V. Imp)

Q.14. Distinguish between total fixed cost and total variable cost.

Q.15. Explain with the help of a diagram the relationship between Average cost, Average variable cost and Marginal cost.

Q.16. Why is short run average cost curve ‘U’ shaped?

Q.17. Explain diagrammatically the relationship between Average cost, Average variable cost and Average fixed cost. (V. Imp)

Q.18. What changes will take place in total revenue when
(a) Marginal revenue is falling but remains positive.

(b) Marginal revenue is zero.
(c) Marginal revenue is negative.

Q. 19. Define marginal revenue. Explain the relationship between average and marginal revenue when price is constant at all levels of output.

Q.20. How does marginal revenue effect total revenue when price decreases to increase sale. Use Schedule.

Q.21. What do you mean by producers equilibrium? State the conditions of Producer's equilibrium with Marginal Revenue and Marginal Cost Curves. (V. Imp)

Q.22. Explain producer's equilibrium with the help of a numerical example using marginal revenue and marginal cost approach.

Q.23. Draw in a single diagram the average revenue and marginal revenue curves of a firm which can sell any quantity of the good at a given price. Explain.

Q.24. Distinguish between Change in Supply and change in quantity supplied. (V. Imp)

Q.25. Explain briefly two causes of a rightward shift of supply curve.

Q.26. Differentiate between contraction in supply and decrease in supply.

Q.27. How does change in price of inputs affect the supply of a good.

Q.28. A seller of potatoes sells 80 quintals a day when the price of potatoes is Rs. 4 per kg. The price elasticity of supply of potatoes is known to be 2. How much quantity of potatoes will the seller supply when the price rises to Rs. 5 per kg.

Q.29. The coefficient of elasticity of supply of a commodity is 3. A seller supplies 30 units of the commodity. How much quantity of this commodity will the seller supply. When price rises by Rs. 2 per unit?

Q.30. The ratio of elasticity of supply of commodities A and B is 1 : 1.5. 20 percent fall in price of A results in a 40 percent fall in its supply. Calculate the percentage increase in supply of B if its price rises from Rs. 10 per unit to Rs. 11 per unit.

Q.31. How does change in price of related goods affect the supply of given good.

Q.32 Calculate 'Total Variable Cost' and 'Total Cost' from the following cost schedule of the firm whose fixed costs are Rs. 10.

Output(units)	1	2	3	4
Marginal cost (Rs.)	6	5	4	6

Q.33. Total Fixed costs of a firm are Rs 100. Its average variable cost at different levels of output is given. Calculate total cost and marginal cost.

Output(units)	1	2	3	4
AVC (Rs.)	60	56	60	64

Q. 34. Explain the relationship between MC and AC with the help of schedule and diagram. (V. Imp)

Q. 35. Explain the relationship between TC and MC with the help of schedule and diagram.(V. Imp)

6 MARKS QUESTIONS

Q. 1 Explain the law of variable proportion with the help of diagram and schedule. (V. Imp)

OR

What is the likely behaviour of total product/marginal product when only one input is increased for increasing production? Use diagram/schedule.

Q. 2 What is producer's equilibrium? Explain the conditions of produce's equilibrium through the 'marginal cast and marginal revenue' approach. use diagram/schedule.
Q..3 Explain diagrammatically the effect on total output when units of one factor is increased and all other inputs are held constant. (V. Imp)

Q.4. State whether the following statements are true or false. Give reasons for your answer.

(a) When total revenue is constant average revenue will also be constant.
(b) Average variable cost can fall even when marginal cost is rising.
(c) When marginal product falls, average product will also fall.

Q. 5. At the market price of Rs 10, a firm supplies 4 units of output. The market price increases to 30. The price elasticity of firm's supply is 1.25. what quantity will the firm supply at the new price?

Q6. The price of a commodity is Rs 100 per unit and quantity supplied at this price is 500 units. If its price falls by 10 percent and quantity supplied falls to 400 units. Calculate its price elasticity.

Q .7 Define marginal product. State the behaviour of marginal product when only one input is increased and other inputs are held constant.

Q.8 What is the behaviour of AR in a market in which a firm can sell more only by reducing the price?

Q.9 What is the behaviour of (a) AFC (b) AVC as more and more units of good is produced.

Q.10 Explain the reasons behind the law of variable proportions.

FORMS OF MARKET AND PRICE DETERMINATION UNDER PERFECT COMPETITION UNIT IV

VERY SHORT ANSWER TYPE QUESTIONS (1 MARK)

Q1. Which of the following is not a feature of perfect competition ?

a) large no. of buyers b) free entry and exit
c) large no. of sellers d) differentiated products

Q2. Which of the following is not a feature of monopoly ?

a) single seller b) No freedom of entry
c) close substitute d) none of the above

Q 3. Who determines price under perfect competition?

Q 4. If the firms are earning abnormal profits, how will the number of firms in the industry change?

Q 5. How much loss can a firm bear?

Q 6. Explain the motivation behind granting patent rights.

Q 7. Explain how the efficiency may increase if two firms merge?

Q 8. What is firm's supply curve in the short run, operating under perfect competition?

Q.9. In which market situation , the influence of an individual seller is zero?

Q.10. How is a single buyer a price taker in perfect competition?

Q.11 What will be the effect on equilibrium price and equilibrium quantity of telephone instruments ,if China exports a large number of telephone instruments to India.

3 - 4 MARKS QUESTIONS

Q.1 Explain the implication of large number of buyers in a perfectly competitive market.

Q. 2 Explain why are firms mutually interdependent in an oligopoly market. (V. Imp)

Q. 3 Explain the implication of 'freedom of entry and exit to the firms' under perfect competition. (V. Imp)

Q. 4 Explain the implication of .perfect knowledge about market. Under perfect competition.

Q. 5 Why is the demand curve more elastic under monopolistic competition than under monopoly.

Q. 6 Why is a firm under perfect competition a price taken while under monopoly a price maker? Explain in brief. (V. Imp)

Q. 7 Differentiate between price discrimination and product differentiation. (V. Imp)

Q. 8 Distinguish between perfect competition and monopoly.

Q. 9 Differentiate between monopoly & monopolistic competition.

Q. 10 What is oligopoly? State its main properties/features. (V. Imp)

Q11."Demand and supply are like two blades of a pair of scissors".Comment.

Q.12 What is minimum price ceiling? Explain its implications.

6 MARKS QUESTIONS

Q.1 Distinguish between collusive and non-collusive oligopoly. Explain how the oligopoly firms are interdependent in taking price and output decisions.

Q. 2 Market for a good is in equilibrium. There is an .increase. in demand for this good. Explain the chain of effects of this change. Use diagram. (V. Imp)

Q. 3 Market for a good is in equilibrium. There is simultaneous decrease both in demand and supply of the good. Explain its effect on market price. (V. Imp)

Q.4 Explain why the equilibrium price of commodity is determined at that level of output at which its demand equals its supply.

Q.5 Show diagrammatically normal profit, supernormal profit and losses in perfect competition.
(V. Imp)

Q.6 If the prevailing market price is above equilibrium price, explain its chain of effects.

Q.7 Explain the implications of the following in an oligopoly market.

a) Barriers to entry of new firms
b) A few big sellers

Q.8 What are the effects of maximum price ceiling on the market of a good. Use diagram.

Q.9 What are the effects of minimum price ceiling on the market of a good. Use diagram.