ECONOMICS

BOOKS - FULL MARKS ECONOMICS (HINGLISH)

MARKET EQUILIBRIUM WITH SIMPLE APPLICATIONS

Ncert Textbook Questions Solved

1. Explain market equilibrium.

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2. What will happen if the price

prevailing in the market is

(i) Above the equilibrium price?

(ii) Below the equilibrium price?

or

How price and quantity are determined in the market when number of firms are fixed ?

Or

How is equilibrium price of a commodity determined? (Use diagram).

or

Explain why equilibrium price is determined at the level of output at which its demand is equal to its supply.

Or

How will equilibrium price be reached when there is excess demand/ excess supply? Explain with diagram.

Or

With the help of a suitable diagram, explain the process of determination of equilibrium price of a commodity under perfectly competitive market.

Or

Market for a good is in equilibrium. Explain the chain of reactions in the market if the price is (i) higher than equilibrium price and (ii) lower than

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3. When do we say there is excess demand for a commodity in the market?

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4. When do you say there is excess supply for a commodity in the market?

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5. How are equilibrium price and quantity affected when income of the consumers

(i) Increase?

(i) Decrease?

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6. Using supply and demand curves, show how an increase in the price of shoes affects the price of a pair of socks and the number of pairs of socks bought and sold.

Or

How will arise in price of complementary affect the equilibrium price of given commodity? Explain the chain of effects.

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7. Suppose the demand and supply curves of salt are given by:

$q^D = 1,000 -$ P

$q^s = 700 + 2p$

(i) Find the equilibrium price and quantity.

(ii) Now suppose that the price of an nput used to produce salt has increased so that the new supply curve is q^s = 400 +2p. How does the equilibrium price and quantity change? Does the change conform to your expectation?

(iii) Suppose the government has imposed a tax of ₹3 per unit on sale of salt. How does it affect the equilibrium price and quantity?

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More Questions Solved I Very Short Answer Type Questions

1. Define market equilibrium.

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2. Give the meaning of equilibrium price.

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3. Give the meaning of equilibrium quantity.

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4. What is equilibrium point ?

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5. When do you say there is excess demand for a commodity in the market ?

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6. When do you say there is excess supply for a commodity in the market?

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7. For a non-viable industry where does the supply curve lie relative to demand curve?

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8. A severe drought results in a drastic fall in the output of wheat. Analyse how will it affect the market price of wheat?

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9. What happens to equilibrium price of a commodity if there is 'decrease in its demand and increase' in its supply?

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10. What happens to equilibrium price of a commodity if there is an increase in its demand and 'decrease' in its supply?

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More Questions Solved Ii Multiple Choice Questions

1. If price is above then equilibrium price , there is :

A. excess demand

B. excess supply

C. price ceiling

D. price flooring

Answer: B

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2. With a given supply curve a decrease in demand causes ....

A. an overall decrease in price but a increase in equilibrium quantity.

B. an overall increase in price but a decrease in equilibrium quantity.

C. an overall decrease in price and a decrease in equilibrium quantity.

D. no change in overall price but a reduction in equilibrium quantity.

Answer: C

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3. Assume that consumer's incomes and the number of sellers in the market for goods A both decrease. Based upon this information, we can conclude, with certainty, that the equilibrium

A. price will increase.

B. price will decrease.

C. quantity will increase.

D. quantity will decrease.

Answer: D

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4. Suppose that the supply of cameras increases due too an increase in imports.

Which of the following statements will most likely occur?

A. The equilibrium price of cameras will increase.

B. The equilibrium quantity of cameras exchanged will decrease.

C. The equilibrium price of camera film will decrease.

D. The equilibrium quantity of camera film equilibrium will increase.

Answer: D

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5. Assume that in the market for a good Z there is a simultaneous increase in demand and the quantity supplied. The result will be:

A. An increase in equilibrium price and quantity.

B. A decrease in equilibrium price and quantity.

C. An increase in equilibrium quantity and uncertain effect on equilibrium price

D. A decrease in equilibrium price and increase in equilibrium quantity.

Answer: C

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6. Suppose the technology for producing personal computers improves and, at the same time, individuals discover new uses for personal computers so that there is greater utilisation of personal computers. Which of the following statements/factors will happen to equilibrium price and equilibrium quantity?

A. Price will increase, quantity cannot be determined.

B. Price will decrease, quantity cannot be deternmined.

C. Quantity will increase, price cannot be determined.

D. Quantity will decrease, price cannot be determined.

Answer: C

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7. When there is increase in demand and decrease in supply, equillbrium price:

A. Falls

B. Rises

C. Constant

D. None of these

Answer: B

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More Questions Solved Iii Short Answer Type Questions

1. Under what condition increase in demand would not make any effect on equilibrium price ?

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2. Under what condition increase in demand would not make any effect on equilibrium quantity?

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3. Give reasons for the followinng statements :

(i) A decrease in supply will not result in a change in equilibrium quantity if the demand for a commodity is perfectly inelastic.

(ii) An decrease in supply will not result in a change in equilibrium price if the demand for a commodity is perfectly elastic.

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4. Explain the effects of a price ceiling'.

OR

Explain the effects of maximum price ceiling' on the market of a good. Use diagram.

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5. Explain the effects of a price floor.

OR

What are the effects of price-floor (minimum price ceiling) on the market of a good? Use diagram.

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More Questions Solved Iv Ture Or False

1. Equilibrium between demand and supply helps in determining prevailing price of the product.

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2. In case of excess demand, equilibrium price is less than prevailing price.

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3. In case of excess supply, equilibrium price is greater than prevailing price.

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4. When supply decreases more than proportionately tiian the fall in demand, equilibrium price will also fall.

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5. When demand increases more than proportionately than the increase in supply, equilibrium price will fall.

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6. When income of buyers increase, equilibrium price falls.

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7. In a state of equilibrium, quantity demanded will be less than the quantity supplied.

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8. If the demand for a commodity increases, its supply curve remaining the same, the market price of the commodity will rise.

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9. An increase in supply results in a fall both in equilibrium quantity and equilibrium price.

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10. If the increase in demand is proportionately equal to the decrease in supply, equilibrium price will rise.

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11. If the decrease in demand meets with an increase in supply, equilibrium price will fall.

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12. Equilibrium price will not change if the decrease in demand meets with a proportionate decrease in supply.

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13. If the supply curve is a vertical straight line, change in demand will not affect equilibrium price.

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14. If the supply curve is a horizontal straight line, change in demand will affect equilibrium quantity.

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More Questions Solved V Long Answer Type Questions

1. If at a given price of the commodity there is excess demand, how will the equilibrium price be reached4? Explain with the help of a diagram.

OR

If equilibrium price of a good is grcater than its market price, explain all the changes that will take place in the market. Use diagram.

OR

Explain the changes that will take place in the market for a commodity if the prevailing market price is less than the equilibrium price.

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2. If at a given price of the commodity there is excess supply, how will the equilibrium price be reached? Explain with the help of a diagram.

OR

How will equilibrium price be reached when there is excess supply? Explain with a diagram.

OR

Explain the series of changes that will take place if market price is higher than equilibrium price.

OR

At a given price ofa commodity there is excess supply. Is it an equilibrium price? If not, how will the equilibrium price be reached? (use diagram)

OR

Suppose price of a good is higher than

equilibrium price. Explain changes that will establish equilibrium supply.

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3. Market for a good is in equilibrium. There is increase in demand for goods. Explain the chain of effects of this change. Use diagram.

Or

How does an increase in demand of a commodity affect its equilibrium price and equilibrium quantity? Explain with the help of a diagram.

Or

How will equilibrium price and quantity be affected when there is rightward shift of demand curve?

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4. Market for a good is in equilibrium. There is decrease in demand for this good. Explain the chain of effects of this change. Use diagram.

Or

How will equilibrium price and quantity be affected when there is decrease in demand? Explain with diagram.

or

How will equilibrium price and quantity be affected when there is leftward shist of demand curve?

Or

Explain the chain effects on demand, supply and price caused by leftward shift of demand curve.

Or

Market for a good is in equilibrium. The demand for the good 'decreases' Explain the chain of effects of this change.

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5. Market for a good is in equilibrium. There is increase in supply for this goods. Explain the chain of effects of this change. Use diagram.

Or

How will equilibrium price and quantity be affected when there is increase in supply?

Or

Explain the chain effect of increase in supply of a good on its price, supply and demand. Use diagram.

Or

How does an increase in supply of a commodity affect its equilibrium price and equilibrium quantity? Explain with the help of a diagram.

Or

Market for a good is in equilibrium. Supply of the good 'increases'. Explain the chain of effects of this change .

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6. Market for a good is in equilibrium. There is decrease in supply for this good. Explain the chain of effects of this change. Use diagram.

Or

Explain the chain effects of decrease in supply of a good on its price, supply and demand.

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7. How is the equilibrium price and equilibrium quantity of a normal commodity affected by an increase in the income of its buyers? Explain with the help of a diagram.

Or

Explain the effect of increase in income of buyers of a normal' commodity on its equilibrium price.

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8. How does the equilibrium price of a 'normal' commodity change when income of its buyers fall? Explain the chain of effects.

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9. How will an increase in the income of buyers of an inferior goods', affect its equilibrium price and equilibrium quantity? Explain with the help of a diagram.

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10. How will a fall in price of tea affect the equilibrium price of coffee? Explain the chain of effects.

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11. What will be the effect on equilibrium price and equilibrium quantity, when:

(i) number of firms increases and

(ii) price of inputs increases.

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12. What would be an effect on equilibrium price and quantity when demand and supply both increase at the same rate?

Or

Explain with the help of a diagram a situation when demand and supply curves shift to the right but equilibrium price remains the same.

Or

Market for a good is in equilibrium. What is the effect on equilibriumn price and quantity if both the market demand and the market supply of the goods increase in the same proportion? Use diagram.

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13. What would be an effect on equilibrium price and equilibrium quantity if demand and supply both fall at the same rate?

Or

Market for a good is in equilibrium. There is simultaneous "decrease" both in demand and supply but there is no change in market price.

Explain with the help of a schedule how is it possible.

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14. What would be an effect on equilibrium price and quantity when demand and supply both shifts rightward?

Or

What would be an effect on equilibrium price and quantity when there is simultaneous increase in demand and supply?

"If the demand and supply of a commodity both increase, the equilibrium price may not change, may increase, may decrease." Explain using diagrams.

Or

Market for a good is in equilibrium. There is simultaneous increase" both in demand and supply of the good. Explain its effect on market price.

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15. What would be an effect on equilibrium price and equilibrium quantity when demand and supply both shift leftward?

Or

There is simultaneously decrease in demand and supply of a commodity, when will it result in:

(i) No change in equilibrium price (Case I)

(ii) A fall in equilibrium price. (Case III).

Or

Market for a good is in equilibrium. There is simultaneous "decrease" in both demand and supply of the goods. Explain its effect on market price.

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More Questions Solved Vi Higher Order Thinking Skills

1. What happens to equilibrium price of a commodity if there is an increase' in its demand and 'decrease' in its supply ?

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2. What happens to equilibrium price of a commodity if there is an 'decrease in its demand and increase' in its supply ?

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

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4. Mention the various cases in which equilibrium price remains same.

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More Questions Solved Vii Value Based Questions

1. Why has power crisis increased in India?

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2. The market price of sugar rises when its demand increases. How can the supply of sugar be changed so that price of sugar remains constant?

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3. Explain the effects on the market equillibrium by imposing ban on the sale of GUTKHA in Delhi.

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4. Consumers often suffer because of their ignorance about the market situations and pay higher price than the equilibrium price. How can this be avoided?

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5. Business Process Outsourcing (BPO) is bringing in attractive jobs to the educated urban youths in India. Though highly remunerative, these jobs involve long and inconvenient working hours. What is the impact of BPO on the supply of labour?

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6. Equilibrium price of an essential1 medicineis too high. Explain what possible steps can be taken to bring down the equilibrium price but only through the market forces. Also explain the series of changes that will occur in the market.

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7. The following headine appeared in the Hindustan Times on 2 August 2014,

"Crop damaged in Himachnal sent tamato prices roaring in Delhi. "

Use a diagram and economic theory to analyse the statement .

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8. On 19 December 2013, the following news item was printed in the Economic Times:

Households in Southern India prefer to eat oranges for breakfast as banana plantations in Kerala have been destroyed and price of apples and grapes have also risen.

Use a diagram and economic theory to analyse the impact of the rise in price of apples and grapes on the market of oranges.

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More Questions Solved Vili Application Based Questions

1. Mrs Ramgopal says that economists say inconsistent things: as price falls, demand rises but as demand rises, prices rises. Defend or refute.

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2. " An increase in the demand for notebooks raises the quantity of notebooks demanded, but not the quantity supplied ". Is this statement true or false? Explain.

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3. China is a big manufacturer of telephone instruments. It has recently become a member of WTO, which means that it can sell its product in other member countries like India. Suppose that it does export a large number of telephone instruments to India.

(i) How will it affect the price and quantity sold of telephone instruments in India?

(ii) Suppose that the demand for telephone instruments is relatively elastic. How will it affect India's total expenditure on telephone instruments?

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4. Given below are four statements. Indicate for each whether it reflects ar. increase or decrease in demand, quantity demanded, supply, quantity supplied.

(i) Air Deccan reduces its average plane fare by 30% in order to attract more passengers.

(ii) The government grants export subsidy to producers of oranges in Nagpur to increase the sale of oranges abroad.

(iii) Wheat farmers decide to withhold wheat as the market price is low.

(iv) OPEC decides to increase the international oil price.

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5. Explain "black marketing' as a direct consequence of price celling .

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6. Explain the concept of buffer stock as a tool of price floor.

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7. Suppose the demand and supply curves of a Commodity-X is given by the following two equations simultaneously:

$Qd = 200 - p$ $Qs = 50 + 2p$

(i) Find the equilibrium price and equilibrium quantity.

(ii) Suppose that the price of a factor of production producing the commodity has changed, resulting in the new supply curve given by the equation

$Qs' = 80 + 2p$

Analyse the new equilibrium price and new equilibrium quantity as against the original equilibrium price and equilibrium quantity.

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