



# ECONOMICS

## BOOKS - FULL MARKS ECONOMICS (HINGLISH)

### PRODUCER EQUILIBRIUM

#### Ncert Textbook Questions Solved

1. What conditions must hold if a profit maximizing firm produces positive output in a

competitive market?



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2. Explain the producer's equilibrium with MR/MC approach (when Price remains constant with the rise in output).



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3. Explain the conditions of a producer's equilibrium in terms of marginal cost and

marginal revenue. Use diagram



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4. Why is the equality between marginal cost and marginal revenue necessary for a firm to be in equilibrium? Is it sufficient to ensure equilibrium? Explain.



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5. Elaborate the implication of the conditions of equilibrium of a firm.

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6. Can there be a positive level of output that a profit-maximizing firm produces in a competitive market at which market price is not equal to marginal cost? Give an explanation.

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7. Explain why will a producer not be in equilibrium if the conditions of equilibrium are not met.



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8. Will a profit-maximizing firm in a competitive market ever produce a positive level of output in the range where the marginal cost is falling? Give an explanation.



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**9.** The following table shows the total revenue and total cost schedules of a competitive firm. Calculate the profit at each output level. Determine also the market price of the goods.



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**10.** The following table shows the total cost schedule of a competitive firm. It is given that

the price of the goods is Rs 10. Calculate the profit at each output level. Find the profit maximising level of output.



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**11.** What is meant by profit ?



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12. What are the two methods for determination of producer's equilibrium?



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13. Explain the producer's equilibrium.



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14. Give meaning of producer's equilibrium.



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**15.** What is the general profit maximising condition for a producer (MR and MC approach)?



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**16.** If MC is more than MR at a particular level of output, how will the producer maximize the profits-

A. Decrease Production

B. Increase Production

C. Increase Revenue

D. None of these

**Answer: a**



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**17.** When  $MC$  is equal to  $MR$ , while maximizing profit, then

A.  $MC$  must be rising

B. MC must be falling

C. MC must be constant

D. None of these

**Answer: a**



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**18.** What is the relation between price and marginal cost at equilibrium, when price falls with the rise in output.

A. Price = Marginal Cost

B. Price  $>$  Marginal Cost

C. Price  $>$  Marginal cost

D. None of these

**Answer: b**



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**19.** What is the relation between price and marginal cost at equilibrium, when price remains constant with the rise in output.

A. Price = Marginal Cost

B. Price  $>$  Marginal Cost

C. Price  $>$  Marginal cost

D. None of these

**Answer: a**



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**20.** What is the relation between Price and MC at equilibrium (when price falls with the rise in output)?



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21. "MC should be rising at the point of Producer's Equilibrium". Comment.



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22. Find out the maximum profit position of a producer by comparing his MC and MR on the basis of the following data:



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**23.** A producer is in equilibrium when total cost and total revenue are equal.



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**24.** If marginal revenue is equal to the total cost, producer is in equilibrium.



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**25.** A firm is in equilibrium if marginal cost curve cuts average revenue curve from below.



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**26.** A firm gets maximum profits only if difference between average revenue and average cost is the maximum.



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27. Explain the producer's equilibrium with MR/MC approach (when price falls with the rise in output).



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28. Explain producer's equilibrium with the help of MC and MR schedules. Use diagram.



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**29.** Why is the equality between marginal cost and marginal revenue necessary for a firm to be in equilibrium? Is it sufficient to ensure equilibrium? Explain.



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**30.** From the following schedule find out the level of output at which the producer is in equilibrium. Calculate profit. Give reasons for

your answer.




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**31.** On the basis of the information given below, determine the level of output at which the producer will be in equilibrium. Use the marginal costmarginal revenue approach. Give reasons for your answer.



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**32.** A table showing TC and TR of a firm is given. Calculate MC and MR and find out the equilibrium level of output. 



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**33.** Giving reasons identify the equilibrium level of output and find profit at this output using 'Marginal Cost and Marginal Revenue' approach from the following:





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**34.** Giving reasons identify the equilibrium level of output and find profit at this output using 'Marginal Cost and Marginal Revenue' approach from the following:



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**35.** From the following table, find out the level of output at which the producer will be in equilibrium. Give reasons for your answer.



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**36.** Find maximum profit situation from the table:



Calculate:

- (i) Output level showing loss.
- (ii) Output level showing break-even point.
- (iii) Output level showing maximum point.



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**37.** If  $MC$  is more than  $MR$  at a particular level of output, how will a producer react to maximise the profit?



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**38.** Suppose a firm is producing a level of output such that  $MR > MC$ . What should the firm do to maximise the profit?



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**39.** Comment on the following statement:  
"Firms should maximize the difference between marginal revenue and marginal cost."



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40. Suppose that a sole proprietorship is earning total revenue of Rs 1,00,000 and is incurring explicit costs of 75,000. If the owner could work for another company for Rs 30,000 a year, would you conclude that the firm is incurring an economic loss or getting profit?



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