



ECONOMICS

BOOKS - RADHA BHUGANA

ECONOMICS (HINGLISH)

**SIMPLE APPLICATIONS OF TOOLS OF
DEMAND AND SUPPLY**

Fill In The Blanks

1. Imposition of price ceiling _____ the equilibrium price leads to _____ demand.



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2. Imposition of price floor _____ the equilibrium price leads to _____ supply.



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3. Price ceiling is imposed to protect the interest of _____



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4. Price floor is fixed to protect the interest of _____



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5. Through the minimum wage legislation the government protects the interest of _____



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Mcqs

1. The price which is fixed at a level lower than the equilibrium price

A. price ceiling (maximum)

B. price floor

C. fixed price

D. all of these

Answer: A



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2. Price floor is fixed to protect the interest of

A. consumers

B. government

C. producers

D. none of these

Answer: C



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3. Price ceiling and support price are examples of

A. direct intervention of govt.

B. indirect intervention of govt.

C. free interaction of market forces

D. all of these

Answer: A



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4. Minimum wage legislation helps in determining equilibrium in

A. commodity market

B. labour market

C. foreign exchange market

D. none of these

Answer: B



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5. The maximum quantity fixed by the government that can be purchased through fair price shops is :

A. rationing

B. price ceiling

C. floor price

D. all of these

Answer: A



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6. Price floor is _____ the equilibrium price :

A. lower than

B. higher than

C. equal to

D. all of these

Answer: B



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7. Maximum price ceiling means the maximum price :

A. Producers of a good or a service are allowed to charge

B. Producers of a good or a service are willing to charge

C. the buyer is willing to pay

D. none of these

Answer: A



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8. Minimum price ceiling refers to the minimum price :

- A. the buyer is willing to pay
- B. the seller is willing to charge
- C. the buyer must buy at
- D. all of these

Answer: C



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Objective Question

1. Define Maximum Price ceiling.



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2. Define Price floor.



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3. What is a black market ?



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4. What is rationing ?



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5. Name the kinds of goods for which maximum price ceiling is used by government.



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Conceptual

1. Why does government intervene to affect market equilibrium ?



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2. Why do black markets exist ?



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3. How surplus created as a result of price floor imposed by government is utilised ?



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4. How does minimum wage legislation help labour ?



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5. Explain the effects of a price ceiling

Or

Explain the effects of a price floor.



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Hots

1. Explain 'black marketing' as a direct consequence of price ceiling

Or

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



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2. When does government intervene to fix maximum price of commodity (Price ceiling) ?

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3. When does government intervene to fix minimum price of a commodity (Price floor) ?

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Value Based

1. In the market, there exists demand for LPG cylinders. To do away with this excess demand government has tried to restrict its usage by providing only 9 LPG cylinders at subsidized rates in a year. What policy implication does this move by government have ?



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2. Equilibrium price is the market determined price where demand is equal to supply. However, equilibrium price may not be the

best price. Why does government intervention become necessary on a welfare state like India ?



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Very Short

1. Define price ceiling.



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2. Define Price floor.



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3. What is rationing ?



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4. What is the nature of government intervention which leads to excess demand ?



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5. What is the nature of government intervention which leads to excess supply ?



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6. Give an example of indirect intervention by government in market mechanism.



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7. Give an example of direct intervention by government in market mechanism.



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Short Answer

1. Why does government intervene to affect the market equilibrium ?



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2. What is the difference between direct intervention and indirect intervention ?

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3. What is a black market ? Why does it exist ?

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4. Why does government adopt rationing technique ?





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5. Why is minimum wage legislation adopted by the government.



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6. "Price floor is a system to protect the interest of producer". Defend or refute.



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



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8. Explain the meaning and need for maximum price ceiling.



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Long Answer

1. Explain the concept of price ceiling with a suitable diagram.



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2. Explain the process of wage determination through price floor using a suitable diagram.



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3. Explain the meaning and implications of maximum price ceiling and minimum price ceiling.



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