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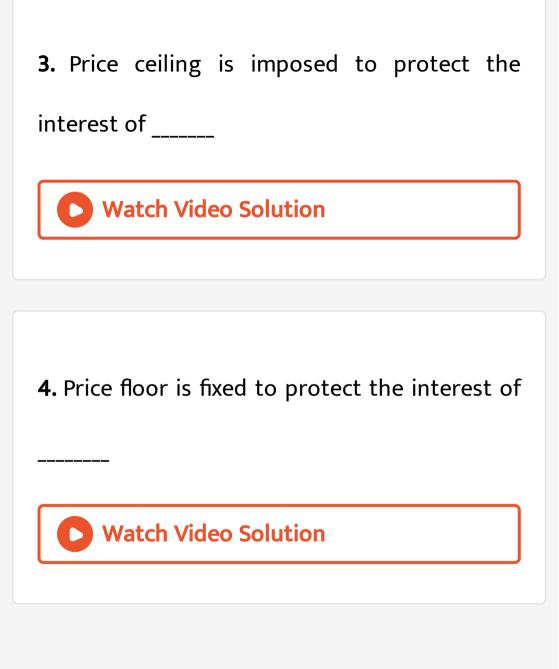
### **ECONOMICS**

## BOOKS - RADHA BHUGANA ECONOMICS (HINGLISH)

# SIMPLE APPLICATIONS OF TOOLS OF DEMAND AND SUPPLY

Fill In The Blanks

| <b>1.</b> Imposition of price ceiling the the set of t | ie |
|---|----|
| equilibrium price leads to demand.  |    |
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|   |    |
| <b>2.</b> Imposition of price floor the equilibrium price leads to supply.  | ıe |
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5. Through the minimum wage legislation the

government protects the interest of \_\_\_

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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



**3.** Price ceiling and support price are examplesd of

A. direct intervention of govt.

B. indirect interventation of govt.

C. free interaction of market forces

D. all of these

#### Answer: A



- **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



**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

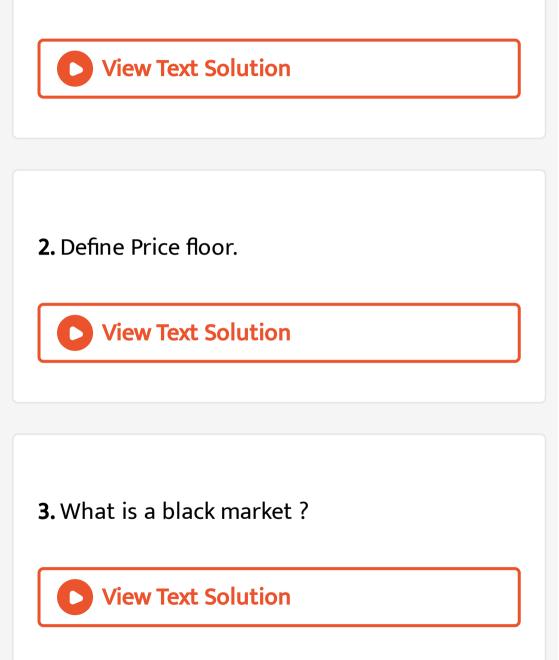
D. all of these

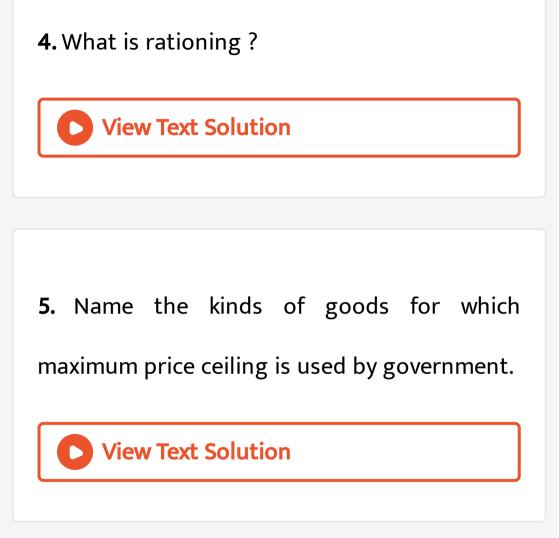
Answer: C

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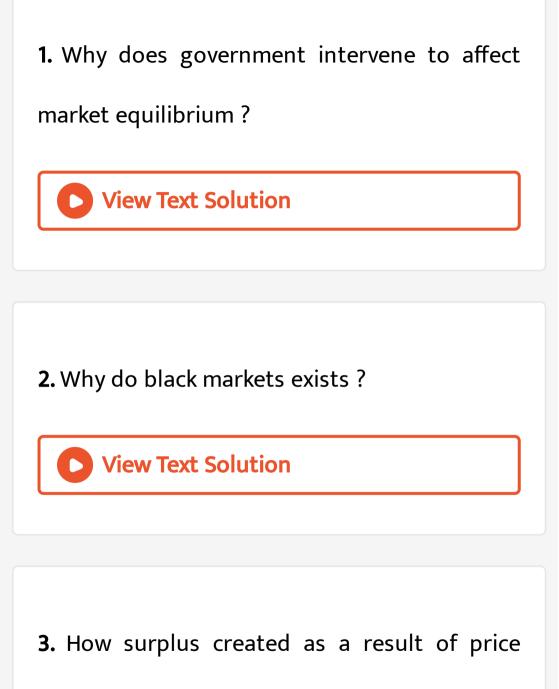
**Objective Question** 

1. Define Maximum Price ceiling.

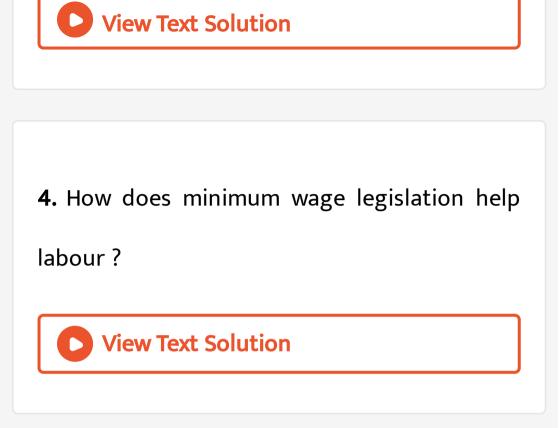




Conceptual



floor imposed by government is utilised ?



5. Explain the effects of a price ceiling

Or

Explain the effects of a price floor.

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

Or

Explain the concept of buffer stock as a tool of

price floor.



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) ?

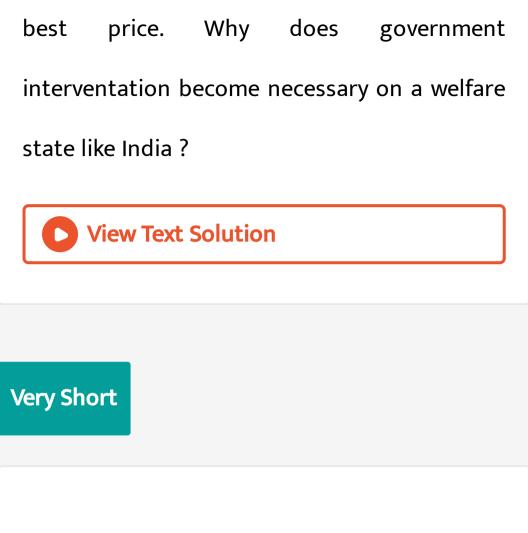




**1.** In the market, three exists demand for LPG cylinders. To do away with this excess demand government has tried to restrict its usage by providing only 9 LPG cylinders at subsidized rates in a year. What policy implication does this move by government have ?

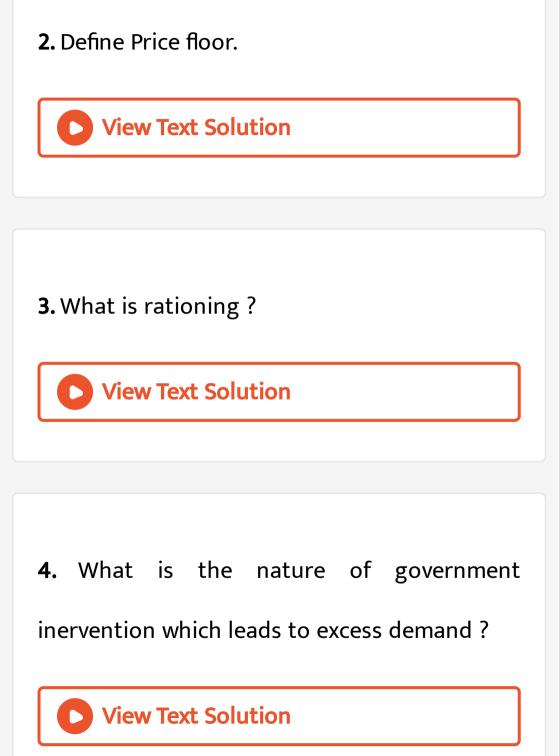


Equilibrium price is the market determined
 price where demand is equal to supply.
 However, equilibrium price may not be the



**1.** Define price ceiling.

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



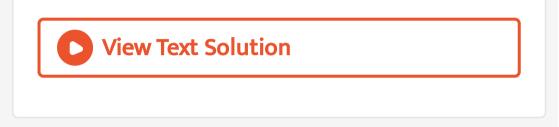
### 6. Give an example of indirect inervention by

government in market mechanism.



7. Give an example of direct inervention by

government in market mechanism.

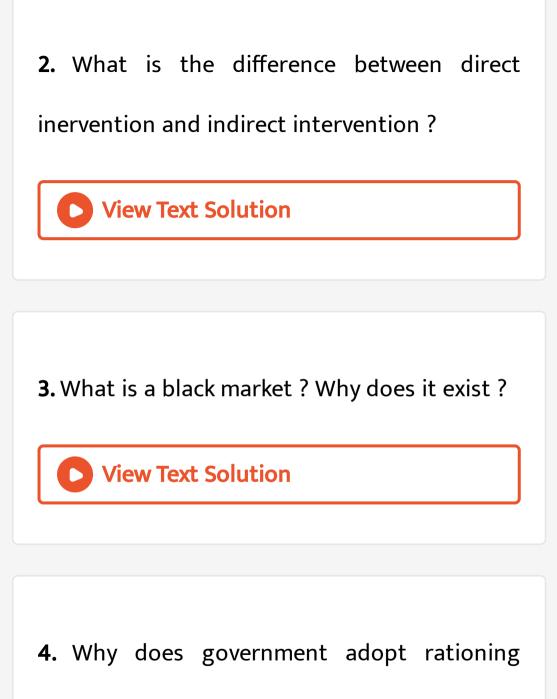


Short Anwer

1. Why does government intervene to affect

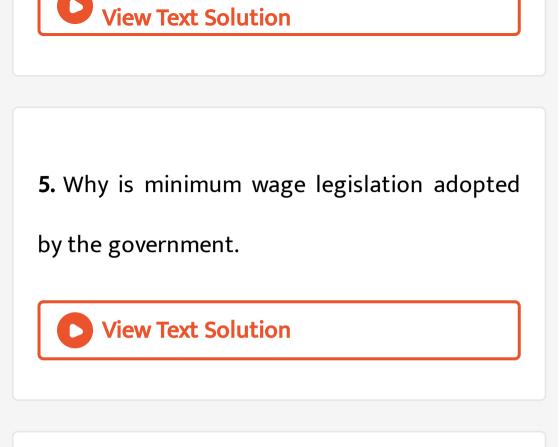
the market equilibrium ?





technique ?





6. "Price floor is a system to protect the

interest of producer". Defend or refute.



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

| C | Watch Video Solution |
|---|----------------------|
|   |                      |

8. Explain the meaning and need for maximum

price ceiling.





1. Explain the concept of price ceiling with a

suitable diagram.

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2. Explain the process of wage determinatin

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.

