



ECONOMICS

BOOKS - GOYAL BROTHERS

PRAKASHAN ECONOMICS (HINGLISH)

PRODUCER'S EQUILIBRIUM

Multiple choice questions

1. On the basis of the following schedule spot the equilibrium level of output:

| <i>Output unit</i> | <i>MC</i> | <i>MR</i> |
|--------------------|-----------|-----------|
| 1 | 10 | 8 |
| 2 | 8 | 8 |
| 3 | 6 | 8 |
| 4 | 8 | 8 |
| 5 | 8 | 8 |
| 6 | 10 | 8 |

A. 2units

B. 4units

C. 5units

D. 3units



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Short Answer Questions-1

1. Explain the meaning of producer's equilibrium



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2. Explain the meaning of economic profit'



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3. What is producer's equilibrium ? State conditions of producer's equilibrium



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4. What is economic profit ? State the conditions of profit maximisation



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Short Answer Questions-II

1. Explain producer's equilibrium .Use diagram.



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2. Explain profit maximisation .Use diagram



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3. Explain profit maximisation by Using a schedule.



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Long Answer questions

1. A producer is producing output at which

(i) TR-TC is maximum and (ii) $MC < MR$

beyond this output. Is the he in equilibrium ?

Explain.



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2. A producer's is producing output at which

(i) TR-RC is maximum and (ii) $MC > MR$

beyond this output . Is he maximising profit

Explain.



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3. A producer is output at which $MC=MR$, but
If more is produced MC beomes greater than
 MR . Is he in equilibrium ? Explain .Use
diagram.



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4. A producer is producing output at which $MC=MR$ but if more is produced MC becomes less than MR . Is he in equilibrium ? Explain .Use diagram



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Some Important questions

1. Explain the meaning and conditions of producer's equilibrium



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2. Explain the conditions leading to maximisation of profit by a producer.



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3. Explain producer's equilibrium using a schedule.



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4. From the following schedule find out the level of output at which the producer is in equilibrium. Give reasons for your answer.

| Output | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|-----------|----|----|----|----|-----|-----|-----|
| Price (₹) | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| TC (₹) | 26 | 50 | 72 | 92 | 115 | 139 | 165 |



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5. From the following information about a firm, find the firm's equilibrium output in terms of marginal cost and marginal revenue.

Give reasons. Also find profit at this output.

| | | | | | |
|--------------------------|---|----|----|----|----|
| <i>Output (Units)</i> | 1 | 2 | 3 | 4 | 5 |
| <i>Total Revenue (₹)</i> | 7 | 14 | 21 | 28 | 35 |
| <i>Total cost (₹)</i> | 8 | 15 | 21 | 28 | 36 |



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



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understanding Based questions from CBSE

1. How is marginal product calculated ?



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2. Show that average revenue and price are one and the same.



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3. What is cost in economics?



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4. A Producer invests his own savings in starting a business and employs a manager to look after it. Identify implicit and explicit costs from this information.



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5. Give the meaning of producer's equilibrium
.A producer that quantity of his product at

which marginal cost revenue are equal . Is he earning maximum profit?



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6. Under what market conditions does AR always equals MR ? Explain.



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7. Show with the help of a numerical example that average cost is constant when marginal

cost is equal to it .



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

| Output (units) | 1 | 2 | 3 | 4 | 5 |
|-------------------|----|----|----|----|----|
| Total cost (₹) | 14 | 26 | 40 | 56 | 74 |
| Total Revenue (₹) | 14 | 28 | 42 | 56 | 70 |



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9. State the phases in the Law of Variable Proportions with the help of a total product schedule.



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10. Explain the Law of Variable Proportions with the help of total product and marginal product curves.



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11. Why is equality between MC and MR necessary for a firm to be in equilibrium ? Is it sufficient to ensure equilibrium ? Explain.



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12. Why does the difference between ATC and AVC decrease with increase in level of output Explain.



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13. Price elasticity of supply of a good is 0.8 . Is the supply elastic or inelastic and why?



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