



ECONOMICS

BOOKS - SANDEEP GARG ECONOMICS (HINGLISH)

DEMAND AND ITS DETERMINANTS

**Value Based Evaluation And Multi Disciplinary
Question**

1. Underutilisation and unutilisation of resources will shift the Production Possibility Frontier to the left. Defend or refute.



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2. Producer Equilibrium is attained only when marginal revenue is equal to marginal cost. Is it correct ?



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3. "The demand for a commodity always increases whenever the price of other goods rises". Do you agree with the given statement ?



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4. "The gap between Average Variable Cost and Average Fixed Cost falls when output rises".
Defend or refute.



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5. "Production function establishes a technical relation between inputs and output, and not economic relation". Comment.



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6. "An economy always operates on production possibility frontier and not inside it". Do you agree with the given statement?



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7. The total expenditure to be incurred by a family on a good is bound to increase when price of such good rises. Comment.



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8. Demand for electricity has "increased". However supply cannot be increased due to lack of resources. Explain how, in any two ways, demand for electricity can be "decreased".



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9. A entrepreneur is planning to set up a factory in an extremely backward region of India and is thinking about the technique of production to be used for production. Suggest which technique of production should be used for the social upliftment of the region, if there are large number of unemployed people.



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10. The price elasticity of demand for life-saving drugs is inelastic. As a result, manufacturers have the freedom to fix higher prices for them. How can this problem be handled?



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11. In every economy, human wants are unlimited and resources to satisfy them are

limited. What should be done to maximise the satisfaction of human needs?



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12. The demand for petrol is increasing continuously. However, being a non-renewable resource, its supply is limited. Discuss any 2 steps that can be taken to overcome this problem?



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13. A producer starts a business by investing his own savings and hiring the labour. Identify implicit and explicit costs from this information.



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14. A country's resources are fully and efficiently employed. The problem of scarcity exists. What advice will be given to raise the efficiency level of the human resources of light scarcity?



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15. At a certain output level, the total revenue and total cost of a firm are equal. What is this situation termed as? Whether the firm is earning normal profits or not.



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16. Production in an economy is below its potential due to unemployment. Government

starts employment generation schemes.

Explains its effect using production possibilities curve.



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17. A lot of people died and many resources were destroyed due to floods in Kashmir. How will it affect the PPF of the economy?



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18. "Marginal Product cuts the Average Product from its top". Do you agree with the given statement?



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19. Equilibrium price of an essential medicine is 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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20. "The demand curve of a commodity will not obey the law of demand, i.e., it will not slope downwards if there is a rise in the price of substitute goods". Comment.



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21. Almost one-third of Indians consume some form of tobacco and many use more than one type of tobacco product. The consumption of tobacco is a reason for almost 40% of non-communicable diseases like cancer, cardiovascular diseases and lung disorders. What can be done to come out of this situation ?



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22. "Average Variable cost Curve reaches its minimum point before the Average Cost Curve". Comment



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23. Cigarette smoking is injurious to health. How can the government reduce its consumption but only through the normal market forces. Explain the chain of effects of government's action.





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24. Why does Marginal cost curve cut the Average Variable Cost Curve at its minimum point?



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25. Pulp and paper production is the third largest producer of air, water and land pollution. Suggest three ways to overcome this problem?



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26. Unemployment is reduced due to the measures taken by the government. State its economic value in the context of production in possibilities frontier.



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27. Scarcity is a common feature of both developed and developing economy. Still,

economising of resources is more important countries as compared to developed countries? Do you agree?



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28. "When marginal revenue is positive and constant, both average and total revenue rate", whereas average revenue will be constant.



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29. Vehicular pollution in India is increasing at an alarming high rate. State any two ways in which it can be controlled.



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30. Marginal revenue is always the price at which last unit of a commodity is sold. Comment.



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31. On 11 September, 2012, Delhi government enforced a complete ban on the manufacture, sale and storage of "Gutka" in the national capital. How will it affect the market demand and supply of gutka?



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32. In case of perfect competition, the horizontal straight line demand curve indicates that an individual firm has no control over price of his product. Comment.



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33. Children are the future policy makers of our country. However, many of the poor children are ill-treated and are forced to work at a tender age. Discuss the steps that need to be taken to reduce child labour?



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34. If Marginal Cost is equal to Marginal Revenue at two output levels, then any one of

the output level can be taken as state of producer's equilibrium. Defend or refute.



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35. "Use the chemical fertilisers, but becomes food shortage, give good dividends at one time in the form of increased production, but becomes a disaster later in the form of adverse effects on health". How can we overcome this problem?



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36. A monopolist firm has full control over the price and demand for this product. Do you agree with the given statement?



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37. Individual supply curves are steeper as compared to market supply curve. Defend or refute.



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38. One of the central problems of an economy is "How to Produce". The planners of Indian Economy are stressing on using labour intensive techniques for production of goods and services. Do you justify this on the grounds of moral responsibility?



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39. Name the economic value achievable when attempts are made to increase resources in

the country.



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40. Will a firm in a competitive in a market ever produce a positive level of output in the range where the marginal cost is falling?



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41. Name the economic value achieved through the spread of education in the

context of production potential.



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42. The availability of fresh water may become the most crucial problem over the coming decades. Enumerate some of the steps which need to be taken to save water?



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43. Large number of technical training institutions have been started by the government. State its economic value in the context of production possibilities frontier.



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44. A producer will change supply of a product only when there is a change in the price of given product.



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45. The government has started promoting foreign capital. What is its economic value in the context of Production Possibilities Frontier?



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46. When equilibrium price of a good is less than its market price, there will be competition among the sellers. Defend or refute.



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47. Some firms under monopolistic competition are successful in creating a differentiated image of their products through heavy selling costs. It enables them to charge higher prices for their products. However, such product differentiation is sometimes imaginary. As a result, consumers suffer because

(i) Do you think, this is justified in terms of moral business ethics?

(ii) Why ethical business behaviour is important in this modern competitive world?

(iii) What can be done to handle this situation?



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48. Under monopoly, the barriers to entry and exit of firms lead to absence of competition in the market. Do you think this is necessary in certain strategic areas like in the case of

production of defense goods and atomic energy?



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49. What policy initiatives can the government undertake to increase the demand of milk in the country? Mention any one.



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50. The following headline appeared in the Hindustan Times on 2nd August, 2014. "Crop damaged in Himachal sent tomato prices roaring in Delhi". Use a diagram and economic theory to analyse the statement.



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51. On 19th December, 2013, the following news item was printed in the Economic Times: "Household 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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52. The measure of price is elasticity of demand of a normal good carries minus sign

while price elasticity of supply carries plus sign. Explain why?



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Model Test Paper 1

1. Define opportunity cost.



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2. At what level of production is total cost equal to total fixed cost



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3. Which of the following does not cause shift of supply curve of a good? (Choose the correct alternative)

A. Price of input

B. Price of the good

C. Goods and Services Tax

D. Subsidy

Answer: B



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4. Which of the following measures of price elasticity shows elastic supply? (Choose the correct alternative)

A. 0

B. 0.5

C. 1.0

D. 1.5

Answer: D



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5. In what circumstances may the production possibility frontier shift away from the origin ?

Explain

OR

Explain the central problem of "What is produced and in what quantities"



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6. A consumer buy 200 units of a good at a price of Rs 20 per unit. Price elasticity of demand is $(-)^2$. At what price will he be willing to purchase 300 units? Calculate



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7. Write a budget line equation of a consumer if the two goods purchased by the consumer. Good X and Good Y are priced at 10 and Rs 5 respectively and the consumer's income is Rs 100

OR

Define marginal rate of substitution. Explain its behaviour along an indifference curve.



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8. Explain the conditions of producer's equilibrium under perfect competition.



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9. Explain the implications of "freedom of entry and exit of firms" under perfect competition



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10. A consumer consumes only two goods X and Y. Explain the conditions of consumer's equilibrium using Utility Analysis.



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11. Draw Average Variable Cost (AVC), Average Total Cost (ATC) and Marginal Cost (MC) curves in a single diagram. State the relation between MC curve and AVC and ATC curves.



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12. Define price floor. Explain the implications of price floor

OR

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



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Model Test Paper 2

1. What do you mean by the problem of scarcity ?



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2. Define cost



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3. When average cost falls, marginal cost:

(Choose the correct alternative)

A. Falls

B. Rises

C. May fall or may rise

D. Neither falls nor rises

Answer:



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4. When marginal product rises, total product:

(Choose the correct alternative)

A. Falls

B. Rises

C. Can rise or can fall

D. Remains constant

Answer:



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5. Distinguish between microeconomics and macroeconomics. Give an example of each.

OR

What will likely be the impact of large scale outflow of foreign capital on Production Possibilities curve of the economy and why ?



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6. State any three determinants of individual demand other than own price of the good.



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7. Comment upon the shape of the demand curve if the price of a commodity rises by 10% and there is no change in its quantity demanded.



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8. What is revenue in microeconomics ? State the relation between marginal revenue and average revenue under perfect competition using suitable diagram or schedule

OR

Define supply. Distinguish between "increase in supply" and "extension in supply"



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9. Explain the effect of 'Maximum Price Ceiling' on the market of a good. Use diagram



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10. A consumer consumes only two goods X and Y both priced at Rs 3 per unit. If the consumer choose a combination of these two goods with Marginal Rate of Substitution equal to 3, is the consumer in equilibrium ? Give reason. What will a rational consumer do in this situation ? Explain ltrbgt OR

State and explain three properties of indifference curves.



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11. Explain the law of variable proportions with the help of total product curve. Use diagram.



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12. State and discuss four characteristics of perfect competition



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Model Test Paper 3

1. Which of the following is a statement of normative nature in economics ?

(a) Economics is study of choices/alternatives

(b)

(c) According to an estimate, in spite of severe shortage, more than 10% of houses in Indian cities are lying vacant

(d) Accommodation of Refugees is posing a big problem for the Europe

A. Economics is study of
choices/alternatives

B. Government should be concerned with how to reduce unemployment

C. According to an estimate, in spite of severe shortage, more than 10% of houses in Indian cities are lying vacant

D. Accommodation of Refugees is posing a big problem for the Europe

Answer:



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2. Define Marginal Physical Product



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3. A firm is operating with a Total Variable cost of Rs 500 when 5 units of the given output are produced and the Total Fixed Costs are Rs 200, what will be the Average Total Cost of producing 5 units of output ?

(i) Rs 140 (ii) Rs 100

(iii) Rs 120 (iv) Rs 300



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4. In an imperfectly competitive market, if the Total Revenue is maximum, Marginal Revenue will be.....



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5. Discuss the characteristics of Production Possibility Frontier.

OR

Draft a hypothetical schedule for a straight line Production Possibility Curve.



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6. Giving reason, state the impact of each of following on demand curve of a normal good 'X' if:

- (i) Price of its complementary good falls.
- (ii) News reports claims that consumption of product X has harmful effect on human health.
- (iii) Income of consumer increases.



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7. (a) Arrange the following coefficients of price elasticity of demand in ascending order:

0.87, -0.53 , -3.1 , -0.80

(b) comment upon the degree of elasticity of demand for commodity X, if the price of the commodity falls from Rs 28 per unit to Rs 23 per unit and its quantity demanded rises from 50 units to 100 units



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

OR

Market for a product is in equilibrium. Supply of the product 'decreases'. Explain the chain of effect of this change till the market again reaches equilibrium. Use diagram.



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9. Explain how the following factors effect the supply of the commodity. (Any two)

(a) Price of factor inputs (b) State of technology

(c) Government taxation Policy



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10. (a) A consumer, Mr Aman is in state of equilibrium consuming two good X and Y, with given prices P_x and P_y . What will happen if

$$MU_x / P_x > M \frac{U_y}{P_y}?$$

(b) Identify which of the following is not true for the Indifference Curves theory. Give valid

reasons for choice of you answer.

a. Lower indifference curve represents lower level of satisfaction.

b. Two indifference curves can intersect each other.

c. Indifference curve must be convex to origin at the point of tangency with the budget line at the consumer's equilibrium.

OR

A consumer has total money income of Rs 500 to be spent on two goods X and Y with prices of Rs 50 and Rs 10 per unit respectively. On the basis of the given information, answer the

following question.

- (a) Give the equation of the budget line for the consumer. Itrbgt (b) What is the value of slope of the budget line ?
- (c) How many units can the consumer buy if he is to spend all his money income on good X?
- (d) How does the budget line change if there is a 50% fall in price of good Y ?



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11. (a) Why is Total Variable Cost curve inverse S-shaped?

(b) What is Average Fixed Cost of a firm ? (b)

What is Average Fixed Cost of a firm ? Why is an Average Fixed Cost Curve a rectangular Hyperbola ? Explain with help of a diagram.



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12. Suppose the value of demand and supply curves of a commodity-X is given by the

following two equation simultaneously:

$$Q_d = 200 - 10p \quad Q_s = 50 + 15p$$

(i) Find the equilibrium price and equilibrium quantity of commodity X.

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

$$Q_s = 100 + 15p$$

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



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