

1. The quantity sold at equilibrium level is known as

- (a) Equilibrium quantity
- (b) Maximum quantity
- (c) Quantity supplied
- (d) All of the above

Answer: (a) Equilibrium quantity

Reason- The equilibrium price is the only price where the plans of consumers and the plans of producers agree—that is, where the amount consumers want to buy of the product, quantity demanded, is equal to the amount producers want to sell, quantity supplied. This common quantity is called the equilibrium quantity.

2. Excess demand results in _____.

- (a) Surplus
- (b) Competition among seller
- (c) Both (a)&(b)
- (d) Competition among buyers

Answer: (d) Competition among buyers

In a graph, you can show excess demand as the horizontal distance between the demand and the supply curves at a price below the equilibrium price. Looking at the graph below, notice that the current market price, P_1 , is below the equilibrium price, P^* .

3. Each firm under market equilibrium earns _____.

- (a) Supernatural profit
- (b) Negative profit
- (c) Normal profit
- (d) None of the above

Answer: (c) Normal profit

Thus, a firm in equilibrium earns normal profits when its average cost (AC) is equal to the price (AR) determined by the industry, i.e. $AC = AR$. cost and price per unit (average revenue) are equal. This point is also known as break-even point.

4. _____ is when decisions of consumers and producers in the market are coordinated through the free flow of prices.

- (a) Price elasticity
- (b) Price making
- (c) Price taking
- (d) Price mechanism

Answer: (d) Price mechanism

Capitalist economy is also called the market economy in which the prices are determined by the free interaction of the forces of demand and supply.

5. A situation where the quantity demanded is more than the quantity supplied at the prevail marker price is known as;

- (a) Excess equilibrium
- (b) Excess demand
- (c) Excess supply
- (d) Shortage

Answer: (b) Excess demand

6. An industry for which the supply curve and demand curve never intersect each other in positive axes is known as;

- (a) Equilibrium industry
- (b) Viable industry
- (c) Non-Viable industry
- (d) All of the above

Answer: (c) Non-Viable industry

Statement C is true because in a non-viable industry, demand and supply curves do not intersect in the positive range of both the axis. This is because such an industry faces a surplus of goods due to overproduction, which leads to a downward pressure on prices

7. Supply curve shifts due to;

- (a) Change in the number of firms
- (b) Change in taxation policy
- (c) Change in the goals of the firm
- (d) All of the above

Supply curve is shifted due to the change in the supply. An increase in the change in supply leads to the supply curve being shifted to the right, while a decrease in change in supply results in the supply curve shifting to the left.

8. Read the following statement given below and choose the correct alternative

Statement 1- When Decrease in demand is equal to a decrease in supply, then a leftward shift in the demand curve is equal to a leftward shift in the supply curve.

Statement 2- When Decrease in demand is more than the decrease in supply, then the rightward shift in the supply curve will be more than the Demand curve.

- (a) Both are correct
- (b) Both are incorrect
- (c) Statement 1 is correct and statement 2 is incorrect
- (d) Statement 1 is incorrect and statement 2 is correct

Answer: (c) Statement 1 is correct and statement 2 is incorrect

9. Read the following statement given below and choose the correct

Assertion (A)- Price ceiling refers to the maximum price of a commodity at a level lower than the equilibrium price.

Reason (R)- price ceiling is also known as a maximum price ceiling.

- (a) Both assertion and reason are true. The reason is the correct explanation of the assertion
- (b) Both assertion and reason are true. The reason is not the correct explanation of the assertion
- (c) The assertion is true but the reason is not.
- (d) The reason is true but the assertion is true.

Answer: (b) Both assertion and reason are true. The reason is not the correct explanation of the assertion

10. Read the following statement given below and choose the correct alternative

Assertion (A)- The price ceiling is always fixed below the equilibrium price.

Reason (R)- The price ceiling is always fixed above the equilibrium price.

- (a) Both assertion and reason are true. The reason is the correct explanation of assertion.
- (b) Both assertion and reason are true. The reason is not the correct explanation of the assertion
- (c) The assertion is true but the reason is not.
- (d) The reason is true but the reason is not

Answer: (c) The assertion is true but the reason is not.