

## **ECONOMICS ASSIGNMENT**

### **CLASS XII**

#### **MICRO ECONOMICS**

#### **UNIT I – INTRODUCTION**

1. What is the Slope of PPC? What does it show?
2. When can PPC be a straight line?
3. Do all attainable combination of two goods that can be produced in an economy point to same level of output?
4. Is free medicine given to patients in Govt. Hospital a scarce commodity?
5. Does PPC indicate actual level of output or potential level of output?
6. If more and more resources are constantly explored, will a day come when our central problems will be solved?
7. “only scarce good attract price” comment
8. Production in an economy is below its potential due to unemployment. Government starts employment generation schemes’ explain its effect by using PPC.
9. Economic slowdown in some parts of the world has led to a fall in demand for exports from India. what will be its effect on PPF of India?
10. State two features of resources that give rise to economic problem.
11. State whether the following statements are True or False. Give reason
  - (i) An economy cannot operate beyond PPF.

(ii) Study of cotton textile industry is a macroeconomic study.

12. Why is PPC called Transformation curve?

13. What will be the shape of PPC if resources are equally efficient in production of both the goods?

14. For those working under MGNREGA, the govt. has raised minimum employment from 100 to 150 day during a year. How would it impact the actual and potential level of output in the economy?

15. Giving reason comment on the shape of PPC based on the following schedule

Good X (Unit)	0	1	2	3	4
Good Y (Unit)	20	18	14	8	0

## Unit II

### **Consumer's Equilibrium and Demand**

1. How many chocolate will a consumers consume, if they are available free of cost?
2. How is law of Diminishing Marginal utility applied with regard to education/ Knowledge?
3. Derive the law of demand from single commodity equilibrium condition  
"Marginal utility= Price
4. Starting from an initial condition of consumers equilibrium state, how does an increase in marginal utility of one rupee affect the quantity demanded of a product?

5. Why is the budget line negatively sloped?
6. Explain the concept of market rate of exchange.
7. Price of the two goods remaining constant with the increase in income of the consumer why does the budget line make a rightward parallel shift?
8. Why does an indifference curve always slope downward to the right?
9. For a consumers to be in equilibrium, why must marginal rate of substitution be equal to ratio of prices of the two goods?
10. Briefly explain the factors which lead to an increase in demand of a commodity.
11. Explain why
  - (a) A consumer's equilibrium is always formed at a point on the given budget line
  - (b) A consumer's equilibrium will shift to a higher I C with an increase in income of the consumer.
12. What is the horizontal intercept of the budget line?
13. Explain the concept of cross price effect.
14. A piece of good is an "inferior" good for one and at the same time 'normal' good for another consumer. Explain
15. Suppose there are two consumers in the market for a piece of good and their demand functions are as follows:  
 $D_1(p) = 20 - P$  for any price less than or equal to 15, and  $d_1(p) = 0$  at any price greater than 15.

$D_2(p) = 30 - 2P$  for any price less than or equal to 15 and  $d_2(P) = 0$  at any price greater than 15

Find out the market demand function.

16. A family spending on a product has to increase if product price increases. Defend or refute.
17. When two demand curves intersect, the elasticity of demand of the flatter demand curve will be more than the steeper demand curve. Defend or refute.
18. Let slope of demand curve =  $-0.5$ . Calculate  $E_d$  when initial price is Rs. 20 per unit and initial quantity is 50 units of the commodity.
19. Consider the demand curve  $D(P) = 10 - 3P$ . What is the elasticity at price  $5/3$  ?
20. Will two parallel straight line demand curve have equal elasticity?
21. The Elasticity of demand of all points on a straight line demand curve is equal. Defend or refute.
22. How will the consumer move along his IC in a situation when  $MRS_{xy} > P_x/P_y$ ?
23. What will be the elasticity of demand of a commodity if a 7% increase in price of the commodity leads to a rise in its expenditure by 7%?
24. Draw demand curve with equal elasticity at all point on the curve.

### Unit III

#### Producer Behaviour and Supply

1. Why does MP curve cut AP curve from above?
2. What can you say about MP if TP is rising?

3. Why is it that AP continues to rise even when MP is falling?
4. Let us take a production function  $Q = 3L^{1/3}K^{1/3}$  find out the maximum possible output that the firm can produce with 125 units of Labour and 125 units of Capital.
5. Can AC and AVC curves intersect each other? Why?
6. AC may continue to decline even when MC is rising. Why?
7. Why does the minimum point of AC Lie at a higher level of output than minimum point of AVC?
8. Find out TC, given the following information on MC for a firm which has spent Rs. 60 thousand on its establishment even when output was zero

Output (unit)	1	2	3	4	5	6
MC (Rs. Thousand)	7	6	5	7	9	10

9. Complete the following table

Output (units)	1	2	3	4
A T C	54	—	—	33
A V C	30	24	—	—
M C	30	—	24	—

10. Distinguish between short run and long run production function.

11. Complete the following table

Units of Labour:	1	2	3	4	5	6
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Average Product:	8	10	—	9	—	7
Marginal Product:	—	—	10	—	4	—

12. State whether following statements are true or false. Give reasons

- (i) When there are diminishing returns to factor, TP first increases & then starts falling
- (ii) TP will increase only when MP increases
- (iii) AP will increase only when MP increases
- (iv) When AP=MP, MP is at its maximum.

13. Why is TVC inverse s-shaped curve?

14. Give reasons for the following

- (i) AFC is rectangular hyperbola
- (ii) MC curve is U-shaped curve
- (iii) While MC rises, AC can be falling for some range

15. What is social cost?

16. An industrialist is both the owner and manager of a shop taken on rent.

Identify implicit cost and explicit cost from this information. Explain

17. Find out (a) explicit cost and (b) Implicit cost from the following data

(i)	Investment in fixed assets	2000
(ii)	Borrowings at 12% interest per annum	1500
(iii)	Wages paid during the year	120
(iv)	Annual rental values of owner's factory building	180
(v)	Annual depreciation	100

(vi)	Estimated annual value of the management services of owner	240
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18. Calculate TVC, TFC, TC, AFC, AV& ATC

(i)	Rent	10,000
(ii)	No. of workers employed	50
(iii)	Salary paid to each worker	200
(iv)	Interest on Capital	5000
(v)	Raw Material purchased	6000
(vi)	Total quantity produced	100
(vii)	Insurance premium paid	1500

19. Why are TC & TVC curves parallel to each other?

20. Why is market supply curve flatter?

21. Under what condition, producer would like to supply more at a given price?

22. Explain the concept of time horizon and supply.

23. What will be effect of subsidy on supply of commodity?

24. What will be the elasticity of supply of an upward sloping straight line supply curve?

25. Complete the following table

Price (Rs.)	12	10	8	6
Output (units)	1	2	3	4
T R (Rs.)	—	—	—	—
M R (Rs.)	—	—	—	—

26. Complete the following table

Price (Rs.)	:	10	11	12	13	14	15	16
Units Sold	:	—	9	—	7	—	5	—
T R	:	100	—	96	—	84	—	64
M R	:	—	—	—	—	—	—	—

27. State whether the following statements are true or false. Give reasons

- (i) When MR is zero, AR is constant
- (ii) MR is always the price at which last unit of output is sold.
- (iii) When TR is Maximum, MR is also constant
- (iv) When MR is positive and constant, AR and TR will increase at constant rate

28. What will be the shape of MR curve when

- (i) TR is positively sloped straight line
- (ii) TR is horizontal straight line
- (iii) TR first increases at diminishing rate and then falls.

29. From the following schedule calculate the level of output at which the producer maximises his profit. Also calculate the profit at that level. Give reasons.

Output	:	1	2	3	4	5	6	7
Price (Rs)	:	24	24	24	24	24	24	24

Total Cost (Rs.) :      26    50    72    92    115    139    165

30. What is firm's price line? What is its shape?

31. Distinguish between gross profit and Net profit.

#### **Unit IV**

#### **Forms of Market and Price Determination**

#### **Under Perfect competition with**

#### **Simple applications**

1. Downward sloping Market Demand curve is a constraint faced by Monopolist .Explain
2. Explain how price remains higher than marginal cost under monopoly and monopolistic competition.
3. What is the relationship between elasticity of demand and price under monopoly?
4. Why is patent right granted?
5. What makes it possible to exercise partial control over price under monopolistic competition? Why full control over price is not possible?
6. Why is a firm's demand curve indeterminate under oligopoly?
7. Does price never change under perfect competition, given the fact that a firm under perfect competition firm is a price taker.
8. Increase in demand always causes the rise in price. Comment.
9. Analyse the impact of (a) increase in consumer's income, and (b) increase in number of consumer's on market equilibrium.

10. A situation of excess demand or excess supply is automatically corrected under perfect competition. Comment.

11. 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.

12. Suppose the demand and supply curves of salt are given as

$$q^d = 1000 - P \quad q^s = 700 + 2P$$

(a) Find the equilibrium price and quantity.

(b) Now suppose that the price of an input used to produce salt has increased and the new supply is  $q^s = 400 + 2p$ . How does the equilibrium price and quantity change?

13. Giving reasons, state, if the following are true or false:

(i) If increase in demand is proportionately equal to the decrease in supply, equilibrium price will rise

(ii) If decrease in demand meets with an increase in supply, equilibrium price will fall.

(iii) Equilibrium price will not change if decrease in demand meets with proportionate decrease in supply.

(iv) If the supply curve is horizontal straight line, change in demand will affect equilibrium quantity.

14. What do you mean by non-viable industry?

15. A Monopolist can sell any quantity he likes at a price. Give reason with true or false.

16. What is persuasive advertising?

17. What is meant by price floor? What are its implications?

18. When will an increase in demand of commodity not result in change in price?  
Give two reasons.