

## Assignment of Producer's Equilibrium and supply

Marks – 16

2008-09(2)

1. Give one reason for a rightward shift in supply curve. (1)
2. Why is average total cost greater than average variable cost? (1)
3. Define fixed costs. (1)
4. Explain the effect of fall in prices of other goods on the supply of a given good.(3)
5. Complete the following table: (3)

OUTPUT	Total Cost	AVC	MC
1	90		30
2		27	
3			27
4	180	30	

6. The price elasticity of supply of commodity Y is half the price elasticity of supply of commodity X. 16 percent rise in the price X results in a 40 percent rise in its supply. If the price of Y falls by 8 percent, calculate the percentage fall in its supply.(4)
7. The price of commodity X is Rs.20 per unit and it remains constant. Given below is the cost schedule of one of its producers. Find out the level of output at which this producer is in equilibrium. Give reasons.(4)

Output(units)	1	2	3	4	5	6	7
Total cost (Rs.)	26	45	60	76	94	114	142

8. Giving reasons, State whether the following statements are true and false: (6)
  - (i) When there are diminishing returns to a factor, marginal product and total product both always diminish.
  - (ii) When marginal revenue is positive and constant, average and total revenue will both increase at constant rate?
  - (iii) As output is increased, the difference between average total cost and average variable cost falls and ultimately becomes zero.

(3)set

9. Define marginal cost. (1)
10. Complete the following table:(3)

Output	Price	MR	TR
1		16	
2	12		24
3		6	
4	7		28

11. Explain the conditions of producer's equilibrium with the help of a total cost and total revenue schedule. (4)
12. Giving reasons, State whether the following statements are true and false: (6)
  - (i) Average cost falls only when marginal cost falls.
  - (ii) The difference between average total cost and average variable cost is constant.
  - (iv) When total revenue is maximum, marginal revenue is also maximum.

2009-10(1)

13. A firm's average fixed cost, when it produces 2 units, is Rs.30. Its average total cost is given below. Calculate its marginal cost and average variable cost at each level of output.(3)

Output (units)	1	2	3
Average total cost (Rs.)	80	48	40

14. Total revenue is Rs.400 when the price of the commodity is Rs.2 per unit. When price rises to Rs.3 per unit, the quantity supplied is 300 units. Calculate the price elasticity of supply.(3)
15. State whether the following statements are true and false. Give reasons for your answer :(6)
  - (i) When marginal revenue is constant and not equal to zero, then total revenue will also be constant.
  - (ii) As soon as marginal cost starts rising, average variable cost also starts rising.
  - (iii) Total product always increases whether there is increasing returns or diminishing returns to a factor.
16. From the following schedule find out the level of output at which the producer is in equilibrium, using marginal cost and marginal revenue approach. Give reasons for your answer. (6)

Price per unit	Output (units)	Total cost (Rs)
8	1	6
7	2	11
6	3	15
5	4	18
4	5	23

OR

Explain the law of returns to a factor with the help of total product and marginal product schedule.

2010-11(1)

17. What is decrease in supply? (1)
18. Define production function. (1)
19. Distinguish between explicit cost and implicit cost and give examples.(3)
20. Draw in a single diagram the average revenue and marginal revenue curves of a firm which can sell any quantity of the good at a given price. Explain. (3)
21. Define marginal cost. Explain its relation with average cost. (4)

OR

Define variable cost. Explain the behavior of total variable cost as output increases.

22. What is producer's equilibrium? Explain the conditions of producer's equilibrium through the marginal cost and marginal revenue approach. Use diagram.(6)

2011-12

23. What is the behavior of Marginal Revenue in a market in which a firm can sell any quantity of the output it produces at a given price?(1)
24. What is the behavior of Total variable cost, as output increases?(1)
25. A farmer takes a farm on rent and carries on farming with the help of family members. Identify explicit and implicit costs from this information. Explain.(3)
26. A producer borrows money and starts a business. He himself looks after the business. Identify implicit and explicit costs from this information. Explain. (3)
27. A producer starts a business by investing his own savings and hiring the labour. Identify implicit and explicit costs from this information. Explain.(3)
28. Draw Total Variable Cost, Total Cost, and Total fixed Cost curves in a single diagram.(3)
29. What does the Law of Variable Proportions show? State the behavior of marginal product according to this law.(4)

OR

Explain how changes in prices of inputs influence the supply of a product.

30. Explain the distinction between "change in quantity supplied" and "change in supply". Use diagram.(6)

2013-2014

1 MARK QUESTION

1. Define marginal revenue.
2. What is market supply of a product?

3 MARK QUESTION

3. Explain how technological progress is a determinant of supply of a good by a firm.
4. Explain how input prices are a determinant of supply of a good by a firm.
5. Why is average revenue always equal to price.?

4 MARK QUESTION

6. Giving reasons explain law of variable proportions.

6 mark questions

7. From the following information about a firm ,find the firms equilibrium output in terms of marginal cost and marginal revenue .Give reasons .Also find profit at this output.

OUTPUT	TOTAL REVENUE	TOTAL COST
1	6	7
2	12	13
3	18	17
4	24	23
5	30	31

2015 -2016

1 MARK QUESTION

8. What is relation between average variable cost and average total cost , if fixed cost is zero.
9. A firm is able to sell any quantity of a good at a given price .The firms marginal revenue will be :
  - a) GREATER THAN AR
  - b) LESS THAN AR
  - c) EQUAL TO AR
  - d) ZERO
10. Demand curve of a firm is perfectly elastic under:
  - a) perfect competition
  - b) monopoly
  - c) monopolistic competition
  - d) oligopoly
11. what happens to difference average total cost and average variable cost as production is increased.

4 MARK QUESTION

12. Define fixed cost. give an example. Explain with reason the behaviour of AFC as output is increased.

13. Define marginal product. State the behaviour of marginal product when only one output is increased and other inputs are held constant.
14. when a price of commodity falls from RS 12 per unit to RS 9 per unit., the producer supplies 75 percent less. calculate price elastiscity of supply.
15. when a price of commodity rises from RS 10 per unit to RS 12 per unit., the producer supplies 10 percent more. calculate price elastiscity of supply.

6 MARK QUESTION

16. Examine the effect of a) fall in the own price of good x b) rise in tax rate on good x on supply curve. use diagrams

2013-2014 compartment

17. Define variable cost. [1]
18. Give two examples of fixed cost. [1]
19. When is supply of a good said to be perfectly price inelastic?[1]
20. calculate marginal cost at each level of output.

Output	1	2	3	4	5	6
AVC	12	11	10	9	9	10

21. WHEN price of a commodity rises from RS 5 to RS 6 total revenue increases from 1000 to rs 1200.calculate its price elastiscity of supply.[3]
22. Explain two causes of decrease in supply of a commodity.[3]
23. explain any two causes of rightward shift of supply curve.[3]
24. From the following data find out the level of output at which producer is in equilibrium ( use marginal cost marginal revenue approach )[6]

OUTPUT	TOTAL REVENUE	TOTAL COST
1	12	14
2	24	26
3	36	36
4	48	48
5	60	62

2014-2015

25. Expalin the significance of plus sign attached to measure of price elastiscity of supply.[1]
26. what is the behaviour of a) AVERAGE FIXED COST B) AVERAGE VARIABLE COST as more and more units of a good are produced?[3]
27. Define average revenue . Show that average revenue and price are same.[4]
28. what are the different phases in the law of variable proportions in terms of marginal product. Give reason behind each phase. use diagram.[6]
29. Explain with the help of numerical example different phases in law of variable proportion.[6]
30. Explain why will a producer not be in equilibrium if conditions of equilibrium are not met.[6]

31. The average fixed cost at 4 units of output is rs 20 . Average variable cost at 5 units of output is rs 40. Average cost of producing 5 units is what.[1]
32. Explain the changes that take place in total product and marginal product under increasing returns to a factor.[3]
33. Giving reasons state true or false ;[4]
- The supply curve of a good shifts to the right when prices of other goods rise.
  - the difference between average cost and average variable cost is always constant.
34. Explain the effect of following on market supply of a good:[6]
- Increase in input prices
  - reduction in per unit tax
35. State the relationship between:[6]
- marginal cost and average variable cost
  - total cost and marginal cost

2012-2013

36. Define marginal revenue.[1]
37. Give one reason in decrease in supply of a commodity.[1]
38. why is the demand curve of a firm under monopolistic more elastic than under monopoly. explain[3]
39. Why can a firm not earn abnormal profits under perfect competition in the long run?[3]
40. Find the level of output at which producer will be in equilibrium.[4]

OUTPUT	MARGINAL REVENUE	MARGINAL COST
1	8	10
2	8	8
3	8	7
4	8	8
5	8	9

41. Giving reasons state true or false:[6]
- Average product will increase only when marginal product increases.
  - with increase in level of output average fixed cost goes on falling till it reaches zero.
- c) under diminishing returns to a factor total product continues to increase till marginal product reaches zero.