



INDIAN SCHOOL AL WADI AL KABIR

Class: XI	Department: Commerce
Worksheet: 1	Topic: Producer's Equilibrium

Objective Type:

1. Which of the following statements accurately describe the relationship between AP and MP?

- (a) No relationship exists.
- (b) AP and MP are always parallel to each other.
- (c) MP intersects AP at its maximum point,
- (d) AP is always rising when MP is falling and vice-versa,

2. When MP is zero, what can you say about TP?

- (a) TP is increasing
- (b) TP is maximum
- (c) TP is falling
- (d) None of the above

3. The period of time in which the plant capacity can be varied is known as:

- (a) Short run
- (b) Long run
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

4. The maximum possible output for a firm with two units of labour (L) and ten units of capital (K), if its production function is given as: $5L + 2K$

- (a) 0 units
- (b) 30 units
- (c) 200 units
- (d) 50 units

5. Which of the following is a variable cost?

- (a) Salary of permanent staff
- (b) Rent of premises
- (c) License fees
- (d) Wages

6. Why does AFC curve not touch the X- axis?

- (a) AFC cannot be zero
- (b) AFC cannot be negative
- (c) AFC can never be less than 1.
- (d) None of these

7. Which of the following is not a U- Shaped curve?

- (a) TVC falls

- (b) TVC rises at decreasing rate
- (c) TVC rises at increasing rate
- (d) TVC rises at a constant rate

8. Contraction of supply is the result of:

- (a) Decrease in the number of producers.
- (b) Decrease in the price of the goods concern.
- (c) Increase in the prices of other goods.
- (d) Decrease in the outlay of sellers.

9. Extension of supply occurs due to change in :

- (a) goal of firm
- (b) own price of the commodity
- (c) Number of firms
- (d) technique of production

10. Supply is more elastic in case of :

- (A) very short period
- (B) short period
- (C) long period
- (D) both B and C

11. Assume that when price is Rs.20, the quantity demanded is 9 units, and when price is Rs.19 the quantity demanded is 10 units. Based on this information what is the marginal revenue resulting from an increase in output from 9 units to 10 units.

- (a) Rs.20
- (b)Rs.19
- (c) Rs.10
- (d) Rs. 1

12. AR is also known as:

- (a) Price
- (b) Income
- (c) Revenue
- (d) None of these.

13. When output increases from 8 units to 10 units and TR increases from 270 Rs. To300 Rs.then, MR is :

- (a)30 Rs.
- (b)20 Rs.
- (c)15 Rs.
- (d)40 Rs.

14. Under perfect completion:

- (a)MR curve is below AR curve
- (b)Price =AR=MR
- (c)MR remains constant
- (d) both (b) and (c)

15. MR is different from AR under:

- (a) perfect competition
- (b) monopoly

- (c) monopolistic competition
- (d) both (b) and (c)

AR Questions

Alternatives:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
- (c) Assertion (A) is true but Reason (R) is false.
- (d) Assertion (A) is false but Reason (R) is true.

Read the following statements carefully–Assertion (A) and Reason (R) and choose the correct alternative

1. Assertion (A): When price remains the same at all levels of output, then $\text{Price} = \text{MC}$ at the equilibrium level.
Reason (R): When MC is greater than MR after equilibrium, it means producing more will lead to a decline in profits.

Ans – b)

2. Assertion (A): The state of the Producer's Equilibrium either reflects maximum profits or minimum losses.
Reason (R): When $\text{MC} > \text{MR}$ after equilibrium, it means producing more will lead to rise in profits.

Ans – c)

3. Assertion (A): A firm is at equilibrium when $\text{MR} = \text{MC}$ and beyond that level of output, MC must be falling.
Reason (R): MC curve should cut MR curve from below to achieve Producer's Equilibrium.

Ans – d)

Statement Based Questions:

Alternatives:

- a) Both the statement are true
 - (b) Both the statement are false
 - (c) Statement 1 is true and Statement 2 is false
 - (d) Statement 2 is true and Statement 1 is false
1. Statement 1: When there are diminishing returns to a factor, total product always decreases.
Statement 2: Total product will increase only when marginal product increases
 2. Statement 1: Increase in total product always indicates that there are increasing returns to a factor
Statement 2: When there are diminishing returns to a factor, marginal and total product both always fall

Case Study:

1. Read the given passage and answer the question that follows:

Production function expresses the relationship between the physical input and physical output of a firm for a given state of technology. It is a purely technical relation that connects factor inputs and output. Law of variable proportion explains the relationship between inputs and output in the short period. This Law was developed by Alfred Marshall. It concerns itself with the way the output changes when the unit of variable factor is increased. Hence it refers to the effect of the changing factor ratio on the output.

According to Marshall, when land is kept as constant and number of workers working on it are increased, total product goes on increasing at the increasing rate in the first stage, in the second stage it increases at a diminishing rate and in the third stage negative returns occur.

- (a) Production function expresses the relationship between
- (i) Physical input & demand, (ii) Supply & physical output, (iii) Physical input & physical output
- (b) In short run (all / some) factors are fixed
- (c) Which of the following is not a phase of LVP ?
- (i) MP increases, (ii) MP is negative, (c) Both (i) & (ii), (d) None of these

Ans. (a) (iii) Physical input & physical output,
(b) some,
(c) (d) None of these Draw a format of table showing all these parts.

2. Read the article and answer the following questions :

India's move to release 5 million barrels of oil from its strategic reserves as part of a coordinated challenge led by the US against the OPEC, is the first time that New Delhi would be dipping into its reserves to leverage it as a geopolitical tool. The oil will be released — in parallel and in consultation with the US, China, Japan, and South Korea, the Oil Ministry said in a statement without specifying a time frame. The UK has announced that it will release 1.5 million barrels of crude; the US is set to release 50 million barrels.

- A) India's move to release 5 million barrels of oil from its strategic reserves will lead to.....
(extension / increase) in supply
- B) Release of oil by India will cause(leftward / rightward) shift in supply curve of oil.
- C) The functional relationship between supply and factors affecting supply is known as
- i) demand function
ii) supply function
iii) change in quantity supplied
iv) change in supply.
- D) When supply of a good falls due to change in factors other than price of the good, it is called.....in supply.

- Ans. A) increase
 B) rightward
 C) supply function
 D) decrease

Numerical:

1) Complete the table :

Output	TC	TFC	TVC	MC	AFC	AVC
0	45					
1	75					
2	100					
3	120					

2) Given TFC as 55 find values of TC, AC, AFC, AVC and MC

Q	1	2	3	4	5
TC	75	90	110	135	170

3) Suppose, a book seller can sell 10 books at the price of ₹200 per book. His marginal revenue (MR) from the 11th book is ₹255. At what price did he sell the 11th book?
