Professors Question and Answer sheet:

Q1. What is Scarcity?
Answer: Scarcity refers to the rate at which the general level of prices for goods and services rises, leading to a decrease in purchasing power. It is often measured by the Consumer Price Index (CPI) or the Producer Price Index (PPI).

Q2. What is law of demand?
Ans: The law of demand states that, all else being equal, as the price of a good or service decreases, the quantity demanded increases, and vice versa. This creates a downward-sloping demand curve.

Q3. Define Opportunity Cost?
Ans: Opportunity cost is the value of the next best alternative that is forgone when making a decision. It represents the benefits that could have been gained from that alternative.

Q4. What happens to the equilibrium price when there is an increase in demand?
Ans: When there is an increase in demand, the equilibrium price typically rises because the demand curve shifts to the right, leading to a higher quantity being sold at a higher price.

Q5. What is elasticity of demand?
Ans: Elasticity of demand measures how much the quantity demanded of a good responds to changes in price. If demand is elastic, a small change in price leads to a large change in quantity demanded. If demand is inelastic, quantity demanded changes little with price changes.