Professors Question and Answer sheet:

Q1. What is Scarcity?
Answer: Scarcity refers to the basic economic problem that arises because resources are limited while human wants are unlimited. It forces individuals and societies to make choices about how to allocate resources effectively.

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.