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 refers to is the ability of a country or entity to produce a good or service at a lower opportunity cost than another. It is the basis for international trade, allowing countries to specialize and trade efficiently.

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.