✅ Chapter 1: Introduction to Economics – Questions & Answers

Q1: What is the fundamental economic problem? A: Unlimited wants vs. limited resources (scarcity).

Q2: What is economics?

A: The study of how individuals and societies allocate scarce resources to satisfy unlimited wants.

Q3: What is the difference between free goods and economic goods?

A: Free goods are not scarce (e.g. air), economic goods are scarce and require allocation.

Q4: What are the main economic questions every economy must answer? A: What to produce? How to produce? When to produce? For whom to produce?

Q5: Why is it important to study economics?

A: It helps us think systematically, predict trends, and make informed economic decisions.

Q6: What is scarcity?

A: The limited nature of resources compared to unlimited wants.

Q7: What are the two branches of economics?

A: Microeconomics and Macroeconomics.

Q8: What are the four factors of production?

A: Land, Labour, Capital, and Entrepreneurship.

Q9: What is opportunity cost?

A: The value of the next best alternative given up when making a choice.

Q10: What is meant by thinking at the margin?

A: Considering additional costs and benefits before making a decision.

✅ Chapter 2: Demand and Supply – Questions & Answers

Q1: What is the Law of Demand?

A: As price increases, quantity demanded decreases, ceteris paribus.

Q2: What is a demand curve?

A: A graph showing the relationship between price and quantity demanded.

Q3: What is consumer surplus?

A: The difference between what consumers are willing to pay and what they actually pay.

Q4: What is the difference between elastic and inelastic demand?

A: Elastic demand changes significantly with price; inelastic demand changes little.

Q5: What causes a shift in the demand curve?

A: Changes in income, consumer preferences, number of consumers, expectations, etc.

Q6: What is the Law of Supply?

A: As price increases, quantity supplied increases, ceteris paribus.

Q7: What is producer surplus?

A: The difference between the price received and the minimum price producers are willing to accept.

Q8: What is the difference between elastic and inelastic supply?

A: Elastic supply changes greatly with price; inelastic supply changes little.

Q9: What is market equilibrium?

A: The point where quantity demanded equals quantity supplied.

Q10: What happens when there is excess supply or demand?

A: Excess supply leads to price falling; excess demand leads to price rising.

✅ Chapter 3: Market Structures – Questions & Answers

Q1: What is a market structure?

A: The organization of a market based on the number of firms, product type, and control over prices.

Q2: What are the characteristics of perfect competition?

A: Many buyers/sellers, identical products, free entry/exit, price takers, perfect information.

Q3: What is a monopoly?

A: A market with one firm that controls price and output.

Q4: What is price discrimination?

A: Charging different prices to different consumers for the same product.

Q5: What are the types of price discrimination?

A: First-degree (every unit priced differently), second-degree (bulk discounts), third-degree (group-based pricing).

Q6: What is monopolistic competition?

A: A market with many sellers offering differentiated products and some price control.

Q7: What is a duopoly?

A: A market dominated by two firms.

Q8: What are the disadvantages of a duopoly?

A: Difficult for new firms to enter, limited innovation, risk of price fixing.

Q9: What is an oligopoly?

A: A market with few large firms, potential for collusion, and interdependent decision-making.

Q10: What is a concentration ratio?

A: The market share held by the top few firms in an industry (e.g., top 5 firms control 80%).