



Department of Education, Sabaragamuwa/weekly school

week- October 2

Subject-Economics

Grade-12

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1. Distinguish between individual demand curve and market demand curve.
2. “A Giffen good is an inferior good, but an inferior good is not necessarily a Giffen good”. Explain.
3. What is meant by price elasticity of demand?
4. Consider that farmers who cultivate pumpkins in a certain country are having a hard time making a living selling pumpkins. The current demand and supply conditions in the pumpkins market are given by the equations below.

$$\text{Demand } (Q_D) = 350 - 10P$$

$$\text{Supply } (Q_S) = -40 + 5P$$

P is price in Rupees per kg .and Q is quantity in metric tons.

- (a) What are the market equilibrium price and quantity?
- (b) Suppose the government decides to help farmers by implementing a deficiency payment scheme. Under this scheme, the government will guarantee farmers that they will receive Rs.30 per kilogram of pumpkin, and just asks that they sell all of the pumpkins they produce at whatever price they can get it from the market. How much pumpkins will the farmers supply to the market now?
- (c) What price do farmers need to charge in order to sell the entire supply?
- (d) How much will farmers receive from the government as deficiency payment?
- (e) Calculate the consumer surplus and producer surplus after the introduction of deficiency payment scheme.