

**Q1. Define scarcity.**

Ans: Scarcity refers to the fundamental economic problem where human wants are unlimited, but the resources available to satisfy those wants are limited.

**Q2. What is the basic reason for all economic problems?**

Ans: The basic reason is the scarcity of resources in relation to unlimited human wants.

**Q3. What is meant by the alternative uses of resources?**

Ans: It means that a single resource can be put to different uses or purposes, but can only be used for one purpose at any given time. For example, a piece of land can be used to grow crops or build a school.

**Q4. State two features of resources that give rise to an economic problem.**

Ans: The two features are that resources are limited and they have alternative uses.

**Q5. Why does the problem of choice arise?**

Ans: The problem of choice arises because scarce resources have alternative uses, forcing individuals and societies to choose how best to allocate them to satisfy the most urgent wants.

**Q6. Explain how scarcity and choice are related.**

Ans: Scarcity necessitates choice. Because we cannot have everything we want due to limited resources, we are forced to make choices about which wants to satisfy and which to forgo.

**Q7. What is meant by optimization by an economic agent?**

Ans: Optimization refers to the process where an economic agent (consumer, producer, etc.) makes the best possible choice from available alternatives to maximize their specific objective, given their constraints (e.g., a consumer maximizes satisfaction/utility, a producer maximizes profit).

**Q8. What is the goal of a producer in an economy?**

Ans: The primary goal of a producer is to maximize profit by using resources efficiently.

**Q9. Define opportunity cost.**

Ans: Opportunity cost is the value of the next best alternative that is forgone when a particular choice is made.

**Q10. Give an example of opportunity cost.**

Ans: The opportunity cost of using a piece of land to build a factory is the value of the crops that could have been grown on it instead.

**Q11. State the Law of Demand.**

Ans: The Law of Demand states that, other factors remaining constant, as the price of a good increases, the quantity demanded decreases, and as the price decreases, the quantity demanded increases.

**Q12. What causes a rightward shift of the demand curve?**

Ans: A rightward shift is caused by an increase in demand due to factors other than the good's own price, such as an increase in consumer income, a favorable change in tastes, or a rise in the price of a substitute good.

**Q13. State the Law of Supply.**

Ans: The Law of Supply states that, other factors remaining constant, as the price of a good increases, the quantity supplied increases, and as the price decreases, the quantity supplied decreases.

**Q14. What is market equilibrium?**

Ans: Market equilibrium is a state where the quantity demanded by consumers equals the quantity supplied by producers at a specific price, resulting in no tendency for the price to change.