

P E - R & U - Very Short - Info & Con

Q.1. Who is a producer?

Ans. A producer is a producing unit using factor inputs to produce goods which have market value.

Q.2. What is meant by producer's equilibrium?

Ans. Producer is said to be in equilibrium when he maximises his profits or minimises his losses.

Q.3. State the two conditions of producer's equilibrium for a competitive firm.

Ans. The two conditions of producer's equilibrium for a competitive firm are:
(i) $MR = MC$ and (ii) MC

Q.4. What are gross profits?

Ans. Gross profits are the difference between total revenue and total variable cost.

Gross Profits = $TR - TVC$

Q.5. What are net profits?

Ans. Net profits are the difference between total revenue and total cost.

Net Profits = $TR - TC$

Q.6. Define normal profits.

Ans. Profits are said to be normal when: $TR = TC$ or $AR = AC$.

Q.7. What are extra-normal profits?

Ans. Profits are said to be extra-normal or abnormal when: $TR > TC$ or $AR > AC$.

Q.8. Define sub-normal profits.

Ans. Sub-normal profits or losses occur when: $TR < TC$ or $AR < AC$.