

## CHAPTER-12 | Understanding Markets

### QUIZ PART-08

1. Markets mainly function through interaction of:

- A. Government and traders
- B. Demand and supply
- C. Banks and industries
- D. Producers and transporters (B)

**Explanation :** Markets function through the interaction of demand and supply.

2. Why does the government intervene in markets?

- A. To stop production
- B. When market interactions do not work well
- C. To eliminate buyers
- D. To reduce trade (B)

**Explanation :** The government intervenes when normal market functioning does not protect public interest properly.

3. The government sets the maximum price for some goods mainly to:

- A. Increase seller profit
- B. Protect buyers
- C. Reduce production
- D. Increase taxes (B)

**Explanation :** Maximum price limits protect consumers from being charged too much.

4. Lifesaving drugs have:

- A. No price control
- B. Only minimum price
- C. Upper limit on price
- D. Unlimited price (C)

**Explanation :** Essential medicines often have a maximum price fixed by the government.

5. The government sets minimum prices for crops like wheat and paddy to:

- A. Help traders
- B. Prevent farmers from losses
- C. Increase imports
- D. Reduce production (B)

**Explanation :** Minimum support prices help farmers get fair payment and avoid losses.

6. Minimum wages are fixed to ensure:

- A. Workers pay taxes
- B. Employers pay fair wages
- C. Workers work more hours
- D. Employers earn profit (B)

**Explanation :** Minimum wages protect workers from being paid unfairly low wages.

7. Supply refers to:

- A. Quantity consumers want to buy
- B. Quantity sellers are willing to sell
- C. Price fixed by government
- D. Profit earned (B)

**Explanation :** Supply means the amount sellers are willing to sell at a given price.

8. Demand refers to:

- A. Quantity producers manufacture
- B. Quantity consumers are willing to purchase
- C. Goods stored in warehouses
- D. Government taxes (B)

**Explanation :** Demand means the quantity consumers are willing and able to buy.

9. If prices are fixed too low by the government, producers will:

- A. Produce more
- B. Lose motivation to produce
- C. Increase exports
- D. Increase wages (B)

**Explanation :** If prices are too low, production may become unprofitable and producers may lose interest.

10. If prices are fixed too high, consumers will:

- A. Benefit greatly
- B. Be disadvantaged
- C. Produce goods themselves
- D. Stop buying permanently (B)

**Explanation :** Very high prices make goods less affordable for consumers.