



ECONOMICS

BOOKS - RADHA BHUGANA

ECONOMICS (HINGLISH)

THEORY OF DEMAND

Example

1. Find market demand from the following schedule and draw market demand curves:

Price (₹)	Quantity By A	Quantity By B	Quantity By C	Market demand
10	18	10	12	
12	16	8	10	
14	14	6	8	
16	12	4	6	
18	10	2	4	



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2. Given that demand function is

$$Q_d = 100 - 5P$$

(i) Calculate demand at price of Rs. 4

(ii) Calculate demand at price of Rs. 6



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3. Given that $Q_d = 42 - 2P_x$, construct demand schedule at price (Rs.) 5,4,3,2,1.



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4. Construct a diagram for the following schedules. What do these represent?

(i)

Price (₹)	Quantity (Units)
10	4
10	6
10	8

(ii)

Price (₹)	Quantity (Units)
10	12
10	10
10	8



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5. The demand function of a commodity is $Q_d = 50 - 10P$. Find out the level of demand when price of the commodity is (i) Rs. 3 , (ii) Rs. 2.



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6. The demand function of good X is $Q_d = 100 - 10P$, find out the price of X when quantity demanded is (i) 20 units, (ii) 15 units, (iii) 0 units.



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7. Find out slope of dd curve from the following data:

P Rs.40, Q 40units

P_1 Rs. 80, Q 20 units



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8. Demand function of a good is given as

$$Q_d = 100 - 10P.$$

(i) Derive the demand schedule, Prices 2,4,6,8,10.

(ii) Calculate the slope of the curve.



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9. Find out Qty dd by 'A' using the following data:

Price (₹)	100	80	60	40	20
Qty dd by 'A' (units)	--	--	--	--	--
Qty dd by 'B' (units)	20	40	60	100	120
Market dd (units)	40	80	120	180	200



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10. Let there be two consumers in the market. Their demand functions are given. Calculate

market dd.

$$d_1(P) = 30 - P \text{ for } P \leq 30 \text{ and } d_1(P) = 0$$

for $P < 30$

$$d_2(P) = 50 - P \text{ for } P \leq 50 \text{ and } d_2(P) = 0$$

for $P < 50$



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Let Us Recapitulate

1. Law of demand is a statement as it represents direction of change in demand of a

commodity due to change in its price.

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2. \hat{P}_1 Are the conditions under which any law holds goods.

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3. \hat{P}_1 Demand represents relationship between the demand of a commodity and the

price of related commodities, other things being equal.



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4. Market demand curve is a graphical presentation of market $\hat{\epsilon}$!



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5. Coke when price of Pepsi increases



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6. Petrol when price of scooters increases



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7. Salt when its price rises



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8. Trendy Jewellery if tastes and preferences are in favour of this jewellery



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9. Gold if price is expected to rise in future.



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10. Poor quality rice due to increase in income of a buyer.



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11. Apples when its price falls.



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Multiple Choice Questions

1. The demand curve slopes downwards because of

A. law of DMU

B. income effect

C. substitution effect

D. all of these

Answer: D



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2. Fall in demand of good 'X', due to expectation of fall in its price in future is

A. extension of demand

B. decrease in demand

C. contraction of demand

D. increase in demand

Answer: B



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3. The factor which causes movement along the demand curve is

A. price of the commodity

B. income of the consumer

C. price of other goods

D. tastes of the consumer

Answer: A



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4. The effect of changes in price of related goods on demand of a commodity is

A. income effect

B. substitution effect

C. cross-price effect

D. none of these

Answer: C



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5. The demand of these goods varies directly with income

A. substitute goods

B. inferior goods

C. normal goods

D. giffen goods

Answer: C



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6. With increase in income of a consumer, the demand of inferior good:

A. increases

B. decreases

C. does not change

D. none of these

Answer: B



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7. Which of the following causes decrease in demand not a normal goods ?

A. fall in income

B. unequal distribution of income

C. decrease in population size

D. all the above

Answer: D



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8. If due to fall in the price of good X, demand for good Y rises, the two goods are:

A. substitutes

B. complements

C. not related

D. competitive

Answer: B



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9. Identify the inferior good

A. Scooter

B. Bajra

C. Wheat

D. None of these

Answer: D



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10. An 'inferior good

A. which is a poor quality good

B. which is a low priced good

C. which has positive income effect

D. which is below income status of the
consumer

Answer: D



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11. Any statement about demand for a good is considered complete only when the following is/are mentioned in it

A. price of the good

B. quantity of the good

C. period of time

D. all of the above

Answer: D



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Objective Type Questions

1. What is Market Demand curve?



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2. Name any four determinants of individual demand



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3. What causes movement along demand curve?



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4. What causes a downward movement along a demand curve?



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5. Give an example each of substitute goods and complementary goods.



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6. What does a rightward shift indicate?



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7. What is the basic difference between change in quantity demanded and change in demand?



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8. What will be the effect of increase in income on demand curve of a normal good?



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9. What is meant by Cross-Price effect?



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10. How will an increase in price of coffee affect demand for tea?



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11. If price of x rises and it causes increase in demand for y , how are x and y related?





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12. If price of x rises and it causes decrease in demand of y , how are these related?



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13. What policy initiatives can the government undertake to increase the demand of milk in the country? Mention any one



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14. Ceteris paribus, if the government provides subsidies on electricity bills, what would be the likely change in the market demand of desert coolers?



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Conceptual Questions

1. What do you mean by demand curve, what are its types?



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2. Explain how law of DMU causes inverse relation between price and demand



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3. How will a decrease in the price of the pen affect the demand of ink?



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4. There is a new product launched by a mobile manufacturing unit. Consumers like this brand very much. How will it affect the demand curve of this new product?



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5. There are train and bus services between Chandigarh and New Delhi. If train fare between the two cities comes down, how will it affect the demand curve for bus travels?



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6. Giving reason, state the impact of each of following on demand curve of a normal good 'X' if:

(i) Price of its complementary goods falls.

(ii) News reports claim that consumptions of product X has effect on human health.

(iii) Income of consumer increases.



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1. A consumer at present consumes a commodity which he finds inferior as his present income does not allow him to move to his demand for normal good. If he shifts to a higher income group what changes will take place? Explain using suitable diagram.



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2. How is law of demand derived from utility analysis?





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3. Explain the concept of linear demand function and calculate its slope.



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Value Based Questions

1. There is increase in demand for electricity. What causes it ? Explain diagrammatically. If its supply cannot increase due to lack of

resources, explain briefly how in two ways demand for electricity can be decreased?



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2. There is concentration of wealth in a few hands. Rich are becoming more rich and poor are becoming more poor. What impact will this dichotomy have on demand curve of a normal good? Use diagram. In your opinion, what should be done by the govt. to ensure justice and promote equity?



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3. Using diagram, show that at a given price, demand for oil is rising. Oil being a nonrenewable source, is becoming a scarce good. What measures can be undertaken to meet the growing demand for oil? Why is it important to maintain equality between its demand and supply?



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4. What is the effect of unequal distribution of income on market demand of a commodity? Explain using a diagram. What is the implication of unequal distribution of income for the society?



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5. A good is inferior good for one and at the same time, normal good for another consumer. Do you agree? Explain.





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Guidelines To Ncert Questions

1. What do you mean by inferior good?



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2. What do you mean by substitutes? Give examples of two goods which are substitutes of each other



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3. What do you mean by complements? Give examples of two goods that are complements of each other.



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Very Short Answer

1. If the demand for good Y increases as the price of another good X rises, how are the two

goods related?



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2. Mention one determinant of demand for a commodity other than price.



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3. When does a consumer buy less of a commodity at a given price?



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4. Define Inferior Goods.



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5. Give the meaning of Market Demand



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6. Define individual demand curve



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7. What does a rightward shift of demand curve indicate?



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8. Define demand schedule



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9. When is a good called an inferior good?

or

What is meant by inferior good in economics?



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10. When is a good called a normal good?



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11. Define market demand of a commodity



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12. What is decrease in demand and increase in demand?



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13. When demand for a good falls due to rise in its own price, what is the change in demand called?



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14. Mention one factor that causes a rightward shift of the demand curve



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15. When does a demand curve shift?



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16. What is meant by normal good in economics?

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17. What economic measure can the government take to reduce demand for commodity x which is harmful for health?

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18. When does 'change in demand' take place?



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19. When does 'change in quantity demanded' take place?



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20. State the law of demand.



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Short Answers Type

1. Give three reasons (or causes) of a leftward shift of demand curve.



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2. Give three reasons (or causes) of a rightward shift of demand curve.

or

State any three or two factors that cause increase in demand of a commodity.



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3. Distinguish between expansion of demand and increase in demand with the help of diagrams.

or

Distinguish between increase in demand and increase in quantity demanded (Extension)



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4. Distinguish between contraction of demand and decrease in demand with the help of diagrams.



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5. "X" and "Y" are substitute goods. Explain the effect of a fall in the price of X on the demand of Y.



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6. How will an increase in the price of coffee affect the demand for tea? Explain with diagram



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7. Distinguish between individual demand and market demand of a good. Also state the factors leading to fall in demand by an individual consumer.

or

Distinguish between demand by an individual and market demand with the help of a schedule.



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8. Distinguish between an inferior good and a normal good. Is a good which is inferior for one consumer also inferior for all the consumers? Explain

Or

Give meaning of normal goods and inferior

good. Give example in each case.

Or

Distinguish between a normal good and an inferior good. Give example in each case.



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9. Distinguish between substitute goods and complementary goods. Give two example of each.



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10. What is the relation between good X and good Y in each case, if with fall in the price of X demand for good Y (i) rises and (ii) falls ?
Give reason.



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11. Distinguish between a change in quantity demanded and a change in demand of a commodity.



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12. Why is the demand curve of a commodity negatively sloped? Explain.



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13. Prepare a demand schedule of a normal good. What relationship do you observe in the schedule?



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14. Explain the meaning of change in quantity demanded. How does it affect demand curve?



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15. Explain the inverse relationship between price and quantity demanded of a commodity



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16. Explain how rise in income of a consumer affects the demand of a good. Give example.



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17. Explain how the demand for a good is affected by the prices of its related goods. Give examples.



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18. How is the demand for a good affected by a rise in the prices of other goods? Explain.



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19. Give the meaning of "inferior" good and explain the same with the help of an example.



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20. How does change in price of a substitute/complementary good affect the demand of the given good ? Explain with the help of an example.



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21. What happens to the demand of a good when consumer's income changes? Explain.



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22. What is market demand for a good? Name the factors determining market demand.



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23. Define demand. Name the factors affecting market demand.



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24. Distinguish between individual's demand and market demand. Name the factors affecting demand for a good by an individual.



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Long Answer Type Question

1. Explain briefly any three factors which lead to decrease in demand.



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2. Differentiate between:

(i) Normal good and inferior good and

(ii) Complementary goods and substitute goods. Give examples.



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3. Explain with the help of diagram the effect of the following changes on the demand of a commodity :

(i) A fall in the price of substitute good.

(ii) A favourable change in the taste of the buyer.



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4. Explain with the help of diagrams the effect of the following changes on the demand of commodity.

(i) A rise in the price of complementary good.

(ii) A rise in the price of substitute good.



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5. Explain with the help of diagrams the effect of the following changes on the demand of commodity :

(i) Fall in price of related good.

(ii) Rise in income of the consumer.



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6. state the three causes each for a rightward shift and a leftward shift of a demand curve.

or

Explain any three causes of a leftward shift of

demand curve of a commodity.

or

State the causes of an increase in demand.

Explain any two of them



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7. Explain the effect of the following on the demand of a good

(i) Change in the income of the consumer

(ii) Change in the price of the related goods.



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8. Distinguish between 'change in demand' and change in quantity demanded.



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9. A consumer consumes good 'X'. Explain the effect of fall in the prices of related goods on the demand of "X". Use diagrams showing demand for good "X" on the x-axis and its price on y-axis.



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10. Show the construction of individual and market demand schedule and curve when there are two households in the market.



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11. Distinguish between :

(i) Increase and expansion of demand.

(ii) Decreases and contraction in demand.



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12. Explain the relationship between:

(a) Prices of other goods and demand for the given good.

(b) Income of the buyers and demand for a good.



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Unsolved Numericals

1. Calculate market demand from the following

:

Price (₹)	Demand of Household A	Demand of Household B	Demand of Household C	Market Demand
7	7	8	11	
6	9	10	15	
5	11	16	22	
4	17	18	30	
3	20	22	49	



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2. Three households A, B and C form the demand schedule for the market and that for household A and B determine the demand

schedule for C.

Price (₹)	Demand of Household A	Demand of Household B	Demand of Household C	Market Demand
30	5	25		35
25	12	30		60
20	18	35		85
15	20	40		110
10	32	45		135
5	70	60		160



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3. Identify the following as extension, contraction, increase or decrease in demand

P_x (₹)	Q_x (units)
10	4
5	8

(b)

P_x (₹)	Q_x (units)
10	4
10	6

P_x (₹)	Q_x (units)
10	4
10	2

(d)

P_x (₹)	Q_x (units)
20	10
24	8



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4. Demand function of the good X is

$D_X = 60 - 10P$. Find out the price of X when

demand will be:

(i) 20 units (ii) 10 units (iii) 0 units.



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5. The demand function of a good is

$Q_d = 600 - 25P$. Find out the level of

demand when price will be (i) Rs. 5, (ii) Rs. 10.



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6. What is the slope of demand function :

$$Q_d = 100 - 7P?$$



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7. Let there be two consumers A and B in the market for a good. Their demand functions are given below. Find out the market demand function:

(i) $d_A(P) = 20 - P$ for $p \leq 20$ and

$d_A(P) = 0$ if $P > 20$

(ii) $d_B(P) = 30 - 2P$ for $P \leq 15$ and

$d_B(P) = 0$ if $P > 15$



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