ECONOMICS

BOOKS - GOYAL BROTHERS PRAKASHAN ECONOMICS (HINGLISH)

PRICE ELASTICITY OF DEMAND

Numberical Illustrations Problem

1. A consumer buys 80 units of a good at a price of Rs. 4 per unit . When the price falls , he buys 100 If price elasticity of demand is (-) 1, find out the new price.

Watch Video Solution

2. A 5 percent fall in the price of X leads to a 10 percent rise in demand for X. A2 per cent reise in the price of Y leads to a 6 percent fall in demand for Calculate the price elasticity of demand of X and Y.

Watch Video Solution

3. A consumer busy 40 units of a commodity at a price of Rs. 5 per unit and his price elasticity of demand is (-) 1.5 . Calculate the amount he will buy at the amount he will buy at the price of 4 per unit of the commodity.

Watch Video Solution

4. A household increases its demand for a commodity from 40 units to 50 units when its price falls by 10% What is price elasticity for the commodity?

Watch Video Solution

5. A consumer spends Rs. 80 on a commodity when its price is Rs. 1 per unit and spends Rs. 96 when the price is Rs. 2 per unit . What is the price elasticity of demand for the commodity ?

Note : By dividing expenditure with the price we can get the quantity demanded.

Watch Video Solution

Exercises

1. Price elasticity of demand measure shows :

A. Response of price to change in demand

B. Response of demand to change in price

C. Degree of response of price to change in demand

D. Degree of response of demand to change in price

Answer: d

View Text Solution

2. Price elasticity of demand (-3) means 3 percent fall in demand due to :

A. 3 per cent fall in price

B. 3 per cant rise in price

C. One per cent rise in price

D. One per cent fall in price

Answer: c

View Text Solution

3. Given values of elasticities of demand , spot ' elastic' demand :

A. -0.8

B. -0.9

C. -1.0

D. -11

Answer: d

View Text Solution

Short Answer Question I

1. Explain the concept of price elasticity of demand.

View Text Solution

2. What are the values attached to the 'elastic' and ' inelastic' demand and why?

View Text Solution

3. What are the values attached to (a) perfectly elastic demand and (b) perfectly inelastic demand? Explain the meaning of any one.

View Text Solution

4. What is the relation between the price of a good and the expenditure on that good when (a) $E_P > 1$ and $(b) E_P < 1$?

View Text Solution

5. Explain briefly and three factors influencing E_P.

View Text Solution

6. Explain the relaction between habit and E_P

.

View Text Solution

Short Answer Question Ii

1. Define E_P . Explain the percentage change method of measuring E_P.

View Text Solution

2. Explain briefly any two factors determining E_P .

View Text Solution

3. Explain the relaction between close substitutes of a good and E_P .

View Text Solution

Long Answer Questions

1. Explain the percentage change method of measuring E_P . Also give an example.

View Text Solution

2. Explain any three factors determining E_P.

View Text Solution

3. Explain the relation between time period and E_P with the help of an example.

View Text Solution

Application Questions

1. Price of a good rises from Rs. 4 to Rs.5 per unit . As a result its demand falls from 200 units to 100 units . Calculate E_P .

Watch Video Solution

2. A consumer busy 50 units of a good at Rs. 10 per unit . At a price of Rs.8 per unit he busy 100 units . Find out E_P .

Watch Video Solution

3. A 7% fall in the price of a good leads to 49% increase in demand of the good . Find out E_P.

Watch Video Solution

4. E_P of a good is -3 . At a price of Rs. 8 per unit a consumer busy 160 units of the good . How many units of the good will the consumer buy when price falls to Rs. 6 per units ?

Watch Video Solution

5. E_P of a good is - 5. At a price of Rs. 10 per unit consumer busy 200 units . At what price will busy 100 units ?

Watch Video Solution

6. E_P of a good is -4. When price of this good rises from Rs. 5 to Rs. 6 per unit , a consumer busy 40 units less . How many units did he buy at Rs. 5 ?

Watch Video Solution

7. Given $E_P = -1$, complete the following table :

Price (Rs. per unit)	Demand (Units)
4	60
—	90

Watch Video Solution

8. There are two goods A and B. The prices of both rise by 7 percent .As a result , demand for A falls by 10.5 percent, while there is no change in demand for B. Find out E_P of A and B .

Watch Video Solution

9. Find out E_P by the percentage method :

Price (Rs.)	Total expenditure(Rs.)
8	800
10	900

Watch Video Solution

10. Caculate E_P.

Price (Rs.)	Demand (units)
4	125
5	100

Watch Video Solution

11. Comment upon E_P when price falls from (a) Rs. 6 to Rs. 5 , (b) Rs. 5 to Rs. 4 and (c) Rs. 4 to Rs. 3.

Price (Rs.)	Demand
6	100
5	110
4	150
3	200

Watch Video Solution

Some Important Questions

1. What is meant by price elasticity of demand ?

View Text Solution

2. Explain the expenditure method of measuring price elasticity of demand of a commodity . When is the demand said to be inelastic?

View Text Solution

3. Mention any three factors that affect the price elasticity of demand of a commodity.

View Text Solution

4. Give meaning of perfectly elastic demand and perfectly inelastic demand of a commodity.

View Text Solution

5. Price elasticity of demand of a good is (-) 2. At a price of Rs. 10 per unit 40 units of this good are bought . How units will be bought at a price of Rs. 11 per unit ? Calculate.

Watch Video Solution

6. At a price of Rs. 50 per unit the quantity demanded of a commodity is 1000 units . When its price falls by 10 percent , its quantity demanded rises to 1080 units . Calculate its price elasticity of demand . Is its demand inelastic ? Given reasons for your answer.

Watch Video Solution

7. When price of a good falls by 10 percent , its quantity demanded rises from 40 units to 50 units. Calculate price elasticity of demand by the percentage method.

Watch Video Solution

8. The quantity demanded of a commodity rises from 800 units to 850 units when its price falls from Rs. 20 per unit to Rs. 19 per unit . Calculate its elasticity of demand.

Watch Video Solution

9. Price elasticity of demand of a good is (-) 1. At a given price the consumer buys 60 units of the good . How many units will the consumer buy if the price falls by 10 percent?

Watch Video Solution

10. Price elasticity of demand of a good is (-)2. The consumer buys a certain quantity of this good at a price of Rs. 8 per unit . When the price falls he buys 50 percent more quantity . What is the new price ?

Watch Video Solution

11. Why is demand for water inelastic ?

View Text Solution

12. On the basis of the following schedule , calculate price elasticity of demand by the percentage method :

Price per unit (Rs.)	Total expenditure(Rs.)
10	180
9	162

Watch Video Solution

13. When price of a good is Rs. 13 per units , the consumer buys 11 units of that good . When price rises to Rs. 15 per unit , the consumer continues to buy 11 units . Calculate price elasticity of demand.

Watch Video Solution

14. When price of a good is Rs. 7 per unit a consumer busy 12 units . When price fails to Rs. 6 per unit he spends Rs. 72 on the good . Calculate price elasticity of demand by using percentage method. Comment on the likely shape of demand curve based on based on this measure of elasticity.

Watch Video Solution

15. When price of a priduct doubles , its demad falls to half of what it was before the price change. Calculate price elasticity of demand .

Watch Video Solution

16. Price elasticity of demand of a good is (-)1 . When its price falls by one rupee , its demand rises from 16 to 18 units . Calculate the price before change.

Watch Video Solution

17. When price of a good falls from Rs. 15 per unit to Rs. 12 per unit , its demand rises by 25 percent . Calculate price elasticity of demand.

Watch Video Solution

18. Price elasticity of demand of a good is (-)1 . Calculate the percentage change in price that will raise demand from 20 units to 30 units.

Watch Video Solution

19. Price elasticity of demand of two good A and B (-) 3 and (-)4 erspectively. Which of the two goods has higher elasticity and why ?

Watch Video Solution

20. What will be the effect of 10 percent rise in price of a good on its demand if price elasticity of demand is (a) zero , (b) -1 , (c) -2 ?

Watch Video Solution

Value Based Questions

1. There is a vaccine which can prevent a serious disease . Market experts feel that its use can be increased 5 times if its price falls to half . Calculated price elasticity of demand for the vaccine.

Watch Video Solution

2. There is an item of consumption crucial for health of the people . Government decides to subsidize it . After subsidy , government found that on an average a family is now spending more on this item. Give reason.

View Text Solution

3. A consumption good has harmful effects on health . Government wants to bring its consumption down by imposing heavy tax on it . How much success government will be able to achieve will depend price elasticity of demand. Explain how ?

View Text Solution

Understanding Based Questions From Cbse

1. When price of a priduct doubles , its demad falls to half of what it was before the price change. Calculate price elasticity of demand .

Watch Video Solution

2. A consumer consumes only two goods A and B and is in equilicbrium . Price of good a falls .

Show that it will lead to rise in dmand for good A . Use Utility Analysis.

View Text Solution

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

View Text Solution

4. Explain the concept of (MRS) with the help of a numerical example . Also explain its behaviour along the Indifference Curve.

View Text Solution

5. Explain the conditions of consumer ' s equilibrium under Idifference Curve analysis.

View Text Solution

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

View Text Solution

7. Price of a good rises from Rs.5 to Rs. 6 per unit but it had no effect on demand of that good. Calculate price elasticity of demand of the good.

Watch Video Solution

8. A cosumer consumes only two good . Explain consumer's equilibrium with the help of utility analysis.

View Text Solution

9. A consumer consumes only two goods X and Y both priced at Rs. 3 per unit . If a cosumer chooses a combination of these two with Marginal Rate of Substitution equal to 3, is the consumer in equilibrium ? Give reasons . What will a rational consumer do in this situation ?

View Text Solution

10. A consumer consumes only two goods X and Y whose prices are Rs. 4 and Rs. 5 per unit respectiveely. If the consumer chooses a combination of the two goods with marginal utility of X equal to 5 and that of Y equal to 4 , is the consumer in equilibrium ? Given reasons

. What will a rational consumer do in this situation ? Use utility analysis.

View Text Solution

11. Price elasticty of demand of good X is -2 and of good Y is -3. which of the two goods is more price elastic and why ?

Watch Video Solution

12. What will be the effect of 10 percent rise in price of a good on its demand if price elasticity of demand is (a) zero , (b), -1 © -2.

Watch Video Solution

13. Show that there is inverse relation between price of a commodity and its quantity demanded . Use Utility Analysis.

View Text Solution

14. A consumer 's income is Rs. 200 . He spends it on purchase of good x and good y. Price of x and y are Rs.40 and Rs. 20 per unit respectively.

Answer the following questions :

(a) Write the such equation of his budget line.

(b) Wirte two such combinations of x and y which lie on the budget line.

(c) Write two such combinations of x and y which are a part of his budget set but do not lie on his dudget line.

View Text Solution

15. The measure of price elasticity of demand of a normal good carries minus sing while price elasticity of supply carries plus sing . Explain why ?

View Text Solution

16. Given market price of a good how does consumer decide as to how many of that good to buy.

View Text Solution

17. What is the relation between good x and y in each case , if with the rise in price of x demand for good y (i) rises and (ii) falls ? Given reason.

View Text Solution

18. When the price of X doubles , its quantity demanded falls by 60 percent . Calculate its price elasticity of demand . What should be the percentage change in price so that its quantity demanded doubles.

Watch Video Solution

19. When price of a commodity X falls by 10 percent , its demand rises from 150 units to 180 units. Calculate its price elasticity of demand . How much should be the percentage fall in its price so that its demand rises from 150 to 210 units.

Watch Video Solution