



ECONOMICS

BOOKS - SANDEEP GARG ECONOMICS (HINGLISH)

DEMAND

Example

1. There are 3 households : A, B and C in a market. From the following table, calculate demand for household B at various levels of price :

Price Rs.	Household A	Household B	Household C	Market Demand
14	12	-	22	52
12	16	-	32	72
10	24	-	44	102
8	34	-	60	142
6	48	-	84	198



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2. Prepare the market demand schedule from the given demands of individuals. (Assuming that there are only three individuals X,Y and Z in the market)

Price Rs.	Demand (X)	Demand (Y)	Demand (Z)
4	10	5	4
5	8	4	3
6	6	3	2
7	4	2	1

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3. The following table shows the expenditure, which Amit is willing to spend on commodity 'x' at various levels of price. Prepare demand schedule of Amit

Price (Rs.)	5	6	7	8	9
Expenditure (Rs.)	100	96	84	80	72

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4. The demand function of a commodity x is given by $Q_x = 12 - 2P_x$.

Prepare the demand schedule, if its price varies from Rs 6 to Re. 1 :



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5. There are only 3 consumers (X, Y and Z) in a market and their demand functions are given as : $Q_X = 30 - 2P$, $Q_Y = 40 - 3P$, $Q_Z = 50 - 4P$

From the given individual demand functions, determine the market demand function. Also, calculate the market demand at a price Rs. 10 per unit.



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6. With the help of demand function : $Q_d = 40 - 5p$, answer the following questions :

- (i) Calculate demand at price of Rs. 2 ,
- (ii) Calculate price, when demand will be 0 ,
- (iii) Calculate demand, when price will be 0.



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1. Law of Demand is a Qualitative statement. Comment

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2. A new steel plant comes up in Jharkhand. Many people who were previously unemployed in the area are now employed. How will this affect demand curve for B.W. TV and Colour TV ?

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3. In order to encourage tourism in Goa, Indian Airlines reduces the air fare to Goa. How will it affect market demand curve for air travel to Goa ?

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4. There are train and bus services between New Delhi and Jaipur. Suppose that the train fare between the two cities comes down. How will this affect demand curve for bus travel between the two cities ?



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

OR

Does a rise of other good have same effect on demand for a commodity ?



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



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7. Categorise the following changes as expansion, contraction, increase or decrease in demand (assuming the given commodity is a normal good) :

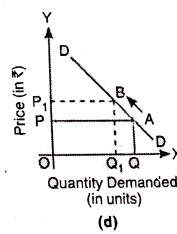
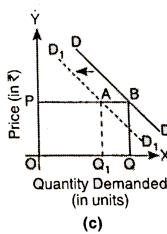
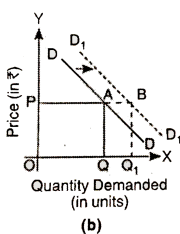
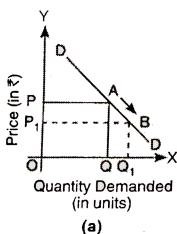
- (i) When prices of a substitute rises
- (ii) When price of the given commodity increases
- (iii) When income of the consumers increases
- (iv) When price of the given commodity is expected to fall in further
- (v) When the given commodity becomes a fashion good
- (vi) When there is sudden decrease in population due to an earthquake
- (vii) When the price of the given commodity falls.



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8. Categorise the following diagrams as expansion, contraction, increase or decrease in demand (assuming the given commodity is a normal good)

:





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9. Answer the following by filling in the blanks :

(i) The sum total of both the substitution and the income effect is called the _____

(ii) If a fall in the price of one good raises the demand for another good, the two goods are called _____

(iii) If demand for a commodity rises even without any change in its price, then it is known as _____

(iv) In case of _____ goods, demand rises with increase in income

(v) _____ shows the tabular presentation of various quantities of a commodity a consumer is willing to buy at different prices, during a given period of time.



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10. What will be the impact of the following changes on the demand curve of :

- (i) Cars when there is an increase in price of petrol
- (ii) Desktop Computers with increase in price of Laptops
- (iii) Bread with increase in its price
- (iv) Trousers due to change in preference in favour of Jeans
- (v) Bajra for a poor person when income of such person rises
- (vi) Coffee when price of tea falls
- (vii) Petrol if its price is expected to rise in near further.



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11. Derive the law of demand from the single commodity equilibrium condition "Marginal utility = Price".

OR

Derive the inverse relation between price of a good and its demand from the single commodity equilibrium condition 'Marginal utility = Price'.



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12. 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



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



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



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1. If a fall in price of Good X leads to a rise in demand for Good Y, then X and Y are substitute goods.



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2. Increase in price of bulbs will shift its demand curve towards left.



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3. Demand of a given commodity can be specified irrespective of its price.



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4. A rise in price of tea will lead to an upward movement in the demand curve of coffee.



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5. Due to fall in cost of making bicycles, its price has reduced. It will shift the demand curve of bicycles towards right.



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6. Demand of a commodity may rise or fall even when price of the given commodity remains constant.



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7. Demand curve of Pepsi will not shift with rise or fall in its price.



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8. Cross price effect occurs in case of substitute goods only



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9. Demand curve for automobiles shift towards right due to opening up of a new automobile dealer in the town.



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10. A shift in demand curve of the given commodity may be caused by change in any determinant of demand function.



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11. Expansion in demand leads to an upward movement along the same demand curve



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12. Cross demand is positive in case of substitute goods.



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13. Market demand curve is obtained by vertical summation of individual demand curves.



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14. Market demand curves is flatter than individual demand curves.



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15. Due to increase in one more member, the family expenditure on milk increased. It is an example of extension in demand.



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16. The demand curve of a commodity may not obey the law of demand if price of its substitute rises.



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17. In case of giffen goods, demand curve slope upwards.



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18. Consumer's taste and preferences must change in order to apply Law of demand.



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19. Size and composition of population affect the demand for an individual.



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20. Law of Demand indicates the direction and amount of change in demand of a commodity due to change in its price.



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21. If a household buys more of a commodity due to rise in income, then the given commodity must be an inferior one.



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22. If X and Y are substitutes of one another, then relationship between the prices of good X and demand of good Y will be shown by a curve that will slope upwards.



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23. Ceteris paribus' clause in the law of Demand means that the price of the given commodity does not change.



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24. The exceptions to the law of demand may be true for an individual but not for the whole market.

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25. If more is demanded at the same price or the same quantity is demanded at a higher price, it is known as extension of demand.

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26. Cross demand tells the relationship between the price and demand for a commodity.

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27. If the goods X and Y are substitutes, a rise in price of X will result in a rightward shift in demand curve of Y.

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28. The demand for a commodity always increases with increase in the price of other goods.

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29. The demand for a good increases with the increase in the income of its buyer.

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Ncert Questions

1. Suppose there are two consumers in the market for a good and their demand functions are as follows :

* $d_1(p) = 20 - p$ for any price less than or equal to 15, and $d_1(p) = 0$ at ant price greater than 15.

* $d_2(p) = 30 - 2p$ for any price less than or equal to 15 and $d_1(p) = 0$

at any price greater than 15.

Find out the market demand function.



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2. Suppose there are 20 consumers for a good and they have identical demand functions : $d(p) = 10 - 3p$ for any price less than or equal to $\frac{10}{3}$ and $d_1(p) = 0$ at any price greater than $\frac{10}{3}$. What is the market demand function ?



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3. Consider a market where there are just two consumers and suppose their demand for the good are given as follows :

Price (Rs.)	Demand ₁	Demand ₂
1	9	24
2	8	20
3	7	18
4	6	16
5	5	14
6	4	12

Calculate the market demand for the good.



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4. What do you mean by a normal good ?



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5. What do you mean by an inferior good ? Give some examples



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



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



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Very Short

1. Define demand for a good



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2. Define market demand.



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3. Define substitute goods.



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4. What is meant by complementary goods ?



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5. If the demand for good Y increases as the price of good X increases, how are the two goods related ?



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6. If the price of good X rises and this leads to a fall in the demand for good Y, how are the two goods related ?



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7. How will an increase in the price of petrol affect the demand curve of scooter ?

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8. When a good is called an 'inferior good' ?

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9. A rise in the income of the consumer of a good X leads to a fall in the demand for that good. What is the good X called ?

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10. Define demand schedule or individual demand schedule.

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11. What is Law of demand ?



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12. Define change in quantity demanded.



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13. What is meant by expansion in demand ?



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



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15. Define 'change in demand'.



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16. What is meant by increase in demand ?



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17. When the demand for a good falls due to an unfavourable change in the consumer's preferences, what is the change in demand called ?



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18. Give an example, when a consumer buys less of a commodity at the same price

OR

Give one reason for a leftward shift in demand curve.

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19. Give one reason for a rightward shift in demand curve.

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20. Suppose that good A is a substitute of good B. How will an increase in the price of good B affect the demand curve of good A ?

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21. What is meant by the purchasing power of money ?

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22. What causes an upward movement along a demand curve of a commodity ?

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23. In price of petrol is expected to increase in future, what will be effect on its demand in the present period ?

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24. Give one reason for a shift in demand curve.

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

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26. What is the relation between price of a good and demand of its complementary good ?

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27. Suggest any one economic measure by which the government can promote consumption of 'Khadi'

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28. What economic measure can the Government take to reduce demand for commodity \times which is harmful for health ?

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29. When does 'decrease' in demand take place ?

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30. 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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31. When is a good considered a normal good ?



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Mcqs

1. Which of the following is an example of complementary goods ?

- A. Tea and Coffee
- B. Coke and Pepsi
- C. Rice and Wheat
- D. None of these

Answer: D



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2. The demand for normal good _____ with an increase in income of the consumer.

- A. Increases
- B. Decreases
- C. Remains same
- D. Either increases or decreases

Answer: A



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3. Increase in price of substitute good leads to :

- A. Expansion in Demand
- B. Increase in Demand

C. Decrease in Demand

D. Contraction in demand

Answer: B



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4. A, B, and C are three commodities, where A and B are complementary, whereas A and C are substitutes. With increase in price commodity A :

A. Demand of all the commodities A, B and C will fall

B. Demand of commodities A and B will fall, whereas demand of C will rise

C. Demand of commodities A and C will fall, whereas demand of B will rise

D. Demand of commodities B and C will fall, whereas demand of A will rise

Answer: B



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5. When two or more goods are demanded simultaneously, it is known as :

- A. Joint Demand
- B. Alternate Demand
- C. Direct Demand
- D. Composite Demand

Answer: A



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6. There will be a _____ in the demand curve of cars with an increase in the price of petrol :

- A. Rightward shift
- B. Upward Movement
- C. Leftward shift
- D. Downward Movement

Answer: C

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7. The demand curve for a commodity is generally drawn on the assumption that :

- A. Prices of substitute goods do not change
- B. Tastes and preferences of the consumer remain the same
- C. Income of the consumer remains the same
- D. All of these

Answer: D

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8. Which one of these is not an example of substitute goods ?

- A. Tea and Coffee
- B. Coke and Pepsi
- C. Ink pen and Ball pen
- D. Bread and Butter

Answer: D

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9. Law of Demand states the _____ relationship between price of quantity demanded.

- A. Inverse
- B. Positive

C. Proportional

D. None of these

Answer: A



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10. Expansion in demand leads to :

A. Rightward shift in demand curve

B. Downward Movement along the demand curve

C. Upward Movement along the demand curve

D. None of these

Answer: B



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11. Which one of these is a determinant of individual demand ?

A. Size and composition of population

B. Season and weather

C. Distribution of Income

D. None of these

Answer: D



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12. Form the given demand schedule, determine the effect on demand curve

Price (Rs.)	20	20
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Demand (Units)	100	70
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A. Rightward shift in demand curve

B. Left shift in Demand curve

C. Upward Movement along the demand curve

D. Downward Movement along the demand curve

Answer: B



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13. Expansion in demand occurs due to :

- A. Rise in price of the given commodity
- B. Fall in price of the given commodity
- C. Rise in price of substitute goods
- D. Fall in price of complementary goods

Answer: B



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14. There is a sudden change in climatic conditions resulting in hot weather. Assuming no change in the price of the cold drinks, it will lead to :

- A. Upward movement along the same market demand curve
- B. Downward movement along the same market demand curve
- C. Rightward shift in the market demand curve
- D. Leftward shift in the market demand

Answer: C



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15. A movement along the demand curve for soft drinks is best described as :

- A. Increase in demand
- B. Decrease in demand

C. Change in quantity demanded

D. Change in demand

Answer: C



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16. If more is demanded at the same price or same quantity at a higher price, this fact of demand is known as :

A. Extension of demand

B. Increase in demand

C. Contraction of demand

D. Decrease in demand

Answer: B



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17. Cross demand states the relationship between :

- A. Demand of given commodity and price of related goods
- B. Demand of given commodity and income of the consumer
- C. Demand of given commodity and taste and preferences
- D. None of these

Answer: A



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18. Which of the following is not an assumption of law of demand ?

- A. Price of substitute goods do not change
- B. Income of the consumers remain same
- C. There is no change in tastes and preferences of the consumers
- D. Price of the given commodity does not change.

Answer: D



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19. If change in price of good A affects the demand for good B, then :

- A. A is a substitute of good B
- B. A is a complement of good B
- C. Both (a) and (b)
- D. Either (a) or (b)

Answer: D



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20. In a typical demand schedule, quantity demanded :

- A. Varies directly with price

B. Varies proportionately with price

C. Varies inversely with price

D. Is independent of price

Answer: C



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21. Which of the following is a determinant of market demand ?

A. Income of the consumers

B. Season and weather

C. Price of related goods

D. All of the above

Answer: D



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22. Which of the following factors will lead to a leftward shift in the demand curve :

- A. Increase in income in case of inferior goods
- B. Increase in income in case of normal goods
- C. Increase in Population
- D. Expectation of future increase in price

Answer: A



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23. Decrease in the price of the complementary goods leads to :

- A. Upward movement along the same market demand curve
- B. Downward movement along the same demand curve
- C. Rightward shift in the demand curve
- D. Leftward shift in the demand curve

Answer: C



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24. If price of good 'X' rises and it leads to a fall in demand for good 'Y', then the two goods are :

- A. Substitute goods
- B. Complementary goods
- C. Normal goods
- D. Inferior goods

Answer: B



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25. Market demand curve is obtained by _____ summation of the individual demand curves.

- A. Vertical
- B. Horizontal
- C. Both (a) and (b)
- D. Neither (a) or (b)

Answer: B

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26. Ceteris paribus means :

- A. Holding supply constant
- B. Holding demand constant
- C. Price being constant
- D. Other factors being constant

Answer: D

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27. An increase in real income of a consumer induces him to buy more of a commodity whose price has fallen. This is known as :

- A. Inducement Effect
- B. Substitution Effect
- C. Income Effect
- D. Utility Effect

Answer: C



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28. Expansion of Demand is associated with :

- A. Rise in Price, Rise in quantity demanded
- B. Fall in Price, Fall in quantity demanded
- C. Fall in Price, Rise in quantity demanded

D. Rise in Price, Fall in quantity demanded

Answer: C



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29. If X and Y are Complementary Goods, then with increase in price of X :

A. Demand of X will decrease and demand of Y will increase

B. Demand of X will increase and demand of Y will decrease

C. Demand of X and Y will increase

D. Demand of X and Y will decrease.

Answer: D



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30. If Tea and Coffee are substitutes, a fall in the prices of Tea leads to :

- (i) Rise in the demand for Tea
- (ii) Fall in the demand of Tea
- (iii) Fall in the demand for Coffee
- (iv) Rise in the demand of coffee.

A. Both (ii) and (iv)

B. Both (i) and (iii)

C. Both (ii) and (iii)

D. Both (iii) and (iv)

Answer: B



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31. A except one of the following are assumed to remain same while drawing an individual's demand curve for a product. Which one is it ?

A. Tastes and Preferences of the individual

B. Monetary income

C. Price of the given product

D. Price of related goods

Answer: C



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32. With fall in price of a commodity, demand of the commodity increases as it becomes relatively cheaper in comparison to other commodities.

This effect is known as :

A. Substitution Effect

B. Income Effect

C. Law of Demand Law of Diminishing Returns.

D.

Answer: A



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33. The demand function of a product X is given as : $D_x = 12 - 2P_x$, where P_x stands for price. The demand at price of Rs. 2 will be :

A. 6

B. 8

C. 5

D. 10

Answer: B



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34. The demand function of a product X is given as : $D_x = 12 - 2p_x$, where P_x stands for price. If an individual Y has a demand of 8 units, then market

price of the product is :

- A. Rs. 4
- B. Rs. 5
- C. Rs. 3
- D. Rs. 4.5

Answer: A



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35. The demand function of a product X is given : $D_x = 12 - P_x$, where P_x stands for price. If there are 5,000 customers for the product, then demand for the product at market price of Rs. 3 will :

- A. 40000
- B. 30000
- C. 20000

D. 16000

Answer: B



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36. Two commodities A and B can be inferred as close substitutes of each other if :

- A. Rise in price of one leads to an increase in demand of other and vice-versa
- B. Rise in price of one leads to a decrease in demand of other and vice-versa
- C. Fall in price of one lead to fall in demand of other one, but not the other way round
- D. Rise in price of one lead to rise in demand of other one, but not the other way round

Answer: A



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37. A goods can be considered a normal good if an increase in income of the consumer causes _____ in demand of the given food.

- A. Increase
- B. No change
- C. Decrease
- D. less than proportionate increase

Answer: A



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38. Expansion and contraction in demand are caused by :

A. Change in price of the given good

B. Change in income

C. Change in prices of related goods

D. Change in population

Answer: A



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39. When income of the consumer falls, the impact on price-demand curve of an inferior good is : (choose the correct alternative)

A. Shifts to the right

B. Shift to the left

C. There is upward movement along the curve

D. There is downward movement along the curve

Answer: A

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40. If due to fall in the price of good X, demand for good Y rises, the two goods are : (Choose the correct alternative)

- A. Substitutes
- B. Complements
- C. Not related
- D. Competitive

Answer: B

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41. If with the rise in price of good Y, demand for good X rises, the two goods are : (Choose the correct alternatives)

- A. Substitutes

B. Complements

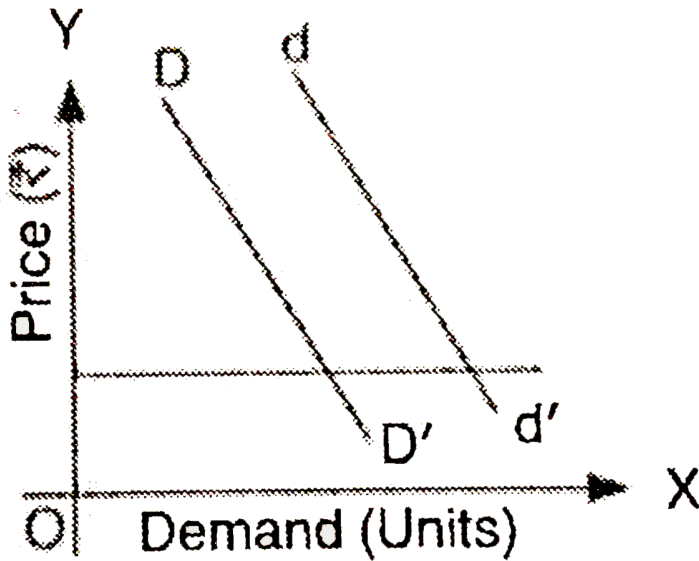
C. No related

D. Jointly demanded

Answer: A

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42. The demand curve of a good shifts from DD' to dd'



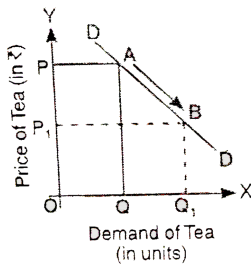
This shift can be caused by : (Choose the correct alternative)

- A. fall in the price of the good
- B. rise in the price of the good
- C. rise in the price of substitute goods
- D. rise in the price of complementary goods

Answer: C

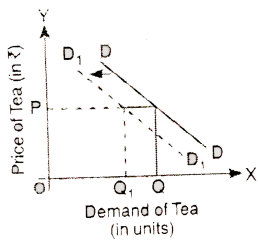
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43. An increase in the price of Coffee will have the following effect on the demand curve of Tea :



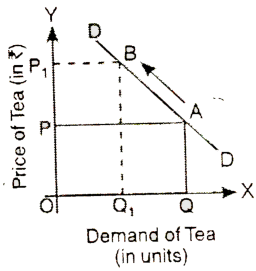
A.

(a)



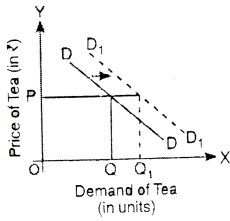
B.

(B)



C.

(C)



D.

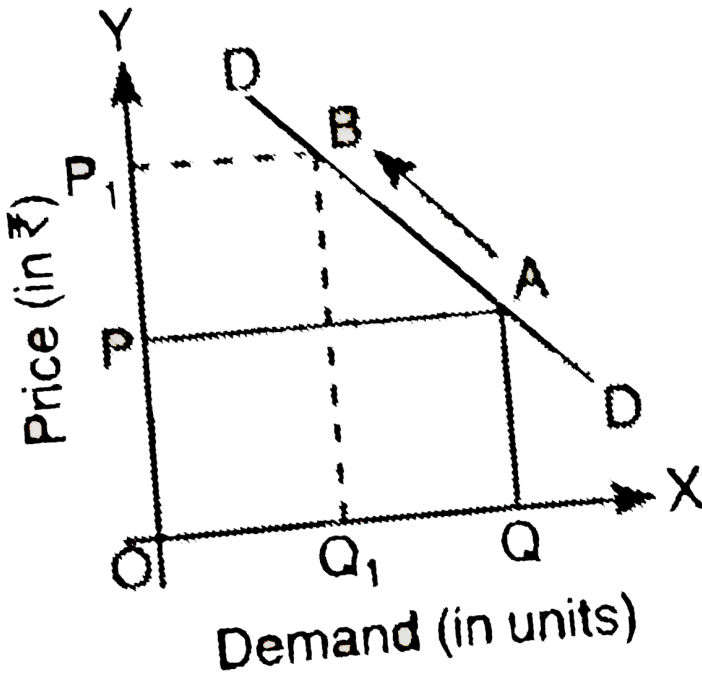
(D)

Answer: D



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44. The following movement in the demand curve is because of :

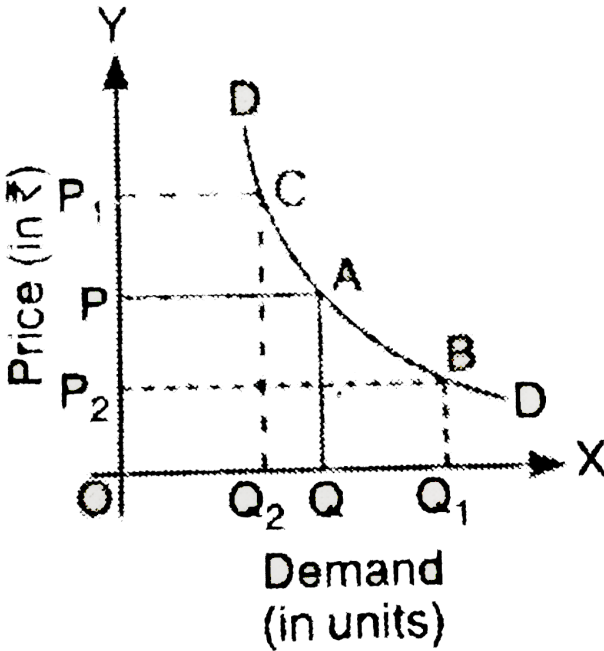


- A. Increase in price of given commodity
- B. Decrease in price of given commodity
- C. Increase in price of substitute good
- D. Decrease in price of complementary good

Answer: A



45. What does the following diagram represents ?

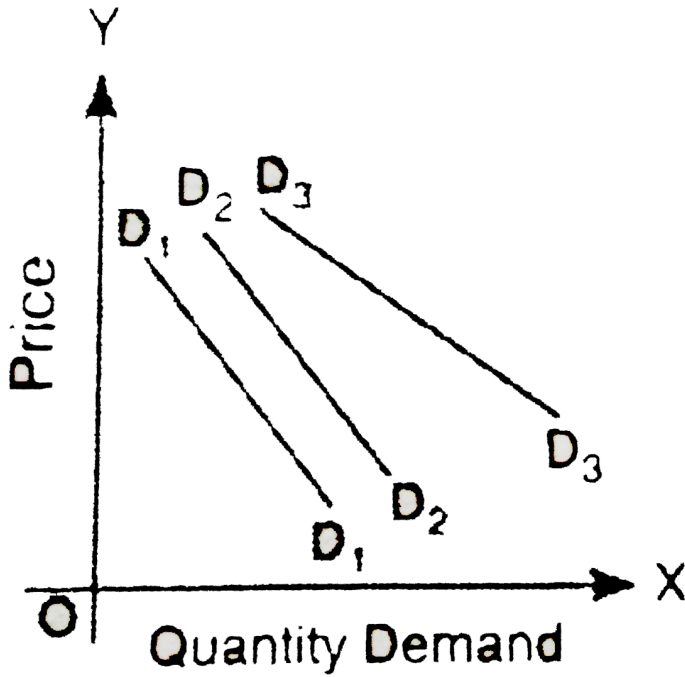


- A. Change in Demand
- B. Change in Quantity Demanded
- C. Both (a) and (b)
- D. Neither (a) or (b)

Answer: B



46. Which of the following represents market demand curve ?



A. D_1D_1

B. D_3D_3

C. D_2D_2

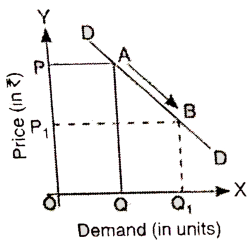
D. None of the above

Answer: B



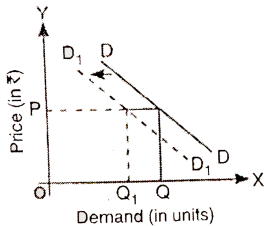
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47. Which of the following diagram represent the situation of 'Expansion in Demand' ?



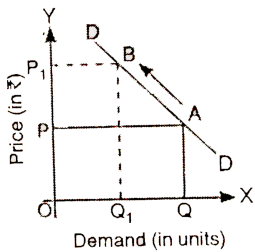
A.

(a)



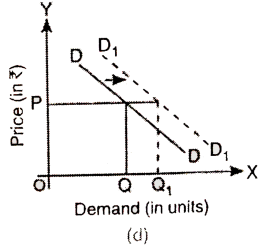
B.

(b)



C.

(c)



D.

(d)

Answer: A

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48. The slope of demand curve is generally :

- A. Negative
- B. Positive
- C. Constant
- D. Either (a) or (b)

Answer: A

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49. Any statement about demand for a good is considered complete only when the following is/are mentioned in it (Choose the correct alternative)

:

- 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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Short Answer

1. Explain three factors that can bring about an increase in the market demand for a commodity.



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2. Define market demand. State the law of demand and the assumptions behind it.



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3. Explain the effect of increase in income of the consumer on demand for a good.



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4. State any 3 factors that cause an 'increase' in demand of a commodity
OR

Give any three factors that can cause a rightward shift of demand curve.



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

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6. Differentiate between movement along demand curve and shift in demand curve.

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7. What is meant by expansion in demand ? Explain it with the help of a schedule and a diagram.

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8. Define the following terms : (i) Increase in demand , (ii) Decrease in demand , (iii) Contraction in demand.



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9. Distinguish between expansion in demand and increase in demand

OR

Distinguish between 'decrease in demand' and increase in quantity demanded of a commodity.



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10. Distinguish between 'decrease in demand' and 'decrease in quantity demanded' of a commodity.



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11. Which changes can cause a leftward shift in the demand curve ? Also state the change, which causes downward movement along the demand curve ?



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12. Explain the effect of a rise in the prices of 'related goods' on the demand for a good X.



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13. Goods X and Y are substitutes. Explain the effect of fall in price of Y on demand for X.



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14. Explain the meaning of normal goods and inferior goods.



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



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16. Distinguish between complementary goods and substitute goods.



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17. What is 'market' demand? State four factors causing 'increase' in market demand.



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



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



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



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21. Explain the effect of : (a) change in own price and (b) change in price of substitute on demand of a good.



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22. 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

1. Define demand. Explain why 4 factors that affect demand for a commodity.



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2. Explain the law of demand with the help of an imaginary schedule and diagram.



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3. Explain the causes behind law of demand

OR

Why is there an inverse relationship between the price of a commodity and its quantity demanded ?



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4. Distinguish between : (a) individual demand and market demand , (b) Change in demand and change in quantity demanded.



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5. Explain in brief, the various exceptions to law of demand

OR

Briefly discuss the various exceptions to law of demand

OR

Briefly discuss the various situations for positive relationship between price and quantity demanded.



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6. Explain the causes of a rightward shift in demand curve of a commodity of an individual consumer.



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7. Explain with the help of diagrams, the effect of the following changes on the demand of a commodity : (i) Fall in the price substitute good , (ii) Fall in the income of its buyer.



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8. Distinguish between an inferior good and a normal good. Explain the effect of change in income on each, giving suitable examples.



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9. Explain with the help of diagrams, the effect of the following changes on the demand of a commodity : (i) An unfavorable change in taste of the buyer for the commodity , (ii) A fall in the income of its buyer, if the commodity is inferior.



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10. Explain causes of leftward shift in demand curve of a commodity.

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11. A consumer consumes good 'X'. Explain the effects of all 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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12. Explain how do the following influence demand for a good : (i) Rise in income of the consumer , (ii) Fall in prices of the related goods.

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13. Explain the relationship between : (i) Prices of other goods and demand for the given good , (ii) Income of the buyers and demand for a good.



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14. Explain the effect of the change in the prices of related goods on the demand for a given good.



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Unsolved Particles

1. From the following data regarding individual demand schedules of households A, B and market demand schedule, prepare the demand schedule of household C, assuming that there are only three households

in the market

Price Rs.	Individual Demand (units)			Market demand (units)
	A	B	C	
7	20	16	—	51
8	18	15	—	46
9	16	12	—	39
10	13	10	—	32



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2. Suppose there are 3 consumers in a particular market : A, B and C. Their demand schedules are given in the following table. Prepare the market demand schedule

Price (Rs.)	Individual Demand (units)		
	A	B	C
1	60	30	70
2	40	25	65
3	32	18	50
4	25	15	30
5	18	0	22



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3. On the basis of information given in the following table, prepare the demand schedules for three commodities :

Price (Rs.)	Total Expenditure		
	A	B	C
2	6	6	6
3	6	4	7
4	6	4	8

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4. The demand function of a commodity x is given by $Q_X = 20 - 3P_X$. Find out the values of P_X , when corresponding values of Q_X are given as : 5, 8, 11 and 14.

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Value Based Evaluation And Multi Disciplinary Question

1. Underutilisation and unutilisation of resources will shift the Production Possibility Frontier to the left. Defend or refute.



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2. Producer Equilibrium is attained only when marginal revenue is equal to marginal cost. Is it correct ?



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3. "The demand for a commodity always increases whenever the price of other goods rises". Do you agree with the given statement ?



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4. "The gap between Average Variable Cost and Average Fixed Cost falls when output rises". Defend or refute.



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5. "Production function establishes a technical relation between inputs and output, and not economic relation". Comment.

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6. "An economy always operates on production possibility frontier and not inside it". Do you agree with the given statement?

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7. The total expenditure to be incurred by a family on a good is bound to increase when price of such good rises. Comment.

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8. Demand for electricity has "increased". However supply cannot be increased due to lack of resources. Explain how, in any two ways, demand

for electricity can be "decreased".



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9. A entrepreneur is planning to set up a factory in an extremely backward region of India and is thinking about the technique of production to be used for production. Suggest which technique of production should be used for the social upliftment of the region, if there are large number of unemployed people.



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10. The price elasticity of demand for life-saving drugs is inelastic. As a result, manufacture have the freedom to fix higher prices for them. How can this problem be handled?



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11. In every economy, human want are unlimited and resources to satisfy them are limited. What should be done to maximise the satisfaction of human needs?



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12. The demand for petrol is increasing continuously. However, being a non-renewable resource, its supply is limited. Discuss any 2 steps that can be taken to overcome this problem?



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13. A producer starts a buisness by investing his own savings and hiring the labour. Identify implicit and explicit costs from this information.



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14. A country's resources are fully and efficiently employed. The problem of scarcity exists. What advice will be given to raise the efficiency level of the human resources of light scarcity?



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15. At a certain output level, the total revenue and total cost of a firm are equal. What is this situation termed as? Whether the firm is earning normal profits or not.



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16. Production in an economy is below its potential due to unemployment. Government starts employment generation schemes. Explain its effect using production possibilities curve.



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17. A lot of people died and many resources were destroyed due to floods in Kashmir. How will it affect the PPF of the economy?



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18. "Marginal Product cuts the Average Product from its top". Do you agree with the given statement?



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19. Equilibrium price of an essential medicine is too high. Explain what possible steps can be taken to bring down the equilibrium price but only through the market forces. Also explain the series of changes that will occur in the market.



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20. "The demand curve of a commodity will not obey the law of demand, i.e., it will not slope downwards if there is a rise in the price of substitute goods". Comment.



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21. Almost one-third of Indians consume some form of tobacco and many use more than one type of tobacco product. The consumption of tobacco is a reason for almost 40% of non-communicable diseases like cancer, cardiovascular diseases and lung disorders. What can be done to come out of this situation ?



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22. "Average Variable cost Curve reaches its minimum point before the Average Cost Curve". Comment



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23. Cigarette smoking is injurious to health. How can the government reduce its consumption but only through the normal market forces. Explain the chain of effects of government's action.

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24. Why does Marginal cost curve cut the Average Variable Cost Curve at its minimum point?

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25. Pulp and paper production is the third largest producer of air, water and land pollution. Suggest three ways to overcome this problem?

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26. Unemployment is reduced due to the measures taken by the government. State its economic value in the context of production in possibilities frontier.

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27. Scarcity is a common feature of both developed and developing economy. Still, economising of resources is more important countries as compared to developed countries? Do you agree?

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28. "When marginal revenue is positive and constant, both average and total revenue rate", whereas average revenue will be constant.

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29. Vehicular pollution in India is increasing at an alarming high rate. State any two ways in which it can be controlled.

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30. Marginal revenue is always the price at which last unit of a commodity is sold. Comment.

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31. On 11 September, 2012, Delhi government enforced a complete ban on the manufacture, sale and storage of "Gutka" in the national capital. How will it affect the market demand and supply of gutka?

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32. In case of perfect competition, the horizontal straight line demand curve indicates that an individual firm has no control over price of his product. Comment.



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33. Children are the future policy makers of our country. However, many of the poor children are ill-treated and are forced to work at a tender age. Discuss the steps that need to be taken to reduce child labour?



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34. If Marginal Cost is equal to Marginal Revenue at two output levels, then any one of the output level can be taken as state of producer's equilibrium. Defend or refute.



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35. "Use the chemical fertilisers, but becomes food shortage, give good dividends at one time in the form of increased production, but becomes a disaster later in the form of adverse effects on health". How can we overcome this problem?

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36. A monopolist firm has full control over the price and demand for this product. Do you agree with the given statement?

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37. Individual supply curves are steeper as compared to market supply curve. Defend or refute.

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38. One of the central problems of an economy is "How to Produce". The planners of Indian Economy are stressing on using labour intensive techniques for production of goods and services. Do you justify this on the grounds of moral responsibility?

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39. Name the economic value achievable when attempts are made to increase resources in the country.

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40. Will a firm in a competitive in a market ever produce a positive level of output in the range where the marginal cost is falling?

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41. Name the economic value achieved through the spread of education in the context of production potential.

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42. The availability of fresh water may become the most crucial problem over the coming decades. Enumerate some of the steps which need to be taken to save water?

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43. Large number of technical training institutions have been started by the government. State its economic value in the context of production possibilities frontier.

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44. A producer will change supply of a product only when there is a change in the price of given product.

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45. The government has started promoting foreign capital. What is its economic value in the context of Production Possibilities Frontier?

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46. When equilibrium price of a good is less than its market price, there will be competition among the sellers. Defend or refute.

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47. Some firms under monopolistic competition are successful in creating a differentiated image of their products through heavy selling

costs. It enables them to charge higher prices for their products. However, such product differentiation is sometimes imaginary. As a result, consumers suffer because

(i) Do you think, this is justified in terms of moral business ethics?

(ii) Why ethical business behaviour is important in this modern competitive world?

(iii) What can be done to handle this situation?



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48. Under monopoly, the barriers to entry and exit of firms lead to absence of competition in the market. Do you think this is necessary in certain strategic areas like in the case of production of defense goods and atomic energy?



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



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50. The following headline appeared in the Hindustan Times on 2nd August, 2014. "Crop damaged in Himachal sent tomato prices roaring in Delhi". Use a diagram and economic theory to analyse the statement.



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51. On 19th December, 2013, the following news item was printed in the Economic Times: "Household in Southern India prefer to eat oranges for breakfast as banana plantations in Kerala have been destroyed and price of apples and grapes have also risen". Use a diagram and economic theory to analyse the impact of the rise in price of apples and grapes on the market of oranges.



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52. The measure of price is elasticity of demand of a normal good carries minus sign while price elasticity of supply carries plus sign. Explain why?

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Model Test Paper 1

1. Define opportunity cost.

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2. At what level of production is total cost equal to total fixed cost

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3. Which of the following does not cause shift of supply curve of a good?

(Choose the correct alternative)

- A. Price of input
- B. Price of the good
- C. Goods and Services Tax
- D. Subsidy

Answer: B

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4. Which of the following measures of price elasticity shows elastic supply? (Choose the correct alternative)

- A. 0
- B. 0.5
- C. 1.0
- D. 1.5

Answer: D

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5. In what circumstances may the production possibility frontier shift away from the origin ? Explain

OR

Explain the central problem of "What is produced and in what quantities"

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6. A consumer buy 200 units of a good at a price of Rs 20 per unit. Price elasticity of demand is $(-)$ 2. At what price will he be willing to purchase 300 units? Calculate

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7. Write a buyget line equation of a consumer if the two goods purchased by the consumer. Good X and Good Y are priced at 10 and Rs 5 respectively and the conumer's income is Rs 100

OR

Define marginal rate of substitution. Explain its behaviour along an indifference curve.



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8. Explain the conditions of producer's equilibrium under perfect completion.



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9. Explain the implications of "freedom of entry and exit of firms" under perfect competition



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10. A consumer consumes only two goods X and Y. Explain the conditions of consumer's equilibrium using Utility Analysis.



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11. Draw Average Variable Cost (AVC), Average Total Cost (ATC) and Marginal Cost (MC) curves in a single diagram. State the relation between MC curve and AVC and ATC curves.



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12. Define price floor. Explain the implications of price floor

OR

Market of a good is in equilibrium. Demand for the good 'decreases'.

Explain the chain of effects of this change



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Model Test Paper 2

1. What do you mean by the problem of scarcity ?



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2. Define cost



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3. When average cost falls, marginal cost: (Choose the correct alternative)

A. Falls

B. Rises

C. May fall or may rise

D. Neither falls nor rises

Answer:



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4. When marginal product rises, total product: (Choose the correct alternative)

A. Falls

B. Rises

C. Can rise or can fall

D. Remains constant

Answer:



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5. Distinguish between microeconomics and macroeconomics. Give an example of each.

OR

What will likely be the impact of large scale outflow of foreign capital of Production Possibilities curve of the economy and why ?



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6. State any three determinants of individual demand other than own price of the good.

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7. Comment upon the shape of the demand curve if the price of a commodity rises by 10% and there is no change in its quantity demanded.

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8. What is revenue in microeconomics ? State the relation between marginal revenue and average revenue under perfect competition using suitable diagram or schedule

OR

Define supply. Distinguish between "increase in supply" and "extension in supply"

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9. Explain the effect of 'Maximum Price Ceiling' on the market of a good.

Use diagram



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10. A consumer consumes only two goods X and Y both priced at Rs 3 per unit. If the consumer choose a combination of these two goods with Marginal Rate of Substitution equal to 3, is the consumer in equilibrium?

Give reason. What will a rational consumer do in this situation ? Explain

ltrbgt OR

State and explain three properties of indifference curves.



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11. Explain the law of variable proportions with the help of total product curve. Use diagram.



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12. State and discuss four characteristics of perfect competition



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Model Test Paper 3

1. Which of the following is a statement of normative nature in economics ?

(a) Economics is study of choices/alternatives

(b)

(c) According to an estimate, in spite of severe shortage, more than 10% of houses in Indian cities are lying vacant

(d) Accommodation of Refugees is posing a big problem for the Europe

A. Economics is study of choices/alternatives

B. Government should be concerned with how to reduce unemployment

C. According to an estimate, in spite of severe shortage, more than 10% of houses in Indian cities are lying vacant

D. Accommodation of Refugees is posing a big problem for the Europe

Answer:

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2. Define Marginal Physical Product

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3. A firm is operating with a Total Variable cost of Rs 500 when 5 units of the given output are produced and the Total Fixed Costs are Rs 200, what will be the Average Total Cost of producing 5 units of output ?

(i) Rs 140 (ii) Rs 100

(iii) Rs 120 (iv) Rs 300



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4. In an imperfectly competitive market, if the Total Revenue is maximum, Marginal Revenue will be.....



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5. Discuss the characteristics of Production Possibility Frontier.

OR

Draft a hypothetical schedule for a straight line Production Possibility Curve.



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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 good falls.
- (ii) News reports claims that consumption of product X has harmful effect on human health.
- (iii) Income of consumer increases.

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7. (a) Arrange the following coefficients of price elasticity of demand in ascending order: 0.87, -0.53 , -3.1 , -0.80

(b) comment upon the degree of elasticity of demand for commodity X, if the price of the commodity falls from Rs 28 per unit to Rs 23 per unit and its quantity demanded rises from 50 units to 100 units

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8. Explain the concept of 'buffer stock' as a tool of price floor

OR

Market for a product is in equilibrium. Supply of the product 'decreases'.

Explain the chain of effect of this change till the market again reaches equilibrium. Use diagram.



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9. Explain how the following factors effect the supply of the commodity.

(Any two)

(a) Price of factor inputs (b) State of technology

(c) Government taxation Policy



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10. (a) A consumer, Mr Aman is in state of equilibrium consuming two good X and Y, with given prices P_x and P_y . What will happen if

$$MU_x / P_x > M \frac{U_y}{P_y}?$$

(b) Identify which of the following is not true for the Indifference Curves theory. Give valid reasons for choice of your answer.

- a. Lower indifference curve represents lower level of satisfaction.
- b. Two indifference curves can intersect each other.
- c. Indifference curve must be convex to origin at the point of tangency with the budget line at the consumer's equilibrium.

OR

A consumer has total money income of Rs 500 to be spent on two goods X and Y with prices of Rs 50 and Rs 10 per unit respectively. On the basis of the given information, answer the following question.

- (a) Give the equation of the budget line for the consumer. (b) What is the value of slope of the budget line?
- (c) How many units can the consumer buy if he is to spend all his money income on good X?
- (d) How does the budget line change if there is a 50% fall in price of good Y?



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11. (a) Why is Total Variable Cost curve inverse S-shaped?

(b) What is Average Fixed Cost of a firm ? (b) What is Average Fixed Cost of a firm ? Why is an Average Fixed Cost Curve a rectangular Hyperbola ?

Explain with help of a diagram.



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12. Suppose the value of demand and supply curves of a commodity-X is given by the following two equation simultaneously:

$$Q_d = 200 - 10p \quad Q_s = 50 + 15p$$

(i) Find the equilibrium price and equilibrium quantity of commodity X.

(ii) Suppose that the price of a factor inputs used in producing the commodity has changed, resulting in the new supply curve given by the equation

$$Q_s = 100 + 15p$$

Analyse the new equilibrium the new equilibrium price and new equilibrium quantity as against the original equilibrium price and equilibrium quantity.



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