



PART B: MICRO

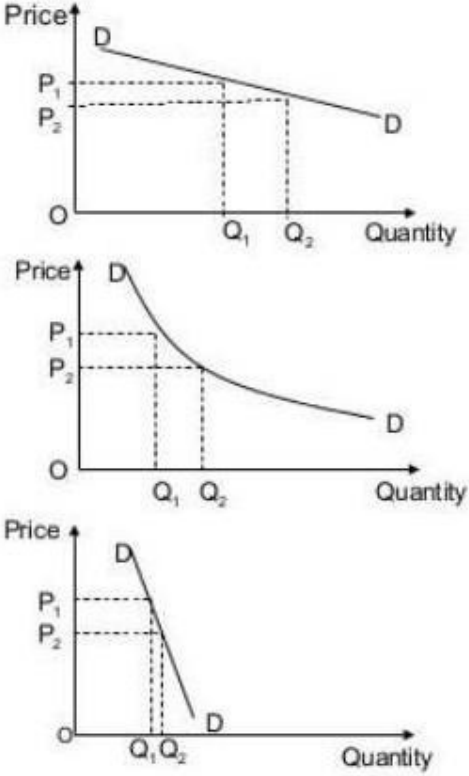
Chapter 3 : Demand & elasticity of demand

Q. NO	QUESTION	MARKS
1	The law of demand holds only when: a. Price remains constant b. Quantity remains constant c. Other things remain constant All the above	1
2	There is----- relation between price of one good and demand for its substitute good: a. direct b. inverse no relation d. none of these	1
3	For perfectly elastic demand, the demand curve is: a. vertical b. horizontal c. downward sloping d. upward sloping	1
4	In case of normal goods, demand curve shows: a. negative slope b. positive slope zero slope d. none of these	1
5	Law of demand does not hold in case of: a. Giffin goods b. Inferior goods c. Normal goods Comfort goods	1
6	Expectation of a fall in price of a good in future leads to----- in its demand in present. Rise b. fall c. same d. none	1
7	In case of inferior goods, income effect is: a. Negative b. positive c.no effect d. no relation	1
8	The demand for goods like tea and sugar is: a. Perfectly elastic b. Perfectly inelastic Elastic d. inelastic	1
9	Formula of price elasticity of demand is a. $(-) \Delta q/q \times p/\Delta p$ b. $(-) \Delta p/p \times q/\Delta q$ c. $(-) \Delta q/\Delta p \times p/q$ $(-) p/q \times \Delta q/\Delta p$	1
10	Pepsi and coca cola are -----goods a.complemetary b. inferior c. substitute d. intermediate	1

11	Classify the following into substitute goods and complementary goods a. Shoe polish and shoe brush b. Tea and coffee c. Bread and butter d. Pen and pencil	1
12	What will be the Elasticity of demand Given:	1

	Price	Quantity	Expenditure									
	4	100	400									
	5	80	400									
	1. $E_d > 1$ 2. $E_d < 1$ 3. $E_d = 1$ $E_d = \infty$											
13	A rise in the income of a consumer leads to fall in his demand for a commodity X. What is the commodity X here a. complimentary good b. substitute good c. inferior good d. normal good			1								
14	There are two complimentary goods X and Y and two substitute goods X and Z. If the price of good X increases, what will happen to the demand for good Y and good Z?			1								
15	If the government provides subsidy on electricity bills to the households, how will it affect the market demand for air coolers in the summer season in northern India?			1								
16	What causes expansion of demand curve a. Price rises and other factors remaining constant b. Price falls and other factors remaining constant c. Change in other factors only No change in price			1								
17	Read the following statements carefully: 1 Statement 1- Tea and coffee are substitute goods. Statement 2 –Car and petrol are substitute goods. In the light of the given statements, choose the correct alternative from the following: a) Statement 1 is true and statement 2 is false. b) Statement 1 is false and statement 2 is true. c) Both statements 1 and 2 are true. d) Both statements 1 and 2 are false			1								
18	When there is no change in quantity demanded in response to change in price, the price elasticity of demand is said to be a. Unitary price elasticity b. Zero price elasticity c. Infinite price elasticity d. Greater than 1 price elasticity			1								
19	Write the correct sequence of alternatives given in column II by matching them with respective terms in column I <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 30%;">COLUMN I</th> <th style="width: 10%;"></th> <th style="width: 50%;">COLUMN II</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>Movement along the demand curve</td> <td>i</td> <td>Decrease in demand</td> </tr> </tbody> </table>				COLUMN I		COLUMN II	A	Movement along the demand curve	i	Decrease in demand	1
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A	Movement along the demand curve	i	Decrease in demand									

	<table border="1"> <tbody> <tr> <td>B</td> <td>Leftward shift in demand curve</td> <td>ii</td> <td>Expansion in demand</td> </tr> <tr> <td>C</td> <td>Normal goods</td> <td>iii</td> <td>Negative income effect</td> </tr> <tr> <td>D</td> <td>Inferior goods</td> <td>iv</td> <td>Positive income effect</td> </tr> </tbody> </table> <p>Alternatives</p> <p>a) A (i), B (iii), C (iv), D (ii)</p> <p>b) A (ii), B (iv), C (i), D (iii)</p> <p>c) A (ii), B (i), C (iv), D (iii)</p> <p>d) A (i), B (iii), C (iv), D (ii)</p>	B	Leftward shift in demand curve	ii	Expansion in demand	C	Normal goods	iii	Negative income effect	D	Inferior goods	iv	Positive income effect	
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C	Normal goods	iii	Negative income effect											
D	Inferior goods	iv	Positive income effect											
20	<p>Read the following statements Assertion (A) and Reason (R). Choose one of the correct alternatives given below: 1</p> <p>Assertion (A) -Demand for salt is inelastic</p> <p>Reason (R) - In case of elastic demand, percentage change in price of the commodity causes relatively less than percentage change in quantity demanded.</p> <p>Alternatives:</p> <p>a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).</p> <p>c) Assertion (A) is true but Reason (R) is false.</p> <p>d) Assertion (A) is false but Reason (R) is true.</p>	1												
21	<p>Which of the following is an example of inelastic demand?</p> <p>a) Tina wants to try out a new fancy restaurant. She goes to another restaurant whose food is excellent and costs less.</p> <p>b) Jacob wants to buy the most expensive mobile phone. He decides to buy a cheaper one.</p> <p>c) Shan wants to buy a house in the neighbourhood. But after searching, he decides to buy a house elsewhere.</p> <p>d) Pari wants to go to watch a famous movie. Ticket to another movie is available at cheaper rate, but she still buys the ticket of that famous movie.</p>	1												
22	<p>During COVID 19 we all have experienced that how bacteria and other organisms cause and spread disease, will the demand curve for soap be more elastic or less elastic now a days?</p>	1												
23	<p>When price of good A rises, people start to buy good B. In this case, Good B is called_____.</p> <p>a) Luxury Good</p> <p>b) Substitute good</p> <p>c) Complementary good</p> <p>d) Normal good</p>	1												
24	<p>Things you buy to try to save money are called.</p> <p>a) Wants</p> <p>b) Needs</p> <p>c) Inferior goods</p> <p>d) Luxury goods</p>	1												

25	<p>Which is a pair of substitute goods?</p> <p>a) Pet, Vet Bills b) Bread, Butter c) Dominos, Pizza Hut Phone, charger</p>	1
26	Do you agree that a good can be “Inferior” to one but “normal” to another? Give Example.	1
27	<p>The following news was printed in “Economic Times” “Petrol and Diesel prices were cut by 2 rs. Per litre as international oil prices slumped to a five-year-old low”. will it affect the demand of cars?</p>	1
28	The Law of Demand does not apply to Giffen Goods. True/False. State reason.	1
29	The Flatter the demand curve, the more is price elasticity of demand. True/ False. Give reason.	1
30	A commodity having high price elasticity often has a large number of substitutes. Do you agree? Give example.	1
31	 <p>Identify the degrees of price elasticity of demand. Figure 1- Figure 2- Figure 3-</p>	3
32	<p>Demand schedule for customer A, B and C and market Demand is given- What will happen to market demand if Customer “C” is dropped out of the market. Draw the new Market Demand Schedule.</p>	3

	Price (Rs)	Demand of A(Units)	Demand of B(Units)	Demand of C(Units)	Market Demand (Units)	
	1	60	55	24	139	
	2	50	40	13	103	
	3	40	25	5	70	
	4	30	10	0	40	
	5	20	0	0	20	
33	Read the following information and answer the questions-					3
	Price (Rs)		Demand of A(Units)			
	5		100			
	6		75			
	8		50			
	<p>a) When price changes from Rs 5 . To Rs 6.,the price elasticity of demand is_____.</p> <p>(Choose the correct option)</p> <p>i)0.8 ii)1.25 iii)1 iv)1.5</p> <p>b) The degree of price elasticity at the above level is---</p> <p>i)Perfectly Elastic</p> <p>ii)Perfectly Inelastic</p> <p>iii)More than Unitary Elastic</p> <p>iv)Unitary Elastic</p> <p>c) There is _____relationship between price and quantity demanded.</p>					
34	Explain any 3 determinants of demand.					3
35	Why some goods are considered as inferior goods for one person and normal goods for other person?					3
36	Write all degrees of elasticity of demand.					3
37	<p>Identify elasticity of demand whether it is Elastic or Inelastic from the various factors affecting the elasticity of demand</p> <p>1.Nature of the commodity -salt -Elastic/Inelastic demand</p> <p style="padding-left: 40px;">Costly jewelry - Elastic/Inelastic demand</p> <p>2. Availability of substitutes – Tea - Elastic/Inelastic demand</p> <p style="padding-left: 40px;">Salt- Elastic/Inelastic demand</p> <p>Postponement of use- purchase of a house at high rate of bank loan interest- Elastic/Inelastic demand</p> <p style="padding-left: 40px;">Purchase of life saving drugs- Elastic/Inelastic demand</p>					3
38	When price is Rs 10 per unit, the demand for a commodity is 100 units. As the price decreases to Rs 8 per unit, the quantity demanded increases to 150 units. Calculate elasticity of demand by using proportionate/ percentage method.					3
39	<p>Read the following passage carefully and answer the questions on the basis of the same</p> <p>The population, weather condition, distribution of income of a place greatly influences the market demand. Demand increases with a rise in population. If the female population is proportionately higher, then the goods required by females will be more in the market like clothes, cosmetics, kitchenware, jewelry, vanity bags etc.</p> <p>In winters woollen clothes are more in demand and in summers, the demand for ice-creams, cold drinks rise. Raincoats and umbrellas are demanded in the rainy season.</p> <p>If the income is not equally distributed, there will be less demand. If the higher income group is less in the population, it indicates that poor are more in the society, therefore market demand will be lower.</p> <p>1. The factors on which market demand depends are _____,</p> <p>_____.</p>					3

	<p>2. In winters demand for the _____(umbrellas/sweaters) are more by the population</p> <p>3. if ladies are more in the society, their demand will be more for the _____motor cycles/lipsticks</p>													
40	<p>Find the degree of elasticity of demand in the following cases by using Expenditure method</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Price in Rs</th> <th style="width: 50%;">Quantity demanded</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">8</td> <td style="text-align: center;">100</td> </tr> <tr> <td style="text-align: center;">10</td> <td style="text-align: center;">90</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Price in Rs</th> <th style="width: 50%;">Quantity demanded</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">8</td> <td style="text-align: center;">100</td> </tr> <tr> <td style="text-align: center;">10</td> <td style="text-align: center;">80</td> </tr> </tbody> </table>	Price in Rs	Quantity demanded	8	100	10	90	Price in Rs	Quantity demanded	8	100	10	80	4
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41	<p>Read the following hypothetical case study carefully and answers the question on the same.</p> <p>Demand refers to various quantities of a commodity that all the buyers are willing to buy at given prices during a given period of time. Not only own price of a commodity but also many other factors also affect the demand of a commodity. Such as price of the related goods-there are two types of related goods</p> <ol style="list-style-type: none"> 1. Substitute goods 2. Complementary goods. In these cases, change in the price of one good also affects the demand of related good. <p>Income of the consumers- on the basis of income, there are two types of goods-normal good and inferior goods. Economists say that there are no inferior or normal goods. It depends on the income level of the consumer. One good may be inferior for one person but the same good may be normal for another person. Normal goods are those goods whose demand increases with an increase in the income of consumer and vice –versa. Reverse happens in case of inferior goods. Taste and preference of the consumer, size of the population and government policy also affect the demand of a commodity which is known as determinants of demand.</p> <ol style="list-style-type: none"> 1. If the price of good X rises then the demand of Y good also rises, then both goods are _____(Complementary/Substitute). (Choose the correct option) 2. Demand for inferior good rises due to _____(Fall/Rise) in the income of the consumer. (Choose the correct option) 3. Which are not the determinants of Demand of a commodity? <ol style="list-style-type: none"> a) price of related goods b) Income of the consumer c) Nature of a commodity d) Taste and fashion 4. There is _____(direct/Inverse) relationship between price of a commodity and its demand. (Choose the correct option) 	4												
42	<p>Demand for electricity is very less elastic, as it is a necessity for all. State with few examples where demand by the households for electricity can be reduced and their electricity home bills can be economical.</p>	4												
43	<p>Explain any four factors affecting elasticity of demand.</p>	4												
44	<ol style="list-style-type: none"> a. Arrange the following coefficients of elasticity of demand in ascending order: -0.87, -0.53, -3.1, -0.80 b. Calculate and comment on elasticity of demand if price rises from rs. 20 to rs. 25, quantity demanded falls from 100units to 60 units. 	4												

45	<p>If our income rises, we generally tend to buy more of the goods. More income would mean more consumption. But there are exceptions. If your income rises, you would discard the consumption of inferiors. Surely, this happens in the desert of Rajasthan where the rich minority eats wheat while the poor majority eats Bajra as their staple food.</p> <ol style="list-style-type: none"> 1. The law of demand does not apply to ----- (normal/ veblen) goods. 2. Normal goods are those whose income effect is -----(positive/ negative) 3. A fall in income of the consumer will cause----- of the demand curve. <ol style="list-style-type: none"> a. Upward movement b. Downward movement c. Rightward shift d. Leftward shift 4. As consumer income rises, demand for inferior goods--- <ol style="list-style-type: none"> a.Increases b. decreases c. same d. none 	4																								
46	<p>Complete the following table and Draw Market Demand Curve.</p> <table border="1" data-bbox="196 604 724 919"> <thead> <tr> <th>Price (Rs.)</th> <th>Quantity demanded by Isha (Units)</th> <th>Quantity demanded by Nisha (Units)</th> <th>Market Demand (Units)</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>3</td> <td></td> <td>8</td> </tr> <tr> <td>9</td> <td></td> <td>8</td> <td>15</td> </tr> <tr> <td>8</td> <td>11</td> <td></td> <td>22</td> </tr> <tr> <td>7</td> <td></td> <td>14</td> <td>30</td> </tr> <tr> <td>6</td> <td>20</td> <td>22</td> <td></td> </tr> </tbody> </table>	Price (Rs.)	Quantity demanded by Isha (Units)	Quantity demanded by Nisha (Units)	Market Demand (Units)	10	3		8	9		8	15	8	11		22	7		14	30	6	20	22		4
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47	<p>Match the following-</p> <table border="1" data-bbox="196 955 902 1339"> <thead> <tr> <th>Column I</th> <th>Column II</th> </tr> </thead> <tbody> <tr> <td>a) Substitute goods</td> <td>i)Complete the demand for each other</td> </tr> <tr> <td>b) Complementary goods</td> <td>ii)Can be used in place of one another</td> </tr> <tr> <td>c)Normal goods</td> <td>iii)Goods whose demand decreases with increase in income</td> </tr> <tr> <td>d)Inferior Goods</td> <td>iv)Goods whose demand increases with increase in income</td> </tr> </tbody> </table>	Column I	Column II	a) Substitute goods	i)Complete the demand for each other	b) Complementary goods	ii)Can be used in place of one another	c)Normal goods	iii)Goods whose demand decreases with increase in income	d)Inferior Goods	iv)Goods whose demand increases with increase in income	4														
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48	<p>Categorise the following changes as- Extension/Contraction/Increase/Decrease in Demand with reason.</p> <ol style="list-style-type: none"> a) When price of the commodity rises b) When there is sudden decrease in population due to floods c)When the commodity becomes a fashion d)When price of the commodity is expected to fall in future 	4																								
49	<p>What are the effects of the following events on the demand of coffee? Explain.</p> <ol style="list-style-type: none"> A) Fall in the price of tea b) Tea producers combine to pay for a large advertising campaign c)Coffee is shown to increase dehydration d)Increase in the income of consumers e) Research shows that drinking tea is bad for health F) Change in consumer's taste and preference in favour of tea 	6																								
50	<p>The elasticity of demand is great for high prices, and great or at least considerable, for medium prices; but it declines as the price falls; and gradually fades away if the fall goes so far that satiety level is reached. Water is one of the few things the consumption of which we are able to</p>	6																								

	<p>observe at all prices, from the very highest down to nothing at all. At moderate prices the demand for it is very elastic. But the uses to which it can be put are capable of being completely filled: and its price sinks towards zero the demand for it loses its elasticity. Nearly the same may be said of salt. Its price in England is so low that the demand for it as an article of food is very inelastic: but in India the price is comparatively high and the demand is comparatively elastic.</p> <p>- The Elasticity of Wants, Alfred Marshall Book III, Principles of Economics</p> <p>Answer the following questions on the basis of the paragraph.</p> <p>a) Higher the price level, higher should be the elasticity of demand. Comment.</p> <p>b) Why the demand of water is very inelastic?</p>	
51	<p>State with the reason whether the demand of the following goods have elastic or inelastic demand.</p> <p>a) Perfume b) I Phone c) Cigarettes d) Milk e)Text Book f)Medicine</p>	6
52	Differentiate between change in quantity demanded and change in demand.	6
53	<p>Explain with the help of diagrams, the effect of the following on demand for a good:</p> <p>(a) Rise in income of consumers. Fall in income of consumers.</p>	6
54	Consider the demand curve $D(p) = 10 - 3p$. What is the elasticity at price 5/3?	6
55	<p>Read the following case study and answer the given questions</p> <p>Salt has no close substitutes and moreover a household has to share a negligible part of his entire budget. Therefore, even in spite of an increase in price of salt, its demand will not be affected. However, demand for a particular brand of toothpaste is comparatively more elastic as there are many brands of tooth pastes available in the market, so the consumers can switch over to any other brand in case of hike in the price of a particular brand of tooth paste. A rise in the price of Petrol will cause a fall in the demand for Motor cycles. On the other hand, a rise in the price of coffee will result in rise in the demand for Tea.</p> <p>Choose the correct option</p> <p>1. The elasticity of demand of salt is _____</p> <p>a) Elastic b) Inelastic c) Perfectly elastic d) Unitary</p> <p>2. _____ makes demand for salt important</p> <p>a) Necessity b) Non-availability of substitute c) Both A and B d) None</p> <p>3. Why demand for tooth paste is elastic in nature?</p> <p>a) It is not a necessity of life b) It has a competitive market c) Consumer has preference for it d) All of the above</p> <p>4. Petrol and Motor cycles are _____</p> <p>a) Substitute goods b) Normal goods c) Complimentary goods d) Inferior goods.</p>	6

	<p>5. A rise in the price of Good “X” causes a rise in the price of Good “Y”. How are they related to each other?</p> <p>a) Substitute goods b) Normal goods c) Complimentary goods d) Inferior goods</p> <p>6. The goods which can be used in place of the other are</p> <p>a) Complimentary goods b) Giffen’s goods c) Complimentary goods Substitute goods</p>									
56	<p>Use diagram to explain the difference between</p> <p>1. Extension and Increase of demand curve 2. Contraction and decrease of demand curve</p>	6								
57	<p>Read the following hypothetical information and answer the questions 1 to 6 on the basis of the same</p> <table border="1" data-bbox="196 884 696 1157"> <thead> <tr> <th>PRICE (₹)</th> <th>QUANTITY DEMANDED(Units)</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>100</td> </tr> <tr> <td>10</td> <td>120</td> </tr> <tr> <td>10</td> <td>140</td> </tr> </tbody> </table> <p>1. On the basis of the data given above demand changes from 100 units to 120 units, this situation is called -----</p> <p>a. increase in demand b. decrease in demand c. extension of demand d. contraction of demand</p> <p>2.. On the basis of the data given above demand changes, what will be the shape of new demand curve</p> <p>a. Demand curve shifts to the right b. Demand curve shifts to the left c. There is downward movement along the demand curve d. There is upward movement along the demand curve</p> <p>3. On the basis of the information, what is the price elasticity of the demand?</p> <p>a. less than elastic b. perfectly inelastic c. Perfectly elastic d. Unitary elasticity</p> <p>4. Read the following statements carefully: Statement 1- Rightward shift of the demand curve is called extension of demand curve. Statement 2 –Downward movement along the same curve is increase in demand In the light of the given statements, choose the correct alternative from the following:</p>	PRICE (₹)	QUANTITY DEMANDED(Units)	10	100	10	120	10	140	6
PRICE (₹)	QUANTITY DEMANDED(Units)									
10	100									
10	120									
10	140									

<p>a) Statement 1 is true and statement 2 is false. b) Statement 1 is false and statement 2 is true. c) Both statements 1 and 2 are true. d) Both statements 1 and 2 are false</p> <p>5. On the basis of the data given, when demand changes from 100 units to 120 units, we assume that</p> <p>a. Own price of the commodity is constant b. Other determinants other than price are constant c. Other determinants including price are constant d. Own price is changing</p> <p>6. On the basis of the data given above if demand changes from 140 to 120, what will be the shape of new demand curve</p> <p>a. Demand curve shifts to the right b. Demand curve shifts to the left c. There is downward movement along the demand curve d. None</p>	
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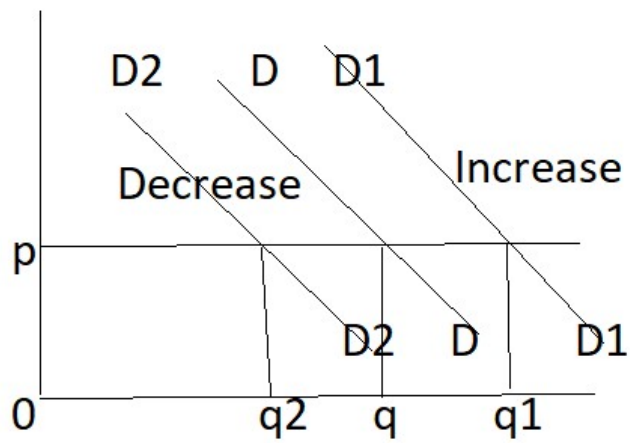
ANSWER

1	(C) other things remain constant
2	(A) direct
3	(B) horizontal
4	(A) negative slope
5	(A) giffin goods
6	(B) fall
7	(A) negative
8	(D) inelastic
9	(A) $\Delta q/q \times p/\Delta p$
10	(C) substitutes
11	a. complementary good b. substitute good c. complementary good substitute good
12	$E_d = 1$
13	c. Inferior good
14	The demand for good Y will decrease and for good Z demand will increase
15	On account of the subsidy provided on electricity bills, electricity will become relatively cheaper, therefore demand for air coolers will rise
16	b. Price falls and other factors remaining constant
17	a) Statement 1 is true and statement 2 is false

1 8	Zero price elasticity	
1 9	c. A (ii), B (i), C (iv), D (iii)	
2 0	b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).	
2 1	d) Pari wants to go to watch a famous movie. Ticket to another movie is available at cheaper rate, but she still buys the ticket of that famous movie.	
2 2	Less elastic- as it has become a necessity now.	
2 3	b) Substitute good	
2 4	c) Inferior goods	
2 5	C) Dominos, Pizza Hut	
2 6	Yes, it depends on the relationship between income and demand. Any example.	
2 7	Demand of cars will rise	
2 8	True. There is positive correlation between price and quantity demanded.	
2 9	True. Percentage change in quantity is more as compared to percentage change in price.	
3 0	Yes. Any example like soap/toothpaste etc.	
3 1	a) More elastic b) Unitary elastic c) Less Elastic	
3 2	Market Demand (Units)	
	115	
	90	
	65	
	40	
	20	
3 3	a) 1.25 b) More elastic c) Negative/Inverse	
3 4	1. price of a good 2. price of related goods 3. income of the consumer 4. expectations 5. taste and preferences Any three with explanation	
3 5	Classification of normal and inferior goods based on the income of the consumers. If income rises, a consumer prefers normal goods while if income falls. Consumers prefer inferior goods.	
3 6	There are 5 degrees of elasticity of demand. 1. $E_d = 0$. Demand curve is vertical, perfectly inelastic 2. $E_d = \infty$, demand curve is horizontal, perfectly elastic	

	1. Elasticity is less than unity, because due to increase in price, total expenditure also rises		
	2. Elasticity of demand is equal to unity, because due to increase in price, total expenditure does not change		
4 1	1. Substitute goods 2. fall 3. Nature of the commodity		
	4. Inverse		
4 2	1. Use of five-star rating appliances 2. L.E.D bulbs 3. Subsidy on purchase of Solar energy		
	Energy efficient electric appliances with thermostat		
4 3	1. Nature of commodity 2. Multiple uses 3. Postponed of use 4. Habit of consumers		
	Any other factors with explanation		
4 4	a. -3.1, -0.87, -0.80, -0.53 b. $\Delta p = 25 - 20 = 5$, $\Delta q = 60 - 100 = -40$ $Ed = (-)\Delta q/q \times p/\Delta p$ $= (-) -40/60 \times 25/5$ $= 3.3$		
4 5	1. Veblen goods 2. Positive 3. Leftward shift 4. Decreases		
4 6	Price (Rs.)	Quantity demanded by Isha (Units)	Quantity demanded by Nisha (Units)
	10	3	5
	9	7	8
	8	11	11
	7	16	14
	6	20	22
			Market Demand (Units)
			8
			15
			22
			30
			42
4 7	a-ii b-I c-iv d-iii		
4 8	a-Contraction b-Decrease c-Increase d-Decrease in demand (Answer is expected with reason)		
4 9	a-Decrease b-Decrease c- Decrease d-Increase e- Increase f- Decrease (Answer is expected with reason)		
5 0	a) Yes, at higher level of price elasticity is higher as the proportionate change in demand due to change in price will be greater as the commodity is expensive. Water is essential for living, it has high value (in use) so the change in price of water does not affect the demand of water much.		
5 1	a) Elastic-Not a necessity in general b) Inelastic for brand loyal people c) Inelastic for the people who are addicted d) Elastic- has multiple uses e) Inelastic-demand can't be postponed Inelastic-demand can't be postponed		

5 2	<p>Change in quantity demand</p> <p>1.it is also called movement along a demand curve.</p> <p>2. it has two aspects:</p> <p>A. extension of demand- caused decrease in own price when other determinants remain constant. There is downward movement along a demand curve.</p> <p>B. contraction of demand- caused increase in own price when other determinants remain constant. There is upward movement along a demand curve.</p> <p>With figure</p>	<p>Change in demand</p> <p>1.it is also called shift in demand.</p> <p>2.it has two aspects:</p> <p>A. increase in demand- forward shift in demand curve when price remains constant, other determinants are changeable.</p> <p>B. decrease in demand- backward shift in demand curve when price remains constant, other determinants are changeable.</p> <p>With figure</p>	
5 3	<p>a. If there is rise in income, demand for normal goods increases but demand for inferior goods decreases.</p> <p>If there is fall in income, demand for normal goods decreases but demand for inferior goods increases.</p>		
5 4	<p>$D(p) = 10 - 3p$ $= 10 - 3 \times 5/3$ $= 5$</p> <p>$\Delta dq / \Delta p = -3$ $E_d = (-) \Delta q / q \times p / \Delta p$ $= (-) -3 \times 5 / 3 / 5$ $= 1$</p>		
5 5	<p>1.Inelastic</p> <p>2.Necessity</p> <p>3.It has a competitive market</p> <p>4.Complimentary goods</p> <p>5.Substitute goods</p> <p>6.Substitute goods</p>		
5 6	<p>Expansion of demand: Rise in the quantity demanded due to fall in price, other factors remaining constant.it leads to a downward movement along the same curve.</p> <p>Increase in demand: Rise in the demand curve caused due to any other factors, price remaining constant</p> <div data-bbox="267 1375 820 1785" data-label="Figure"> </div> <p>contraction of demand: fall in the quantity demanded due to rise in price, other factors remaining constant.it leads to upward movement along the same curve.</p> <p>decrease in demand: fall in the demand curve caused due to any other factors, price remaining constant.</p>		



5
7

1. Increase in demand
2. Demand curve shifts to the right
3. Perfectly elastic
4. Both statements 1 and 2 are false
5. Own price of the commodity is constant
6. Demand curve shifts to the left