

CLASS XII
DEMAND ANALYSIS

I. Answer in one sentence each

- a. Define demand
- b. State law of demand.
- c. Demand for good X decreases as price of good Y increases then the two goods are:
A. Absolute necessities B. complementary good
C. inferior goods D. Substitute goods
- d. If a good is absolute necessity, then its price elasticity of demand is:
A. Zero B. Unitary C. Infinity D. Inelastic
- e. Draw a relatively inelastic demand.

II. Answer in around 60 words.

- a. State law of demand. Explain with a schedule and diagram.
- b. Consider two commodities Tea and Coffee. What could be the effect on demand for Tea if price of coffee falls. Explain with reason and suitable diagram.
- c. Government declares a compulsory festival bonus of Rs.10000/- to all workers working in the country. Explain the likely impact on the demand for refrigerators in the country?
- d. Distinguish between normal good and inferior good. Use examples.
- e. Distinguish between complementary good and substitute good with examples.
- f. Law of demand holds good only under certain conditions. What are these?

III. Answer in around 75 words.

- a. What does change in demand mean? Explain using diagram.
- b. What does change in quantity demanded mean? Explain using diagram.
- c. Define market demand curve. Explain with the help of a diagram.
- d. Why does demand curve slope down ward? Explain the reasons behind this.
- e. How is price elasticity of demand measured on a linear demand curve? Explain with the help of a diagram.

IV. Answer in around 100 words.

- a. Define price elasticity of demand. State the meaning of five cases of price elasticity of demand with suitable diagram.

- b. What are the important factors that influence price elasticity of demand for a good? Explain each
- c. How is expenditure on a good by the consumer and price elasticity of its demand related When price of the good changes? Explain.
- d. Explain the impact of demand for a good when:
 - i. Income of the consumer changes
 - ii. Price of related good changes
 - iii. Taste and preference of the consumer changes.