<u>Economic Applications : Class 10</u>

Chapter :1
DEMAND:LAW OF DEMAND AND DETERMINANTS OF DEMAND
Short Answer Type Questions (2 Marks)
Kindly write all the questions _answers in the note copy:

Q. 1. Define the term demand.
Ans:Demand for a commodity refers to the amount of the commodity which consumers are willing to purchase at different prices during a given period of time.

Q. 2.What is meant by Economic Goods?
Ans:All those goods which have price because they are useful as well as scace (less) in their availability.

Q. 3: what are inferior?
Ans: All those goods whose price is less and have low value in the the eyes of consumers. They are cheap goods.The demand for inferior goods tends to fall with an increase in the income of the consumers.

Q. 4: what do you mean by substitute goods? Give two examples.
Ans: Substitute goods are those goods which satisfy the same type of demand and can be used in place of one another. Two examples are :1.Pepsi and Coca Cola.2.Tea & coffee

Q. 5:**What do you mean by complementary goods? Give two examples.**
Ans: complementary goods are those goods which are complementary to each other in the sense that they are used together or jointly. Two examples are :1.Car and petrol 2.Pen & ink

Q. 5 If price of X increases, the demand for Y too increases. What is the relationship between goods X and Y? Give an example.
Ans: if price of X increases the demand for Y too increases, then the relationship between goods X and Y is that they are substitute goods.For example: coffee and tea.

Q.6: Distinguish between individual demand and market demand.
Ans: individual demand for a commodity is, the amount that a single consumer is willing to purchase at a given price during a given period of time.
Market Demand refers to the total quantity of a commodity that all the households (consumers) are prepared to buy at a given price during a specified period of time.

Q. 7:Differentiate between joint demand and composite demand.
Ans:Joint Demand - It refers to the demand for two goods or more goods which are used together or consumed together.
Composite Demand - The demand for a commodity that has more than one use is called composite demand.

Q. 8: What are complementary goods? Examine their impact on demand.

Ans:Complementary goods are those goods which are used together such as car and petrol. Change in price of a product brings change in demand for its complements in the opposite direction. For example, an increase in the price of petrol will cause decrease in the demand for petrol and also will lead to a decrease in demand for cars.

Q. 9: If the quantity demanded of a commodity X decreases as the household's income increases, what type of goods is X? give example.
Ans:**If** the quantity demanded of a commodity X decreases as the household's income increases, the good x is inferior goods. For example, jowar and bajra.

Q. 10: Explain ceteris paribus assumptions of the law of demand.
Ans: The law of demand assumes that other things remaining equal or unchanged that is the assumptions of ceteris paribus order. Demand for a commodity depends not only on its own price but also on many other factors such as consumers income, price of the related goods, consumer's tastes and preference, etc. These are the factors that affect the demand for the products are assumed to be constant or unchanged. Thus the law of demand is based on the assumptions. There should be no changes in these factors which affect demand.

Q. 11:What is meant by demand schedule?
Ans:1.4.3(pg11)
A demand schedule is a **numerical table** that shows different quantities of a commodity that would be demanded at different prices during a given period of time when all other factors affecting demand are held constant.

Q. 12: demand is inversely related to price. explain.
Ans:1.4.5(pg 16)
DEMAND demand is inversely related to price. It follows the law of demand. The law of demand states that as the price of any commodity increases, the demand for that commodity falls and as the price of any commodity falls, demand for that commodity increases. There is inverse(opposite) relationship between price and quantity demanded of a commodity. It indicates that as the price of a commodity falls, a large amount of the commodity is purchased and as the price of a commodity rises, less amount of the commodity is purchased.

Q. 13: Explain any one exceptions to the **law of demand.**
Ans:1.4.6(pg19)
Emergencies : Law of demand may not hold good during emergencies like war, famines, etc. A sucht times, consumers behave in an abnormal way. During the period of war they would buy and hoard goods even at high prices because they fear that the goods may not be available latter. On the other hand, during depression they will buy less even at low prices.

Q. 14: explain briefly income effect of a fall/rise in the price of a commodity on its demand.
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Ans:1.4.5(point 2,pg 16)

Income Effects : When the price of a commodity falls, assuming the money income and other prices remain the same, the ability to purchase goods in general goes up. The consumer will feel richer. He or she can afford to buy a larger amount of the commodity with his or her given money income. Or, he / she can buy the same amount of the commodity as before and at the same time he / she would be able to save some money. In other words, a fall in the price of a commodity increases the real income, that is the purchasing power of the given money income increases. A part of increased real income may be used to buy more of this commodity the price of which has fallen. Likewise, with the rise in the price of a commodity, the real income of the consumer falls and he/she is likely to buy less of this commodity.

Q. 15: Differentiate between Giffen goods and inferior goods.

Ans:1.3.1 and 1.4.6(pg 19,6)
Giffen Goods :Giffen Goods are those goods on which the consumers spend a large proportion of their income. (we can call the staple food items) **A fall in the price of such goods may not increase its demand because consumers start diverting their extra purchasing power to buy superior commodities. (**Sir Robert Giffen was a British Economist, who pointed out that the **law of demand** did not apply in the case of English workers. A raise in the price of bread, rather raised the amount of its demand instead of reducing the demand for bread.) It is one of the exceptions of the **law of demand.**

Inferior Goods :These are the cheap goods in the eyes of the consumers. The prices of these goods are less in the market. Coarse cereals like jowar/bajra etc are the examples of inferior goods in India. When the income of the consumers increases, demand for these goods falls.

Q. 16. What is meant by extension/ expansion in demand /increased in quantity demanded?
Ans: Extension /expansion /increase in quantity demanded refers to a situation where more quantity is demanded at the lower price.It follows the law of demand .As the price of the commodity falls, demand for that commodity increases.

Q. 17: what is meant by contraction in demand/decrease in quantity demanded?
Ans:**when demand falls due to rise in price, it is called contraction in demand. When price for any commodity rises, demand for that commodity falls.**

Q. 18. What is increase in demand?
Ans: increase in demand is a situation when there is more demand at the same price of the commodity. It is not due to change in its price but due to change in the factors of the demand which affects the demand. For examples - increase in consumer's income, rise in the price of a substitute commodity, fall in the price of a complementary good and increase in the number of the consumers in the market.

Q. 19. What do you understand by decrease in demand?

Ans: when small quantity is purchased at each possible price, it is called decrease in demand. It is caused by the factors and not by the price of the product. for examples- fall in consumers income' fall in the price of substitute goods, rise in the price of the complementary goods, decrease in the number of consumers in the market.(it is opposite of increase in demand).

NOTE:INCREASE IN DEMAND AND DECREASE IN DEMAND TAKES PLACE DUE TO CHANGES IN FACTORS. PRICE HAS NO ROLE IN IT.

Q. 20: what is demand curve?

Ans: the picturisation / the graphical representation of demand schedule is called the demand curve. It is the curve showing different quantities demanded at various alternative prices during a given period of time. In other words, the curb which shows the relationship between the price of a commodity and the amount of that commodity the consumer wishes to purchase is called demand curve.

Q. 21: Explain briefly income effect of a fall/rise in the price of a commodity on its demand.

ANS:1.4.5,point 2,pg.16

Change in demand on account of change in real income resulting from change in the price of a commodity is known as the income effect. When the price of a commodity falls, asuming the money income and other prices remaining the same, the ability to purchase goods in general rises. (Now the consumer will feel richer). He/she can afford to buy a large amount of the commodity with his / her given income.

In other words, a fall in the price of a commodity increases the real income that is, the purchasing power of the given money income increases. A part of increased real income may be used to buy more of this commodity, the price of which has fallen. Likewise, with rise in the price of a commodity the real income of the consumer falls and he / she is likely to buy less of this commodity.

Q. 22 : What is meant by downward movement and upward movement along the same demand curve?

ANS:(1. 5.1,pg.21_22,fig.1.4)

DOWNWAD MOVEMENT :**A downward** movement along a demand curve takes place when there is an expansion of demand or increase in quantity demanded due to fall in price. It indicates that when price is less, more quantity of a commodity is DEMANDED. (**LAW OF DEMAND**)

UPWARD **MOVEMENT :When the price of any commodity rises /increases, demand for that commodity falls. It is shown in the diagram by an upward movement along a demand curve. (LAw Of Demand)**

Q. 23: What do you understand by Shift in demand curve?When would a demand curve shift:-(a)Rightward (b) Leftward?

ANS:(1. 5.2,Pg.23-25,fig.1.5)

When the demand curve shits to Rightward and Leftward due to increase and decrease in demand (price remaining constant) because of changes in its factors which affect demand. It is called Shift in demand curve.

(a) RIGHTWARD SHIFT IN DEMAND CURVE : when the demand increases due to changes in factors (price remaining constant) and the demand curve shifting to its right, it is called rightward Shift in demand curve.

(b) LEFTWARD SHIFT IN DEMAND CURVE : when the demand decreases due to changes in its factors (price remaining constant) and the demand curve shifting to its left, it is called leftward Shift in demand curve.

Q. 24: state any two reasons for shift of the demand curve towards the left.

ANS:1.5.2(pg.25)

Reasons for shift of the demand curve towards left. (choose any two reasons)

1: Decrease in income
2: Fall in the price of substitute goods
3: Rise in the price of complementary goods
4: Unfavourable changes in tastes and preferences of the consumers
5: Expectation of fall in the future price
6: Decrease in population

Q. 25: state the reasons behind rightwards shift in the demand curve

ANS:1.2.5(pg.25)

1: Increase in income
2: Rise in the price of substitute goods
3: Fall in the price of complementary goods
4: Favourable changes in tastes and preferences of the consumers 5:Expectation of rise in the future price
6: Increase in population

NOTE: If the question is for short answer and it is given - (state, list, give) then, no explanation is required. Write only the points according to instructions.