DON BOSCO SCHOOL, KOKAR, RANCHI

Class 10
Economic Applications
Chapter :1 (**Continue)**
DEMAND: LAW OF DEMAND AND DETERMINANTS OF DEMAND

Continuation of chapter - 1:**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 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 exception 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 such 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 later. 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.
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 picturization / 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.

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