

# DON BOSCO SCHOOL, KOKAR, RANCHI

Session-2020 - 2021

## Class 10

### Subject- Economics Applications

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#### CHAPTER 1:DEMAND CONTINUATION

#### VERY SHORT QUESTIONS AND ANSWERS

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, assuming 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)

**DOWNWARD 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 shifts 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.