KERALA PUBLIC SCHOOLS

HOME ASSIGNMENT (1st to 15th May 2020)

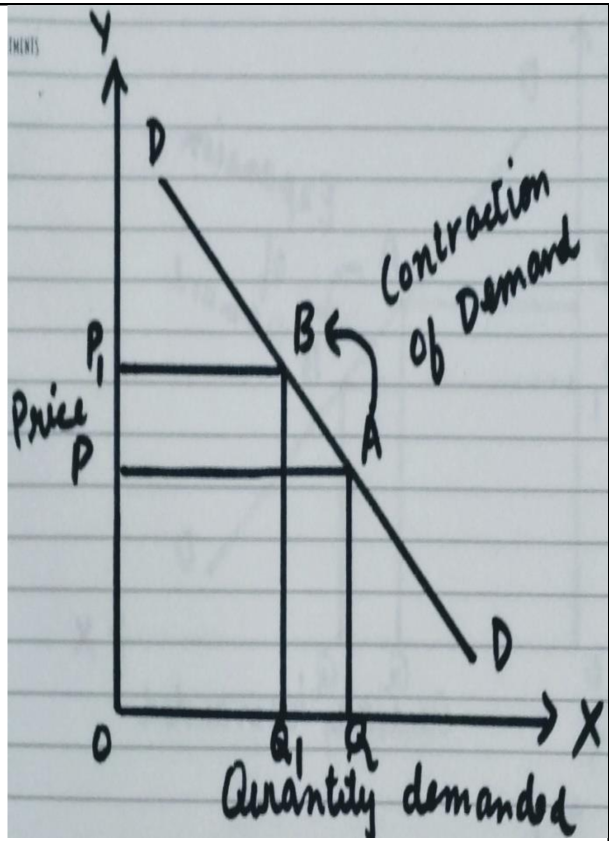
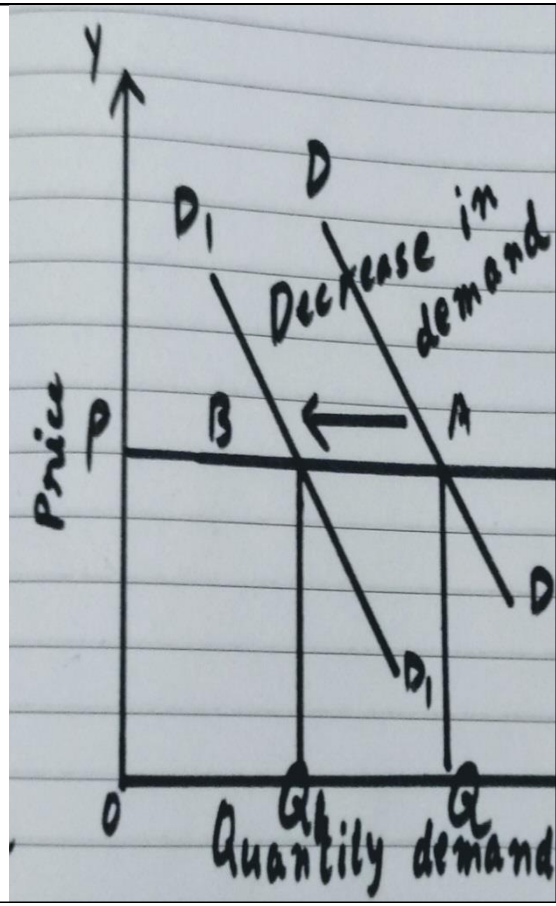
CLASS	SUBJECT	CHAPTER / TOPIC	MODULE / ASSIGNMENT
X	**ECO APPL**	**Ch - 1: Law of Demand (Question Bank)**	**Very Short answer type questions** Q1) Define: a) Demand b) Individual Demand c) Market Demand Q2) Define Giffen goods. Q3) Why does the demand curve slopes downward? Explain (2 points) (Hint: refer to reasons for downward slope of demand curve topic) Q4) What are normal goods? Q5) Define: a) Substitute goods b) Complementary goods Q6) Explain with example, what kind of a commodity will have an inverse relationship between income and demand. Q7) If the demand for good Y increases as the price of another good X rises, how are the two goods related? Q8) If the demand for goof Y decreases as the price of another good X rises, how are the two goods related? Q9) Explain how the following phenomena are exceptions to the law of demand i) Expectations regarding future price, ii) Conspicuous consumption by a consumer. Q10) What do you understand by Movement along the same demand curve? Q11) What is meant by Shift in the demand curve? Q12) Explain briefly two exceptions to the law of demand. Q13) Give two reasons for increase in demand for a commodity. Q14) Give two reasons for decrease in demand for a commodity.

			Long Answer Questions Q1) Define demand. Explain four factors determining the demand for a commodity. Q2) State the Law of Demand with four assumptions and explain it with the help of an individual schedule and diagram. Q3) Discuss four exceptions to the Law of Demand. Q4) Differentiate between extension of demand and increase in demand using diagrams. Q5) Distinguish between contraction of demand and decrease in demand and show it diagrammatically.
		Sample Answers as per ICSE pattern	**Very Short answer type** Q1) Define Giffen goods. Answer 1) Giffen goods are the inferior goods on which consumers spends a large part of his income and the demand falls with fall in the price of the commodity. For example: Maize and Jowar are inferior goods. Q2) If the demand for good Y increases as the price of another good X rises, how are the two goods related? Answer 2) Good X and Good Y are substitute goods. Substitute goods are the goods which satisfy the same type of need and hence can be used in place of one another to satisfy a given want. For example – Tea and coffee, Coke and Pepsi. There is a direct relationship between demand for tea and price of substitute good coffee. Q3) If the demand for good Y decreases as the price of another good X rises, how are the two goods related? Answer 3) Good X and Good Y are Complementary goods. Complementary goods are the goods which are used jointly or consumed together to satisfy a given want. For example – Car and petrol, Ink and pen. There is an inverse relationship between the demand for car and the price of petrol. Q4) Explain how the following phenomena are exceptions to the law of demand i) Expectations regarding future price, ii) Conspicuous consumption by a consumer. Answer 4) The following are the exceptions to the Law of Demand: i) **Expectations regarding future prices**: If the prices are high today and the price will rise more in the future, people will buy more even at existing high price today and store up the goods.

			If the prices are low today, but it is expected to fall in future, people will buy less quantity even at lower prices today. ii) **Conspicuous consumption by a consumer or Articles of Snob Appeal**: The Law of demand does not apply to the commodities which serve as 'status symbol'. Veblen termed these goods as articles of Conspicuous Consumption. Diamond is an example of such goods. Rich women will demand more of diamond when the price of diamond increases because the prestige value of diamond goes up.
			Long Answer Questions (6 marks questions) Q1) Define demand. Explain four factors determining the demand for a commodity. Answer 1) Demand for a commodity refers to the amount of a commodity which consumers are willing to buy and able to buy at a particular price during particular time period. The factors that determine the demand for a commodity are: **i) Price of the Commodity**: There is an inverse relationship between price of the commodity and quantity demanded. When the price of the commodity increases, the quantity demanded will decrease and when the price decreases, the quantity demanded will increase. **ii) Consumers' Tastes and Preferences:** Taste and Preferences of consumers depend upon social customs, habits of the people, fashion, etc. These factors keep on changing resulting in changes of consumers' taste and preferences. For example: The physical fitness craze in India leads to increase in demand for gyms. **iii) Prices of Related Goods**: Related goods can be classified into two categories: a) Substitute goods b) Complementary goods a) **Substitute goods**: Those goods which satisfy the same type of need and hence can be used in place of one another to satisfy a given want are called substitute goods. For example – Tea and coffee, Coke and Pepsi There is a direct relationship between demand for tea and price of substitute good coffee. When the price of coffee rises, consumers shift from coffee to tea and therefore the demand for tea increases. b) **Complementary goods**: Complementary goods are the goods which are used jointly or consumed together to satisfy a given want. For example – Car and petrol, Ink and pen. There is an inverse relationship between the demand for car and the price of petrol. When the price of petrol increases, the demand for petrol decreases and along with it demand for cars will also decrease. **iv) Consumer – Credit facilities:** If consumers are able to get easy credit facilities, loans for buying commodities, the demand for commodities will be more. For example: Home Loans are now easily available and this has increased the demand for houses in India.

			Q2) Distinguish between contraction of demand and decrease in demand and show it diagrammatically.

Contraction of Demand	**Decrease in Demand**
i) When the quantity demanded of a commodity decreases due to rise in the own price of the commodity, it is called Contraction of Demand.	i) When the quantity demanded decreases due to change in other factors affecting demand, it is called Decrease in Demand.
ii) It occurs due to rise in own price of the commodity.	ii) Decrease in demand occurs due to change in other factors affecting demand.
iii) Contraction of Demand involves upward movement along the same demand curve.	iii) Decrease in demand results in leftward shift of the entire demand curve.

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