Demand - R & U - Very Short - Info & Con

Q.1. Give the meaning of demand.

Ans. Demand refers to the desire to buy a commodity backed by willingness and ability to purchase that commodity, at a given point of time and at a given price.

Q.2. What is a demand schedule?

Ans. Demand schedule is a table which shows the relationship between price and quantity demanded of a commodity.

Q.3. What is demand curve?

Ans. Demand curve is a graphic presentation of the inverse relationship between price and quantity demanded of a commodity.

Q.4. Define market demand.

Ans. Market demand is a table showing different quantities of a commodity that all the buyers in the market are ready to buy at different possible prices of the commodity at a point of time.

Q.5. Name three determinants of demand for a commodity other than its price.

Ans. (i) Income of the consumer,

(ii) Price of related goods,

(iii) Tastes and preferences of the consumer.

Q.6. How is the market demand curve derived from individual demand curves?

Ans. Market demand curve is derived as a horizontal summation of individual demand curves.

Q.7. State the law of demand.

Ans. Law of demand states that, other things remaining constant, more of a commodity is purchased in response to decrease in its price.

Q.8. What is cross price effect?

Ans. Cross price effect refers to change in demand for one commodity owing to change in price of the other commodity.

Q.9. Define normal goods.

Ans. Normal goods are those goods in case of which there is a positive relationship between consumer's income and quantity demanded. Implying that income effect is positive.

Q.10. Define inferior goods.

Ans. Inferior goods are those goods in case of which there is a negative relationship between consumer's income and quantity demanded. Implying that income effect is negative.

Q.11. What are giffen goods?

Ans. Giffen goods are those inferior goods in the case of which there is a positive relationship between price and quantity demanded.

Q.12. Give two examples of normal goods and two examples of inferior goods

Ans. Normal goods → Rice, Wheat.

Inferior goods → Coarse cloth, Coarse grain.

Q.13. Define substitute goods.

Ans. Substitute goods are those goods which can be substituted for each other.

Q.14. Define complementary goods.

Ans. Complementary goods are those goods which complete the demand for each other.

Q.15. What does the movement on the same demand curve show?

Ans. Movement on the same demand curve shows extension or contraction of demand.

Q.16. What does a shift of a demand curve show?

Ans. Shift of a demand curve shows increase or decrease in demand: more or less of the commodity is demanded even when own price of the commodity is constant.

Q.17. If the price of Good-X rises and it leads to an increase in demand for Good-Y, how are the two goods related?

Ans. X and Y are substitute goods.

Q.18. If the price of Good-X rises and this leads to decrease in demand for Good-Y, how are the two goods related?

Ans. X and Y are complementary goods.

Q.19. When demand for a commodity falls due to rise in own price of the commodity alone, what is change in demand called?

Ans. It is called contraction of demand.

Q.20. A rise in the income of the consumer leads to a rise in demand for the Good-X by the consumer. What is Good-X called?

Ans. Good-X is a normal good.