

Demand - R & U - Reason-Based Questions

Q.1. Increase in the price of bread will also increase the demand for butter.

Ans. False. Increase in the price of bread will not increase the demand for butter because bread and butter are complementary goods. Increase in the price of bread will lead to decrease in demand for bread, and will also decrease the demand for butter. Demand curve for butter will shift to the left.

Q.2. When a rise in the income of the consumer leads to a fall in demand for Good-X, Good-X must be an inferior good.

Ans. True. Because, an inferior good is that good the consumption of which decreases with increase in income of the consumer, so that there is a negative relationship between consumer's income and demand for the good. Therefore, rise in the income of the consumer leads to fall in demand for the Good-X, causing a backward shift in demand curve for Good-X.

Q.3. In case of inferior goods, law of demand fails only when negative income effect is lower than the substitution effect.

Ans. False. In case of inferior goods, it is only when substitution effect is lower than the negative income effect that the law of demand fails. Such inferior goods are called Giffen goods.

Q.4. Slope of demand curve for normal goods is upward sloping.

Ans. False. Slope of demand curve for normal goods is downward sloping from left to right, indicating inverse relationship between price and quantity demanded of a commodity.