

THEORY OF DEMAND AND ITS ELASTICITY

TEST PAPER SET-1

FM:

1. Define demand. Explain any three types of price elasticity of demand with the help of a diagram. [4]
2. Draw graphs to depict the following: [2]
 - A) A movement on the demand curve, where both price and quantity change.
3. Differentiate between derived demand and composite demand using suitable example. [2]
4. If the quantity demanded of commodity X decreases as the householder's income increases, what type of commodity X is? Give an example. [2]
5. Explain four circumstances under which the law of demand does not operate. [4]
6. The price of a commodity falls from Rs. 15 to Rs. 10. As a result demand rises from 100units to 150units. Use the expenditure method to find the price elasticity of demand. [3]
7. What is the significance of the concept of elasticity of demand to businessmen? [2]
8. With the help of a suitable diagram explain the measurement of elasticity of demand on a nonlinear demand curve. [3]
9. The nature of a commodity determines its price elasticity of demand. Explain. [3]
10. A) Define price elasticity of demand. Given the percentage formula of price elasticity of demand. [2]
 - B) As a result of 5% fall in the price of a good, its demand rises by 12%. Find the price elasticity of demand. [2]
 - C) What type of good is this? Give reasons. [1]
 - D) Give two examples of such a good. [1]