

## THEORY OF DEMAND AND ITS ELASTICITY

### TEST PAPER SET-1

FM:

1. In a straight line demand curve touching the two axes, Show the different degrees of elasticity of demand. [2]
2. The Price of a commodity falls from rupees 50 to rupees 30, resulting in an increase in the purchase of the commodity from 200units to 220units. Calculate the price elasticity of demand. [2]
3. State the law of demand with two assumptions. Briefly discuss two exceptions to the law of demand. [4]
4. With the help of diagrams, Show the shift and movement on the demand curves. [3]
5. How does an increase in income, affect the quantity demanded of an inferior commodity?[2]
6. Discuss four causes for the inverse relationship between price and quantity demanded of a commodity. How are Giffen goods an exception? [5]
7. What would be the elasticity of demand of a commodity when : [2]
  - Price and total expenditure move in the same direction
  - Price and total expenditure move in the opposite direction
8. Discuss four determinants of elasticity of demand. [4]
9. Draw demand curve showing : [2]
  - $E_d=0$
  - $E_d=\infty$
10. If demand increases by 50% due to an increase in income by 75%. Calculate the income elasticity of demand. [2]