

Theory of Demand

- 1) Demand for a commodity refers to:
 - a. desire backed by ability to pay for the commodity.
 - b. need for the commodity and willingness to pay for it
 - c. the quantity demanded of that commodity at ascertain price.
 - d. **the quantity of the commodity demanded at a certain price during any particular period of time.**
- 2) Contraction of demand is the result of:
 - a. decrease in the number of consumers.
 - b. **increase in the price of the good concerned.**
 - c. increase in the prices of other goods.
 - d. decrease in the income of purchasers
- 3) All but one of the following are assumed to remain the same while drawing an individual's demand curve for a commodity. Which one is it?
 - a. The preference of the individual.
 - b. His monetary income.
 - c. **Price of the commodity**
 - d. Price of related goods.
- 4) In the case of a straight line demand curve meeting the two axes, the price-elasticity of demand at the mid-point of the line would be:
 - a. 0
 - b. **1**
 - c. 1.5
 - d. 2
- 5) The Law of Demand, assuming other things to remain constant, establishes the relationship between:
 - a. income of the consumer and the quantity of a good demanded by him.
 - b. **price of a good and the quantity demanded**
 - c. price of a good and the demand for its substitute.
 - d. quantity demanded of a good and the relative prices of its complementary goods.
- 6) Identify the factor which generally keeps the price-elasticity of demand for a good low:
 - a. Variety of uses for that good
 - b. **Very low price of a commodity**
 - c. Close substitutes for that good.
 - d. High proportion of the consumer's income spent on it

- 7) Identify the coefficient of price-elasticity of demand when the percentage increase in the quantity of a good demanded is smaller than the percentage fall in its price:
- a. Equal to one
 - b. Greater than one
 - c. Less than one**
 - d. Zero.
- 8) In the case of an inferior good, the income elasticity of demand is:
- a. Positive
 - b. Zero
 - c. Negative**
 - d. Infinite
- 9) If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to:
- a. Remain the same.
 - b. Increase**
 - c. Decrease
 - d. Any of these.
- 10) If regardless of changes in its price, the quantity demanded of a good remains unchanged, then the demand curve for the good will be:
- a. Horizontal
 - b. Vertical**
 - c. positively sloped.
 - d. negatively sloped.
- 11) Suppose the price of Pepsi increases, we will expect the demand curve of Coca Cola to:
- a. Shift towards left since these are substitute
 - b. Shift towards right since these are substitutes**
 - c. Remain at the same level
 - d. None of the above
- 12) All of the following are determinants of demand except:
- a. Tastes and preferences
 - b. Quantity supplied.**
 - c. Income of the consumer
 - d. Price of related goods.
- 13) A movement along the demand curve for soft drinks is best described as:
- a. An increase in demand.
 - b. A decrease in demand
 - c. A change in quantity demanded.**
 - d. A change in demand.

- 14) If the price of Pepsi decreases relative to the price of Coke and 7-UP, the demand for:
- a. Coke will decrease
 - b. 7-Up will decrease.
 - c. Coke and 7-UP will increase.
 - d. Coke and 7-Up will decrease**
- 15) If a good is a luxury, its income elasticity of demand is
- a. Positive and less than 1.
 - b. Negative but greater than -1.
 - c. Positive and greater than 1.**
 - d. Zero
- 16) The price of hot dogs increases by 22% and the quantity of hot dogs demanded falls by 25%. This indicates that demand for hot dogs is:
- a. Elastic**
 - b. Inelastic
 - c. Unitarily elastic
 - d. Perfectly elastic
- 17) If the quantity demanded of mutton increases by 5% when the price of chicken increases by 20%, the cross-price elasticity of demand between mutton and chicken is
- a. -0.25
 - b. 0.25**
 - c. -4
 - d. 4
- 18) Given the following four possibilities, which one results in an increase in total consumer expenditure?
- a. Demand is unitary elastic and price falls.
 - b. Demand is elastic and price rises.
 - c. Demand is inelastic and price falls.
 - d. Demand is inelastic and prices rises**
- 19) Which of the following is an incorrect statement?
- a. When goods are substitutes, a fall in the price of one (ceteris paribus) leads to a fall in the quantity demanded of its substitutes.
 - b. When commodities are complements, a fall in the price of one (other things being equal) will cause the demand of the other to rise
 - c. As the income of the consumer increases, the demand for the commodity increases always and vice versa.**
 - d. When a commodity becomes fashionable people prefer to buy it and therefore its demand increases

- 20) Suppose the price of movies seen at a theatre rises from Rs 120 per person to Rs 200 per person. The theatre manager observes that the rise in price causes attendance at a given movie to fall from 300 persons to 200 persons. What is the price elasticity of demand for movies? (Use Arc Elasticity Method)
- a. 0.5
 - b. 0.8**
 - c. 1.0
 - d. 1.2
- 21) When the numerical value of cross elasticity between two goods is very high, it means
- a. The goods are perfect complements and therefore have to be used together
 - b. The goods are perfect substitutes and can be used with ease in place of one another
 - c. There is a high degree of substitutability between the two goods**
 - d. The goods are neutral and therefore cannot be considered as substitutes
- 22) If electricity demand is inelastic, and electricity charges increase, which of the following is likely to occur?
- a. Quantity demanded will fall by a relatively large amount.
 - b. Quantity demanded will fall by a relatively small amount**
 - c. Quantity demanded will rise in the short run, but fall in the long run
 - d. Quantity demanded will fall in the short run, but rise in the long run
- 23) Suppose the demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:
- a. Large fall in quantity demanded**
 - b. Large fall in demand
 - c. Small fall in quantity demanded.
 - d. Small fall in demand.
- 24) Point elasticity is useful for which of the following situations?
- a. The bookstore is considering doubling the price of notebooks.
 - b. A restaurant is considering lowering the price of its most expensive dishes by 50 percent.
 - c. An auto producer is interested in determining the response of consumers to the price of cars being lowered by Rs 100.**
 - d. None of the above.
- 25) A decrease in price will result in an increase in total revenue if
- a. The percentage change in quantity demanded is less than the percentage change in price.
 - b. The percentage change in quantity demanded is greater than the percentage change in price.**
 - c. Demand is inelastic.
 - d. The consumer is operating along a linear demand curve at a point at which the price is very low and the quantity demanded is very high.

26) An increase in price will result in an increase in total revenue if:

- a. **The percentage change in quantity demanded is less than the percentage change in price.**
- b. The percentage change in quantity demanded is greater than the percentage change in price.
- c. Demand is elastic
- d. The consumer is operating along a linear demand curve at a point at which the price is very high and the quantity demanded is very low

27) Demand for a good will tend to be more elastic if it exhibits which of the following characteristics?

- a. It represents a small part of the consumer's income.
- b. **The good has many substitutes available.**
- c. It is a necessity (as opposed to a luxury).
- d. There is little time for the consumer to adjust to the price change.

28) Demand for a good will tend to be more inelastic if it exhibits which of the following characteristics?

- a. The good has many substitutes
- b. The good is a luxury (as opposed to a necessity).
- c. **The good is a small part of the consumer's income.**
- d. There is a great deal of time for the consumer to adjust to the change in prices

29) What will happen in the rice market if buyers are expecting higher rice prices in the near future?

- a. **The demand for rice will increase and the demand curve will shift to the right**
- b. The demand for rice will decrease and the demand curve will shift to the left
- c. The demand for rice will be unaffected as it is a necessity
- d. The demand for wheat will increase and the demand curve will shift to the right

30) In the case of a Giffen good, the demand curve will usually be

- a. Horizontal
- b. Downward-sloping to the right.
- c. Vertical
- d. **Upward-sloping to the right**

31) For a normal good with a downward sloping demand curve

- a. The price elasticity of demand is negative; the income elasticity of demand is negative.
- b. The price elasticity of demand is positive; the income elasticity of demand is negative.
- c. The price elasticity of demand is positive; the income elasticity of demand is positive.
- d. **The price elasticity of demand is negative; the income elasticity of demand is positive.**

32) Conspicuous goods are also known as

- a. Prestige goods
- b. Snob goods
- c. Veblen goods
- d. **All of the above**

33) The quantity purchased remains constant irrespective of the change in income. This is known as

- a. negative income elasticity of demand
- b. income elasticity of demand less than one
- c. **zero income elasticity of demand**
- d. income elasticity of demand is greater than one

34) As income increases, the consumer will go in for superior goods and consequently the demand for inferior goods will fall. This means inferior goods have

- a. income elasticity of demand less than one
- b. **negative income elasticity of demand**
- c. zero income elasticity of demand
- d. unitary income elasticity of demand

35) When income increases the money spent on necessities of life may not increase in the same proportion, This means

- a. income elasticity of demand is zero
- b. income elasticity of demand is one
- c. income elasticity of demand is greater than one
- d. **income elasticity of demand is less than one**

36) The luxury goods like jewellery and fancy articles will have

- a. low income elasticity of demand
- b. **high income elasticity of demand**
- c. zero income elasticity of demand
- d. none of the above

37) A good which cannot be consumed more than once is known as

- a. Durable good
- b. **Non-durable good**
- c. Producer good
- d. None of the above

38) A relative price is

- a. price expressed in terms of money
- b. what you get paid for babysitting your cousin
- c. **the ratio of one money price to another**
- d. equal to a money price

39) Demand is the

- a. the desire for a commodity given its price and those of related commodities
- b. the entire relationship between the quantity demanded and the price of a good other things remaining the same**
- c. willingness to pay for a good if income is larger enough
- d. ability to pay for a good

40) Suppose potatoes have $(-).0.4$ as income elasticity. We can say from the data given that:

- a. Potatoes are superior goods
- b. Potatoes are necessities
- c. Potatoes are inferior goods.**
- d. There is a need to increase the income of consumers so that they can purchase potatoes.

41) The price of tomatoes increases and people buy tomato puree. You infer that tomato puree and tomatoes are

- a. Normal goods
- b. Complements
- c. Substitutes**
- d. Inferior goods

42) Chicken and fish are substitutes. If the price of chicken increases, the demand for fish will

- a. Increase or decrease but the demand curve for chicken will not change
- b. Increase and the demand curve for fish will shift rightwards**
- c. Not change but there will be a movement along the demand curve for fish.
- d. Decrease and the demand curve for fish will shift leftwards.

43) Potato chips and popcorn are substitutes. A rise in the price of potato chips will _____ the demand for popcorn and the quantity of popcorn sold will _____

- a. increase; increase**
- b. increase; decrease
- c. decrease; decrease
- d. decrease; increase

44) If the price of orange Juice increases, the demand for apple Juice will _____.

- a. increase because they are substitutes**
- b. decrease because they are substitutes
- c. remain the same because real income is increased
- d. decrease as real income decreases

45) An increase in the demand for computers, other things remaining same, will:

- a. Increase the number of computers bought.
- b. Decrease the price but increase the number of computers bought.
- c. Increase the price of computers.
- d. Increase the price and number of computers bought.**

- 46) When total demand for a commodity whose price has fallen increases, it is due to:
- Income effect.
 - Substitution effect
 - Complementary effect
 - d. Price effect**
- 47) With a fall in the price of a commodity:
- a. Consumer's real income increases**
 - Consumer's real income decreases
 - There is no change in the real income of the consumer
 - None of the above
- 48) With an increase in the price of diamond, the quantity demanded also increases. This is because it is a:
- Substitute good
 - Complementary good
 - c. Conspicuous good**
 - None of the above
- 49) An example of goods that exhibit direct price-demand relationship is
- a. Giffen goods**
 - Complementary goods
 - Substitute goods
 - None of the above
- 50) In Economics, when demand for a commodity increases with a fall in its price it is known as:
- Contraction of demand
 - b. Expansion of demand**
 - No change in demand
 - None of the above
- 51) A decrease in the demand for cameras, other things remaining the same will
- Increase the number of cameras bought
 - Decrease the price but increase the number of cameras bought
 - Decrease in quantity of camera demanded
 - d. Decrease the price and decrease in the number of cameras bought.**
- 52) Which of the following statements about inferior goods is/are false?
- Inferior goods are those that we will never buy, no matter how cheap they are.
 - Inferior goods are those that we buy more of, if we become poorer.
 - Inferior goods are those that we buy more of, if we become richer.
- a. I and III only**
 - I only
 - III only.
 - I, II, and III.

- 53) The price of a commodity decreases from Rs 6 to Rs 4 and the quantity demanded of the good increases from 10 units to 15 units, find the coefficient of price elasticity.
- 1.5
 - 2.5
 - 1.5**
 - 0.5
- 54) At higher prices people demand more of certain goods not for their worth but for their prestige value – This is called
- Veblen effect**
 - Giffen paradox
 - Speculative effect
 - None of the above
- 55) If the price of air-conditioner increases from Rs 30,000 to Rs 30,010 and resultant change in demand is negligible, we use the measure of _____ to measure elasticity.
- Point elasticity of demand since it is a small change**
 - Arc elasticity of demand since it is a small change
 - Price elasticity based on average prices method
 - Any of the above
- 56) Given the following four possibilities, which one will result in an increase in total expenditure of the consumer?
- Demand is unit elastic and price rises
 - Demand is elastic and price rises
 - Demand is inelastic and price falls
 - demand is inelastic and price rises**
- 57) Which of the following statements is correct?
- With the help of statistical tools, the demand can be forecasted with perfect accuracy
 - The more the number of substitutes of a commodity, the more elastic is the demand**
 - Demand for butter is perfectly elastic.
 - Gold jewellery will have negative income elasticity.
- 58) Suppose the income elasticity of education in private school in India is 3.6. What does this indicate
- Private school education is highly wanted by rich
 - Private school education is a necessity
 - Private school education is a luxury**
 - We should have more private schools.

59) If the organizers of an upcoming cricket match decide to increase the ticket price in order to raise its revenues, what they have learned from past experience is;

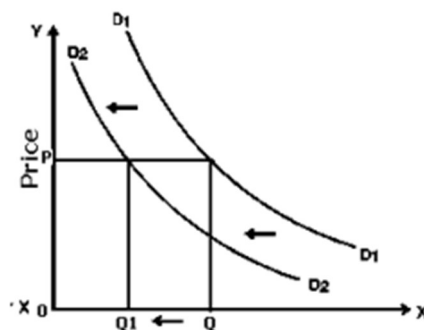
- The percentage increase in ticket rates will be always equal the percentage decrease in tickets sold
- The percentage increase in ticket rates will be always greater than the percentage decrease in tickets sold**
- The percentage increase in ticket rates will be less than the percentage decrease in tickets sold
- (a) and (c) above are true

60) The following diagram shows the relationship between price of Good X and quantity demanded of Good Y. What we infer from the diagram is;



- Good X and Good Y are perfect complements
- Good X and Good Y are perfect substitutes
- Good X and Good Y are remote substitutes
- Good X and Good Y are close substitutes**

61) The diagram given below shows



- A change in demand which may be caused by a rise in income and the good is a normal good
- A shift of demand curve caused by a fall in the price of a complementary good
- A change in demand which is caused by a rise in income and the good is an inferior good**
- A shift of demand curve caused by a rise in the price of a substitute and the good is a normal good

62) The demand curve of a normal good has shifted to the right. Which of the four events would have caused the shift?

- a. A fall in the price of a substitute with the price of the good unchanged
- b. A fall in the nominal income of the consumer and a fall in the price of the normal good
- c. A fall in the price of a complementary good with the price of the normal good unchanged**
- d. A fall in the price of the normal good, other things remaining the same

63) If roller-coaster ride is a function of amusement park visit, then, if the price of amusement park entry falls

- a. The demand for roller-coaster rides will rise and the demand curve will shift to the right**
- b. The demand for roller coaster ride cannot be predicted as it depends on the tastes of consumers for the ride
- c. There will be an expansion in the demand for roller coaster drive as it is complementary
- d. None of the above

64) The average income of residents of two cities A and B and the corresponding change in demand for two goods is given in the following table. Which of the following statements is true?

City	% Increase In Income	% change in demand for Good X	% change in demand for Good Y
A	12	6.5	-2.3
B	9	5.6	1.6

- a. Both goods are normal goods in both cities A and B
- b. Good X is a normal good in both cities; good Y is an inferior good in city A**
- c. Good X is a normal good in both cities; good Y is an inferior good in city B
- d. Need more information to make an accurate comment

65) During a recession, economies experience increased unemployment and a reduced level of income. How would a recession likely to affect the market demand for new cars?

- a. Demand curve will shift to the right.
- b. Demand curve will shift to the left**
- c. Demand will not shift, but the quantity of cars sold per month will decrease.
- d. Demand will not shift, but the quantity of cars sold per month will increase.

Additional Questions (including MTP, RTP & PYQs)

66) Which of the following groups of goods have inelastic demand?

- a. Salt, Smart Phone and Branded Lipstick
- b. School Uniform, Branded Goggles and Smart Phone
- c. Salt, School Uniform and Medicine**
- d. Medicine, Branded Sports Shoes and Diamond ring

67) If the price of a commodity raised by 12% and E_d is $(-) 0.63$, the expenditure made on the commodity by a consumer will _____

- a. Decrease
- b. Increase**
- c. Remain same
- d. Can't say

68) During lockdown due to COVID-19, a consumer finds the vegetable vendors selling vegetables in the street have raised the prices of vegetables than usual prices. She will buy _____ vegetables than/as her usual demand showing the demand of vegetables is _____.

- a. more, inelastic demand
- b. less, elastic demand
- c. same, inelastic demand**
- d. same, elastic demand

69) Commodities such as prescribed medicines and salt have _____ and hence, have an _____ demand.

- a. Several substitutes, elastic
- b. Several substitutes, inelastic
- c. No close substitutes, inelastic**
- d. No close substitutes, elastic

70) Let slope of demand curve is $(-) 0.6$, calculate elasticity of demand when initial price is Rs. 30 per unit and initial quantity is 100 units of the commodity

- a. 0.5
- b. 5.55
- c. -0.5**
- d. -0.18

71) Let $Q_x = 1500 / P_x$, the elasticity of demand of the good X when its price falls from Rs. 8 to Rs. 2 per unit, will be-

- a. greater than one**
- b. less than one
- c. equal to one
- d. can't say

72) Law of demand is a qualitative concept whereas price elasticity of demand is _____.

- a. also qualitative concept

- b. Quantitative concept
- c. Quantitative and qualitative concept**
- d. Neither qualitative nor quantitative concept

73) The most crucial determinant of demand for an item is _____

- a. Income of consumer
- b. Prices of other related goods
- c. Taste and preference of consumer
- d. It's own price**

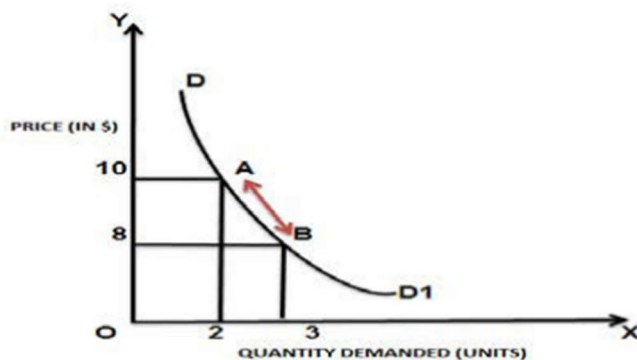
74) The price of a piece of jewellery rises, the demand for it may also rise as consumers attach a _____ to owning and displaying expensive items.

- a. money value
- b. use value
- c. snob value**
- d. None of these

75) With reference to Arc elasticity measures the responsiveness of demand _____ on the demand curve

- a. at one given point
- b. at intercepts on X-axis & Y-axis
- c. between two points**
- d. Any of the above

76)



In the above figure, DD1 is the demand curve of a commodity. There are two points on the demand curve i.e., A and B with (P, Q) as (10, 2) & (8, 3) respectively. If the initial point is A OR initial point is B, the price elasticity of demand will be –

- a. same in both cases by point method of price elasticity of demand
- b. different in both cases by Arc method of price elasticity of demand
- c. same in both cases by Arc method & different by point method of price elasticity of demand**
- d. None of these

77) Goods X and Y being independent goods, the cross price elasticity of demand (ignoring the sign) between them will be-

- a. 1 (unit elastic)
- b. less than 1
- c. greater than 1
- d. Zero**

78) 'Ceteris Paribus' clause in Law of demand does not mean-

- a. The price of the commodity does not change**
- b. The price of substitutes does not change
- c. The income of consumer does not change
- d. The price of complementary goods does not change

79) Demand for electricity is elastic because —————.

- a. it is very expensive
- b. it has a number of close substitutes
- c. it has alternative uses**
- d. none of the above

80) _____ and _____ do not directly affect the demand curve

- a. the price of related goods, consumer incomes
- b. Consumer incomes, tastes
- c. the costs of production, bank opening hours**
- d. the price of related goods, preferences

81) If consumers always spend 15 percent of their income on food, then the income elasticity of demand for food is _____.

- a. 1.50
- b. 1.15
- c. 1**
- d. 0.15

82) The elasticity of substitution between two perfect substitutes is:

- a. Zero
- b. greater than zero
- c. less than infinity
- d. infinite**

83) In the case of a straight line demand curve meeting the two axes the price – elasticity of demand at the mid-point of the line would be:

- a. 0
- b. 1**
- c. 1.5
- d. 2

84) Cross elasticity of demand between tea and coffee is:

- a. **Positive**
- b. Negative
- c. Zero
- d. Infinity

85) If a point on a demand curve of any commodity lies on X Axis, then price elasticity of demand of that commodity at that point will be _____

- a. Infinite
- b. More than zero
- c. Less than zero
- d. **Zero**

Read the following data and answer Questions Number 86-91.

XYZ are three commodities where X and Y are complements whereas X and Z are substitutes. A shopkeeper sells commodity X at Rs. 40 per piece. At this price he is able to sell 100 pieces of X per month. After some time, he decreases the price of X to Rs. 20. Following the price decrease, he is able to sell 150 pieces of X per month, the demand for Y increases from 25 units to 50 units and the demand for commodity Z decreases from 150 to 75 units.

86) The price elasticity of demand when the price of X decreases from Rs. 40 per piece to Rs. 20 per piece will be equal to:

- a. 1.5
- b. **1**
- c. 1.66
- d. 0.6

87) The cross elasticity of monthly demand for Y when the price of X decrease from Rs. 40 to Rs. 20 is equal to:

- a. 2
- b. **-2**
- c. -1.5
- d. 1.5

88) The cross-elasticity of Z when the price of X decreases from 40 to 20 is equal to:

- a. -0.6
- b. 0.6
- c. -1
- d. **1**

89) What can be said about price elasticity of demand for X?

- a. **Demand is unit elastic**
- b. Demand is highly elastic
- c. Demand is perfectly elastic
- d. Demand is inelastic

90) Suppose income of the residents of locality increase by 50% and the quantity of X commodity increases by 20%. What is income elasticity of demand for commodity X?

- a. 0.6
- b. **0.4**
- c. 1.25
- d. 1.35

91) We can say that commodity X in economics is a/an

- a. luxury good
- b. inferior Good
- c. **normal Good**
- d. none of the above

92) If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to:

- a. Remain the same
- b. **Increase**
- c. Decrease
- d. Any of these

93) For Giffen goods, the Engel curve is:

- a. Positive sloped
- b. Vertical
- c. Horizontal
- d. **Negative sloped**

94) The Coefficient of Price elasticity of demand between two points on a demand curve is ____

- a. **Arc elasticity**
- b. Point elasticity
- c. Price elasticity
- d. None of these

95) When the demand curve is a rectangular hyperbola an increase in the price of the commodity causes the total expenditure of consumers of the commodity to:

- a. **Remain unchanged**
- b. Increase
- c. Decrease
- d. Any of the above

96) A movement along a curve rather than a shift in the curve can be measured by:

- a. Cross elasticity of demand
- b. Income elasticity of demand
- c. Price elasticity of demand & Price elasticity of Supply**
- d. None of these

97) The Substitution effect will be stronger when-

- a. The goods are closer substitutes
- b. There is lower cost of switching to the substitute good
- c. There is lower inconvenience while switching to the substitute good.
- d. All of these**

98) According to Hicks and Allen the demand curve slope downwards due to _____

- a. Law of diminishing marginal utility
- b. Income effect and substitution effect**
- c. Either (a) or (b)
- d. None of these

99) If increasing railway fare increases revenue, then the demand for railway travel has a price elasticity of _____

- a. Greater than 1
- b. 1
- c. Greater than 0 but less than 1**
- d. None of these

100) 'No matter what the price of coffee is, Ram always spend a total of exactly 100 per week on coffee.' The statement implies that;

- a. Ram is very fond of coffee and therefore he has an inelastic demand for coffee
- b. Ram has elastic demand for coffee
- c. Ram's demand for coffee is relatively less elastic
- d. Ram's demand for coffee is unit elastic**

101) The substitution effect works to encourage a consumer to purchase more of a product when the price of that product is falling because-

- a. The consumer's real income has increased.
- b. The consumer's real income has decreased.
- c. The product is now relatively less expensive than before.**
- d. Other products are now less expensive than before.

102) Demonstration effect, a term coined by _____

- a. Adam Smith
- b. James Duesenberry**
- c. Alfred Marshall
- d. None of these

- 103) "The increase in demand of a commodity due to the fact that others are also consuming the same commodity" is known as _____
- a. Veblen effect
 - b. Bandwagon effect**
 - c. Snob effect
 - d. Demonstration effect
- 104) A necessity is defined as a good having:
- a. A positive income elasticity of demand
 - b. A negative income elasticity of demand
 - c. An income elasticity of demand between zero and 1.**
 - d. An income elasticity of more than 1.
- 105) Snob effect is explained as _____
- a. It is a function of consumption of others**
 - b. It is a function of price
 - c. Both (a) and (b)
 - d. None of these
- 106) As the consumer's income increases, the demand for necessities of life will increase _____ to the increase in income
- a. Less than proportionate**
 - b. More than proportionate
 - c. Proportionate
 - d. None of these
- 107) The tendency of people to imitate the consumption pattern of other people is known as
- a. Demonstration**
 - b. Bandwagon
 - c. Prestige
 - d. Veblen
- 108) When the quantity of a commodity than an individual buyer demand falls in response to the growth of purchases by other buyers, such an effect
- a. Bandwagon
 - b. Snob**
 - c. Veblen
 - d. Demonstration
- 109) If the demand for petrol remains unchanged with rise in its price, it means petrol is a
- a. Normal good
 - b. Necessity**
 - c. Luxury good
 - d. Giffen good

- 110) The demand function is given as $Q = 100 - 10P$. Find the elasticity using point method when price is Rs. 5
- 2
 - 2
 - 1
 - 1**
- 111) A firm learns that the own price elasticity of a product it manufactures is 3.5. What should be the correct action for the firm if it wishes to raise its total revenue?
- Lower the price because demand for the good is elastic**
 - Raise the price because demand for the product is elastic
 - Raise the price because demand is elastic
 - We need information in order to answer this question.
- 112) A consumer buys 80 units of a commodity at Rs. 4 per unit. When the price falls, he buys 100 units. If $E_d = -1$, the new price will be:
- Rs. 3.5
 - Rs. 3**
 - Rs. 2.5
 - Rs. 2
- 113) Goods which have fewer substitutes are:
- Less elastic**
 - Unit elastic
 - More elastic
 - Perfectly elastic
- 114) Price elasticity of Demand for addictive products like Cigarettes and alcohol would be
- Greater than 1
 - Less than 1**
 - Infinity
 - One
- 115) Ceteris paribus, what would be the impact on foreign exchange earnings for a given falling export prices, if the demand for the country's exports is inelastic?
- Foreign Exchange Earnings decrease**
 - Foreign Exchange Earnings increase
 - No effect on Foreign Exchange earnings
 - None of the above
- 116) If the co-efficient of cross elasticity of demand for X & Y is 2, it means that X and Y are:
- Complementary goods
 - Substitute goods**
 - Inferior goods
 - Normal goods

- 117) The demand for which type of goods is likely to be derived demand?
- a. Consumer goods
 - b. Non-durable consumer goods
 - c. Non-durable producer goods**
 - d. Durable goods
- 118) In case of unequal distribution of income in the country, the propensity to consume will be ____, and demand for Consumer Goods will be ____
- a. Higher; Higher
 - b. Higher; Lower
 - c. Lower; Higher
 - d. Lower; Lower**
- 119) If the Consumers expect an Increase in Income in the future, its current demand will be ____
- a. Decrease
 - b. Increase**
 - c. No change
 - d. Nothing can be said
- 120) When Consumers feel that if the commodity is expensive, that it has got more utility, we are referring to—
- a. Inferior goods
 - b. Normal goods
 - c. Conspicuous goods**
 - d. Giffen goods
- 121) Giffen Goods are goods which:
- a. Are considered inferior by consumers
 - b. Occupy a substantial place in the consumers' budget
 - c. Both a. and b.**
 - d. None of the above
- 122) Goods which are required for immediate or urgent consumption are:
- a. Less elastic**
 - b. Unit elastic
 - c. More elastic
 - d. None of the above
- 123) If the demand for the good is more elastic, the Demand curve will be:
- a. Parallel to the X-axis
 - b. Downward sloping to the right, flatter**
 - c. Downward sloping to the right, steeper
 - d. Parallel to the y-axis

- 124) What is the elasticity between midpoint & upper extreme point of a straight line demand curve?
- Infinite
 - Zero
 - >1**
 - <1
- 125) Total Expenditure of a consumer increases if:
- Demand is elastic and price rises
 - Demand is elastic and price falls
 - Demand is inelastic and price rises
 - Demand is inelastic and price falls
- Only (ii)
 - Only (iii)
 - Both (i) and (iii)
 - Both (ii) and (iii)**
- 126) What will be the Slope of Demand Curve when it shows the Cross Elasticity between two Complementary Goods?
- Negative**
 - Positive
 - Zero
 - Can't say
- 127) Which one of the following is an example of Non-Durable Producer goods?
- Mobile Phone
 - Machinery
 - Furniture
 - Raw Material**
- 128) _____ goods require special facilities for their use
- Non-Durable Consumer goods
 - Non-Durable producer goods
 - Durable consumer goods**
 - All of the above