

TEST

demand

QUESTIONS

SECTIONS

1. SECTION - A (DEMAND) - 20 Questions

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SECTION INSTRUCTIONS

NO NEGATIVE MARKING

1 1. Price line is the same as the

- a. production possibility frontier
- b. is cost line
- c. budget line
- d. MR curve under perfect competition

Correct: +1

2 2. As per the law of demand, a demand curve

- a. slopes upward from left to right
- b. slopes downward from left to right
- c. slopes downward from right to left
- d. parallel to the Y-axis

Correct: +1

3 3. If elasticity of demand is zero, the demand curve will be

- a. parallel to X-axis
- b. parallel to Y-axis
- c. upward sloping 45 degree line
- d. downward sloping from left to right

Correct: +1

4 4. Elasticities shown by different points on a demand curve are same in case of

- a. a rectangular hyperbola
- b. a downward sloping straight line
- c. a demand curve parallel to Y-axis
- d. an upward sloping demand curve

Correct: +1

6. In case of complementary goods, cross elasticity of demand will be

- a. negative
- b. zero
- c. Unitary
- d. Infinite

Correct: +1

7. Elasticity of demand for a pair of substitute goods is

- a. zero
- b. infinite
- c. positive
- d. negative

Correct: +1

8. If price falls from Rs 3 to Rs 2 and quantity demanded increases from 15 to 20 units, then elasticity will be

- a. zero
- b. equal to one
- c. greater than one
- d. less than one

Correct: +1

9. The degree of price elasticity of demand for goods is influenced by

- a. availability of substitutes
- b. number of uses of a commodity
- c. if output of goods is changed
- d. proportion of income spent on it

Correct: +1

10. Income elasticity of demand will be zero when any given change in income brings

- a. less than proportionate change in demand
- b. no change in demand at all

- c. same proportionate change in demand
- d. more than proportionate change in demand

Correct: +1

10 When income elasticity of demand is greater than unity, then the commodity is

- a. a luxury commodity
- b. a non-related good
- c. a necessity good
- d. an inferior good

Correct: +1

11 In case of giffen goods, a fall in price will lead to

- a. increase in demand
- b. decrease in demand
- c. no change in demand
- d. None of these

Correct: +1

12 A shift in demand curve is due to change in

- a. price of the commodity itself
- b. price of related goods
- c. income of the consumer
- d. taste and preferences of the consumer

- Which of the statements given above are correct ?
- i. 1, 3 and 4
 - ii. 1 and 2

Correct: +1

13 Derived demand means

- a. when price is related with demand
- b. when price is not associated with demand
- c. when demand for one good leads to demand for another good
- d. when are demanded jointly goods

Correct: +1

14 If more of a commodity is demanded at the same price or the same quantity is demanded at a higher price, this is known as

- a. extention of demand
- b. contraction of demand
- c. increase in demand
- d. decrease in demand

Correct: +1

15 The law of demand states that

- a. demand increases with increase in income
- b. when price falls, quantity demanded increases
- c. when price increases, quantity demanded increases
- d. when income and price rise, the demand also rises

Correct: +1

16 The vertical demand curve for a commodity shows that

- a. perfectly elastic
- b. highly elastic
- c. fairly elastic
- d. None of these

Correct: +1

17 'Ceteris paribus' clause in the law of demand means

- a. the income of the consumer does not change
- b. the price of the complementary goods does not change
- c. the price of its substitutes does not change
- d. All of the above

Correct: +1

18 The law of demand refers to

- a. price-income relationship
- b. price-demand relationship
- c. price-supply relationship
- d. None of the above

Correct: +1

19 Two goods that have to be consumed simultaneously are

- a. substitutes
- b. complementary
- c. identical
- d. None of these

Correct: +1

20 Cross elasticity of complementary goods is

- a. zero
- b. high
- c. negative
- d. infinite

Correct: +1

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ANSWERS

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- 1 c. budget line
- 2 b. slopes downward from left to right
- 3 b. parallel to Y-axis
- 4 c. a demand curve parallel to Y-axis
- 5 a. negative
- 6 a. zero
- 7 b. equal to one
- 8 a. availability of substitutes
- 9 a. less than proportionate change in demand
- 10 a. a luxury commodity
- 11 a. increase in demand
- 12 a. price of the commodity itself
- 13 a. when price is related with demand
- 14 a. extention of demand
- 15 a. demand increases with increase in income
- 16 a. perfectly elastic
- 17 a. the income of the consumer does not change
- 18 a. price-income relationship
- 19 a. substitutes
- 20 a. zero

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SOLUTIONS

SECTIONS

1. SECTION - A (DEMAND) - 20 Questions

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- 1 budget line
- 2 b. slopes downward from left to right
- 3 b. parallel to Y-axis
- 4 c. a demand curve parallel to Y-axis
- 5 a. negative
- 6 c. positive
- 7 b. equal to one
- 8 a. availability of substitutes
- 9 b
- 10 a
- 11 b
- 12 d
- 13 c
- 14 c
- 15 b
- 16 d
- 17 d
- 18 b
- 19 b
- 20 c