



ST. LAWRENCE HIGH SCHOOL

FOR GOD AND COUNTRY

A Jesuit Christian Minority Institution

Answer Key 4



Sub: Economics

Class: XII

Chapter 02: Demand

F.M.: 15

Topic: Price effect, change in demand and quantity demand

Date: 06/05/2020

Multiple choice questions:

1. Shifting of demand curve depends on
 - a. Change of assumption,
 - b. Change of price level,
 - c. Change of production level,
 - d. None of these.

Ans: a. Change of assumption

2. Change in demand refers to
 - a. Change in quantity demand,
 - b. Shifting of demand curve,
 - c. Shifting of supply curve,
 - d. None of these.

Ans: b. Shifting of demand curve

3. Goods which are purchased less when income increases are called as
 - a. Inferior goods,
 - b. Luxury goods,
 - c. Normal goods,
 - d. Necessary goods.

Ans: a. Inferior goods

4. The larger the amount of a commodity purchased.
 - a. More is the marginal utility,
 - b. less is the marginal utility,
 - c. Either a) or b)
 - d. None of these.

Ans: b. less is the marginal utility

5. When the price falls
 - a. Quantity demand decreases,
 - b. Quantity demand increases,

- c. Quantity demand remains same,
 - d. None of these.
- Ans:** b. Quantity demand increases

6. When the price rises
- a. Quantity demand remains same
 - b. Quantity demand increases
 - c. Quantity demand decreases
 - d. None of these
- Ans:** c. Quantity demand decreases

7. When per capita income increases, proportion of income spent on a product X increases, it implies product X is a.
- a. Luxury good,
 - b. Inferior good,
 - c. Necessary good,
 - d. Normal good.
- Ans:** a. Luxury good

8. While drawing demand curve, changes take place in respect of which of the following factor?
- a. Quality of the product,
 - b. Price of the product,
 - c. Supply of the product,
 - d. All of these.
- Ans:** b. Price of the product

9. When price of normal goods decreases then demand of it increases due to
- a. Income effect,
 - b. Substitution effect,
 - c. Both a) and b),
 - d. Giffen effect
- Ans:** c. Both a) and b)

10. If the demand for diesels remain constant even after increase of diesel prices, it means diesel is a
- a. Comfort product,
 - b. Necessary product,
 - c. Luxury product,
 - d. Inferior product.
- Ans:** b. Necessary product

11. In case of an inferior good the substitution and income effects are

- a. Positive,
- b. negative,
- c. one is positive other is negative,
- d. zero.

Ans: b. negative

12. In case of Giffen goods income effect is

- a. positive,
- b. zero,
- c. negative,
- d. greater than one.

Ans: c. negative

13. With fall in price, if the total demand for a goods are increases, then it reveals

- a. Income effect,
- b. Substitution effect,
- c. Price effect,
- d. No effect.

Ans: c. Price effect

14. Consumers real income increases when

- a. Price of the commodity also decreases,
- b. Money income decreases,
- c. Price of the commodity increases,
- d. None of these.

Ans: a. Price of the commodity also decreases

15. The difference between willingness to pay and actual pays is known as

- a. Price effect,
- b. income effect,
- c. consumer surplus,
- d. substitution effect

Ans: c. consumer surplus

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