ST. LAWRENCE HIGH SCHOOL

A Jesuit Christian Minority Institution

FOR GOD AND COUNTRY

Study Materials 06

Sub: Economics Class: XII
Chapter 03:Elasticity of Demand F.M: 45
Topic:Cross price elasticity and its typesDate: 25/06/2020

Short Answer questions **1x15 = 15**

Fill in the blanks:

1. Percentage change in quantity demand of one commodity due to percentage change in price of other commodity is known as ________.
2. Cross price elasticity of demand is of_______types.
3. The sign of cross price elasticity of demand for non- related goods are _________.
4. The value of cross price elasticity will be positive when two goods are _______.
5. For complementary goods the value of cross price elasticity will be ______.
6. When the value of cross price elasticity is greater than zero then the goods are______.
7. Change in cross price elasticity of demand refers to___________.
8. In cross price elasticity of demand formula _______is measured in numerator.
9. Cross price elasticity is measured in terms of ________change.
10. The demand for commodity having good substitutes is ________.
11. For car and petrol items the value of cross price elasticity will be__________.
12. The substitute goods are generally with _________cross price elasticity.
13. In cross price elasticity of demand formula _______is measured in denominator.
14. For tea and coffee items the value of cross price elasticity will be__________.
15. Demand for air conditioner and price of sugar are _________items.

Answers:

1. Cross price elasticity of demand.
2. Three.
3. Zero.
4. Substitute.
5. Negative.
6. Substitute.
7. Percentage change.
8. Demand for good.
9. Percentage.
10. Elastic.
11. Negative.
12. Positive.
13. Price of good.
14. Positive.
15. Non related.

2 marks questions **2x10=20**

1. **Define cross price elasticity of demand.**

Ans: Percentage change in quantity demanded of one good due to percentage change in price of another good is known as cross price elasticity of demand.

2. **What do you mean by positive cross price elasticity?**
Ans: When the two goods are substitutes of each other then it will be known as positive cross price elasticity.

3. **What do you mean by negative cross price elasticity?**
Ans: When the two goods are complementary of each other then it will be known as negative cross price elasticity.

4. **Mention any two types of cross price elasticity.**
   Ans: Two types of cross price elasticity of demand are:
   a. Positive cross price elasticity,
   b. Negativecross price elasticity.
5. **What do you mean by zero cross price elasticity?**
Ans: When the two goods arenon relatedthen it will be known as zero cross price elasticity.

6. **For which commodity we will getpositive cross price elasticity of demand?**
   Ans: When the two goods are substitutes of each other then we will get positive cross price elasticity
7. **What will be the value of cross price elasticity for non related goods?**
Ans:.When the two goods are non relatedthen the value ofcross price elasticity will be zero.

8. **What are the types of cross price elasticity?**
   Ans: Cross price elasticity may be of three types**.** These are:
   a. Positive cross price elasticity of demand,
   b. Negative cross price elasticity of demand,
   c. Zero cross price elasticity of demand.
9. **For which commodity we will getnegative cross price elasticity of demand?**
   Ans: When the two goods are complementary of each other then we will get negative cross price elasticity.

10. **For tea and coffee how they will be related?**
    Ans: Tea and coffee are substitute goods. If the price of coffee increases then the demand for tea will also increase. So we will get positive cross price elasticity.

5 marks questions **5x2=10**

1. **Distinguish between positive cross price elasticity of demand and negative cross price elasticity of demand.**

   Ans: Two types of cross price elasticity of demand are:

   c. Positive cross price elasticity,

   d. Negativecross price elasticity.

   When the two goods are substitutes of each other then it will be known as positive cross price elasticity.
   When the two goods are complementary of each other then it will be known as negative cross price elasticity.
   Explain each of these two with example.

2. **What do you mean by cross price elasticity? What are its types?**

Ans: Percentage change in quantity demanded of one good due to percentage change in price of another good is known as cross price elasticity of demand.

Cross price elasticity may be of three types**.** These are:

a. Positive cross price elasticity of demand,
b. Negative cross price elasticity of demand.
c. Zero cross price elasticity of demand.

Define all these three types.

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25.06.2020