



ST. LAWRENCE HIGH SCHOOL

A Jesuit Christian Minority Institution



Study Materials 04

Sub: Economics

Class: XII

Chapter 03: Elasticity of Demand

F.M: 45

Topic: Price elasticity and its types

Date: 23/06/2020

Short Answer questions

1x15 = 15

Fill in the blanks:

1. Percentage change in quantity demand due to percentage change in price of the commodity is called as _____.
2. Price elasticity of demand is of _____ types.
3. Generally the sign of price elasticity of demand is _____.
4. The value of price elasticity shows the existence of _____.
5. In price elasticity formula the independent variable is _____.
6. When a small fall in price leads to infinitely large purchases, demand is said to be _____.
7. When a change of price causes no change in the amount purchased demand is said to be _____.
8. For perfectly elastic demand, the demand curve is _____.
9. For perfectly inelastic demand, the demand curve is _____.
10. When the co-efficient of elasticity of demand is more than one, demand is said to be _____.
11. When the co-efficient of elasticity of demand is less than one, demand is said to be _____.
12. For unitary elastic demand the change of _____ is equal to change of price.
13. If the demand curve is a linear straight line then we use _____ elasticity to measure price elasticity of demand.
14. For arc elasticity we take a _____ on the demand curve.
15. Arc elasticity and point elasticity are the two measurement of _____ elasticity of demand.

Answers:

1. Price elasticity of demand.
2. Five.
3. Negative.
4. Law of demand.
5. Price.
6. Perfectly elastic.
7. Perfectly inelastic.
8. Horizontal.
9. Price.
10. Elastic.
11. Inelastic.
12. Quantity demand.
13. Point.
14. Portion.
15. Price.

2 marks questions

2x10=20

1. Define price elasticity of demand.

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

2. What do you mean by perfectly elastic demand?

Ans: Due to very small or negligible change in price, when quantity demand changes infinitely then it is known as perfectly elastic demand.

3. What do you mean by perfectly inelastic demand?

Ans: Whenever there will be no change in quantity demanded for whatever will be the change in price, it is known as perfectly inelastic demand.

4. Mention any two examples of perfectly inelastic demand.

Ans: Two examples of perfectly inelastic demand are:

- a. Medicines,
- b. Salt.

5. What do you mean by point elasticity?

Ans: Whenever price elasticity is measured on a point of a straight line demand curve then it is known as point elasticity.

6. Define unitary elastic demand.

Ans: When percentage change in quantity demanded is just equal to percentage change in price then it will be known as unitary elastic demand.

7. What do you mean by elastic demand?

Ans: When percentage change in quantity demanded is more than percentage change in price then it will be known as elastic demand.

8. What do you mean by inelastic demand?

Ans: When percentage change in quantity demanded is less than percentage change in price then it will be known as inelastic demand.

9. What do you mean by arc elasticity?

Ans: When elasticity is measured on a portion of a non-linear demand curve then it will be known as arc elasticity.

10. What are the types of price elasticity?

Ans: Price elasticity may be of five types. These are:

- a. Perfectly elastic demand,
- b. Perfectly inelastic demand,
- c. Unitary elastic demand,
- d. Elastic demand and
- e. Inelastic demand.

5 marks questions

5x2=10

1. Distinguish between perfectly elastic demand and perfectly inelastic demand.

Ans: Due to very small or negligible change in price, when quantity demand changes infinitely then it is known as perfectly elastic demand.

Whenever there will be no change in quantity demanded for whatever will be the change in price, it is known as perfectly inelastic demand.

The value of perfectly elastic demand will be infinity but the value of perfectly inelastic demand will be zero

For perfectly elastic demand curve will be parallel to the horizontal axis but for perfectly inelastic demand curve will be parallel to the vertical axis.

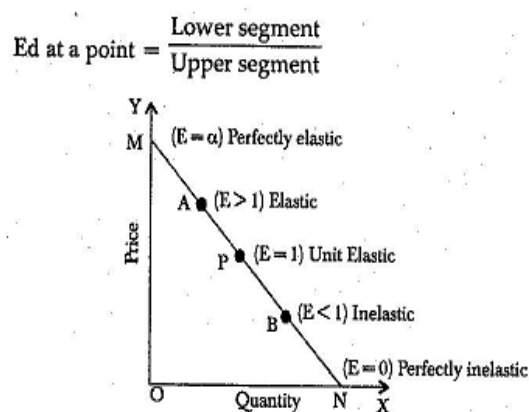
Graphical explanation of these two types.

2. What do you mean by point elasticity? Show that price elasticity varies from zero to infinity along a straight line demand curve.

Ans: Point elasticity of demand : It can be measured on any point of the demand curve. It is known as the point elasticity of demand. It is measured by the following formula:

$$= \frac{\text{Lower segment of the demand curve}}{\text{Upper segment of the demand curve}}$$

In our following diagram we can see that MN is a straight line demand curve and we can measure point elasticity On points M,A,P,B,N by using the formula of point elasticity.



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