Study Materials 05

Sub: Economics Class: XII
Chapter 03:Elasticity of Demand F.M: 45
Topic:Income elasticity and its typesDate: 24/06/2020

Short Answer questions **1x15 = 15**

Fill in the blanks:

1. Percentage change in quantity demand due to percentage change in income of the consumer is known as ________.
2. Income elasticity of demand is of_______types.
3. Generally the sign of income elasticity of demand is__________.
4. In income elasticity formula the independent variable is ______.
5. The value of income elasticity will be positive when the good is _______.
6. For inferior good the value of income elasticity will be ______.
7. When the value of income elasticity is greater than one then the good is ______.
8. For necessary good the value of income elasticity will be _________.
9. For a one percent change in income, if quantity demand changes by exactly one percent, then the good has______ income elasticity.
10. For luxury items the value of income elasticity will be__________.
11. Income demand curve is also known as ______.
12. Engel curve expresses the relation between _________ and quantity demanded.
13. When Engel curve passes through origin, income elasticity will be equal to ______at all points of the curve.
14. The luxury goods are generally income _________.
15. For any normal good the value of income elasticity will be __________.

Answers:

1. Income elasticity of demand.
2. Five.
3. Positive.
4. Income.
5. Normal.
6. Negative.
7. Luxury.
8. Less than one.
9. Unitary.
10. Greater than one.
11. Engel curve.
12. Income.
13. One.
14. Elastic.
15. Positive.

2 marks questions **2x10=20**

1. **Define income elasticity of demand.**

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

2. **What do you mean by elastic income elasticity?**
   Ans: When the percentage change in quantity demanded is more than percentage change in income then it will be known as elastic income elasticity.

3. **What do you mean by inelastic income elasticity?**
   Ans: When the percentage change in quantity demanded is less than percentage change in income then it will be known as inelastic income elasticity.

4. **Mention any two types of income elasticity.**
   Ans: Two types of income elasticity of demand are:
   a. Positive income elasticity,
   b. Negativeincome elasticity.
5. **What do you mean by positive income elasticity?**

Ans: For any normal good the value of income elasticity will be greater than zero. It will be known as positive income elasticity.

6. **Define unitary elastic income elasticity of demand.**
   Ans: When percentage change in quantity demanded is just equal to percentage change in income then it will be known as unitary elastic income elasticity of demand.
7. **What do you mean by Engel curve?**
   Ans: Engel curve expresses the relationship between income and quantity demanded.
8. **For which commodity we will getinelastic income elasticity of demand?**
   Ans: When percentage change in quantity demanded is less than percentage change in income then it will be known as inelastic income elasticity of demand. We can get inelastic income elasticity of demand for necessary goods.
9. **What will be the value of income elasticity for inferior and normal good?**
   Ans: For inferior good the value of income elasticity will negative and for normal good the value of income elasticity will positive.
10. **What are the types of income elasticity?**
    Ans: Incomeelasticity may be of five types**.** These are:
    a. Positive income elasticity of demand,
    b. Negative income elasticity of demand,
    c. Unitary income elasticity of demand,
    d. Elastic income elasticity of demand and
    e. Inelastic income elasticity of demand.

5 marks questions **5x2=10**

1. **Distinguish between elastic income elasticity of demand and inelastic income elasticity of demand.**

   Ans: When the percentage change in quantity demanded is more than percentage change in income then it will be known as elastic income elasticity.
   When the percentage change in quantity demanded is less than percentage change in income then it will be known as inelastic income elasticity.
   For elastic income elasticity the value will be greater than one.
   For inelastic income elasticity the value will be less than one.
   For luxury goods we can find elastic income elasticity.
   For normal goods we can find inelastic income elasticity.

2. **What do you mean by income elasticity? What are its types? What is Engel curve?**

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

Income elasticity may be of five types**.** These are:

f. Positive income elasticity of demand,

g. Negative income elasticity of demand,

h. Unitary income elasticity of demand,

i. Elastic income elasticity of demand and

j. Inelastic income elasticity of demand.

Explain all these types with example.

Engel curve expresses the relationship between income and quantity demanded.

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