



St. Lawrence High School

A Jesuit Christian Minority Institution



Answer Key 10

Sub: Economics

Class: XII

Chapter 03: Elasticity of demand

F.M: 15

Topic: Income elasticity of demand

Date: 13/05/2020

Multiple choice questions:

1x15=15

1. Change in income elasticity of demand refers to

- a. Unit change ,
- b. Percentage change,
- c. Fractional change,
- d. None of these.

Ans: b. percentage change.

2. By income elasticity we mean rate of change of

- a. Tastes and preferences,
- b. Advertisement,
- c. Quantity demanded,
- d. Rate of interest.

Ans: c. Quantity demanded.

3. Percentage change in quantity demand due to percentage change in income of the consumer is called as

- a. Cross price elasticity of demand,
- b. Price elasticity of demand,
- c. Elasticity of demand,
- d. Income elasticity of demand.

Ans: d. Income elasticity of demand.

4. Income elasticity of demand are of the following types

- a. Unit elasticity,
- b. Perfect elasticity,
- c. Perfect inelasticity,
- d. None of these.

Ans: d. None of these.

5. In income elasticity of demand formula _____ is measured in denominator.

- a. Price,
- b. Change in income,
- c. Quantity demand,

d. Change in quantity demand.

Ans: b. change in income.

6. Income elasticity is measured in terms of _____ change.

- a. Unit,
- b. Small,
- c. Percentage,
- d. None of these.

Ans: c. percentage.

7. The sign of income elasticity will be _____.

- a. Positive,
- b. Negative,
- c. Zero,
- d. All of above.

Ans: d. All of above.

8. The value of income elasticity will be positive when the good is _____.

- a. Inferior,
- b. Normal,
- c. Luxury,
- d. Habitual.

Ans: b. Normal.

9. For inferior good the value of income elasticity will be _____.

- a. Positive,
- b. Less than one,
- c. Negative,
- d. Greater than one.

Ans: c. Negative.

10. When the value of income elasticity is greater than one then the good is _____.

- a. Luxury,
- b. Habitual,
- c. Normal,
- d. All of above.

Ans: a. Luxury,

11. For necessary good the value of income elasticity will be _____.

- a. Zero,
- b. One,

- c. Greater than one,
 - d. Less than one.
- Ans:** c. Greater than one.

12. For a one percent change in income, if quantity demand changes by exactly one percent, then the good has _____ income elasticity.

- a. Elastic.
- b. Inelastic,
- c. Unitary,
- d. Perfectly elastic.

Ans: c. Unitary.

13. Income demand curve is also known as _____.

- a. Isocost curve,
- b. Budget line,
- c. Engel curve,
- d. Production possibility curve.

Ans: c. Engel curve.

14. Engel curve expresses the relation between _____ and quantity demanded.

- a. Price,
- b. Cross price,
- c. budget,
- d. income.

Ans: d. income.

15. When Engel curve passes through origin, income elasticity will be equal to _____ at all points of the curve.

- a. zero,
- b. unity,
- c. less than one,
- d. greater than one.

Ans: b. unity.

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