



# ST. LAWRENCE HIGH SCHOOL

*A Jesuit Christian Minority Institution*



**Answerkey 22**

**Class: XII**

**Sub: Economics**

**Chapter 02: Theory of Demand**

**Topic: Revision of entire chapter**

**F.M.: 15**

**Date: 16/06/2020**

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**Multiple choice questions**

**1x15 = 15**

1. The demand for a commodity changes in the \_\_\_\_\_ direction as the price of its substitutes.
  - a. Opposite,
  - b. Same,
  - c. Both of a) and b),
  - d. None of the above.

**Ans:** b. Same.

2. Demand curve drawn on the basis of
  - a. Demand schedule,
  - b. Supply schedule,
  - c. Price schedule,
  - d. None of the above.

**Ans:** a. Demand schedule.

3. Which of the following is the reason for sloping demand curve downward
  - a. Income and substitution effect,
  - b. Equi marginal utility,
  - c. The law of diminishing marginal utility,
  - d. All of these.

**Ans:** d. All of these.

4. An exceptional demand curve is one that slope \_\_\_\_\_.
  - a. Upward to right,
  - b. Downward to right,
  - c. Upward to the left,
  - d. Downward to left.

**Ans:** c. Upward to the left.

5. There exist a \_\_\_\_\_ relationship between the price and quantity demanded.
- a. Inverse,
  - b. Direct,
  - c. Positive,
  - d. Indirect.

**Ans:** a. Inverse.

6. According to Law of demand demand curve is \_\_\_\_\_ sloping.
- a. Upward,
  - b. Downward,
  - c. Horizontal,
  - d. Vertical.

**Ans:** b. Downward.

7. Price and quality of a product relationship can be shown by\_\_\_\_\_.
- a. Snob effect,
  - b. Bandwagon effect,
  - c. Veblen effect,
  - d. Price effect.

**Ans:** c. Veblen effect.

8. 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.

9. 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.

10. Consumer's real income increases when\_\_\_\_\_.
- a. Price of the commodity decreases,

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

**Ans:** a. Price of the commodity decreases

11. 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.

12. When price of product decreases then \_\_\_\_\_.

- a. Real income increases,
- b. Real income decreases,
- c. Purchasing power decreases,
- d. None of the above.

**Ans:** a. Real income increases.

13. Copying the consumption habits of celebrity is known as \_\_\_\_\_.

- a. Habits,
- b. Demonstration effect,
- c. Preference,
- d. None of the above.

**Ans:** b. Demonstration effect.

14. The relation between the various amounts of a commodity or service and the determinants of its demand can be expressed by an equation is known as \_\_\_\_\_.

- a. Demand function,
- b. Demand schedule,
- c. Demand curve,
- d. None of the above.

**Ans:** a. Demand function.

15. Demand curve has \_\_\_\_\_.

- a. Positive slope,
- b. Negative slope,
- c. Zero slope,
- d. None of the above.

**Ans:** b. Negative slope.

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