



ST. LAWRENCE HIGH SCHOOL

A Jesuit Christian Minority Institution

Answer Key 3



Sub: Economics

Class: XII

Chapter 02: Demand

F.M.: 15

Topic: Law of Demand and its exceptions

Date: 05/05/2020

Multiple choice questions:

1. Which of the following is not the exception to the law of demand?
a. Speculative market, b. Giffen effect, c. price of substitute, d. luxury product.
Ans: c. price of substitute
2. In case of Giffen goods demand curve
a. Sloping upward from right to left, b. sloping downward from left to right, c. sloping upward from left to right, d. none of these.
Ans: c. sloping upward from left to right
3. Payment of price or any other consideration involves a
a. Gain, b. loss, c. sacrifice, d. none of these.
Ans: c. sacrifice
4. A reasonable man will sacrifice for a commodity which is ----- the worth to him in terms of utility.
a. More than, b. less than, c. equal to, d. treble than
Ans: c. equal to
5. When the price falls
a. Less sacrifice and more purchased, b. more sacrifice and less purchased, c. more sacrifice and more purchased, d. none of these.
Ans: a. Less sacrifice and more purchased
6. When the price rises
a. Less sacrifice and more purchased, b. more sacrifice and less purchased, c. more sacrifice and more purchased, d. none of these.
Ans: b. more sacrifice and less purchased
7. Higher the income ----- is the marginal utility of money.
a. Higher, b. lower, c. constant, d. none of these.
Ans: b. lower

8. There exist a ----- relationship between the price and quantity demanded.
- a. Inverse, b. direct, c. positive, d. indirect.
- Ans: a. inverse
9. Which of the following equation shows law of demand
- a. $Q = a + bp$, b. $q = 10 + 2p$, c. $q = 35 - 3p$, d. $10pq$
- Ans: c. $q = 35 - 3p$
10. The law of demand states
- a. Income rises demand rises, b. price fall demand rises, c. price rises demand rises, d. income, price and demand rises.
- Ans: b. price fall demand rises
11. ----- and ----- are the exception to the law of demand
- a. Price of substitute, b. speculative market, Giffen good, c. luxury product, price of commodity, d. law of diminishing marginal rate of return, size of household.
- Ans: b. speculative market, Giffen good
12. In case of Giffen goods demand curve sloping upward from -----to -----
- a. Right, left, b. left, right, c. north, south, d. west, east.
- Ans: b. left, right
13. Law of demand stated by
- a. Benham, b. Marshall, c. Smith, d. Keynes.
- Ans: b. Marshall
14. According to Law of demand demand curve is -----
- a. Upward, b. downward, c. horizontal, d. vertical.
- Ans: b. downward
15. Price and quality of a product relationship can be shown by
- a. Snob effect, b. bandwagon effect, c. Veblen effect, price effect.
- Ans: c. Veblen effect