SAMPURNA Jan 2026

Theory of Demand and Supply

Notes

Unit-1 : Law of Demand and Elasticity of Demand

1. The term 'demand' refers to: [Dec. 2021]
(a) Demand of money
(b) Need for the commodity
(c) Need for services
(d) The quantity of a good or service that buyers are willing and able to purchase at various prices during a given period of time

2. The quantity demanded is a __________________.
(a) Flow
(b) Stock
(c) Single isolated purchase
(d) Concept without reference to time

3. In economics, Effective Demand for a thing depends on :
(a) Desire
(b) Means to purchase
(c) Willingness to use those means for that purchase
(d) All of the above

Determinants of Demand

4. Which is not an important factor that determines demand? [Dec. 2021]
(a) Price of commodity
(b) Disposable income of consumer
(c) Tastes and preferences of buyers
(d) Educational qualification of buyers

5. Price of goods expresses value of ___________. [June 2023]
(a) Exchange
(b) Cost
(c) Demand
(d) Fair

6. Which of the following will affect the demand for non-durable goods? [CA CPT May 2019]
(a) Disposable income (b) Price
(c) Demography (d) All of the above

7. What is not a determinant of demand? [Jan. 2021]
(a) Consumer's expectations
(b) Consumer's tastes and preferences
(c) Income of the consumers
(d) Prices of unrelated goods.

8. The term "Ceteris Paribus" refers to____________.
(a) Other things being equal
(b) Other things also change
(c) Other things may change
(d) None of the above

9. Goods which are inferior, with no close substitutes easily available and which occupy a substantial place in consumer's budget are called _________________ goods. [July 2021]
(a) Speculative (b) Prestige
(c) Conspicuous (d) Giffen

10. In case of Veblen goods, the demand curve is: [June 2022]
(a) Horizontal
(b) Vertical
(c) Upward sloping to the right
(d) Downward sloping to the right

11. Highly priced goods are consumed by status seeking rich people to satisfy their need for conspicuous consumption. This is called as: _______________. [July 2021]
(a) Veblen Effect (b) Snob Effect
(c) Helen Effect (d) None of these

12. Name the term which refers to the demand for consumer goods which is decreased owing be the fact that others are also consuming the same commodity.

(a) Halo effect
(b) Snob effect
(c) Veblen effect
(d) Demonstration effect

13. Consumption of high-priced goods by status seeking rich people for conspicuous consumption is called as ______________. [June 2024]

(a) Snob effect
(b) Bandwagon effect
(c) Demonstration effect
(d) Veblen effect

14. Increase in price of pulses leads to increase in demand of green vegetables. The pulses and green vegetables are ________________. [June 2023]

(a) Substitutes
(b) Complimentary goods
(c) Normal goods
(d) None of the above

15. "High priced goods consumed by status seeking rich people to satisfy their need for conspicuous goods" is: [CA CPT May 2018]

(a) Veblen effect
(b) Bandwagon effect
(c) Snob effect
(d) Demonstration effect

16. Which of the following is the price at which the quantity demanded of a commodity is equal to the quantity supplied of the commodity and there is no unsold stock or no unsupplied demand? [July 2021]

(a) Selling price
(b) Asking price
(c) Future price
(d) Market clearing price

The Law of Demand

17. What are exceptions to Law of Demand? [Jan. 2021]

(a) Law of Diminishing Marginal Utility
(b) Substitution effect
(c) Conspicuous goods
(d) Different uses

18. When Price of a commodity increases what will be the affect on Quantity demanded? [CA CPT Nov. 2018]

(a) Increases
(b) Decreases
(c) No change
(d) None of these

19. An increase in the demand of computers, other things remaining same, will:

(a) Increase the number of computers bought.
(b) Decrease the price but increase the number of computers bough
(c) Increase the price of computer
(d) Increase the price and number of computers bought.

20. In case of Normal goods, Rise in price leads to _____________? [CA CPT Nov. 2018]

(a) Fall in demand
(b) Rise in demand
(c) No Change
(d) Initially rise then ultimately fall

21. A decrease in the demand for cameras, other things remaining the same will:

(a) Increase the number of cameras bought.
(b) Decrease the price but increase the number of cameras bought.
(c) Increase the price of cameras.
(d) Decrease the price and decrease in the number of cameras bought

22. Comforts lies between:
(a) Inferior goods and necessaries
(b) Luxuries and inferior goods
(c) Necessaries and luxuries
(d) None of the above

23. If price of the commodity increases, what will be the effect Quantity demanded? [CA CPT Nov. 2018]
(a) Decreases (b) Increases
(c) No change (d) Can't say

24. Due to increase in price of coffee, the demand for tea increases. The two commodities under consideration are: [June 2022]
(a) Substitute goods
(b) Complementary goods
(c) Unrelated goods
(d) Producers goods

25. The demand for petrol decreases due to increase in its price, it is termed as: [June 2022]
(a) A decrease in demand
(b) A change in demand
(c) A contraction in demand
(d) An increase in demand

26. Which of the following is not an exception to the law of demand? [June 2022]
(a) Giffen goods
(b) Speculative goods
(c) Conspicuous goods
(d) White goods

27. Suppose the demand for auto-mobile decreases due to increase in price of petrol. Both the goods are: [July 2021]
(a) Perishable
(b) Complementary
(c) Substitute
(d) Normal

28. Which of the following statements is not correct? [June 2022]
(a) Giffen goods exhibit negative relationship between price and demand
(b) Conspicuous goods exhibit positive relationship between price and demand
(c) Incomplete information and irrational behaviour of consumer is one of the reasons of exception to the law of demand
(d) Law of demand states inverse relationship between price of a commodity and its quantity demanded

29. Which of the following is an exception to the law of demand? [Dec. 2023]
(a) Substitute goods
(b) Marginal utility
(c) Conspicuous goods
(d) Cross elasticity of demand

30. For what type of goods does demand fall with a rise in income levels of households? [CA CPT May 2018]
(a) Inferior goods
(b) Substitutes
(c) Luxuries
(d) Necessities

31. A situation where after a price decrease, more units are sold causing increase in revenue is called as which of the following? [June 2022]
(a) Price effect (b) Quantity effect
(c) Income effect (d) Substitution effect

32. Price effect is described as which of following? [June 2023, June 2024]
(a) Income effect + Veblen effect
(b) Substitution effect + Veblen effect
(c) Income effect + Substitution effect
(d) Veblen effect + Demonstration effect

33. In case of inferior goods, with rise of income of consumes, demand of goodwill?

[CA CPT Nov. 2018]

(a) Increases

(b) Decreases

(c) No change

(d) None of these

34. In the case of a Giffen good, the demand curve will be:

(a) Horizontal

(b) Downward-sloping to the right

(c) Vertical

(d) Upward-sloping to the right

35. In case __________ there is an inverse relationship between income and demand for a product.

[CA CPT May 2019]

(a) Substitute goods

(b) Complementary goods

(c) Giffen Goods

(d) None of the above

36. If the demand of Bajra de. creases due to decrease in its price then Bajra is a: [June 2023]

(a) Superior good

(b) Inferior good

(c) Necessary good

(d) Luxury good

Expansion and Contraction of DD

37. Movement along the same demand curve represents: [June 2023]

(a) Change in demand

(b) Change in Quantity demand

(c) Increase in demand

(d) Decrease in demand

38. When price of apple is ₹120 er kg. Ram buys one kg. of apples that price. Now it other things remains the same but the price of apples falls to ₹ 90 per kg. Now Ram buys 2 kg. of apples. It is called as: [Nov. 2020]

(a) Demand schedule

(b) Market demand

(c) Contraction of demand

(d) Expansion of demand

39. ___________ refers to a change along a curve i.e. movement from one point to another on the same curve.

(a) Expansion/Contraction of Demand

(b) Increase/Decrease in Demand

(c) Shift of Demand Curve

(d) None of these

40. In case of ___________ goods, the expansion in demand due to a price fall will take place only if the substitution effect outweighs the income effect

[Dec. 2021]

(a) Inferior goods

(b) Necessaries

(c) Giffen goods

(d) Luxuries goods

41. Movement along the demand curve may be due to _____________

(a) Expansion of Demand

(b) Contraction of Demand

(c) Increase/Decrease in Demand

(d) Both (a) and (b)

Increase and Decrease in DD

42. Leftward shift of demand curve of coffee represents: [June 2023]

(a) Decrease in demand

(b) Increase in demand

(c) Contraction

(d) Expansion

43. A leftward shift in the demand curve may be due to :
(a) Fall in income
(b) Fall in the Price of Substitute
(c) Decrease in Population
(d) Any of the above

Price Elasticity of Demand

44. If both the total revenue of a product and price are moving in the same direction, demand is: [Dec. 2023]
(a) Elastic (b) Perfectly inelastic
(c) Inelastic (d) Unrelated

45. At ₹5 per unit, Ram supplies 500 units of commodity X. At what price, 650 units of X should be sup. plied for at unit elasticity of supply? [Dec. 2023]
(a) 3.5 (b) 4.5
(c) 6.5 (d) 7.5

46. The price of a commodity de-creases from ₹ 6 per unit to ₹ 4 Per unit and quantity demanded of the goods increased from 10 units to 15 units. The Coefficient of Price Elasticity will be ________.
(a) 1.5 (b) 2
(c) 1 (d) 4

47. The demand for the commodity is ________ when a consume is a habitual consumer. [June 2022]
(a) Relative elasticity (b) Inelastic
(c) Unit elasticity (d) Perfectly elastic

48. Identify the factor which generally keeps the price elasticity of a good law? [Jan. 2021]
(a) Variety of uses for that good
(b) Very low price of a commodity
(c) Close substitutes for that good
(d) High proportion of the consumer's income spent on it

49. Calculate the price elasticity of demand, when the price increases from ₹ 20 to ₹ 22 and quantity demand falls from 300 to 200 units (Midpoint method) [June 2024]
(a) 4.2 (b) –4.2
(c) 4 (d) –4

50. The price of a good decreases from ₹80 to ₹40 per unit. If the price elasticity of demand for the given product is 1.5 and the original quantity is 20 units, then the new quantity demanded will be: [Dec. 2023]
(a) 15 Units (b) 35 Units
(c) 18 Units (d) 48 Units

51. Calculate the price elasticity of demand if the household increases his demand for commodity x from 80 units to 100 units and price of a product et x decreases by 10%. [Dec. 2023]
(a) 2.5 (b) 0.4
(c) 10 (d) 1.25

52. There is decrease in price of LED TV after budget announcement from ₹ 60,000 to ₹ 50,000. As a result of which demand for it has increases from 1,500 units to 2,000 units. The Elasticity of demand for LED TV will be _______. [June 2023]
(a) 1.27 (b) –2
(c) 0.63 (d) 0.67

53. For which of the following product elasticity of demand is highly elastic? [July 2021]
(a) Salt
(b) Life-saving medicines
(c) water
(d) Jewellery

54. The price of X commodity decreases from ₹ 10 to 8, owing to which its demand increases form 100 to 120 units. Calculate the price elasticity of demand. [June 2022]
(a) (–)1 (b) 1
(c) 0.8 (d) 1.2

55. If price decreases from ₹ 80 to ₹ 60 and elasticity of demand is 1.25 then [CA CPT May 2019]
(a) Demand increase by 25%
(b) Demand decrease by 25%
(c) Remains constant
(d) None of the above

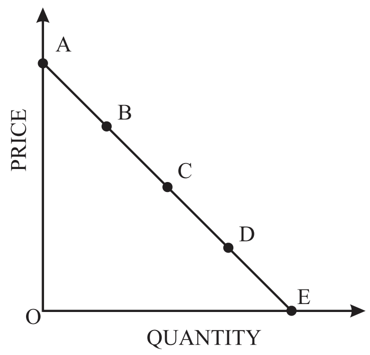
56. The elasticity of demand for a product will not be higher when:
(a) It has several uses
(b) More substitutes for the product are available
(c) It is an expensive commodity
(d) It is considered a necessity by its buyers

57. If the price of a gel pen increases from ₹ 40 to ₹ 50 and in response to this the quantity demand decreases from 25 units to 20 units. The coefficient of price elasticity will be: [June 2023]
(a) 1.2 (b) –1.25
(c) 0.8 (d) –0.8

58. The price elasticity of demand for X is 1 and the original quantity 1 demand of X is 90 units, if the price of X decreases from ₹300 to ₹180 per unit, calculate the new quantity [Nov. 2020]
(a) 36 units
(b) 120 units
(c) 126 units
(d) 144 units

59. Mr. Z went to a stationery shop to buy pens. The price of pen decreased from ₹ 5 to ₹ 3 per unit. If the price elasticity of demand for pen is 2.5 and the original quantity demand for pen is 20, then how much is the new quantity of demanded. [June 2024]
(a) 10 (b) 40
(c) 30 (d) 20

60.



[CA CPT May 2018]
(a) Elasticity at point A = ∞, at B = > 1, at C = 1, at D < = 1 and E = 0
(b) Elasticity at A = 0, at B < = 1, at C = 1 at D = >1 and E = ∞
(c) Elasticity at A = 0 at B > 1, at C = 1, at D < = 1 and at E = 0
(d) None of these

61. The price elasticity of demand at the midpoint of the straight line demand curve under point method is _____________. [CA CPT May 2019]
(a) 0 (b) 1
(c) >1 (d) <1

62. Point elasticity is useful for which of the following situations?
(a) The bookstore is considering doubling the price of notebooks.
(b) A restaurant is considering lowering the price of its most expensive dishes by 50 per cent.
(c) An auto producer is interested in determining the response of consumers to the price of cars being lowered by ₹100.
(d) None of the above.

63. Which of the following method is used to calculate Elasticity of demand when price and quantity demand are large? [June 2023]
(a) Zero elasticity (b) Cross elasticity
(c) Point elasticity (d) Arc elasticity

64. The price of a commodity decreases from ₹ 200 to ₹ 120 per unit. If the price elasticity of demand for this commodity is 2 and the original quantity demanded is 60 units, calculate the new quantity demanded. [July 2021]

(a) 48 units (b) 100 units
(c) 108 units (d) 120 units

65. The demand for a generic good like soap and for Lux soap are _________ respectively. [July 2021]

(a) Elastic and elastic
(b) Inelastic and inelastic
(c) Inelastic and elastic
(d) Elastic and inelastic

Income Elasticity of Demand

66. If the percentage change in demand of good X is –2.5% and the percentage change in income is 5%, then the income elasticity for and the good X will be good X is treated as: [Dec. 2023]

(a) –0.5, normal goods
(b) –0.5, inferior goods
(c) 0.5, normal goods
(d) 0.5, inferior goods

67. Which of the following formula can be used for calculation of income Elasticity of Demand?

(a) $E_i = \frac{\Delta q}{\Delta y} \times \frac{y}{q}$
(b) $E_i = \frac{\Delta y}{\Delta q} \times \frac{q}{y}$
(c) $E_i = \frac{\Delta q}{\Delta y} \times \frac{q}{y}$
(d) None of the above

68. Income elasticity of luxury goods is __________. [Nov. 2019]

(a) Zero
(b) Positive and greater than one
(c) Positive and lesser than one
(d) Negative and greater than - I

69. Suppose there is an increase in income by 15%, which increases demand by 30% the income elasticity of demand will be _______. [June 2023]

(a) 0.67 (b) 0.5
(c) 2 (d) 1.0

70. The quantity purchased remains constant irrespective of the change in income. This is known as:

(a) Negative income elasticity of demand.
(b) Income elasticity of demand less than one.
(c) Zero income elasticity of demand.
(d) Income elasticity of demand is greater than one.

71. Dinesh's annual income increases from ₹3,00,000 to ₹3,60,000. Accordingly, he increases his purchases of commodity X from 50 Nos. to 60 Nos. What is the Dinesh's income elasticity of demand for commodity X? (use Arc elasticity method) [Dec. 2023]

(a) 0.5 (b) 1.0
(c) 2.0 (d) Zero

72. The average income of residents of two cities A and B and the corresponding change in demand for two goods is given in the following table. Which of the following statements is true?

City	% Increase in income	% change in demand for Good X	% change in demand for Good Y
A	12	6.5	–2.3
B	9	5.6	1.6

(a) Both goods are normal goods in both cities A and B
(b) Good X is a normal good in both cities; good Y is an inferior good in city A
(c) Good X is a normal in both cities; good Y is an inferior good in city B
(d) Need more information to make and accurate comment

73. In the case of inferior goods, the income elasticity of demand is: [Jan. 2021]

(a) Positive (b) Zero
(c) Negative (d) Infinite

Cross Elasticity of Demand

74. Cross elasticity of perfect substitutes is: [CA CPT May 2018]

(a) Zero (b) Negative
(c) One (d) Infinity

75. When two goods are unrelated then cross elasticity of demand will be ________. [June 2023]

(a) 0 (b) 00
(c) 1 (d) (–)

76. The quantity demanded of coffee increases by 2% when the price of tea increases by 8%, the cross elasticity of demand between two products are ____________. [July 2021]

(a) + 0.25 (b) – 0.25
(c) – 0.4 (d) + 0.4

77. If the quantity demand of coffee increased by 8% the price of tea increase by 25% the cross elasticity of demand between coffee and tea is ________. [June 2024]

(a) –0.32 (b) 0.32
(c) 3.125 (d) –3.125

78. The cross elasticity between personal computers and software's is:

(a) Positive (b) Negative
(c) zero (d) One

79. The price of 1 kg. of tea is ₹ 30. At this price, 5 kg. of tea is demanded. If the price of coffee rises from ₹ 25 to ₹ 35 per kg., the quantity demanded of tea rises from 5 kg. to 8 kg. The cross price elastic of tea is __________. [Jan. 2021]

(a) 1 (b) 0.5
(c) 1.5 (d) 0

Advertisement Elasticity

80. Advertising elasticity of demand is typically ___________. [June 2022]

(a) Negative (b) Zero
(c) Infinity (d) Positive

81. What will be the advertisement elasticity?

% Change in Demand = 30%

% change in Price = Nil

% change in advertisement Expenditure = 25%

(a) 1.2 (b) 0.83
(c) 1 (d) 25

82. If the advertisement expenditure on X commodity increase by 20% and demand for it increases only by 5%. The advertisement elasticity of demand for X commodity is: [June 2022]

(a) 0.25 (b) (–) 0.25
(c) 4 (d) (–) 4

83. The zero advertisement Elasticity represents:

(a) Demand responds proportionately
(b) Demand does not respond proportionately
(c) Demand does not respond at all
(d) None of the above

Unit-2 : Theory of Consumer Behavior

Nature of Human Wants

84. Wants may arise due to ___________ causes.

(a) Elementary
(b) Psychological
(c) Internal
(d) Both (a) & (b)

85. Wants arise from multiple causes including __________.

(a) Natural instincts
(b) Social obligations
(c) Individual's economic & social status
(d) All of the above

Classification of Wants

86. Which of the following is NO an example of Necessaries?

(a) Nourishing food
(b) Adequate clothing & clean water
(c) Comfortable dwelling
(d) Expensive clothing

Law of Diminishing Marginal Utility

87. Which of the following statements about utility is incorrect? [Dec. 2021]

(a) Utility is ethically neutral
(b) A commodity has utility even when it is not consumed
(c) Utility is subjective and varies from person to person
(d) Utility is the same thing as useful-ness

88. Utility is the numerical score in terms of '_______' representing the satisfaction that a consumer obtains from the consumption of a particular good. [Dec. 2021]

(a) Points
(b) Utils
(c) Units
(d) Numbers

89. When total utility is diminishing, the marginal utility is: [June 2022]

(a) Diminisher
(b) Zero
(c) Negative
(d) Increases

90. At the point of satiation, TU is ________ and MU is ________. [Dec. 2021]

(a) Maximum, Zero
(b) Minimum, Zero
(c) Zero, Zero
(d) Maximum, diminishing

91. From the information provided, what will be the Total utility of 2nd unit? [Dec. 2023]

Units	TU	MU
1	200	--
2	--	150
3	480	--

(a) 350 (b) 380
(c) 50 (d) 330

92. Which Equation is correct? [CA CPT Nov. 2018]

(a) $\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$ (b) $\frac{MU_x}{MU_y} > \frac{P_x}{P_y}$
(c) $\frac{MU_x}{MU_y} < \frac{P_x}{P_y}$ (d) $\frac{MU_x}{MU_y} \# \frac{P_x}{P_y}$

93. Marginal rate of Substitution X for Y is calculated as ___________. [Dec. 2021]

(a) Change in X/change in Y
(b) Px/Py
(c) Py/Px
(d) Change in Y/change in X

94. From the following data given below answer questions 251 and 252) [CA CPT Nov. 2018]

Units	TU	MU
1	200	
2	-	180
3	480	-

Total utility derived from 2nd unit?

(a) 380 (b) 20
(c) 100 (d) 280

95. Marginal utility of 3rd unit is? [CA CPT Nov. 2018]

(a) 200 (b) 280
(c) 100 (d) 50

96. When marginal utility is zero then total utility is _____________.

(a) Maximum (b) Lower
(c) Negative (d) Increasing

97. Supposing that total utility is 100 at 10 units of consumption of a commodity. If consumer increases the consumption by one more unit and owing to that total utility increases to 108.

The marginal utility of last units consumed will be ______________. [June 2023]

(a) 8 (b) 100
(c) 108 (d) 101

98. Budget line is otherwise called as: [Nov. 2019]

(a) Money line (b) Preference line
(c) Income line (d) Price line

99. The Consumer is in equilibrium when the following condition is satisfied: [CA CPT May 2019]

(a) Budget line is tangent to the Ic curve
(b) $\frac{MU_x}{P_x} = \frac{MU_y}{P_y} = \frac{MU_z}{P_z}$
(c) Both (a) and (b)
(d) None of the above

100. An indifference curve is a curve which represents all those combinations of two goods which give _________ to the consumer.

(a) Equal satisfaction
(b) Greater satisfaction
(c) Lesser satisfaction
(d) Variable satisfaction

101. Cardinal approach is related to: [CA CPT May 2018]

(a) Indifference curve
(b) Equi marginal utility
(c) Law of diminishing returns
(d) None of these

102. Which economist said that money is the measuring rod of utility? [Ca CPT may 2018]

(a) A.C. Pigou (b) Marshall
(c) Adam Smith (d) Robbins

103. Which of the following relation is true with MU? [CA CPT May 2019]

(a) When MU is positive, Total utility rises at a diminishing rate
(b) When marginal utility is zero, total utility is maximum
(c) When marginal utility is negative, total utility is diminishing
(d) All of the above

Consumer's Surplus

104. Consumer's surplus = what the consumer is ready to pay minus ___________ ? [June 2022]

(a) What is actual price of the product
(b) What is income of the consumer
(c) What he actually pays
(d) What is actual surplus

105. Purushottam wanted to buy laptop by paying ₹60,000 but the actual price is ₹55,000, then consumer surplus is: [Nov. 2020]

(a) 6,500 (b) 55,000
(c) 5,000 (d) 60,000

106. Ram wanted to purchase an Apple tab at ₹12,000/-. Actual price in the market (MRP) is ₹ 11,000/- and discount was given at 20%. Also there is an additional cash discount of ₹ 300. Find consumers surplus [June 2024]

(a) 3200 (b) 3500
(c) 1000 (d) 3300

107. Which of the following is/are the condition's of theory of consumer surplus if price is same for all the units he purchased? [CA CPT May 2019]

(a) Consumer gains extra utility or surplus
(b) Consumer surplus for the last commodity is zero
(c) Both
(d) None

108. The concept of consumer's surplus is derived from: [CA CPT May 2018]
(a) The law of diminishing marginal utility
(b) The law of equal-marginal utility
(c) The law of diminishing returns
(d) Engel's law

109. The concept of consumer sur plus is derived from ____________. [Dec. 2021]
(a) The law of Demand
(b) The law of Supply
(c) The law of diminishing marginal utility
(d) Indifference curve Analysis

Indifference Curve Analysis

110. Which one is not an assumption of the theory of demand based on analysis of indifference curves?
(a) Given scale of preferences as between different combinations of two goods.
(b) Diminishing marginal rate of substitution.
(c) Constant marginal utility of money.
(d) Consumers would always prefer more of a particular good to less of it, other things remaining the same.

111. More consumption of commodity X and less consumption of commodity Y make indifference curve [Dec. 2023]
(a) Slope downwards from left to right
(b) Intersect with each other
(c) Touch two axes
(d) Concave at mid-point

112. Which of the following is not the property of indifference curve? [CA CPT May 2019]
(a) Slopes downwards to the right
(b) Always convex to the origin
(c) Intersects each other
(d) Will not touch either of the axes

113. Indifference Curve analysis is based on which approach? [July 2021]
(a) Ordinal
(b) Cardinal
(c) Marginal
(d) All of the above

114. Which of the following is not the property of indifference curve? [CA CPT Nov. 2018]
(a) IC is convex to the origin
(b) IC scopes downwards from left to right
(c) Two IC can touch each other
(d) IC cannot touch either of the axis

115. The Indifference curve for two perfect complementary goods is________. [July 2021]
(a) U-shaped (b) Straight line
(c) Z-shaped (d) L-shaped

116. A shift in budget line occurs, when prices of the two goods remain constant, is due to_________. [Dec. 2021]
(a) Change in preferences
(b) Change in demand
(c) Change in income
(d) Change in utility

117. Why does demand curve slopes downwards? [Jan. 2021]
(a) Law of diminishing marginal cost
(b) Arrival of new Consumers
(c) Cost effect
(d) Different users

118. If indifference curve is 'L' shaped then two goods will be called as_____________. [June 2023]
(a) Perfect superior goods
(b) Perfect inferior goods
(c) Perfect quality goods
(d) Perfect complementary goods

119. The scope of the indifference curve shows consumer equilibrium at point where $MRS_{(xy)}$ __________ $\frac{P_x}{P_y}$ (Price line) [CA CPT Nov. 2018]

(a) Less than
(b) More than
(c) Equal to
(d) None of the above

120. The slope of the 'Price line' indicates the ratio between of the two goods.

(a) Prices
(b) Quantities demanded
(c) Quantities Sold
(d) Marginal Utility

Unit-3 : Supply

Introduction

121. The supply of a good refers to: [Nov. 2019]

(a) Actual production of the good.
(b) Total existing stock of the good.
(c) Stock available for sale.
(d) Amount of the good offered for sale at a particular price per unit of time.

122. Supply is a ___________ concept.
[CA CPT May 2018, Jan. 2021]

(a) Flow
(b) Stock
(c) Flow and stock, both
(d) Qualitative

Law of Supply

123. According to law of supply, change in supply is related to? [CA CPT Nov. 2018]

(a) Price of goods
(b) Price of related goods
(c) Factors of production
(d) None of the above

124. When supply price increase in the short run, the profit of the producer__________.
[CA CPT May 2018]

(a) Increases
(b) Decreases
(c) Remains constant
(d) Decreases marginally

Increase or Decrease in the Quantity Supplied

125. Contraction of supply implies ___________.
[CA CPT May 2019]

(a) Decrease in cost of production
(b) Decrease in price of the good concerned
(c) Decrease in price of related good
(d) Increase in price of the good concerned

126. When supply curves moves to right, it means ___________. [Jan. 2021]

(a) Supply increases
(b) Supply decreases
(c) Supply remains constant
(d) Supply expands

Shifts in Supply Curve

127. An increase in the supply of a good is caused by:

(a) Improvements in its technology.
(b) Fall in the prices of other goods.
(c) Fall in the prices of factors of production.
(d) All of the above

128. When supply curve moves to right, it means

(a) Supply increases
(b) Supply decreases
(c) Supply remains constant
(d) None of the above

129. When supply curve shifts to the right there is:
[CA CPT May 2018]

(a) An increase (b) Expansion
(c) Contraction (d) Decrease

130. When supply curve moves to the left, it means

(a) Smaller supply at a given price
(b) Larger supply at a given price
(c) Constant supply at a lower price
(d) None of the above

131. When the supply curve shifts to the left or right, it is called as __________ or __________ in supply, respectively.

(a) Decrease, Decrease
(b) Decreases, Increase
(c) Increase, Increase
(d) Increase, Decrease

Elasticity of Supply

132. A vertical supply curve parallel to the Y-axis exhibits that the elasticity of supply is: [June 2022]

(a) Zero (b) Infinite
(c) Elastic (d) Inelastic

133. If elasticity of supply is infinite, the supply curve will be:

(a) Parallel to x axis
(b) Parallel to y axis
(c) Upward sloping
(d) Downward sloping

134. Price elasticity of supply refers to change in responsiveness of quantity to change in:

[Nov. 2019]

(a) Price (b) Price in substitute
(c) Income (d) Preference

135. The elasticity of supply is de-fined as the:

(a) Responsiveness of the quantity supplied of a good to a change in its price.
(b) Responsiveness of the quantity supplied of a good without change in its price.
(c) Responsiveness of the quantity demanded of a good to a change in its price.
(d) Responsiveness of the quantity demanded of a good without change in its price.

136. If the elasticity of Supply is 5 and the price of product Y increases by 15%, then what percentage of quantity supplied will increase? [Dec. 2023]

(a) 10% (b) 3%
(c) 75% (d) 15%

137. The Price of Good Increases from 200 to ₹300 the quantity sup-plied Increases from 200 to 2500 units. The elasticity of supply will be:

(a) Less than one (b) Greater than two
(c) Equal to one (d) Equal to two

138. When price of a commodity Rises from 200 to₹300 and Quantity supply increases from 2,000 to 5,000 units find elasticity of supply?

[CA CPT Nov. 2018]

(a) 3.0 (b) 2.5
(c) 0.3 (d) 3.5

139. If the price of sugar increases from ₹ 8,000 to 10,000 per tone and due to that quantity supplies of sugar increases from 2000 to 2500 tones. Compute the elasticity of supply. [June 2022]

(a) (–) 1 (b) 1
(c) (–) 0.4 (d) 0.4

140. If price of computers increases by 10% and supply increases by 25%. The elasticity of supply is :

(a) 2.5 (b) 0.4
(c) (–) 2.5 (d) (–) 0.4

141. Due to introduction of 5G mobiles in the market, the price of such mobiles has increased by 20% and there by supply increased by 40% the elasticity of supply will be which of the following? [June 2023]

(a) 0.5 (b) – 0.5
(c) – 2 (d) 2

142. When No. of tourists increase at a place for which the room rent of hostel also increases. Then the elasticity of supply of room will be_________.

[June 2023]

(a) Zero (b) <1
(c) >1 (d) =1

143. If quantity supplied changes substantially in response to small changes in price of the good, then it is: [Nov. 2020]

(a) Perfect elastic
(b) Unitary elastic
(c) Relatively less elastic supply
(d) Relatively greater elastic supply

144. When elasticity is measured at a given point on the supply curve is called as which of the following? [June 2022]

(a) Unit elasticity
(b) Point elasticity
(c) Supply elasticity
(d) Limited elasticity

145. The Price of Commodity X increased from ₹2,000 per unit to ₹ 2,100 per unit and consequently the quantity supplied rises from 2,500 units to 3,000 units. The Elasticity of supply will be:

(a) 2 (b) 4
(c) .25 (d) 0

146. The supply function is given as Q = 20p - 200. The elasticity of supply using point method, when the price is ₹30 will be: [Dec. 2021]

(a) –1.5 (b) +1.5
(c) +0.66 (d) –0.66

147. Perishable commodities will have ________. [CA CPT May 2019]

(a) Perfectly elastic curve
(b) Perfectly inelastic curve
(c) Elastic
(d) Inelastic

148. When the supply of a product is perfectly inelastic then the curve will be: [CA CPT May 2019]

(a) Parallel to Y - axis
(b) Parallel to X - axis
(c) At the angle of 45°
(d) Sloping upwards

149. The cross elasticity between Rye bread and Whole Wheat bread is expected to be:

(a) Positive (b) Negative
(c) Zero (d) Can't say

150. The supply function is given as Q = –100 + 10P. Find the elasticity using point method, when price is ₹ 15.

(a) 4 (b) –3
(c) –5 (d) 3

Equilibrium Price

151. Equilibrium refers to a market situation where quantity demand is ________ to quantity supplied.

(a) Equal
(b) Less than or Equal
(c) More than
(d) More than or equal

152. The equilibrium price is deter-mined by the inter-section between __________ and __________. It is also called as the _______ equilibrium.

(a) Demand, Supply, Static
(b) Demand Supply, Dynamic
(c) Supply, Demand, Partial
(d) Demand, Supply, Market

Answer Key

1.	(d)	32.	(c)	63.	(d)	94.	(a)	125.	(b)
2.	(a)	33.	(b)	64.	(c)	95.	(c)	126.	(a)
3.	(d)	34.	(d)	65.	(c)	96.	(a)	127.	(d)
4.	(d)	35.	(c)	66.	(b)	97.	(a)	128.	(a)
5.	(a)	36.	(b)	67.	(a)	98.	(d)	129.	(a)
6.	(d)	37.	(b)	68.	(b)	99.	(c)	130.	(a)
7.	(d)	38.	(d)	69.	(c)	100.	(a)	131.	(b)
8.	(a)	39.	(a)	70.	(c)	101.	(b)	132.	(a)
9.	(d)	40.	(a)	71.	(b)	102.	(b)	133.	(a)
10.	(c)	41.	(d)	72.	(b)	103.	(d)	134.	(a)
11.	(a)	42.	(a)	73.	(c)	104.	(c)	135.	(a)
12.	(b)	43.	(d)	74.	(d)	105.	(c)	136.	(c)
13.	(d)	44.	(c)	75.	(a)	106.	(b)	137.	(b)
14.	(a)	45.	(c)	76.	(a)	107.	(c)	138.	(a)
15.	(a)	46.	(a)	77.	(b)	108.	(a)	139.	(b)
16.	(d)	47.	(b)	78.	(b)	109.	(c)	140.	(a)
17.	(c)	48.	(b)	79.	(c)	110.	(c)	141.	(d)
18.	(b)	49.	(b)	80.	(d)	111.	(a)	142.	(b)
19.	(d)	50.	(b)	81.	(a)	112.	(c)	143.	(d)
20.	(a)	51.	(a)	82.	(a)	113.	(a)	144.	(b)
21.	(d)	52.	(b)	83.	(c)	114.	(c)	145.	(b)
22.	(c)	53.	(d)	84.	(d)	115.	(d)	146.	(b)
23.	(a)	54.	(a)	85.	(d)	116.	(c)	147.	(b)
24.	(a)	55.	(d)	86.	(d)	117.	(b)	148.	(a)
25.	(c)	56.	(d)	87.	(d)	118.	(d)	149.	(a)
26.	(d)	57.	(d)	88.	(b)	119.	(c)	150.	(d)
27.	(b)	58.	(c)	89.	(c)	120.	(a)	151.	(a)
28.	(a)	59.	(b)	90.	(a)	121.	(d)	152.	(d)
29.	(c)	60.	(a)	91.	(a)	122.	(a)		
30.	(a)	61.	(b)	92.	(a)	123.	(a)		
31.	(b)	62.	(c)	93.	(d)	124.	(a)		

Hints & Solution

1. **(d)**

2. **(a)**
The quantity demanded is a flow. We are concerned not with a single iso-lated purchase, but with a continuous flow of purchases. Therefore, demand is expressed as "So much per period of time".

3. **(d)**

4. **(d)**

5. **(a)**

6. **(d)**

7. **(d)**
The prices of related commodities are included in determinant of demand. Which may be either complimentary goods or substitutes.

8. **(a)**

9. **(d)**

10. **(c)**

11. **(a)**

12. **(b)**

13. **(d)**

14. **(a)**

15. **(a)**

16. **(d)**

17. **(c)**
In case of articles of conspicuous goods, these become more attractive if their prices go up. Such articles will not conform to the usual law of demand.

18. **(b)**

19. **(d)**

20. **(a)**

21. **(d)**

22. **(c)**

23. **(a)**

24. **(a)**
A

25. **(c)**

26. **(d)**

27. **(b)**

28. **(a)**

29. **(c)**
Conspicuous goods are an exception to the law of demand. This is because their demand often increases with higher prices due to their status symbol, contrary to normal goods where demand decreases as price increases.

30. **(a)**

31. **(b)**

32. **(c)**

33. **(b)**

34. **(d)**

35. **(c)**

36. **(b)**

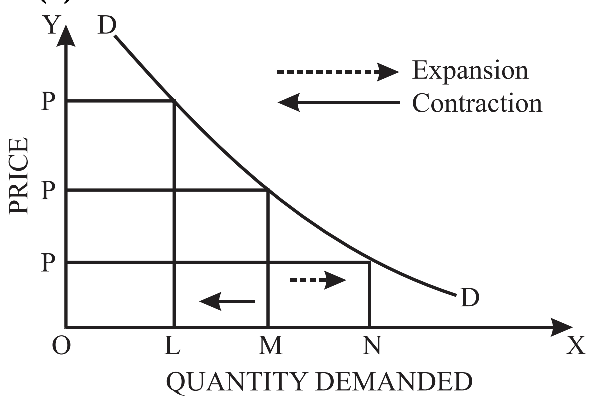
37. **(b)**

38. **(d)**

39. **(a)**

40. **(a)**

41. **(d)**



Expansion and contraction of Demand

42. **(a)**

	Price (P)	Quantity (Q)
Original	₹ 6	10 units
New	₹ 4	15 units
Change	ΔP = 2	ΔQ = 5
Price Elasticity = $\frac{-\Delta Q}{\Delta P} \times \frac{P}{Q}$ = (–) $\frac{5}{2} \times \frac{6}{10}$ = (-) 1.5		

43. **(d)**

44. **(c)**

45. **(c)**

46. **(a)**

47. **(b)**

48. **(b)**

49. **(b)**

Price Elasticity of Demand = $\frac{\Delta Q}{\Delta P} \times \frac{P_1+P_2}{Q_1+Q_2}$ = $\frac{(200-300)}{(22-20)} \times \frac{(20-22)}{(300-200)}$ = – 4.2

50. **(b)**

	Original	New	Change
Price	80	40	–40
Quantity	20	x	X-20

Price elasticity of Demand = $\frac{\Delta Q}{\Delta P} \times \frac{P_1}{Q_1}$

$-1.5 = \frac{x-20}{-40} \times \frac{80}{20}$

$-1.5 = \frac{x-20}{-10}$

$15 = x - 20$

X = 15 + 20 = 35 units

51. **(a)**

Price Elasticity of Demand

$= \frac{\%\ change\ in\ Quantity\ Demanded}{\%\ change\ in\ Price} = \frac{25\%}{-10} = 2.5$

52. **(b)**

Elasticity of Demand

$= \frac{\Delta Q}{\Delta P} \times \frac{P_1}{Q_1} = \frac{500}{-10{,}000} \times \frac{60{,}000}{1{,}500} = -2$

53. **(d)**

54. **(a)**

55. (d)

% change in Price = $\frac{60-80}{80}$ = 25%

Price Elasticity of Demand = 1.25

Price Elasticity

$= \frac{Percentage\ change\ in\ quantity\ demanded}{Percentage\ change\ in\ price}$

1.25 = $\frac{\%\ change\ in\ Quantity}{25\%}$

56. (d)

57. (d)

Price elasticity of Demand

$= \frac{\Delta Q}{\Delta P} \times \frac{P_1}{Q_1} = \frac{-5}{10} \times \frac{40}{25}$ = -0.8

58. (c)

Price elasticity of Demand = $\frac{\Delta Q}{\Delta P} \times \frac{P_1}{Q_1}$

-2.5 = $\frac{(Q_2-20)}{(3-5)} \times \frac{5}{10} \Longrightarrow Q_2 = 40$

59. (b)

60. (a)

Price Elasticity (E_P) = $\frac{Lower\ Segement}{Upper\ Segment}$

61. (b)

62. (c)

63. (d)

64. (c)

Price Elasticity (E_P) = $\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$

2 = $\frac{\Delta q}{80} \times \frac{200}{60}$

$\Delta q = \frac{2 \times 80 \times 60}{200}$ = 48

Therefore, New Quantity Demanded = 60 + 48 = 108 units

65. (c)

It means the quantity demanded changes by a larger percentage than the price.

66. (b)

Income Elasticity of Demand

$= \frac{\%\ Change\ in\ Demand}{\%\ Change\ of\ Income} = \frac{2.5\%}{5\%}$ = -0.5

A Negative income elasticity indicates an inferior good, where demand decreases as income increases, Thus, the income elasticity for good X is –0.5, inferior goods.

67. (a)

68. (b)

69. (c)

70. (c)

71. (b)

Using the arc elasticity method,

Income Elasticity

$= \frac{\Delta Q}{\Delta Y} \times \frac{Y_1+Y_2}{Q_1+Q_2} = \frac{10}{60,000} \times \frac{6,60,000}{110}$ = +1

72. (b)

73. (c)

When income increases, consumers choose to consume superior substitutes. Thus, income elasticity is negative in case of inferior goods.

74. (d)

75. (a)

Choose demand refers to the quantities of a commodity or service which will be purchased with reference to changes in price, not of that particular commodity, but of other inter-related commodities, other things remaining the same.

If two goods are totally unrelated, the cross-price elasticity between them is zero.

76. (a)

E_c

$= \frac{Percentage\ Change\ in\ Demand}{Percentage\ change\ in\ price\ of\ substituted}$

$= \frac{2\%}{8\%} = + 0.25$

77. (b)

Cross elasticity of demand

$= \frac{\%\ change\ in\ demand\ for\ coffee}{\%\ change\ in\ Price\ of\ Tea} = \frac{8\%}{25\%} = 0.32$

78. (b)

79. (c)

$E_c = \frac{\Delta q_x}{\Delta P_y} \times \frac{P_y}{q_x}$ [Where X = Tea and Y = Coffee]

$E_c = \frac{5-8}{-10} \times \frac{25}{5} = \frac{-3}{-10} \times \frac{25}{5} = +1.5$

80. (d)

81. (a)

$E_a = \frac{\%\ Change\ in\ Demand}{\%\ Change\ in\ Spending\ an\ advertising} = \frac{30}{25} = 1.2$

82. (a)

83. (c)

84. (d)

85. (d)

86. (d)

87. (d)

88. (b)

89. (c)

90. (a)

91. (a)

The Total Utility (TU) of the 2nd unit can be found by adding the Marginal Utility (MU) of the 2nd unit to the TU of the 1st unit. Since TU of1st unit is 200 and MU of 2nd unit is 150, TU of 2nd unit = 200 + 150 = 350.

92. (a)

93. (d)

94. (a)

$TU_2 = TU_1 + MU_2$

$= 200 + 180 = 380$

95. (c)

$MU_n = TU_n – TU_{n-1}$

$MU_3 = TU_3 – TV_2$

$= 480 – 380 = 100$

96. (a)

97. (a)

Marginal utility = The additional made to the total utility by the addition of consumption of one more unit of a commodity. Symbolically,

$U_n = TU_n – TU_{n-1}$

$MU_{11} = TU_{11} – TU_{10} = 108 – 100 = 8$

98. (d)

99. (c)

The conditions for consumer attaining equilibrium is the point where :

(a) The budget line is tangent to the indifference curve and

(b) $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$

100. (a)

101. (b)

102. (b)

103. (d)

104. (c)

105. (c)

106. (b)

MRP = ₹ 11,000

Discounted price = 11,000 – (20% of 11,000) = 8,800

Final price after cash discount = 8,800 – 300 = 8,500

Consumer surplus = 12,000 – 8,500 = 3,500

107. (c)

108. (a)

109. (c)

110. (c)

More consumption of commodity X and less consumption of commodity Y makes indifference curves slope downwards from left to right. This downwards slope represents a trade-off between the two commodities, showing how much of one commodity a consumer is willing to give up to obtain more of the other.

111. (a)

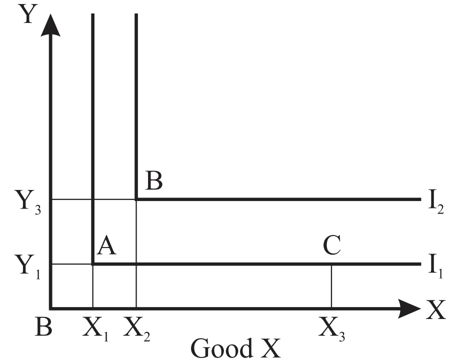
112. (c)

113. (a)

114. (c)

115. (d)

When two goods are perfect complementary goods (e.g left shoe and right shoe), the consumer consumes only bundles in which both X and Y in equal proportions. With a bundle like A or 8, he will not substitute X for Y because an extra piece of the other good (here a single shoe) is worthless for him. The reason is that neither an additional left shoe nor a right shoe without a paired one of each, adds to his total utility. In such a case, the indifference curve will consist of two straight lines with a right angle bent which is convex to the origin, or in other words, it will be L shaped.



Indifference Curve of Perfect Complements

116. (c)

117. (b)

The main reasons for downward sloping demand curve are:

(i) Law of diminishing marginal utility

(ii) Price effect

(iii) Arrival of new customers

(iv) Different uses of the product

118. (d)

119. (c)

120. (a)

121. (d)

122. (a)

123. (a)

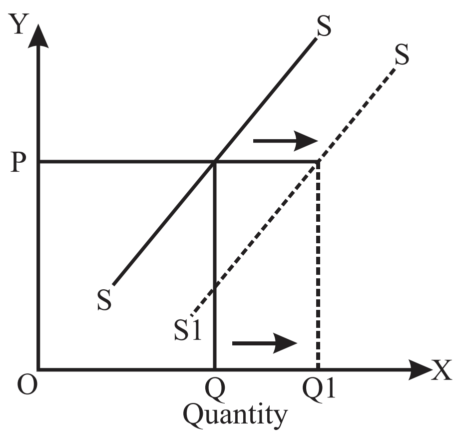
124. (a)

125. (b)

126. (a)

When the supply curve shifts to the right more is offered for sale at each price. In figure, we find that at price P, the quantity supplied rises from Q to Q_1.

Increase in Supply



127. (d)

128. (a)

129. (a)

130. (a)

131. (b)

132. (a)

133. (a)

134. (a)

135. (a)

136. (c)

If the elasticity of supply is 5 and the price increases by 15%, the quantity supplied will increase by elasticity × price change percentage = 5 × 15% = 75%.

137. (b)

Greater than two. Elasticity of supply is calculated as (% change in quantity supplied) / (% change in price). Here, (2500 – 200) / 200 = 1150% change in quantity, and (₹ 300 - ₹ 200) / ₹ 200 = 50% change in price. So, 1150% / 50% = 23, which is greater than two.

138. (a)

Elasticity of Supply (E_s)

$$= \frac{\Delta q}{q} \times \frac{p}{\Delta p} = \frac{3{,}000}{2{,}000} \times \frac{200}{100} = 3.0$$

139. (b)

140. (a)

$$E_S = \frac{\%\,Change\ in\ Supply}{\%\,Change\ in\ Price} = \frac{25\%}{10\%} = 2.5$$

141. (d)

Elasticity of Supply

$$\frac{\%\,Change\ in\ quantity\ Supplied}{\%\,change\ in\ Price} = \frac{40\%}{20\%} = 2$$

142. (b)

143. (d)

144. (b)

145. (b)

$$E_s = \frac{\Delta q}{\Delta P} \times \frac{P}{Q} = \frac{500}{100} \times \frac{2000}{2500} = 4$$

146. (b)

147. (b)

148. (a)

149. (a)

150. (d)

151. (a)

152. (d)