

## **DEMAND AND SUPPLY**

1. Normally the demand curve will have a \_\_\_\_\_ shape.
  - a. Upward sloping
  - b. Downward sloping
  - c. Vertical
  - d. Horizontal
2. Law of demand shows a relation between the \_\_\_\_\_.
  - a. Quantity demand and quantity supply of a commodity
  - b. Income and quantity demand of a commodity
  - c. Price and quantity of a commodity
  - d. Income and price of a commodity
3. If the quantity demanded of a commodity is unresponsive to change in prices, then the demand of that commodity is \_\_\_\_\_.
  - a. Perfectly inelastic
  - b. Elastic
  - c. Unit elastic
  - d. Inelastic
4. When the elasticity of demand for a commodity is very low, it shows that the product \_\_\_\_\_.
  - a. Has little importance in the total budget
  - b. Is a luxury
  - c. Is a necessity
  - d. None of the above
5. When the demand for a product is perfectly inelastic, a price increase will result in \_\_\_\_\_.
  - a. A decrease in quantity demanded of the product
  - b. No change in the total income from a product
  - c. An increase in the total income from a product
  - d. A reduction in the total income from a product
6. Would an increase in demand for a product cause the supply curve to shift in any direction?
  - a. No effect on supply
  - b. Change in the slope of a supply curve
  - c. The supply curve will move to the right
  - d. The supply curve will move to the left

7. In a particular year, the farmers experienced dry weather. If all other factors remain the same, the supply curve of wheat for farmers will shift to the \_\_\_\_\_ direction.
- Downward
  - Rightward
  - Leftward
  - None of the above
8. If the market supply curve for a product shifts rightwards, what is the best possible explanation for this shift?
- Increase in the price of raw materials
  - Introduction of a tax on that product by the government
  - Introduction of a new technique that makes the production of that commodity cheaper
  - An advertising campaign that is successful in promoting the product
9. Which of the following scenarios will not shift the demand curve for a particular product?
- A change in the income of the consumers of that product
  - Effective advertising campaign by producers of a substitute good
  - A reduction in the price of the raw material for that product
  - A widely publicised study that says the product is harmful to the health of consumers
10. If price changes by 1% and supply changes by 2%, then the supply is \_\_\_\_\_.
- Static
  - Indeterminate
  - Inelastic
  - Elastic
11. If the income of a consumer increases or the price of a complementary good falls, then the \_\_\_\_\_.
- The demand curve for the product shifts rightward
  - The demand curve for the product shifts leftward
  - The supply curve for the product shifts rightward
  - The supply curve for the product shifts leftward
12. Because of increasing marginal costs, most supply curves \_\_\_\_\_.
- Have a positive slope
  - Have a negative slope
  - Are horizontal
  - Are vertical
13. Which of the following metrics is not a constant factor while moving upwards along the supply curve?
- The price of the commodity

- b. The number of sellers
- c. Expected future prices
- d. Cost of the resources used for producing that commodity

14. An increase in the number of restaurants serving fast-food leads to \_\_\_\_\_.

- a. Growth in the demand of fast-food meals
- b. Increase in the supply of fast-food meals
- c. Increase in the price of fast-food meals
- d. Growth in the demand for substitutes of fast-food meals

15. When the quantity demanded of a goods is equal to the quantity supplied of that goods, then \_\_\_\_\_.

- a. There is a surplus
- b. The government is intervening in the market
- c. There is a shortage
- d. None of the above

### **Answers**

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|--------|---------|---------|---------|---------|---------|---------|--------|
| 1. (b) | 2. (c)  | 3. (a)  | 4. (c)  | 5. (c)  | 6. (a)  | 7. (c)  | 8. (c) |
| 9. (c) | 10. (d) | 11. (a) | 12. (a) | 13. (a) | 14. (b) | 15. (d) |        |