PART B Workbook [कार्य-पुस्तिका]

[Competency-based Learning through **Objective Questions**]

SET-1

Fill in the Blanks

Choose appropriate word/term and fill in the blank:

1. Demand curve is a horizontal straight line when elasticity of demand is equal to _____. (infinity/zero)
2. In the case of _____ goods, the elasticity of demand is greater than one. (essential/luxury)
3. Slope of demand curve and elasticity of demand are _____ concepts. (same/different)
4. If a fall in own price of a commodity causes a fall in total expenditure on the commodity, then elasticity of demand is _____. (greater than unity/less than unity)
5. Demand for salt is _____. (elastic/inelastic)
6. Elasticity is _____ for complementary goods. (less than unity/more than unity)
7. A vertical straight line demand curve is known as a _____ demand curve. (perfectly elastic/perfectly inelastic)
8. _____ has elastic demand. (Electricity/Cigarette)
9. When slope of demand curve is infinity, elasticity of demand will be _____. (zero/infinity)
10. Elasticity of demand will be less elastic if time period is _____. (longer/shorter)

SET-2

Multiple Choice

Choose the correct option:

1. **Price elasticity of demand through percentage method is calculated as:**

   (*a*) $(-)\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$ (*b*) $(-)\frac{\Delta P}{\Delta Q} \times \frac{Q}{P}$

   (*c*) $(-)\frac{dP}{dQ} \times \frac{P}{Q}$ (*d*) $\frac{1}{\text{Slope of demand curve}} \times \frac{Q}{P}$

2. **When total expenditure on a commodity remains constant due to a rise in own price of the commodity, E_d is:**

   (*a*) greater than unity (*b*) less than unity

   (*c*) unity (*d*) zero

3. **When demand curve is parallel to Y-axis, price elasticity of demand is:**

   (*a*) unity (*b*) zero

   (*c*) infinity (*d*) greater than unity

4. **On all points of rectangular hyperbola, elasticity of demand is equal to:**

   (*a*) unity (*b*) zero

   (*c*) infinity (*d*) greater than one

5. **When slope of demand curve is zero, elasticity of demand will be:**
   (*a*) zero (*b*) one
   (*c*) infinity (*d*) greater than one

6. **In case of $E_d < 1$, demand for the commodity is _____ .**
   (*a*) inelastic (*b*) elastic
   (*c*) perfectly inelastic (*d*) perfectly elastic

7. **When elasticity of demand is one at all points on the demand curve, the demand curve will be:**
   (*a*) an upward sloping curve (*b*) a rectangular hyperbola
   (*c*) parallel to X-axis (*d*) parallel to Y-axis

8. **Demand for an essential good, say water is _____ .**
   (*a*) perfectly elastic (*b*) elastic
   (*c*) unitary elastic (*d*) inelastic

9. **Elasticity of demand at higher level of price is:**
   (*a*) high (*b*) low
   (*c*) zero (*d*) unity

10. **Slope of Demand Curve =**
    (*a*) $(-)\frac{\Delta Q}{\Delta P}$ (*b*) $(-)\frac{\Delta P}{\Delta Q}$
    (*c*) $\frac{\Delta P}{\Delta Q}$ (*d*) $\frac{\Delta Q}{\Delta P}$

11. **The demand for goods like tea and coffee is usually _____ .**
    (*a*) elastic (*b*) inelastic
    (*c*) perfectly elastic (*d*) perfectly inelastic

12. **When elasticity of demand is infinity, slope of demand curve will be:**
    (*a*) zero (*b*) one
    (*c*) less than one (*d*) infinity

13. **In case of $E_d = 0$, demand curve is**
    (*a*) a horizontal straight line (*b*) a vertical straight line
    (*c*) a rectangular hyperbola (*d*) a downward sloping curve

14. **Demand for luxuries is:**
    (*a*) perfectly elastic (*b*) perfectly inelastic
    (*c*) elastic (*d*) inelastic

15. **Demand is inelastic when:**
    (*a*) percentage change in quantity demanded = percentage change in price of the commodity
    (*b*) percentage change in quantity demanded > percentage change in price of the commodity
    (*c*) percentage change in quantity demanded < percentage change in price of the commodity
    (*d*) none of these

16. **If a good takes up significant share of consumer's budget, it will be _____ .**
    (*a*) less elastic (*b*) highly elastic
    (*c*) unitary elastic (*d*) perfectly elastic

17. **The demand for car and petrol is usually _____ .**
    (*a*) elastic (*b*) inelastic
    (*c*) perfectly elastic (*d*) perfectly inelastic

18. **Coefficient of elasticity is zero when demand is _____.**

(*a*) perfectly elastic
(*b*) perfectly inelastic
(*c*) infinite
(*d*) none of these

19. **When the price of a commodity is ₹ 10 per unit, its quantity demanded is 800 units. When its price rises by ₹ 4 per unit, its quantity demanded falls by 20 per cent. In this case elasticity of demand is:**

(*a*) zero
(*b*) unity
(*c*) more than unity
(*d*) less than unity

20. **Using total expenditure method, find E_d when price and demand are as under:**

Price (₹)	Demand (Units)
20	40
10	100

(*a*) $E_d = 1$
(*b*) $E_d < 1$
(*c*) $E_d > 1$
(*d*) $E_d = 0$

SET-3

True or False

State whether the following statements are True or False:

1. Elasticity of demand tells us about the direction of change in quantity demanded in response to change in own price of the commodity. (True/False)
2. Increase in price of a product may not always lead to increase in total expenditure. (True/False)
3. Elasticity of demand is high in case of necessities. (True/False)
4. In the case of a horizontal straight line demand curve, a small change in price of a commodity causes an infinite change in its demand. (True/False)
5. When percentage change in quantity demanded is greater than percentage change in price, the demand is called elastic. (True/False)
6. Elasticity of demand is not affected by nature of a commodity. (True/False)
7. The relationship between 'change in price' and 'total expenditure' is valid only on the assumption that there is an inverse relationship between own price of a commodity and its quantity demanded. (True/False)
8. In case of $E_d > 1$, demand for the commodity is perfectly elastic. (True/False)
9. In case price elasticity of demand is equal to one, a massive change in price level will bring only a minimal change in the level of total expenditure. (True/False)
10. Price elasticity of demand for luxury goods is perfectly inelastic. (True/False)

SET-4

True-False Alternatives

In the following questions (1-5), two statements are given. Read the statements carefully and choose the correct alternative among those given below:

Alternatives:

(*a*) Both the statements are true
(*b*) Both the statements are false

(*c*) Statement 1 is true and Statement 2 is false

(*d*) Statement 2 is true and Statement 1 is false

1. Statement 1 : Goods which have no close substitutes have inelastic demand.
   Statement 2 : Luxuries of life often exhibit high degree of elasticity of demand.
2. Statement 1 : Demand for milk is inelastic, as it does not have alternative uses.
   Statement 2 : Coefficient of elasticity of demand is infinity when demand is perfectly elastic.
3. Statement 1 : When degree of elasticity of demand is greater than one, demand is said to be elastic.
   Statement 2 : Elasticity of demand can never be less than one.
4. Statement 1 : $E_d = 1$ at any point on the rectangular hyperbola demand curve.
   Statement 2 : If slope of two demand curves is the same, they show the same elasticity of demand.
5. Statement 1 : If a good has multiple uses, its demand will be less elastic.
   Statement 2 : If demand curve is a rectangular hyperbola, total expenditure on the commodity does not remain constant, no matter price of the commodity increases or decreases.

SET-5

Choose the Correct Pair of Statements/Identify the Correct Sequence of Alternatives

1. **From the set of statements given in Column I and Column II, choose the correct pair of statements:**

Column I	Column II
A. Perfectly elastic demand	(*i*) Demand curve is a vertical line parallel to Y-axis
B. Fall in price along with constant total expenditure	(*ii*) $E_d < 1$
C. Rectangular hyperbola demand curve	(*iii*) $E_d = 1$
D. Air-conditioner	(*iv*) Has inelastic demand

Alternatives:

(*a*) A—(*i*)
(*b*) B—(*ii*)
(*c*) C—(*iii*)
(*d*) D—(*iv*)

2. **Identify the correct sequence of alternatives given in Column II by matching them with respective items in Column I:**

Column I	Column II
A. Rise in price along with rise in total expenditure	(*i*) $\frac{\Delta Q}{Q} > \frac{\Delta P}{P}$
B. Elastic demand	(*ii*) $E_d > 1$
C. Availability of substitutes	(*iii*) $E_d = \infty$
D. Horizontal straight line demand curve	(*iv*) Inelastic demand

Alternatives:

(*a*) A—(*iv*), B—(*i*), C—(*ii*), D—(*iii*)
(*b*) A—(*ii*), B—(*iv*), C—(*iii*), D—(*i*)
(*c*) A—(*iv*), B—(*iii*), C—(*i*), D—(*ii*)
(*d*) A—(*iii*), B—(*i*), C—(*ii*), D—(*iv*)

8. **Identify the correct sequence of alternatives given in Column II by matching them with respective items in Column I:**

Column I	Column II
A. Perfectly elastic demand curve	(*i*) $(-)\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$
B. Inelastic demand	(*ii*) Elastic demand
C. Price elasticity of demand	(*iii*) Infinite price elasticity
D. Long period	(*iv*) $E_d < 1$

Alternatives:

(*a*) A—(*ii*), B—(*iii*), C—(*iv*), D—(*i*)
(*b*) A—(*iii*), B—(*iv*), C—(*i*), D—(*ii*)
(*c*) A—(*iv*), B—(*i*), C—(*ii*), D—(*iii*)
(*d*) A—(*ii*), B—(*iv*), C—(*i*), D—(*iii*)

ET-6

ssertion and Reasoning

n the following questions (1-5), a statement of Assertion (A) is followed by a statement of Reason (R). hoose the correct alternative among those given below:

lternatives:

(*a*) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(*b*) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
(*c*) Assertion (A) is true but Reason (R) is false
(*d*) Assertion (A) is false but Reason (R) is true

1. Assertion (A) : Price elasticity of demand refers to the degree of change in demand in response to a change in own price of the commodity.
   Reason (R) : Unitary elastic demand means percentage change in quantity demanded is equal to percentage change in price.
2. Assertion (A) : Elasticity of demand for medicines is less than unity.
   Reason (R) : Demand for essential goods is less fluctuating in nature.
3. Assertion (A) : Elasticity of demand is the same as slope of demand curve.
   Reason (R) : Slope of demand curve = $(-)\frac{\Delta P}{\Delta Q}$.
4. Assertion (A) : A perfectly elastic demand curve is a horizontal straight line parallel to X-axis.
   Reason (R) : $E_d = 0$ is a situation when change in price causes no change in the quantity demanded.
5. Assertion (A) : Total expenditure method to measure elasticity of demand was given by Prof. Marshall.
   Reason (R) : Total expenditure method does not give us any exact value of elasticity.

ANSWERS

ET-1

1. infinity
2. luxury
3. different
4. less than unity
5. inelastic
6. less than unity
7. perfectly inelastic
8. Electricity
9. zero
10. shorter

SET-2

1. (*a*) 2. (*c*) 3. (*b*) 4. (*a*) 5. (*c*) 6. (*a*) 7. (*b*) 8. (*d*) 9. (*a*) 10. (*b*)
11. (*a*) 12. (*a*) 13. (*b*) 14. (*c*) 15. (*c*) 16. (*b*) 17. (*b*) 18. (*b*) 19. (*d*) 20. (*c*)

SET-3

1. False 2. True 3. False 4. True 5. True 6. False 7. True 8. False 9. False 10. False

SET-4

1. (*a*) 2. (*d*) 3. (*c*) 4. (*c*) 5. (*b*)

SET-5

1. (*c*) 2. (*a*) 3. (*b*)

SET-6

1. (*b*) 2. (*a*) 3. (*d*) 4. (*b*) 5. (*b*)

SET-7

One Liners: Answer with Reason