

Economics - 9th Class English Medium Economics Chapter 3

Q1. Write the functional equation of demand

Ans 1: The functional equation of demand, often represented as $Q_d = f(P, I, T, O, \dots)$ Where :

Ans 2: Q_d = represents the quantity demanded of a good or service.

P = Represents the price of the good or service.

I = Represents the income of consumers.

T = Represents the tastes or preferences of consumers.

O = Represents other relevant factors that may influence demand.

Q2. Demand

Ans 1: Demand refers to the quantity of a good or service that consumers are willing and able to purchase at various prices during a specific period. It represents the desire and purchasing power of consumers for a particular product or service. Demand is influenced by various factors including price, consumer preferences, income level, and the availability of substitutes. In economics, demand is often depicted graphically as a downward sloping curve, indicating an inverse relationship between price and quantity demanded, assuming other factors remain constant.

Q3. What is Population.

Ans 1: Since people are potential buyers, therefore, the demand for most goods will increase with the rise in population. For example, migration of people from rural to urban areas increases the demand for housing, restaurants and transport in urban areas.

Q4. What does elasticity of demand mean?

Ans 1: Elasticity of demand refers to the responsiveness or sensitivity of the quantity demanded of a good or service to changes in its price. In other words, it measures how the quantity demanded changes in response to a change in price.

Ans 2: 1. Price Elasticity of Demand: This measures the percentage change in quantity demanded relative to the percentage change in price. If PED is greater than 1, demand is considered elastic, meaning that a small change in price leads to a relatively large change in quantity demanded.

Ans 3: 2. Income Elasticity of Demand: This measures the percentage change in quantity demanded relative to the percentage change in income. It indicates whether a good is a normal good $YED > 0$, an inferior good $YED < 0$, or a luxury good $YED > 1$

Ans 4: 3. Cross Price Elasticity of Demand: This measures the percentage change in quantity demanded of one good relative to the percentage change in the price of another good. It helps determine whether goods are substitutes $XED > 0$, complements $XED < 0$ or unrelated $XED = 0$

Q5. What is the slope of a demand curve?

Ans 1: The slope of a demand curve represents the rate at which quantity demanded changes in response to a change in price. It's typically negative, indicating that as the price of a good or service increases, the quantity demanded decreases. The magnitude of the slope indicates the degree of responsiveness of quantity demanded to change in price, known as price elasticity of demand.

Q6. What does other things remain constant mean in the law of demand.

Ans 1: In the law of demand, the phrase "Other things remain constant" refers to the assumption that all other factors influencing demand are held constant, except for the price of the good or service in question.

Ans 2: The law of demand states that, all else being equal as the price of a good or service decreases, the quantity demanded of that good or service will increase, and vice versa. However, in real-world situations, many factors can influence demand apart from just the price, such as consumer income preferences, prices of related goods, and so on.

Q7. Write Limitation of the Law of Demand.

Ans 1: 1- Inferior goods: In case of inferior goods people do not buy more even if its price decreases so the law of demand will not apply in such cases.

Ans 2: 2- Scarce goods: If a shortage of supply of certain goods is expected, people will increase their demand even if its price increases. This is against the definition of the law so the law will not hold.

Q8. What is Giffen Goods

Ans 1: Giffen Goods are special kinds of inferior goods. When price increases more is demanded and less of it is demanded if price is lower. It goes against the law of demand. For example, barley is inferior to wheat.

Q9. Write two factors affecting Demand other than price.

Ans 1: 1- Liking or disliking: If you like chocolate, your friend may like ice cream, Preferences or tastes are important in determining our willingness to buy different types of goods. The demand for many goods, such as clothing and hairstyle, changes frequently as fashion changes. People plan to buy more at same price, if these are in fashion.

Ans 2: Income: An increase in income will also cause an increase in our demand for most of the goods. For example an increase in income will increase the demand for clothing if higher income causes an increase in the demand for a good, the product is a normal good.

Q10. What is innovation and Inventions.

Ans 1: Sometimes demand for a good is changed without any change in price level. For example, demand for computers will go up for publishing books if it is quicker and easier to compose books on computer rather than manually.
