## Principles of Economics ( English Medium) - ICOM Part 1 Economics English Medium Chapter 3 Short Questions Preparation

### Q1. What is meant by demand ?

**Ans 1:** Demand is the quantity of anything which will be bought from the market at given price but two conditions are necessary for creating demand.
1. Will to purchase.
2. Power to purchase
Demand = willingness + purchasing power

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### Q2. Write four assumptions of law of demand.

**Ans 1:** Law of demand is based on the following conditions.
1. No change in quality of product.
2. No change in income.
3. No change in taste and fashion
4. No change in weather conditons.

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### Q3. What is individual demand and market demand ?

**Ans 1:** Individual Demand:
The demand from single buyers at different Prices is known as individual demand.
Market Demand:
The demand from single buyers of different goods and services at different prices is known as market demand.

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### Q4. Write four factors effecting elasticity of demand.

**Ans 1:** 1. Demand for basic necessities of life is less elastic.
2. Demand for luxury is more elastic.
3. Substitute goods have more elastic demand.
4. Good having several uses is more elastic demand.

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### Q5. What is expansion and contraction of demand ?

**Ans 1:** Expansion of Demand:
When price of a commodity decreases, its quantity demanded increases. This is called expansion of demand.
Contraction of Demand:
When price of commodity increases, its quantity demanded decreases. This is called contraction of demand.

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### Q6. What is meant by derived demand ?

**Ans 1:** Derived demand is defined as when the want for one good service happens because of the want for another good or service. An example of derived demand is an increase in the need for wood because of the increase in the need for furniture.

Q7. What is Infinite Ed ?

**Ans 1:** When there is no change in price but quantity demanded increases infinity extent, it is called perfectly elastic demand.

Q8. What is more elastic and less elastic demand ?

**Ans 1:** Higher Elastic Demand Curve:
If a little change in price brings a greater change in quantity demanded that is called more elastic or higher elastic demand.
Less Elastic Demand Curve or Inelastic Demand:
If a big change in price brings a small change in quantity demanded is called less elastic demand.

Q9. What is elasticity of demand greater than unity ?

**Ans 1:** If the rate of charge in quantity demanded is greater than the rate of change is price that is called Elasticity of demand > 1. So total expenditure increases with fall in price and decreases with rise of price, which represents elasticity of demand greater than unity.

Q10. Define elasticity of demand equal to unity.

**Ans 1:** Elasticity of demand equal to unity (Elasticity of demand = 1):
If rate of change in quantity demanded is equal to the rate of change in price is called elasticity of demand equal to unity. In this case price increases or decreases total expenditure remains constant.