

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

# Q1. What is cross elasticity of demand?

Ans 1: When price changes of commodity B, while quantity demand changes of commodity A, it is called cross elasticity of demand.

For example price changes of wheat while quantity demand changes of rice is knows as cross elasticity of demand.

Q2. Write four practical importance of elasticity of demand.

Ans 1: 1. Importance for finance minister.

- 2. Importance for monopolist.
- 3. Fixation of wages.
- 4. Prices of joint products.

# Q3. What are complementary goods?

**Ans 1:** When the demand for one product depends upon other product and used together are known as complementary goods. For example the demand for sim card is complementary to demand for mobile phone.

#### Q4. Define law of demand.

**Ans 1:** When price of any commodity decreases, its quantity demanded increases and when price increases, its quantity demanded decreases if other things do not change.

### Q5. 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.

#### Q6. Differentiate between rise and fall in demand.

### Ans 1: Rise of Demand:

When demand increases due to change in other factors (income, taste) that is called rise in demand.

Fall of demand.

When demand decreases due to change in other factors then it is called fall of demand.

# Q7. Define Joint demand.

Ans 1: Joint demand occurs when two goods are needed together. For example, bat and ball.

Q8. What is income elasticity of demand?

**Ans 1:** The income elasticity of demand is the rate of change in quantity demand of a commodity as a result of change in income of a consumer.

Q9. 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.

Q10. Define elasticity of demand by Flux Method.

**Ans 1:** Elasticity of demand is the ratio of percentage change in quantity demanded to percentage change in price. Ed = Percentage change in quantity demanded / Percentage change in price