CHAPTER-2 | Theory Of Consumer Behaviour

QUIZ PART-06

1. **Elasticity of demand is defined as**
   A. The ratio of percentage change in price to percentage change in demand
   B. The ratio of percentage change in demand to percentage change in factors affecting demand
   C. The difference between demand and supply at a given price
   D. The responsiveness of supply to price changes (B)

Explanation : Elasticity of demand measures how demand responds to a percentage change in its determining factors, like price, income, or related goods.

2. **Price elasticity of demand specifically refers to**
   A. Change in demand due to change in income
   B. Change in demand due to change in price of related goods
   C. Change in demand due to change in the price of the good itself
   D. Change in supply due to change in demand (C)

Explanation : Price elasticity of demand measures responsiveness of demand to a change in the price of the commodity itself.

3. **If the price of a good rises from Rs. 10 to Rs. 12 and demand falls from 100 to 80 units, the price elasticity of demand is**
   A. 0.5 B. 1
   C. 2 D. 1.5 (B)

Explanation : Using the formula Ed = (%ΔQ / %ΔP), demand decreases 20% while price rises 20%, hence elasticity = 1 (unitary).

4. **A demand curve is said to be elastic when**
   A. A small change in price leads to a large change in quantity demanded
   B. A large change in price causes zero change in demand
   C. Demand is completely unresponsive to price
   D. Price remains constant while demand changes (A)

Explanation : Elastic demand means even a small change in price leads to a significant change in quantity demanded.

5. **If price elasticity of demand is greater than 1, demand is**
   A. Inelastic B. Elastic
   C. Unitary elastic
   D. Perfectly elastic (B)

Explanation : When Ed > 1, demand is elastic, meaning it is highly responsive to price changes.

6. **If price elasticity of demand equals 1, demand is said to be**
   A. Perfectly elastic
   B. Perfectly inelastic
   C. Unitary elastic
   D. Relatively inelastic (C)

Explanation : When percentage change in demand equals percentage change in price, demand is unitary elastic.

7. **If Ed = 0, demand is**
   A. Perfectly elastic
   B. Perfectly inelastic
   C. Unitary elastic
   D. Relatively elastic (B)

Explanation : Ed = 0 means demand does not respond to price changes, i.e., perfectly inelastic (e.g., necessities like salt).

8. **If Ed = ∞, demand is**
   A. Perfectly elastic
   B. Perfectly inelastic
   C. Unitary elastic
   D. Zero elastic (A)

Explanation : Perfectly elastic demand implies that even the smallest change in price causes demand to drop to zero.

9. **Along a linear demand curve, elasticity is**
   A. Constant at all points
   B. Higher at the upper part and lower at the lower part
   C. Lower at the upper part and higher at the lower part
   D. Always equal to 1 (B)

Explanation : On a linear demand curve, elasticity is greater than 1 at the upper part, equal to 1 at the midpoint, and less than 1 at the lower part.

10. **The price elasticity of demand measures the responsiveness of**
    A. Quantity supplied to a change in price
    B. Quantity demanded to a change in income
    C. Quantity demanded to a change in price
    D. Price to a change in supply (C)

Explanation : Price elasticity of demand measures how quantity demanded changes in response to price changes.