**11TH MAY, 2020 JESUS AND MARY SCHOOL & COLLEGE MODULE 1 CLASS 12**

**ECONOMICS**

NOTE:- Read the following Explanations and answer the questions given:

**EXPLANATION-1**

**(Demand- Definition and types)**

**Worksheet 1**

What is demand how is it different from Desire? Demand means the quantity of any commodity which a consumer is willing to buy at the different prices during a particular time. It means that the Demand and Desire are two different things. Desire is only the willingness to buy the commodity, but demand means the desire to purchase a commodity with the ability to pay. We pay the prices for any commodity because it has utility. Demand is always expressed with the reference of a particular time.

Demand is of different types, the quantity of any community which can which an individual consumer is willing to purchase at different prices during the year, is called Individual demand, the total qualities of a commodity which all the households are willing to purchase at various prices during a given time, is called Market demand. Quantity of any commodity which is desired to be purchased during a given time is called Ex-ante demand whereas the actual quantity of the goods which are consumer purchases during a given time, is called Ex-post demand. Demand for the goods used jointly is termed as Joint demand. In case of joint demand suppose “X” and “Y” are used jointly, then fall in price of “X” will lead the increase to the demand of “Y”. When we demand for a house, we demand for bricks and cement, so the demand for bricks and cement is called Derived demand. Demand of the commodity with multiple uses called Composite demand. For example, demand of steel is composite demand as steel is used in making car, bus and many other things.

Questions:

1. What is Utility? (see in class 11th book)
2. What are the three components of Demand? Explain them.
3. What is difference between Individual and Market demand? How can we get market demand from individual demand?
4. What is Derived demand? Explain with examples.
5. If the price of petrol falls what will be its effect on the demand of a car?
6. What do you mean by the term multiple use of any commodity?
7. What do you mean by the term “Ability to pay”?
8. Distinguish between Desire and Demand/
9. What is Ex-post Demand?

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**EXPLANATION-2**

(Factors affecting Demand)

There are several things (factor) which determine the demand of any commodity. These factors are- Price of the commodity, Income of the consumers, Taste and Preferences of the consumer etc. when demand of any commodity changes due to change in the price of the same commodity then it is called Price demand. While discussing the relationship between consumers income and demand of the commodity, we assume three type of goods. These are the Normal goods, the Inferior goods and Inexpensive goods. In case of normal goods, demand for the commodity increases as consumers income increases. In case of Inferior goods, demand for the community falls as a consumer income increases. In the case of Inexpensive goods, the demand for the commodity increases along with the increase in the consumer income but up to the given level, then remain constant. If the consumer taste is in the favour of the commodity and he prefers it then demand for the same commodity rises.

Price of related goods, also plays an vital role in determining the demand of any commodity. On this basis there are two types of goods. Substitute goods and Complementary goods. Substitute goods are those which satisfy the same type of need and hence can be used in in the place of another to satisfy the given want. For example, tea and coffee are substitute goods, in this case rise in the price of tea leads increase in the demand of coffee. Complementary goods are those goods which are complementary to one another, in the sense that they are used jointly or consumed together to satisfy a given want, like car and petrol are complementary goods. In this case rise in the price of petrol leads decrease in the demand of car. Demand for any commodity is also affected by the consumer expectations, Consumer credit facilities, Demonstration effect, Size and Composition of population, distribution of Income and even Government policies.

**Worksheet 2**

Questions:

1. What is Price demand?
2. Define the following terms-
3. Normal goods
4. Substitute goods
5. What are Inferior goods? Give one example.
6. “Demand of the paper has been reduced because of the increase in the price of ink”. What type of goods these are and why?
7. Which among the following are Inexpensive goods and why?

Wheat, Salt, Milk and Matchbox.

1. What do you mean by the term Inverse-relationship?
2. State any three factors which determine the demand of any commodity.
3. What is price? (see in class 11 book)
4. Is “School bag” a normal good? Why?
5. Define Consumer.

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**EXPLANATION-3**

**(Law of Demand)**

Law of demand states that other things remaining constant, the quantity demanded of commodity increases with its price falls and decrease when its price rise. Law of demand is based on the following assumptions:

1. Consumer income should be constant.
2. No change in the Tastes and Preferences of the customer.
3. Prices of the commodities remain unchanged.
4. Commodity should be normal goods.
5. Size of the Population and Distribution of income remains unchanged.
6. There is no expectation in change in price in future.

Demand Schedule and Derivation of demand curve:

“Tabular statement that shows different quantities of community that would be demanded at different prices during a given period is called the Demand schedule. Demand schedule is of two types and these are the Individual demand schedule and Market demand schedule.

Individual demand schedule, is a table which shows various quantities of a commodity that would be purchased at different prices per household during a period. For example, suppose a person buys 10 kg wheat when the price is rupees 20 per kg. He buys 20 kg wheat at the price of rupees 25 per kg and he buys 25 kg weight at the price of 10 rupees per kg.

Market demand schedule, is a table which shows various quantities of community that all the buyers are willing to purchase at different prices during a given period. Market demand schedule can be obtained by adding of the quantities purchased at different prices by all the households in the market.

**Individual demand schedule**

|  |
| --- |
| Prices Quantity  demand in Kg  Rs. 20 Per Kg 10 Kg  Rs. 15 Per Kg 20 Kg  Rs. 10 Per Kg 25 Kg |

**Market Demand Schedule**

|  |
| --- |
| Prices Rs(Per Kg) Demand in Kg Demand in Kg Market Demand  By”A” By”B” A+B(Kg)  20 10 15 25  15 20 25 45  10 25 30 55 |

**Worksheet 3**

Questions:

1. State the law of Demand.
2. State two assumptions for the Law of Demand.
3. What is demand schedule?
4. How can we drive Individual demand schedule from Market demand schedule?
5. How can we derive Market demand schedule from Individual demand schedule?
6. Why do the consumers purchase less at high price?
7. What is the relationship in price of any commodity and its demand?
8. What is Individual demand schedule?
9. What is the market demand schedule?
10. Why do the consumers purchase large quantities at low prices?

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**EXPLANATION-4**

(Reasons for Downward Demand Curve)

Demand curve is a graphical presentation of the Law of demand. When we draw a curve for Individual demand schedule then it is called individual demand curve. When the market demand schedule is presented in a graphic way then it is called Market demand curve. Demand curve slopes downwards from left to right. Demand curve has negative slope the reason are given below:

1. Law of diminishing Marginal Utility: States that with an increase in the units of any commodity consumed, every additional unit of the community gives less satisfaction to the consumer. His utility is maximized when he/she equalizes the marginal utility of the commodity with its price.
2. Income Effect: A change in demand due to a change in the real income of the consumer resulting from change in the price of a commodity is known as the Income effect. Fall in the price of the commodity results in an increase in the real income of the consumer. A part of increase real income may be used to buy more.
3. Substitution Effect: In case of substitute goods when the price of one good rises then the substitute good becomes relatively cheaper, then the consumer like to purchase the substitute goods and demand for these goods increases.
4. Increase in the number of Consumers: When the price of a commodity falls then many new consumers are added in the market and demand increases. At high price only rich consumer can afford to by the commodity so demand falls.
5. Several uses of commodity: When any community has several use then some of them are more important while other are less important. When price of this community rise then the commodity can be used only for important work and demand decreases. When price of such commodity falls then it can be used for several purposes and demand increases.

**Worksheet 4**

Questions:

1. What is demand curve?
2. What is a Market demand curve?
3. What is an Individual demand curve?
4. What is Real income?
5. What is Income effect?
6. What is Diminishing Marginal Utility?
7. Define Substitute goods?
8. Name two communities which have multiple uses?
9. Why does the demand curve have negative slope?
10. Explain Substitute effect.

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