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Class 12 – Theory of Demand

Time: 2 hours
Max Marks: 40

Part A – Multiple Choice Questions

(5 × 1 = 5 marks)
Choose the correct option.

1. **What does the Law of Demand state?**
   a) Price and quantity demanded are directly related
   b) Price and quantity demanded are inversely related
   c) Price has no effect on demand
   d) Demand creates supply
2. **Which of the following is not a determinant of demand?**
   a) Price of the product
   b) Consumer's income
   c) Weather conditions
   d) Government budget
3. **If the price of a substitute good increases, the demand for the given good will:**
   a) Increase
   b) Decrease
   c) Remain constant
   d) Become zero
4. **Which type of good shows direct relationship between income and demand?**
   a) Inferior goods
   b) Giffen goods
   c) Normal goods
   d) Complementary goods
5. **The demand curve usually slopes:**
   a) Upward from left to right
   b) Downward from left to right
   c) Vertical
   d) Horizontal

Part B – Short Answer Questions

(4 × 4 = 16 marks)
Answer in about 150 words each.

6. Explain increase in demand and decrease in demand with the help of diagram
7. Differentiate between movement along the demand curve and shift in the demand curve.
8. Explain the Law of Demand with the help of a demand schedule and a diagram.
9. How do the following factors affect the demand for a commodity?
   a) Rise in income
   b) Fall in the price of a complementary good

Part C – Short Answer Type

(5 × 3 = 15 marks)
Answer in about 60–80 words each.

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