UNIT-II: Demand and Supply Analysis

Part A: Fill in the Blanks (10)

1. The law of demand states that when price increases, demand tends to __________.
   Answer: Decrease
2. Demand shows the relationship between price and __________ demanded.
   Answer: Quantity
3. __________ measures the responsiveness of demand to changes in price.
   Answer: Elasticity of Demand
4. Demand is said to be __________ when a small change in price causes a large change in quantity demanded.
   Answer: Elastic
5. Income elasticity measures the effect of changes in __________ on demand.
   Answer: Income
6. Cross elasticity of demand measures the relationship between the prices of __________ goods.
   Answer: Related
7. A good demand forecast should be __________ and reliable.
   Answer: Accurate
8. The first step in demand forecasting is to __________ the objective.
   Answer: Define
9. The law of supply states that price and quantity supplied are __________ related.
   Answer: Directly
10. The relationship between quantity supplied and its determinants is called the __________ function.
    Answer: Supply

Part B: Multiple Choice Questions (10)

1. The Law of Demand states that:
   a) Demand increases with price
   b) Demand decreases with price
   c) Demand remains constant
   d) Supply increases with price

   Answer: b) Demand decreases with price

2. Which of the following is a type of elasticity of demand?
   a) Price Elasticity
   b) Income Elasticity
   c) Cross Elasticity
   d) **All of the above**

   Answer: d) All of the above

3. Price elasticity of demand measures the responsiveness of demand to changes in:
   a) Income
   b) Price
   c) Population
   d) Advertisement

   Answer: b) Price

4. If demand changes significantly due to a small price change, demand is:
   a) Inelastic
   b) Elastic
   c) Unitary
   d) Perfectly inelastic

   Answer: b) Elastic

5. Which of the following affects the elasticity of demand?
   a) Availability of substitutes
   b) Nature of the commodity
   c) Consumer income
   d) **All of the above**

   Answer: d) All of the above

6. Demand forecasting is mainly used for:
   a) Predicting future demand
   b) Calculating taxes
   c) Auditing accounts
   d) Maintaining journals

   Answer: a) Predicting future demand

7. Which is a characteristic of good demand forecasting?
   a) Accuracy
   b) Simplicity
   c) Reliability
   d) **All of the above**

   Answer: d) All of the above

8. According to the Law of Supply, when price increases, supply:
   a) Decreases
   b) Increases
   c) Remains constant
   d) Becomes zero

   Answer: b) Increases

9. Which of the following is a determinant of supply?
   a) Cost of production

b) Technology
c) Government policy
d) **All of the above**

Answer: d) All of the above

10. The relationship between price and quantity supplied is:
a) Inverse
b) Negative
c) Direct
d) No relationship

Answer: c) Direct