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Subject: Microeconomics (Class 11) | **Max Marks:** 30

Document: Detailed Solution Key (Theory of Demand) | **Chapter:** Theory of Demand

SECTION A: OBJECTIVE TYPE ANSWERS

Q1. Correct Option: (b) Expansion of Demand

Explanation: A downward movement along the same demand curve is caused by a fall in the commodity's own price, leading to an increase in quantity demanded, which is defined as the expansion of demand.

Q2. Correct Option: (b) An increase in the demand for Good Q

Explanation: Since P and Q are substitute goods, an increase in the price of Good P makes it relatively more expensive, encouraging consumers to switch their consumption to the cheaper substitute, Good Q, increasing its demand.

Q3. Correct Option: (b) Giffen Goods

Explanation: Giffen goods are highly inferior goods where the negative income effect outweighs the substitution effect, causing quantity demanded to rise when the price rises, thereby violating the Law of Demand.

Q4. Correct Option: (b) Shift in the demand curve

Explanation: A change in determinants other than the commodity's own price (such as consumer income) leads to an entirely new demand curve, causing a shift (either rightward/increase or leftward/decrease).

SECTION B: SHORT ANSWER SOLUTIONS

Q5. Individual vs Market Demand Schedule

Answer: An *Individual Demand Schedule* tabulates the quantities of a commodity that a single buyer is willing and able to purchase at various prices over a specified period. In contrast, a *Market Demand Schedule* represents the aggregate quantities demanded by all consumers in the market at different price points.

Price (₹)	Buyer A Demand (Units)	Buyer B Demand (Units)	Market Demand (A + B)
10	1	2	**3**
5	3	4	**7**

Marking Scheme: 1.5 Marks for definitions, 1.5 Marks for a clear hypothetical matrix layout.

Q6. Three Major Determinants of Demand (Other than Own Price)

Answer:

1. **Income of the Consumer (Y):** A rise in income expands demand for normal goods but contracts demand for inferior goods.
2. **Prices of Related Goods:** Demand increases if the price of a *substitute good* goes up or if the price of a *complementary good* goes down.
3. **Tastes and Preferences:** Favorable shifts due to trends, advertisements, or seasonal changes directly increase the demand for a product.

Marking Scheme: 1 Mark for each clearly explained determinant.

Q7. Inferior Goods and Income Impact

Answer: *Inferior Goods* are commodities whose demand shares an inverse relationship with the consumer's real income. When a consumer's income increases, their purchasing power expands, allowing them to shift consumption from cheaper, low-quality options to premium substitutes. Consequently, an increase in consumer income causes the demand curve for an inferior good to **shift leftward (decrease in demand)**.

Marking Scheme: 1 Mark for definition, 2 Marks for stating the inverse relationship and leftward shift.

SECTION C: LONG ANSWER SOLUTIONS

Q8. "Change in Quantity Demanded" vs "Change in Demand"

Answer:

Basis	Change in Quantity Demanded	Change in Demand
Primary Cause	Triggered solely by a change in the commodity's **own price**.	Triggered by **other factors** (income, preferences, related goods prices) while own price is constant.
Graphical Effect	Results in a **movement along** the static demand curve.	Results in a complete **shift** of the demand curve.
Types	Upward (Contraction) or Downward (Expansion).	Rightward (Increase) or Leftward (Decrease).

Marking Scheme: 1 Mark per well-defined structural point of difference.

Q9. The Law of Demand & Reasons Behind Downward Slope

Answer: The *Law of Demand* states that ceteris paribus (other factors remaining constant), there is an inverse relationship between the price of a commodity and its quantity demanded. When price falls, quantity demanded rises, and vice versa.

Reasons for a Downward-Sloping Demand Curve:

- **Law of Diminishing Marginal Utility (DMU):** As consumption increases, the utility derived from each successive unit falls. Therefore, a consumer will buy more only if the price falls.
- **Income Effect:** A fall in price increases the consumer's real income (purchasing power), enabling them to buy more units with the same nominal budget.
- **Substitution Effect:** When the price of a commodity falls, it becomes relatively cheaper compared to its substitutes, prompting consumers to replace substitutes with this commodity.
- **New Consumers:** A price reduction attracts lower-income consumer segments who previously could not afford the commodity.

Marking Scheme: 1 Mark for stating the Law of Demand precisely, 3 Marks for identifying and explaining at least three behavioral reasons.

SECTION D: CASE-BASED SOLUTION

Q10. Correct Option: (a) Both (A) and (R) are true and (R) is the correct explanation of (A).

Detailed Evaluation: The favorable medical consensus alters consumer tastes and preferences positively. In microeconomics, when consumer preferences shift toward a good, their willingness to buy increases at every price tier, shifting the entire demand curve rightward. Since the assertion accurately identifies a rightward demand shift and the reason correctly explains the underlying shift mechanism (taste/preference parameter changes), option (a) is the mathematically correct choice.

Marking Scheme: 2 Marks for selecting the correct option, 2 Marks for providing the exact structural justification.

~ End of Solution Key ~

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