**Micro Economics**

**September 2022 Examination**

**Q1. It is observed that there are lots of instances where law of demand is not applicable. Elaborate the given statement with examples**

**Ans 1.**

**Introduction:**

The [law of demand](https://www.investopedia.com/terms/l/lawofdemand.asp) in economics. The most common definition, which is adapted to fit macroeconomic models, shows an inverse correlation between the price and quantity demanded of a good. There are some real-world exceptions to the model-based definition, but these same exceptions do not apply to the more specific, logically deductive law of demand.

The basic supply and demand chart in microeconomics shows price on the vertical axis, quantity demanded on the horizontal axis and a downward sloping demand curve. The supply curve is upward sloping and intersects the demand curve at equilibrium. However, not all

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**Q2. Enumerate the concept of price elasticity of demand. Also, discuss the various price elasticity of the demand.**

**Ans 2.**

**Introduction:**

Price elasticity of demand is a measurement of the change in consumption of a product in relation to a change in its price. A good is elastic if a price change causes a substantial change in demand or supply. A good is inelastic if a price change does not cause demand or supply to change very much.

Price elasticity of demand is a measurement of the change in the consumption of a product in relation to a change in its price. Expressed mathematically, it is:

**Q 3a. From the given table calculate the price elasticity of the demand from percentage method.**

|  |  |
| --- | --- |
| **Price ($)** | **Quantity ( per unit of bottles)** |
| **20** | **400** |
| **25** | **375** |

**Answer 3a.**

**Introduction:**

**Demand:** Demand for a service or commodity is the desire or ability to purchase them at a certain rate degree. Various factors or determinants affect the demand for a provider or entity. These are the price of related goods, the charge of the most incredible, customer profits, range of shoppers,

**Q3b. The disposable income of the Pandey family increases from Rs 15,000 to Rs30, 000. As a result, the family‘s demand for milk and other goods have raised from 50 lit to 80 lit. per month. What is the income elasticity of demand?**

**Solution:** Income elasticity of demand= % change in quantity demanded\ income change income ​

Percentage change of quantity demanded=((new value-old value)\over old value