The Price Puzzle: What Drives the Market

Standard difficulty · 20 questions · 40 marks · Time: 37 minutes

Name: _____ Date: _____ Score: ____ / 40

Write full answers in Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. The Law of Demand says that when price rises, quantity demanded:
(a) stays the same **(b)** doubles **(c)** rises **(d)** falls

2. Mangoes and bananas are:
(a) substitutes **(b)** luxury goods **(c)** capital goods **(d)** monopolies

3. Which sector does TRAI regulate?
(a) railways **(b)** banking **(c)** telecom **(d)** farming

4. What is meant by “demand”?
(a) a single seller with no close substitutes
(b) total earnings from sales
(c) willingness and ability to buy
(d) illegal trade in regulated goods

5. At ₹100 a kg, market demand is 12 kg and market supply is 12 kg. What is the situation?
(a) a shortage of 6 kg **(b)** equilibrium
(c) a surplus of 6 kg **(d)** a surplus of 24 kg

6. A hotel room costs ₹24,500. After a group cancels, the price is cut by 30%. What is the new price?
(a) ₹31,850 **(b)** ₹7,350 **(c)** ₹24,470 **(d)** ₹17,150

7. A room costs ₹2,000 in the off-season and 9 times as much at New Year. What is the New Year price?
(a) ₹18,000 **(b)** ₹17,500 **(c)** ₹20,000 **(d)** ₹2,009

8. During COVID-19, sanitiser was capped at ₹100 for 200 ml. At that rate, what is the most a 100 ml bottle could cost?
(a) ₹50 **(b)** ₹51 **(c)** ₹100 **(d)** ₹25

Section B — Short answer — 8 × 2 = 16 marks

9. What is demand, in economics?

10. Substitutes or complements? (a) a printer and cartridges (b) tea and coffee

11. Which sector does each regulate? (a) the Central Consumer Protection Authority (b) SEBI

12. Explain each term: (a) revenue (b) black marketing

13. At ₹30 a kg, buyers want 30 kg; at ₹120, they want 11 kg. Does this follow the Law of Demand? By how much does demand fall as price rises?

14. The market price of wheat is ₹45 a kg, and the government fixes a ceiling of ₹30. How much below the market price is that, and what problem might follow?

15. At ₹100 a kg, three buyers want 4 kg, 6 kg and 6 kg of mangoes. What is the market demand at that price?

16. A park needs ₹5,000 from each of 181 families, but only 73% pay because everyone can use the park anyway. How much is collected, and what is this problem called?

Section C — Longer answers — 4 × 4 = 16 marks

17. Explain the Law of Demand with an example.

18. Match each with its meaning: (a) demand (b) monopoly (c) market equilibrium. Choose from: where demand equals supply; willingness and ability to buy; a single seller with no close substitutes.

19. A Goa hotel charges ₹1,500 in the off-season, ₹6,000 on a December Saturday and ₹27,000 on New Year's Eve. (a) How many times the off-season price is the New Year price? (b) If the December rate is cut by 20%, what is it? (c) Why do prices change like this?

20. A market schedule: at ₹70, demand 37 kg and supply 27 kg; at ₹80, demand 32 kg and supply 32 kg; at ₹90, demand 27 kg and supply 37 kg. (a) What is the equilibrium price and quantity? (b) Is there a shortage or surplus at ₹90, and of how much? (c) Which way would the price move from ₹70?

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Answer key

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Q	Answer	Working
1	(d) falls	—
2	(a) substitutes	—
3	(c) telecom	—
4	(c) willingness and ability to buy	—
5	(b) equilibrium	12 − 12
6	(d) ₹17,150	30% of 24,500 = 7,350
7	(a) ₹18,000	2,000 × 9
8	(a) ₹50	100 ÷ 200 × 100
9	The quantity people are willing and able to buy at a given price.	—
10	(a) complements (b) substitutes	—
11	(a) consumer rights (b) the share market	—
12	(a) total earnings from sales (b) illegal trade in regulated goods	—
13	Yes; it falls by 19 kg as price rises by ₹90.	30 − 11
14	₹15 below; farmers may produce less, causing shortages.	45 − 30
15	16 kg	4 + 6 + 6
16	₹660,650; the free-rider problem of public goods	5,000 × 181 × 73%
17	When the price of mangoes falls, buyers purchase more, because they can afford more and each extra mango is still worth buying at the lower price.	—
18	(a) willingness and ability to buy (b) a single seller with no close substitutes (c) where demand equals supply	—
19	(a) 18 times (b) ₹4,800 (c) Demand rises at peak times and falls off-season, so prices move with demand.	27,000 ÷ 1,500; 20% off 6,000
20	(a) ₹80, 32 kg (b) a surplus of 10 kg (c) up, because there is a shortage of 10 kg	—

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