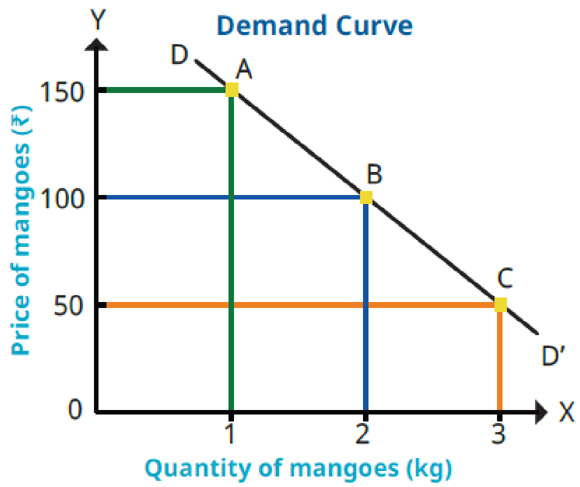
INDIAN SCHOOL AL WADI AL KABIR

Class: IX	**Department: Social Science**	**Sub: Economics**
Chapter-9 **Question Bank:9**	**Topic: The Price Puzzle: What Drives the Market**	**Year: 2026-27**

1	**What is 'demand' for a product? State the Law of Demand with a suitable diagram.** **Ans.** • The quantity of a product that people are willing and able to buy at a particular price, depending on their needs, preferences, season, trends, and income, is called demand for the product. • Demand is not just the desire to buy something; it is the willingness complemented by the ability or purchasing power to buy it. **Law of Demand:** The Law of Demand states that when the price of a product rises, the quantity demanded decreases, and when the price falls, the quantity demanded increases, keeping all other factors constant. This shows an **inverse relationship between the price of a product and the quantity demanded**. It can be graphically represented as follows:  **Explanation of the Diagram:** • The Y-axis represents the price of mangoes. • The X-axis represents the quantity demanded. • The downward-sloping demand curve shows the inverse relationship between price and quantity demanded. • As the price falls, the quantity demanded rises and vice versa, illustrating the Law of Demand.

2	**Distinguish between individual demand and market demand. Draw a suitable demand curve to support your answer.**

Ans.

Individual Demand

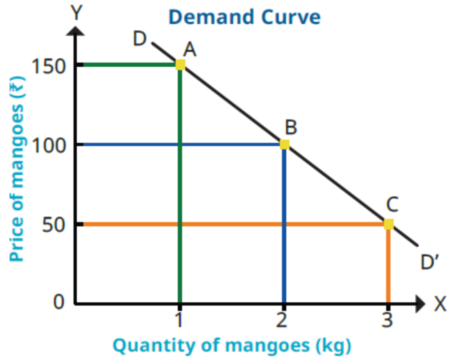
The quantity of a good or service that an individual consumer wants to buy at different prices, keeping other factors constant, is known as **individual demand**.

A **demand schedule** is a table showing the quantity of a good or service that a consumer wants to buy at different prices.

A **demand curve** is the graphical representation of a demand schedule.

Demand Schedule

Price of mango per kg	Quantity demanded
₹ 150	1 kg
₹ 100	2 kg
₹ 50	3 kg



Explanation of the Diagram:

- The y-axis represents the price and the x-axis represents the quantity demanded.
- As the price of mangoes falls from ₹150 to ₹50, the quantity demanded increases from 1 kg to 3 kg.
- By joining points A, B, and C, a downward-sloping line (DD′), called the demand curve, is formed.
- It shows the inverse relationship between price and quantity demanded, assuming other factors remain constant.

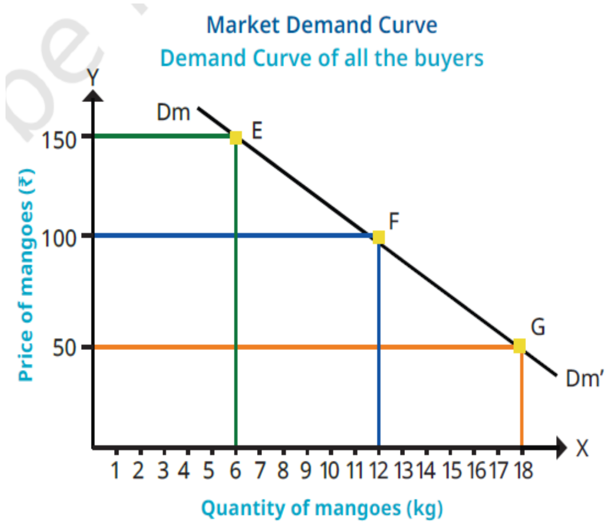
Market Demand

The total quantity of a good demanded by all potential buyers at different prices is known as market demand, that is, the sum of all individual demand.

Market Demand Schedule

Price	Q1	Q2	Q3	Market Demand (Q_D)
₹150	1 kg	2 kg	3 kg	6 kg
₹100	2 kg	4 kg	6 kg	12 kg
₹50	3 kg	6 kg	9 kg	18 kg

By summing the demand of all three consumers, Q1+Q2+Q3, the market demand DmDm’ is derived, as shown in Fig. below

	Market Demand Curve  **Note:** The market demand curve is flatter than an individual demand curve because market demand aggregates many consumers, so the same price change creates a larger total quantity response.
3	**Explain the factors that determine the demand for a product.** **OR** **Demand for a product is influenced by several factors apart from its price. Explain** **Ans.** The demand for a product depends on many factors other than its price. They are: **1. Price of related goods:** Related goods are of two types: **<u>Substitute Goods</u>** • Substitute goods are goods that can replace each other, like tea and coffee. • If the price of the substitute good increases, the demand for the other related good will increase. • Example: If coffee becomes expensive, people may buy more tea. **<u>Complementary Goods</u>** • Complementary goods are goods that are used together, like cars and petrol, printer and printer cartridges. • If the demand for one good increases, the demand for its complementary good also increases and vice versa. • Example: If the demand for printers increases, the demand for printer cartridges may also rise, even though the price of cartridges remains unchanged. 2. **Income of the consumer:** A rise in income allows consumers to buy more or choose higher-quality products. Therefore, the demand for many goods increases, even if their prices remain the same. 3. **Taste and Preference of the Buyer:** Every consumer has different tastes and preferences. People buy products according to what they like. Therefore, taste and preference affect the demand for a product. 4. **Population:** The demand for a product depends on the size and composition of the population. A larger population increases demand, and different age groups create demand for different products. For example, more children indicate increased demand for sports shoes, more working adults means a higher demand for formal shoes, and more elderly people imply a higher demand for comfortable shoes.

5. **Seasonality:** People buy different products at different times of the year. These changes depend on weather, festivals, and cultural habits, not just on the price of the product.
   Examples: Bookshops are crowded at the beginning of the academic year, and the demand for sweaters and jackets increases during winter.
6. **Future Price Expectations:** People's expectations about future prices affect the present demand for a product. **If people expect prices to fall, they postpone purchases and present demand decreases.** If they expect prices to rise, they buy immediately and present demand increases.
   Example: People often postpone buying TVs, mobiles, or other durable goods before Diwali or New Year, expecting festival discounts.

4 What is the 'diminishing marginal utility' principle? How does it affect demand?

Ans.

- The additional utility or usefulness derived from a product decline as more of it is consumed. This is known as the diminishing marginal utility principle in economics.
- As the utility derived from a successive unit of a product falls, the willingness to pay for the product also decreases, and hence the demand for it falls. For example, the satisfaction from eating the first mango is high, but it decreases with each additional mango consumed.

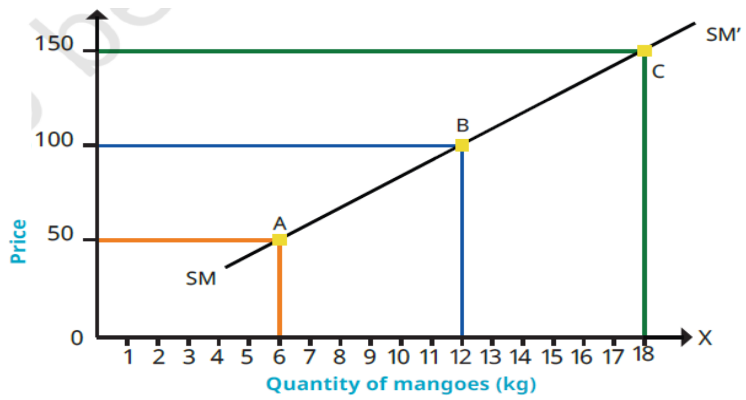
5 Define 'supply'. State the Law of Supply with a suitable diagram

Ans.

Supply is the quantity of a product that sellers are willing and able to offer at a particular price.

Law of Supply:

The Law of Supply states that when the price of a product increases, the quantity supplied also increases. When the price decreases, the quantity supplied decreases, assuming other factors remain constant. It can be graphically represented as follows:



Explanation of the Supply Curve

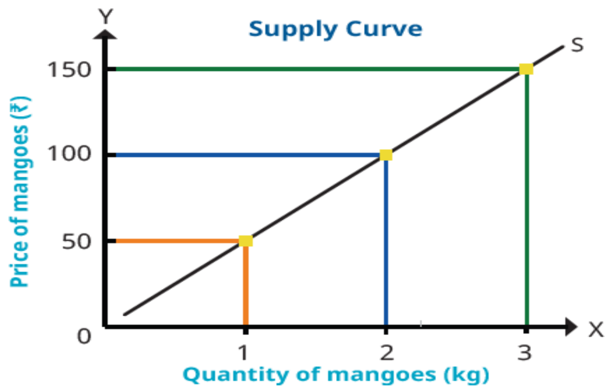
- The Y-axis represents the price of the commodity.
- The X-axis represents the quantity supplied.
- The upward sloping supply curve shows the direct relationship between price and quantity supplied.
- As the price rises, the quantity supplied increases, and when the price falls, the quantity supplied decreases. This illustrates the Law of Supply.

6	**Distinguish between individual supply and market supply. Draw a suitable diagram of a supply curve to support your answer.** **Ans.** **Individual supply** Individual supply is the quantity of a product that a particular seller is willing and able to offer for sale at different prices.

Supply Schedule

Price of mango per kg	Qs by seller A
₹ 50	1 kg
₹ 100	2 kg
₹ 150	3 kg

(a)



(b)

Market Supply

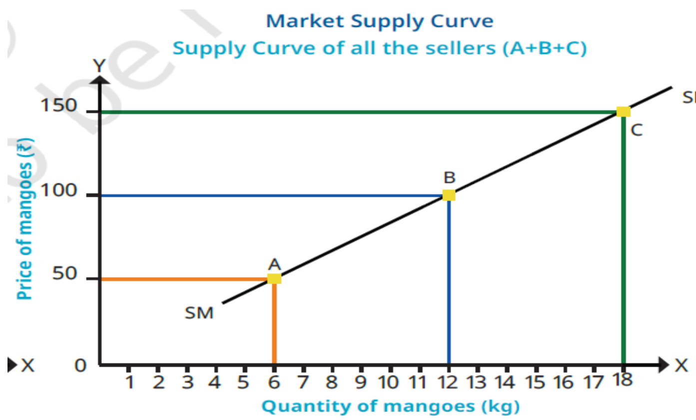
Market supply is the total quantity of a product supplied by all sellers in the market at different prices. It is the sum of the individual supplies of all sellers.

Supply schedule of sellers

Now consider three sellers, A, B, and C, in the market, who offer mangoes for sale in different quantities at different prices. So, their supply schedule is as follows:

Price	Seller A	Seller B	Seller C	Market supply (kg) (A+B+C=Q_s)
₹ 50	1	3	2	6
₹ 100	2	4	6	12
₹ 150	3	7	8	18

By combining the quantity supplied by all three sellers (A+B+C), the market supply QS is derived.



7 Explain the factors that determine the supply of a product.

Ans.

The supply of a product depends on many factors other than its price. These are:

1. Price of Related Goods

- The supply of a product depends on the price of related goods.
- Producers supply more of the product that gives higher profit.
- Example: If chickpeas are more profitable than wheat, a farmer will grow more chickpeas.

2. Number of Sellers in the Market

- The supply of a product depends on the number of sellers.
- More sellers increase the market supply.
- Fewer sellers reduce the market supply.

3. Technology

- Better technology reduces the cost of production.
- It helps producers produce more goods, increasing the supply.
- Example: Drip irrigation and cold storage increase the supply of crops.

4. Future Expectations

- Producers' expectations about future demand and prices affect supply.
- If they expect higher demand or prices, they produce more.
- If they expect lower demand, they produce less.
- Example: Potato wholesalers may store potatoes if they expect prices to rise later.

8 What is 'market equilibrium'? How are the equilibrium price and equilibrium quantity determined? Explain with a diagram.

Ans.

Market equilibrium is the situation where the quantity demanded is equal to the quantity supplied**.** It means there is no excess supply (surplus) or excess demand (shortage) in the market.

Equilibrium Price and Equilibrium Quantity

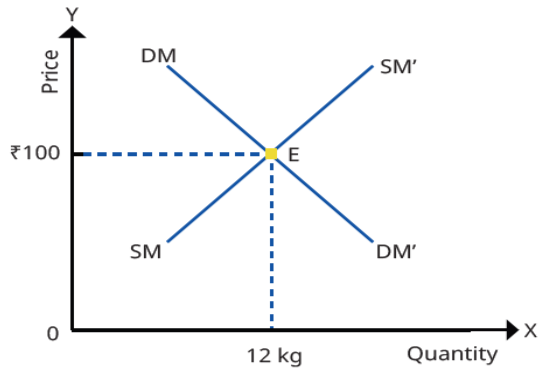
- The equilibrium is determined at the point where the demand curve and the supply curve intersect.
- Equilibrium price is the price at which quantity demanded equals quantity supplied.
- Equilibrium quantity is the quantity that is bought and sold at the equilibrium price.

The table below shows the quantities of mangoes demanded and supplied at the selected prices. At a lower price, there is excess demand, whereas at a higher price, there is excess supply.

Price (₹)	Quantity demanded (Qd) of Mangoes (in kg)	Quantity supplied (Qs) of Mangoes (in kg)	Quantity Supplied and Quantity Demanded	Outcome
40	38	6	Qs<Qd	Excess Demand
100	12	12	Qs= Qd	Market Equilibrium
150	8	43	Qs > Qd	Excess Supply
Equilibrium Price = ₹ 100		Equilibrium Quantity = 12 kg		

At a price of ₹100, the quantity demanded equals the quantity supplied. This point is known as the market equilibrium. At this point, there is no pressure for prices to change, and the market is ‘cleared’.

It can be graphically represented as follows:



Explanation of the Diagram

- The Y-axis represents the Price of the commodity.
- The X-axis represents the Quantity of the commodity.
- The demand curve (DMDM′) and the supply curve (SMSM′) intersect at Point E. This point is called the market equilibrium. Here, the equilibrium price is ₹100 and the equilibrium quantity is 12 kg.

9 **Explain how demand and supply together determine the price of a product.**

Answer:

The price of a product is determined by the interaction between demand and supply.

- When demand is greater than supply (Qd > Qs), there is excess demand, which causes the price to rise.
- When supply is greater than demand (Qs > Qd), there is excess supply, which causes the price to fall.
- When quantity demand and quantity supply are equal (Qd = Qs), the market reaches equilibrium. At this point, the equilibrium price and equilibrium quantity are determined, and the price becomes stable.

Thus, demand and supply together determine the market price of a product.

10 **'Market equilibrium in the real world is never stable.' Justify this statement with a suitable example.**

Ans.

- In theory, market equilibrium is the point where demand equals supply. In the real world, market conditions keep changing.
- Changes in technology, wages, interest rates, wars, political events, pandemics, weather, and natural disasters affect demand and supply.
- As demand and supply change, the market keeps adjusting to a new equilibrium. Therefore, market equilibrium is never stable.

Example:

During the COVID-19 pandemic (2020), the demand for face masks increased rapidly. Supply could not increase immediately, so mask prices rose. Later, producers increased the supply, and prices fell. After the pandemic ended, demand decreased, and mask prices returned to normal.

11 **Why does the government intervene in the market? Explain the role of government in the economy.**

Ans.

Markets do not always work fairly, as they allocate goods and services based on willingness and ability to pay. If essential goods like medicines become very expensive, they may not be accessible to all. In such cases, government intervention ensures fairness and equity, particularly for vulnerable and low-income groups.

	The government plays an important role in the economy in the following key aspects. **(i) Regulation of Unfair Practices** The government protects consumers, workers, and producers from exploitation and unfair practices. • It fixes a price ceiling (maximum price) for essential goods like medicines to prevent overcharging. • It fixes a price floor (minimum wage) to ensure workers receive fair wages. • It regulates monopolies (one or a few sellers controlling the market) to prevent high prices, poor-quality goods and services and restricted supply • Regulators such as RBI (banking), Central Consumer Protection Authority (consumer rights), TRAI (telecom), and SEBI (securities market) ensure transparency in the market. Thus, the government keeps prices and supply under control to protect consumer welfare. **(ii) Provision of Public Goods** • The government provides public goods and services for the benefit of all citizens. • Examples include roads, bridges, public parks, streetlights, national defence, sanitation, and drainage systems. • Private companies usually do not provide these goods because they do not earn direct profits. • The government provides public goods to ensure: ▪ Social welfare ▪ Economic development ▪ Equal access to essential services
12	**'Excessive government intervention can have adverse effects on the market.' Justify the statement with suitable points.** **Ans.** Although government regulations are required when markets are inefficient, excessive intervention can have the following adverse effects: **a) Price distortions and reduced producer incentives** When the government fixes prices below market levels, producers may lose motivation to supply goods, leading to reduced production and shortages. **b) Compliance burdens** Extensive regulations, licenses, permits, and compliance procedures can hurt businesses, especially small enterprises, and make it more difficult to do business.”. **c) Discourages innovation and entrepreneurship** Heavy regulations and price controls reduce the motivation to invest in new ideas and better technology. This lowers productivity and output in the long run.
13	**Define the following: - a. Price Ceiling b. Price Floor c. Monopoly d. Hoarding e. Black Marketing** **Ans**. a. **Price Ceiling: -** An imposed price control that sets the maximum amount a seller can charge for a product or service. b. **Price Floor: -** An imposed limit on how low a price can be charged for a product, good, or service. For a price floor to be effective, it must be set above the market equilibrium price. c. **Monopoly: -** A market structure with a single seller or producer controlling the entire supply of a unique product or service, facing no close substitutes, allowing them significant power to set prices and output. d. **Hoarding -** Hoarding is the practice of storing more goods than needed in the hope of selling them later at higher prices or because of fear of future shortages. e. **Black Marketing: -** The illegal trade of goods and services that are banned or regulated.