



Department of Education, Sabaragamuwa/weekly school

week- April 1

Subject-Economics

Grade-12

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- (a) What factors influence the market demand for a normal good?
  - (b) Explain why a reduction in the price of a normal good does not increase the demand for that good.
2. Explain why the quantity demanded of a good decreases as its price increases.
3. Market demand and supply equations for a particular commodity are given below.  
  
Demand equation :  $Q_D = 60 - 3P$                       Supply equation :  $Q_S = -10 + 2P$   
  
Calculate the economic surplus at market equilibrium.
4. Briefly describe the factors influencing price elasticity of supply.
5. Suppose the average monthly income of a consumer rises from Rs.35,000 to Rs.45,000 and the quantity of bread consumed by the consumer in the same month falls from 30 loaves to 20 loaves. What is the income elasticity of the demand for bread of this consumer? Is bread a normal or an inferior good under this situation?