

Demand & Supply

■ NDA Economics · ECN02

Demand & Supply for NDA is basic NCERT — just the laws and their determinants. Direct questions, no deep analysis. Learn the inverse/direct relationships and the key shift factors.

✦ **NDA Pattern:** Law of Demand (inverse) • Determinants of demand • Law of Supply (direct) • Equilibrium concept • Substitutes vs Complements

1. Law of Demand & Supply

- ▶ **Law of Demand:** Price \uparrow \rightarrow Quantity Demanded \downarrow (Inverse relationship). Ceteris paribus. Demand curve = downward sloping.
- ▶ **Determinants (Shift Factors):** Income • Tastes • Price of related goods (substitutes: tea&coffee; complements: car&petrol) • Expectations.
- ▶ **Normal Good:** Income \uparrow \rightarrow Demand \uparrow . **Inferior Good:** Income \uparrow \rightarrow Demand \downarrow .
- ▶ **Law of Supply:** Price \uparrow \rightarrow Quantity Supplied \uparrow (Direct relationship). Supply curve = upward sloping.
- ▶ **Market Equilibrium:** Where demand = supply. At equilibrium price, no surplus, no shortage.

✦ **NDA Trap:** Movement along demand curve = price change. Shift of demand curve = non-price factor change. NDA asks which type of change is shown when income rises.

📄 NDA PYQ

Demand & Supply — NDA Pattern

Q1. The Law of Demand states that, ceteris paribus: (NDA I 2024)

(a) Price and quantity demanded move in same direction (b) Price and quantity demanded move in opposite directions (c) Supply determines demand (d) Demand is unaffected by price

Answer: (b) Price and quantity demanded move in opposite directions (inverse relationship)

As price rises, quantity demanded falls; as price falls, quantity demanded rises. "Ceteris paribus" = all other factors held constant. This is the foundational law of economics tested in every NDA paper.

Q2. Tea and coffee are examples of: (NDA II 2023)

(a) Complementary goods (b) Inferior goods (c) Substitute goods (d) Giffen goods

Answer: (c) Substitute goods

Substitutes serve similar purposes. If tea price rises, people switch to coffee → coffee demand rises. Complements (e.g., petrol and car): used together; price of one rises → demand for both falls.

Rapid Revision – ECNo2

Key Laws

- ∴ Demand: Price up → Qty down (inverse)
- ∴ Supply: Price up → Qty up (direct)
- ∴ Equilibrium: $D=S$; no surplus/shortage
- ∴ Normal good: income up → demand up

Related Goods

- ∴ Substitutes: price of A up → demand for B up (tea+coffee)
- ∴ Complements: price of A up → demand for B down (car+petrol)
- ∴ Inferior: income up → demand DOWN

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