UNIQUE STUDY POINT

AMITESH NAGAR, INDORE

PRACTICE PAPER 01 (2026-27)

CHAPTER : THE PRICE PUZZLE: WHAT DRIVES THE MARKET

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Class : IX Subject : Social Science

General Instructions :

- This question paper contains 75 questions divided into five sections A, B, C, D and E.
- Section A has 40 objective type questions (MCQ, Match the following, Statement-based, Assertion-Reason) of 1 mark each.
- Section B has 15 short answer questions of 2 marks each.
- Section C has 10 short answer questions of 3 marks each.
- Section D has 5 case based questions of 4 marks each.
- Section E has 5 long answer questions of 5 marks each.
- All questions are compulsory. Use of a calculator is not permitted.

SECTION – A

This section consists of 40 objective type questions of 1 mark each.

1. When does a 'shortage' typically occur as a result of a price ceiling? **1**

   (A) When the government sets a price ceiling above the market equilibrium price.

   (B) When production costs unexpectedly decrease, leading to lower market prices.

   (C) When the quantity supplied exceeds the quantity demanded at a specified price.

   (D) When the quantity demanded surpasses the quantity supplied at the ceiling price.

2. Which concept describes the situation where buyers desire more of a good than sellers are willing to provide at a particular price? **1**

   (A) A supply shift (B) A market shortage (C) An equilibrium point (D) A market surplus

3. Demand for which type of good tends to show a small fall in quantity demanded even when its price rises significantly? **1**

   (A) Necessity goods (B) Substitute goods (C) Luxury goods (D) Perishable goods

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4. Which factor most accurately reflects the impact of expectations on the market? **1**

(A) Expectations affect only the long-term trends, not short-term market behavior.

(B) Expectations primarily impact seasonal price fluctuations.

(C) Expectations can influence both consumer demand and producer supply.

(D) Expectations only influence the supply side of the market.

5. Which characteristic best defines a 'necessity' in economic terms? **1**

(A) A good that people can easily stop using if its price increases.

(B) A good that has many readily available substitute products.

(C) A good that is always very expensive and exclusive.

(D) A good considered essential for maintaining basic living standards.

6. What is the primary objective of implementing a price ceiling? **1**

(A) To promote international trade and reduce import tariffs.

(B) To encourage increased production of a specific commodity.

(C) To ensure producers receive a guaranteed minimum income for their goods.

(D) To safeguard consumers from excessively high market prices.

7. Which of the following scenarios describes a price ceiling operating effectively below the equilibrium price? **1**

(A) A new subsidy causes the retail price of energy to drop significantly below its previous level.

(B) The market price for a certain fruit is determined to be ₹120 per kilogram, and a new regulation caps it at ₹100 per kilogram.

(C) A voluntary agreement among businesses leads to a reduction in the price of their services.

(D) A government sets a maximum vehicle price at a level higher than the current market price.

8. A situation where individuals can benefit from a good or service without contributing to its cost is known as which of the following? **1**

(A) Price discrimination (B) Free-riding (C) Information asymmetry (D) Market efficiency

9. Under what condition does a price ceiling have a strong effect on the market? **1**
   (A) When it is set below the equilibrium price.
   (B) When it is set at the equilibrium price.
   (C) When it is set above the equilibrium price.
   (D) When it applies to non-essential goods.

10. Which of the following describes the substitution effect? **1**
   (A) Consumers buy more of a product when their income increases.
   (B) Producers supply more of a good when its price increases.
   (C) People switch to a similar, cheaper product when the price of one product rises.
   (D) People feel as if their money buys less when a product becomes more expensive.

11. Which of the following factors causes a shift in the entire demand curve to the right? **1**
   (A) A decrease in the number of potential buyers in the market.
   (B) A technological advancement in the manufacturing process.
   (C) A significant increase in the production costs for the item.
   (D) A rise in consumer income for a normal good.

12. How do sellers of perishable goods often behave near the end of the day to avoid waste? **1**
   (A) They store the goods for sale the next day at a higher price.
   (B) They reduce prices to sell them before they spoil.
   (C) They offer discounts on future purchases to loyal customers.
   (D) They increase prices to compensate for potential losses.

13. What is market failure? **1**
   (A) A situation where prices always perfectly reflect the true costs and benefits.
   (B) A decline in overall market activity.
   (C) The efficient allocation of resources by market forces.
   (D) Market does not allocate resources efficiently.

14. When the price of a basic food item rises, why might consumers not significantly reduce their consumption? **1**
    (A) Because such items are considered necessities with few substitutes.
    (B) Because basic food items are typically luxury goods.
    (C) Because sellers always offer large discounts on these goods.
    (D) Because consumers expect prices to fall dramatically very soon.

15. If consumers expect prices to rise soon, how might their current demand be affected? **1**
    (A) Their current demand will remain unchanged.
    (B) They will switch to substitute goods, lowering demand for the original product.
    (C) Their current demand will decrease as they wait for lower prices.
    (D) Their current demand will increase as they buy more now.

16. A rise in the price of an advanced gaming console leads to a substantial drop in sales. What does this suggest about the gaming console? **1**
    (A) It behaves more like a luxury good.
    (B) Its supply is artificially restricted by producers.
    (C) It is a perishable good with limited shelf life.
    (D) It is likely a necessity product.

17. What is a defining characteristic of luxury goods in terms of buyer response to price changes? **1**
    (A) Buyers maintain consistent consumption regardless of price.
    (B) Their demand fall is usually small when prices increase.
    (C) Buyers can often reduce buying more easily when prices rise.
    (D) They typically have very few substitute choices.

18. If consumers anticipate a major technological device will be discounted next month, what is the most probable impact on its current demand? **1**

(A) Current demand will remain constant, unaffected by future expectations.

(B) Current demand will probably decrease as purchases are delayed.

(C) Current demand will switch to expensive, premium alternatives.

(D) Current demand will likely increase significantly.

19. Which situation explicitly describes information asymmetry? **1**

(A) Market prices are fully transparent and reflect all available data.

(B) Government regulations disseminate all critical information uniformly.

(C) All participants in a transaction possess identical and complete knowledge.

(D) One party in a transaction has superior or more extensive knowledge than the other.

20. What is the immediate consequence when a price ceiling is set below the equilibrium price? **1**

(A) An increase in quantity supplied

(B) A shortage

(C) A reduction in consumer demand.

(D) An abundance of goods

21. Match the items in List I with those in List II. **1**

List I	List II
(A) Market failure cause: pollution	(I) Overproduction relative to socially efficient level
(B) Market failure cause: vaccination	(II) Under-provision relative to socially desirable level
(C) Price ceiling effect: landlords	(III) Might spend less on property maintenance
(D) Price ceiling effect: product quality	(IV) Decline in quality instead of price increase

(A) A-IV, B-III, C-II, D-I
(B) A-I, B-II, C-III, D-IV
(C) A-III, B-IV, C-I, D-II
(D) A-II, B-I, C-IV, D-III

22. Match the term in List I with its graphic representation or definition in List II. **1**

List I	List II
(A) Demand Curve	(I) Point where demand and supply curves cross
(B) Supply Curve	(II) Downward sloping from left to right
(C) Equilibrium	(III) Movement along this curve due to price change
(D) Change in Quantity Demanded	(IV) Upward sloping from left to right

(A) A-II, B-IV, C-I, D-III
(B) A-III, B-I, C-IV, D-II
(C) A-I, B-II, C-III, D-IV
(D) A-IV, B-III, C-II, D-I

23. Match the types of goods in List I with their price-related behavior in List II. **1**

List I	List II
(A) Substitutes	(I) Demand rises if price of associated good falls
(B) Complements	(II) Demand for one rises if the other's price increases
(C) Normal goods	(III) Demand typically rises with an increase in income
(D) Inferior goods	(IV) Demand typically falls with an increase in income

(A) A-III, B-IV, C-I, D-II
(B) A-I, B-II, C-IV, D-III
(C) A-IV, B-III, C-II, D-I
(D) A-II, B-I, C-III, D-IV

24. Match the market outcome in List I with the type of pressure it exerts on prices in List II. **1**

List I	List II
(A) Surplus	(I) Upward pressure on price
(B) Shortage	(II) Downward pressure on price
(C) Increased Demand	(III) Higher equilibrium price
(D) Decreased Supply	(IV) Higher equilibrium price

(A) A-I, B-II, C-III, D-IV
(B) A-II, B-I, C-III, D-IV
(C) A-IV, B-III, C-II, D-I
(D) A-III, B-IV, C-I, D-II

25. Match the items in List I with those List II. **1**

List I	List II
(A) Non-excludable	(I) Example: Street lighting benefits all walkers
(B) Non-rivalrous	(II) Example: One person in park doesn't hinder others
(C) Free riding	(III) Using a good without paying for it
(D) Market underprovision of public goods	(IV) Price system cannot enforce payment

(A) A-IV, B-II, C-III, D-I
(B) A-III, B-I, C-II, D-IV
(C) A-II, B-IV, C-I, D-III
(D) A-I, B-II, C-III, D-IV

26. Statement I : If consumers expect prices to rise soon, they tend to delay purchases, leading to a decrease in current demand. **1**
Statement II : If sellers expect prices to fall, they may hold back goods from the market, reducing current supply.

(A) Statement I is false but Statement II is true
(B) Statement I is true but Statement II is false
(C) Both Statement I and Statement II are true
(D) Both Statement I and Statement II are false

27. Statement I : An increase in a subsidy provided by the government to producers will cause the supply curve to shift to the right. **1**
Statement II : When a market is in equilibrium, there is still pressure for the price to rise or fall due to unsatisfied buyers and sellers.
    (A) Statement I is true but Statement II is false
    (B) Both Statement I and Statement II are true
    (C) Statement I is false but Statement II is true
    (D) Both Statement I and Statement II are false

28. Statement I : An increase in the price of a necessity good will always lead to a complete cessation of its demand as per the Law of Demand. **1**
Statement II : Luxury goods are characterized by a high degree of substitutability, making their demand elastic to price changes.
    (A) Statement I is false but Statement II is true
    (B) Both Statement I and Statement II are true
    (C) Statement I is true but Statement II is false
    (D) Both Statement I and Statement II are false

29. Statement I : A price ceiling set above the equilibrium price will effectively prevent prices from rising too high. **1**
Statement II : When a price ceiling is set below the equilibrium price, it can lead to black markets due to higher demand and reduced supply.
    (A) Statement I is true but Statement II is false
    (B) Statement I is false but Statement II is true
    (C) Both Statement I and Statement II are false
    (D) Both Statement I and Statement II are true

30. Statement I : A decrease in the cost of raw materials for a product will cause a movement along the existing supply curve to a higher quantity supplied. **1**
Statement II : If people expect the price of a product to rise significantly in the near future, current demand for that product is likely to increase.
    (A) Both Statement I and Statement II are false
    (B) Statement I is true but Statement II is false
    (C) Both Statement I and Statement II are true
    (D) Statement I is false but Statement II is true

31. Statement I : If farmers experience a very good harvest due to favorable weather conditions, the supply curve for their crops will shift to the left. **1**
Statement II : When the market price of a product is below the equilibrium price, it leads to a surplus and downward pressure on prices.
    (A) Both Statement I and Statement II are true
    (B) Statement I is false but Statement II is true
    (C) Both Statement I and Statement II are false
    (D) Statement I is true but Statement II is false

32. Statement I : Negative externalities lead to an underproduction of a good because the full social costs are not reflected in the market price. **1**
Statement II : Positive externalities result in an underprovision of a good because the wider benefits are not fully captured by private decisions.
    (A) Both Statement I and Statement II are true
    (B) Statement I is false but Statement II is true
    (C) Both Statement I and Statement II are false
    (D) Statement I is true but Statement II is false

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33. Statement I : When sellers expect a future price increase for their goods, they tend to release more stock into the market immediately to capitalize on current demand. **1**
Statement II : Consumers postponing a purchase because they anticipate a price drop for a specific phone model is an example of expectations affecting current demand.
    (A) Both Statement I and Statement II are true
    (B) Statement I is true but Statement II is false
    (C) Both Statement I and Statement II are false
    (D) Statement I is false but Statement II is true

34. Statement I : Market failures always result in an overproduction of goods and services. **1**
Statement II : Externalities are a type of market failure where the market price does not fully reflect all the costs or benefits of an economic activity.
    (A) Both Statement I and Statement II are true
    (B) Statement I is false but Statement II is true
    (C) Statement I is true but Statement II is false
    (D) Both Statement I and Statement II are false

35. Statement I : If there is a decrease in the number of firms operating in a particular market, it will generally lead to an increase in the market supply. **1**
Statement II : The Law of Supply states that, other things remaining the same, when the price of a good rises, the quantity supplied rises.
    (A) Both Statement I and Statement II are true
    (B) Statement I is true but Statement II is false
    (C) Both Statement I and Statement II are false
    (D) Statement I is false but Statement II is true

Directions (Q. 36 to Q. 40) : In each of the following questions, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option :
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false. (D) A is false but R is true.

36. Assertion (A) : When people expect future prices to rise, current demand may increase. **1**
    Reason (R) : Consumers often buy more now to avoid paying higher prices later, shifting today's demand.

37. Assertion (A) : Price acts as a crucial signal for buyers regarding product affordability. **1**
    Reason (R) : If a price falls, more consumers consider the product affordable, increasing purchases.

38. Assertion (A) : A market surplus occurs when the price is set below the equilibrium price. **1**
    Reason (R) : At prices below equilibrium, quantity demanded exceeds quantity supplied.

39. Assertion (A) : Perishability leads to atypical pricing strategies for sellers. **1**
    Reason (R) : Sellers face pressure to sell goods quickly to avoid waste.

40. Assertion (A) : Price controls, like ceilings, are justified in certain emergencies. **1**
    Reason (R) : They can prevent widespread hardship by making essential goods more affordable.

SECTION – B

This section consists of 15 questions of 2 marks each.

41. What is the relationship between the price of complementary goods and the demand for a specific product? **2**

42. Explain how a product's price acts as a critical communication mechanism for both consumers and producers within a market system. **2**

43. How might a decrease in population affect the demand for local consumer goods, assuming other factors remain constant? **2**

44. Describe the characteristics of a public good and explain why private markets typically under-provide them. **2**

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45. How do negative externalities contribute to market failure, and what is the typical outcome in terms of production levels? **2**
46. Explain how a price ceiling, if set below the equilibrium price, can lead to a market shortage for a product such as cooking oil. **2**
47. Which two factors commonly cause a change in demand (a shift of the entire demand curve)? **2**
48. What is meant by 'quantity demanded,' and how does it differ from a 'change in demand'? **2**
49. What is the Law of Supply? **2**
50. What is the equilibrium price in a market? **2**
51. Define the Law of Demand. **2**
52. Why do technological advancements in production typically increase the supply of a product? **2**
53. What is the difference between a surplus and a shortage, and how does each resolve through price adjustments? **2**
54. How does the income effect help explain the downward slope of the demand curve? **2**
55. Explain how increased production costs for a specific good would typically influence its market supply and consequently affect its equilibrium price and quantity. **2**

SECTION – C

This section consists of 10 questions of 3 marks each.

56. Describe the primary characteristic of a supply curve and what its typical upward slope signifies about producer behavior. **3**
57. In what ways can real-world market dynamics, particularly perishability and expectations, cause deviations from the simple textbook representations of supply and demand? **3**
58. What market conditions lead to a 'shortage,' and what immediate effect does it have on pricing within that market? **3**

59. Describe the phenomenon where a non-paying individual benefits from a shared resource, leading to insufficient provision of that resource by private entities. Provide an example to illustrate this concept. **3**
60. How do technological advancements influence the supply of goods and services in a market, and what is the typical graphical representation of this change? **3**
61. How do consumer expectations about future price changes influence current demand for a product? **3**
62. Explain how economic activities can generate unintended positive or negative consequences for individuals not directly involved in the transaction, leading to an inefficient allocation of resources. **3**
63. How do changes in consumer income directly influence the overall demand for typical goods and services in a market economy? **3**
64. Explain how the 'substitution effect' impacts consumer buying habits when the price of a particular product rises significantly. **3**
65. Describe the conditions under which an illegal exchange system emerges, characterized by transactions at prices exceeding legally mandated limits, often as a response to product scarcity. **3**

SECTION – D

This section consists of 5 case based questions of 4 marks each.

66. Read the given source carefully and answer the questions that follow : **4**

A city experiences an unusually hot summer. As temperatures rise, more people begin purchasing air coolers and portable fans. Retail stores notice that customers are willing to buy these products even at slightly higher prices because of the discomfort caused by the heat. Manufacturers respond by increasing production and sending larger quantities to shops. However, production cannot increase immediately because factories need additional raw materials and labour. For a short period, demand grows faster than supply. As a result, many stores face shortages and begin raising prices. Over the following weeks, producers expand output and more units reach the market. Eventually, the quantity supplied catches up with the quantity demanded. The market reaches a new balance where a larger number of coolers are sold at a higher price than before. This example illustrates how demand and supply interact to determine market prices. It also shows how producers respond to price signals and how temporary shortages can influence consumer behaviour. Such adjustments occur regularly in markets and help explain why prices change when economic conditions change.

a. What is meant by demand? **(1)**

b. What happens when demand increases faster than supply? **(1)**

c. Explain how the market reaches a new equilibrium in the given situation. **(2)**

67. Read the given source carefully and answer the questions that follow : **4**

A wholesale tomato trader in a major agricultural market faced a dual crisis. Heavy evening monsoons were predicted to spoil his remaining stock of ripe tomatoes within hours, forcing him to slash prices by 60% at 7:00 PM just to liquidate inventory and recover basic transport costs. Simultaneously, a verified government broadcast announced that a severe transport strike would block all fresh vegetable inflows into the city starting the following week. This announcement caused an immediate shift in the morning market dynamics. Expecting severe shortfalls ahead, retail vegetable vendors scrambled to buy up dry onions and potatoes, doubling current wholesale demand and causing prices to climb immediately. The market square presented a strange paradox: tomatoes were being dumped at a loss due to immediate physical decay, while storable items were experiencing artificial price inflation driven entirely by forward-looking buyer panic.

a. Define perishable goods based on the provided text. **(1)**

b. Mention one way supplier expectations can alter the market supply of an item today. **(1)**

c. Explain how the twin factors of physical perishability and future expectations altered normal textbook pricing behavior in this marketplace. **(2)**

68. Read the given source carefully and answer the questions that follow : **4**

In a bustling urban district, a sudden supply chain disruption caused a simultaneous 40% price spike for both life-saving insulin at local pharmacies and designer leather boots at luxury retail outlets. Within a month, market analysts observed drastically different consumer behaviors between the two sectors. Pharmacy registers showed that the total quantity of insulin purchased by diabetic patients dropped by less than 2%, forcing households to cut back on entertainment and dining out to afford their prescriptions. Meanwhile, the luxury footwear boutique saw its sales volume plunge by over 75% almost instantly, as shoppers easily migrated to mid-tier footwear brands or deferred their purchases altogether. Local shop owners noted that while consumers complained bitterly about both price increases, their ultimate economic choices were dictated by structural urgency and the availability of viable alternatives, proving that price elasticity is deeply tied to the functional nature of a commodity.

a. State the law of economics that governs the inverse relationship between the price of a commodity and its quantity demanded. **(1)**

b. Identify the type of goods that show highly responsive demand shifts when their market prices change. **(1)**

c. Contrast the demand behavior of insulin with that of luxury boots during the price spike, highlighting the underlying economic reasons for this variance. **(2)**

69. Read the given source carefully and answer the questions that follow : **4**

To protect low-income households from rising food inflation, the municipality implemented a strict price ceiling of ₹30 per kilogram on wheat flour, which was currently trading at an equilibrium price of ₹50 per kilogram. Within two weeks, prominent grocery stores across the city ran completely out of stock. Long lines formed outside state-run fair price shops before dawn, with working-class citizens wasting hours hoping to secure a single rationed packet. To protect their shrinking profit margins, commercial millers stopped sorting and cleaning the flour, leading to a noticeable drop in the quality of the available grain. Furthermore, apartment landlords who depended on ground-floor retail rents from these food stalls suspended all property maintenance, citing a lack of disposable income. What began as a welfare policy to ensure cheap food access transformed into a structural crisis of severe shortages, lost time, and degrading product standards.

a. What is meant by a statutory price ceiling? **(1)**

b. State any two non-price allocation methods that emerge when a market faces an artificial shortage. **(1)**

c. Analyze the unintended qualitative and structural consequences that emerged when the government forced the price of wheat flour below equilibrium. **(2)**

70. Read the given source carefully and answer the questions that follow : **4**

A popular sports personality is seen wearing a newly launched brand of running shoes. Within a few weeks, the shoes become highly fashionable among young consumers. Even though the price remains unchanged initially, many more people start visiting stores to purchase the product. Retailers notice a sharp increase in sales, and some outlets even run out of stock. The manufacturer increases production to meet growing demand, but expanding output takes time because additional labour and raw materials are required. During this period, shortages occur and retailers begin charging higher prices. As production gradually increases, more shoes become available in the market. Eventually, demand and supply adjust to each other, creating a new market equilibrium. This example illustrates how consumer preferences and tastes can influence demand. It also demonstrates that demand can change even when the price of a product remains unchanged. The case highlights the role of non-price determinants of demand and explains how changes in consumer behaviour can affect market outcomes such as prices and quantities sold.

a. What is meant by a change in demand? **(1)**

b. Name one non-price factor that can increase demand. **(1)**

c. Analyse the effect of increased consumer preference on market equilibrium. **(2)**

SECTION – E

This section consists of 5 long answer questions of 5 marks each.

71. Analyze how an unexpected major technological advancement in smartphone manufacturing would affect the market for smartphones, specifically detailing its impact on equilibrium price and quantity. **5**

72. Differentiate between a change in quantity demanded and a change in demand, providing an example for each. **5**

73. Explain the concept of 'price as a signal' for both consumers and producers within a market economy. **5**

74. Explain how negative externalities contribute to market failure, using a scenario where production costs are not fully borne by the involved parties. **5**

75. Describe the main objective behind government implementation of a price ceiling and its intended benefit for consumers. **5**

—————— All the Best ——————