



Q19. What do you mean by substitutes? Give examples of two goods which are substitutes of each other.

Ans: Those goods that can be consumed in place of other goods are called substitute goods. Example: Tea and coffee are goods that can be substitutes for each other. If the price of tea increases, then the demand for tea will decrease and people will substitute coffee for tea, which will increase the demand for coffee.

The demand for a good move in the same direction as the price of its substitutes.

Price of tea P_T increases \rightarrow Demand for tea D_T decreases

\rightarrow Demand for coffee D_C increases.

Q20. What do you mean by complements? Give examples of two goods which are complements of each other.

Ans: Those goods that are consumed together are called complementary goods. Example: Tea and sugar. If the price of sugar increases, then it will lead to a decrease in the demand for tea. If the price of tea increases, then it will reduce the demand for sugar.

The demand for a good move in the opposite direction of the price of its complementary goods. That is,

If the Price of tea P_T increases, then the demand for sugar

D_S decreases.

If the Price of sugar P_S increases, then the demand for tea

D_T decreases.

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