Demand

Demand & Supply

- Determinant of Demand & Supply

1. Price of commodity → IR
2. Income of Buyer → DR
3. Govt. policy → IR
4. Taste & preference → DI
5. Subsitute goods → Direct
6. Complentary Goods → Indirect
7. Population → DI
8. Seasonal Goods → DI
9. Technology
10. Fashion → DI
11. Advt..
12. Future price of Goods / Services → ID

(R) Tea ↓ Coffee (R) ↑ (Offer (D) ↓ Rate (D) ↑

- Law of Demand (Inverse)

(Sub.) DR (Compl.) IR

P	D	P	D	P	D
↑	↓	Tea	Coffee	Car	Fuel
↓	↑	↑	↑	↑	↓
		↓	↓	↓	↑

Same Goods

- Inferior Goods - cheap quality goods.
- Supiours Goods - Branded goods

Δ = change

- Price Elasticity

Practicular	goods	Summary	Curve
1) Unitary = 1	Comfort	ΔD = ΔP 10% = 10%	Rect. Hyperbola
2) Perfectly Elastic = ∞	-	NO ΔP = ∞ ΔD 0 ⇒ ∞	Horizontal
3) Perfectly In-Elastic = 0	Extreme Necessity (Salt)	ΔP = NO ΔinD 10% ⇒ 0	Vertical
4) Relatively Elastic = >1	Luxuriy goods	Δ in D > Δ in P 10% > 5%	flatter
5) Relatively In-Elastic = <1	Normal Neceisity	Δ in D < Δ in P 5% < 10%	Stepper

- Elasticity of Demand is also known as Degree of responsiveness

- Situation ① (Unitary Elasticity) equal to 1

Old Price	New Price	
₹100	₹80	20% ↓

Old Demand	New Demand	
Qty. 50	Qty. 60	20% ↑

$$\frac{ND - OD}{OD} \times 100 = \frac{60-50}{50} = \frac{10}{50} = 20\%$$

Now,

$$\%\Delta D = \%\Delta P \quad (\text{unitary elasticity} = 1)$$

$$\boxed{\frac{\%\Delta D}{\%\Delta P}} = \frac{20\%}{20\%} = \underline{\underline{1}}$$

- Situation ② (Relatively inelastic) (less than one)

Old Price	New Price	change
100	80	20%
	₹20/100	

Old Demand	New Demand	change
50	55	10%

Now,

$$\%\Delta D < \%\Delta P = \text{Relatively Inelastic}$$

$$\frac{10}{} \quad \frac{20}{}$$

$$\boxed{\varepsilon < 1}$$

Less than 1

Situation ③ (Relatively elastic) (more then one)

Old price	New price	change
100	80	20%

Od Demand	New Demand	change
50	75	50%

$\frac{25}{50} \times 100$

Now,

% Δ Demand > % Δ Price

50 > 20

$\frac{50}{20} = \boxed{2.5 > 1}$ (Greater than 1) ∴

∴

Situation ④ (Perfectly inelastic) = 0

Old Price	New Price	change (Salt/Med)
100	80	20%.

old Demand	New Demand	change
50 Q	50 Q	No change (0)

$\frac{\% \Delta D}{\% \Delta P} = \frac{0}{20} = 0.$

(If there is change in Price and no change in Demand

(when there is no change in price, but infinit change in Demand)

Situtiion (5). (Perfectly elastic) (∞)

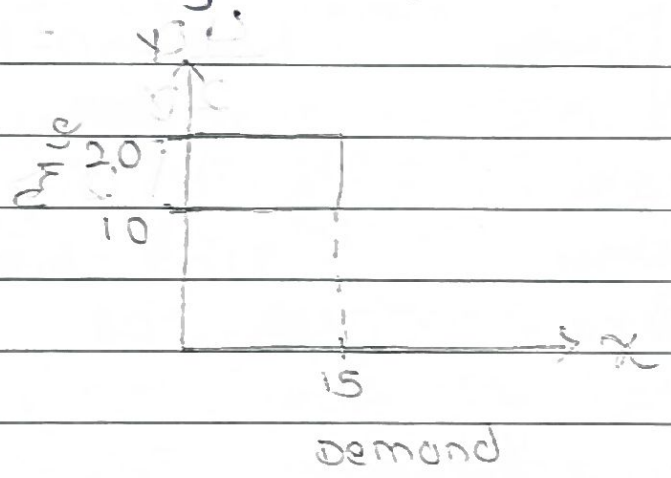
Old Price	New Price	% change in Price
100	~~80~~ 100	NO ~~20%~~

Old Demand	New Demand	
50Q	∞	∞

$$\frac{\%\Delta D}{\%\Delta P} = \frac{\infty}{20} = \infty$$

Graphic Representation.

- Perfectly inelastic



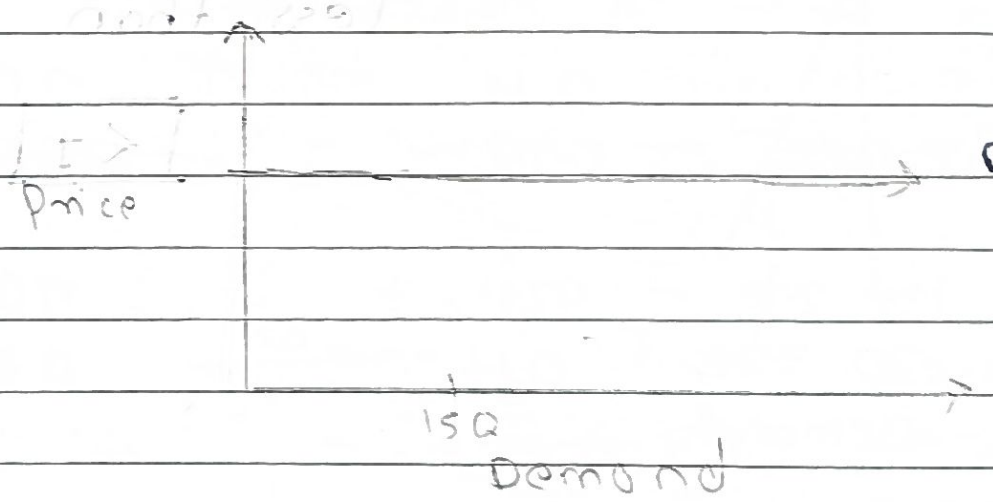
No change in Demand.

So.

$= \boxed{0}$

Parallel to Y axis

- Perfectly elastic

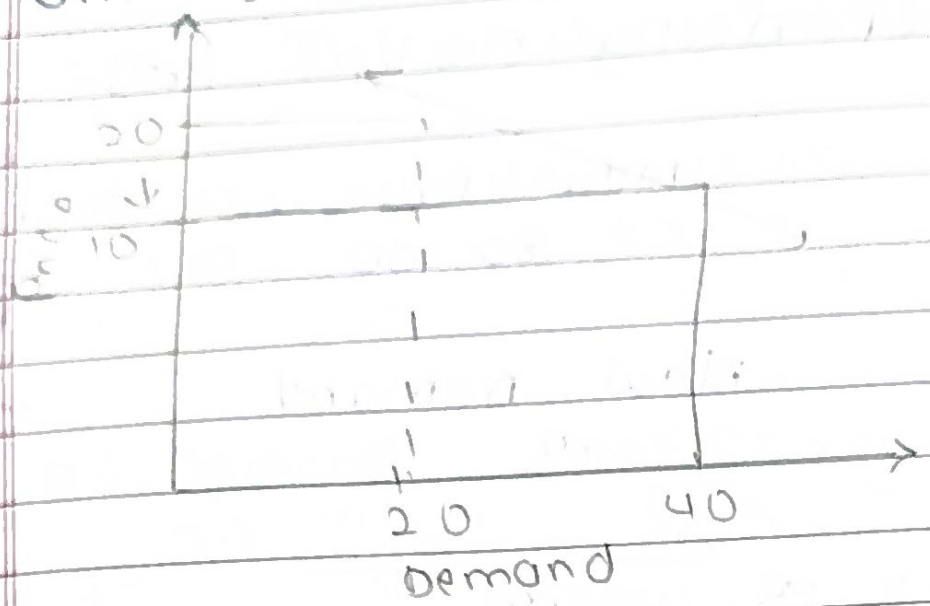


Demand curve

∞

Parallel to x axis

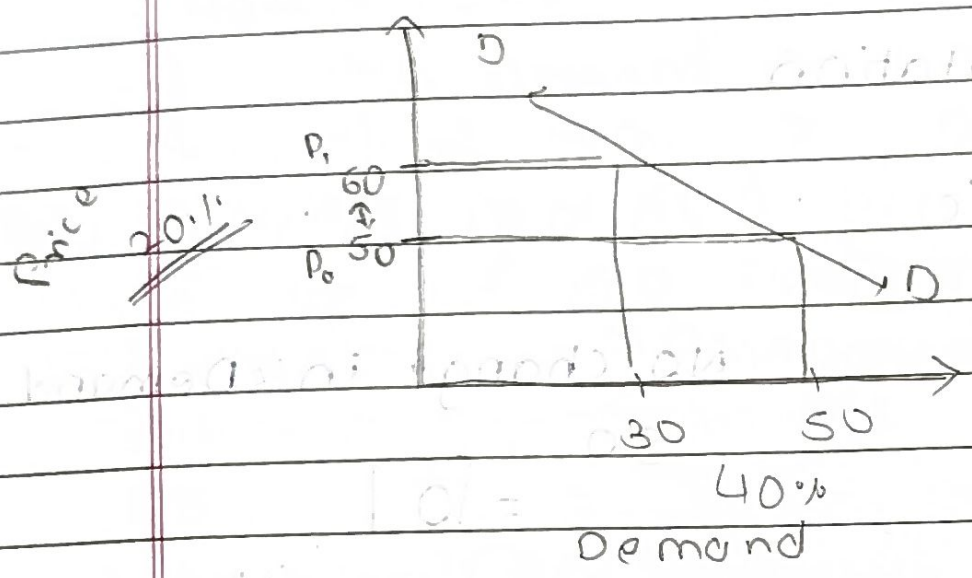
- Unitary elastic.



100% change in price and 100% change in Demand

$= \boxed{1}$

- Relatively elastic. (< 1)

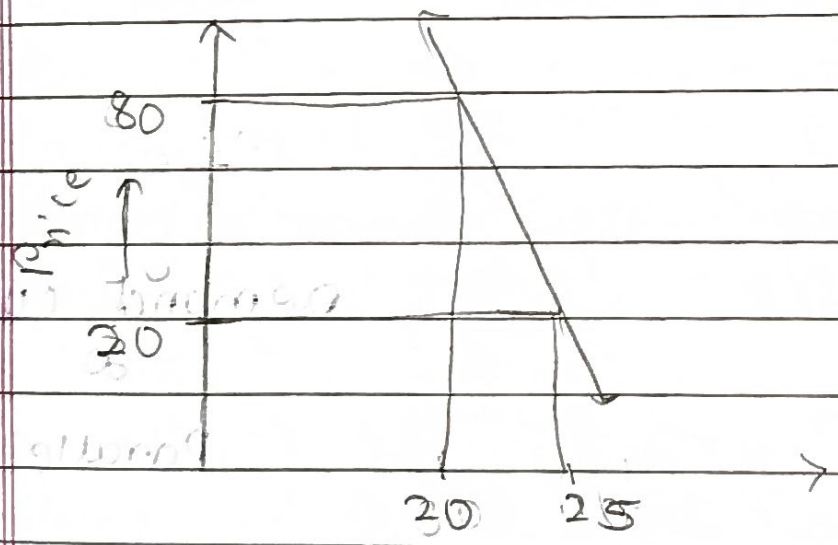


Demand > Price

$\frac{40}{20} = 2$

$\boxed{2 > 1}$

- Relatively inelastic.



∴ Demand < Price

less than 1.

$\boxed{< 1}$

(3) OD 500 → ND 550 — 10%

OP 70 → NP 63 = 10%

$\frac{100}{10} = \frac{10}{10} = 1$

(unitary elastic)

(4) OD 1000 → ND 1100

OP 100 → NP 100

$\frac{10\%}{0} = \infty$

Perfectly elastic

(5) OD 1000 → ND 1000

OP 100 → NP 150

$\frac{0}{50\%} = 0$

Perfectly inelastic

Imp.

1) Horizontal — ∞ — Parallel to x

2) Vertical — 0 → Parallel to Y

3) ~~Steeper~~ flatter — >1 — Re. e. [ΔD > ΔP]

4) ~~Flatter~~ Steeper — <1 — Rel. inel. [ΔD < ΔP]

5) Rect. Hyper. = 1 — unitary [ΔD = ΔP]

I	D	
↑	↑	(Direct)

Inferior Goods

I	D	
↑	↓	∴ ID
↓	↑	∴ ID

(Agr. Income jada hua ton inferior good decr.)

* Income elasticity

- Perfectly elastic Income demand ($E_y = \infty$)
- Perfectly inelastic Income demand ($E_y = 0$)
- Relatively elastic Income demand ($E_y > 1$) (more than 1)
- Relatively inelastic Income demand ($E_y < 1$) (less than 1)
- Unitary elastic Income demand ($E_y = 0$)

* formula

Price Elasticity	Income Elasticity	Cross Elasticity
$\frac{\% \Delta D}{\% \Delta P}$	$\frac{\% \Delta D}{\% \Delta I}$	$\frac{\% \Delta D}{\% \Delta$ Price of another product

	(Pencil)	(Pencil)
Price Elasticity	P	D
Income Elas.	(Buyer) I	(Pencil) D
Cross Elast.	(Tea) P_1	(coffee) D_2

Calculation

① $\%\Delta D = 10\%$ $= \infty$ $= \frac{10\%}{0}$ (Perfectly elastic)
$\%\Delta I = 0$

② $\%\Delta D = 0$ $= 0$ $\frac{0}{20}$ (Perfectly inelastic)
$\%\Delta I = 20\%$

③ $\%\Delta D = 20\%$ $= 1$ (unitary)
$\%\Delta I = 20\%$

④ $\frac{\%\Delta D}{\%\Delta I} = \frac{20\%}{10\%}$ $= > 1$ (Relatively elastic)

⑤ $\%\Delta D = 10\%$ $= < 1$ (Relatively inelastic)
$\%\Delta I = 20\%$

* Cross elasticity

- Relatively elastic = >1 (less than one)
- Unitary elastic = 1
- Relatively Inelastic = <1 (More than one)

Formula.

① $\frac{\% \Delta D}{\% \Delta P \text{ of other Product}} = \frac{20\%}{10\%} > 1$ (RE)

② $\frac{\% \Delta D}{\% P \text{ of } OP} = \frac{10}{20} < 1$ (R.IE)

③ $\frac{\% \Delta D}{\% P \text{ of } OP} = \frac{10}{10} = 1$ (unitary)

- All inferior Goods are not necessary
- All Giffen Goods are necessary

Negative relationship

- Inferior Goods (Income Elasticity)
  Low qty goods — cheap Goods. (Indirect R)
- Giffen (Excepⁿ of LOD)

₹100 (OR) 100₹ (INR)

₹80 – Bread → 90 Rs : Bread
₹20 – Save 10 Rs Save

Law of Demand says
P D — Invese
↑ ↓

Giffen says:
P D — Direct
↑ ↑

228)
→ Inferior goods are in negative (Income)
c) <0

233)
→ a) Parallel to Y axis.

* Demand Schedule

Δ Demand

Δ in Price
No Δ in other factor

No Δ in Price
Δ in other factors

Expansion | Contraction

Increase | Decrease

P	D
↓	↑

Upward

P	D
↑	↓

Downward

Δ in Price

other factor of Demand

Favour-able ↑ Δ

Rightward shift

unfav. ↓

Leftward shift

* Examples of Expansion / Contraction / Increase / Decrease.

① Price of petrol ↑ Demand of Petrol ↓ = Contraction

② Price of car ↑ Demand of Petrol ↓ = Decrease

③ Income of buyer ↑ Demand of car ↑ = Increase

4) Price of car ↓ Demand of car ↑ = Expansion

5) Population ↑ Demand of car ↑ = Increase

Demand Schedule

Individual Demand

Market Demand (A + B + C)

₹100 → 1 mobile

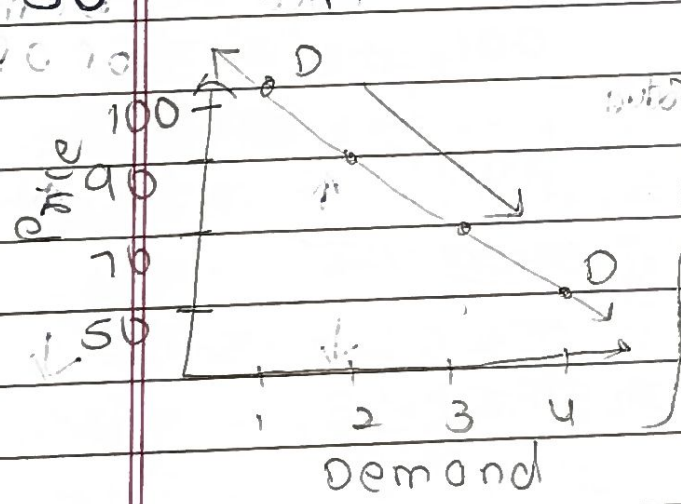
Tabular

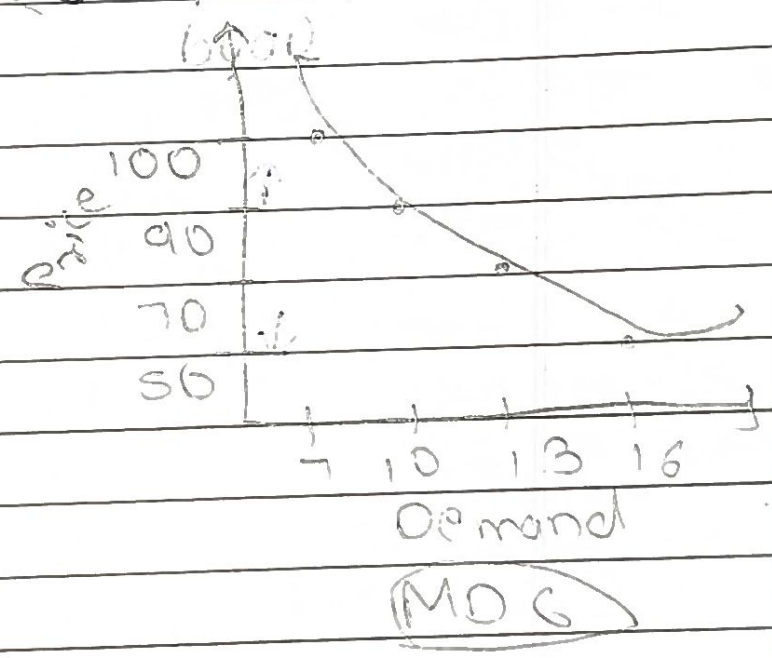
Price	Demand
100	1
90	2
70	3
50	4

IDS
Indiv. demand schedule

Price	A	B	C	Total
100	4	1	2	7
90	5	2	5	10
70	6	2	4	13
50	7	4	5	16

MDS





MDC

* Type of Demand,

Type of Demand

Price Demand | Cross Demand | Income Demand

① Inverse Rela^{n}

② P ↑ D ↓ ; P ↓ D ↑

Related Commodity

Complementary Goods ↓ → Inverse Reln → Price of Good ↑ → Demand of another Product ↓

Substitute Goods ↓ → Direct Reln → Price ↑ → Demand of OP ↑

car Eg fuel

Tea Eg coffee

Income Demand

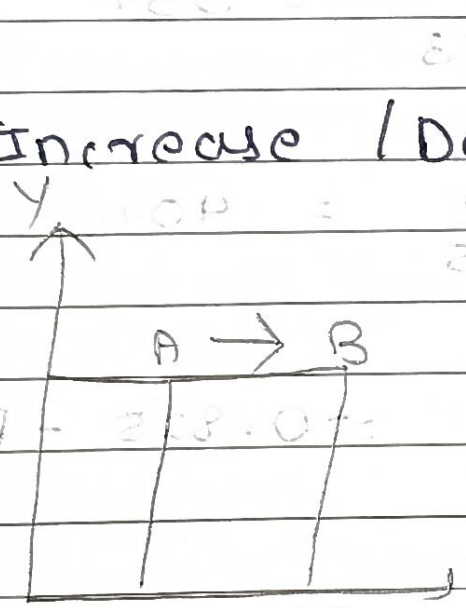
↓

① Relation - Direct

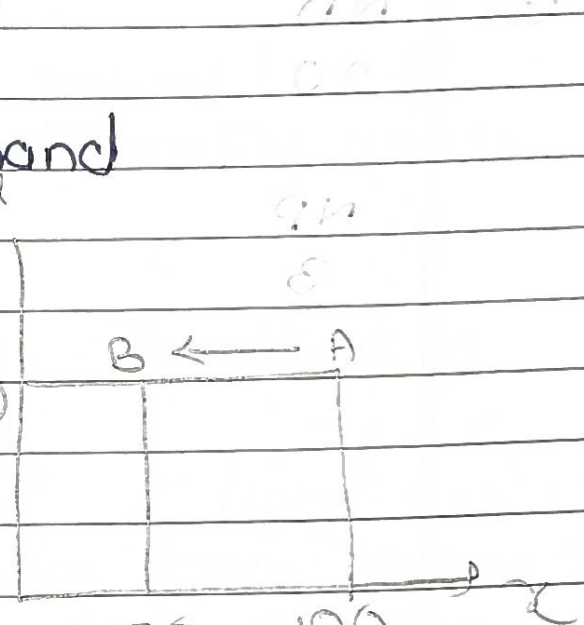
② Income of consumer ↑ ↓ Demand ↑ ↓

* Increase / Decrease Demand

①



②



* MCQ

Ex. ①

ND	OD
100	60
NP	OP
55	50

$\frac{40}{380} = 66.1$

$\frac{5}{50} = 10.1$

$= \frac{66}{10} = 6.67$ — Relatively elastic

②

ND	OD
20	15
NP	OP
3	5

$= \frac{51}{153} = 33.1$

$= \frac{2}{5} = 40.1$

$= \frac{33}{40} = -0.825$ - Re. Inelast

③

ND	OD
250	350
NP	OP
50	150

$\frac{100}{350} = 28$

$= \frac{100}{150} = 66$

$\frac{28}{66} = 0.42$ - Re. Ine

Supply

- Exception to Law of Demand

① Giffen paradox :-
Bread / labour / Demand / some ₹ increases even after rate increase

② Speculation :- / hobby :-
Expect^n that price will re rise, still buyer continuous to buy it higher rate.

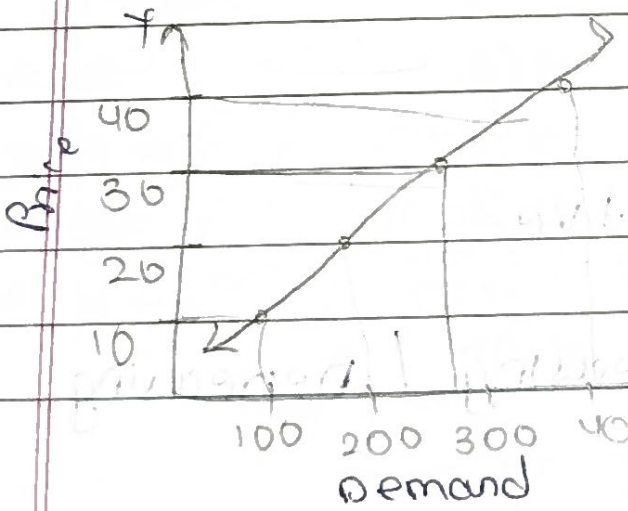
③ Conspicious :-
khud ke liye karna
prestige :- premium quality goods

④ Shares es Speculative :-
Share Market :- Reliance (e.g.)

⑤ Bandwagon :-
Society :- Std. of living / rich status

⑥ Veblan :-
price illusion - High price → good quality
Low price → bad quality

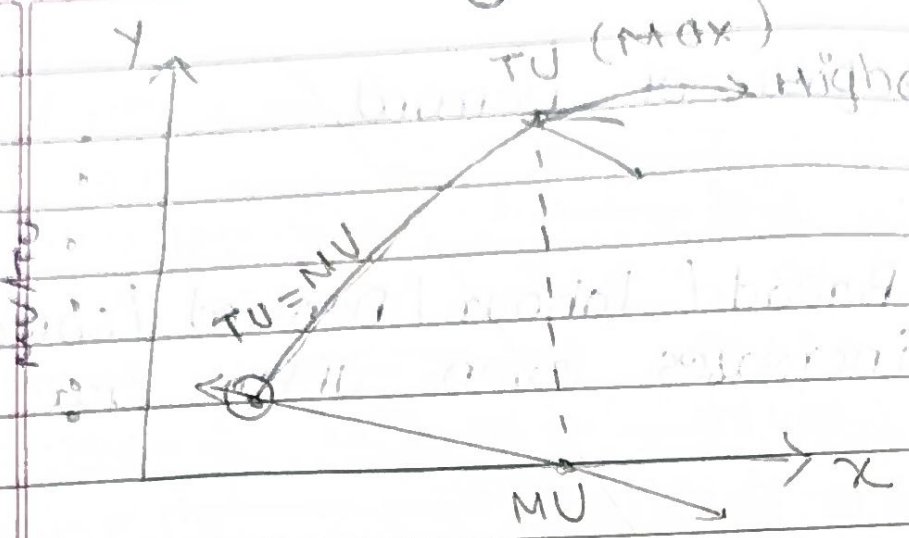
* Diagram of Exception of law of Demand



40P = 400D
10P = 100D

Hence = law of Demand will be always downward → left to ₹ right

Utility



Qty.	MU	T.U
1	10	10
2	8	18
3	6	24
4	4	28
5	2	30
6	0	30
7	-2	28

*. MU / TU property ..... (MCQ)

① At first ~~property~~ quantity of consumption
MU = TU

② When MU is zero, TU is max.

③ MU ⟶ (+)(0) (-ve)

④ TU ⟶ TU is always +ve

⑤ TU ⟶ TU may be increasing / decreasing

⑥ MU → MU is always decreasing

⑦ TU is increasing at Diminishing Rate
(As MU is falling also every increase)

Q	TU	MU	$MU_2 = TU_2 - TU_1$
1	120	120	$TU_3 = TU_2 + MU_3$
2	130.	110	
3	210	80	$MU_4 = TU_4 - MU_3$
4	270	60	
5	310	40	$TU_5 = TU_4 + MU_5$

$MU_n = TU_n - TU_{(n-1)}$

$TU_n = TU_{(n-1)} + MU_n$

* Who made firstly DMU 'Gossan' → 1854

Who develop DMU = 'A. Marshall' →

TU goes downward whe MU is negative

MCQ.

1) d
2) b
3) a.c
4) b
6) b
8) c
9) c) (Normal goods +ve) (Infior goods -ve)
10) b
11) b
12) b.
15) d
16) c.
17) a.

(A)

D D M M Y Y Y Y

* Customer Expenditure

Expenditure = Qty x Rate

① Demand is unitary elastic and price falls

Old Demand		New Demad
100	20↑	120

Old Price		New Price
10	20↓	8

Old Expenditure	NE
1000 ₹.	960 ₹

2) Demand is elastic and price rise

OD		ND
100	30%	70

$$\frac{30}{20} = 1.5 > 1$$

OP		NP
10	20% ↑	12

OE	NE
1000 ₹	840 ₹

3) Demand is inelastic and Price falls

OD	ND	0.50 < 1
100	110	

OP	NP
10	8

OE	NE
1000	880

4) Demand is inelastic and price rises.

OD	ND
100	90

OP	NP
10	12

OE	NE
1000	1080

Note: (IND) ① If Question come for increase in consumer Expenditure.
Then find :- the option where
Price ↑ Demand — Inelastic.

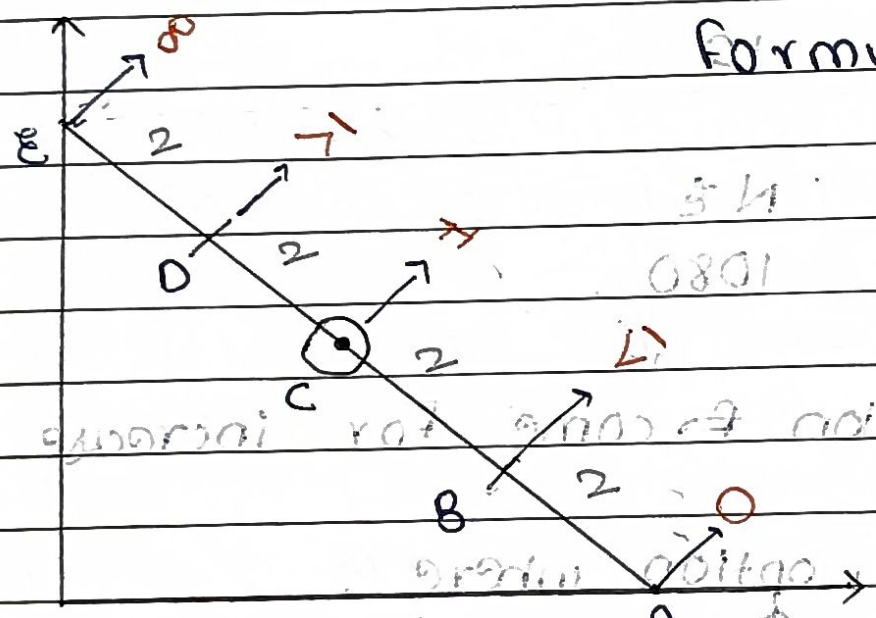
② Question come for decrease in consumer Expenditure
Price ↓ Demand → Inelastic

for Note. 2

E.g.	Demand Elastic		Demand = 1 E		
OD	ND		OD		ND
100	30↓	130	100	10% ↑	110
OP	NP		NOP		NP
10	20↓	8	10	20↓	8
OE	NE		OE		NE
1000	1040↑		1000		880 ↓

Elasticity Demand. (Measurement)

- Point Method.



Formula = Lower / Upper.

At Point C = $\frac{CA}{CE} = \frac{4}{4} = 1$

At Point D = $\frac{DA}{DE} = \frac{6}{2} = 3$

At Point B = $\frac{BA}{BE} = \frac{12}{6} = 0.33$

At Point A = $\frac{0}{8} = 0$

At Point E = $\frac{8}{0} = \infty$

② Percentage Method

$$\frac{ND - OD}{ND - OP} = \frac{\% \Delta in D}{\% \Delta in P}$$

③ Total outlay Method

Expenditure = Qty x Rate
OD x OP ND x NP

P.g. 32] Importance of Elasticity Demand

⑪ Eg.

Monopoly
Railway

Maharashtra
↓
Rate ↑ 10%
Demand 12%
Inelastic
(High Rate)

Kolkata
↓
Rate 10 ↑ %
Demand 20 ↓
Elastic
(less rate)

2. Cost and Production (Lec. cost ①)

① Production includes manf. manufacturing of goods and rending services both.

② Production of goods means conversation of raw materials into final goods.

③ To do the production, producer will have to incure expenses, i.e that is called cost....
kharcha

④ Cost have 3 types:
1) Fixed cost (Rent)
2) Variable cost (Higher production and high cost)
3) Semi-variable cost (Lower " and lower ...

⑤ Fixed cost ~~also~~ will always remain same

⑥ Variable cost in total will have direct relation with production quantity (P ↑ R ↑)

⑦ VC / PV = Variable cost per unit will always remain same

⑧ FC (total) = will always remain same.

VC
- TVC ↓ OR
- VCPU ↓ same

PC
- TPC ↓ same
- FC/PU ↓ Inverse

Eg Rent = 10,00,000 (TFC)

10,000 (Qty) 5000 (Qty)

$\frac{FC}{PU} = \frac{10,00,000}{10,000}$ $\frac{FC}{PU} = \frac{10,00,000}{5000}$

FC/PU = 100 Rs. = 200 Rs.

* Production

1) TP (Total production)

2) MP = (Marginal Production (Addition unit produced every new input)

3) AP = (Average production = $\frac{TP}{Input}$

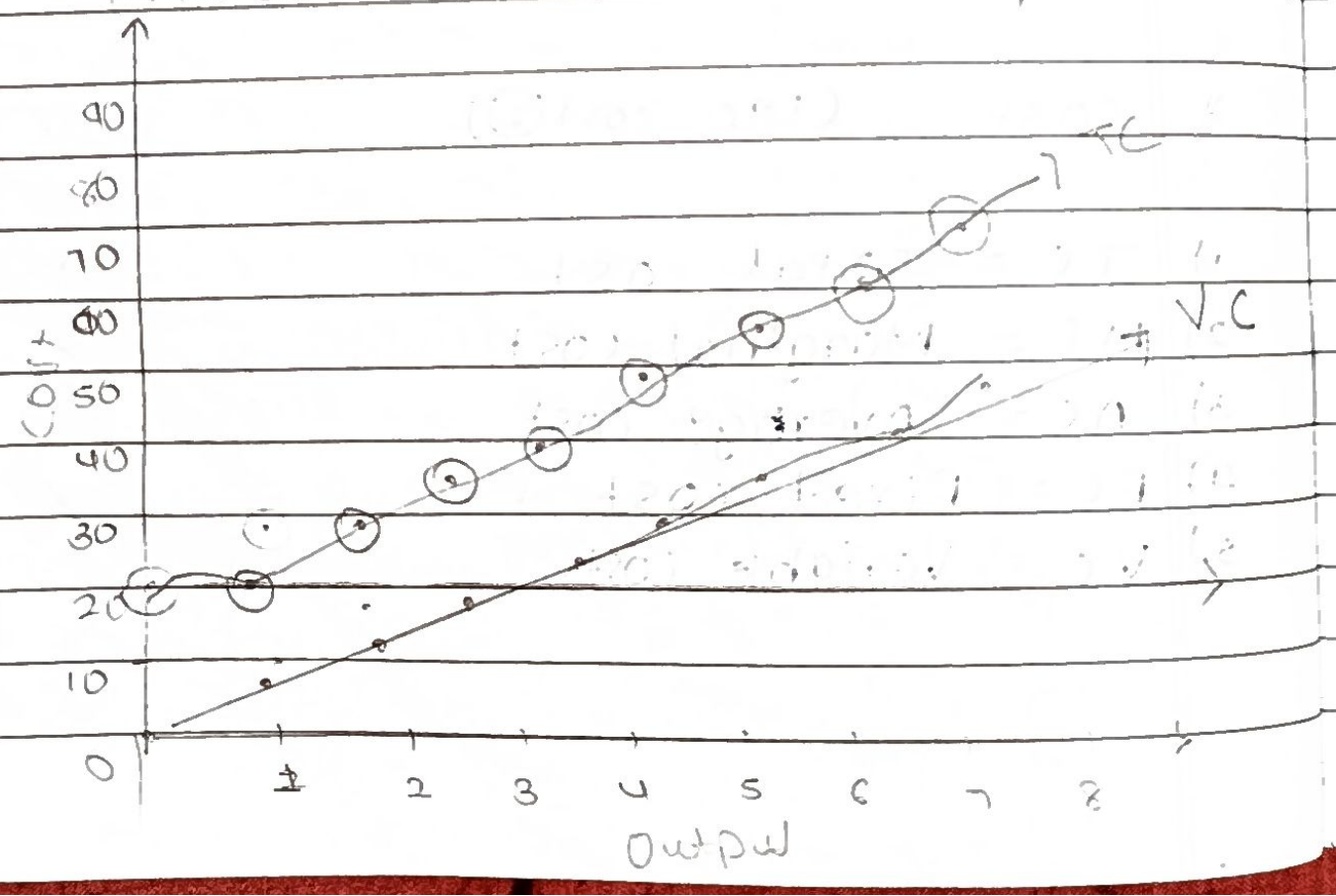
Note: Input = Raw material / Labour)

* Cost (lec. cost ②)

1) TC = Total cost (TC = FC + VC)
2) MC = Marginal cost (Add° cost of producing 1 unit)
3) AC = Average cost = TC / Qty Produced
4) FC = Fixed cost (Production ↑ and FC/PU ↓ IR)
5) VC = Variable cost (Production ↑ and TVC ↑ DR)

TC = FC + VC
MC = TC - TCn-1
AC = TC/Qut / or AFC + AVC

Unit of outpw	TFC Total Fixed cost	TVC Total Variable cost	TC Total cost	AFC Avg Fixed cost	AVC Avg Variable cost	ATC Avg total cost	MC Marg cost
				-			
0	1000	0	1000				
1	1000	50	1050	1000	50	1050	50
2	1000	90	1090	500	45	545	40
3	1000	140	1140	333.33	46.67	380	50
4	1000	196	1196	250	49	299	56
5	1000	255	1255	200	51	251	59
6	1000	325	1325	166.67	54.17	220.83	70
7	1000	400	1400	142.86	57.14	200	75
8	1000	480	1480	125.	60	185	80
9	1000	570	1570	111.11	63.33	174.44	90
10	1000	670	1670	100	67	167	100
11	1000	780	1780	90.91	70.91	161.82	110
12	1000	1080	2080	83.33	90.00	173.33	300
13	1000	1400	2400	76.92	107.6	184.52	320
14	1000	1900	2900	71.42	135.7	207.12	500



Note

① Fixed

② VC

③ TC

Par

(Lec

Note:

① Alw

② FC

MC
Marg. cost

50
40
50
56
59
70
75
80
90
00
10
300
320
500

Notes (Graph)

① Fixed cost is parallel to x-axis

② VC graph always starts with 0 (zero)

③ TC line start from FC line or FC is parallel to x-axis.

(Lec. cost ③)

Note:

① Always SP/PU more than VC/PU

② FC may or may not be recovered.

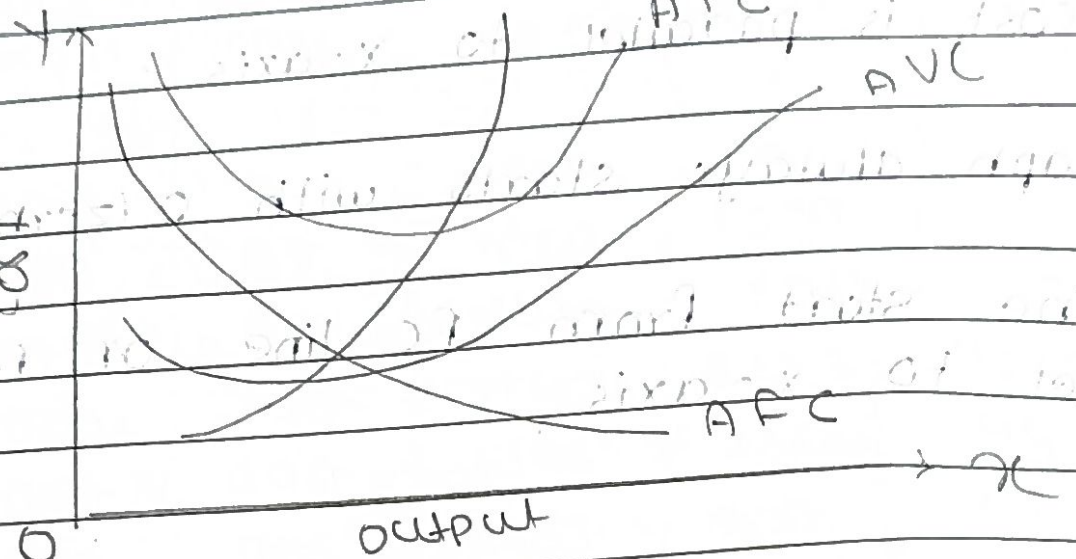
F. Rent - 100,000

Selling Price	100
(-) VC / PU	- 60
(C.M) PU	— 40

Case I	Case II
Qty = 2000	Qty = 3000
2000 × 40 = 80,000	3000 × 40 = 120,000
(-) FC = 100,000	(-) FC = (100,000)
Loss — (20,000)	Profit — 20,000

D D M M Y Y Y Y

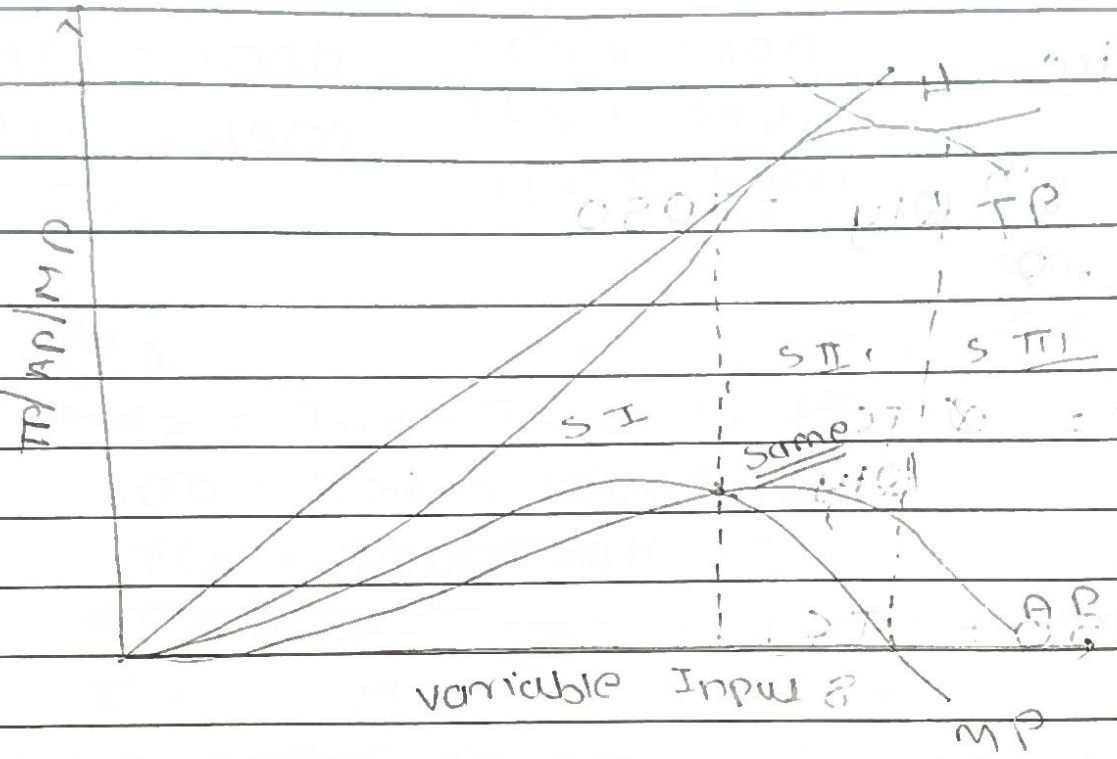
Graph or table.



* Production

Qty of labour	Total (TP) Product	Avg. Product (AP) (TP/Qty)	Marginal (MP Product (2TP - 1TP)
1	100	100	100
2	210	105	110
3	330	110	120
4	440	110	110
5	520	104	80
6	600	100	80
7	670	95.7	70
8	720	90	50
9	750	83.3	30
10	750	75	0
11	740	67.3	-10

At one point when MP IAP are same then,
first MP was greater after it goes on dec
second MP was " after it goes on increa



Cost (Practice)

Qty	TC	AC	MC	VC
P 0	100	-	-	100	NIL
1	150	150	50	100	50
2	190	95	40	100	90
3	230	76.67	40	100	130
4	350	87.5	120	100	250
5	450	90	100	100	350

lect.

C-4.

Practice.

① AC = 8th Qty = 1050

TC = ?

$$AC = \frac{TC}{Qty}$$

$$1050 = \frac{TC}{8}$$

$$1050 \times 8 = TC$$

$$8400 = TC$$

② 3rd Qty TMC = 1200

4th Qty MC = 1000

4th Qty TC = ?

$$MC = TC_4 -$$

$$MC_4 = TC_4 - TC_3$$

$$1000 = x - 1200$$

$$1000 + 1200 = x$$

$$x = 2200$$

4th Qty. of TC = 2200

$MC_1 = 800$ $TC_1 = 1000$

$MC_2 = 800$

3] $MC_3 = 1000$ $TC_2 = 1800$

$MC_4 = 1500$ $TC_3 = 2800$

$TC_4 = 4300$

TC_2

$MC_2 = TC_2 - TC_1$

$800 = TC_2 - 1000$

$TC_2 = 1800$

$MC_3 = TC_3 - TC_2$

$1000 = TC_3 - 1800$

$2800 = TC_3$

$MC_4 = TC_4 - TC_3$

$1500 = TC_4 - 2800$

$TC_4 = 4300$

4) $AP_5 = 2000$

$AP = \frac{TP}{Q_4}$

$2000 = \frac{TP}{5}$

$2000 \times 5 = TP$

$TP = 10,000$

5) $MP_1 = 1000$

$MP_2 = 1200$

$MP_3 = 1500$

$TP_1 = 1000$

$TMP_2 = TP_2 - TP_1$

$1200 = TP_2 - 1000$

$2200 = TP_2$

$MP_3 = TP_3 - TP_2$

$1500 = TP_3 - 2200$

$TP_3 = 3700$

AVC = TVC / Qty.

- MCQ

Qty.	TFC	TVC	TC	FC/Qt. AFC	TC/Qty AC	TCn-TCn-1 MC
0	240	0	240	0	-	-
1	240	90	330	240	240	90
2	240	170	410	120	205	80
3	240	240	480	80	160	70
4	240	300	540	60	135	60
5	240	370	610	48	122	70
6	240	450	690	40	115	80

27)
→ 120 (Avg. FC of 2nd)

28)
→ 80 (MC 6th)

29)
Lec.
C-15

32)
→ d) AFC = ATC - AVC.

34)
→ c) TFC = TC - TVC.

AVC

0
1 90
2 85
3 80
4 75
5 74
6 75

Most IMP Equation

Equation

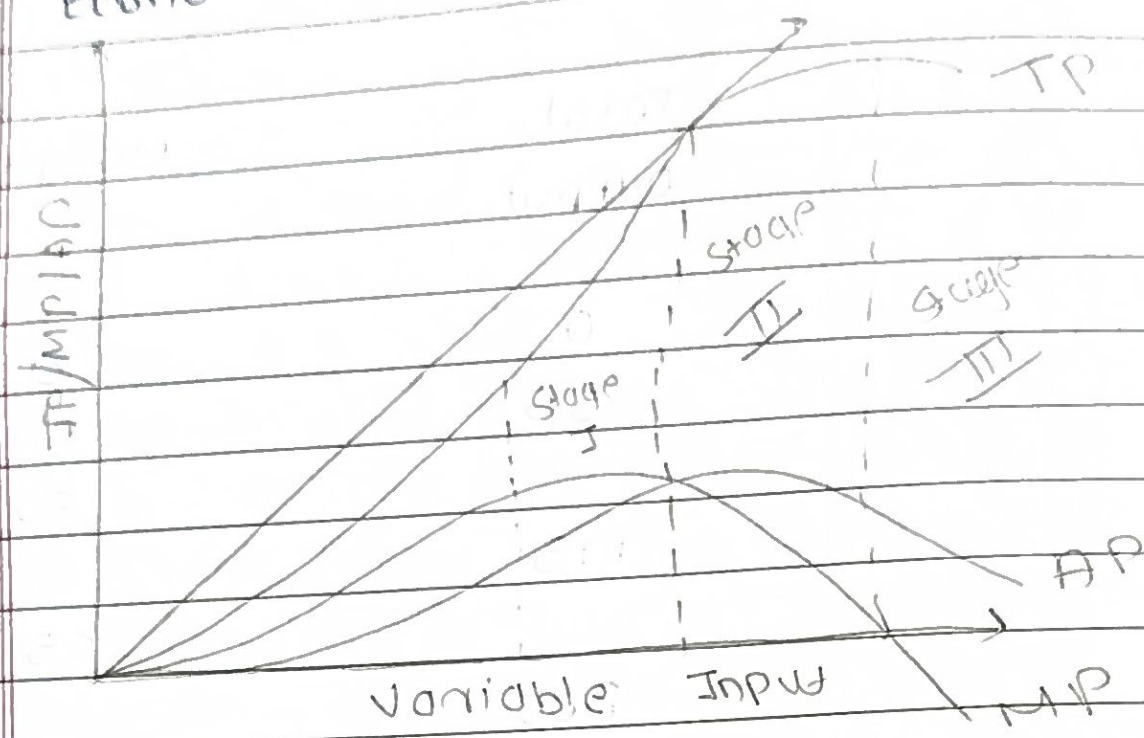
Total	Avg.
① $TC = FC + VC$	① $AC = FC + VC$
② $FC = TC - VC$	② $AC = AC - VC$
③ $VC = TC - FC$	③ $AVC = AC - FIC$

MCQ. IMP

① Avg. cost = $\frac{\text{Total cost}}{\text{Qty.}}$	$AP = \frac{\text{Total P}}{QH}$
② $AVC = \frac{TVC}{Qty}$	$MC_5 = TC_5 - TC_4$
③ $AFC = \frac{TFC}{Qty.}$	$MP_7 = TP_7 - TP_3$

Cost
Lec. 6

Economic Nonsense



IMP Notes:

① In stage one AP, MP, TP all are positive and Increasing.

② In stage two TP, MP, AP all three are positive but AP and MP both are decreasing

③ In stage three TP and AP are positive, where as MP is negative...

④ MP is positive, zero and negative also

⑤ AP and TP will be always positive.

⑥ Stage 1 ends at AP = MP

⑦ Stage 2 ends when MP is zero and TP are maximum.

(8) In stage 1 MP > AP

(9) In stage 2 AP > MP

(10) Conclusion:: Producer should manufacture only in stage 2 because in stage 2 total production is maximum....

(11) Names of stage.

Stage I = Increasing return
Stage II = Diminishing
Stage III = Negative return

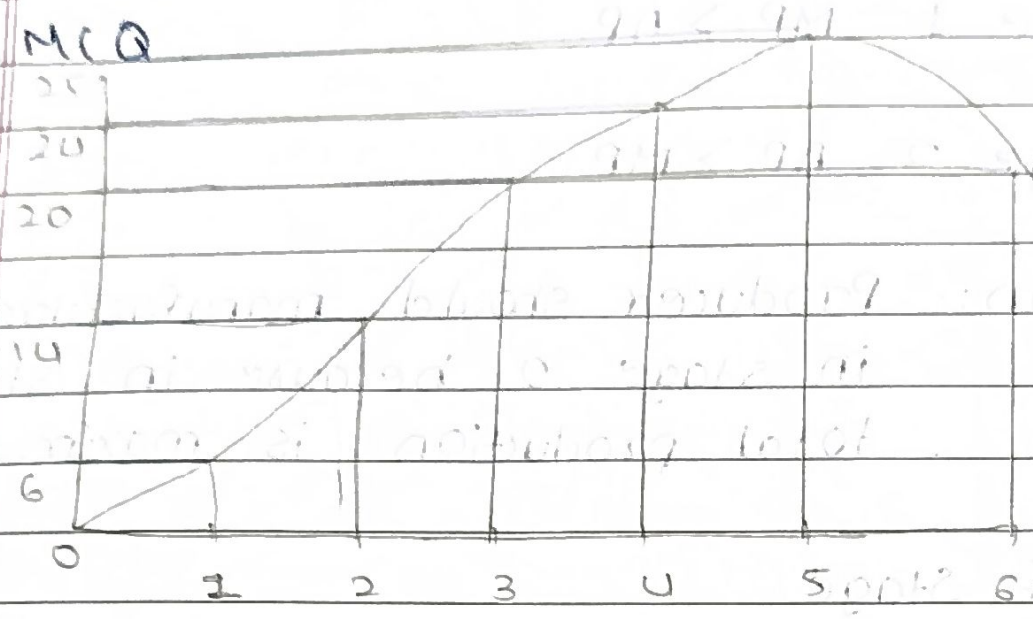
(12) Stage I and stage III is called as 'economics nonsence' or 'economic absurdity'

cost
Lec. 7.

MCQ.

Hours	Total output	Marginal Product
0	-	-
1	100	100
2	180	80
3	240	60

MCQ



- The marginal physical product of third unit of labour is six (TP3 - TP2) the MP of the xth labour is Negative

- When marginal costs are below the avg tbl costs.

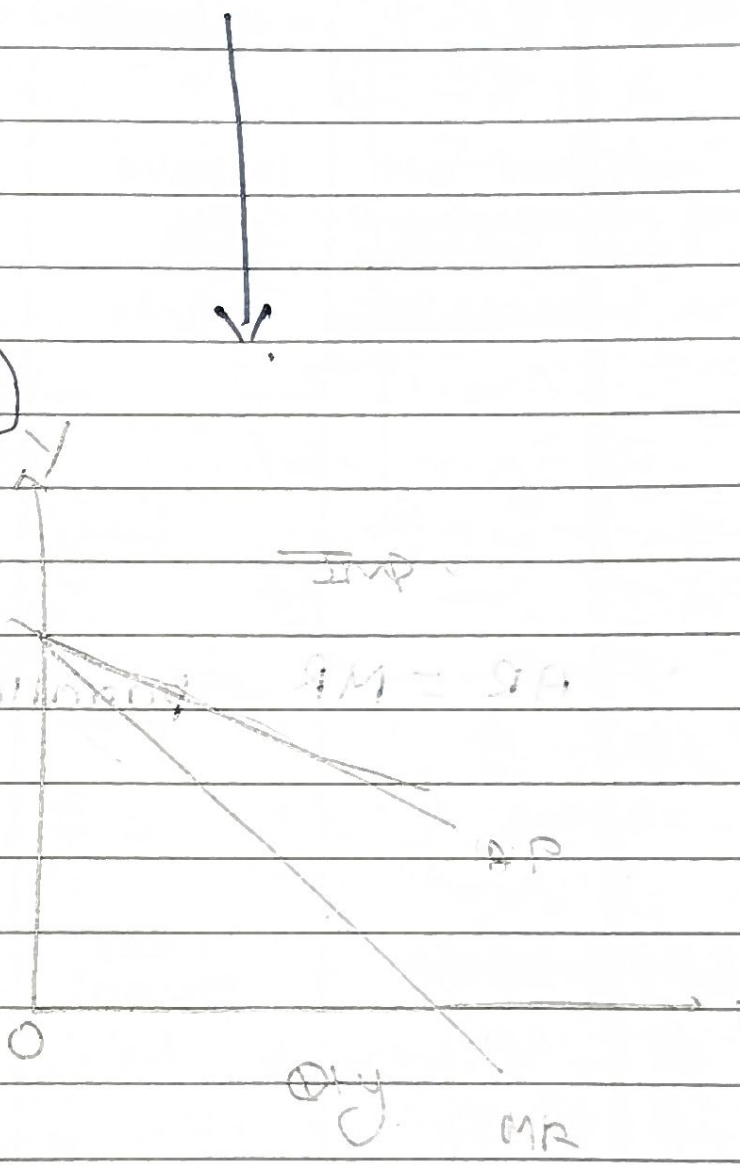
Revenue

(Imperfect competation)

P	Q	TR	AR	MR
10	1	10	10	10
9	2	18	9	8
8	3	24	8	6
7	4	28	7	4

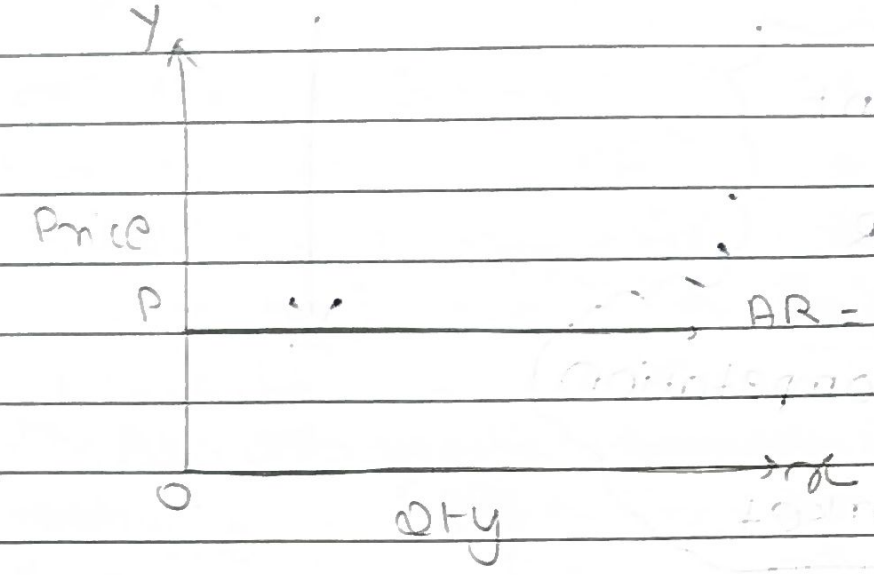
- Price constant
  ↓
  P = AR = MR
  ↓
  Perfect competation
  ↓
  Market

- TR = Qty X Rate
- AR = $\frac{TR}{Q}$
- MR = $TR_2 - TR_1$



Perfect competation

Qty	Price	TR	AR	MR
1	10	10	10	10
2	10	20	10	10
3	10	30	10	10
4	10	40	10	10
5	10	50	10	10



- AR = MR parallel to X axis ....

* **Market**

Sr.	Particular	Perfect comp.	Monopoly	Monopolistic	Oligopoly
1)	No. of seller	V. large Homog.	Single	Large	Very few
2)	Product	Homog.	Single. Uniq	Diff. quality Product	Almost (SIM) Similer
3)	Entry - Exist	Allowed	fully Restr.	Allowed	No barriers But due to Regulatory authority Restricted
4)	Price (Supplier x control)	Taker	Maker	Maker	Maker
5)	knowledge Market	complete	—	—	—
6)	Mobility of FOP	supplier choice	"	"	"
7)	Elasticity	Infinite $e=\infty$	Small (RIF) <1	large (RE) >1	small (RIF) <1

AR = AC → Normal profit
AR > AC → Super normal profit
AC > AR → Loss

DD MM YYYY

** Outcome (IMP) Most

	MR = MC	MR > MC	MC > MR
• Perfect comp.	Profit	Sup. Nor. Profits	Loss
Short Run	✓	✓	✓
Long Run	✓	X	X
• Monopolistic			
Short Run	✓	✓	✓
Long Run	✓	X	X
• Monopoly			
Short Run	✓	✓	✓
Long Run	✓	✓	X

Type of .... Market

Time → ① very short ② short ③ long

Place / Locality → 1) National 2) International 3) Local

Competition → Perfect ① | Imperfect
- ① Monopoly
- ② Monopolistic
- ③ Oligopoly
- ④ Duopoly

Lec. 2 (Market)

* No. of Sellers.

1) Single Seller → Monopoly.

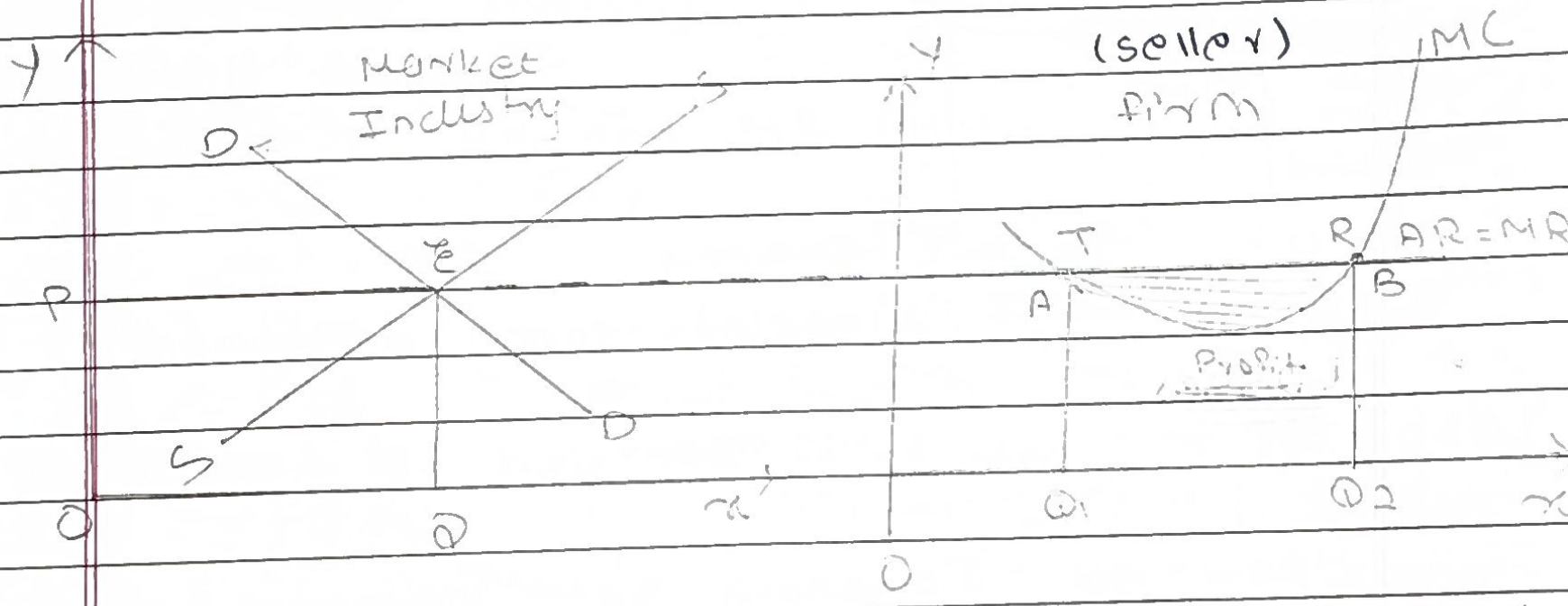
2) Duo / 2 → Duopoly

3) Three or more (few) → Oligopoly

4) Large → Monopolistic

5) Very large → Perfect competition...

* Equilibrium (Perfect competition)



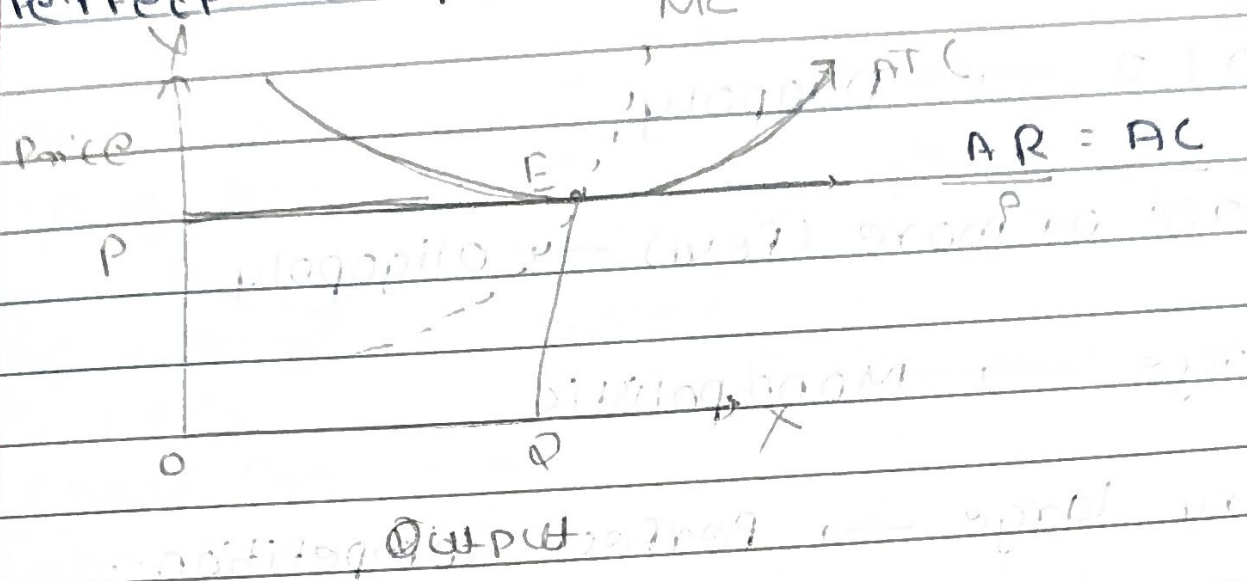
Equilibrium position of firm under perfect competition...

Condition

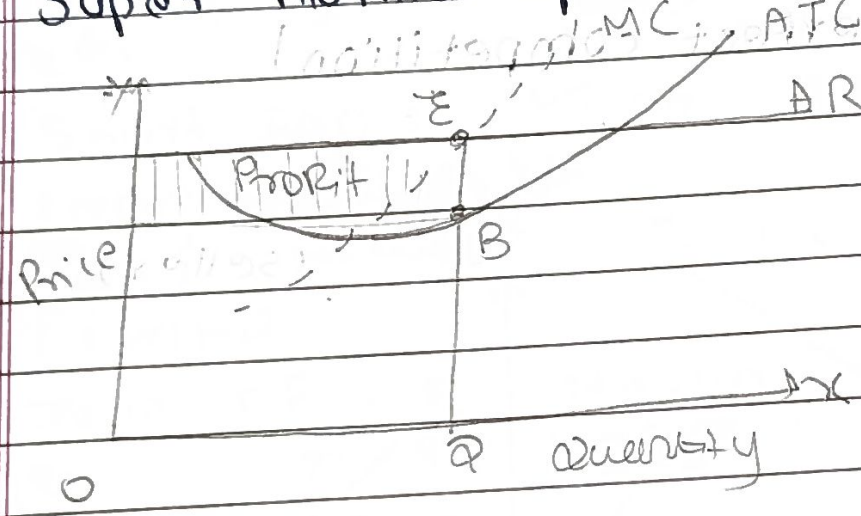
1) MC = AR
2) MC cut ~~AR~~ ... MR from below....

* Monopoly (Graph) (SNP)

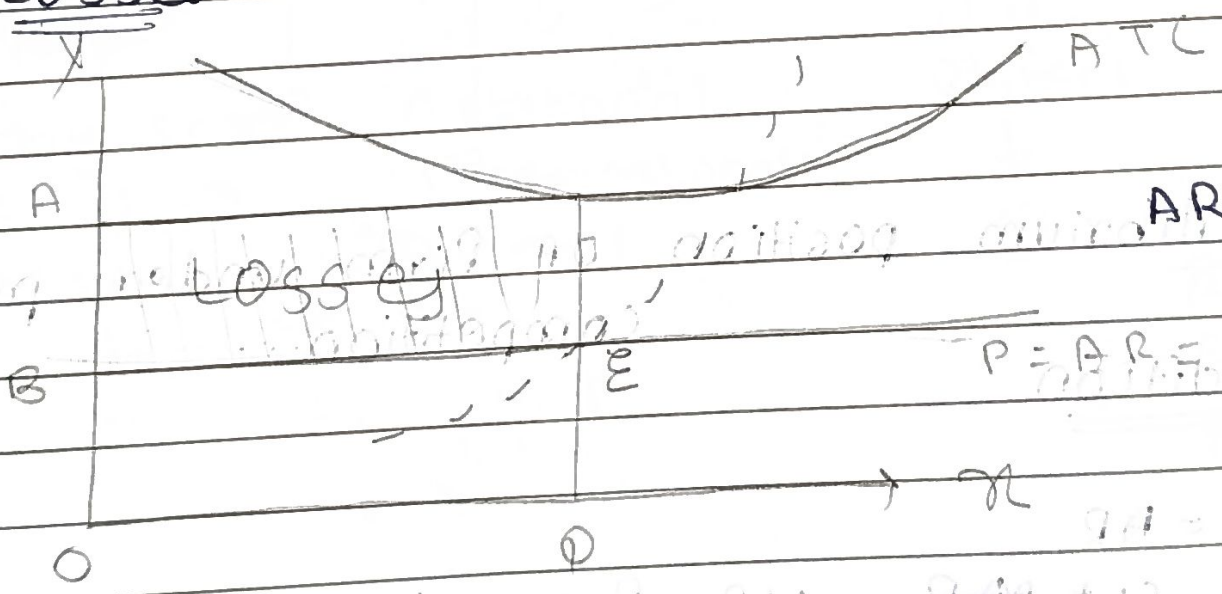
* Perfect competition (normal profit / zero Profit)



- Super Normal profit



- Losses



* In PC when their will be loss

- ① Up side to AR
  ② Touch to AR
  ③ Down to AR

* Monopoly :- (US NOTEBOOK)

Mono - single
Poly - Seller

Features :

1) single seller
2) No close substitute
3) Strong barriers to entry
4) Firm and Industry are same
5) Price maker
6) Nature of AR and MR curve....

. Though a graph... (Note)

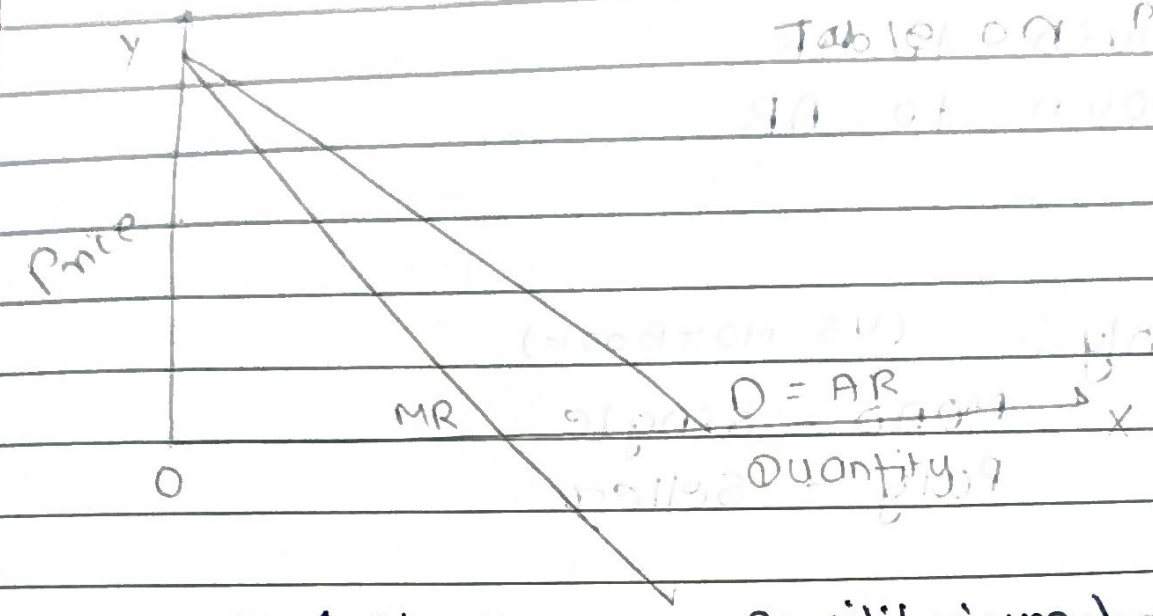
① AR /P is twice MR is twice of AR/P....

② In monopoly the slope of the MR curve is twice that of the AR curve.

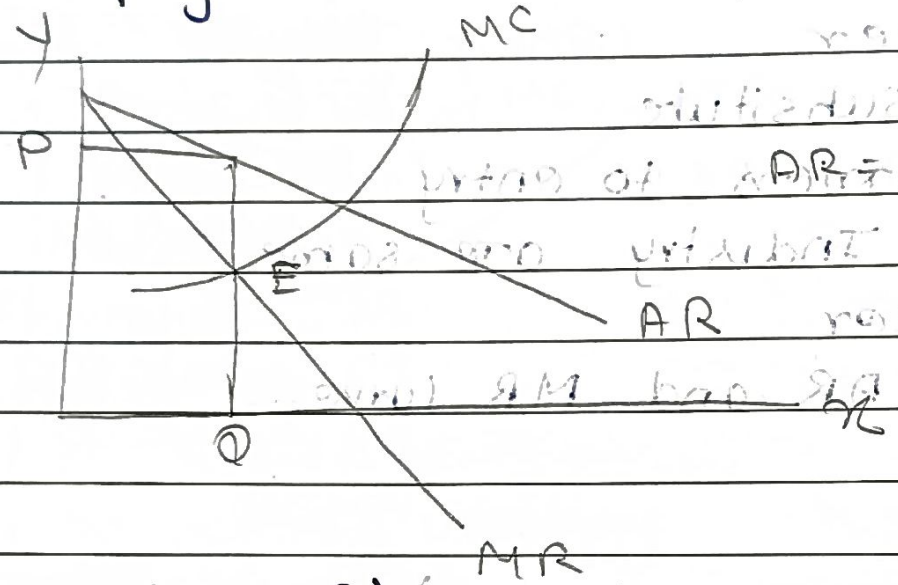
③ MR curve lies half-way between the AR curve and the Y axis.

④ AR & MR are both negatively by sloped curve (downward)

⑤ AR cannot be zero, but MR can be zero or even negative ...

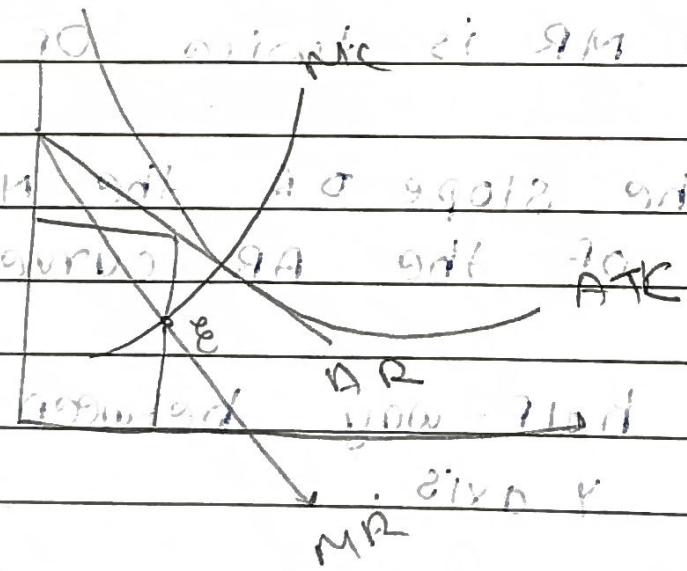


- Monopoly (short run equilibrium)

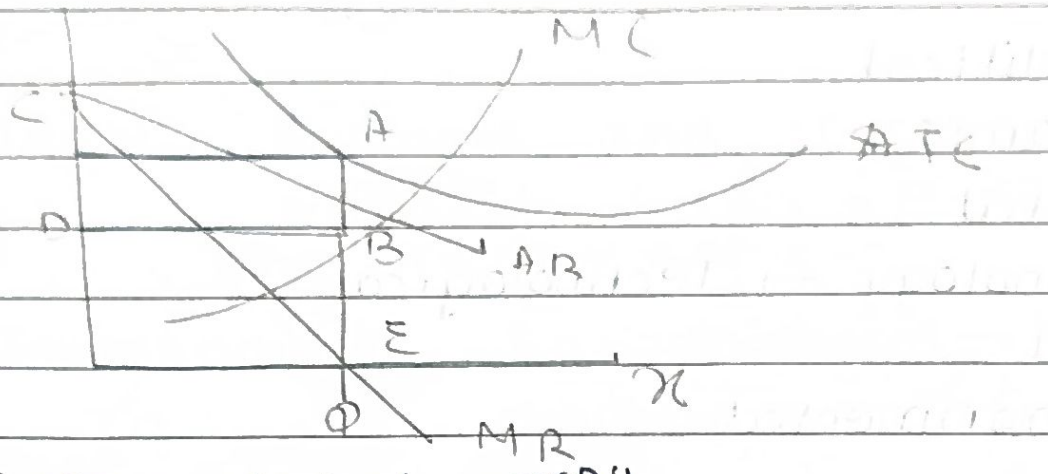


- Normal profit

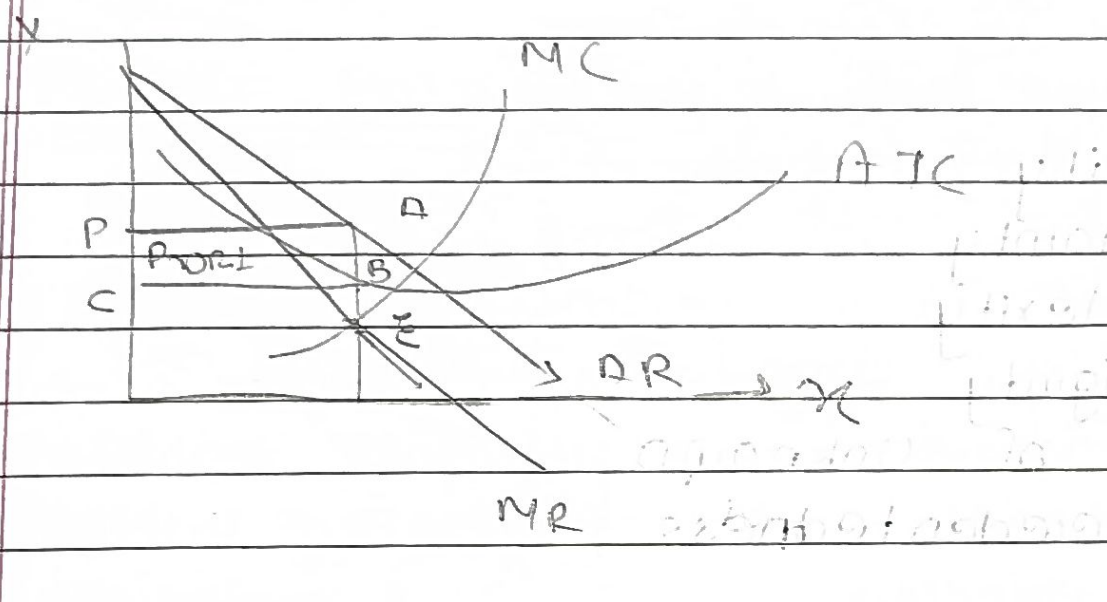
AR = AC



- LOSS



- Super normal profit



* Monopolistic

1) Preceived demand curve
2) Proportional demand curve

Business Environment

1. NO. 4. Pestle

- P = ~~Poli~~ Political
  E = Economic
  S = Societal
  T = Technology → Technological
  L = Legal
  E = Environmental

- VUCAFU

  V = Volatility
  U = Uncertainty
  C = Complexity
  A = Ambiguity — doubt in 2 things
  F = Fear of Unknown
  U = Unprecedentedness

* Meaning of PESTLE

1) Political :- Pressure
   • Groups / NGOs / Influential organ.

2) Economic :- Prices / savings / level of disposable income

3) Societal :- Traditions / belief / literacy rate / values

Technological :- Opportunities arising / risk and uncertainties

Legal :- Business and corporate laws / employments laws

Environment :- Environmental hazards / waste disposal

PESTLE Matrix (Any 5 from each.)

Political	Economic
• Political stability • Political principles and ideologies • Current and future taxation policy • Regulatory bodies & processes • Govt. policies • Govt. term & change • Thrust area of political leaders.	• Economy situation & trends • Market & trade cycle • Specific industry factors • customer / end-user drive • Interest & exchange rate • Inflation & unemployme • Strength of consume spending...

Social

- Lifestyle trends
- Demographics
- Consumer attitudes & opinions
- Brand, company, technology image
- Consumer buying patterns
- Media views & perception
- Ethnic / religious factors

Technological

Legal

- Business & corporate law
- Employment law
- Competition law
- Health & Safety law
- International Treaty & law
- Regional legislation

Environmental

- Ecological / envir. issues
- Envt. hazards
- Envt. legislation
- Energy consumption
- Waste disposal

* PESTLD Analysis focous on

VUCAFU

* Micro Business Environment (IMP)

comics

Customers → one who pays to acquire the product

Organisation → consists of owners, BOD, employee

MICRO

Market → Price sensitivity market maturity / cost structure

Intermidiaries → ones who act as a bridge between the manufacturer & the marketer

Competitiors → other entities the compete for resources as well as market

Suppliers → Suppliers with their bargaining power affect the cost structure

* Macro Business Environment (IMP)

Macro

Demographic → Population size / income distribution

Political → Govt. policies / legal laws

Economic → Interest rates / level of disposable income

Social → Traditions / beliefs / culture

Technological → Opportunities arising / risk & uncertain

Government → Changes in policies & approach toward developments

Legal → Introduction of new laws like GST, Real estate Regulation Act

Global → change in the world level political climates as well as environment issues

Imp. points

- Business

Any activity comprising of producing of goods or services

• Business Environment (Pg. 16)

Internal

— with in the control of Business

E.g. Business policy, Mgt. structure

External

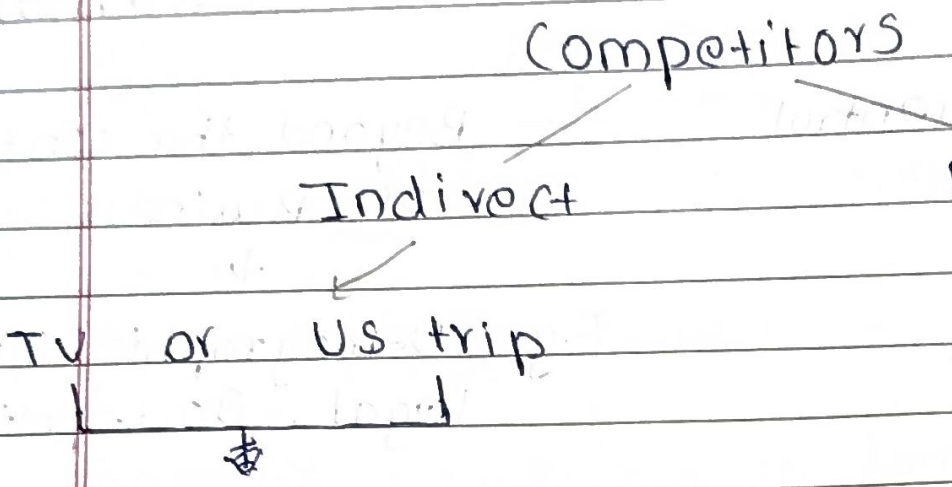
— Beyond the control of Business

E.g. Demographic, Global, legal, Govt. policy

S	W	O	T
Strength	Weakness	Opportunity	Threat
Capital	Prod^n Capital → P & M	New Low OR New market	Competitor
Utilise	Minimize	Capitalize	Un Favourable
Positive	Negative	Favourable	

Micro

- Competitors



(IMP Note)

3.1 Money

(1) Type:

money
- Fiduciary Money
  - Trust
    - cheque / DD
- Fiat money
  - coins
  - Govt.
- commerical money
  - Bank loan
- commodity money
  - Barter
  - Post (oldest)

(2) M_1 = CURR + DD + OD (Other Deposit)

M_2 = M_1 + Time Liab + Cert. of Dep + TD < 1yr
- SD

Term Dep

M_3 = M_2 + TD > 1yr + Call / Term Borr.

↓ used currently in India

M_1 = currency + DD + OD

M_2 = M_1 + FL + CD + TD

M_3 = M_2 + TD + Call

(3) Value of money

→ Purchasing power of money

Internal	External
↓	↓
Value of goods / services can be exchanged domestically	Value of foreign exchange can be exchange

(4) Function of money (IMP)

Primary	Secondary	contingent
↓	↓	↓
1) Medium of Exchange	① Store of money	① Need & dif of NT
② Measure of Value	② Deffered payment	② Money utility
	③ Transfer of money	③ Credit
		④ Liquidity

· Qty Theory of money (QTM)

① By Irving Fisher	② Cash Balance Approach / Cambridge	③ By Keynes
① $MV = PT$ M - Money supply V - velocity P - Price level T - Total output	① $M = PKT$ M = Money supply P = Price level K = Cash Balance T = Total output	① Money supply affects rate of Int. (ROI) ② IR with money supply & ROI ③
② $\frac{\Delta M}{M} = \frac{\Delta P}{P}$ change in money supply = change in price level		
③ OR with MS & PL		
④ IR with MS & Value of money ↑ ↓ ↑ ↓		
⑤ IR PL & value of money		

3.4

① organised sector
- RBI, SBI, commerical Bank (SCB), (NSCB), Exchange bank, co-operative bank, IDBI, NABARD, SFC, etc

- NBFC → LIC, GIC, UTI

- Quasi → Govt. Body & large company

- Cooperative credit Institution

State co-operative Bank | Central co-operative Bank | Local co-operative society

Organised | unorganised

- Instrument of Indian Money Market (Most Imp)

① Call money / Notice Money:-
→ short term
→ Amt borrwed by commerical Bank from each other
→ Period upto 14 days withow any collateral security
→ call money rate:
→ Rate at which fund are borrowed & lend.

② Commercial Bill Market
① drawn by seller - drawer
② Buyer - drawee / Acept Accept
③ Bill period upto 90 days
④ Bill discounting of Bank allowed
⑤ These are liquid Assets

③ T-Bill
→ Promissory Note Issued by GOI
→ Period 91 days
→ second type : 182 days → RBI issue
↓
364 days
→ These are issued at Discount & no interest is paid

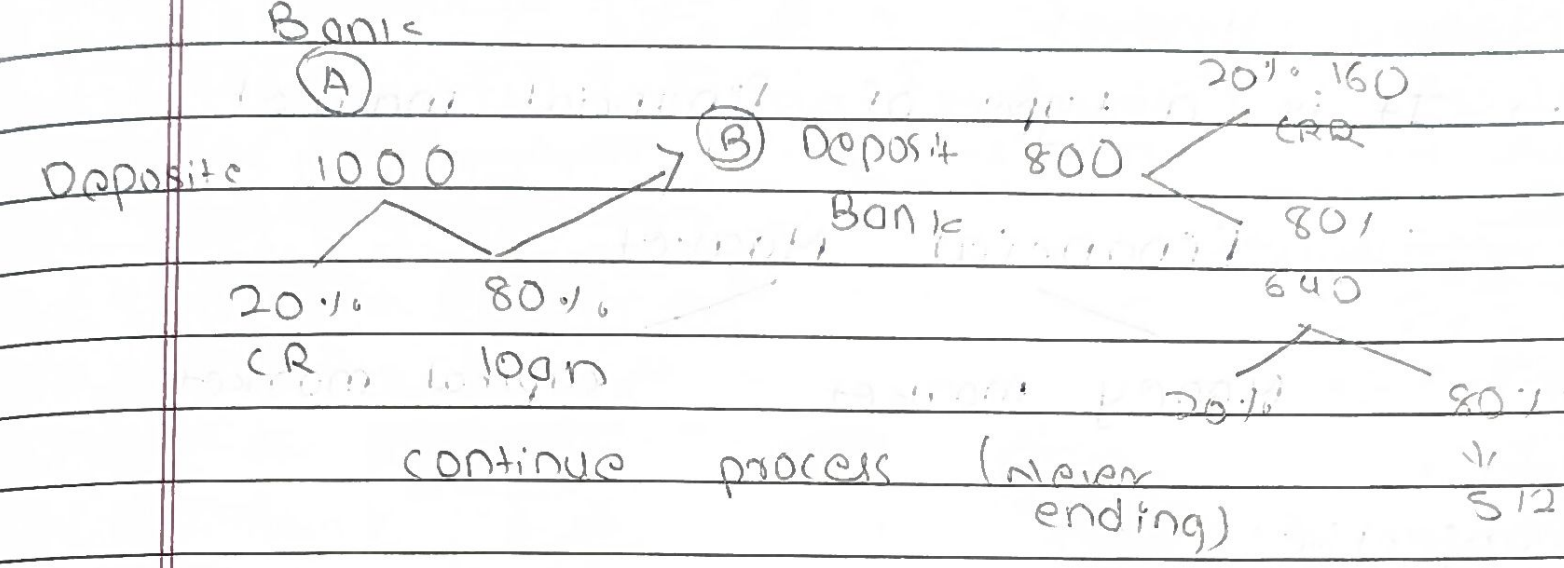
④ Commerical paper (CP)
→ Introduced because of 'Liberalisation'
→ Unsecured promisiory NOTE
→ These are issued to raise short term funds.

⑤ Certificate of Repelt :
→ To Deploy short term funds
↳ (Invested)
→ Eg. FD

⑥ Inter Bank Team money Market :
→ commerical & co-operative Banks both borrow from each Other
→ Period : 14 to 90 Days

① Collateral loan
→ loan given with security
→ Against security (govt security & Bonds)

* Credit creation by commerical banks



* Credit control IMP

① Bank Rate:
→ Rate at which central Bank lends money to commerical Bank.
→ Bank rate = Discount Rate
→ set by RBI
→ Bank Rate ↑ ↓ | loan rates - comm Bank ↑ ↓

② ~~open~~ Reserve Ratio (CRR)
→ comm bank needed to create Deposit in cash Reserve
→ Most liquid Asset

③ Moral suasion: (Priority Sector lending)
→ Central Bank request all bank to lend to specific sector
e.g:- Agriculture, Education, Home loan, etc

* Money Market-
→ It is a type of financial market

Financial Market
- Money market
- capital market

• Objective:-
→ Provide access to user of short term requirement.

→ Max. period in money Market ⇒ 1 yrs

→ It is controlled & managed by RBI.

→ Money Market
- Organised
  - RBI controlled
- unorganised
  - NON-RBI controlled

- Central Bank establish in 1935 and nationalized govt. in 1949

MONEY Banking

- Details of Insituted

Sr.No	Particular	established	Remarks
1)	Industrial finance Co-Operation of India (IFCI)	1 July 1948	Medium and long term credit to the industrial unit
2)	State financial corporation (SFC)	1953	Medium and Small Scale industries in various States (Total 18 SFC)
3)	Industrial Credit & Investment corporation of India (ICICI)	1955	Private sectors to develop industries
4)	State Industrial Development Cooperation (SIDC)	1960	To achieve the rapid industrialization. (28 SIDC)
5)	Unit Trust of India (UTI)	1st Feb. 1964	Encourage & Mobilize the Saving & convert into investment
6)	Industrial Devel. Bank (IDBI)	Public - 1964 Birth Private- 1976 (conversion)	Rebirth/ Conversion in private bank in 1976

7) Export & Import Bank (EXIM)	1-March-1982	① It is NBFI (non-bank financial intermediary ② confined its area of operations to foreign
⑧		
⑧ NABARD (National Bank for Agriculture & Rural Development	July, 1982	① It is apex body ② Promote the research in agriculture & rural development ③ Merged by ARDC
⑨ Life Insurance Corporation of India (LIC)	1956	① Major work - ① protect the interest of policy holder ② Avoid the misuse of funds
⑩ General Insurance Company (GIC)	1972	① National Insurance Company ② New India Assurance " ③ Oriental fire & General Insurance company ④ United India fire & General Insurance Company
⑪ Securities & Exchange Board of India (SEBI	1988 / birth, 1992	Regulate the stock market
⑬ SWIFT		① Society for Worldwide Interbank financial Telecommunication ② Use for foreign transaction

(12) BIS - Bank for International Settlement

(13) MUDRA ①Micro Units Development & Refinance Agency Bank
② Established on 8 April 2015
③ It is for MSME (medium small enterprise)
④ Provide unsecure loan

(16) AIF - ①Alternative Investment funds
② Example :- Venture capital, private equity (Shark tank)

(17) Bad Bank (NPAL) ①Non Proffermimg ~~Account~~ Asset (loan) are bad loans which are not doing the repayment
② Same as Bad debts

18) Hedge fund : ①~~If~~ It is for risk management
② In derivative, leverage, short sale

19) PE ratio :- ①Price earning ratio
② PE ratio = $\frac{\text{Price (MP)}}{\text{EPS}}$ EPS = Earning per share

Exampe =	(A)	(B)
MPS =	500	1000
EPS	20	50
P/E	25	20

② It used to find weather share is undervalue and overvalued

20) Venture capital :- ① Providing fund to start up, emarging company (newly started) and high potentional growth.
② Example : Shark tank.

21) ADB - ① Asian Development Bank (1966)
② To promote social economic progress of asian.
③ Head Quarters is in Manila, Philippiness
④ 37 countries and 16 countries from outside.

22) IMF - ① International Manetary Fund (1947)
② Give loans to economices which are facing deficits (~~Earning~~ running losses)
③ Admintar fair practice in foriegn exchang

23) World Bank :- 1944
① To Help reconstruction of the member countries due to second world Bank
② Orginial Name :- IBRD (International Bank for Recontruction & Develop.

24) IDA :- International Development Association (~~1975~~) 1960
① To provide assistance to LDC (low developed countries)

25) SDR - Special Drawing Rights - 1969
① Special currancy issued by IMF
② It is used in the place of gold.

Short form:

① 1944 - World Bank / IMF

~~④ 1947 - World Bank / IMF~~

② 1948 - ~~ICICI~~ IFCI

③ 1953 - SFC

④ 1955 - ICICI

⑤ 1956 - LIC

⑥ 1960 - SIDC / IDA

⑦ 1964 - UTI / IDBI (1976)

⑧ 1966 - AOB

⑨ 1969 - SDR - (IMF issued)

⑩ 1972 - GIC

⑪ 1982 - NABARD / EXIM

⑫ 1988 - SEBI (1992)

⑬ 2015 - Mudra Bank (MSME)

1949 - Central Bank (RBI)

① PTC
② PPF - Prod^n Possibility Frontier
③ PPB - Prod^n Possibility Boundary

MCQP - Set ①

- Adam Smith → father of Economic
- Production function → physical inputs & physical output
- Elasticity demand will be more elastic → b) has no of substitutes

⑤. PPF beyond → unattainable
[PPC, PPF, PPB, PTC
- PPF below → attainable.

⑥. MP below the AP → MP of labour is falling
- ① Stage I MP → Positive
② stage II MP → falling
③ stage III MP → falling / negative

⑦. Perfect competition → P = AR = MR
→ equal
- Imperfect competition → P = AR = MR → decrease
↓ = ↓ = ↓

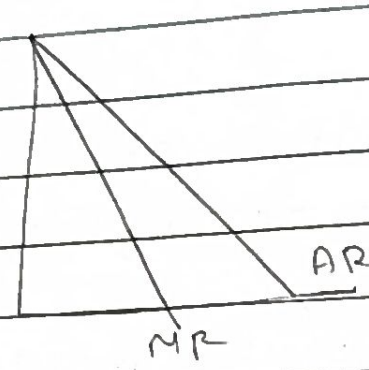
⑧. MP curve intersects the AP → Maximum
stage I
In stage I → MP is highest then AP
In stage II → MP goes decrese then AP
In stage III → MP goes then negative.

- Long running → Planning horyzon → cost of Production
- Short run → Monopolistic → Profit & new firm join
Monopoly ≠ free entry
Monopolistic = free entry

⑪. Monopoly curve = same as AR = same as Demand
- In perfect comp. → P = AR = MR = Demand curve
→

∞
Elasticity

- Monopoly



- Penetration pricing means → Price will be raised later after gaining market share...
  New market me jana tha isliye, price kaam kar diya....

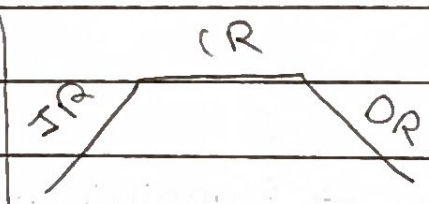
- In equilibrium, AR < AC — loss
  AR > AC — super profit
  AR = AC — Normal Profit

- Rate at commerical bank of RBI → ~~RERO~~ / Bank rate

(15) • Condition profit of maximum → ① MC = MR
② MC cut below from MR.

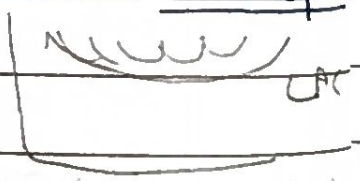
- Law of return to scale' LAC curve → Long run
- Law of variable proposition → short run
  stages

O > I	IR
I = O	CR
O < I	DR



(return to scale)

- Laws of return to scale LAC curve is U-shaped



- TP is maximum, when MP = 0

(18) • OPEC is example of cartel (Sab mil kar price. dete kar rahe h)

(19) • Optional money is ~~Put~~ Non - legal tender money

- RFERA has been replaced by FEMA
- CR.
- TP is maximum, then AP is zero
- Mode of production was propounded by Karl Marx
- Qty = 30, ATC = 30, AVC = 27

$TC = ATC \times Qty$
$= 900$

$TVC = AVC \times Q$
$= 27 \times 30 = 810$

$FC = TC - TVC$
$= 900 - 810$
$= 90$

$ATC = \frac{TC}{Q}$ | $AVC = \frac{TVC}{Q}$

- Socialistic nature → income & wealth are owned by the State & public
- Explicit & implicit → Economic cost
  Books of Account me record hota | implied / opportunity record nhi hota.
- Equilibrium of perfect Market → MC curve cuts the MR curve from below.
- When output increase, AFC of firm continuously decline
- When output increase, TFC is remain constant
- Long-run-equilibrium Normal Price
- AR curve = demand curve → monopoly
- AR curve (Industry) = demand curve → Perfect comp.
- Competivitive = Perfect comp.
- Supply & Demand determine price
- Deficit financing means → financing budgetary deficit by borrowing / printing money.
- Recession passing country → ~~By~~ Buy bonds, Reduce

- ARDC was merged in NABARD bank
- uncertainty means lack of charity
- when a situation cannot be clearly interpreted, ambiguity
- Introduced Indian 2024, PM Gati shakti
- Uncertainty - lack of clarity
- Ambiguity - Interpertation problem
- Complexity - decision making

NCQ - Question Bank

- Normative Economic — Suggestition → How? Should
- PPF curve → concave
- Luxury goods high degree
- Point elascity propounded by Marshall
- At point Inflexion, TP, show increase tread

24)

OP	NP	OD	ND
12	20	300	200

$\frac{\Delta D}{\Delta P} = \frac{-100}{3800} = 0.33$ | $\frac{\Delta P}{P} = \frac{8}{12} = 0.67$

$\therefore \frac{0.33}{0.67} = 0.5$

25)

~~NP~~ OP	NP	OD	MD
① 10	15	100	50
= 50%		= 50%	
TR 1000	750		

② OP 10, NP 15 = 50%; $\frac{25}{50} = 0.5$

OD 100, MD 75 = 25%

1000 1125

D < P

Op ①
②
③
④