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Economics
MICRO.

Q.1) What is Economics ?

Ans Economics is a subject that studies various economic activities i.e, production, consumption, saving etc.. In other words it is a social science that studies the way a society choses to use its limited resources to satisfy unlimited wants

DEMAND. → Ch - 2

Q.1) What is demand ?

Ans A demand is a desire or a need that is backed by following conditions:-

1) Availability of the product
2) Ability to pay for the product
3) Willingness to pay for the product
4) At a particular place & price.

Q.2) What are the factors that affect ~~an~~ individual demand ?

Ans Following are the factors

1. Price of Products
2. Price of related Goods
3. Income of consumer

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(4) Taste & Preference
(5) Expectation of change in future price

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(Q) What are the factors that affect market demand of a product?

Ans Following are the factors:

1) Size and composition of population - Demand of a community in market is affected by the size of population in that area. If size of the population increases demand also increase and if size decreases demand also decrease. Similarly, composition also affects the market demand i.e., the ratio of males, females, elders, children etc.. If the proportion of females is higher in the total population the demand for their goods will increase like cosmetics etc...

2) Season and weather conditions:- A change in season or weather conditions affect the demand of community in market. For ex:- during winters demand for winter clothes increase and during summer demand for cotton clothes increase.

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3) Distribution of income :- How National income is distributed among people affects the market demand, in case it is distributed equally the market demand is higher. On the other hand if it is distributed unequally the market demand would be comparitively lesser.

4) Change in Fashion :- With the change in fashion in market demand for goods change. For ex :- Demand for ripped jeans is more than normal jeans.

5) Change in taxation Policy :- Any change in ~~ta~~ taxation policy by govt. also affect demand of commodity. For ex :- Increase in tax rate ~~or gst~~. of GST. leads to increase in price of commodity leading to fall in its demand and vice versa.

Q What is law of demand ?

Ans Law of demand states that there is a negative relation between price of a product and its demand i.e., when price of a product increases its demand falls and ~~vice-versa~~ vice-a-versa, keeping other things as constant.

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~~Keeping other things as constant.~~

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Economics

Q What are the exceptions to law of demand?

Ans Generally there is a negative relationship between price of product and its demand but in following cases it does not hold true.

1) Necessities of life :- Some ~~communities~~ commodities which are necessary for survival of human like ~~white~~ wheat, water, sugar etc. May not have negative relation with price infact their demand does not get affected even if the price increase or decrease.

2) Status symbol or pertigious goods :- Some goods which hold a status symbol in society are exceptions to law of demand as possesing such goods gives a status to the person so their demand does not fall when price increases like gold, diamond, expensive cars etc.... Infact they become ~~may~~ more pertigious.

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3) Fear of shortage :- If a consumer is expecting shortage of any commodity in near future they start buying more and more of such commodity to avoid scaricity. For ex :- Certain medicines at the time of covid 19.

4) Ignorance :- Consumers may buy more & more of a given commodity even at higher prices when they are ignorant about prices privaling in market. For ex :- A consumer buying paint for his house after 5 year is ignorant about last change in price.

5) Imposibility to postpond :- At times it is not possible to postpond demand of certain commodity like medicines in such as case consumers purchases those commodities even at higher prices.

6) Fashion :- Goods related to fashion do not follow law of demand when a certain good is in fashion it is bought even if it is available at higher price.

7) Future Expectation of change in price :
At times demand of certain goods does not increase even on fall in its price as compare to past because the price is expected to fall even more in near future.
For ex :- The demand for gold has not fallen even if the price has increased so much from past because it is expected to increase more in near future.

8) Giffen Goods :- These are special kind of Goods on which consumer spend a large part of Income and demand for these goods increase with the increase in income and increase with the increase in price as well. For ex :- There is a small community having a total income of ₹10 out with they spend 6 on meat and 4 on bread. Suppose the price of bread increases to 6 now they are left with ₹4 for meat which is not ~~ff~~ enough, so they spend share of meat on bread this way demand for bread increases even on increase in its price.

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Q what is individual demand scheduled?

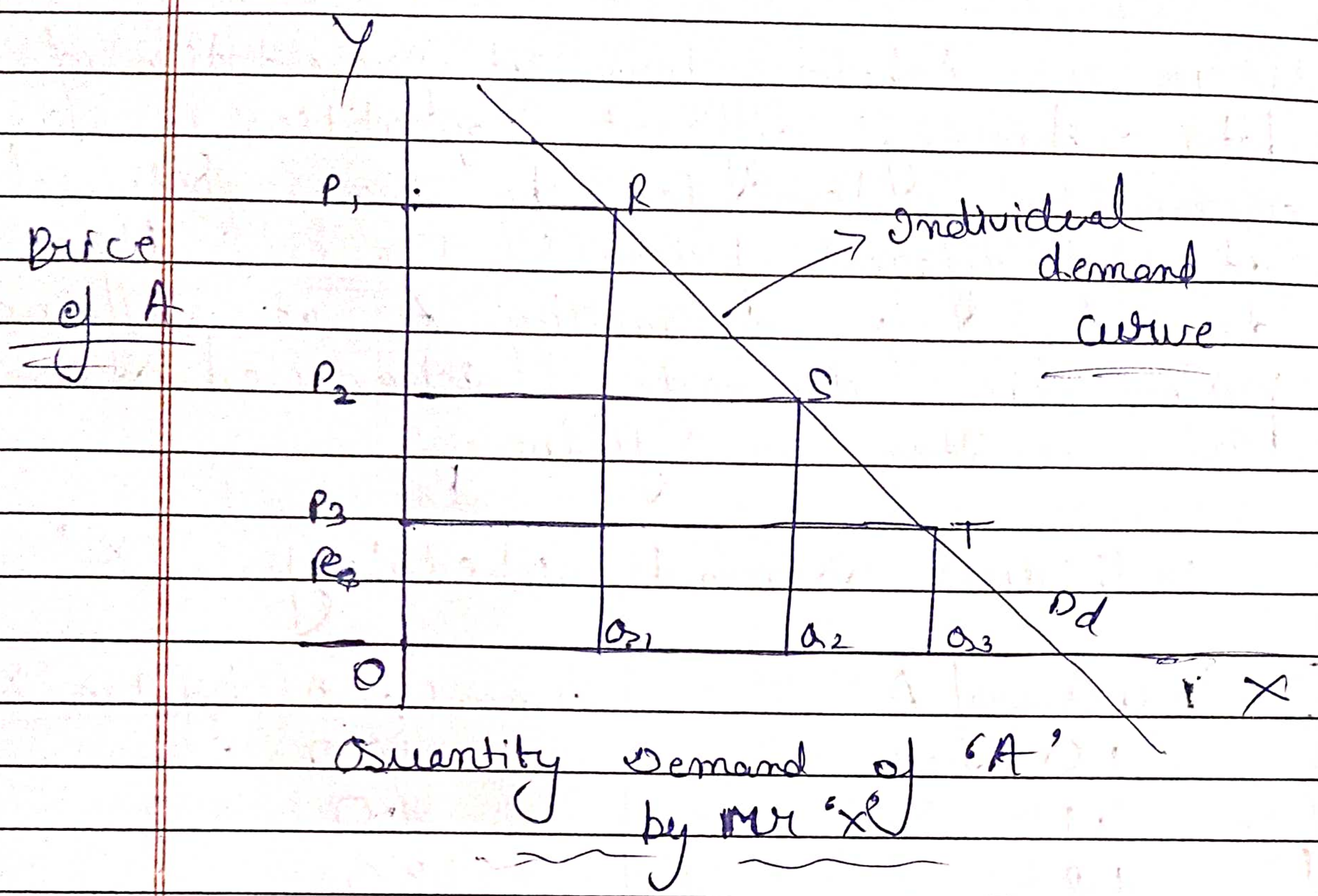
Ans It is a tabular form of presentation of data showing different quantities of a commodity demanded by an individual at different prices. For ex :- Mr. x demands a commodity A at different prices his demand scheduled can be written as follows

Individual demand schedule for 'X'

Price of A	Demand of A by Mr 'X'
10	100
11	90
12	80
13	70
14	60
15	50

Q what is individual demand curve?

Ans It is a graphical form of presentation of data showing different quantities of a commodity demanded by an individual at different prices. For ex :- Mr. x demands a commodity A at different prices ~~his demand schedule~~ his demand schedule can be written as as follow:



* In this diagram demand is shown on OX axis and price on OY axis. Dd represents a downward sloping demand curve that shows the negative relationship between price of a product and its demand.

Q What is market demand schedule?

Ans It is a tabular form of presentation that shows all quantities of a commodity consumed by all consumers in a market at different prices during a given period of time. Suppose there are 3 consumers in a market for commodity A demanding the commodity at different prices there demand schedule can be written as follows

Market Dd schedule.

Price of 'A'	Dd by X	Dd by Y	Dd by Z	Market Dd = (X+Y+Z)
10	100	80	50	230
11	90	75	45	210
12	80	70	40	190
13	70	65	35	170
14	60	60	30	150
15	50	55	25	130

Q what is market demand curve ?

Ans It is a graphical form of presentation of data that shows all quantities of a commodity consumed by all consumers in a market at different prices during a given period of time. Suppose there are 3 consumers in a market for commodity A demanding the commodity at different prices there demand schedule can be written as follow.

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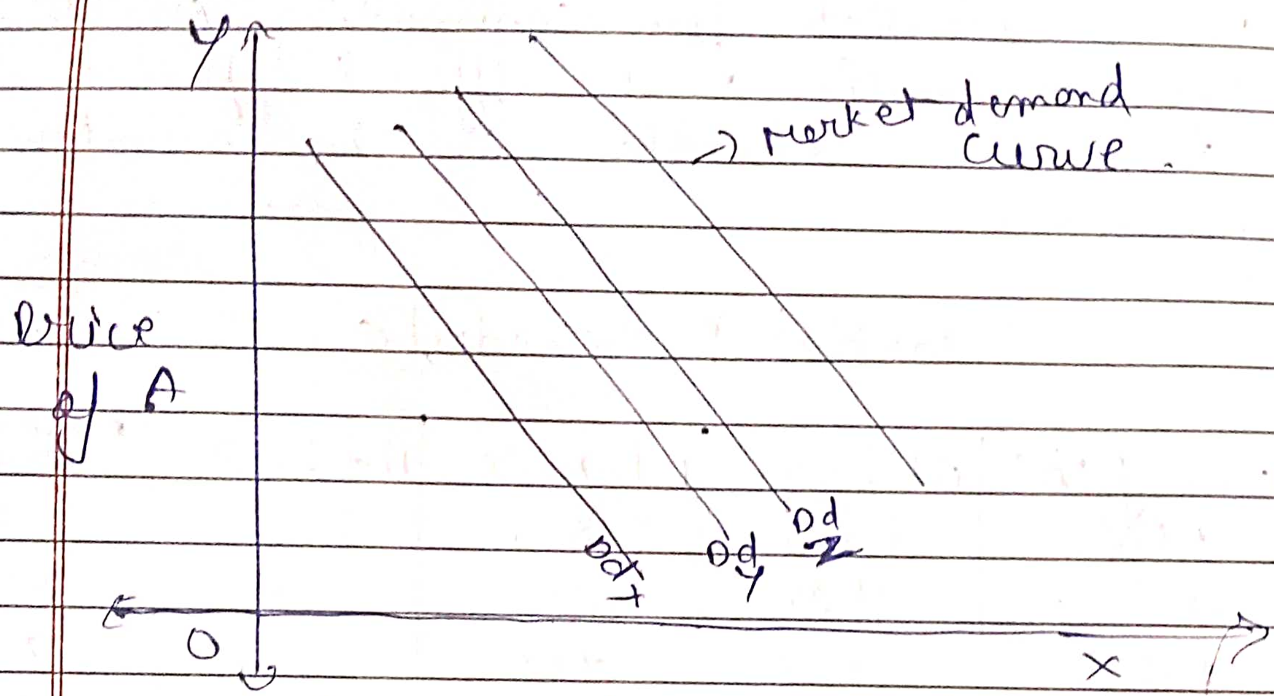

Quantity demanded for "A".
Quantity

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Q why does law of demand operate?

Or,

what are the reasons behind negative relation between price & demand of a commodity?

Or,

why does demand curve slope downward from left to right?

Ans The reasons behind operation of law of demand are as follows:-

1) Substitution effect :- It means substituting one commodity in place of other when it becomes relatively cheaper. For ex:- when price of pepsi falls and price of coke remains same. The demand for pepsi increase not only because its price has fallen but also because of a fact that pepsi had become relatively cheaper than coke.

2) Income effect :- Here income effect means effect on demand on change in real income of a consumer. Here, real income stands for purchasing power of a

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consumer. when price of a commodity falls the purchasing power or real income of consumer increases in respect of that commodity which is why consumer demands more of that commodity. For ex:- A consumer ~~had~~ has a budget of ₹100 to buy a commodity x price that ₹10 per minute so the consumer can buy 10 units. In case price falls to ₹5 per unit consumer can buy 20 units of the same within same money income as his real income has increase.

3) Number of consumers:- when price of a commodity falls number of consumers which were not able to buy it earlier now start buying i.e., the number of consumers increase also the old consumer start buying more. For ex:- when price of a car falls its demand increases as those who are using ~~two whel~~ two wheelers buy cars and existing consumers may also buy more.

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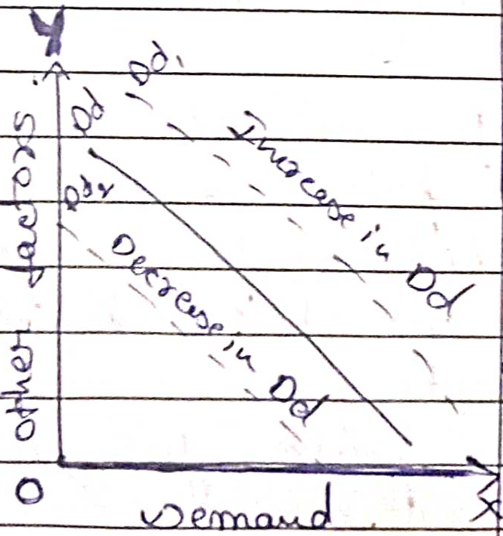
4) Number of uses :- Some commodities have different uses like milk, electricity etc. when price of them change the number of users changes that leads to change in demand. For ex :- when electricity becomes costlier people decrease the number of uses due to which demand for electricity falls.

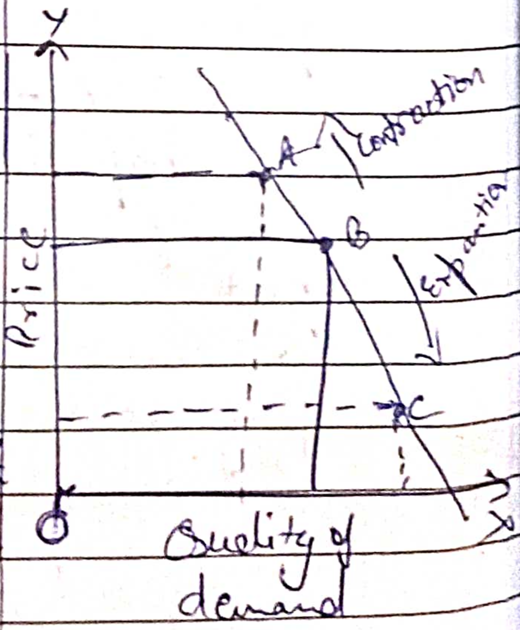
5) Law of diminishing marginal utility
This law states that as a consumer keeps on consuming more and more units of a commodity, the utility which he derives from next ~~one~~ consumption keeps on diminishing. Therefore, a consumer is willing to pay lesser amount for next consumption. In other words, we can say that consumer will consume more units of the commodity only when they are available at lesser price.
For ex :- A person who is hungry eats ~~only~~ one chapati ~~price~~ and he is willing to pay higher price for first chapati. But, once the hunger is satisfied to some extent, he will be willing to pay lesser price for next chapati.

Q Differentiate between change in demand and change in quality demand.

Ans

	Basis	Change in demand	change in quality demand
1)	Meaning	The change occurs due to change in factor other than price of commodity	The change occurs due to change in price of commodity keeping other factor as constant.
2)	Change denoted by	The change is denoted by increase and decrease.	The change is denoted by expansion and contraction.
3)	Effect on demand curve	there is a shift in the demand curve as shown in diagram below:-	There is a movement along the demand curve as shown in the diagram below:-





* Alternative questions

1) Diff b/w expansion & increase in demand
2) Diff b/w contraction & decrease in demand
3) Diff b/w shift in Dd & movement along the Dd curve

Q33) What are the possible reasons for shift in a demand curve?

Ans Following are the possible reasons for shift in demand curve :-

1) Change in price of related goods
2) Change in income of consumer
3) Change in taste and fashion
4) Change in taxation policy
5) Change in distribution of income

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Economics

Ch-2

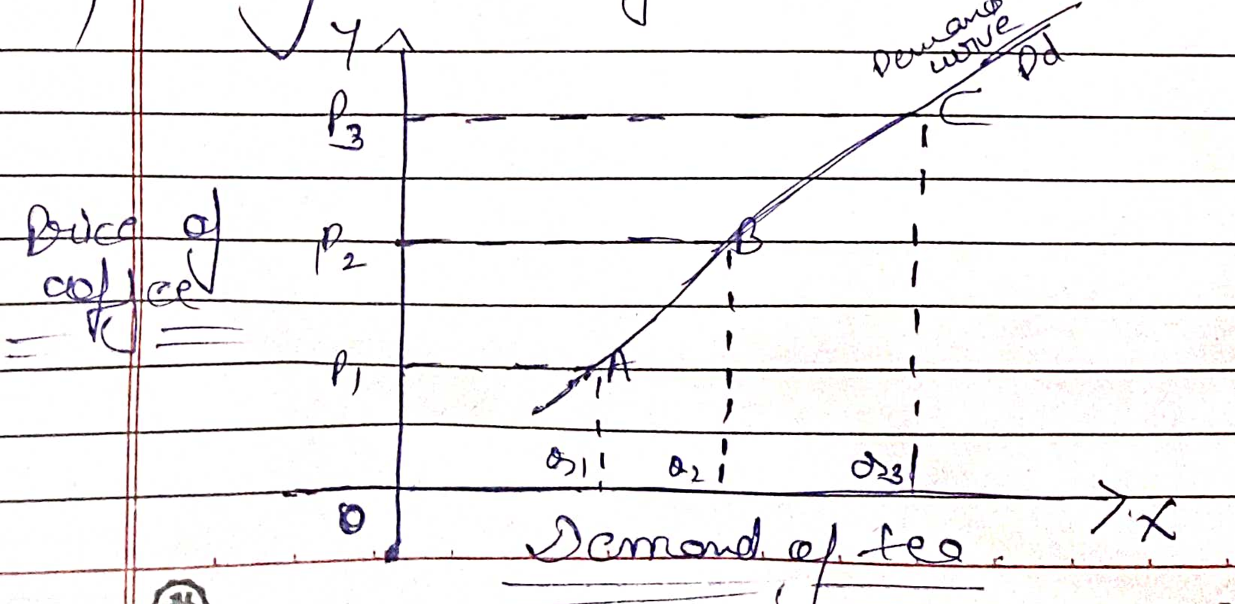
Q Explain the effect on demand curve in case of change in price of related goods

Ans This effect can be explain in context of two kinds of goods

1) Substitute goods
2) Complimentary goods

1) Substitute goods are those goods which can be used in place of other. For ex:- Tea and coffee they have a positive relationship i.e., when price of one increases demand for other increase. Their effect on demand curve can be explain in following two ways

i) Taking other factor on OY axis



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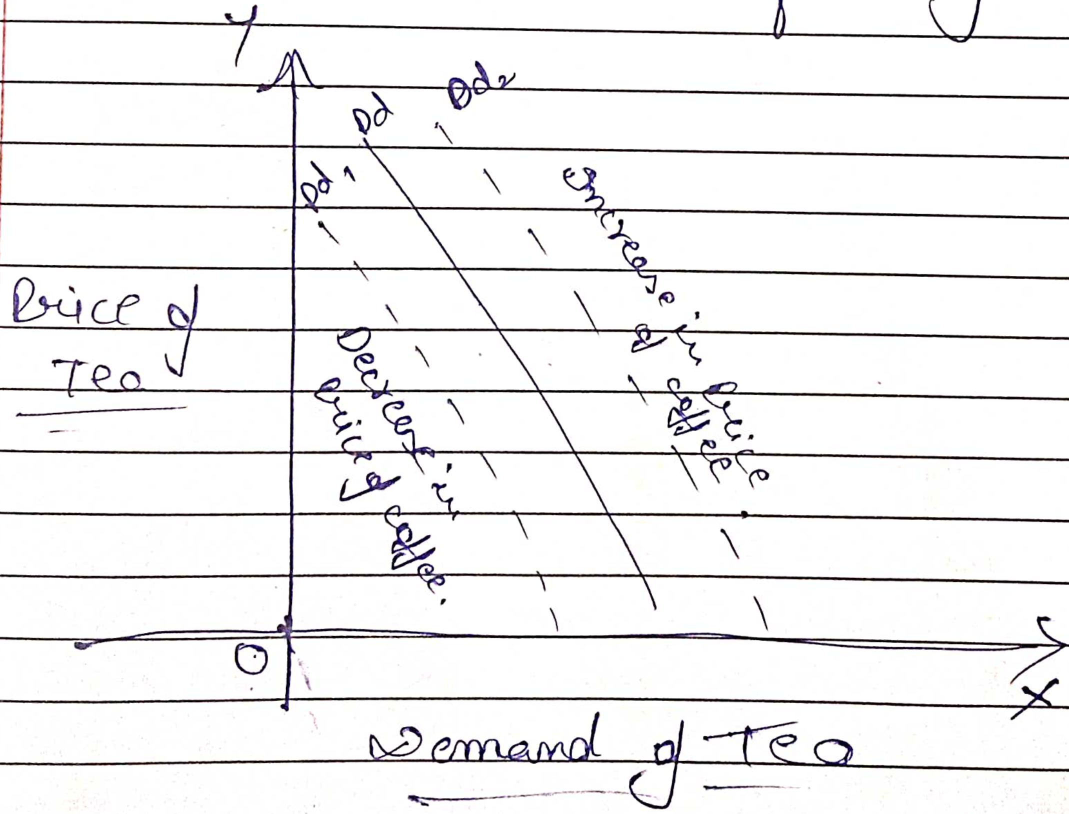
when Price of coffee was P_1 the quantity demanded of tea was Q_1 with the increase in price to P_2 quantity increase to Q_2 similarly Q_3 and we got points A, B, C. joining these points we get a positively sloping upward demand curve showing positive relation between substitute goods.

ii) ~~Cross~~ Cross price effect on demand curve (when price of some commodity is taken on OY axis) in this case there will be shift in the demand curve as shown in the following diagram.



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In this diagram the demand of tea is shown on OX axis and price of tea on OY axis Initial demand was Dd with the increase in price of ~~te~~ coffee demand of tea increase and demand shifted to Dd_2 and with the decrease in price of coffee demand of tea decrease and demand curve shifted to Dd_1.

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Economics
Ch-2
Demand.

Q What are the factors that affect individual demand?

Ans Following are the factors :-

1) Price of product :- It is the most imp factor that affect demand as price is negatively related with the demand i.e., Keeping other things as constant. When price of a product increases it's demand falls and vice-a-versa.

2) Price of related goods :- There are related goods whose price change can affect demand of a given commodity. This can be explained in ~~the~~ content of two kinds of goods :-

i) Substitute goods :- Those goods which can be used in place of each other for satisfaction of demand. For ex:- Tea and coffee. And increase in price of one good leads to increase in demand of another good.

ii) Complementary goods :- Those goods which cannot be used without each

other are complementary goods.
For ex:- Pen and ink, Car and Petrol etc.... An increase in price of one good leads to decrease in demand of another good.

3) Income of consumer :- change in income of a consumer also affect demand of a commodity it can be explained in content of following two kinds of goods :-

i) Inferior goods :- ~~this~~ These are low quality low price goods which have negative relation with income i.e, when income increases demand for these goods fall and vice-a-versa.

Income ↑ Dd ↓

ii) ~~Normal~~ Normal/ Superior goods :- these are high quality high price goods. Having positive relation with the income i.e., when income increases demand for these goods also increase and vice-a-versa.

Income ↑ Dd ↑

4) Taste & Preferences :- Taste & Preference of consumers directly affect the demand of a commodity. They include change in fashion, customs, habit, etc.. when a product is in fashion it's demand increases.

and the product which is out of fashion it's demand fall.

5) ~~Experation~~ Expectation of change in price in future :- Any expected change in price also affect the present demand. Exam:- If price is expected to increase in future demand at present will increase.