ABC

ch1 → Basic
→ Micro / Macro
→ features
→ Capitalism / socialism

* ch2 → ~~Utility~~ Utility
→ TU / MU → D.M.U
→ Indiff curve
→ Determinant of Demand
→ Laws of "D"
→ Elasticity
→ Laws of "S"
→ arc

ch3 → Prod^{n} / Utilities
→ factors of prod^{n}
→ SR / LR
→ Laws of var. prop.
→ Laws of Ret. Scale.
→ Cobb Doug. prod^{n} ⓐ
→ Type of cost
→ FC / VC / TC
→ AFC / AVC / ATC (curves)

* ch4 → mkt
→ price
→ Type

ch5 BC → Indicator
→ Internal / external causes

Page No. :
Date : / /

ch. 4 Mkt & Price

Units ⇒ (1) mkt (2) price (3) Diff types of mkt & price

[Unit 1 : Mkt]

a place where Buyer & Seller Bargain for price

Mkt does not refer to fix Place. Mkt for a commodity

⇒ Type of Mkt

Geo Location	Time Based (with ↑)	Nature of Txn
Local mkt	very short period mkt	* spot mkt (cash).
Regional	Short " (mobile)	* forward (DR)
National	Long " (AC.)	future (credit).
International	Very Long " (Railway)	

Regulation
① Regulated (SEBI → Sh. Mkt stock)
② Unregulated (Transport)

Volume
① Wholesale (Prestige)
② Retail (Laxmi Road)

Competition
Perfectly competitive mkt [Selling Identical product] (AC Road)
Imperfectly competative mkt [few Seller - many buyer]
↳ Oligopoly

⇒ Type of mkt structure

① Perfect competition :- Many Buyer
Many Seller
Similar g.s
Price Taker.

② Monopoly :- One Seller
Many Buyer
price maker

One Seller

③ Monopolistic :- Many Buyer
Many Seller
diff g.s.

④ Oligopoly :- few Seller
Many buyer
price Taker

⇒ Concept of MR / TR / AR

- Marginal
- Total
- Average

} Revenue

It is addition to total Revenue by selling one additional unit.	$TR = P \times Q$ (Price × Qty)	$AR = \frac{TR}{\text{no. of units}}$
$MR = TR_n - TR_{n-1}$	$TR = MR_1 + MR_2 \dots MR_n$	$AR = \frac{P \times Q}{Q}$
$MR = \Delta TR$	TR increases at diminishing rate.	$AR = P$. (AR = Price)
MR be +ve, 0, -ve	Where MR = 0, TR = Max.	
MR goes down, MR curve is -ve sloping	$TR = \Sigma MR$	

[Unit 2 : price]

⇒ price is determined by interaction of D&S.

L.O.D (Law of Demand)
price ↑ demand ↓

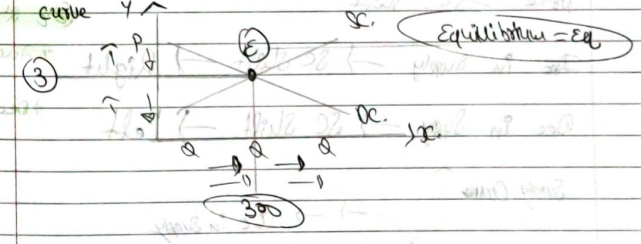
L.O.S (Law of Supply)
price ↑ supply ↑

Determination of price

	DD	SS	
5	100	500	
↓			
4	200	400	
[3	300	300]	← Eq. quantity

Eq price

curve



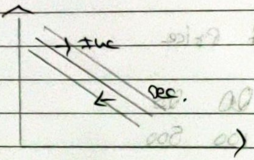
Effect of shift in Demand/~~&~~ Supply curve

* If DC shift

if any factor change other than price DC shift

	(DC shift to)		(New Eq)
"D" ↑ Inc	Right ↗	→	→ Higher
"D" Dec ↓	Left	→	→ Lower

eg: (Curve)



* If Supply curve shift

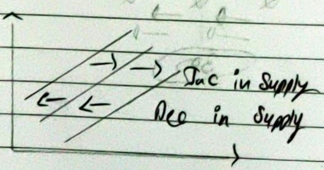
if any factor change other than price SC shift

(Eq Qty)

Inc in Supply → SC shift → Right → Inc

Dec in Supply → SC shift → Left → Dec

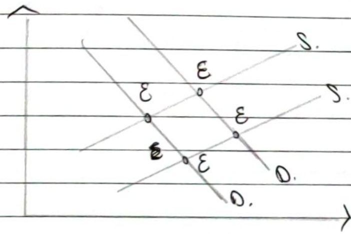
Supply Curve



* Simultainious Shift in ~~"D&S curve"~~ in DC/SC

✓ Eq price & Eq Qty will also shift Simultaniously.

✓



✓ Eq will move simul"

✓ Stock

[Unit 3 : Diff Price in diff Mkt]

Mkt ⇒ { PC in mono oligo.

⇒ (1) Perfect Comp^{n}

* Large no of Buyer & Seller selling similar g.s & Services.
* Product → Homo (Ek jaisa)
* Price Taker → Huge competition.
* free Entry & Exit from mkt.
* no selling cost.
* Price ⇒ Eq. Price ie. Price is Determined by Interaction of D&S.

ie firm AR = MR = Price

* if price is Eq. Price

you are ready to supply any no. of qty at given price.

AR = MR = Price = "D"

Show Perfectly elastic DC

[Demand Curve is (+1) Straight line to x-axis]

[AR = MR = Price = Demand]

Fn

Short run | Long run

✓ 3 output ✓ normal profit

① Super normal profit
[AR > AC]

② Normal profit [AR = AC]

③ Losses. [AR < AC]

⇒ (b) monopoly :-

✓ One seller many Buyer → Indian Railway.

✓ Unique Product / Services

✓ Full control over Supply

✓ No close substitute.

✓ DC downward sloping
* -ve sloping
* Convex ~~to origin~~

✓ Many Barriers to new Entry

✓ Price maker.

✓ Source of monopoly
→ Patent registered
→ Control over mkt
→ Economics of scale.
→ Business Combination

[DC of Monopoly = Mkt Demand Curve]

AR downward sloping Because MR is also downward sloping.

[But MR is ~~also~~ Below AR]

Fn

Short run
① Super Profit [AR > AC]
② Normal Profit [AR = AC]
③ Losses [AR < AC]

Long run
① Super profit ✓ **
② Normal profit ✓

✓ Price Discrimination is possible in monopoly.

(c) Monopolistic Competition :-

* Many Buyer many Seller → Diff g.s
* mix of PC & monopoly.
* Price Taker.
* freedom to Entry / Exit.

In

Short run

1. Super profit
   AR > AC
2. normal profit
   AR = AC
3. Losses
   AR < AC

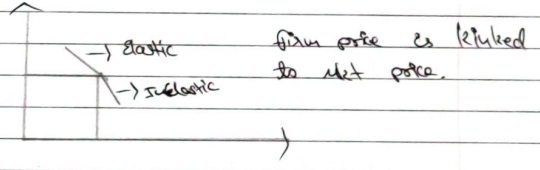
Long run.

normal profit

AR = AC

(d) Oligopoly :-

* few seller many buyer
* Product = diff / Homo
* form of imperfect competition.
* It is Interdependent among firms.
* Huge Advt cost.
* Demand curve → [Kinked Demand curve]



In → Short run

- ✓ Super normal (AR > AC)
- ✓ normal (AR = AC)
- ✓ Losses (AR < AC)

Long run

normal profit (AR = AC)

Page No. :
Date :

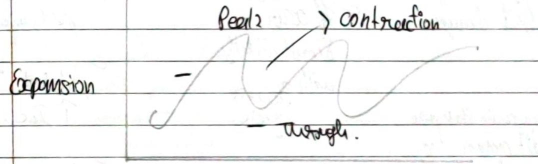
ch 5 BC Business cycle

These are rythmic fluctuation in aggregate - Economic activity that an Economy Expirence.

Also called as Trade cycle / Business cycle

Also called as Periodic Booms / Slums.

It is natural rise/fall in Economic growth.



4 Phases ⇒ (E , P , C , T)

India (E)	USA (P)	Iraq (C)	Srilanka (T)
Inc in National output, Employment, Demand, Consumer Exp., Investment↑, People enjoy High std of living	Highest point of BC; Input are difficult to find.; consumer start reviewing their Expn.	Dec in D/Invest; Producer produce less.; P↓ Dec.; consu expect future to Dec in price	Producer anticipate lower cost; Employment Inc slightly; demand raise slightly

Indicators

Leading	Coincident	Lagging
Which change before economy change ie. Before real output change	Which is also called as Concurrent Indicators. It occur Simultaniously with Business cycle.	Which happen after the event. It shows historical performance.
* Eg Change in Stock price Profit margin Inc. Index of consu T Inc.	GDP personal Income etc.	Interest % Rate ↑ Inc. Consumer Indebtedness affected etc.

Causes of BC

Internal

* Change in Demand.
* ↑↓ Income.
  - Income ↑ Expansion/Peak
  - ↓ Contraction/Recession
* Macro Economic policy.
  - favourable → E/P
  - Unfavourable → C/R
* Money Supply
  - Inc → E/P
  - Dec → C/R
* Physiological factor.
  1. Psychology
     - Pessism → C/R
     - Optimism → E/P
  2. Schumpeter
     - New Innovation → E/P
     - No Innovation → C/R
  3. Nicholas Kaldor
     - Price Inc → E/P
     - Dec → C/R

External

* WAR
* post war reconstruction.
* Technological shocks
* Natural factor.
* Population growth.

Chapter No: 3 Production Cost

Production

- Relationship of Input & Output.
- Transformation of resources into finish product.
- Production Creates Utility.

: Type of utility

Form Utility	Place Utility	Time Utility	Personal Utility
↓	↓	↓	↓
Converting natural Resource into finish goods Eg. wood → furniture	changing the place of resource where it is of no use to a place of use Eg. coal → factory.	Making available material at time when not Normally Available Eg. Blinkit	Using personal skill Eg. Spa

- Prod^{n} Should not means a creation of a matter, men cannot create A matter. men can only add / create Utility

[4 factor of production]

Land	Labour	Capital	Entrepreneure
- all free gift of nature.	- means mental & physical Extention.	- Is a part of wealth of Indi".	- One who Brings All factors of prod".
- No human Effort to produce Land.	- It is Hetro geneous.	Wealth → No Inco Generation (CAR)	2 type Risk: Financial, Technology
- It is passive factor of prod".	- They have Poor Bargaining pow*.	Capital → Income Generation (Investment)	Objective: ① Generate profit ② Survive
	- They are mobile factor.	Cap" is produced means of prod"	
	- All labour Can't be productive.	OR	
	- Labour is Highly Perishable.	man made means of prod".	
	- Supply of Labour Cannot be adjusted.		
	- Labour has choice of hours of work.		

How capital is formed

Saving → mobilise → Investment

Types of Capital

1. Real Capital → phy g.s → Building
2. Human Capital → Employee.
3. Tangible Capital → perceived by Sense.
4. Intangible Capital → Good will

why capital is required:

1. Repairs & Renovation.
2. Creation of a additional facility

As per schumpeter

" Innovation is true function of Entrepreneurs. "

" Profit is the reward for Entrepreneure "

Frank Knight

Page No.:
Date:

Objective of Business & Problems in achieving Objective.

Objective of Business	Problem in achiving Objective
1) Organic objective → Survive in Business.	① Problem in setting the objective
2) Economic Objective: to Generate profit	② " — " — " Location/size
	" — " — " physical facility
	③ finance
	④ " — " — " organization structure
	⑤ " — " marketing

Accounting Profit & Economic profit

Accounting Profit	Economic profit
we consider Explicit cost (out of pocket cost) wages.	we consider Implicit & Explicit cost (opportunity cost)

Hence A/cing profit will be more from Economic profit.

Page No.:
Date:

3) Social Objective: We cannot grow unless we meet the needs of society.

4) Human Objective
fair ~~deals~~ Deals ~~deals~~ with employee.

5) National Objective

- ~~remove~~ inequality
- help the ~~country~~ country to become self reliant.

× ——— ×

Production function

* Production is a function of Input into physical output.
* $Q = f(a, b, c, \ldots n.)$
* Assumption
  - Technology remains same
  - In given Input = Output is max.

Production function

Short run

at least 1 Input fixed
Other Input vary.

fixed → Capital
variable → other factors.

It does not depend upon time, it is dependent upon output.

Study using Law of variable proportion

Long run

all factors variable

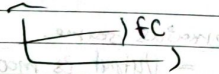
It provides max output that can be achieved

Study using laws of returns to scale

TC = fixed cost + VC

Fixed cost

* cost of fixed Input.
* FC do not change



* Parallel to x-axis
* at 0 output FC=TC

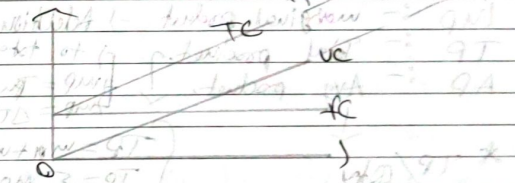
Variable cost

* Cost of vary. Input.
* VC change with output.

* Upwards towards Right -ve curve
* Start from "0"

at 0 output VC=0

Total cost curve = FC + VC
(or)
TFC + TVC



* Start at point f
* TC shows VC curve
* ΔTC = ΔVC
* TCC ● denotes VCC

Relationship of TC/FC/VC

① TC = TFC + TVC

② TFC = TC - TVC

③ TVC = TC - TFC

Law of variable proportion → short run study → output

MP :- marginal product → Addition made to total product
TP :- Total product.
AP :- Avg product.

$MP = TP_n - TP_{n-1}$
$MP = \Delta TP$

* TP/Qty.

TP = MP1 + MP2 ... MPn
TP = Σ MP
means output per unit of time.

TP inc when VP inc.

✓ Law of variable proportion Examine Input & output relation In short run.

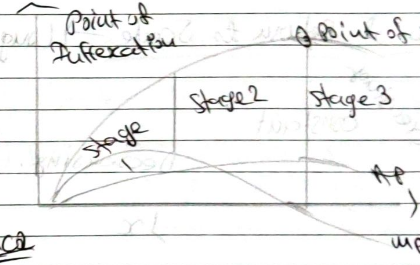
✓ It Examine the change in Total output by change in one unit of Input.

✓ It has 3 stages

Increasing
Diminishing } Return to factor
Negative

① Excess of var factor.
② MP becomes negative
③ TP start declining

① MP reach max.
② when MP reach max at that point TP is called as point of Inflexation
③ MP start Declining
MP reaches to 0 when MP 0 = TP max
Point of Saturation



MCQ

* Stage 2 is the best stage of prodⁿ.

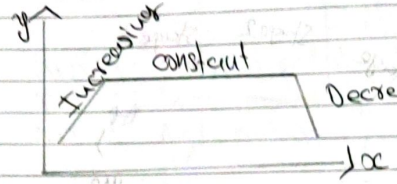
* AP rises MP also rises, but MP > AP.

* AP is max ⇒ MP = AP (or) MP cuts AP at max point.

* AP fall MP fall but AP > MP.

~~# Law~~

Laws of Return to Scale → Long term



- All cost → variable cost.
- factor becomes → variable factor.

Increasing return to scale :-

- If Input Inc by 10% output Inc by 20%
- This happens because Internal & External Economies.
- Here output increased in Greater proportion than Input.

Constant return to scale :-

1. Output Inc 10% → Output 10% Inc.
2. Output raise in same proportion.
3. Neutralised effects.

3. Decreasing return to Scale :-

1. Input Inc by 20% but output Inc by 5%
2. Because of Internal & External Dis Economies.

Unit. 2 Cost

* financial side of production.
* Type of cost
  - ✓ Accounting cost → Only Explicit cost
  - ✓ Economic cost → Explicit cost + Implicit cost
    - Explicit cost → out of pocket cost
    - Implicit cost → opportunity cost
  - ✓ Direct cost → which can be Traced.
  - ✓ Indirect cost → cannot be Traced.
  - ✓ Incremental cost → Cost of an additional Unit
  - ✓ Sunk cost → cost already incurred & cannot be recovered.
  - ✓ Historical cost → cost incurred in past.
  - ✓ replacement cost → cost of replacing an asset.

Cost function

C = f (OST, OP)

O = Lvl of output

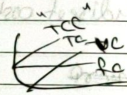
S = Size of plant

TU = ~~Total~~ Time under consideration.

P = price of factors of Prod^n.

# TC = FC + VC
FC = TC − VC
VC = TC − FC

"FCC" "VCC"

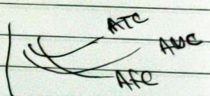


Average costs

ATC = → AFC + AVC

Average Total Cost → ATC = TC / no of units

→



ATC is also U shaped Depending VC.

AFC = → ATC − AVC
OR
→ AFC = TFC / no of units

→ AFC =

Downward Sloping
Negative — 1st convex.
Rectangular hyperbola curve

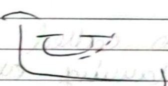
	FC	AVC
→ 1 unit	10	10
2 unit	10	5

∴ (FC / no of unit)

→ will not Touch x-axis, FC can't be zero.

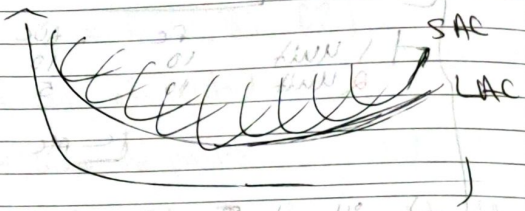
AVC = → ATC − AFC
OR
→ AVC = TVC / No. of units

→ AVC → Curve



* U shaped
* Beyond optimum capacity cost cannot go down, and will increase sharply.

Long run Avg. cost curve



LRACC → all cost is VC

→ Since all cost is VC

U shaped

→ It contains many SAC

→ LACC is tangent to SAC

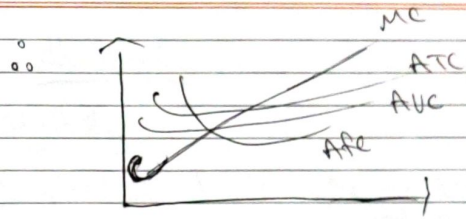
→ Also called as Planning curve / Envelope curve.

MC = marginal cost

✓ Cost of one Additional Input.

✓ MC = $TC_n - TC_{n-1}$

✓ MC = ΔTC ✓ MC = ΔVC



Isoquant:

✓ Where even if input change output will remain same all such combination are called as Isoquant.

✓ ~~AFC~~ Isoquant Expressed in Numbers = MRS.

Page No. :
Date : / /

Page No.
Date : / /

Chapter 1

Unit 1

(1) father of Economics → ADAM SMITH
→ Book of wealth of
→ 1776 Nation.
→ Economics was earlier known as political economy. (Till 19th Cent.)

(2) Fundamental Eco problem

Human wants are unlimited
Resources are scarced.

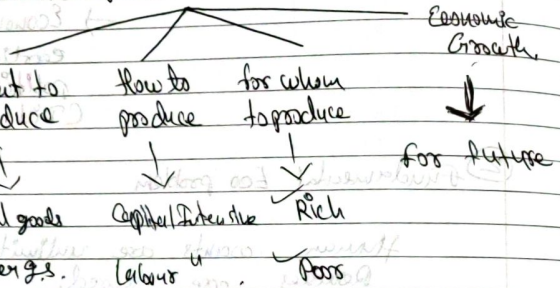
* ressources are relatively scarced as compare to wants.

(3) ★ Economics is
- ✓ science
- ✓ Art
- ✓ Complex in Nature
- ✓ Multidisciplne / Interdisciplinary.
- ✓ pragmatic in Approach.
- ✓ Also called as managerial Eco.
- ✓ " " applied ECO.

④ Type of Economics — micro → Individual
macro → Agg.

Eco is more of micro Less of macro.

⑤ Basic problem of Economy.



⑥ Unit:2 Type of Economy

Capital	Social	mixed.
→ motive profit	motive Social welfare.	Both.
→ private Economy Lesses fair Economy	Planned Economy Command Economy	—
→ free market Economy		
→ Govt. has Secondary role	has Primary role	Both
→ Right to Property — " — Busi"	✗	✓
→ Consu Sovereignty Exist	✗	✓
→ Labour are Exploited	✓	✓

Chapter 2 - [C, D, S]

★ Consumer means some wants.
★ All taste, desire, motive of human are wants.

★ Wants
- Unlimited
- alternative
- Complementary

★ Type
① Necessaries → Essential for life
→ Type
- necessary for life (food)
- necessary for Efficiency (Clean food)
- Conventional necessary + Habits.

② Comforts :- which make a life more comfortable.

③ Luxury :- Expensive.

★ With want satisfaction we get utility

★ Utility ≠ Usefulness, a person can get utility even if product is not useful.

★ Utility = anticipated satisfaction

★ Utility diff person to person
place to place

★ Utility is measured in utils.

★ Utility

- Can be measured → Cardinal → Alfred Marshall → L.D.D.M.U
- Can't be measured. → Ordinal approach → Hicks & allen → IC

Cardinal approach Marshall

~~MU~~ MU

1. MU = marginal utility
2. MU = TU_n − TU_{n-1}
3. MU goes down
4. MU is downward sloping / negative sloping
5. MU = 0, TU = max

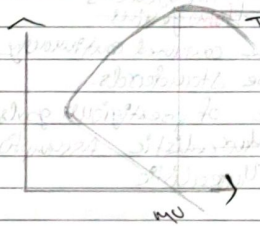
~~TU~~ TU

1. TU = Total Utility
2. TU = MU_1 + MU_2 ... MU_n
3. TU = ~~ΔMU~~ ΣMU.
4. ~~↓~~ TU goes up.
5. MU = 0, TU = max point of saturation

L.D.D.M.U (Law of DMU)

Orange	MU	TU
1.	10 ↓	10 ↑
2.	6 (16−10)	16 ↑ (Σ MU)
3.	2	18.
4.	0	18.
5.	−2	16.

- MU can be +ve, 0, ~~-ve~~ -ve.
- MU is ~~-ve~~ negative TU is diminishing.
- MU = 0, TU = max
- MU diminishes throughout.



- money is the measuring rod of Utility

Exception of L.D.M.U

1. Hobbies
2. Abnormal person
3. Indivisible (bulky) g.s.

Consumer Eq. (CE)	Consumer Satisfaction (Surp)	Consumer Dissatisfaction
Price = mu	mu > Price	mu < Price
↓ (CE)	OR TU - Amt Spent	
Price ↑ buy less	OR	
Price ↓ buy more	mu (P×Q)	

* Assumption of Law of DMU

1. Goods are Homogeneous
2. Goods must be consumed continuously
3. Units must be standards.
4. Fail in case of prestigious goods.
5. Based on Unrealistic Assumption.

Budget Line → (module)
IC

Indifference curve → Ordinal Concept → Hicks & Allen.

* Consumer pref concept
* Utility cannot be measured.
* All combination on IDC provide same wt. of satisfaction

Combo	Burger	Sandwich
1	1	10
2	2	6
3	3	3

*  → 1/2/3 utility is same.

MRS

When consumer is ready to forgo good x for y

eg x : 1

Sac to get 1 more Burger.

* IDC slopes downward
* IDC can never intersect Eachother
* Higher IDC shows higher lvl. of satisfaction
* IDC can never touch x (or) y axis

Demand

* Unless desire backed by purchasing power it cannot be called Demand.

* Determinant of Demand.

① Price of Goods.
② Income of consumer.
③ price of related Goods.
- Complementary g.s → That is consumed with other g.s (Car)
- Substitute g.s → Satisfy same level of want.

④ Taste & Preference

Demonstration Effect (OR) Bandwagon Effects.	Snob Effect	Veblen Effect
	When product becomes common people stop using it.	Used by rich people.

Demand arise by looking at a ~~thing~~ some price.

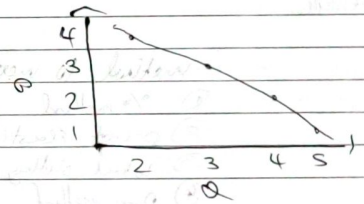
⑤ Other factor

Population
National Income
Credit facility

Demand schedule :- Table showing price & Qty Demanded.

Price	DD
1	5
2	4
3	3
4	2

Demand Curve :- Graphical representation of D.S



✓ Downward sloping to right
✓ Individual DC → steeper
✓ M/kt DC → ~~flatter~~ flatter

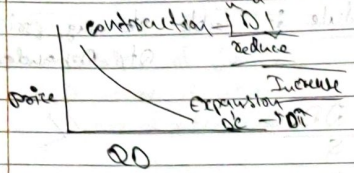
L.O.D

✓ P↑ D↓ & vise versa.
✓ Exception to L.O.D
- Giffen g.s
- Conspicuous g.s
- Demand for necessaries
- Speculative g.s
- Irrational Consumer.
- Future Expectation of price

Expansion & contraction of Demand

↓

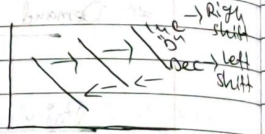
Because of Price Demand is affected.



Inc & Dec in Demand.

↓

Demand is affected by any other factor than price.



you stay on same DC
Either move
upward (or) downward

Elasticity of Demand

[Responsiveness of change)

① Price Elasticity
② Income "
③ Cross "
④ Adv "

method to measure
① % method
② point Elasticity
③ Total outlay
④ Arc method

forecasting (module)

Type of Elasticity

Perfectly Inelastic	Perfectly Elastic	Unitary Elastic	Relatively Elastic	Relatively Inelastic
$E = 0$	$E = \infty$	$E = 1$	$E > 1$	$E < 1$
				
Vertical straight line to y-axis	parallel to x axis.	Rect Hyperbola	DC flatter	DC is steeper

Methods

① % → $\frac{\% \Delta Q_D}{\% \Delta \text{Price}}$

② arc method → $\frac{q_1 - q_2}{q_1 + q_2} \times \frac{P_1 + P_2}{P_1 - P_2}$

③ Total outlay ⇒ Price × q.

Cross Elasticity

↳ when substitute is available.

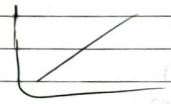
↳ $EC = \frac{\Delta q_x}{\Delta p_y} \times \frac{p_y}{q_x}$.

Supply

L.O.S Price ↑ Supply ↑

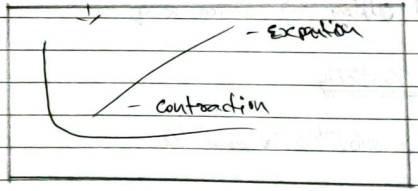
Determinant of Supply ⇒ ① Price
② price of related ~~goods~~ goods.
③ factor of prod^n
④ Technology
⑤ Govt. policy.

Supply Curve Positive
Upward towards Right
Direct Relationship with Price
Price ↑ Supply ↑.



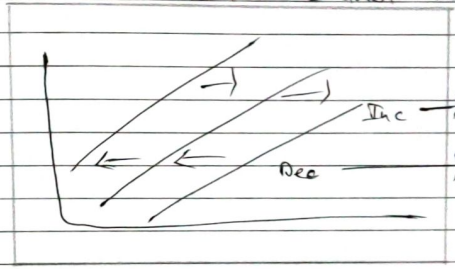
Expansion / Contraction of Supply

⇒ [Supply change Because of Price.]



⇒ Inc (or) Dec in Supply.

If Supply change Because of other factor (other than price)



E O.S

① Perfectly Inelastic → E = 0 ⇒ straight line parallel to y-axis

② Perfectly Elastic → E = ∞ ⇒ parallel to x-axis

③ Unitary Elastic → E = 1 ⇒ straight line curve

④ Relatively Elastic → E > 1 ⇒ Supply curve start. pass through y-axis.

⑤ Relatively Elastic → E < 1 ⇒ Steepy sloped pass through x-axis.