📚 BUSINESS 📚
📚ECONOMICS📚
📚NOTES 📚

~HETVI ❤️

Ch. 4. <u>Price determination in different</u>
<u>markets</u>

<u>unit : 1</u> Meaning and Types of market

market → chapman
↓
direct competition

Buyer
↓
Seller — of a Particular commodity
↓
Bargaining

→ elements of a market

(i) Buyers and sellers
(ii) product or services
(iii) Bargaining
(iv) knowledge about market
(v) one price for a product
at a given time — (Alfred Marshall)

→ Types of market

(1) Area / location / Geography

(1) local market

(2) Regional market

(3) National market

ex + Hindi books

(4) International market.

ex + English books.

(2) On the basis of Time

(1) Very short

ex + fish, Milk, vegetables , higly periciable goods

(2) short

ex + normally periciable, frozen fish.

(3) long Period

ex + onion, Potato

(4) Very long period

ex +

(3) On the basis of transactions

(1) spot transaction

(2) future transaction

Ex. Credit

(4) On the basis of Regulation

(1) Regulated market

ex: stock exchange

(2) R. Unregulated market

ex + Ravivari Bazar.

(5) On the basis of Volume

(1) Wholesale
ext B2B
(2) Retail
ex. B2C.
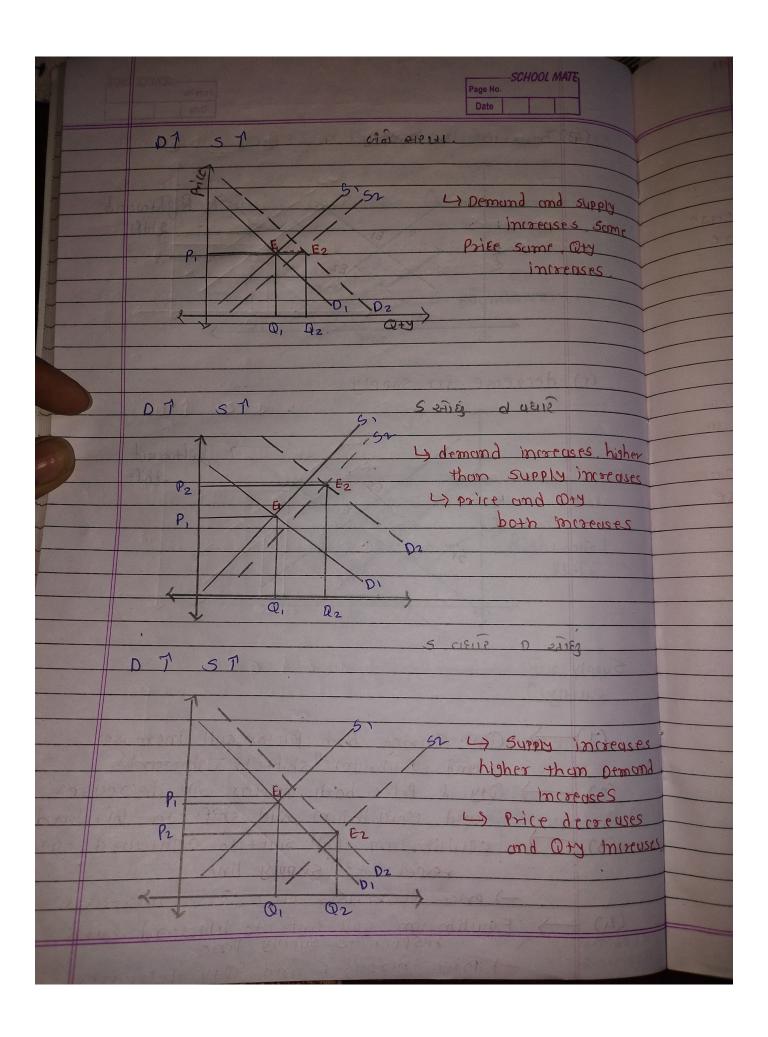
(6) On the basis of Competition

(1) Perfectly market

(2) imperfectly market.

→ monospoly market
    many sellers one buyer
→ bilateral monopoly.
    Single seller single buyer
→ Oligospoly
    Many sellers few buyer

Price	Qty	TR	MR	AR
1	10	1	10	—	10
2	10	2	20	10	10
3	10	3	30	10	10
4	10	4	40	10	10
5	10	5	50	10	10
6	10	6	60	10	10

$$\boxed{TR = P \times Q}$$

$$AR = \frac{TR}{Q} = \frac{P \times Q}{Q} \qquad \boxed{AR = Price}$$

$$MR = TR_n - TR_{(n-1)}$$

$$\boxed{MR = \frac{\Delta TR}{\Delta Q}}$$

→ Behavioural Principles

Principal 1

Statement :– A firm should only proceed
if TR ≥ TVC

Principal 2

Statement :– It is profitable for a firm to
increase output whenever
MR > MC but decrease the
output MR < MC till MR = MC

→ MC Curve should not cut MR from
  above

→ MC Curve should cut MR from below.

demand = supply
equilibrium

Unit : 2   Determination of Prices

Determination of Price - General view.

Equilibrium.

⇒ changes in demand and supply.

(1) Increase in demand

Rightward Shift.

(2) decrease in demand.

left
~~Rightward~~ Shift

demand માટે
– આપણાંગ થી

(43) Increase in supply

Rightward shift

(ઙ) decrease in supply

Leftward shift

Supply માં
સ્થળાંતરી

(1) ⟶ Qty & Price both factor will increases.
         and equilibrium will shift to rightward

(2) ⟶ Qty & Price both factor will decreases.
         and equilibrium will shift to leftward

(3) ⟶ Equilibrium will shift to rightward with
         respect to supply line.
         ⟶ Price decreases and Qty increases.

(4) ⟶ Equilibrium will shift to leftward with
         respect to supply line
         ⟶ Price increases and Qty decreases.

D↑ S↑   લાંબો સમયમાં.

→ Demand and supply increases, same Price same, Qty increases.

D↑ S↑   S થોડું d વધારે

→ demand increases, higher than supply increases
→ price and Qty both increases

S વધારે D થોડું

D↑ S↑

S2 → Supply increases higher than Demand increases
→ Price decreases and Qty increases.

D ↓   S ↓   D = S

P₁   E₂   E₁

S₂
S₁

Price same
Qty decrease

D₂ D₁

Q₂ Q₁

D ↓   S ↓   D > S

S₂
S₁

P₁   E₂   E₁

P₂

Price decrease
Qty decrease

D₂   D₁

Q₂   Q₁

D ↓   S ↓   D < S

S₂

S₁

P₂   E₂

P₁   E₁

Price increase
Qty decrease

D₁

D₂

Q₂   Q₁

$D \uparrow$ $S \downarrow$ $D = S$

Price increase
Qty same

$D \uparrow$ $S \downarrow$ $D > S$

Price increase
Qty increase

$D \uparrow$ $S \downarrow$ $D < S$

Price increase
Qty decrease

D↓ S↑

P_1
P_2
E_1
E_2
S_1
S_2
D_2 D_1
Q_1

Price decrease
Qty same

D↓ S↑

P_1
P_2
E_1
E_2
S_1
S_2
D_2
D_1
Q_2 Q_1

Price decrease
Qty decrease

D↓ S↑

P_1
P_2
E_1
E_2
S_1
S_2
D_2
D_1
Q_1 Q_2

Price decrease
Qty increase

Unit :3 Price - Output Determinution under different market forms

→ Perfect Competition.

1. Too many Sellers & too many buyers

2. Neglects → Each buyer / Each seller

3. Products are Identical (Homoginus)

4. Perfect Substitute.

5. Buyer has all the information of market.

6. Seller / firm → free to enter / free to go out

7. absence of monopoly

8. Low transaction cost.

9. Price is decided by the market only

10. Seller and buyer has all information

- Qty of Product
- nature of Product.
- transaction. Cost

⟶ Price determination under Perfect
Competition

(1) Equilibrium.

⟶ Price determination for a firm.

Price (units)	Qty demand (units)	Supply (units)
1	60	30
2	~~30~~ 35	35
3	20	45
4	10	55

Price	Qty	TR	MR	AR
2	1	2	2	2
2	2	4	2	2
2	3	6	2	2
2	4	8	2	2
2	5	10	2	2

demand line
Price | AR/MR
line

S

E

P

P

D

QTY

Q₁   Q₂

Note :- In perfect
Competition.

MC = Supply line

T

Q
R

MC curve.

MC

ATC

Price

E

MR=AR=P

Supernormal

Profit

normal Profit

losses

$P = AR = MP$

Price

$Q + y$

→ monopoly market

Qty	P	TR	AR	MR	
0	10	—	—	—	
1	9.5	9.5	9.5	8.5 9.5	
2	9.0	18	9.0	7.5 8.5	
3	8.5	25.5	8.5	6.5 7.5	
4	8.0	32	8.0	5.5 6.5	
5	7.5	37.5	7.5	4.5 5.5	

→ Price Discrimination

Degree I   Consumen surplus
Degree II   Quantity
Degree III   doccution