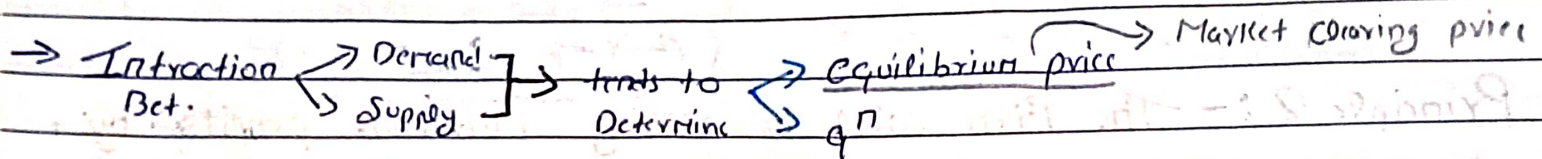


# Unit 02 :- Determination of Prices

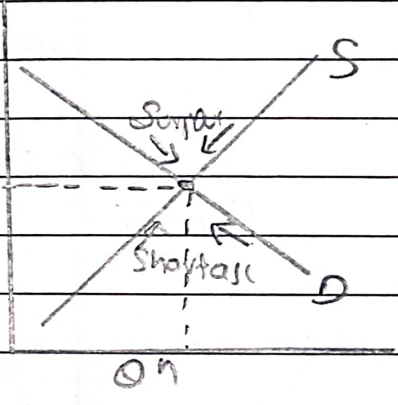
## (2.1) Determination of Prices - A General View



• Equilibrium is said to be stable if any disturbance to it is self-adjusting. Original equilibrium is restored.  
 ↳ Equilibrium को stable तब कहते हैं जब Market में कोई भी disturbance इस से आते तो Market cover कि वृत्त से self-adjusting होकर equilibrium पे आ जाते हैं।

\* Ceteris paribus → Other things constant except price.

MP > EP  
 • Surplus → Supply > Demand  
 ↳ Reason → Price ↑ ~ D ↓ & S ↑  
 ↳ Rectification → Price ↓ ~ D ↑ & S ↓  
 ↳ Some time after the market reaches equilibrium



MP < EP  
 • Shortage → Demand > Supply  
 ↳ Reason → Price ↓ ~ D ↑ & S ↓  
 ↳ Rectification → Price ↑ ~ D ↓ & S ↑  
 ↳ Some time after the market reaches equilibrium

## (2.2) Change in Demand & Supply → ceteris paribus

↳ If Demand ↑ & ↓ of EP & supply constant & V.V

1) Increase in Demand → Shortage  
 P ↑ Q ↑ ~ SA case में D ↑  
 ↳ still short for kare ke liye P ↑ SA -ase

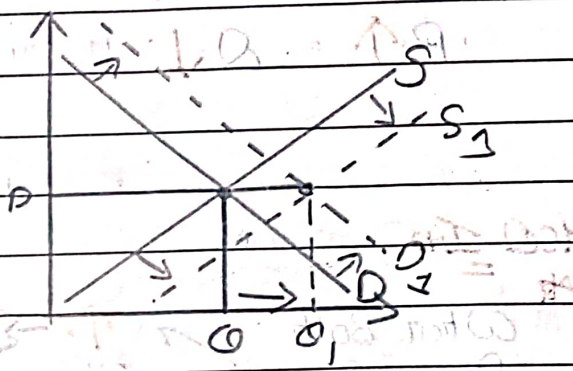
2) Decrease in Demand → Surplus  
 P ↓ Q ↓ ~ SA case में D ↓  
 P ↓ S ↓

3) Increase in Supply  $\rightarrow$  Surplus  
 $P \downarrow$   $Q \uparrow$   $\rightarrow$   $S \uparrow$   
 DATE: \_\_\_/\_\_\_/\_\_\_  
 PAGE: \_\_\_

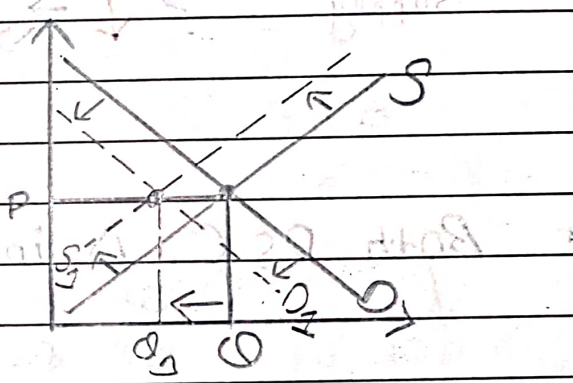
4) Decrease in Supply  $\rightarrow$  Shortage  
 $P \uparrow$   $Q \downarrow$   $\rightarrow$   $S \downarrow$   
 $P \uparrow$   $Q \downarrow$   
 $P = \text{Price}$   
 $Q = \text{equilibrium}$   
 $Q^n$

**2.3 Simultaneous Changes in Demand & Supply**

1)  $\uparrow$  in Demand =  $\uparrow$  in Supply  $\rightarrow$   
 Price Remains Constant  
 $Q \uparrow$   
 Means  
 New equilibrium Price = Old equilibrium Price

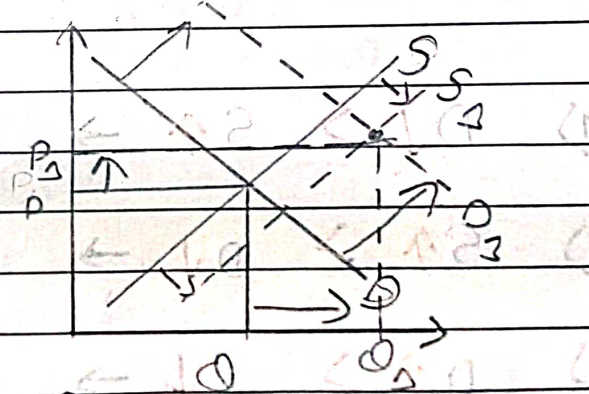


2)  $\downarrow$  in Demand =  $\downarrow$  in Supply  $\rightarrow$   
 Price Remains Constant  
 $Q \downarrow$   
 Same

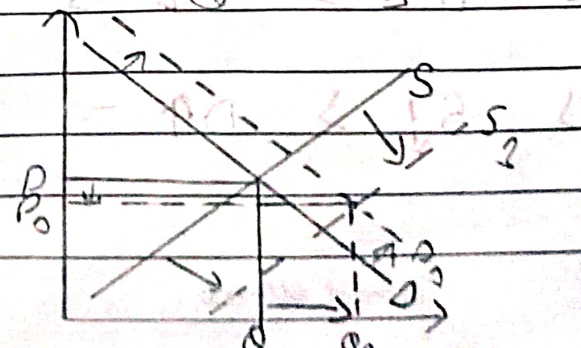


Case of 1) When Both Increase

•  $\uparrow$  in Demand  $>$   $\uparrow$  in supply  $\rightarrow$   
 Shortage  
 $P \uparrow$   $Q \uparrow$



•  $\uparrow$  in Supply  $>$   $\uparrow$  in Demand  
 Surplus

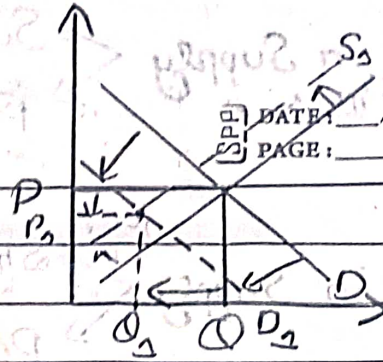


# Cases of 2) When Both Decreases

•  $\downarrow$  in Demand  $\rightarrow$   $\downarrow$  in supply  $\rightarrow$

Surplus

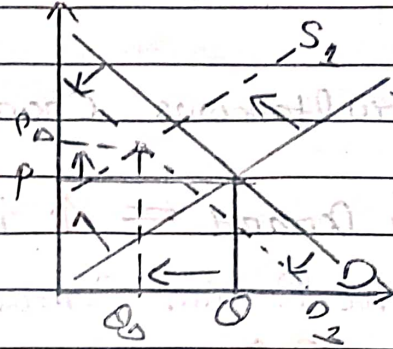
$P \downarrow$     $Q \downarrow$



•  $\downarrow$  in Supply  $\rightarrow$   $\downarrow$  in Demand  $\rightarrow$

Shortage

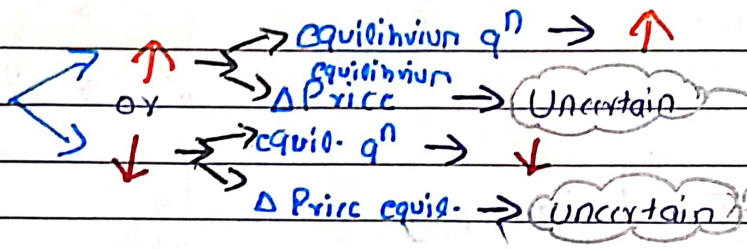
$P \uparrow$     $Q \downarrow$



$MCO = Imp$

\*

When Both Demand & Supply



Bo2 हमें पता होगा माह में DSS कि कितना  $\uparrow$  का  $\downarrow$  हो रहा है

## \* Both D & S $\Delta$ in Opposite Direction

$\rightarrow$  हमें इन Dominating Factor देखने हैं | means कौन का है।  
 हमें बोलना पड़े कि ये हमें Case of  $\Delta$  8 2 में ही 199 SKTC hai  
 एक बन सकते हैं BUT Dominating Factor: देखें कि easy है कि नहीं है  $\rightarrow$  Graph Bro  
 $\rightarrow$  Dominating Factor से कि case में कौन  $\Delta$  से ज्यादा है  $\rightarrow$   $<$   $>$   $<$   $>$   $<$   $>$

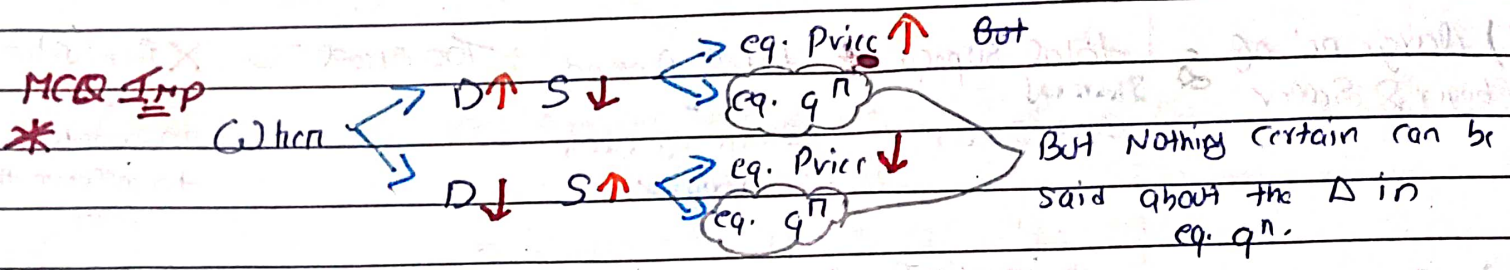
- 1)  $D \downarrow > S \uparrow \rightarrow P \downarrow \quad Q \downarrow$
- 2)  $S \uparrow > D \downarrow \rightarrow P \downarrow \quad Q \uparrow$
- 3)  $D \uparrow > S \downarrow \rightarrow P \uparrow \quad Q \uparrow$
- 4)  $S \downarrow > D \uparrow \rightarrow P \uparrow \quad Q \downarrow$

# \* Short cut

1) अगर Dominating Factor Demand है तो उसका Direct Relation है  
 Equil. P और Equil.  $q^n$  के साथ

DATE: \_\_\_/\_\_\_/\_\_\_  
 PAGE: \_\_\_

2) अगर Domination Factor Supply है तो उसका Inverse Relation है  
 Equil. P और Equil.  $q^n$  के साथ



Q<sup>MCQ</sup> Time element was conceived by → Marshall

Q<sup>MCQ</sup> The Regulatory mechanism of the Market system is Competition

Q Price ceiling → Maximum price that can be charged for a good.