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3. Markets: where seller & buyer meets at location to exchange the goods and services

location (or) place

* Basis of
I - Geographical area (3 type)
II - competition (7 types)

purchable - milk
Durable - motor

Basis of two areas:-

1. Geographical (3 types)
2. competition (7 types) Imprefect markets (7)

Geographical area:- classified into 3 types are (only purchable)

1. rural market / (villeage markets).
2. urban / town market.
3. National / world market (only durable goods) and purchable also)

2. competition area:- The competition can classified into two types.

1. prefect market
2. Imprefect market.

prefect market:- Features:-

1. where the large number of buyer & sellers meets at one place.
2. No transportation cost.
3. only homogenous products
4. price is sane in all markets.
5. Free exits & Free entry

6. Ready made info about the price.

7. price taken.

Market indicate the location (or) place. Market is defined as a place or point at which buyers and sells negoshiate there exchange of well defined products or services.

Traditinally market was refered to as a public place in a villeage (or) town where provisions and ather objects brought for sell. Based on the location market are clasifed as rural (or) village, urban (or) town, national (or) world markets. A market is said to exists wherever there is a potential for trade.

prefect competition & prefect market:-

A market structure in which all forms are price taker and in which their freedom of entrie into and exit from the industry condition is known is called prefect competition. as prefect market.

Features:- The following are feature of prefect competition. Inother words these are the assumptions underliting prefect markets

1. Large no. of buyer & sellers
2. Homogeous products. (or) services

3. Freedom to enter (or) Free exit the market.

4. prefect information (or) readymade info availble to the buyers and sellers

5. Each firm is a price taker.

6. prefect mobility of factors of product (NO transportation cost).

Imprefect competition:- Based on the no. of buyer and sellers, the structure of market vaires as outlined below.

1. 'poly' refers to sellers.
2. 'psony' refers to buyers

Types of Markets:-

1. Monopoly. [~~competition~~] → poly - seller. mono - single
2. Monopolistic competition. → large of sellers
3. duopoly - duo - two, poly - seller
4. oligopoly.
5. Monopsony
6. duopsony
7. Oligopsony

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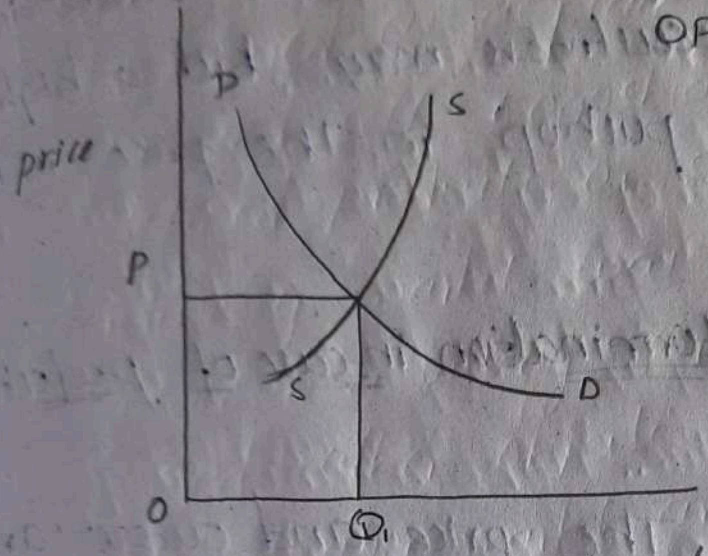
price determination in an Industry in prefect competition:-

D = demand.
S = supply
OP - price



Quantity demanded and supplied.

The above diagram show all the price is determined. "DD" is the demand curve and "SS" is the supply curve. op is the price at which DD and SS intersect each other. at op, OQ, units ar supplied and demanded.

* what happens if price is higher than op?

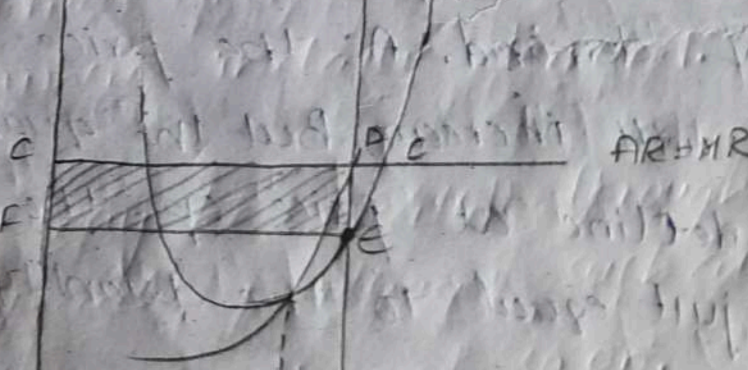
⇒ If the price is higher than op supply will be more and hence the price is likely to fall due to lack of demand. As the price falls, quantity demanded will increase, But the quantity supplied will also decline at price op, the quantity of demand is just equal to the quantity of supply.

* what happens if the price falls below op?

⇒ If the price falls below op for quantity demanded will exceed the supply and hence the price is likely to rise. Has the supply is not fourthcoming in accepted quantities Some of the custmers may bid a higher price. this will pushup in the price in market to op.

<u>price output determination in case of prefect competition</u>:- ✱

<u>In short-run</u>:- The price and output are the firm are determined under prefect competition, based on the Industry price and it's own costs. The Industry price has greater say in this process because the firm own sells on very small and insignificant. The process of price output determination in case of prefect competition is as follows.



equilibrium output determination of a firm under prefect competition in the short-run.

OC = QD which is the price

OF = QE which is the average price

OQ = FE which is the equilibrium output

CDEF = super profit / total profit.

The above diagram reveals that when the average revenu is constant it will consider with the marginal revenu curve thus ce is the demand curve representing the price, the average revenu curve and also the marginal revenu curve (price = AR = MR) Average cost (AC) and Marginal cost (MC) are the firms average and marginal cost curves.

The firm satisfy the both conditions

a) MR = MC and

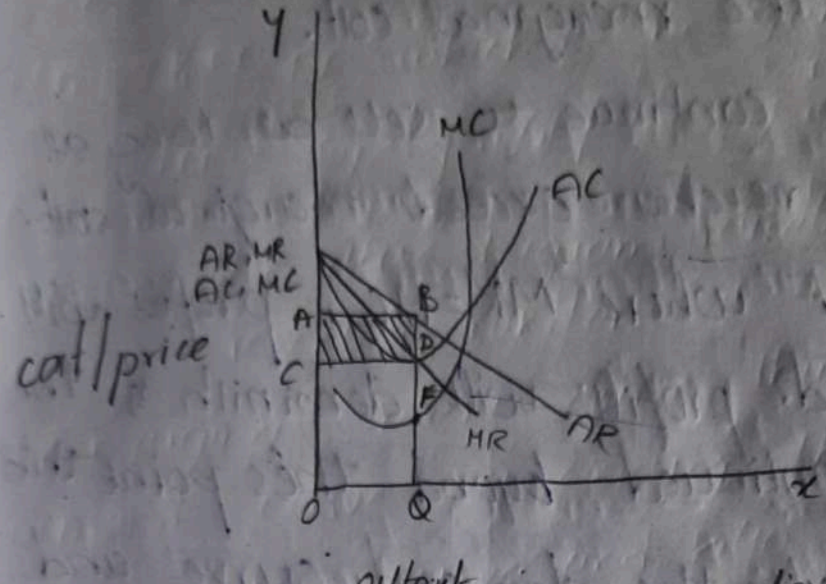
b) MC curve must cut the MR curve from below. The firm attains a equilibrium at point 'D' where MR = MC. The "MC" curve passes through the minimum point of AC curve.

The firm get higher profit as long as the price (In-case of MR or AR) it receives for each unit exceeds the average cost AC of productions.

Average profit = price - average cost.

DE is the average profit and the area

* **price output determination in monopoly :-**



price-output determination in monopoly.

OA - equilibrium price
OQ - output
ABCD - Rectangle represents profit in Instudiy in short period.

* [MR always under the AR]

The above diagram represents under monopoly the average revenu curve for a firm is a downword snopping one it is because if the monopolist reduces the price of a product the quantity demanded increases and vice-versa in monopoly marginal revenu is less than the average revenu. In other words the marginal revenu curve lies belong the average revenu curve.

The monopolist always wants to maxi.

mize his profits to achieve maximum profits it is neccesary that the marginal revenue should be more than the marginal cost.

His can continue to sell as long as the marginal reveny exceeds marginal cost. At the point 'F' where MR = MC, profits will be maximized. profits will deminish if the production is continued byond thés point this can be see that the demand curve and the Average demand curve represented by AR, Marginal revenu curve by MR, Average cost (AC), and Marginal cost curve by MC. OQ is the equilibrium output, OA is the equalibrium price, OC is the average cost and BC is the Average profit. upto OQ output MR > MC and beond OQ and MR is less than MC.

Therefore the monopolist will be equilibrium and output OQ where MR = MC and profit maximum. OA is the corresponding price to the output level of OQ. The rectangle ABCD represented the profits earned by the Monopolist in equilibrium position in the short run.

Forms of business organizations:-

1. Merits of 1) sole traders

2) partnership

3) joint stock companies

4) ~~co-operative~~ socities.

1) Merits of sole traders:-

1. easy to start and close
2. Low captial
3. Secracy
4. Direct contact with customers
5. low rate ~~of~~ risk
6. Quick decisions.
7. low rate of taxation

* Demits:-
1) un-limited liability
2) limited amount of captial
3) No division of labour
4) uncertainity
5) Inadequate for growth and expansion
6) lack of specialisation.

7. More competition.

8. how bargaining power.

9. partnership :-

partnership is having minimum members of people to run their business to starting of maximum 2 people.

10 people - Banking

20 people - non-Banking

* In partnership can be acting for all (or) acting for one which mean all are the Leader (or) only one leader.

* As per partnership ACT 1932 was running those partnership businesses.

Feauters:-

1. Easy to start
2. Division of work
3. Specilisation
4. Quick decision
5. Relationship
6. two (or) more person
7. They should be a busi
8. Aggreement

According to partnership act 1932 defines as in relationship between two (or) more persons who agree to share the profits the business carried on by all (or) any one of them acting for all.

9. carried all by all acting anyone of them.

10. Unlimited liabality

11. No. of persons
(In case of banking 10
In case of non-banking 20)

12. Division of labour

13. personal contacts with customers.

14. Flexibility

15. Transferbility of shares (or) Interest

16. Taxation.

17. dissolvation.

Kinds of partners :-

The following are the different types of partners

1. active partner
2. Sleeping partner.
3. nominal partner (based on skills without capital).
4. partner by Estoppell
5. partner by holding out. (Having society social status persons)
6. Minor partner

Merits of partnership :-

1 Easy to form.

2. availbility of larger amount of captial.

3. Devision of labour

4. Flexibility.

5. personal contact with customers.

6. Quick decisions. and promit action.

7. The positive impact of unlimited liability

8. Taxe rate

Demarits of partnership:-

The following are the disadvantages of partnership.

1. Formation of partnship is difficult

2. libirlity

3. Lack of harmony.

4. Limited growth.

5. Instability

6. Lack public confidence.

7. Implied authority misused.

8. high texe rate.

Joint stock company:-

According to company's Act 1956 define A company has a company formed and registered under the act or an existing company.

Section-566(1) and (2) are the india company act's defines ~~[illegible]~~ Joint stock company as a company having share captial of fixed amount divided into shares.

also of fixed amount and transfer-able

divided and held partly in 1 way and partly in other way & formed on the principles of for it's members, the share holders of the shares that starts & no

Features or charactristics:-

1. Artifical person
2. Seperate legal exsitinge
3. volutary assocication of person's
4. limited librility
5. Captial is divided into shares.

7. common seal

8. prefectual secussions.

9. transferbility of shares

10. owership and management separated

11. weiding up

12. The name of the company ends with company "limited".

* **Advantage of Joint stock company:-**

The following are the advantage of JSC

1. mobilisation of large resources

2. Separate legal entity

3. Limited libritity

4. Transferability of shares.

5. Liquidity of investments.

6. Inculcates the habit of savings and investments.

7. democracy in management.

8. Economis are large scale production.

9. Continued exists.

10. Institutional condifence
11. profesional management
12. growth and expension.

Disadvantags of JSC:-

1. Formation of company is a large drawn producure.
2. High degree of government interference.
3. Inordinate delays in decision making.
4. Lack of initative
5. Lack of responsibility & commitment.
6. conflicing interests
7. promotes speculation
8. Lobblying with government departments.
9. Tends to monopoly.
10. Higher taxes

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{public coorperation} → Forms of public Enterprises.

The public enterprises can be classified into 3 forms

1. Departmental under-taking
2. public coorporation
3. Government company.

1. Departmental undertakings:- This is the earliest form of public entirprises under these form the affairs of the public enterprises are carried out under the overall control of the government one of The goverment department appointeuk a director for the departmental undertaking.

Examples:- Railways, postal and telephones, all india radio, doordarshan, depend, under taking like DRDL, DLRL and ordiner factors and such that. soon.

Features:-

1. under the control of a government department.
2. More finiaical freedom.
3. Like any other govt department.
4. budget, accounting and audity controls.
5. More a govt organization less a business organisation.

Advantages:-

1. Effective controls.

2. Reponsibile executives.
3. less scope of misutlization of funds.
4. Adds to govt revenue.

Disadvantages:-

1. Decisions delayed.
2. No Incieutive to maximum earnings
3. show responce to market conditions.
4. Red tapisem and pureacracy
5. Incidence of more taxes.

2. public corporations:-

A public corporation is defined as a "Body coroperate created by an act of parliment, or legislature and notified by the name in the official gazette of the central or state govt. It is a corporate entity having prefectual succession and common seal with powers to aquare, hold, dispose of property by it's name".

Examples:- life Insurence coroperation of India (LIC), unit trust of india, industrial finance coroparation of india, Damodhar vally cooperation and others.

Features / characteristics:-

1. A body corporate
2. More freedom in day to day operations
3. Freedom regarding personnal.
4. prefeutual succession.
5. Fincial autonomy
6. commericial auidity
7. Run on commerical principals.

Advantanges:-

1. Independence, initiative and flexiblity.
2. Scope for red-tapism and pureaucracy mini-mized.
3. public Interests protected.
4. Employee friendly work environment.
5. competitive prices.
6. Aconomy of scale
7. public accountability

Disadvantage:-

1. continued political interference.
2. misuse of power.
3. Burden for the govt

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Government company:- Local sources - 49%
share capital 51%

Section-617 are the Indian
companies act defines a govt. By run { central govt, state govt, Local Bodies }
company has "Any company in
which not less than 51% of the paid up share
capital is held by the central govt or by
any state govt or govts or partly by central
govt and partly one or more of the state govts
and includes a company which is subsider of
govt company has ~~such~~, thus defined."

Examples:- Industrial undertakings such as
hindustan mechine tools, Indian telephone industry
promotional agenices such as national industrial
development coroperation. national small indus-
try coroporation and soon.

Features:- The following are features of a.c
govt company.

1. Like any-other registered company.

2. share holding.

3. directors (or) nominated.

4. Administrative autonomy and finical freedom.

5. subject to ministerial control.

Advantages:-

1. Formation easy.
2. Seperate legal entity.
3. Ability to complete.
4. flexibility
5. quick decisions. and promite actions.
6. private participation facilitated.

Disadvantages:-

1. contined political and govt interference.
2. Higher degree of govt control
3. Evades constitutional responsibility
4. Poor sence of attachment (or) commitment
5. dividend loyalities.
6. Flexibility only on paper.

Business cycle:- or Trade cycles.

According to WC Mitchell

1) Capital Economy
2) fixed economy
3) socialistic economy.

"Busineu cycle are a specier of fluctuations in the economic activities if organized commities. According to keynes at trade cycle is composed of period, of good trade charactrised by raising price and low unemployement parentages alternating with period, of bad trade charactrised by following price and high unemployement percentages

phases of Business cycles:-

1. depression
2. Recovery
3. prosperity.
4. Boom
5. Recessions

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* pricing Method:-

1) Skimming pricing policy:-

the product is introduced for the first time in the market, the company follows this method, under this method the company fixes a very high price for the product. The main idea is to charge the customer maximum possible. This strategy is mostly found in case of technology products when Sony introduces a particular TV model it fixes a very high price. when new series of pentium is released into market, it is priced very high. Initially all cannot afford to buy except a very few. as the time passes as comes down and more people can afford to buy. This method can be followed only

when.

1. The demand for the product is Inelastic.
2. There is no threat from competetors.
3. A high price is coupled with high technology. (or) quality.

2) Limit pricing:-

Limit pricing refers to the pricing by Incum firm to deter (or) inhibit the entry (or) the expension of limit pricing implies that firms sacrifices current profits in order to deter entry of new terms & at earn features profits

Internet pricing model:-

Flat rate pricing. The internet user

is required to pay a fee to connect for a fixed period during which one is not charg ed on a basis of the bits sent or receivied each type of in a time.

usage a sensitive pricing:-

The model looks like a two part tariff that abilities have a part of the bill is for the connection and the other plant is a price per unit of bit sent or receivied. we could have the peek user paying both parts and the off peek user only one part. The variable part could also be based on connections time speed of connection etc, pricing based on the no. of units minutes of a connection is a popular basis of pricing and assumes the usage in terms of packets sent and connection time or correlated but their need not be only disadvantage of basing price on packets sent is that the cost of the implementing such a system is very high.

priority pricing:-

In this model the users pay according to the quality of sertvice choosen by them. This comes close to the price description of the old economy. other varient of this is the increasing black traiff used in electricity pricing where the user face a fixed amount for the first block of units a higher amount for the next block and soon.

* **Marris Managerial theory of Firm:-**

R. Marris have put forword an important theory of the form according to which managers don't maximize profits but instead according to him, they seek to maximize balanced rate of growth of the firm. Maximization of balanced rate of growth of firm means maximization of the rate of growth of demand for the products of the firm and rate of growth of capital supply if 'G' stands for balanced growth 'GD' for the growth demand for the product 'GC' for the rate of growth of the capital supply than the goal of the manager is to maximize 'G'. Thus {G = GD = GC}

In seeking maximize the balanced growth rate a manager faces the following two constrains.

2. Financial constraint.

⇒ Managerial constraint refer to the strength of the managerial team and they skills.

⇒ Financial constrains refers to the following three financial ratios

1. The ratio of <u>dept</u>. (D):-

⇒ total assets two (A) which is simply called debt ratio D/A.

2. <u>Liquidity</u> <u>ratio</u>:- ⇒ liquid assets: cash in hand, cash in bank, B/receivable, debtor, stock

⇒ which is the ratio of liquid assets of the firm to the total assets (L/A)

3. <u>Retention</u> <u>ration</u>:- $(\bar{\pi}/\pi)$

* Williamson's Managerial theory of firms

A full pledge managerial theory of the firm has been put forward by O.E. Willia-mson's who emphasize that managerials are moti-vated by they self interest and they maximize they own utility function again the objective of utility maximization by the managers is subject to the constrains that after tax profits are large enough to pay acceptable devidends and also to pay for economical neccecary investment.

* Managerial utility function :-

According to willamson's utility function of self seeking managers depends on the following factors.

1. salaries and other fauds of monitory compe-nsations.
2. No. of staff under the control of a manager
3. Management slack
4. Mangenitude of discisionary investment expenditure by the managers.