

PRICE

Price functions

Price formation

VAT

The price

- *The price expresses, in the current conditions, the amount of money that the buyer pays in exchange for a unit of economic good, respectively, it is the monetary expression of the exchange value that the seller collects for a unit of the traded good.*
- The price is the amount of money collected - paid for the final transfer of the attributes of the property right from one person to another
- Price is the ratio between two quantities of economic goods offered in exchange or

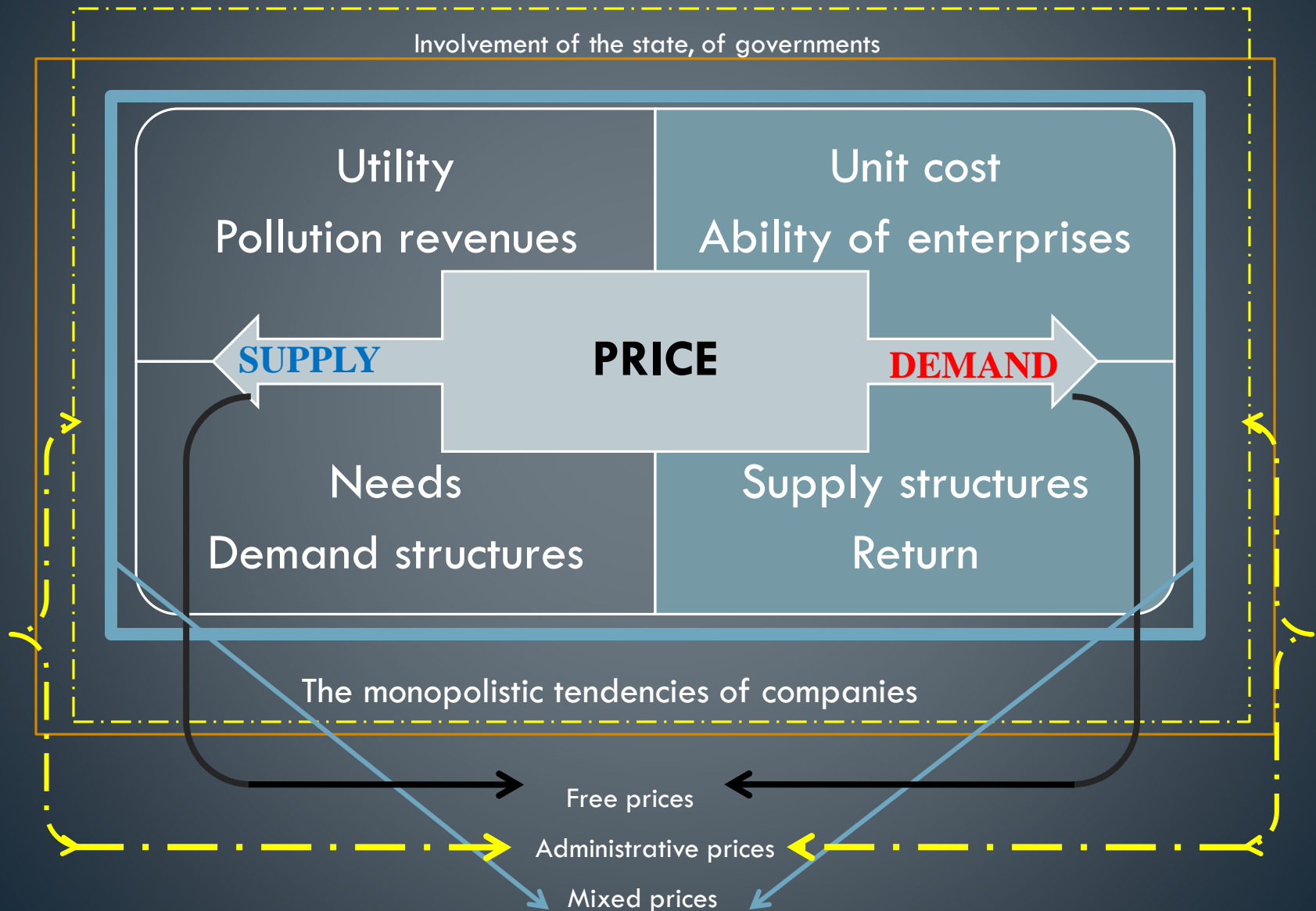
Price functions in the market economy

- 1. The function of calculation, evaluation and measurement of expenditures, results, revenues, flows and the overall circuit that takes place at all levels and all subjects of economic action.
- 2. Informs the economic agents on the state of tension between resources and needs. Increasing absolute and relative prices means increasing tension and vice versa.
- 3. Decisions on the choices of producers and buyers are made on the basis of price
- 4. For the producer, the price is the main instrument through which he recovers his expenses, ensures his profit and creates the premises for the continuity of the economic activity.
- 5. Managed prices can be a factor in the redistribution of income and assets between different categories of agents, branches and sectors of activity.
- 6. The price, together with the nominal income, "arbitrates" the access of persons and categories of persons to the commodity economic goods.

Price formation

- One of the most important economic problems is that of price formation and determination
- Price formation takes place under the influence of internal and external factors

Price formation



Price formation



Types of prices

- a) free prices that are formed and evolve based on market conditions;
- b) administered prices which are the result of the decisions of the state and of other centers of economic force (monopolies, monopsons, oligopolies, etc.).
- c) mixed prices, are those that actually operate in the states with market economy and result from the intersection of the market mechanism, having elements of the “invisible hand” with interventionist conducting mechanisms

Value Added Tax



- VAT - Value Added Tax - is one of the taxes levied by the state and is borne by the beneficiaries of goods and services, hereinafter referred to as final consumers. All those who are involved in the economic cycle of the realization of goods and services that bear VAT participate in this tax. The economic agents that took part in this process have the right to deduct, being then obliged to transfer the remaining VAT balance to the state budget.

Value Added Tax

- There are currently the following VAT rates:

Standard tax: 19%
share



0 VAT Tax - there are
also operations
exempt from VAT



Reduced VAT tax: 9%
share and 5% share

Value Added Tax

The lowest value of the VAT tax, outside the European Union, is Iran, respectively the VAT rate of 3%



70/5000

Iceland has the highest value, respectively the VAT rate of 25.5%.



Application 1

- A company whose object of activity is the retail trade buys from a supplier goods worth 1000 lei.
- Our company practices a commercial addition of 20% and is a VAT payer.
- Calculate the price at which our company will sell the goods to final consumers (customers)

Aplicația 1

- Selling price = (Purchase cost + Commercial Add-on) + VAT

$$1000 + 200 + 228 = 1428$$

