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Chapter → ②
{ demand & supply }

diffination of demand : demand in Economics is the consumer's willingness or desire and Ability to Purchase a good or any service.

If a Person is desire | willing to Pay for a commodity But Has no Ability to Pay, then there is only desire But No demand.

In Economics demand for a comodity implies ③ things.

(i) desire to acquire the commodity
(ii) willingness to Pay for commodity.
(iii) Ability to Pay for the commodity.

Imp:
★ demand Analysis is Important for decision making :

① to forcast sales : the demand is the Basis the sales of the Production of a firm. Hence sales forcasting can be made on the Basis of demand. For Ex, if demand demand of commodity is High the sale will be High and if demand is low sale will also low.

② Pricing decision : the Analysis of demand is the Basis of pricing decision of a firm. If the demand for the Product is High then ~~company~~ firm can Charge High Price. and if demand

(2).

→ is low then firm can't High Price. ~~it also Helps~~

(3) → to determine Profit : for any firm, the main objective is to maximize the profit. Profit can be maximized when sales increases. and sale depend on market demand. So demand Analysis Helps to determine Profit.

(4) → Production dessision : How much a firm can Produce depandes on it ~~Capability~~. Capacity. But How much it should Produce depands on demand. If the demand of the Commodity increases the Production should also increases.

(5) → marketing decision : demand Analysis Helps to understand about the diffrent factor affecting the demand of a Product. It can be minimized through Advertisement and sales Promotion efforts.

(6) → to make financial decisions : on the Basis of market demand of the Product the firm should make their financial decision or investment decision.

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★ types of demand :

there are several types of demand that are as follows.

i) Price demand

ii) income demand

iii) Cross demand

iv) Joint demand

v) Competitive demand

vi) derived demand

vii) direct demand

viii) Composite demand

I) Price demand : it studies the Relation B/w Price of commodity and its quantity demand. Higher the Price lower the quantity demand & lower the Price Higher the q.D.

II) Income demand : the quantity demand of a commodity at different levels of income is called income demand.

Income demand ∝ quantity demand.

III) dup

iv) Joint demand : this refers to a kind of demand where Products are demanded Jointly. for ex. Ink & ink Pen car & Petrol etc.

→ such Products are demanded Jointly.

v): compititive demand: it Refers to demand of those Product which are closely substitutable like tea & Coffe.

vi): derived demand | Indirect demand: When the demand of any Product is derived from the demand of any other Product. for Ex: cement. cement demanded Not For direct Consumption But it is demanded as there is demand of Housing. so cement derives its demand from demand of Housing.

vii): direct | AutoNomous demand: this Refer to the demand of Product which are directly consum By the People. Ex: all electronics item.

the demand of these Product ~~donat~~ doesn't depend on demand of ~~antor~~ other Product. Ex washing machine data

viii): Composite demand: this Refer to the demand of Product which Have multipal uses. for Ex: Electricity, milk Etc. these Product Has multipal uses and can Be used for a variety of Purpose for Ex: milk can Be use for tea, coffe, Etc.