BUSINESS Economics

Business Economics :-

It is a field of applied economics that studies the financial, organizational, market-related, and environmental issues faced by corporations.

Demand :-

Demand is the amount of a Product (good or service) consumers are willing and able to purchase at a given Price. Demand is a flow concept, relating quantity to time (e.g. CDs per month). The term 'effective demand' indicates that there is not just a desire to purchase, but desire supported by the means of purchase. e.g., I might desire to purchase a Private aeroplane, but unless I have the income to support that potential purchase it is not an 'effective demand', just wishful thinking.

$$Qd = f(P)$$

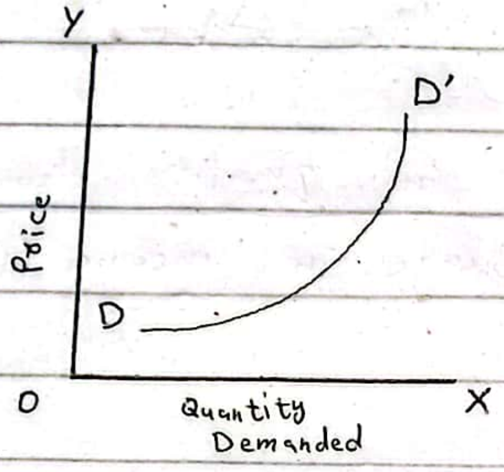
Law Of Demand :-

The quantity of a good demanded per period of time with fall as the price rises and rises as the price falls, other things being equal (ceteris paribus).

"Ceteris Paribus" is a Latin phrase that generally means "all other things being equal".

Exceptional Demand Curve :-

It refers to an upward sloping demand curve. Basically, the curve slopes from left to right, contrary to the normal demand curve. The slope of the exceptional demand curve shows that the quantity demanded rises with an increase in price.



). **Elasticity Of Demand / Price Elasticity Of Demand :-**

A measure of the responsiveness of quantity demand to a change in Price.

$$PE_D = \frac{\text{Change in quantity demanded (Percentage)}}{\text{Change in Price (percentage)}}$$

Income Elasticity Of Demand :-

The responsiveness of demand for one good to a change in the price of another : the Proportionate change in demand for one good divided by the proportionate change in price of the other.

$$YE_D = \frac{\text{Change in quantity demanded (Percentage)}}{\text{Change in income (Percentage)}}$$

Supply :-

A specific quantity of a commudity that is sold at a specific price is called supply.

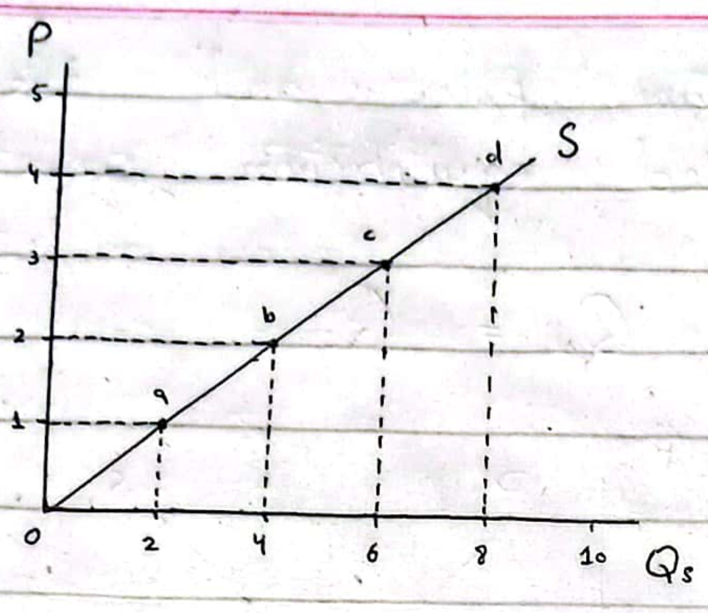
Function of supply is :

$$Q_s = f(P)$$

It is an increasing function.

Law Of Supply :-

Whenever, the price of commudity is increased, the supply is increased while the other remains constant.



Names Of Methods For Measurement Of Elasticity Of Supply :-

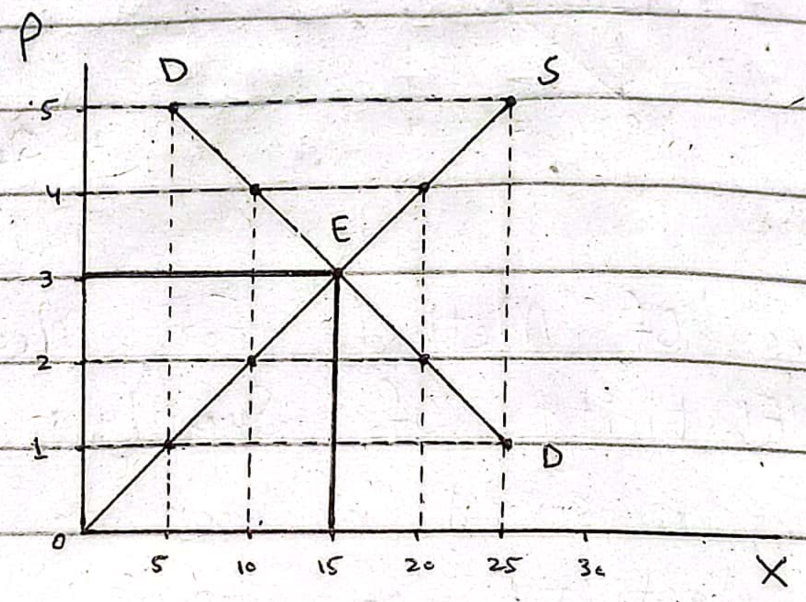
There are several methods to measure the elasticity of supply ;

1. Percentage change in quantity supplied method
2. Point elasticity method
3. Arc elasticity method

Market Equilibrium :-

It is established at that point where demand and supply become equal, the Price at this point is known as equilibrium price and the quantity is called equilibrium quantity.

$$Q_d = Q_s$$



Perfect Competition / Pure Competition :-

Perfect competition is a market structure characterized by the following key points:

1. Large number of buyers and Sellers
2. Free entry and exit
3. Homogeneity of goods / commodity
4. Complete information
5. Mobility of factors of production

Factors :- (i) Land (ii) Labour

(iii) Capital (iv) Organization

Firm :-

- A firm, also known as a company or business, is an individual economic unit that produces goods or services to sell in the market.
- Firms are the building blocks of the economy, and they can vary in size, ownership, and industry.

Industry :-

- An industry refers to a group of firms that produce similar or related goods or services.
- It represents the collective activities of all the firms operating within a specific sector or category.

Names Of Firm's Equilibrium in Short-run Under Perfect Competition

1. Supernormal Profit
2. Normal Profit
3. Normal Loss
4. Abnormal Loss (close down Point)

Break Even Point :-

The break - even point is the level of sales or production at which a business covers all its costs, resulting in zero profit. OR The level of output at which the costs of production equal revenue.

Monopoly :-

A specific situation of a market in which a single firm has complete authority to produce and sell of a commodity is called monopoly.

Market Environment / Business Environment :-

The market environment refers to the external factors and conditions that influence a business or industry's operations, performance, and competitiveness. These factors can include economic, Social, Political, technological, legal, and environmental influences, as well as the behaviours and Preferences of consumers and competitors. The market environment Plays a crucial role in shaping a company's strategies and decisions.

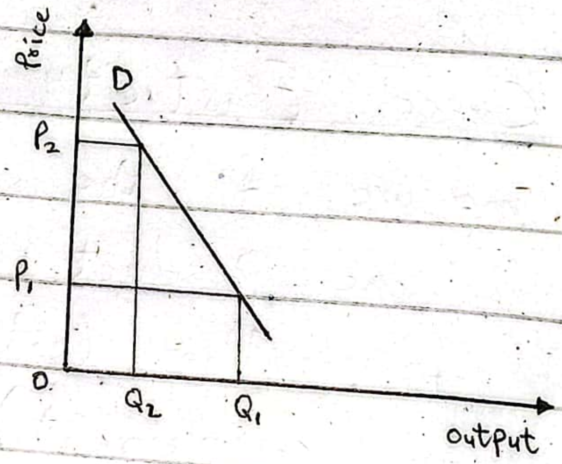
Cross-Price / Cross Elasticity Of Demand:-

It is a measure of the responsiveness of demand for one Product to a change in the price of another (either a substitute or a complement). It enables us to predict how much the demand curve for the first Product will shift when the price of the second Product changes.

$$CE_D = \frac{\text{change in quantity demanded for good A (percentage)}}{\text{change in price of good B (percentage)}}$$

Market Demand Curve :-

It represents the total quantity of a Product demanded by all consumers in a specific market at different prices. It sums up the individual demands of all consumers in that market.



Business Strategy :-

It is a plan or set of actions that a company uses to achieve its long-term goals and objectives. It outlines how the company will compete in its industry, allocate resources, and create value for its customers to gain a competitive advantage.

e.g., A technology company's business strategy is to dominate the smart-phone market by continously ~~inno~~ innovating and offering competitive prices.

Business Activity :-

It refers to the various actions, operations, and transactions conducted by a company or organization in Pursuit of its economic objectives. These activities encompass Production, sales, marketing, financial management, and all other efforts aimed at generating revenue and achieving business goals.

Multinational Corporations (MNC.s) :-

A multi-national corporation (MNC) is a large business organization that operates in multiple countries and conducts business activities across national borders. MNCs typically have subsidiaries, branches, or affiliates in different countries and engage in international trade and investment to expand their operations and market presence globally.