

## Basic definitions

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Demand → refers to a quantity of a commodity that ~~is~~ a person is willing to buy and can pay for it during a given period of time.

Supply → It is the total amount of a specific good that is available to the consumer.

Cost → Cost is the monetary value that has been spent by a company in order to produce a product or good.

Price → Price is the amount of money that has to be paid to acquire a given product.

fixed Cost → Cost that does not change with increase or decrease in the amount of goods or service or services produced or sold. for eg- rent, insurance premiums.

Variable cost → Cost that increase or decrease depending on a company's production volume. They rise as production increase and fall when production decreases. for eg- labour, capital.



(TC) Total cost → The total cost is actual cost incurred in the production of a given level of output. It includes both variable and fixed cost.

Average cost → The avg. cost is per unit cost of production obtained by dividing TC by output.

Marginal cost → It is the additional cost incurred for the production of an additional unit of output.

Total productivity → The measure of the efficiency of all the inputs that a firm employs in its production process.

Marginal → It refers to extra output gained by adding one unit of labour, all other inputs held constant.

Avg Productivity → total production involved in a process divided by no. of variable input employed.

Economics → Economics is study of how society uses its limited resources. It is a social science that deals with



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production, distribution and consumption  
of goods & services.