03/07/18

Varieties of Market

- Physical
  - Auction
  - Intermediate goods
  - Black Market
  - Knowledge
- Non-physical
  - Through internet e.g. Ebay, Amazon, Flipkart
- Financial
  - Stock Market
  - Bond Market
  - Foreign Exchange Market
- Predictive
  - Futuristic market where we deal with predictions.

Structural types of market

(I) 1. Monopoly – Many buyers single sellers.

(iii) 2. Monopsony – Many sellers single buyer.

(ii) 3. Duopoly – 2 Giant brands many buyers.

(IV) 4. Oligopoly – Many buyers few sellers.

(V) 5. Oligopsony – smaller buyers many sellers.

(Vi) 6. Competitive –

10.07.18

Available Market – ① 'Market Minimum'
② 'Market Potential'

① What is the min qty sold or bought without applying marketing force.

② What is the largest qty sold or bought by applying marketing force.

Features of perfect market

1. Large no. of buyers and sellers.
2. Perfect information
3. Homogenous products –
4. Well defined property rights.
5. No barriers to entry or exit.
6. Every participant is a price taker.
7. Perfect factor mobility
8. Profit maximization
9. Rational buyer
10. No externalities
11. Zero transaction cost.
12. Non incurring returns to scale and non network effect

MICRO Economics : It examines the behavior of a basic elements in the economy in microscopic detail including individual agents, markets, interactions of different agents and outcome of the interactions. Individual agents may include houseolds, firms, buyers, sellers and govt. machinerys.

MACRO Economics : Analyzes the Entire economy i.e. the aggregate production, consumption, savings, investments and issues affecting it, including unemployment of resources, i.e. labour, capital and land, inflation, economic growth and public policies that addresses the issues, namely monetary, fiscal and other policies.

6Ms

R
- Men, labour, engineers etc.
- Material / Raw Material Tech
- Machine.
- Money or capital.
- Method or process
- Market

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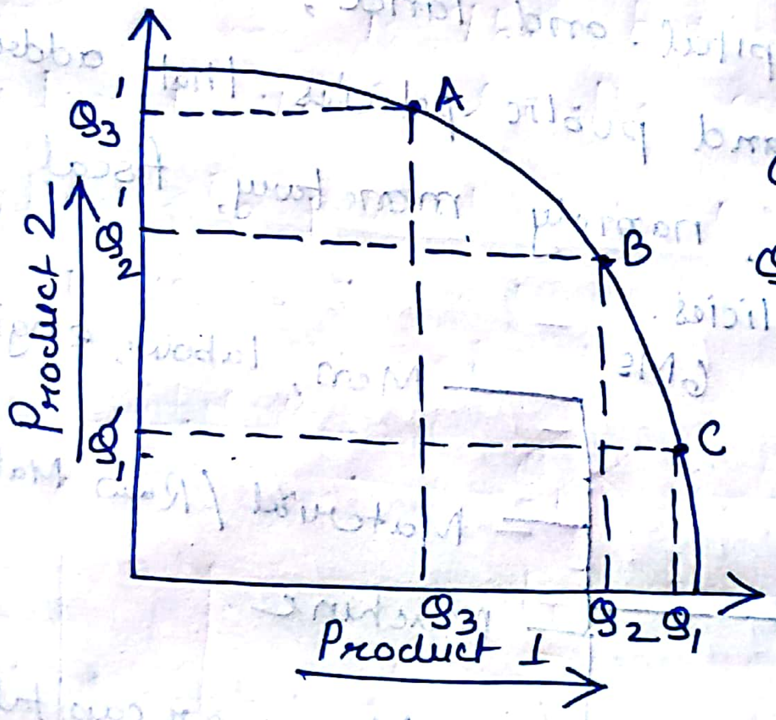
Wants, Needs, Utility

Utility
- → Cardinal
- → Comparative
- → Marginal

Production Possibility Frontier (PPF)



$Q_1 > Q_2 > Q_3$

$Q_1' < Q_2' < Q_3'$

C $P_1 - Q_1, \; P_2 - Q_1'$

B $P_1 - Q_2, \; P_2 - Q_2'$

A $P_1 - Q_3, \; P_2 - Q_3'$

Trade-off

Wealth, Production, consumption, income, savings, investment.

Wealth - Abundance of valuable resources or valuable materials under the possession of an individual /economy / country is considered as wealth.

(1) Natural wealth
(2) Human wealth
(3) Physical wealth.

Production - It is a process of ~~managing~~ converting the material and immaterial input to value added output which consumed by the end users. For economic well being, the production should have the two features.

(1) Improving the quality, price ratio of goods and services.
(2) The production system should enhance the income of the producer while satisfying the needs of the consumer.

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Income is of three types :-

(i) Accounting income
(ii) Economic income
(iii) Capital Maintenance Income.

Accounting income is measured in terms of standard accounting practices.

Net Income = Revenue − Expenses.

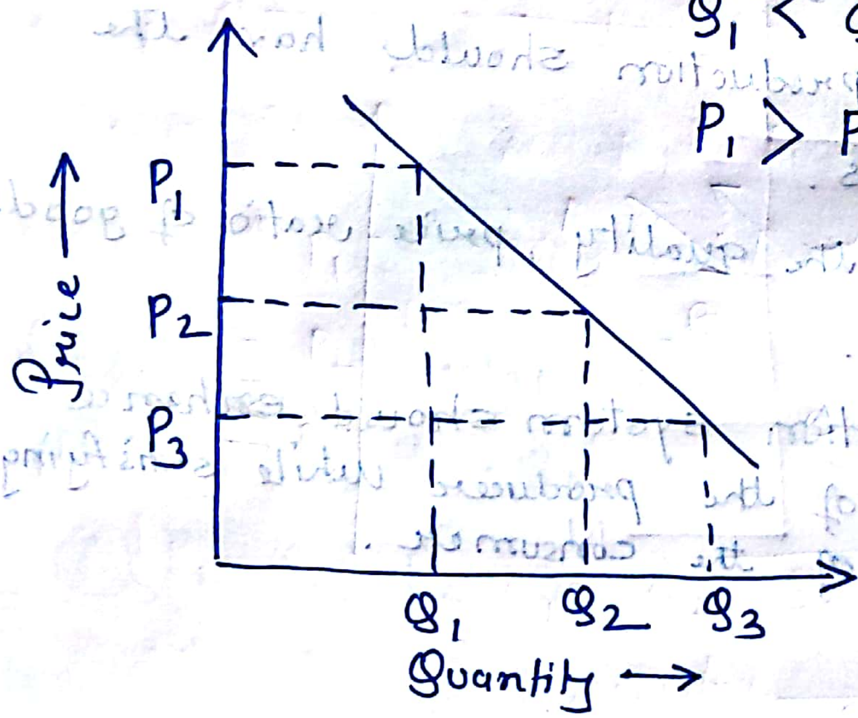
Economic income is that how the production is valued by the consumers.

The value of a product over a period of time increases.

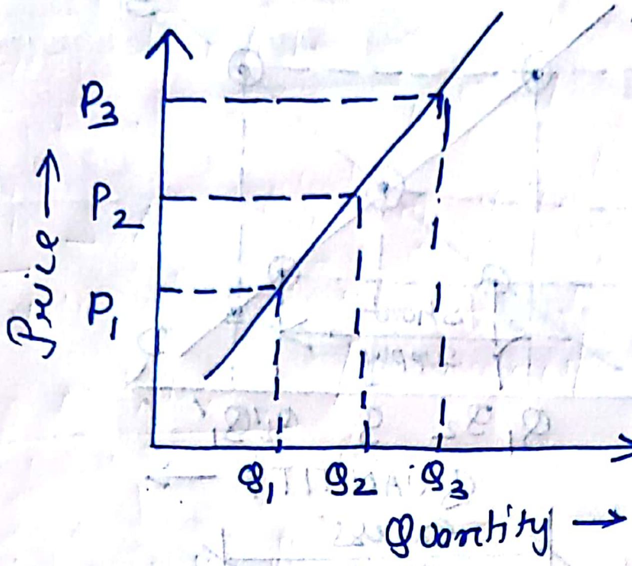
'Demand Law'

$Q_1 < Q_2 < Q_3$

$P_1 > P_2 > P_3$



Supply law



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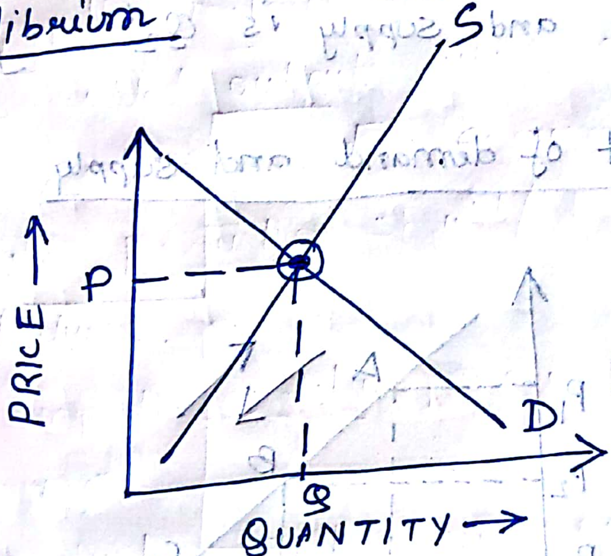
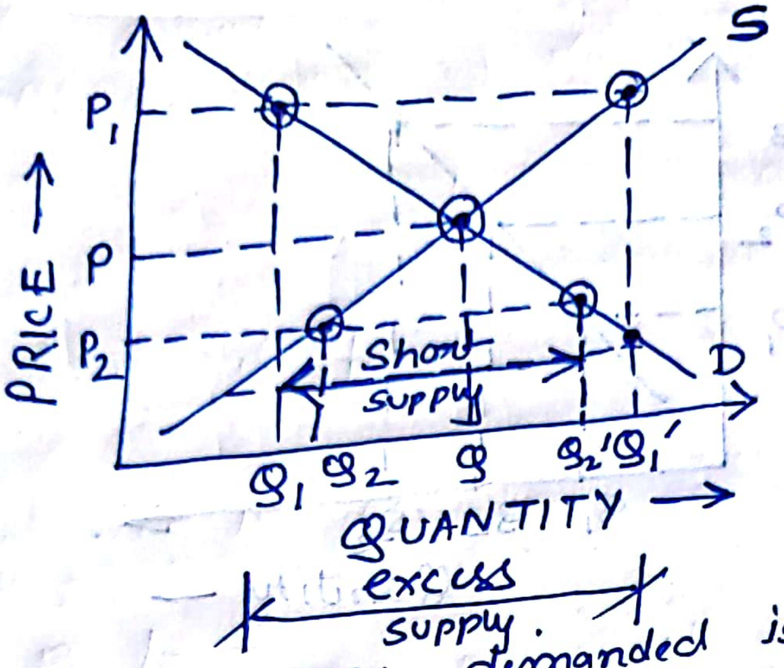
Demand - supply Relationship

5A) Equilibrium



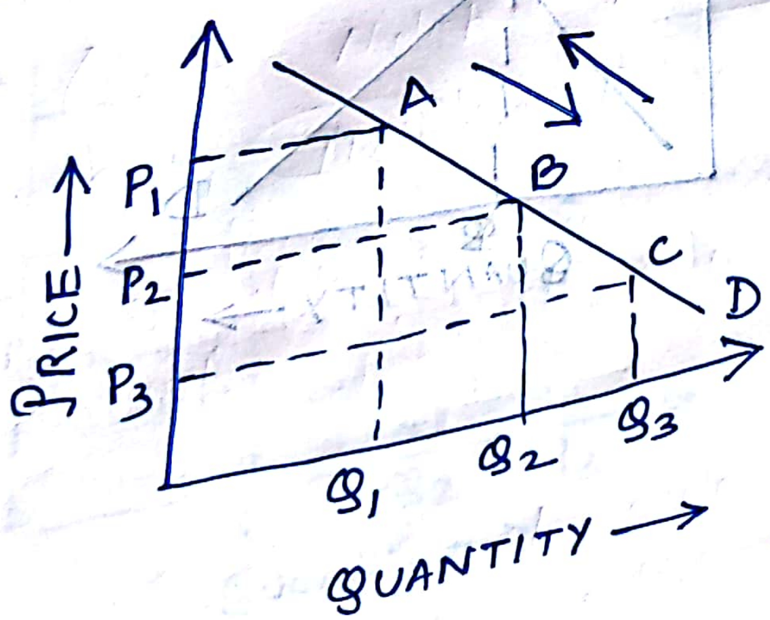
(B) Dis Equilibrium

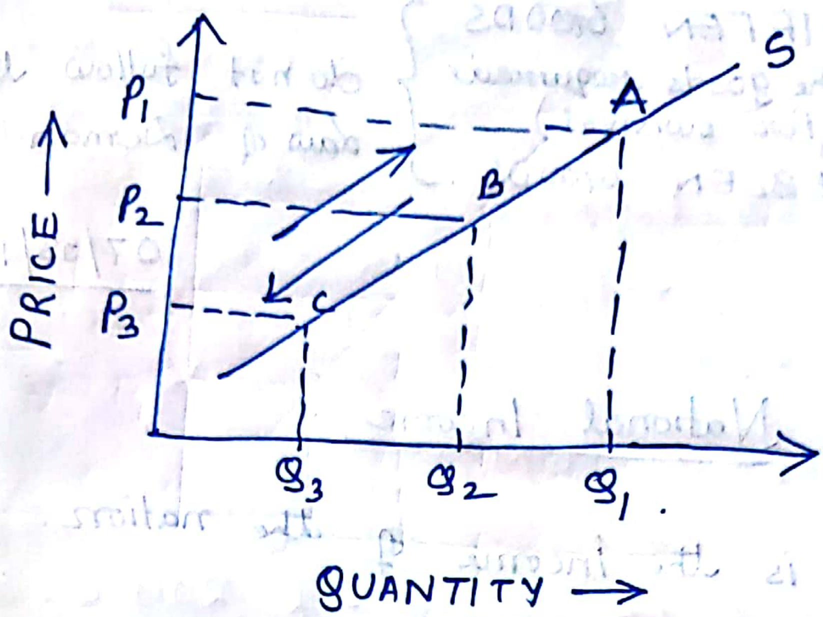


At price P_1, Qty demanded is Q_1, and, supply is Q_1' } $Q_1' > Q_1$

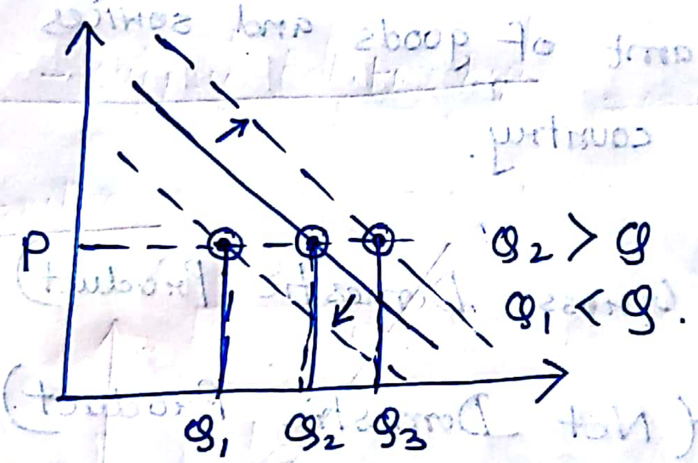
At price P_2, Qty demanded is Q_2 and supply is Q_2' } $Q_2' \cancel{>} Q_2$

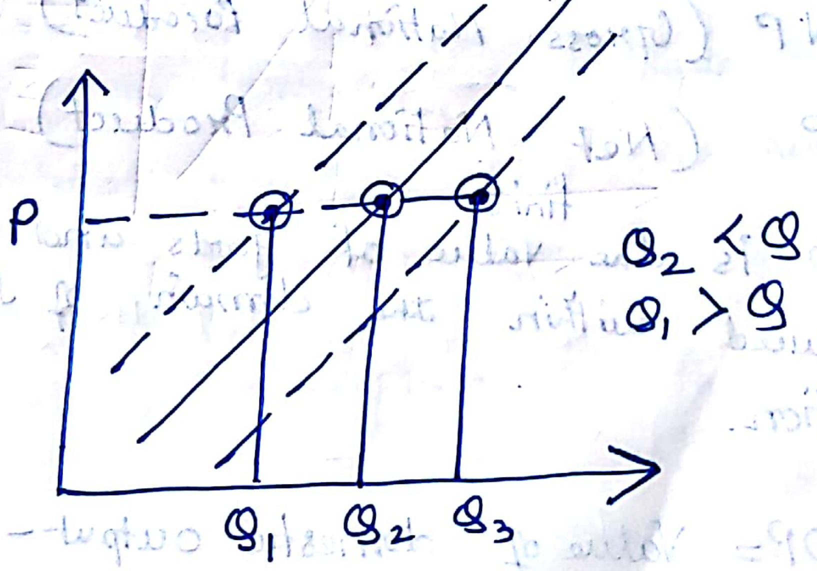
(C) Movement of demand and supply





(7) Shift of Demand and supply





- GIFFEN GOODS (the goods required for survival)
- VEBLEN GOODS.

} do not follow the law of Demand.

07/08/18

National Income

It is the income of the nation.

$$\frac{\text{Total Income}}{\text{population}} = \text{per capita income.}$$

Total amt of goods and services produced in the country.

- GDP (Gross Domestic Product)
- NDP (Net Domestic Product)
- GNP (Gross National Product)
- NNP (Net National Product)

GDP is the value of finite goods and services produced within the domain of the nation.

GDP = Value of domestic output − Value of intermediate consumption.

Uses of GDP :-

1.) Per annum percentage change in the growth of the economy.

2) It is an indicator for the quantitative level.

3) GDP is used by International Monetary Fund (IMF), World Bank (WB)

NDP = GDP − Depreciation

= (Gross Dom. O/P − Int cons − Depreciation)

Uses of NDP :-

1) Govt. announces the rate of depreciation in the economy.

2) IMF and World Bank doesn't use this NDP to evaluate

GNP = GDP + Income from abroad.

Where, Income from abroad = Trade Balance + Interest from ext. loans + Pvt. Remittance

TB = Export − Import

IOEL = Int received − Int. Paid.

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Gross Dom. Output

Q Value of ~~GDP~~ = Rs 500 crores.

Intermediate consumption = Rs 300 crores.

Depreciation = Rs 50 crores.

Trade Balance = – Rs 20 crores

Int on external loans = Rs 5 crore.

Remittance = Rs 20 crores.

What is the GNP?

GDP = Rs (500 – 300) = Rs 200 crores.

GNP = Rs (200 – 20 + 5 + 20) = Rs 205 crores

NDP = Rs (200 – 50) = Rs 150 crores.

GNP is an indicator to find the national income.

NNP (Net National Product)

= GNP – Depreciation

= GDP + Income from abroad – Depreciation

GNP

1) It measures the growth of the country.

2) It shows the standard of living of the people of the country.

3) National Planning.

4)

COST ACCOUNTING

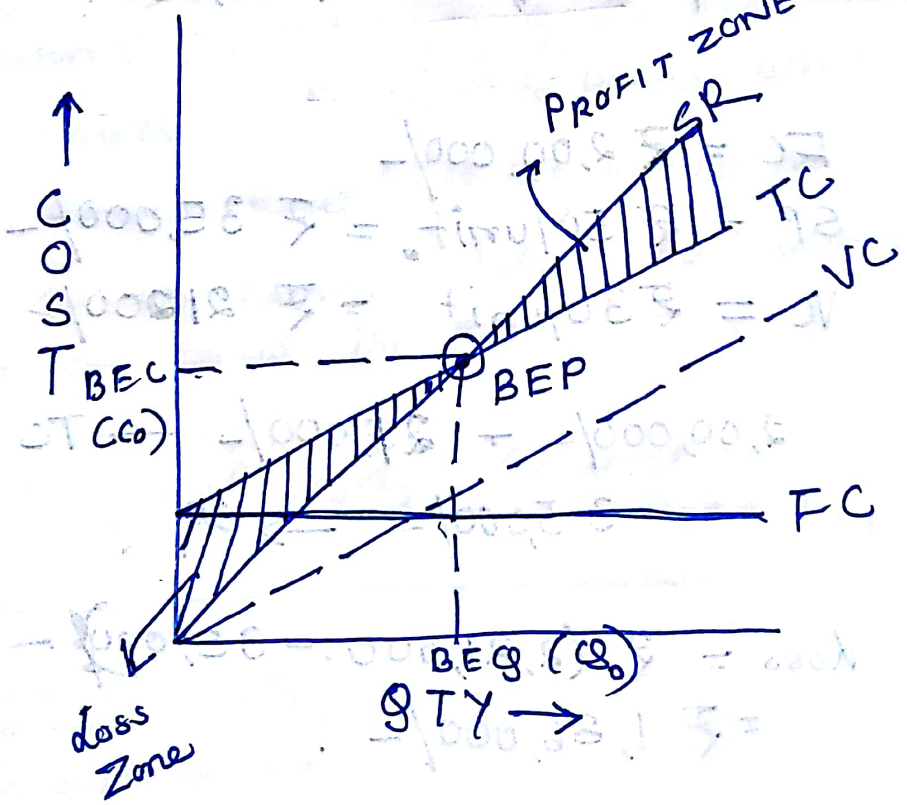
FA (For Stake holders)

Internal — External

Internal
- → Owners
- → BOD.
- → Managers
- → Employees
- → Trading Units etc.

Three motives of an organisation are:-

i) Profit maximization
ii) Cost minimization
iii) customer satisfaction.



At BEP, $TC = TR$

where $TC = FC + (VC \times Q)$ VC = Variable cost per unit

$TR = SP \times Q$ SP → Sales price per unit

$FC + VC \times Q_0 = SP \times Q_0$

At $Q_1 < Q_0$; loss $= TC - TR$

At $Q_2 > Q_0$; profit $= TR - TC$

<u>Q</u> The fixed cost of production is ₹ 2 lacs. selling price/unit = ₹ 50. V.C/unit = ₹ 30. If the company sells 700 units (i) how much profit/loss will they have.

(ii) What should be the qty produced so that there is no profit/no loss?

(iii) What should be the volume of operation to make a profit of min ₹ 50,000?

(i) FC = ₹ 2,00,000/-

SP = ₹ 50/unit = ₹ 35,000/-

VC = ₹ 30/unit = ₹ 21000/-

2,00,000/- + 21,000/- → TC

35,000/- → SR.

Loss = ₹ (2,21,000 − 35,000)/-

= ₹ 1,86,000/-.

ii) $FC + (VC \times q) = SP \times q$

$\Rightarrow 2{,}00{,}000/ + (30 \times q) = 50 \times q$

~~⇒ 10000 q = 200,000~~

$\Rightarrow 20q = 200{,}000$

$\Rightarrow \boxed{q = 10{,}000}$

iii) $50{,}000/- = SP \times q - FC - (VC \times q)$

$\Rightarrow 50{,}000/- = 50q - 20{,}000/- - (30 \times q)$

$\Rightarrow 250{,}000/ = 20q$

$\Rightarrow \boxed{q = 12{,}500}$

<u>Contribution Margin</u> – Total Rev – TVC.

" Ratio (%) = $\left(\dfrac{TR - TVC}{TR}\right) \times 100$.

<u>Margin of safety</u> – Margin of safety represents the strength of the business. It enables a business to know what is the exact amount it has gained or lost, in another word, whether the business over or below the BEP.

$$\boxed{\text{Margin of Safety} = \text{Current output} - \text{BE output}}$$

$$\left(\frac{\text{Margin of safety}}{\text{Current output}} \times 100\right) = \text{\% of Margin of safety.}$$

21/08/18

FC = ₹ 1,50,000/-

VC = ₹ 20 /unit

SP = ₹ 30 /unit

Qty produced = 30,000 units
(Qty sold)

1) <u>Margin of Safety</u>

FC = ₹ 1,50,000/-
VC = ₹ 60,000/-
SP = ₹ 90,000/-

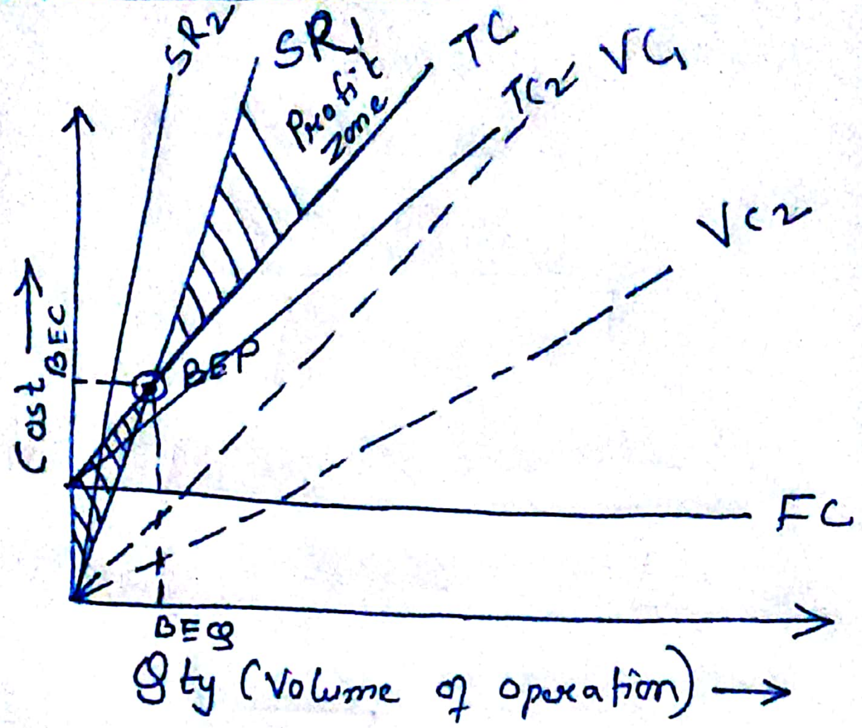
P/(L) = SP − VC − FC
= ₹ (90,000 − 60,000 − 1,50,000)
= ₹ 1,20,000 (A)

2) <u>Margin of Safety Ratio</u>

$$= \frac{₹\ 120,000}{₹\ 90,000} = \frac{12}{9} = 1.33$$

$$\text{BEP (Qty)} = \frac{₹\ 1,50,000}{₹\ (30-20)} = 15,000/-$$

Cost Volume Profit (CVP)



18/09/18

Banks

- Commercial. (Retail)
- Investment: (invest in big projects)

Underwriting → Checks performed by bank before sanctioning loans.

Role of commercial banks

The role of commercial banks in a developing country :-

(1) Mobilizing savings for capital formation.
(2) Financing industry.
(3) Financing trade
(4) Financing agriculture.

(5) Financing consumer activities.

(6) Financing employment generating activities

(7) Help monetary policy.

Structure of organised banking sector in India