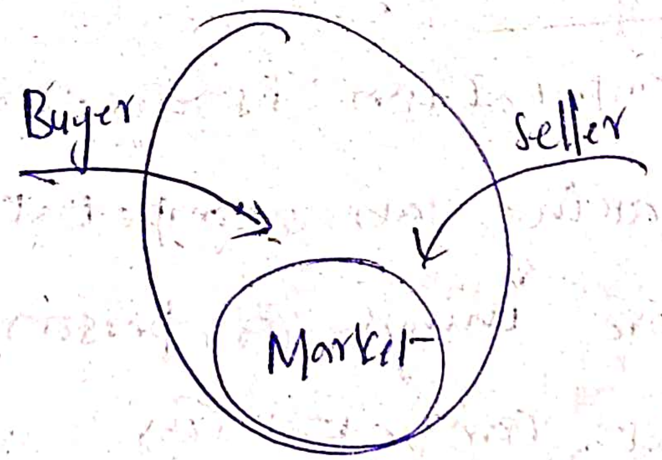
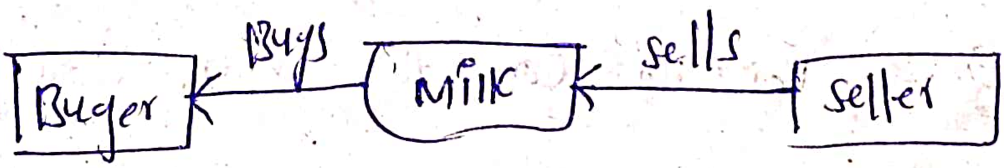
Meta - 3rd unit

1. **Market** :- It is an place where seller and buyer are happen called market. The seller sells the product to the buyer (customer). It is an close contact.

* It is the relationship between the buyer and seller to transcation takes.

Ex :- I am ~~seller~~ buyer and I go to Super market to buy a milk packet.





This process is an transcation will sucesful in the market.

Types of Market :-

Markets are classified on the basis of different creteria, geographical area (or) place ; time element & nature of competation.

Market

↓ perfect Competation

↓ Imperfect Competation

Perfect Competation :-

Competation is an word which means making an competation b/w two (or) more things (or) person called as perfect competation

Ex :- let us consider an competation between two 99% ~~pe~~ students is an perfect competation

Let us consider two besides shops are selling mobiles then we see the perfect competation.

* It consists of many buyer
* Many seller
* It must contain homogeneous product
  Ex:- Farmer Market
* No advertisement cost
* Free entry and free exist
* perfect knowledge of price and technology.

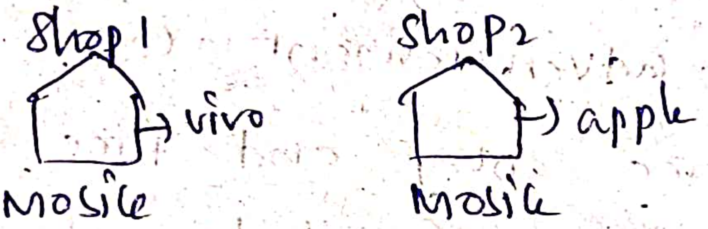
2. Imperfect competation :-

In a market situation, there are many sellers, but they are selling hetrogeneous (dissimilar) products are transported into the perfect market called Imperfect competation

Categories of Imperfect competation

1. **Monopolistic** :- The product is homogenous product. but the product is consists of differentation.

Ex:- let us consider mobiles



Here both shops are selling product is same but the features are different.

* product advertisment high
* Free entry and Free exist
* Homogeneous but different product
* price will be decided by market

Ex:- Mobile industry

2. Monopoly :- Mony means single and poly means many, which mean single seller and many buyer

Ex :- let us consider an unique APP like IRCTC. Here seller is Railway, but buyer are many.

* No advertisement cost
* single seller
* Many buyer
* ~~Seller~~ ~~Buyer~~ Seller will be price maker
* ~~Seller~~ Buyer will be price taker
* No Free exit and entry

Ex :- electricity board, JNTUA Fees.

3. oligopoly :- It is an limited seller and many buyer

* limited seller
* Many Buyer
* No advertisement cost
* No easy entry
* Risk of cartelization

Ex :- Jio.

Duopoly :- It is of process (or) a situation of the market in which there are only two sellers.

* The seller selling a product they the other seller checks the first seller selling price, Quality. They fixation their product price than.

Features of perfect competation Market :-

1. Large number of sellers :-

* A perfect competation market is basically formed by a large number of sellers.

* The individual seller is an little amount of supply into the market.

2. Large number of buyers :-

* A perfect competation market consists of a large number of buyers.

* Each buyer demands products in the total market demand.

* In a perfect competation market, a product price is fixed. so, no buyer can make price discussions.

3. Free entry and Exit :-

* In a perfect competation market, A person/ group of persons are intrested to start the business in the market they have the free entry. If they wanna close their business in the market is also free exist.

* It means there are no barriers to stop the entry and Exists.

4. Free mobility of factors of production :-

We know that factors of production

- land
- labour
- capital and
- Organization skills

These must be available in the market freely.

5. Homogeneous set of goods and services :-

In a perfect competation market, all the large number of selling the same product then they have to sell it on same price

Ex :- Apple 13 price is constant in all selling phone shops.

6. perfect knowledge :-

* In a perfect competation market, all the sellers and the buyers consists of an ~~product~~ knowledge about the product which was in market

7. price taking market :-

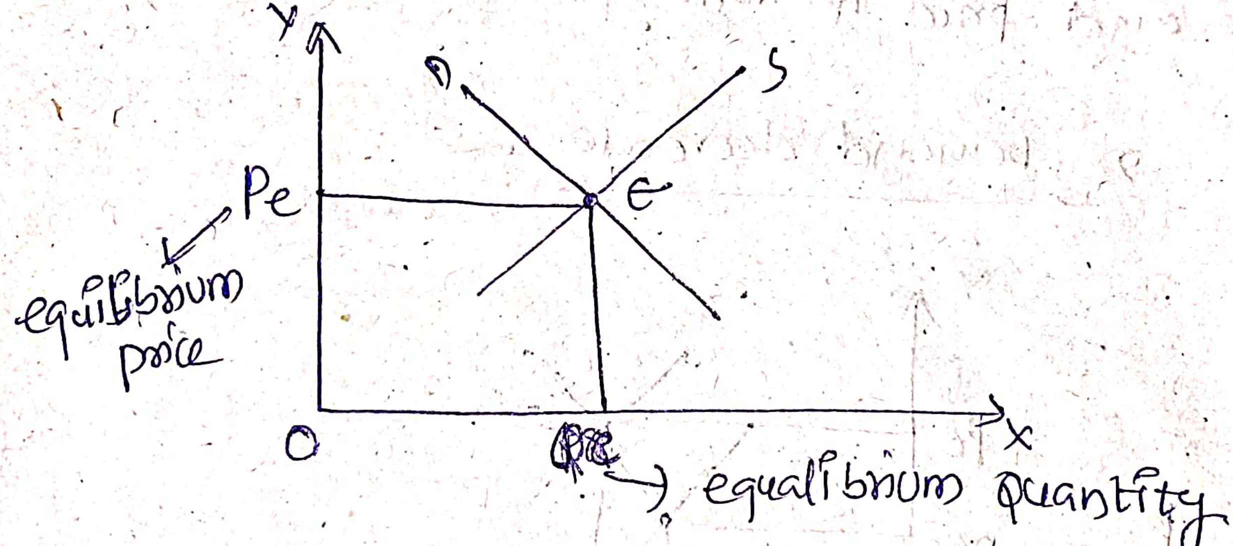
The goods (or) products which are transported to the market, that person gives an fixed price about the product This called price taking market.

8. Absence of transport cost :-

It is important that the product is not affected the transport cost differences.

Price and output determination under perfect competation :-

Equalibrium :- It is an situation in which demand and supply are equal.



Change in Equilibrium :-

Change in Equalibrium is due to the

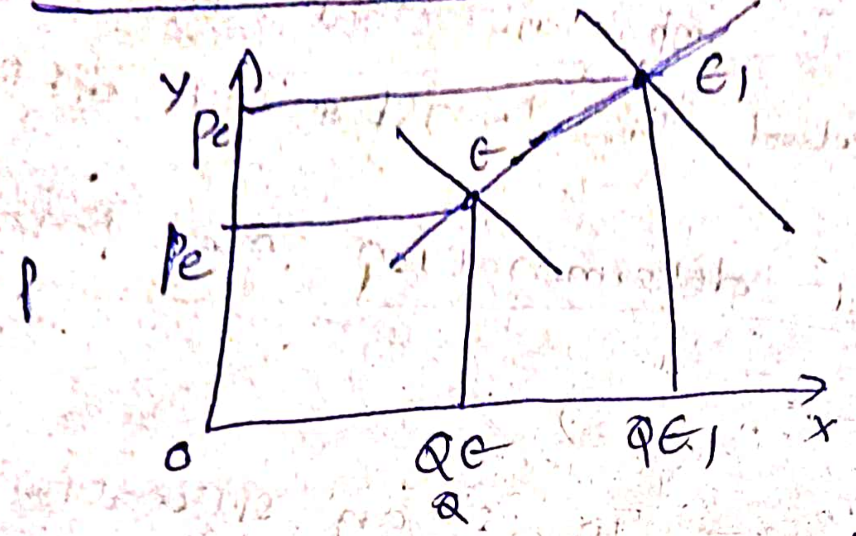
~~two~~ modes

(i) Change in demand :-

1. demand Increase

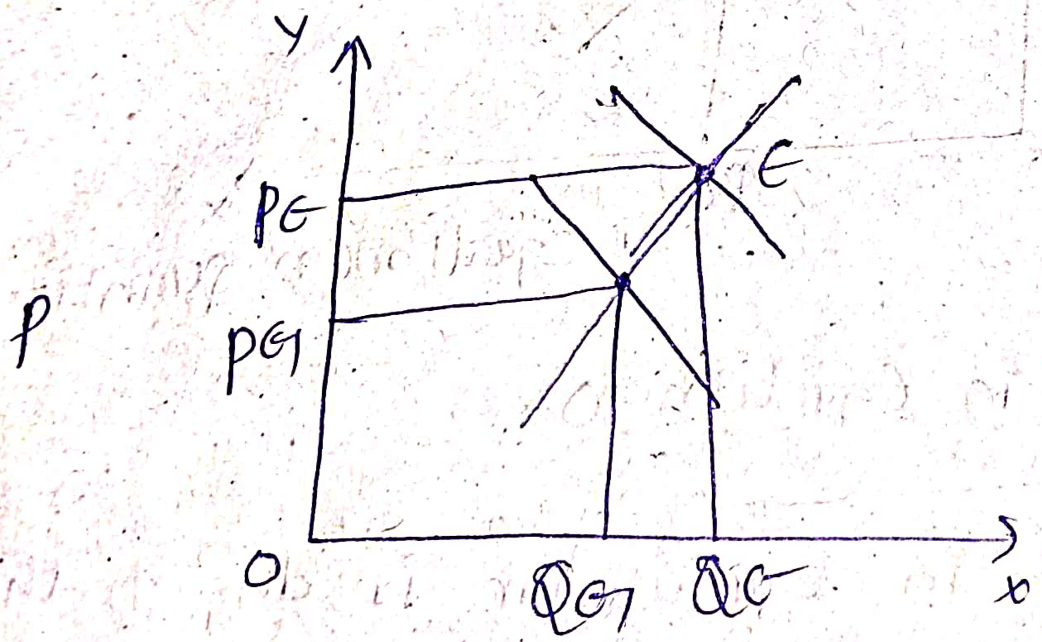
2. demand decrease

1. demand increase :-



Here demand increases, then Quantity and price of the product also increases

2. Demand decrease :-

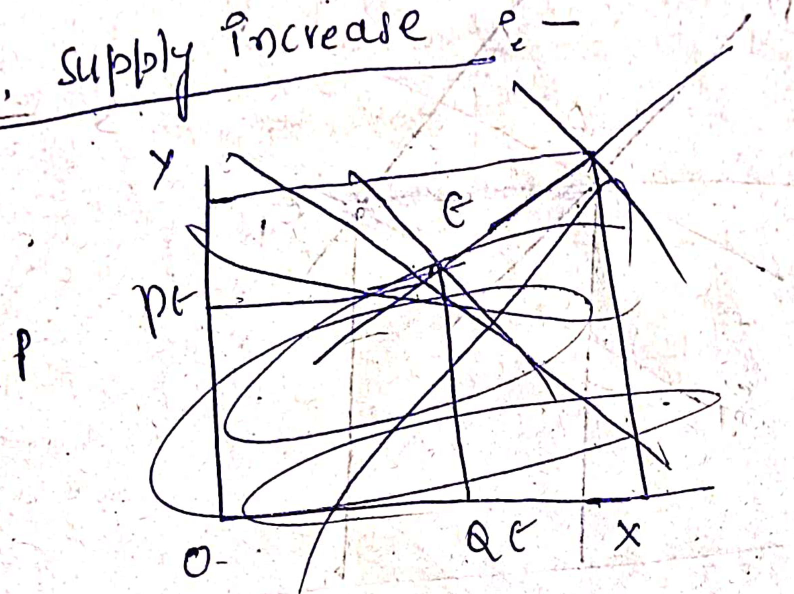


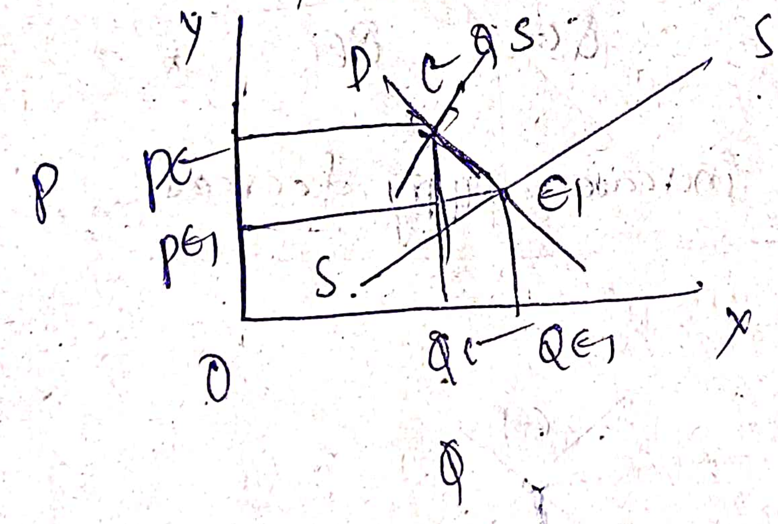
Here demand decreases and then Quantity and price also decreases.

B. Change in supply :-

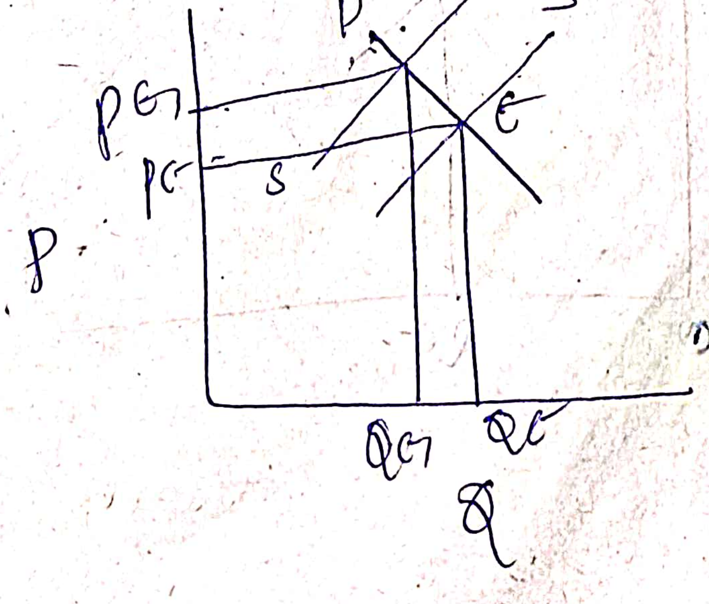
1. Supply increase
2. Supply decrease

1. Supply increase :-



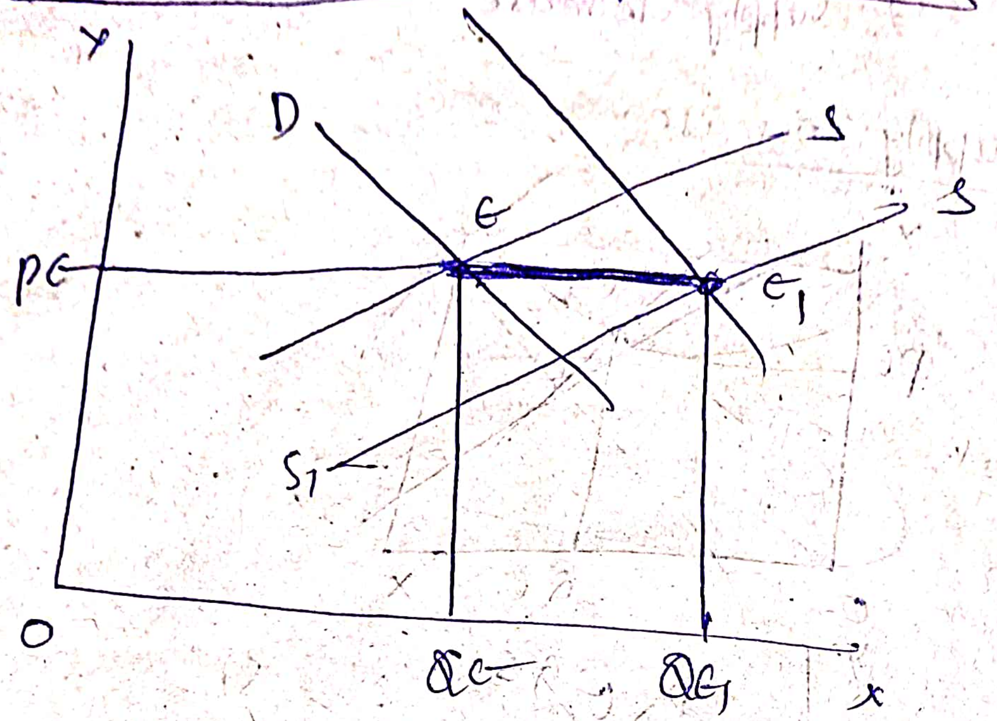


2. Supply decrease :-

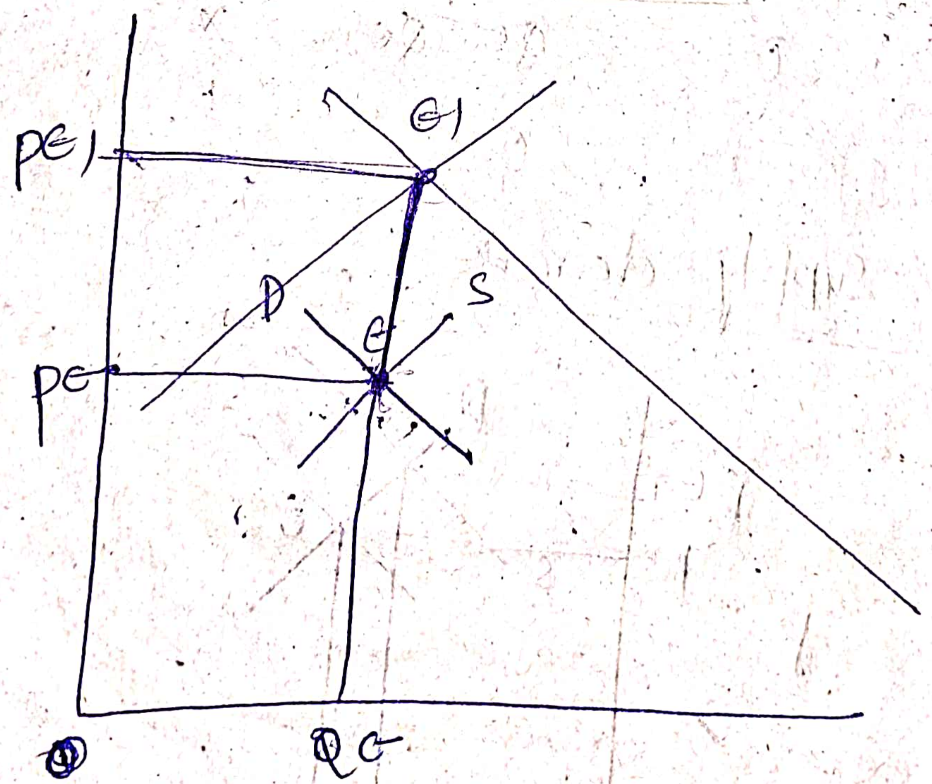


Change in demand and supply :-

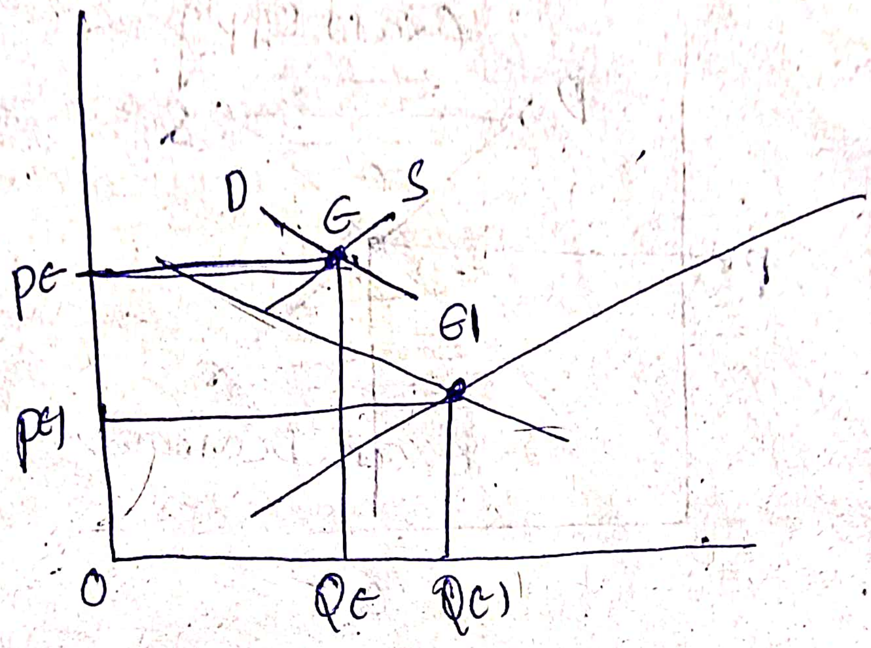
Demand increase supply increase



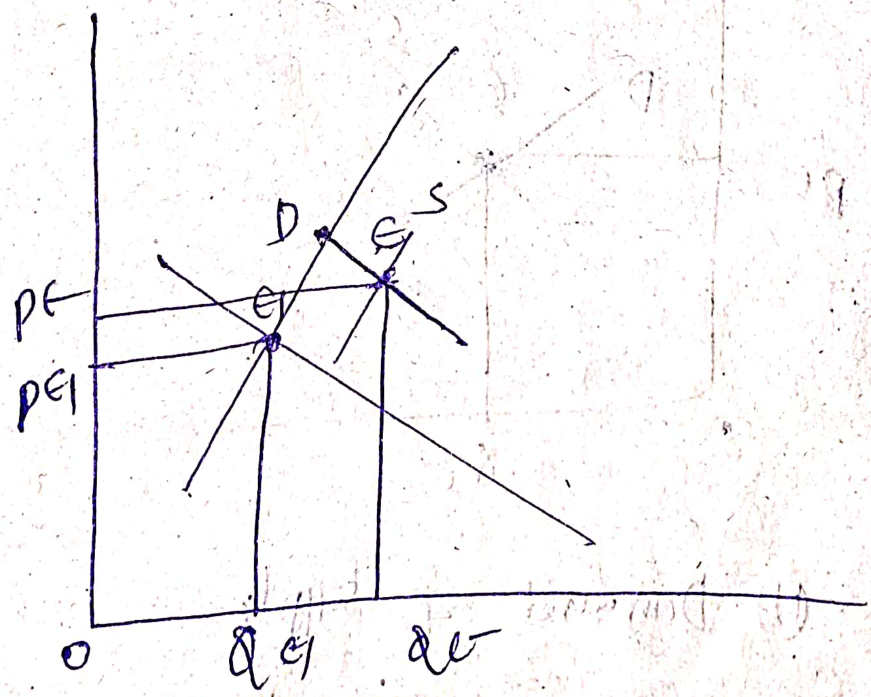
Demand increase supply decrease :-



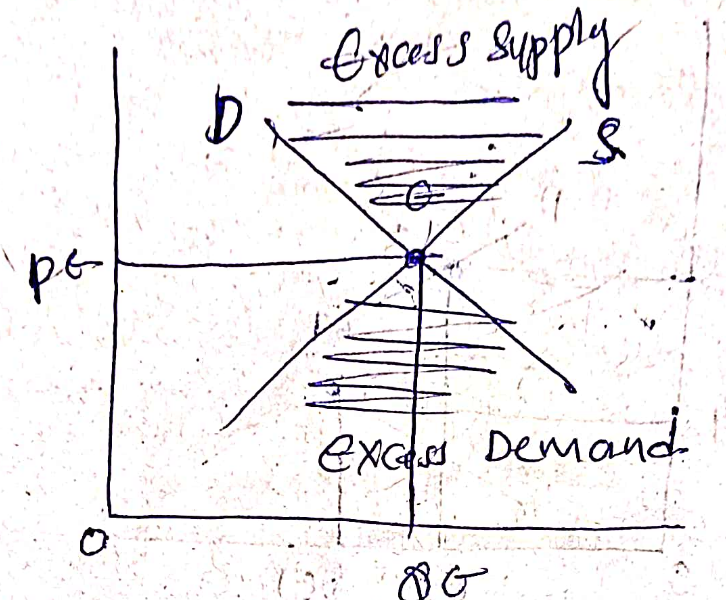
(iii) Demand decrease supply increase :-



(iv) Demand decrease supply decrease :-

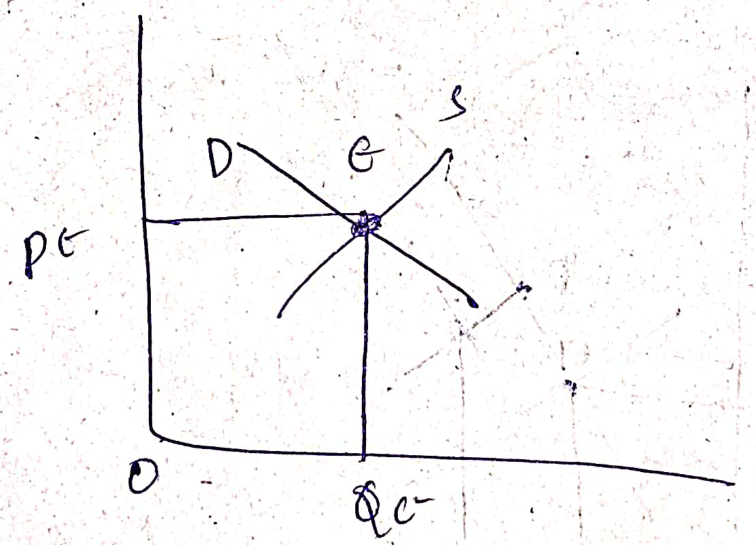


Excess demand and Excess supply

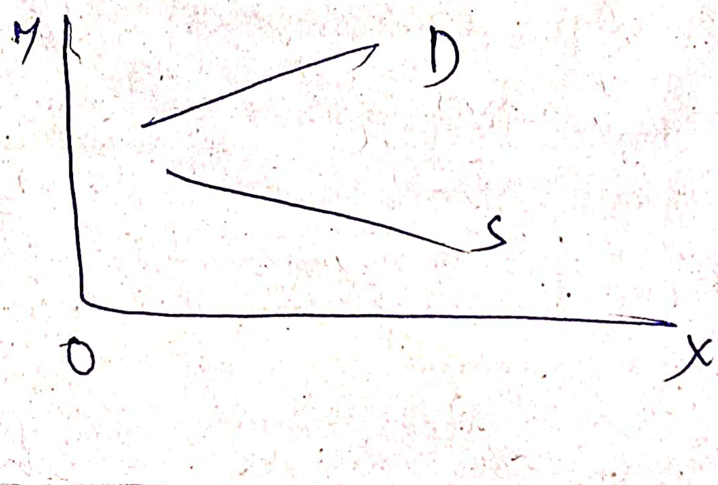


Variable industry :-

(i) demand = supply



(ii) Demand ≠ supply



Feautres of Monopoly :-

Monopoly :- The term monopoly is derived from two Greek words

- Monos
- Polis,

where monos = single and
polis = seller

⇒ Thus, Monopoly is a market structure in which there exists only a single seller or sole producer of the product, which has no close substitute

Ex:- State electricity board,
Railway owned by government

Feautres of Monopoly :-

1. Single seller
2. Absence of close substitute
3. Closed entry
4. Price Maker
5. possibility of price Discrimination

1. Single seller :-

* In monopoly market, there is only one seller to sell product called as monopolist

⇒ In this situation, the monopolist controlling the supply of a product.

⇒ Since there is only one seller, the changes the price in output then the output price will significant influence on the market.

⇒ Therefore, the pressure on the buyers

⇒ However, The number of buyers are large.

⇒ The seller must keep in mind a sout the buyer before any changes in output price.

Eg:- Railway ticket price.

2. Absence of close ~~ab~~ substitute :-

⇒ The second feature of monopolistic is that "monopolistic produces such as commodity with no substitutes". Which means no collaboration of third party

⇒ The goods which are used for each other and are available at nearly at same price called as close attributes.

⇒ If there are some other producers, who are producing close substitutes of the product produced by the monopolist, there will be competition among them of generator sets.

⇒ Monopoly will not exist there is an competation among in sellers. As such, the consumers will have to buy the commodity from the monopolist.

3. Closed Entry :-

⇒ There are some barriers (or) restrictions on the entry of new firms into the monopoly industry.

⇒ The closed entry may result from natural, legal (or) man-made restrictions

⇒ These restrictions may take several forms such as patient rights, copy rights, government laws, economics of scale etc.,

4. PRICE MAKER :-

⟶ A monopoly firm is a price maker (or price-setter)

⟹ It is the sole producer of product.

⟹ Monopoly represents a situation of a high market power.

⟹ A firm with market power Called price Ma

5. possibility of price DISCRIMINATION :-

⟹ A Monopolist may charge a single price for the product it sells or, in certain cases, it may ~~charges~~ charges different prices for its product from different set of consumers.

⟹ The latter is a case of price discrimination.

Ex:- Railway charges for transports a essential product at low cost compared to other.

Price and output determination under Monopoly :-

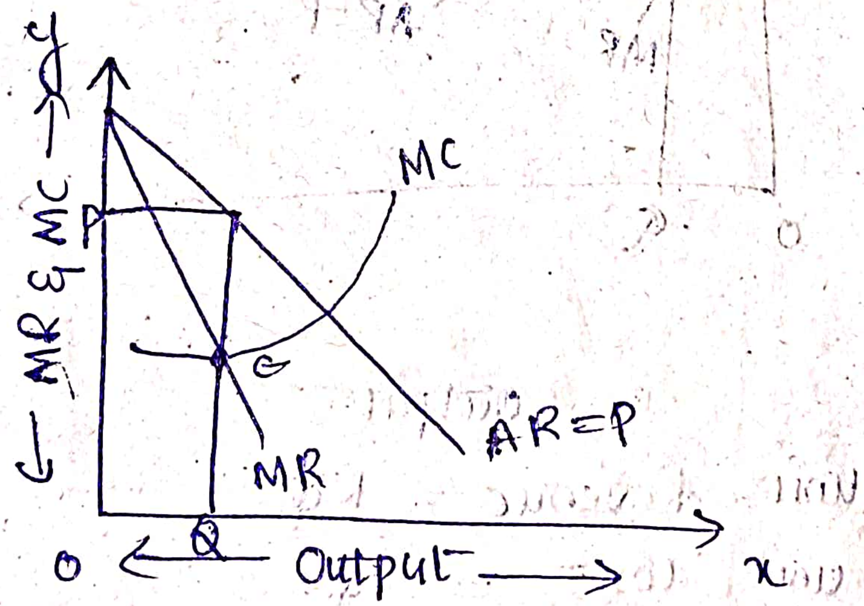
⇒ It is a situation in which firm gets Maximum profit

Monopoly
- Short Run
  - SNP
  - NP
  - ML
  - SPP
- Long Run
  - SNP

Equilibrium of firm :-

(i) MR = MC (Marginal Revenue = Marginal cost)

(ii) MC cuts MR from below.

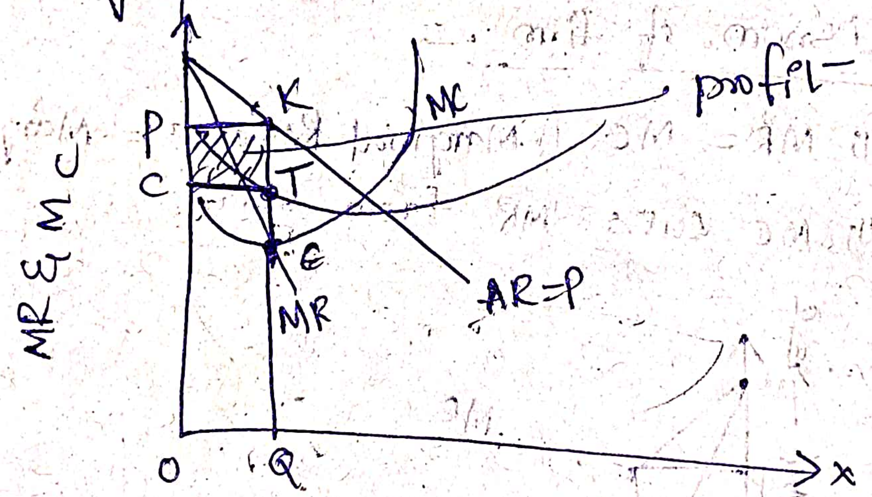


price & output determination in short Run :-

In short run, It cannot depends on the factors such as price, variable, Quantity. If Quantity is Required more then it doesnot work. It is an limit of Quantity

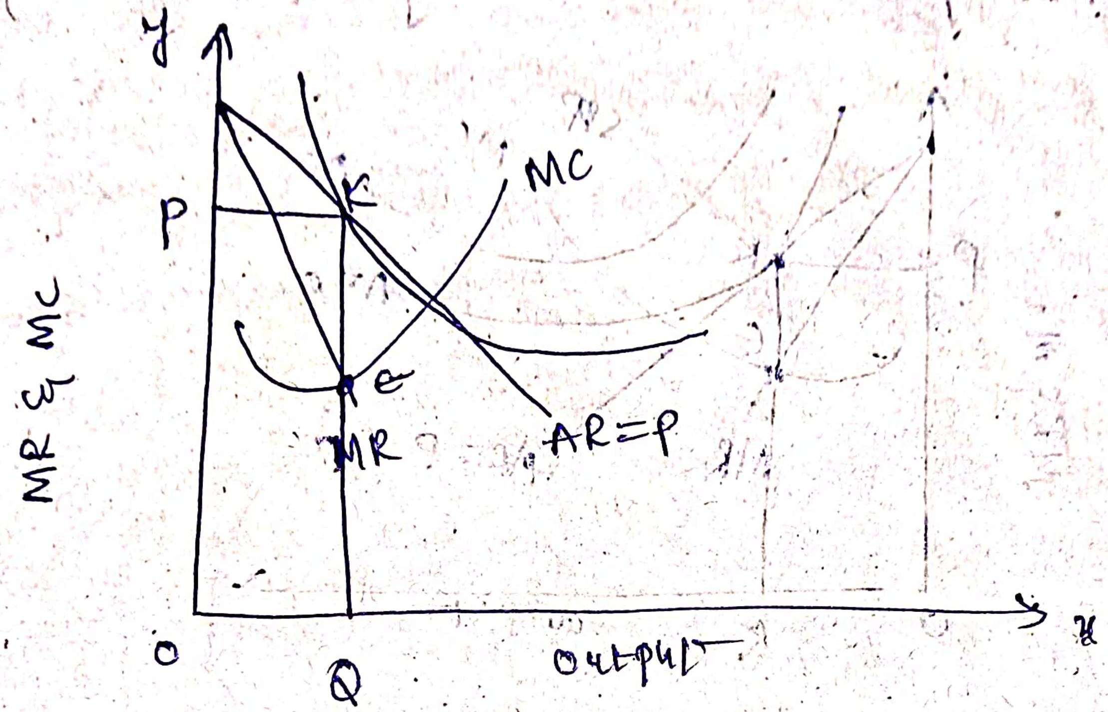
(i) Super normal profit (SNP) :-

It is a situation in which Avarage revenue > Avarage cost



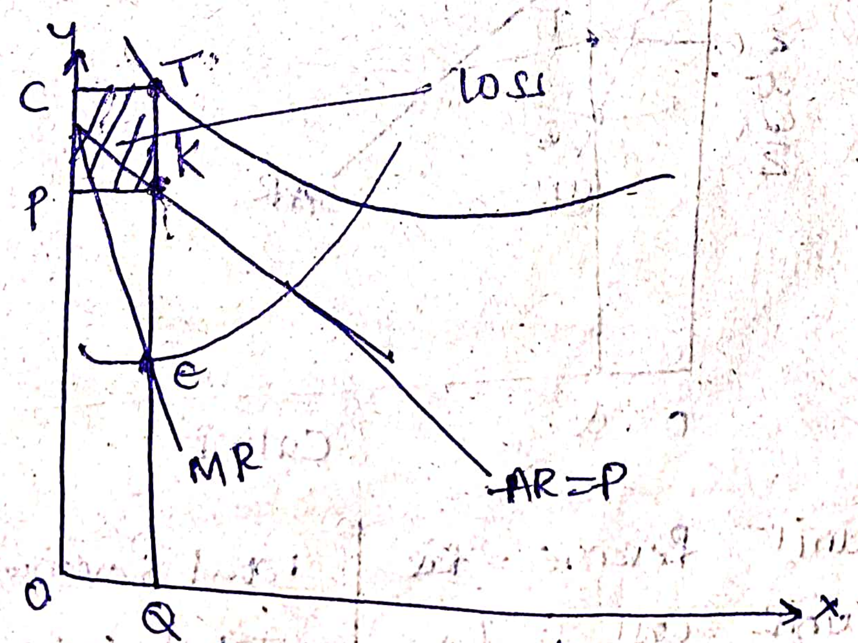
Unit Revenue = KQ
unit cost = TQ
unit profit = KQ − TQ = KT
Total Revenue = OPKQ
Total Cost = OCTQ
Total profit = OPKQ − OCTQ
= CPKT

(ii) Normal profit :- AR = AC:



~~Output~~ unit Revenue = KQ,	Total Revenue = OPKQ
unit cost = KQ	Total cost = OPKQ
profit = 0.	profit = 0

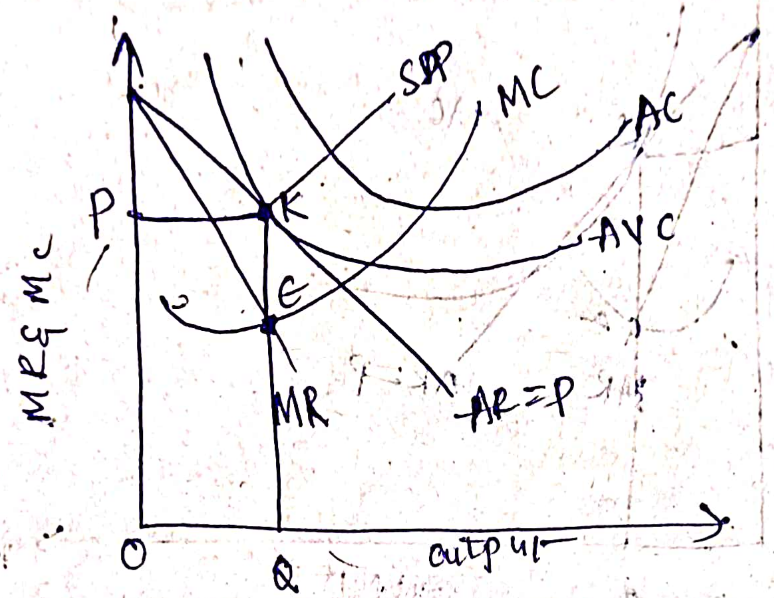
(iii) ~~More~~ Minimum loss :- AR < AC



unit Revenue = KQ	Total Revenue = OPKQ
unit Cost = TQ	Total cost = OCTQ
profit = KQ - TQ = TK	profit = PCTK

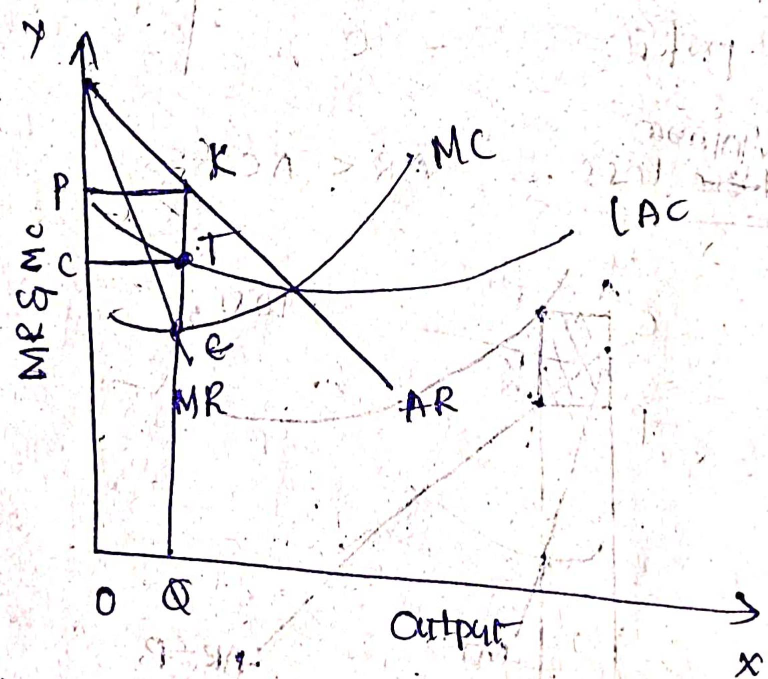
Shut down point :- AR = AVC

(Avarage Revenue = Avarage variable cost)



long Run (SMP) :-

Avarage Revenue > long term Avarage Cost



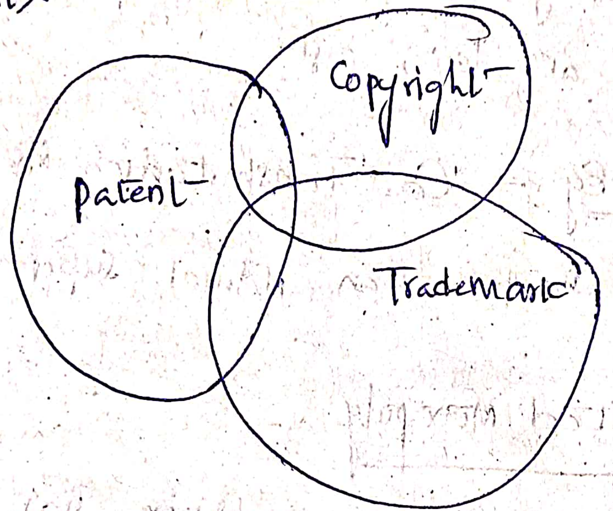
unit Revenue = KQ
unit Cost = TQ
unit profit = KT

Total Revenue = OPKQ
Total cost = OCTQ
Total profit = PCKT

Types of Monopoly :-

Monopoly may be classified into various types.

1. legal Monopoly :- legal Monapoly is a single seller in which ~~he this~~ seller must depends on copyrights and Trademark.



2. private Monopoly :- It is an single seller in which the seller is an private owner / private company

Eg:- Tata, Toyato, Hundi

3. pushic Monopoly :- It is an single seller in which it ruled and owned by government

Eg:- Government schools, Railway sector.

4. Natural Monopoly :- ~~(It is an single seller in which he sells an product according to seasonal change.)~~

A Natural Monopoly is a Market where single seller can produce their entire Output at lower cost

Eg :- Coal Transportation in Railways is cheaper than Normal super fast Trains

5. limited Monopoly :-

if the Monopolist has the limited rights to change the product cost / has limited rights to fix product cost, called limited monopoly.

Eg :- Engineering college fees.

6. unlimited Monopoly :-

if the Monopolist has the unlimited rights to fix the product cost called unlimited Monopoly.

Ex :- Doctor opin private hospital

7. Single price Monopoly :-

If monopolist collects the same price for the same product called single price monopoly

Eg:- Thumbsup, Sting, Sprite, Santoor, Dabur red paste

8. Discrimination Monopoly :-

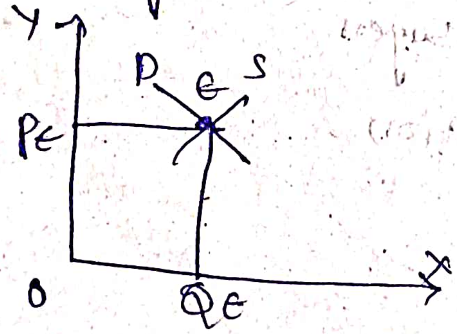
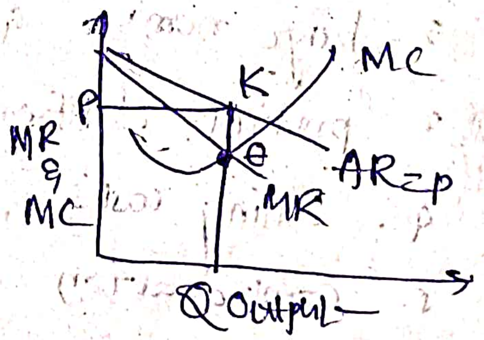
If Monopolist collects different prices to different buyers with same product called as Discrimination monopoly

Eg:- An Pan card agent takes 250 rupees from Rich kid and 150 Rupees from poor kid

Characteristics of Monopoly :-

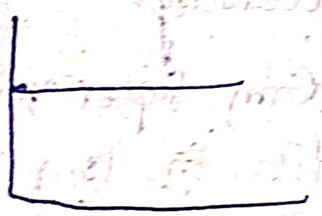
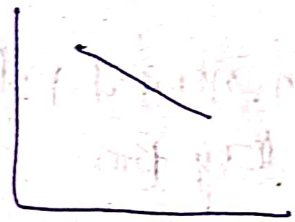
1. large number of sellers
2. large number of buyers
3. product differention
4. selling costs
5. Competation
6. Transport cost
7. Free exist and entry
8. Imperfect knowledge

Difference between perfect competation and Monopoly :-

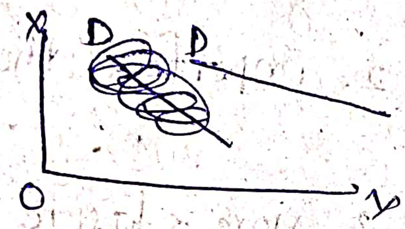
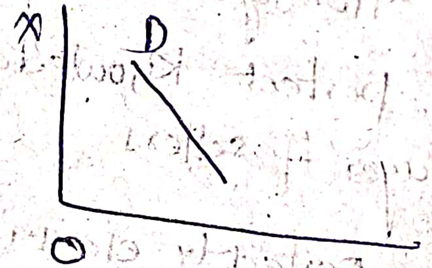
Perfect Competation	Monopoly
1. Homogenous product	1. May be or may not be homogeneous
2. Consists of large number of sellers and buyers	2. Consists of large number of buyers and single seller
3. Demand Curve is perfectly elastic	3. Demand Curve is less elastic
4. Price taker	4. price maker
5. prices are comparatively low	5. prices are compertievely high
6. Equalibrium level of output is more than monopoly	6. Equalibrium level of output is less than ~~MON~~ perfect Competation
	
7. Supply curve exists	7. Supply curve does not exists

8. Normal profits in long run	8. Super normal profit in long run.
9. Resources are optimally utilized.	9. Resources are not optimally utilized.

Perfect Competation vs Monopolistic competation :-

Perfect competation	Monopolistic competation
1. Homogeneous goods	(1) Differentiated goods
2. perfect knowledge to buyer & sellers	2 imperfect knowledge
3. perfectly elastic demand curve 	3 More elastic demand curve. 
4. prices are lower than monopolistics	4. Higher prices.
5. Equalisrium output is more	5. Equalisrium output is less than perfect competation.

Monopoly vs Monopolistic

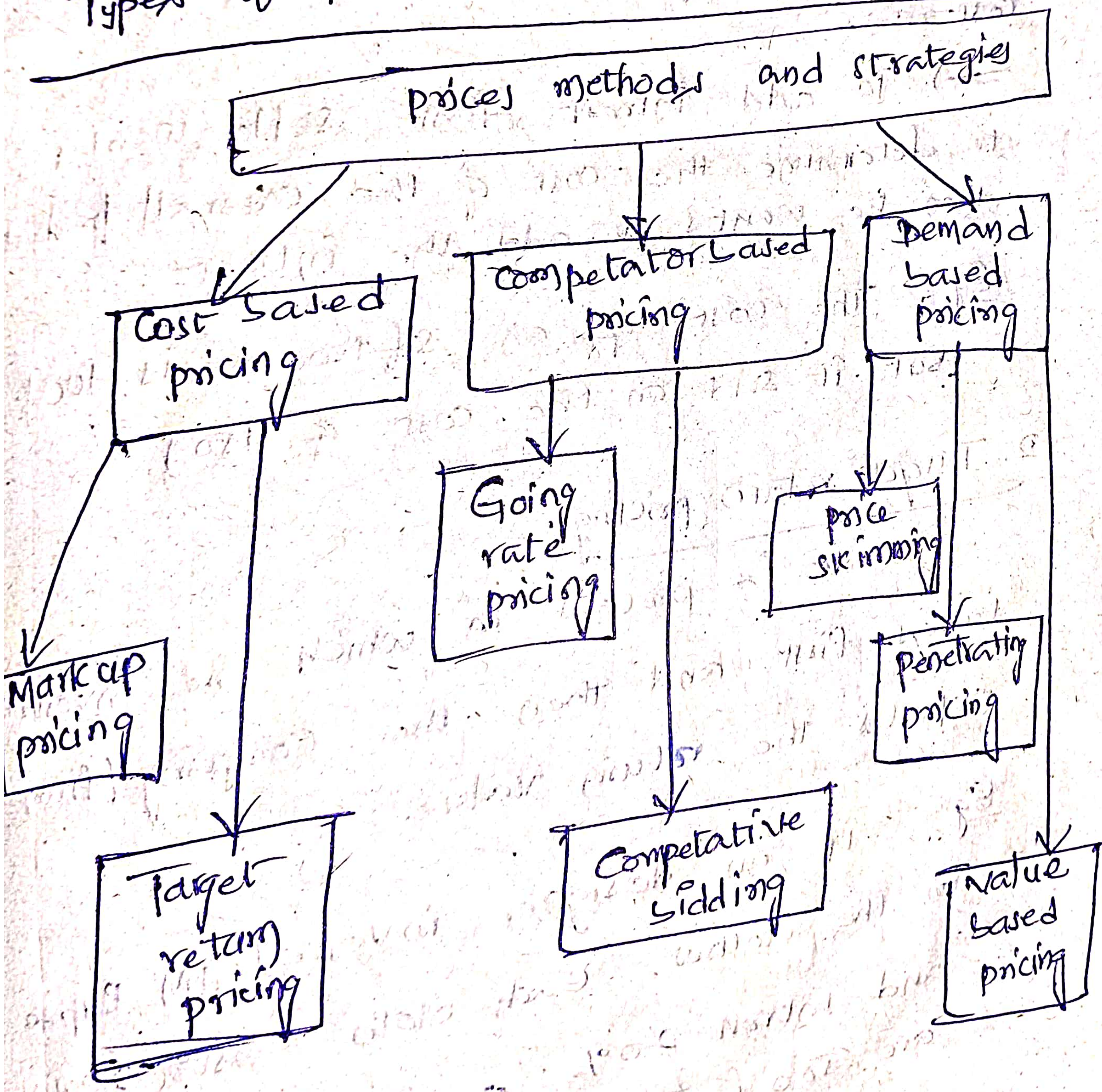
Monopolistic	Monopoly
1. Goods are hetrogeneous	1. Good are may (or) may not be homogeneous
2. Large number of sellers	2. only one seller
3. Demand curve is More elastic 	3. Demand curve is less elastic 
4. Dominance of selling cost	4. selling cost is not neccessary
5. Earn normal profit in long Run	5. Earn Super normal profit in long Run

Pricing methods and strategies :-

Pricing :-

Pricing is the process the fixing the value that a suger can buy the product in exchange of services and goods.

Types of prices methods and strategies :-



Cost based pricing :-

It is the process of setting the price of goods / services based on cost.

1. Markup pricing :-

It is the process of adding a certain percentage of a mark to the cost.

⟹ To add intrest first seller wants to determine the cost of the overall product then he wants to add the intrest.

Eg :- The cost of an software is 100$ but it sold on the cost of 150$

2. Target return pricing :-

It is process in which the investment takes first and then the company / firm expects the return value

Eg :- if an designer invested 1M Rupees on the clothes, Each cloth cost 2000 and intrest 20% and expected units are 500. Then

$$\text{output} = 2000 \times (0.2 * 1000000) / 500$$

$$= 2400$$

Competator based pricing :-

It is the process in which investing the money among the competators

1. Going rate pricing :-

⟹ It is the process adopted by the company to make the rates according to the market. ~~among the Competator.~~

⟹ Set an value in line with the price of competator

⟹ In sometimes set a value depending on the feauters, Quality of the product

⟹ product are homogenous and donot vary in design.

Eg:- Shirt value on Malls and shops

2. Competative bidding :-

⟹ It is called proposal to another firm

⟹ if an company / Government, Organization required large amount services then they proposals to the other company and collabrate with them.

Eg :- For building power plants offering Telecom services and privatilization of airlines etc.,

Demand based pricing :-

⇒ There are any fluctuations in custom demand and adjusting the pricing called a 'Demand based pricing.

1. price skimming :-

⇒ It is the process of setting high price bef other competators coming into the market

⇒ It is on new product which has no competation.

Eg :- An AI smart farming air drones are solds at higher prices.

2. penetrating pricing :-

⇒ It is the process of making low price at first to the product

⇒ if the customer attention to buy product then even if we high the price there is an chances to buy the product

Eg :- Disney + hostar in starting set a subscription price 399 rupees in India which is far below netflix

3. value based pricing :-

→ It is the process of making a customer perceived value

Eg:- Hotel Taj charge high price from the customer and gives 100% best-value

Business + new Economic enviornment :-

1. Characterstics of business :-

Business :-

Business is an activity of which a transaction takes place called as exchange of goods and services.

Characterstics of business :-

1. Entreprenuer :-

→ It is an person who can identify the potential of a market for a product (or) services.

⇒ It is a person establish the business by arranging the several factors of production

2. Economic activities :-

Business involves several Economic activites like purchasing the goods and produc distribution etc.,

3. Exchange of goods and services :-

For profit in a business, There is an exchange of goods and services must takes place.

4. profit motive :-

It is the prime concern of business in which, the business is started to get profit.

5. Continuty of Transaction :-

Business can be progressed through continutity in transaction

6. Risk and uncertainty :-

→ In business it consists of more Risk and uncertainity which includs

→ Technical issues.

→ labour problems

→ goods problems

→ delay.

7. creation of utility :-

The product creation must satisfy the customers

8. Financing :-

Financial support is neceessary for setting up infrastructure and running business smoothly. no business can be thought of without finance

9. consumer satisfaction :-

All Business must satisfy customers demand. if a consumer is not satisfied by the product (or) services he may switch to other brand of product.

Imp. Forms of Business Organization :-

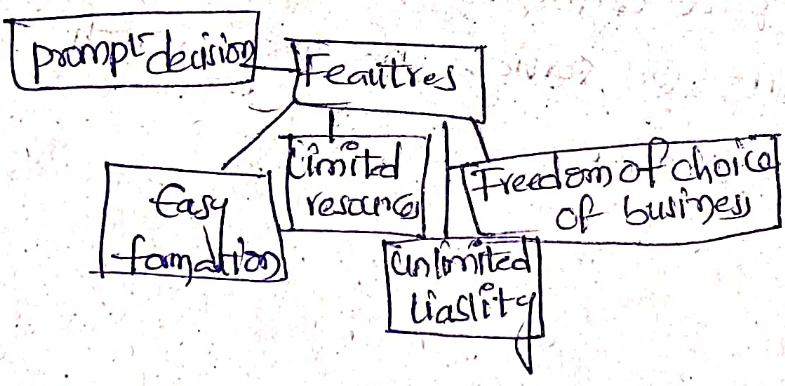
1. Sole-trader (or) proprietorship
2. partnership
3. Join stack company

1. Sole trader (or) proprietorship :-

Sole trader :- sole means single and trader means business man.

⇒ It is an simplest, oldest and natural form of business Organization.

⇒ It is also called as sole proprietorship



1. Easy formation :-

⇒ Sole trader business easy to build up.

⇒ There is no any formal legalities requir to start up the business.

⇒ The people who has perfect knowledge about market can startup the business

Eg:- Kirana shop, Supermarket, e-commerce Net shop etc,

2. limited resources :-

=) Sole trader is an single bussiness man in which he can control only a few resources.

=) Ex:- Selling petrol at Kirana shop.

3. unlimited liability :-

=) Since, Having a single, sole trader he has unlimited responsibility to cover the business in profit zone.

Ex :- purchasing petrol at 112₹/L at petrol bunk and selling 140 ₹/L

4. Freedom of choice of the business :-

=) Being a sole trader, Having no legal responsibilites the sole trader have choice of choosing an different business

Ex:- A person selling coconut water but due to some losses he changes selling fruits which has freedom of choice.

5. prompt decision :-

=) Being an sole trader, He can take prompt decisions called independent decision to run up business.

Ex:- If bussiness is in loss, then he reduce the price to complete the resources

Advantages of sole trader :-

1. Easy to form :-

Being an sole trader, who has no legal permissions to start-up an business. So he can form an business easily.

2. Easy to close :-

Sole trader business is in loss stage (or) any other situations are facing the sole trader can have Right to close the busin

3. Maintaining of secrets :-

Being a sole trader he only maints the full security of the business. So, he wants to make his trade secrectly and have to implement an new idea on business

4. Tax benifits :-

Sole trader can enjoy the tax benifit there is no distinction b/w house income and business income

5. Quick decision :-

Being an boss of the bussiness he can take any decision immediately.

6. Personally contact with customers :-

A sole trader is an single bussiness man who has to manage all the customers. He has to contact with customers personally.

7. Independent living :-

Sole trader has full freedom in Employment

8. Reduction in unneccessary expendature :-

if the business is in loss then the sole trador wants to reduce his expendature on personal things.

Disadvantages of sole trader :-

1. Limited Capital (or) limited money :-

Being a sole trador, he only can contribute to expand the business

2. Limited borrowing Capacity :-

The sole trader is an single person who has limited capital so, he can buy limited resources.

3. Limited Manageral skills :- A group of persons can have more skills than compare to single person,

4. Unlimited liability :-

Being an single person, he ha high amount of responsibilities.

5. No division of labour :-

Being an single person, he can only do the business. there is no labour

6. No perpetual existence :-

The life of business depends on sole trader life. if sole trader expires then the business wants to shut down.

Partnership firm :-

In sole-trader business consists of a single business who has more responsibility on the business which can make high pressure to overcome these disadvantage, In 1932 Act it is legal to make, combine a group of peoples to startup a business together.

→ They have to make an legal documentation and agreed to how shares are to be shared

⇒ In partnership business combined all are called as partnership and individual is called as partners.

Features of partnership firm :-

1. Agreement :-

There must be an legal written or oral type of document between the key features like shares, some other activities

2. presence of business :-

A partnership is a form of business organization. The group of people are making an business.

3. Sharing of profits :-

The group of ~~seniors~~ peoples are start business because of getting profits. It is Main object of business.

4. Unlimited liability :-

Each partner has the high amount of responsibilities of the debits of the firm.

5. Dual Role of principal and agent :-

A partner acts of both principal and agents

⇒ An agent make some instruction to grow up company and its followed by other mates

⇒ As an principal he wants to follow the instructions made by other mates

6. Number of members :-

→ For Making a partnership business the minimum people = 2

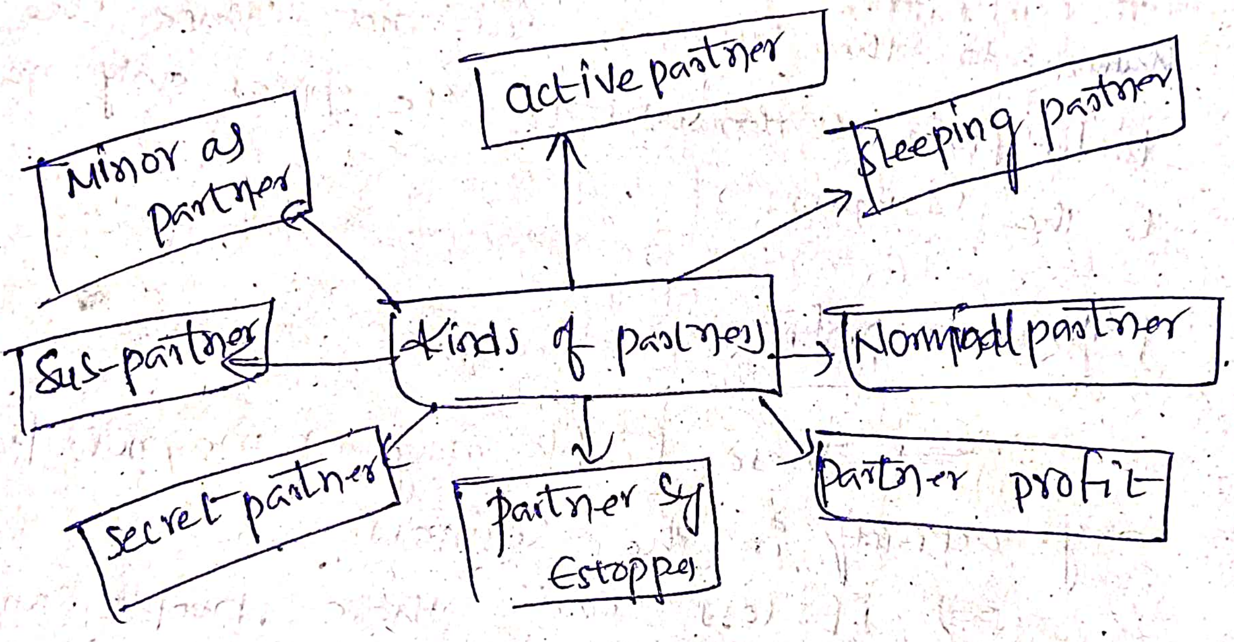
⇒ The Maximum people = 20

⇒ For Banking = 10. (Maximum)

7. Restrictions on transfer of shares :-

A partner cannot transfer his shares to the outside people without the permission of other partners in the firm.

Kinds of partners :-



1. Active Partner :-

⇒ He is actively participate in business, He takes more responsibilities on firm like getting projects, talking with third parties about company

→ Infact, Active partner may (or) may not be spent money on company.

⇒ He takes responsibilities to develop a company

Sleeping partner :-

⇒ It is quite opposite to active partner

⇒ He is an only member in the Comp but can't do any work. He gives only capit

Nominal partner :-

These are the partners who gives his name to the business but not have the profit/loss contribution. He gives only name to the business.

partners in profit :-

⇒ These people may (or) maynot perfor any activity in the business

⇒ if loss come these people can't responsible to pay a single rupee

⇒ They only take profits !

Partner by Estoppel :-

A person who is going a gesture / perform actions like a partner in the company. But actually he is not a partner in the company.

Secret partner :-

He is a partner, He gets an business information, shares etc., but he's name, face can displayed to any other people.

Sus-partner :-

A partner who takes advices, capital from other person apart from the company partners are called sus-partners.

Minor as partner :-

A person who has the less impact on susiness are called as Minor as partners

Advantages :-

* Easy to form :- company is formed easily sy legal documentation, capital, land

* Larger resources :- Having more partners are responsible to take large amount of resources.

* Flexisility :- It is more elastric. It depends on the contrisution of partners money

* promptness :- The partner decision is not final they want to discuss and implement

* Balance judgement :-

The decision are taken sy the partners are to be salanced

6. **Reduced risk** :- If company in loss then it shows impact on all partners, not on single pe[rson]

7. **Greater Managerial skill** :-

Having more partners, Each partner has his own thinking ability.

Disadvantages :-

(i) Unlimited liability :-

In case of loses, the partners will not lose their business property but creditors can claim over their personal property to settle their debts.

(ii) Conflicts (సంఘర్షణలు) :-

Partners may form different attitu[des] towards different situations. if an partner makes an rigid attitude, then it may leads to conflict among partners.

(iii) lack of continuity :-

Existence of partnership firm gets affected by the death, insolvency (or) incapacity of any one partner. A partner can demand dissolution of the firm any time he/she desires.

(iv) Lack of public Confidence :-

partnership suffers from lack of public confidence because it is not required to publish its accounts legally

Join stock Company :-

The join stock company Act in 1956, According to these ~~Company~~ law ," Join stock company is a business Organization created by law, having a seperate legal entity with perpectual sucession and a common seal is called as a join-stock company."

=) A joint stock company is a voluntary Organization of individuals for profit, having its Capital divided into shares.

Types of Joint- stock companies :-

1. Chartered Companies
2. Statutory companies
3. Registered Companies
4. Companies limited by shares
5. Companies limited by guarantees.
6. unlimited Companies

7. public limited companies & private limited companies

8. Foreign companies

9. Holding companies

10. undertaking companies

Formation :-

Promotion → Registration → Capital subscription → Commencement of business

promotion :-

* Some people join together with the aim of starting a company and are called as promoters.

* promotors collect all the information needed for the formation, promotion and financial requirement of the business.

* They also prepares documentation required for the formation of the company such as Memorandum of Association, Articles of association, prospectus for Registration

⇒ All, the documents are submitted to the registrar of companies for registration

⇒ promotors also follow up the process to get the certificate of incoporation.

Registration :-

⇒ For public companies, a name has to be choosen which should not be identical to any existing company.

⇒ The promotors then need to submit the requistion letter along with all necessary documents and prescribed fees to the Registrar.

⇒ The Requisition letter must contains

- proposed name of the company
- Name & address of the first seven Directors.
- Consent to act as first director
- Two witnesses
- The documents must be signed by the all seven directors
- Countersigned by
  (i) CA person
  (or)
  (ii) Supreme Court Advocate.

→ The registrar of companies checks all the documents throughly and upon satisfication issues a certificate of incoporation

→ The documents are

- Memorandum of Associatian
  - ↳ Contains
    - ↳ aims and objectives of company
    - ↳ different types of shares
    - ↳ ways of subscription
- Articles of Associations
  - ↳ contains rules & regulations regarding the administration of the company

→ once the certification of incoporation is recieved then the directors gives the prospects to the public.

Capital subscription :-

Ikada point -

Commeement :-

→ An private company cannot leave an prosceptes and cannot issue.

→ A public company cannot commence ment of business by J2 capital of money

⇒ Another certificate required for the public company is certificate to commence the business

Merits :—

→ The liability of ~~State~~ share holders is limited
→ There is no limit for share holders which assure possibility of raising more capital.
→ The shares are freely transferable which encourages people to invest their Money
⇒ Death (or) insolvency of any director does not lead to the dissolution of the company, rather than its perceptual succession
⇒ There is large capital investment and Managerial ability which helps in large scale business running.
⇒ The large scale production ensures goods to be produced at lower cost and can be sold at comperative cost
⇒ gives large amount of Employement
⇒ Contribution for economic development to the nation by paying taxes, rates and duties to the government
⇒ The administration is carried out by the experts.

Demerits :-

⇒ The formation process is lengthy, expensive, difficulty and cumbersome.

⇒ The share holders, are the actual owners but they donot take active part in the company affairs.

⇒ A large number of share holders donot even attend the general body meetings.

⇒ There is no personal contact between the owner and the workers.

⇒ limited liability may sometimes lead the directors to take wrong decisions.

⇒ At sometimes join stock company even try to control the government.