

# **MICROECONOMICS**

***(BCS 2002 & BSE  
2002)/BA]***

**SPRING-2024**

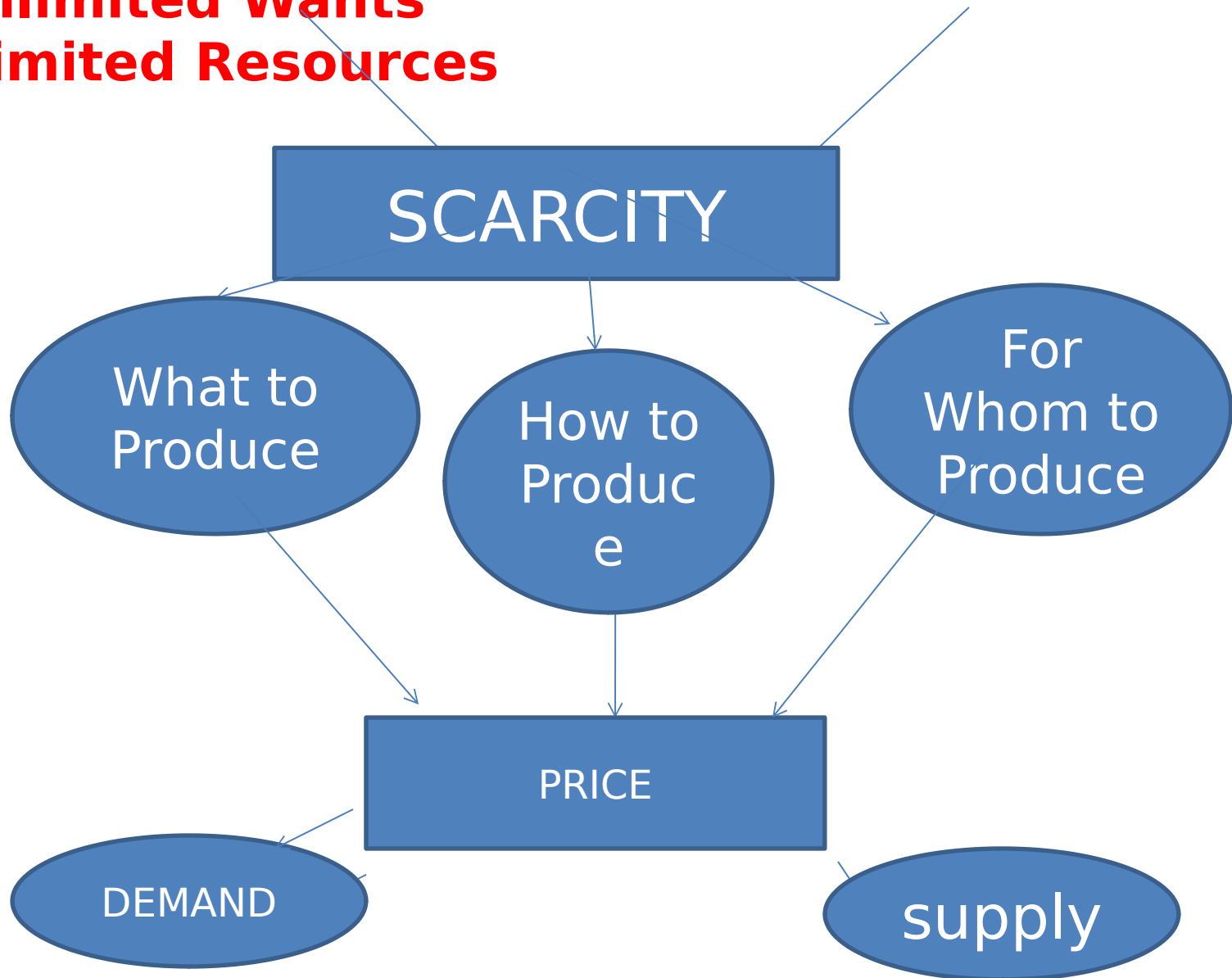
**Dr. S. Ghiasul Haq**

**[ghiasul786@gmail.com](mailto:ghiasul786@gmail.com)**

# **(C) DEMAND AND**

# **SUPPLY**

**Unlimited Wants**  
**Limited Resources**



**LECTURE-7**  
**DEMAND**

**Lecture 7(i)**

- **Demand and Law of Demand**
- **Demand & Inverse Demand Function**

**Lecture 7(ii)**

- **Demand-Change and Shift in Demand**
- **Determinants of Demand & Full Demand Function**

**Lecture 7(iii)**

- **Price Elasticity Demand**
- **Income and Cross Elasticity of Demand**

# ***Demand.....***

## ☐ **What is Demand?**

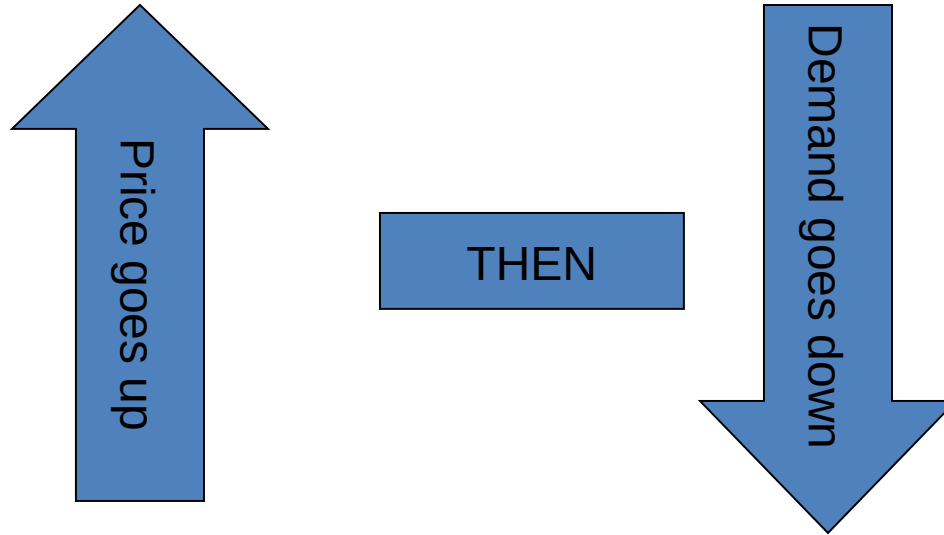
**Demand is willingness and ability to pay for a product**

## ☐ **What is Law of Demand?**

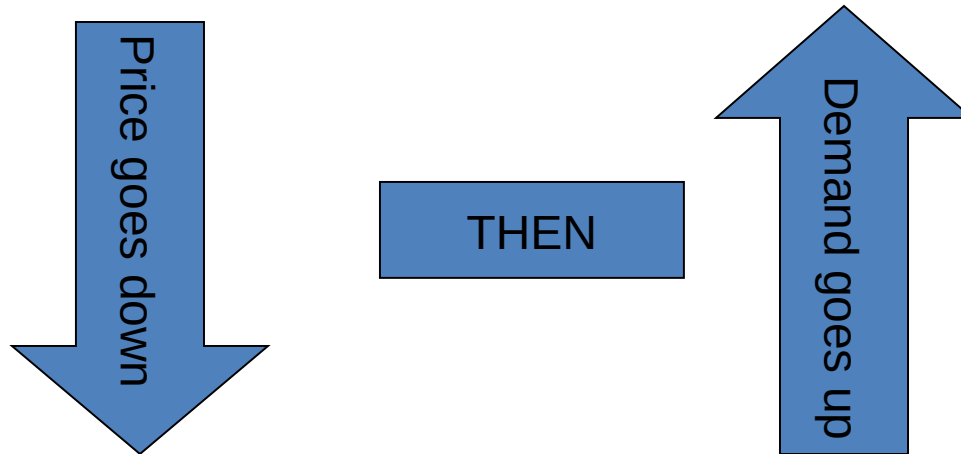
**Other things remaining the same, there is an inverse relationship between the price of a good and quantity of demand/the quantity buyers are willing to purchase in a defined time period.**

# Law of Demand

Part 1. As **PRICE** increases, **DEMAND** decreases



Part 2. As **PRICE** decreases, **DEMAND** increases

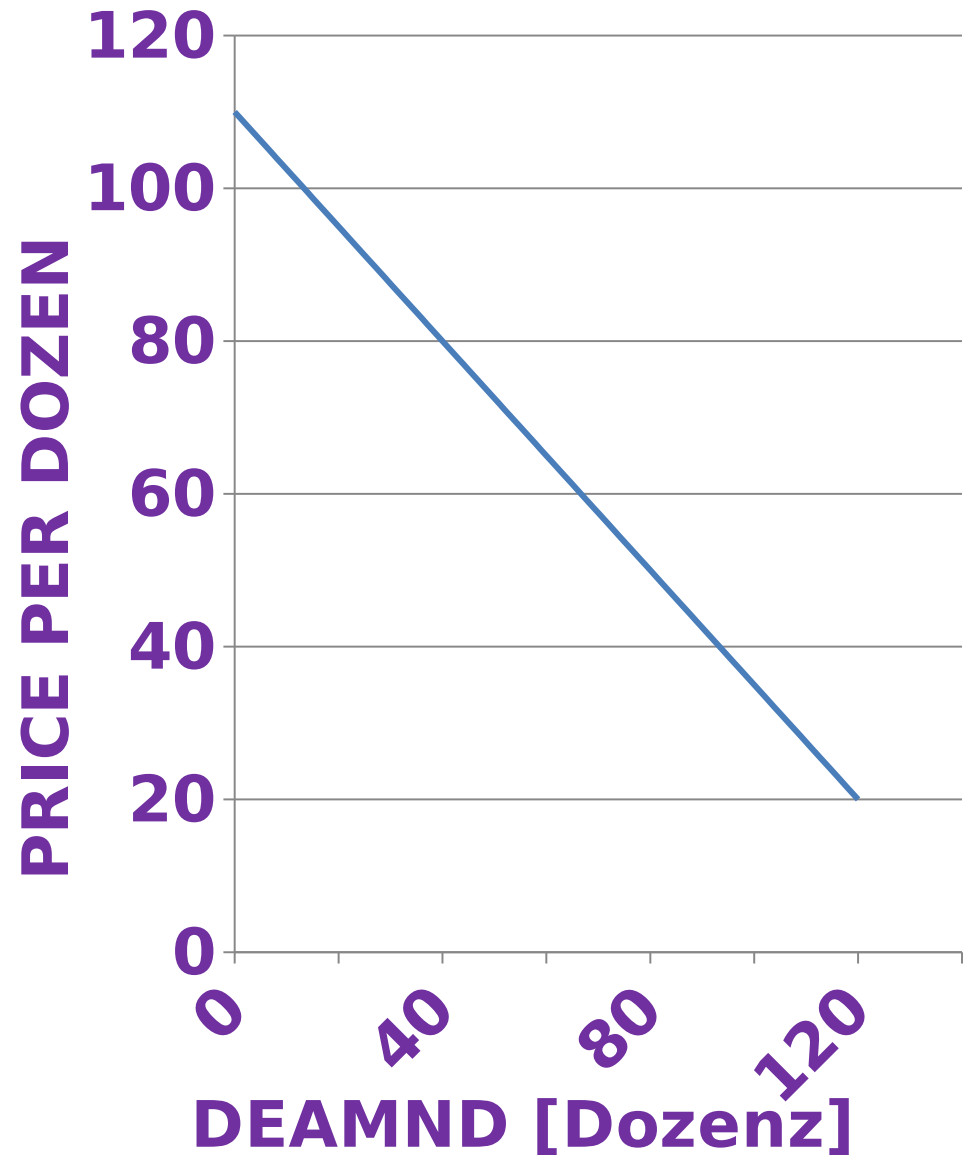


# ***Demand.....***

## **DEMAND SCHEDULE FOR COMMODITY X**

<b>QUANTITY DEMANDED</b>	<b>PRICE PER DOZEN (Rs.)</b>
<b>120</b>	<b>20</b>
<b>100</b>	<b>35</b>
<b>80</b>	<b>50</b>
<b>60</b>	<b>65</b>
<b>40</b>	<b>80</b>
<b>20</b>	<b>95</b>
<b>0</b>	<b>110</b>

## **DEMAND CURVE**



## Demand Function & Equation..

- **Demand is the function of Price where Price is Independent Variable and Demand is Dependent Variable.**

- **Demand Curve -Algebraic Equation:**

$$Q_d = a - bP \quad [\textit{General Form}]$$

$$Q_d = 50 - 2P$$



# Demand ....

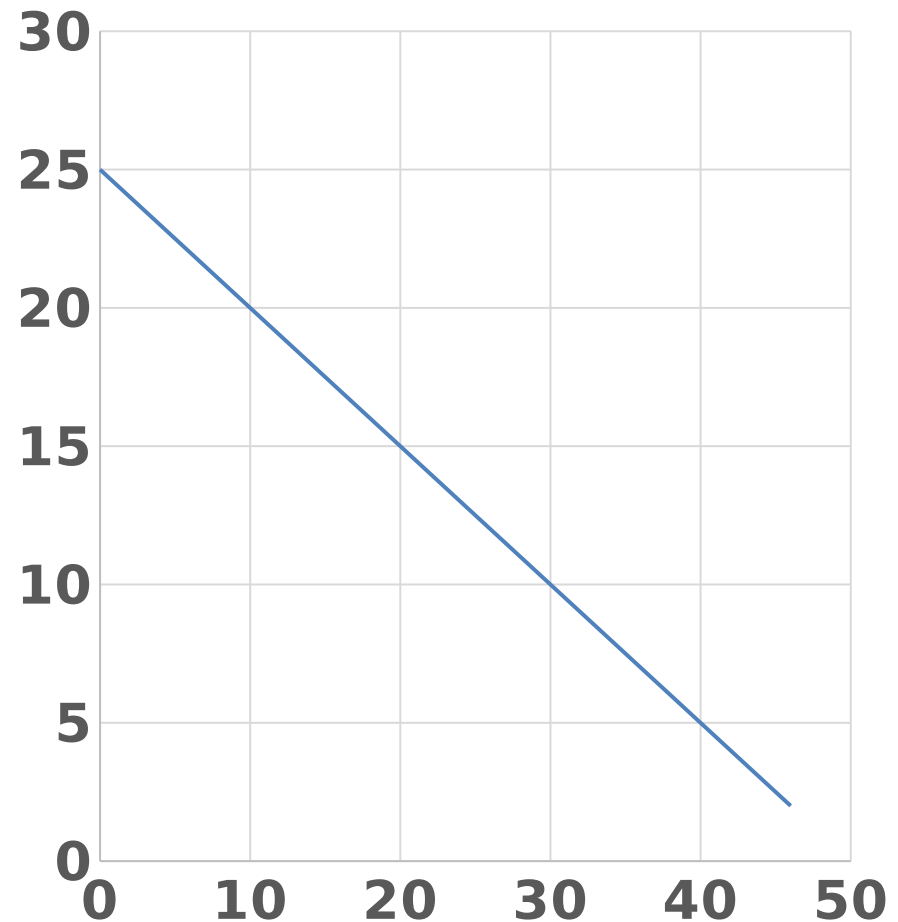
## DEMAND EQUATION

$$Q_d = 50 - 2P$$

### Derived Demand Schedule

	Demand	Price
1	46	2
2	42	4
3	38	6
4	30	10
5	10	20
6	0	25

Demand Curve [ $Q_d = 50 - 2P$ ]



# ....MARKET DEMAND

- The **market demand curve** for good  $X$  includes the quantities of good  $X$  demanded by *all* participants in the market for good  $X$ . The market demand curve is the **horizontal summation** of all individual demand curves.

• Sin

only

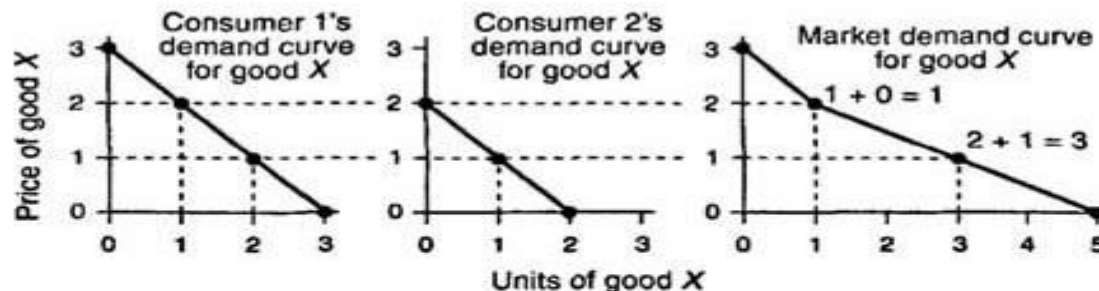


Figure 1

Derivation of the market demand curve from consumers' individual demand curves

# Inverse Demand Function

In economics, an inverse demand function is the mathematical relationship that expresses price as a function of quantity demanded (it is therefore also known as a price function).

$$Q_d = 50 - 2P \quad [\text{Demand Function}]$$

**The Inverse Demand Function will be:**

$$2P = 50 - Q_d \quad \text{and} \quad P = 25 - 0.5Q_d$$

**Help to find the price to achieve a Target Sale (create Demand) e.g. Create Demand of 30 the P would be**

$$P = 25 - 0.5 \times 30 = 25 - 15 = \text{Rs.10 per Dozen}$$

**TO BE CONTINUED as  
LEC-7(ii)**