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SUBJECT:

Introduction to Economics

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Submitted to:

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Roll No:

205

Class:

BS Computer Science III

Q No 1:

Consumer Behaviour

• **Utility**

Ability of anything
which can satisfy human want
is called utility.

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- Utility should always be produced
- Utility have different types.
 - Total utility
 - Marginal utility
 - Zero utility

Units Apple	Total utility (TU)	Marginal utility (MU)
1	8	8
2	14	6
3	18	4
4	20	2
5	20	0
6	18	-2

→ The unit of utility is util.
Marginal utility

It is given as

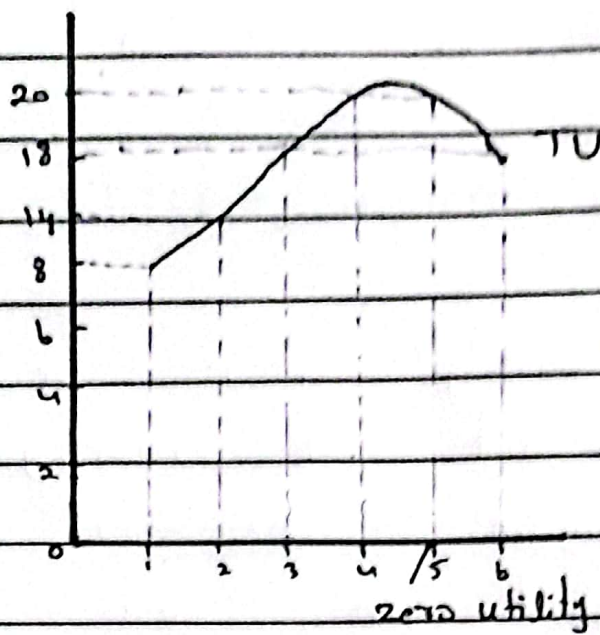
"Per unit change in
total utility".

Zero utility:

When there is no
change in total utility.

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$$MU = \frac{\Delta TU}{\Delta Q}$$

Cardinal Approach

Law of Diminishing Marginal Utility

Other thing remaining same,
If a consumer increase the
consumption of a commodity,
the utility of every unit
decreases as compare to
previous one.

Assumption:

- Homogeneous commodity
- Taste remain same
- Income of consumer remain same
- Normal units

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• Consumption is continuous.

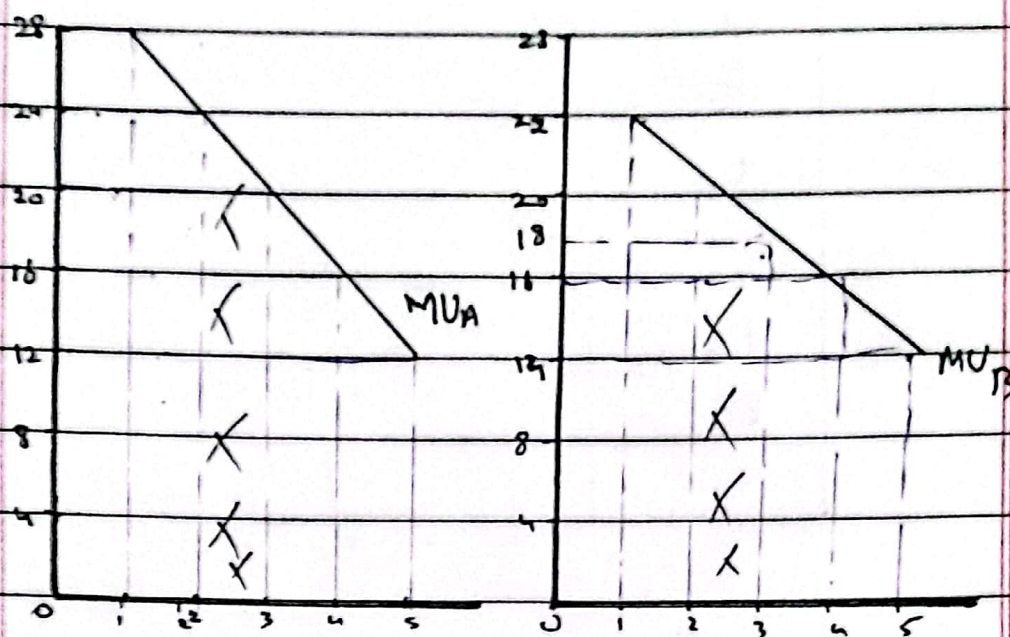
Law of Equi-marginal Utility

Total utility from a given amount of money is maximum when it is spent in such a way that marginal utility of money spent on each good is equal.

Units money	MU A	MU B
1	28	22
2	24	20
3	20	18
4	16	16
5	12	14

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Q No 2:

Law of Demand:

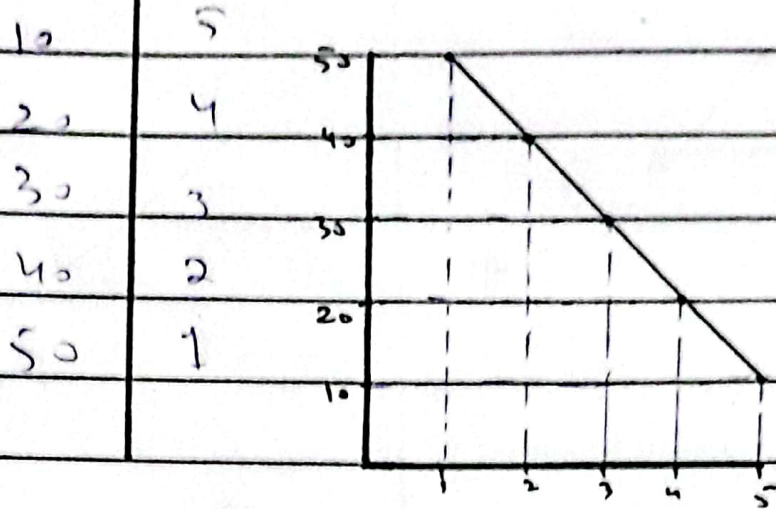
"If the price of a commodity increases then its demand decreases and vice versa."

→ other things remain same

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P	Q _d
10	5
20	4
30	3
40	2
50	1



Reason for Demand curve

There are a following reason for shift in demand curve:

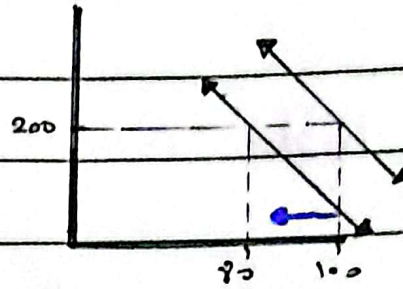
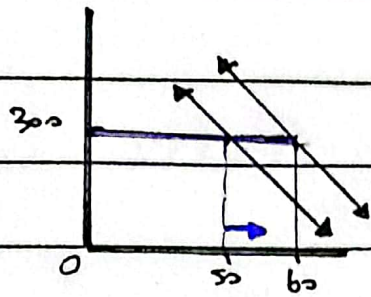
- Price effect
- income effect
- substitution effect
- Weather effect

Shift in Demand Curve

"Change in demand curve due to the factor other than price"

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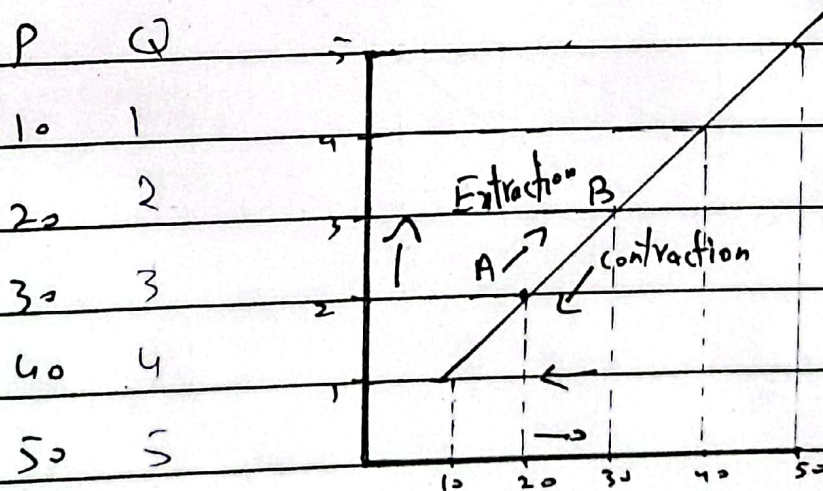


Law of Supply:

"Other things remaining same, if the price of a commodities increases its supply also increase and vice versa"

$$Q_s = f(P)$$

$$P \uparrow = Q_s \uparrow \text{ or } P \downarrow = Q_s \downarrow$$

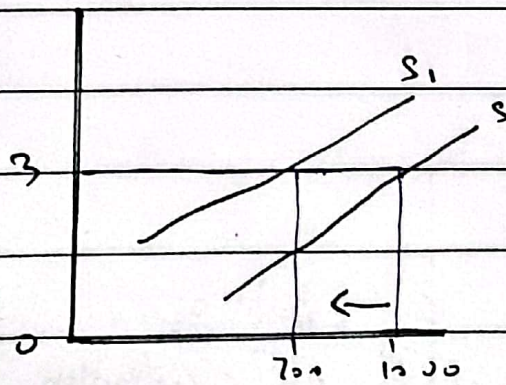
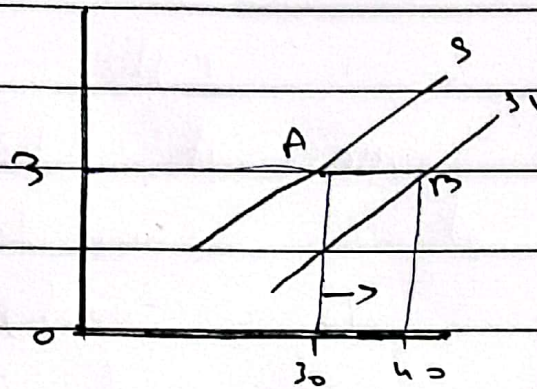


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Shift in Supply Curve

It depend upon
factor other than price.



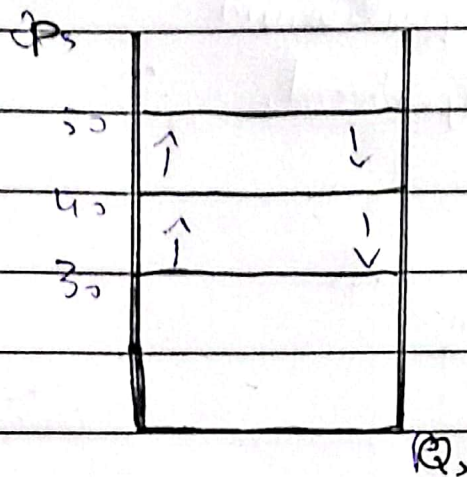
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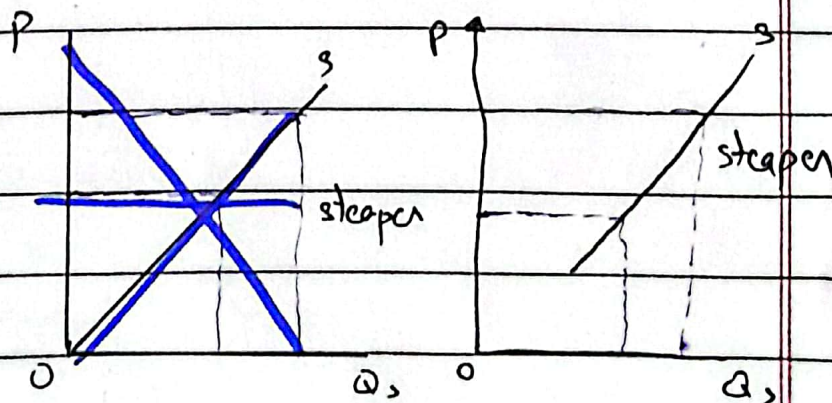
Types of Supply:

Market period supply

→ Day-to-Day Market

Short period supply

change in price is
more than change in
supply.



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Long period supply:

Key Features:

- Flexible input
- Entry and exit
- market equilibrium
- cost adjustment.

