***Subject: Business Economics***

***B.Com.-I***

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**Q.1** ***What Are The Basic Problem Of Economy.***

**Ans.** **Synopsis**

- **Meaning Of Economy**
- **Types Of Economy**
- **Meaning Of Economic Problem**
- **Why Does An Economic Problem Arise**

**Central Problem Of An Economy**

**Micro Problem** **Macro Problem**

- **Conclusion**

**Ans. :-** ***Meaning Of Economy*** **:- It Is The System Of Earning Livelihood It Is Related To Production And Exchange And Vary Essential In Satisfaction Of Human Want In Order To Perform All These Activity We Realise Some System Organisation Or Structure This System Or Structure Is Known As Economy**

**"An Economy Is A System by Which People Get A Leaving and Satisfy Their Wants."**

**A.J. Brown**

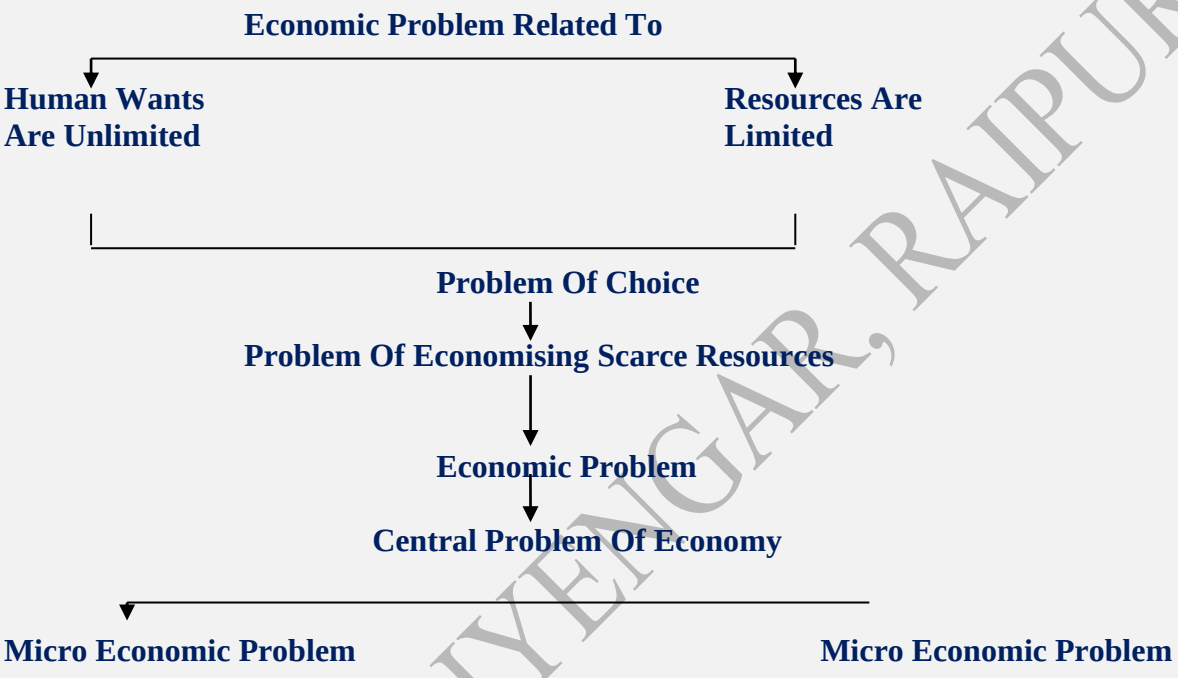
***Types Of Economy:-***

1. **Capitalist Economy Or Market Forced Economy**
2. **Socialistic Economy Or Centrally Plan Economy**
3. **Micro Economy**

***Meaning Of Economic Problem*****:- Due to *scar*city of resources the society is faced with the problem choosing among the multiple wants for goods and services for the satisfaction to which scarce resources are used thus we have the problem of allocation scarce resources to achieve maximum possible satisfaction of want it is knows as economic problem**

**Definition—Economic problem is concerned with the use of scarce resources among alternative human wants and in using these resources to words the end of satisfying wants as fully as possible**

**Prof. Left Witch**




1. **Allocation Of Resources**

**A) What And How Much To Produce**

**A)Fuller Utilisation**

**B) How to Produce**

**B) Problem Efficiency**

**C) For Whom To Produce**

**C) Problem Of Economic Growth**

**(A) <u>What and How Much To Produce</u>**

- **Problem Of Choice Between Various Commodities**
- **Choice Between Consumption (Sugar Cloth) Car Capital Goods (Machine Tool)**
- **Choice Between Private (T.V. Mobile) And Public Good (Roads 'Schools)**

- **Choice Between Civil (Cloth 'Shoes)**
- **As War Goods (Machine Guns Aircraft)**
- **Choice Between Mass (Bread 'Butter )**

**And Luxury Goods**

**How Much To Produce**

- **Determines The Quantity Of Goods To Be Produced**
- **Allocation Of Available Limited Resources**

**( B) <u>How To Produce:-</u>**

- **To Determine The Manner By Which The Goods Are Produces**
- **It Is The Problem Of Choice Of Technology**
- **Choice Between Capital Based Techniques Car Labour Intensive Techniques**

**(C) <u>For Whom To Produce</u>**

- **Decision Regarding Distribution Of Income**
- **Distribution Of Income Between**
  a) **Different Group Of Society**
  b) **The Present And Future**

**(a) <u>Distribution Of Income</u>**

**In Capital Economy – On the Basis Of Purchasing Power Of Consumer**

**In Socialistic Economy- - On the Basis Of Consumer Needs**

**(a) The Present And Future**

**Consumer Goods Are Produced By Labour Based Techniques For Present**

**Capital Based Techniques for Future Requirements.**

**<u>Macro Economics Problem</u>**

**(a) Fuller Utilisation Of Resources**

- **To Give Employment To All Resources (Land ' Labour)**
- **Fuller Utilisation Of These Resources**
- **Problem Of Efficiency**
- **Allocation Of Resources In Their Best Way(It Deals In There Aspects)**
- **Efficiency In Production**
- **Efficiency In Distribution**
- **Efficiency Of Allocation**

**a) <u>Problem Of Economic Growth</u>**

- **To InCrease Production**
- **To InCrease Production Capacity**
- **To InCrease Employment Level**
- **Output By Advanced Technological Encasement**

***Conclusion*--- The ultimate aim of the economy should be to make a choice in such a manner that the optimum production may be obtained from the scarce resource these economy solve their basic problem by price mechanism .**

***Q.2) What Do You Mean By Elasticity Of Demand Explain It Degree ?***

**Synopsis**

- ***. Meaning Of Demand***
- ***. Definition Of Demand***
- ***. Law Of Demand Meanings And Determinants***
- ***. Meaning Of Elasticity Of Demand***
- ***. Kinds Of Elasticity Of Demand***
- ***. Conclusion***

**Ans.--- Demand may be defined as the amount of the commodity purchased or desired by a person at a given paint place time a at a given price.**

| **Demand = Effective Desire + Willingness + Ability(Availability of means)** |
|---|

**Definition :**

**" Demand For A Good Is A Schedule Of The Amount That Buyer Would Be Willing To Purchase At All Possible Price At One Instance Of Timing".**

**By: Mayor**

**Increase**

**Decrease**

**Law Of Demand** -- **The Relation Between Price To Sales In Know As Law Of Demand According To This Concept The Law Of The Demand States That Higher The Price Lower The Demand And Lower The Price Lower The Demand And Lower The Price Higher The Demand In Other Weld Law Of Demand Shows The Inverse Relation Between Price And Quantity Demand**

P ---

P---

**Determinants / Factors Influencing**

1) **Price Of Commodity**

P

D

2) **Income Of Consumer**

**A)Special Goods**

**I ----- Qd**

**I ----- Qd -------Direct Relation**

**B) Inferior Goods / Giffin Goods**

**I ------ Qd**

**I ------- Qd ---------- Inverse Relation**

3) **Taste And Fashion ----**

**Change In Taste And Preference Qd**

**Change In Taste Preference Qd**

4) **Expectation Of Consumer About The Future Anticipation About Future Price**

**Fp Qd**

**Fp Qd**

5) **Advertisement And Publicity Effect**

**Advertisement Q D**

**Advertisement Q D**

**6) Price Of Related Goods**

**Related Goods**

**----------**

**Substitute Goods** **Complementary / and Goods**

**----------** **----------**

**X Or X** **X And X**

**X Price Y Qd** **X Price Y Demand**

**X Price Y Qd** **X Price Y Demand**

**<u>Meaning Of Elasticity Of Demands</u> -----**

**The Concept of Elasticity Of Demand Is Evolved By Pray J. S. Nil The Concept Of Elasticity Refers To Degree Of Responsiveness Of Quantity Demand Of A Commodity To A Change In any Of Factor Affecting Its Demand .**

**Ed = % In Demand Of A Commodity**

**----------**

**% Change Of Determinant Of Demand**

***<u>Elasticity Of Demand Are Of Three Types</u>***

1) ***Price Elasticity Of Demand ;*----- It Represent to a % Change In Demand Of A Commodity With % Change In Price.**
2) ***Income Elasticity Of Demand***
   **It refers to A % Change in Quantity Demanded With a % Change In Price**
3) ***Cross Elasticity Of Demand***
   **It Refers to a Proportionate Change In Demand Of a Commodity With Respect To Proportionate Change In Price Of substitute and complementary Goods .**

**Price Elasticity Of Demand**

**Price Elasticity Of Demand Is The Percentage Change In Quantity Divided By The % Change In Price**

**Kinds Of Elasticity Of Demand**

1) **Perfectly Elastic Demand ----- Demand For A Commodity Is Said To Be Perfectly Elastic When The Demand For It May Increase Or Decrease In Slight Change In Price Lead To Infinite Change In Quantity Demand**

**Price ----------**

**----------**

**Quantity Demand**

**Ox Axis ----- Quantity Demand**

**Oy Axis ----- Price**

**Paralled To Ox Axis Which Indicates Singly Price Increases Qd Becomes Zero Ed Can Be Denied As**

**Ed = X**

**Example -------- Imaginary Situation**

2) **Perfectly Indistinct Demand ------ Demand For A Commodity Is To Be Said Perfectly**

**---------- No Change**

**Inelastic If Quantity Demand Does Not Change In Response To Change In Price**

**Price P Qd -----**

**P Qd -----**

**Ox ------ Level Of Quantity Demand**

**Oy ------ Price**

**Do ------- Demand Course Parallel To Axis Which Indicates No Change In Demand With Change In Price**

**Ed = 0**

**Eg ;----- Salt**

3) **Unitary Elastic Demand ;---- Demand For A Commodity It Said To Unit If % Change In Qd As Equal**

**To % Change In Price For Eg If Price 25% Qd 25% Price 25% Qd 25%**

**Ox --- Quantity Demand**

**Oy --- Price Level**

**Do Clove – Hyperbola Shape Which Indicates % In Price Is Equal To % S In Qd**

**Eg ----Cloth**

4) **More Than Unitary Elastic Demand For A Commodity Will Be Said To More Than Unitary If % Change in Price Is < Than % Change In Quantity Demand**

**Pl**

**P**

**Pl**

**O-Q2------Q---------Q1**

**For Eg If Price 25% Qd 30%**

**Price 25% Qd 30%**

**Ox---- Quantity Demand**

**Oy---- Price Level**

**Qd---- Extension In Curse**

**Which Indicates**

**% In Qd Is > % Charge Price**

**Eg ;-- Car**

5) **Less Than Unitary --- Demand For A Commodity Is Said To Be Less Than Unitary If % In Price Is Great Than % In Qd**

**For Eg --- Price 10% Qd 7%**

**Price 10% 7%**

**Ox --- Quantity Demand**

**Ox --- Price Laud**

**Demand Clue ---- Inelastic Which Indicates % In Price > % $In Qd**

**E G ;--- Tea**

**Method To Measure Elasticity Of Demand**

---

**Total Expenditure Method Propounded Method Point Method Are Method**

1) **Total Expenditure Method ;---- This Method Is Propounded By Marshal According To This Approaches Total Expenditure Is Considered For Determination Of Elasticity**

| P | Qd | T E ( P X Q D ) |
|---|---|---|
| 10 | 1 | 10 |

| | | | |
|---|---|---|---|
| 09 | 2 | 18 | More Than Unitary |
| 08 | 3 | 24 | |
| 07 | 4 | 28 | |
| 06 | 5 | 30 | Unitary Elastic Demand |
| 05 | 6 | 30 | |
| 04 | 7 | 30 | |
| 03 | 8 | 28 | |
| 02 | 9 | 18 | Less Than Unitary |
| 01 | 10 | 10 | |

| | | | |
|---|---|---|---|
| P | Q D | T E | |
| P | Q D | T E | More Than Unitary |

| | | | |
|---|---|---|---|
| P | Q D | T E | |
| P | Q D | T E | Unitary Elastic Demand |
| P | Q D | T E | Less Than Unitary |

2) Proportionate Method ;--- This Method Is Associated Coined By Dr. Marshal Price Elasticity Of Demand Is The Ratio Of Percentage Change In The Amount Demanded To Percentage Change In Price Of Commodity

$$E D = ( - ) \frac{Q}{----------*} \frac{P}{----------} = \frac{Q}{----------*} \frac{P}{----------}$$

$$\frac{Q}{P} \quad \frac{P}{Q} \quad \frac{Q - N Q}{P - N P} \quad \frac{-- B G}{--- B P}$$

Ng New Quantity Ans = 1—Unitary

B G Base Quantity < 1 -- Less Than Unitary

< 1 – More Than Unitary

N P New Price O --- Perfectly Inelastic

B P Base Price < --- Perfectly Elastic

Another Name – Flux Method Ratio Method Arithmetic Method

3 Point Method ------ This Method Is Coined By Alfred Marshal Point Elasticity Measured By The Ratio Of Lower Segment Of The Curse Below The Given Point To The Upper Segment

$$E D = \frac{L S}{----------}$$

U S

L S = Lower Segment

U S = Upper Segment

E < Upper Segment = 0

E > L S > Us

E- 1 Ls Us

E< 1 Ls < Us

E=O Ls = 0

- Arc Elasticity Of Demand ;-- Arc Method Of Elasticity Is Calculated By Average Price And Average Quantity Demand
-
- Arc Elasticity Of Demand
-
- ---------- Ap P 1 + Pl
- -------- ----------
- Ap Q1 + Ql
- Ag- Nq Bg ( New Quantity Base Quantity )
- Ap- Np Bp ( New Price Parse Price )
-
- An 1. Unitary >1 ----- More Than Unitary
- < 1less Than Unitary
-
-
- Income Elasticity Of Demand
- Income Elasticity Of Demand Means The Ratio Of The Percentage Change In Quantity Demanded To The Percentage Change In Income It Is denoted By eg:
-
- E Y = Y A Q
- ---------*----------
- Q Ay
- Y: Income Quantity Demanded
- A—New Quantity Initial Quantity
- Y--- New Income Initia L Income
- Type Of Income Elasticity

- 
- **Zero Income Elasticity**
- 
- **Y Qd ---- Income Qd ----**
- **Y Qd---- Income Qd----**
- **E G Essential Commodities Like Salt**
- **Negative Income Elasticity**
- 
- **Income Qd**
- **Income Qd**
- **E G ;- Infernal Good**
- **Positive Income Elasticity**
- 
- **Income Qd**
- **Income Qd**
- **E G ;-- Comfort $ Luxury Good**
- **Positive Income Elasticity Has 3 Condition**
- **% In Quantity Demand = In Income ---------- Unitary**
- **% In Quantity Demand > % In Income ------ More Than Unitary**
- **% In Quantity Demand < % In Income ------ Less Than Unitary**
- 
- **Cross Elasticity Of Demand**
- **It Is the Ratio Proportionate Change In The Quantity Demand Of Y To R Given Proportionate Change In Price Of Related Goods**
- 
- **E X = P Y Q X**
- **Qx X Py**
- **E X = cross Elasticity**
- **P Y – Original Price Of Goods**
- **P Y – ( New Price Of Y Good –Initial Of Y Good )**
- **Q X (New Quantity X Goods – Initial Quantity Of Goods )**
- **Types Of Gross Elasticity**
- **Positive ---( In Case Of Salestitute Goods )**
- **P Q X Q Of Y**

- P Of X Q D Of Y
- Negative ( In Case Of Complementary Goods )
- 
- P Of X Qd Of Y
- P Of X Q D Of Y

***Q.3) What is ISo Product Curse Give Its Properties?***

***Ans. Iso quant = iso + quant***

**equal + quantity**

**Iso curve is locus of points representing the various combinations of two input yielding the same level of output iso quant is a curve on which the various combinations of labour and capital show the same output.**

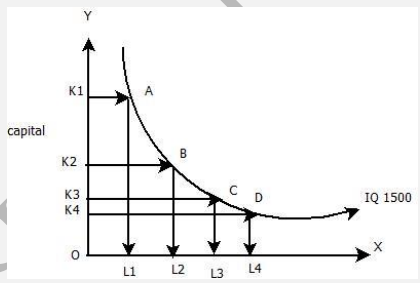
- **Two Factors**
- **Various Combinations**

**One Factor** **One Factor**

**Level Of Output ------ Same**

| | X | Y | Output |
|---|---|---|---|
| A | 1 | 15 | 100 |
| B | 2 | 12 | 100 |
| C | 3 | 10 | 100 |
| D | 4 | 9 | 100 |

**Properties Of I So Quant**




***Properties of iso Quant***

1. **Negative Slope ---- One Factor Another Factor**
2. **Convex To Origin ---- Marginal Rate Of Substitution**
3. **No Two I So Quant Can Interned Each Other**

4. **An I So Quant Lying Above And To The Right Of Another Represent A Higher Output Level**
5. **I So Quant Need Not Be Parallel**
6. **No I So Quant Can Touch Either Axis ---- Factor Output Can Not Be Zero**

**Q.4)** ***Discuss the Law Of Diminishing Returns How Is It Applicable To Every Type Of Economic Activity***

**Ans. Law Of Diminishing Return - According to this law as the proportion of factor is changed the total production at first increase more than proportionately this law studies the relationship between one variable factor of production and keeping the quantity of other factors fixed**

**Another name ------- short run production factor**

**Relation between ------- variable factor and output**

**Relation between :**

- **Total production**
- **Marginal Production**
- **Average Production**

***Stages Of Production***

1. **Increasing Return Stage**
2. **Decreasing Return Stage**
3. **Negative Return Stage**

**(For Various Stages Refer Graph)**

1) **Increasing Stage –**

**T P ↑ (Increasing rate ) ↑ M P ↑ A P**

**M P > Ap**

**Decreasing Stage**

**T P ⬆ N P ⬇ A P ⬇**

**----------**

**( Become Negative )**

***Relation Between T P And N P***

1. **When N P Is Positive T P Increase At Increasing Rate**
2. **When N P Is Zero T P Reaches To Its Maximum Point**
3. **When N P Is Negative T P Starts Declining**

**Here T P ➡ Total Product**

**AP ➡ Average Product**

**N P ➡ ----- Marginal Product**

**Return To Sale / Long Run Production Function :-**

**Long run is defined as that period of time in which all factor of production are variable in long run all the input are become variable the scale of production can be change by installing new plant and equipment by hiring more labour and other factor input long run production function is also known as return to scale**

**In return to scale the percent change in factor input is compared with the percent change in factor out put computation of % change in factor input.**

**( New Unit Of Factor Input – Initial Unit**

**----------X 100**

**Initial Unit**

**% Change In Factor Output**

**new unit of factor output --- initial unit of factor output**

**----------**

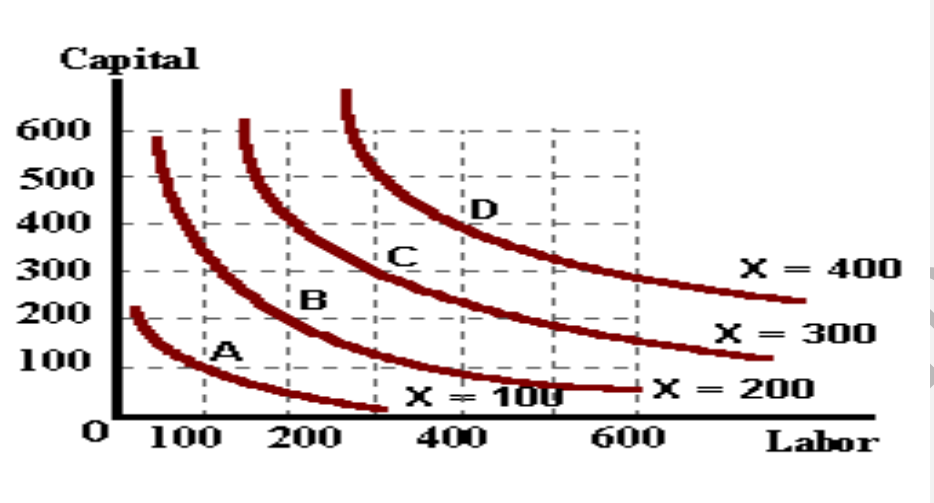
**initial factor output**

- ***Types Of Return To Scale***

1. **Increasing Return To Scale** -----

**% Change In Factor Output >**

**% Change In Factor Input**

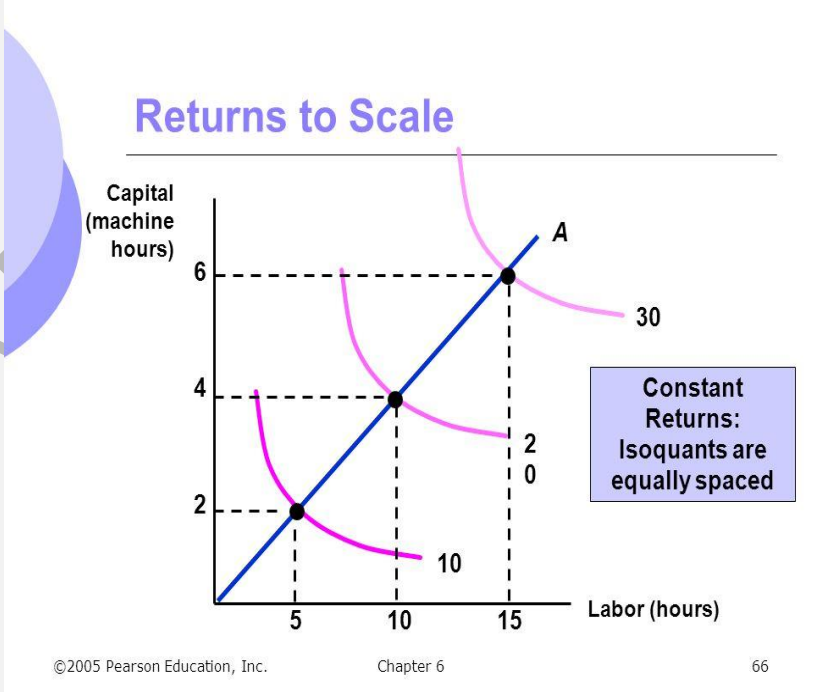



**Factor Input 100% F Output 200%**

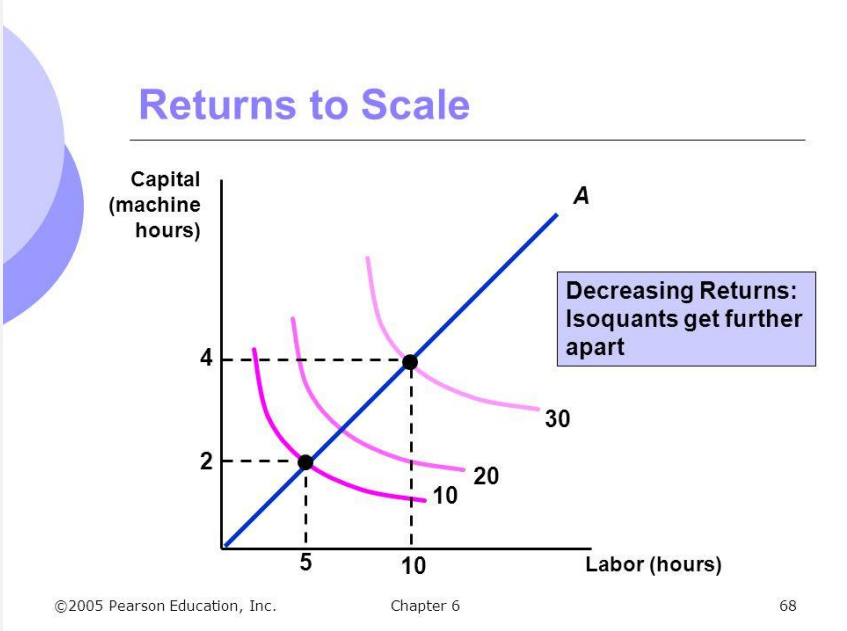
2. **Constant Return to scale**

**% Change In Factor Output = % Change In Factor Input**

**Factor Input 100% = Factor Output 100%**




**Decreasing Return To Scale:**




**% Change In Factor Output < %Change Factor Input**

**Factor Input 100% > Factor Output 80%**

**( Make Graph )**

***Q.5) How Price Is Determined Under Perfect Competition Market***

**Ans. Perfect competition refers to a market situation in which are large number of buyers and sellers of homogenous product the price of the product is determined by industry with the force of demand and supply.**

**Definition –**

**Perfectly competitive market is a situation where large number of buyers and sellers are engaged in the purchase and sale of identically similar commodities who are in close contact with one another and who buy and sells freely among them selves**

**Boding**

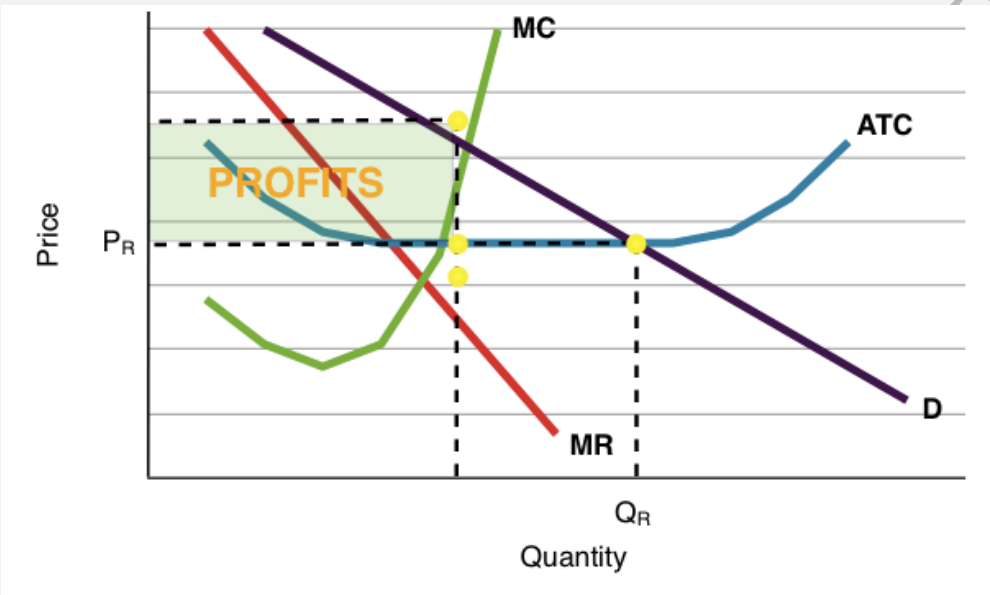
**Characteristics ;--**

- **------ Large Numbers Of Buyer And Seller**
- **------ Homogeneous Product**
- **------ Freedom Of Entry Car Exit**
- **------ Perfect Knowledge Output Market**

- ------ Perfect Mobility
- ------- No Transport Cast / No Selling Cast
- ------- Absence Of Artificial Restriction
- ------- Homogeneous Price Level
- ------- Horizontal Average Revenue Curve

***Price Determination Under Perfect Competition Market***

**Under perfect competition price of a commodity is not determined by any individual seller car firm it is determined by the force of demand and market supply of commodity .**




**In perfect competition market industries are price maker and firms are price taker.**

**Price Determination**

**Short Run** **Long Run**

**( Supply Could Not Be Adjusted As Per Demand)** **( Supply Can Be Adjusted As Per Demand )**

---

**Total Revenue / Marginal Revenue** **Mr And Nc Approach**

**Total Cost / And Marginal**

**Approach / Cost Approach**

---- Maximum Level

---- Maximum Perfect

--------- Equilibrium ( Max. Level

--------- Firms Position

--------- Decision Making

In Case Of Loss

***Total Cost And Total Revenue Approach***

**Under This Approach A Firm Is In Equilibrium When It Produces The Amount Of Output At Which The Different Between Total Revenue And Total Cost I.E. Total Project In Maximum**


1. **Trend Of Revenue Curve ----- The Revenue Curve Is Straight Line Which Means Revenue In Cercal At Constant Rate Due To Equal Price Level.**

**Trend Of Cost Curve------ It Lies Above The Cardigan Become Of Total Fixed Cost.**

2. **Equilibrium Output --- The Level Of Equilibrium Output Where The Difference Between Total Cost And Total Revenue Is Maximum .**

**Marginal Revenue And Marginal Cost**

**According to this approach the level of output where marginal revenue (m r) and marginal cost (m c) and marginal cost (m c) equal is the point of project**

***CONDITION FOR EQUILIBRIUM***

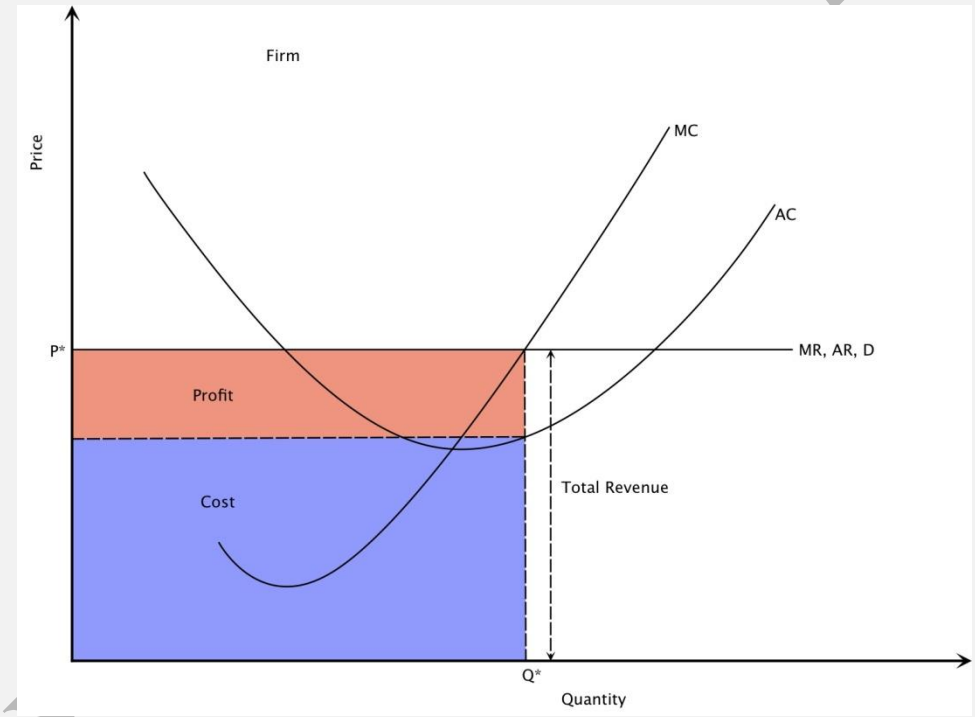
1. **The Firm Rill Be In Equilibrium When Two Conditions Are Satisfied**

**A --- M C= Mr**

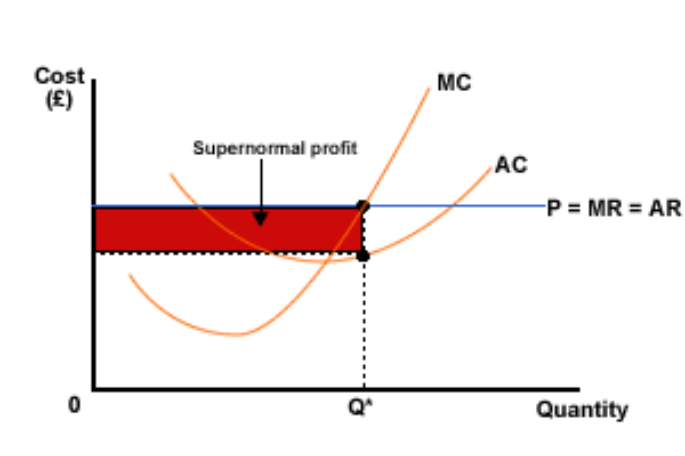
**B --- M C Curve Intersect N R from right upward**

**Firms Position ;---- In short run at equilibrium level of output a firm can be in following three situation to know firms position average revenue ( AR) and average cost ( AC) is compared**

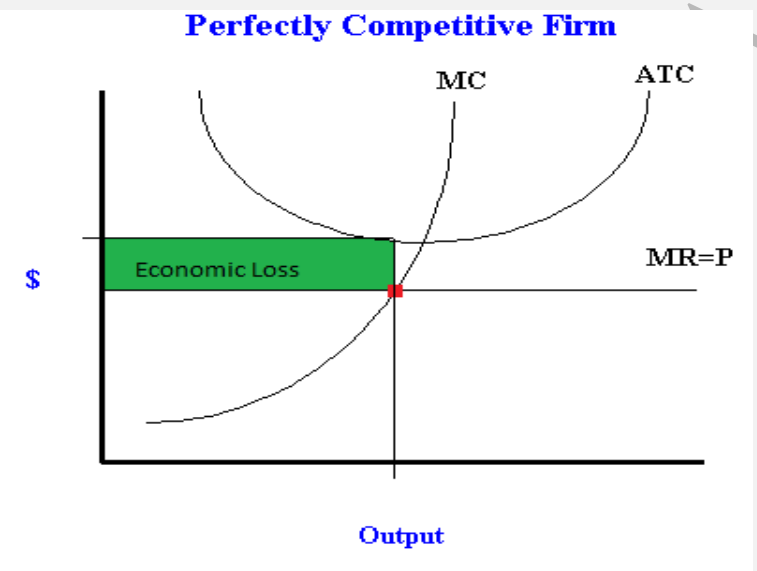
1. **Normal Profit ---- It Is A Situation Where Ac = A R**




2. **Super Normal Profit ---- It Is A Situation Where A R > A C**




3. **Loss ---- It Is A Situation Where A R < A C**




**<u>Decision Making</u> ---- The variable cost alone in short period determine firms decision for decision regarding continuance as shut down beeriness a r is compared with avc**

1. **<u>ip ar > avc</u>**

   **----- variable cost is covered and paid of fixed cost is also covered so business should continue**

2. **<u>Ip Ar = Avc</u>**

   **Average Various Cost Is Covered Business Should Continue**

3. **<u>Ip Ar < Avc</u>**

   **arc is not covered so business should be shut down**

**<u>PRICE DETERMINATION IN LONG RUN THOUGH MR AND MC</u>**

**In Long Run Firms Equilibrium In The Point Where Its Long Run Maligned Cost ( Lnc ) Is Equal To Long Run Maligned Revenue ( Lmr ) In Long Run The Firm Under Perfect Competition Market Krill Be In Normal Project Stage I.E.**

| |
|---|
| **LMC = LMR ( EQUILIBRIUM )** |
| **LAC = LAR ( Normal Profit )** |

**Q.6 )** ***Define The Term Monopoly How Price Is Determined Under Monopoly Market ?***

**Monopoly**

**Mono + Poly**

**( Single ) + ( Seller )**

**Monopoly is a market stricture is which a single firm is setting a product for which there are no close substitute .**

**Definition --- A monopoly is a seller who is confronted with a falling demand curve for their product**

**Leona**

***Feature Of Monopoly***

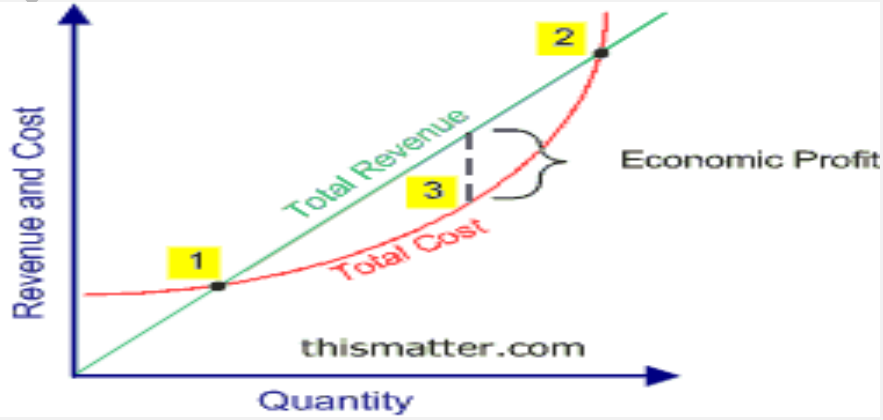
- **Single Seller**
- **No Close Substitute**
- **No Entry Of New Firm**
- **Selling Cost Are Very Small**
- **The Demand Curve Is Tend To Be Less Than Unitary Elastic Demand**

**Price Determination Of Monopoly Market**

**T R and T C Approach** **M R and M C Approach**

1. **Total Revenue And Total Cost Approach**

**According to this approach a firm is in equilibrium when it product that amount of which the difference between T R And T C Is Maximum**



## 2.*Marginal Revenue And Marginal Cost Analysis*

**Short Run – Equilibrium**

**Equilibrium**

**(Maximum Level Of Output)**

**Condition Of Equilibrium**

**1) M C = MR**

**2) MC cuts MR from its below points**

**Long Run – Equilibrium**

**( L M C = L M R )**

**( Super Normal )**

**(Profit)**

**Selling Cost %**

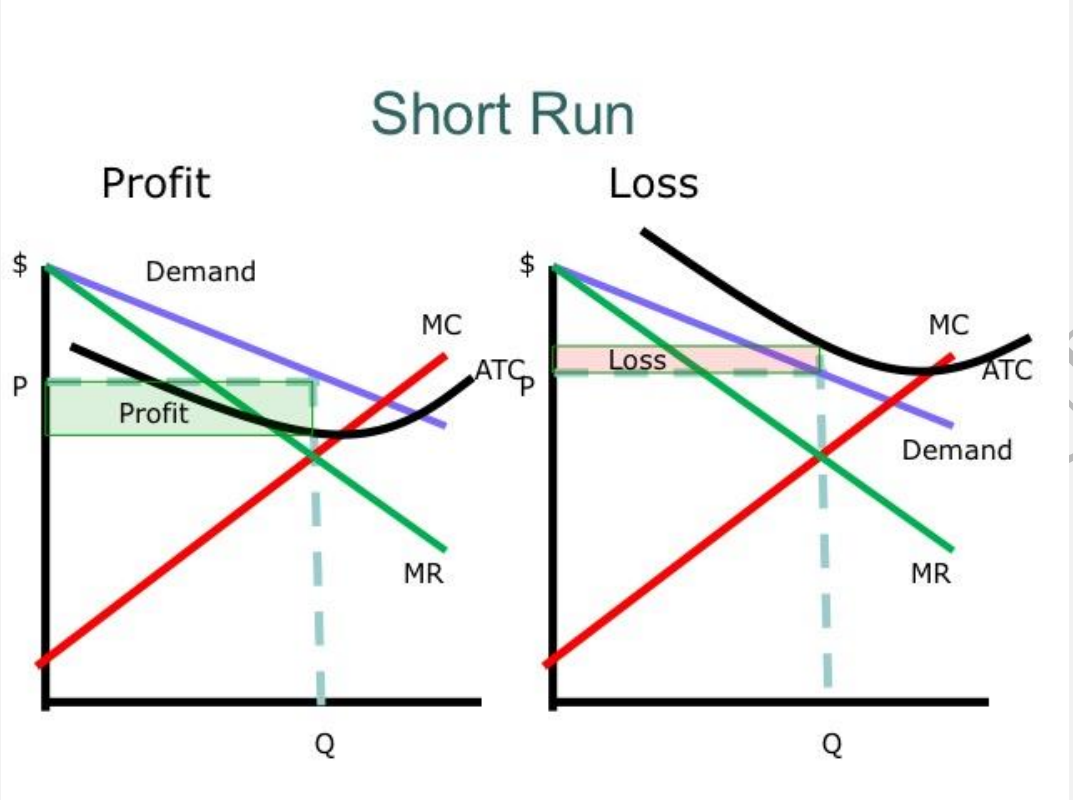
↓

**No Close Substitute**

↓

**Supply Can Be Adjusted as Per Demand**

***Firm Position :***




**( Super Normal Project ( A R > A C)**

- ***( Loss ( A R < C )***
- ***Decision Making ( In Case Of Loss )***
- ***A R > A V C =A V C Pat Of A F C***
- ***Covered ( Business)***
- ***A R =A V C = Business Should Continue***
- ***A R < A V C =Shut Down***

***Q.7) What Do You Mean By The Term Discriminating Monopoly ?***

**Ans . Price discrimination refers to the produce of selling the same commodity at different price to buyer monopolist usually change different price for the same product at the same time from different customer .**

**Degrees of price discrimination**

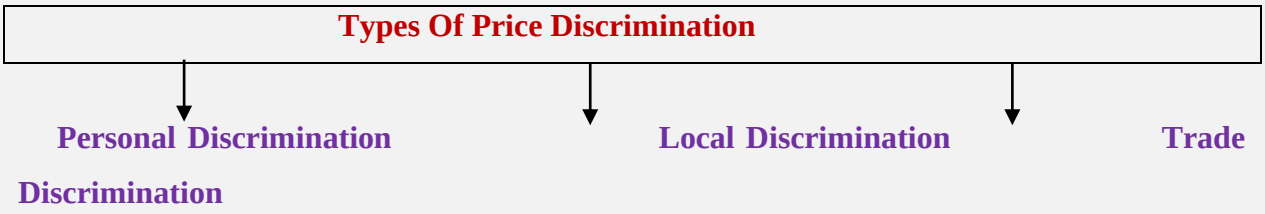
- **Price discrimination of first degree**
- **Price discrimination of second degree**
- **Price discrimination of third degree**

**Price determination of first degree :- It Is also known as perfect price discrimination price discrimination of first change occurs when monopolist is able to self each separate unit of commodity at different price.**

**Price discrimination of second degree:**

**In this type seller decides his market in to different group of buys from each group of buyer a different price is changed by seller.**

**Price Discrimination Of Third Degree --- Within this the seller classifies his market in to different sale market each sale market the seller fixed different price based an the elasticity of demand in sub market .**



**--- Different Price** **--- Different Unit** **Same Commodity**

**--- Same Commodity** **--- Different Price** **Same buyer – Low Price**

**--Different Customer** **Different State** **Same buyer – High Price**

***Condition Of Price Discrimination***

- **----- Difference In Elasticity Of Demand**
- **----- Discriminatory Firm Should Be Monopolistic**
- **----- Restriction On Entry**
- **----- Transport Cost**
- **----- Legal Sanction**
- **----- Lack Of Communication Among Buyers**

**Q8)** ***How equilibrium and price determined under imperfect or monopolistic market*** **?**

**Ans . Imperfect competition is that market situation which lies in the intermediate position of monopoly and perfect competition this market situation is wined By Mr. John Robinsons.**

**Definition --- Monopolistic competition is a market situation when the are many produce but each offer a slightly differentiated.**

**Lim Clung Yam**

***Features Of Monopolistic Competition***

- **------ Existence Of Large Number Of Firms**
- **------ Product Differentiation**
- **------ Freedom Of Entry A Exit Of Firm**
- **------ In Perfect Knowledge**
- **------ Non Price Competition**
- **------ Non Elastic Demand**
- **------ Less Mobility**
- **------ Selling Cuts**

**Kinds Of Imperfect Competition**

**Duopoly**
**Duo +Poly**
**( Two Seller )**

**Oligopoly**
**Oligo+Poly**
**( Few Seller)**

**Monopolistic**
**Scale Group Of Imperfect**
**Competition**

**Determination Of Equilibrium / Price Under Monopolistic**

**Tr And Tc**
**Approach**
**Same As Monopoly**

**Mr And Mc**
**Approach**

**Short** **Run**

**Equilibrium Long Run Equilibrium**

**Profit : Firms Position No Profit No Loss**

**Loss :** **Lac = Lar**

**Ac < Ar**

**Decision Making**

**Ar > Avc**

**Ar =Avc Business Continue**

**Ar = Avc Shut Down**

***Q.9) Critically explain the various theory of rent ?***

**Ans. It is know to us that production is the combined effort of factor of production .**

**P= F (N+ C+L)**

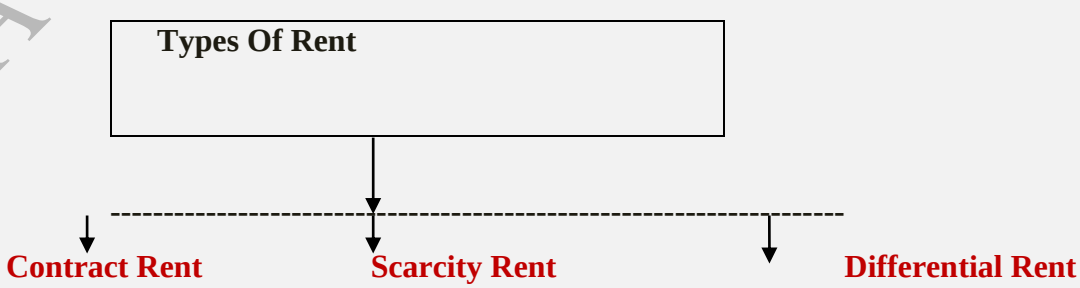
**P= Product**

**F=Function Of**

**N= Land C = Capital L= Labour**

**The reward which the owner of land gets for allowing its use is generally termed as rent**

**Rent – Reward Paid To Landlord As Remuneration Of Land In Production Process**




**Contract Rent –amount paid to owner of land as per the agreement it is also known as gross rent.**

**(2) Scarcity Rent –Rent Is The Prices For Use Of Scarce Resource (Land )**

**Land Supply ---- (As Natural Gift )**

**Demand**

**(Production )**

**Differential**

**Differential Rent --- Land Differs In From Fertility And Situation From Maker**

**High Fertile Land Production Rent**

**Less Fertile Land Production Rent**

**Theory Of Rent**

---

**----------Recardian Theory**

**( Traditional Theory )**

**( Propounded By David Ricardo)**

**Rent Under Extensis Cultivation**

**Land**

**Supply Of Demand > Demand Of Land**

**Less Population**

**Easing**

**High Fear Tile Land = In To Marginal Land**

**Less Fear Tile Land = Marginal Land**

**Rent From Marginal Land**

**Marginal Land**

**Modern Theory**

**( Propounded By )**

**Mr. John Robinson**

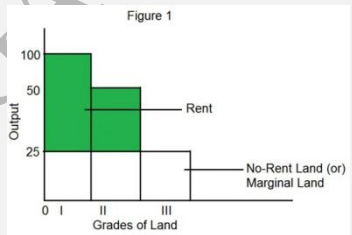
**Rent Arises Due To Scanty Of Land**

**Rent Is Earned By All Factors**

**Rent Is Difference Of Actual And Triangle Easing**

**1) Scarify Rents**

**When Of Land < Supply Of Land**




**( Make Graph )**

**--- Rent Under Intensive Cultivation Supply Of Land < Demand By Land (Population )**

**2) When > S**

**-- Rent Crises**

**Rent ;- Actual Caning – Transfer Ealing**

**Rent --- Surplus From Intra Marginal Land— Surplus From Marginal Land**

**A) When Supply Is Perfectly Elastic Econom**

**Rent – Zero ( Make Graph )**

**---- Situational Rent**

**(B) When Supply Is Perfectly Inelast.**

**Transfer Equine – Nil**

**Economic Rent – Again ( Make Graph)**

**( Rent Arises Due To Situation Of Land From Maker**

**(C) When Supply Is Relative Classic**

**The Interesting Point Of Demand $Supply Clues**

***Q.10) Explain Various Theories Of Profit ?***

**Ans. The Profit is the remuneration to the enterepleneus for his services rendered on the production process .**

***Profit***

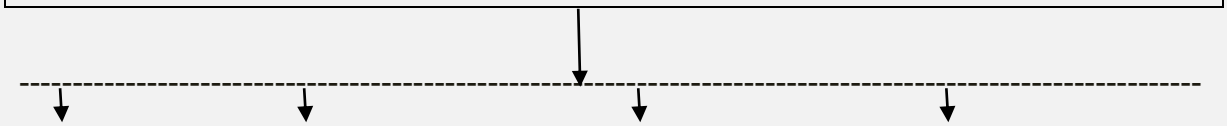
**----------Residual Income**

**( Arises After The Payment To All Factor Of Production Say Land Labour Capital**

**Reward For Entrepereneurial Service**

**Innovation Risk And Uncertainty Bear.**

**Types Of Profit**



**Gross Profit  Net Profit  Normal Profit  Abnormal Profit**

**(1) Gross Profit**

**Total Revenue -- Explicit ( Amount Paid To External Factor Like Labour**

**Incan Capital)**

**Constituents Of Gross Profit**

**Gross Profit = Reward Of The Factor Of Production Supplied By Enter Lance**

**(+) Maintenance Charge**

**(+) Personal Profit  Factors White Determining Of Price**

**(+) Profit From Innovation**

**(+) Profit From Product Differentiation**

**(2) Net Profit**

**Total Revenue – Total Cost**

**( Unit Sold X Price ) – ( Explicicast + Implicit Cost )**

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