

-Modules-

Demand

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Meaning

- Demand for a commodity implies -
- Desire to acquire it,
- Willingness to pay for it and
- Ability to pay for it

Types of Demand

- Demand for consumers goods and producers goods
- Demand for perishable and durable goods
- Derived and autonomous demands
- Firm and industry demands
- Demands by total market and by market segments.

Determinants of Demand

- Consumers income
- Price of the commodity or service (own price)
- Prices of related goods or services
- Consumer tastes and preferences
- Population and its distribution
- Consumers' expectations

Demand Function

Demand function states the dependence relationship between the demand for a commodity or service and the factors or variables affecting it.

$$D_x = f(I, P_x, P_s, P_c, T, u)$$

Where,

D_x = Demand for x

I = Consumers' Income

P_x = Price of X

P_s = Prices of substitutes of X

P_c = Prices of Complements of X

T = Measure of consumers' tastes and preferences

u = other determinants of demand for X

Law of Demand

Elasticity of Demand

The term “elasticity” in measuring the elasticity of demand, two variables is considered one is demand and another is the determinant of demand.

- **Elasticity of Demand** = Percentage change in quantity demanded / Percentage change in determinant of demand.

The concept of elasticity of demand should measure the responsiveness of demand for a commodity to changes in the variables confined to its demand function. There are as many kinds of elasticity of demand as its determinants. However, economists usually consider three important kinds of elasticity of demand.

- Price elasticity
- Income elasticity of demand
- Cross price elasticity of demand or just cross elasticity.

Elasticity of Demand : Types

- Price elasticity [....](#)
- Income elasticity of demand [....](#)
- Cross price elasticity of demand or just cross elasticity [....](#)

Demand Forecasting

Demand forecasting is at the core and important due:

- Sales constitute the primary source of revenue for the business.
- Production for sales gives rise to most of the costs incurred by the firm.
- Sales forecasts are needed to decide the quantum of production.
- Production requires services of various other factors which have to be employed and need to arrange for

A forecast is a prediction or estimation of a future situation

There are two kinds of forecasts

- **Passive forecasts:** Passive forecasts predict the future situation in the absence of any action by the firm.
- **Active forecasts:** Active forecasts estimate the future situation taking into account the likely future actions of the firm eg. Future advertising campaign etc.

Forecasting Method

- Expert's Opinion Survey Method
- Consumers Survey Methods
 - Complete Enumeration
 - Sample Survey
 - End use Method
- Trend Method:
- Regression Method
- Leading Indicator Method
- Simultaneous Equations Method

Discussion