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B. Com part-1 subsidiary paper -1

Business Economics & Environment unit-2 Demand

Ques- What is Consumers Equilibrium?

Ans.: Consumers Equilibrium : A consumer is said to be in equilibrium when he is deriving maximum possible satisfaction from the given commodities and is not in a position to rearrange his purchases of goods, say x and y.

Assumptions in Consumers Equilibrium :

(i) The consumer has an indifference map, which depicts his scale or order of preference for various combinations of two goods, say x and y.

(ii) He has fixed income to spend on x and y completely.

(iii) Prices of goods x and y are given and do not change.

Ques-What are the use of I.C. Analysis? Explain with criticism.

Ans-

<i>Importance</i>	<i>Criticism</i>
<i>(i) Use in consumer equilibrium</i>	<i>(i) Convexity</i>
<i>(ii) Use in production function</i>	<i>(ii) Irrationality</i>
<i>(iii) Use in international trade</i>	<i>(iii) Short run preference or ordering</i>
<i>(iv) Use in taxation</i>	<i>(iv) D.M.R.S.</i>
<i>(v) Use in consumer equilibrium</i>	<i>(v) Selling cost is not considered</i>
<i>(vi) Use in consumer surplus</i>	<i>(vi) Speculation demand consideration</i>
<i>(vii) Use in public finance</i>	<i>(vii) Ecogeneous environmental change those creates change in behavior</i>
<i>(viii) Use in deciding rationing & Subsidies</i>	
<i>(ix) Use in portfolio investment Decision</i>	
<i>(x) Use in index numbers</i>	

Ques-What is change in Consumer Equilibrium.

Ans. : There is change in consumer equilibrium points due to change in Income Of the consume & relative price ratio of commodity than it is called change In equilibrium.

- (i) Price Consumption curve (PCC) : PCC is locus of various Combination points of consumer at various level of relative price Ratio keeping money income constant.**

- (ii) Income consumption curve (ICC) : ICC is the locus of various Equilibrium points of the consumer at various level of money Income, keeping relative price ratio constant.**

- (iii) Substitution effect : When income, taste preference remain Constant & price of both-commodity are changed & consumer Rearrange purchase in manner that the consumer is neither better Off nor worse off.**

Ques-What is Engel Curve?

Ans. : An Engel Curve shows the relationship between equilibrium quantity of One commodity purchased by the consumer and the level of his money Income.

Ques-Point out Application, uses, scope, Importance of IC Analysis?

Ans. : Important uses of IC Analysis as follows :

- 1. Use in production analysis***
- 2. Use in exchange***
- 3. Use in International Trade***
- 4. Use in Taxation***
- 5. Use in Consumer Equilibrium***
- 6. Use in consumer surplus***

7. Use in public finance

8. Use in deciding Rationing & subsidies

9. Use in portfolio Investment