All about Demand

Demand

the quantity of a good or service that consumers are willing and able to purchase at a given price in a particular time period

Law of demand

Price goes down, quantity demanded increases.

Price goes up, quantity demanded decreases.

(vise versa)

Factors that affect demand

1. Price of related goods
2. Price of other goods
- replacement goods (brg pengganti)
- complementary goods (brg penggenap)
3. Income
4. Tastes /Preferences
5. Number of Consumers
6. Expectations

Why is the demand curve downward sloping?

Subsitution Effect of goods	Changes in price motivate consumers to buy cheaper substitute products
Income Effect	When price goes down, people buy more of a product because their purchasing power has increased; vice versa.
Law of Diminisihing Marginal Utility	As you continue to consume a given product, you will have less satisf action the more you have.

Explanation

| barang pengganti	dua barang yang boleh saling menganti kerana fungsinya yang sama. **cth: margerin dan mentega**
comple-mentary goods (barang penggenap)	dua barang yang perlu digunakan bersama. **cth: kereta dan petrol**
Income (penda-patan pengguna)	Y increases, consumer purchasing power increases and demand also increases

Differentiate between

Change in quantity demanded	Change in demand
happen because of: the price of the item itself	happen because of another factor other than factor the price of the item itself
	a) Price changes of other goods
	b) Income
	c) Tastes and Preferences
	d) Number of Consumers
	e) Future Expectation

Table

Price (RM)	quantity demanded (units)
1	10
2	8
3	6
4	4
5	2

Demand curve
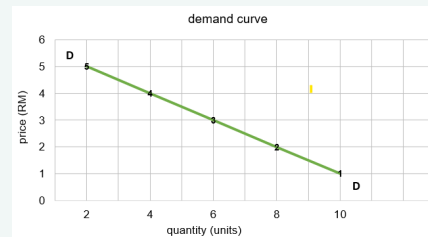
There is a negative relationship between price and quantity demanded.

if the price increases (RM3 to RM4), the quantity demanded decreases (6 units to 4 units)

if the price decreases (RM3 to RM2), the quantity demanded increases (6 units to 8 units)

Calculate equation of demand

Qd = a - bP

Qd = quantity of demand for goods X

P = price of goods x

a = intercept (pintasan pada paksi)

b = the slope of the demand curve (negative) kecerunan

if

P = RM1, Qd = 10units

P = RM2, Qd = 8units

By nfz02
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Calculate equation of demand (cont)

then:

$10 = a - 1b$ (equation 1)

$8 = a - 2b$ (equation 2)

Step 1

find value b

$b = \#Q / \#P$

 # = big digit - small digit *

$b = (10-8)/ (2-1)$

$b = 2/1$

b = 2

Step 2

find value a

$Qd = a - bP$

$10 = a - 1b$

$10 = a - 1(2)$

$10 = a - 2$

$10 + 2 = a$

a = 12

demand equation = $Qd = 12 - 2P$

By **nfz02**

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