

### 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?

Substitution 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 Diminishing Marginal Utility: As you continue to consume a given product, you will have less satisfaction the more you have.

#### Explanation

barang pengganti: dua barang yang boleh saling menganti kerana fungsinya yang sama. **cth: margerin dan mentega**

complementary goods (barang penggenap): dua barang yang perlu digunakan bersama. **cth: kereta dan petrol**

Income (pendapatan pengguna): Y increases, consumer purchasing power increases and demand also increases

#### Differentiate between

**Change in quantity demanded**

happen because of: the price of the item itself

**Change in demand**

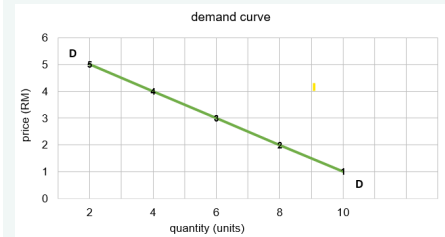
happen because of: another factor other than factor the price of the item itself

- 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



### Calculate equation of demand (cont)

then:

$$10 = a - 1b \text{ (equation 1)}$$

$$8 = a - 2b \text{ (equation 2)}$$

*Step 1*

find value b

$$b = \#Q / \#P$$

**# = big digit - small digit \***

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

$$b = 2/1$$

$$\mathbf{b = 2}$$

*Step 2*

find value a

$$Qd = a - bP$$

$$10 = a - 1b$$

$$10 = a - 1(2)$$

$$10 = a - 2$$

$$10 + 2 = a$$

$$\mathbf{a = 12}$$

$$\text{demand equation} = Qd = 12 - 2P$$



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