

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.

(vice 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 mengganti kerana fungsinya yang sama. **cth: margarin 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

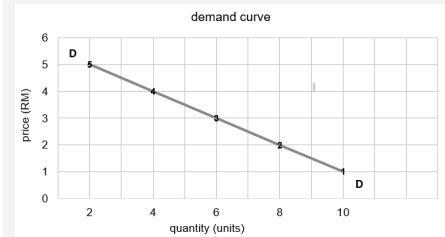
Differentiate between

Change in quantity demanded	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

$$Q_d = a - bP$$

Q_d = 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

$P = RM1, Q_d = 10$ units

$P = RM2, Q_d = 8$ units



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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