DEPARTMENT OF COMMERCE
D. P. VIPRA COLLEGE

Law of Demand

PROF SHIKHA PANDEY

Concept of Demand

- Demand for a commodity refers to the desire to buy a commodity backed with sufficient purchasing power and the willingness to spend. For Example: You desire to have a Car, but you do not have enough money to buy it. Then, this desire will remain just a wishful thinking,

Concept of Demand In Economics

a) Desire,

b) Means to purchase, and

c) On willingness to use those means for that purchase

Features of Demand

1) Desires and Demand: Demand is the amount of commodity for which a consumer has willingness and ability to buy.

2) Demand and Price: Demand is always at a price. Unless price is stated, the commodity has no meaning. The consumer must know both the price and the commodity.

3) Point of Time: The amount demanded must refer to some period of time. Such as 10 kg of rice per week. The amount demanded and price must refer to a particular date.

4) Utility: Demand depend upon utility of the commodity. A consumer is rational and demands only those commodities which provide utility.

Objectives of Demand Analysis

- Objectives of Demand Analysis Demand Forecasting Inventory Control Production Planning Growth and Long Term Investment Programs Sales Forecasting Economic Planning and Policy Making Control of Business

Objectives of Demand Analysis

- 1) Demand Forecasting: Forecasting of demand is the art of predicting demand for a product or a service at some future date on the basis of certain present and past behavior patterns of some related events.

- 2) Production Planning: Demand analysis is prerequisite for the production planning of a business firm. Expansion of output of the firm should be based on the estimates of likely demand, otherwise there may be overproduction and consequent losses may have to be faced.

- 3) Sales Forecasting: Sales forecasting is based on the demand analysis.

- 4) Control of Business: For controlling the business, it is essential to have a well conceived budgeting of costs and profits that is based on the estimation of annual demand/sales and prices

Objectives of Demand

- 5) Inventory Control: A satisfactory control of business inventories requires satisfactory estimates of the future requirements which can be traced through demand analysis.

- 6) Growth and Long Term Investment Programs: Demand analysis is necessary for determining the growth rate of the firm and long-term investment planning.

- 7) Economic Planning and Policy Making: Demand analysis at macro level for the nation as a whole is of great help, the government can determine its imoprt and export policies in view of the long-term demand forecasting and estimation for various goods in the country,