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Sarvada Sarva shreshth

STUDY COURSE MATERIAL

SESSION-2020-
21CLASS-XI

TOPIC: Forms of Organisation

DAY-1

❖ **TEACHING MATERIAL**

TYPES OF COMPANIES

On the basis of ownership, a company can be of three types:
1. One Person Company
2. Private Company
3. Public Company

1. One Person Company (OPC)

According to Section 2(62) of the Companies Act, 2013, One Person Company means a company which has only one person as a member. It is a company incorporated as a private company which has only one member. The aim of introduction of OPC was to encourage corporatisation of micro businesses and entrepreneurship. In India, in the year 2005, the JJ Irani Expert Committee recommended the formation of OPC. OPC avails all the benefits of a private limited company, such as separate legal entity, protecting personal assets from business liability and perpetual succession.

Characteristics of OPC

Only a natural person who is an Indian citizen and resident in India:
(a) Shall be eligible to incorporate a One Person Company;
(b) Shall be a nominee for the sole member of a One Person Company
The term 'resident in India' means a person who has stayed in India for a period of not less than one hundred and eighty two days.
• No person shall be eligible to incorporate more than one OPC or become nominee in more than one such company.
• Where a natural person, being member in One Person Company becomes a member in another OPC by virtue of his being a nominee in that OPC, then such person shall meet the eligibility criteria of being a member in only one OPC within a period of one hundred and eighty days, i.e., he/she shall withdraw his membership from either of the OPCs within one hundred and eighty days.
• No minor shall become member or nominee of the One Person Company or can hold share with beneficial interest. Such Company cannot be incorporated or converted into a company under Section 8 of the Act.
• No such company can convert voluntarily into any kind of company unless two years have expired from the date of incorporation of One Person Company, except threshold limit (paid up share capital) is increased beyond fifty lakh rupees or its average annual turnover during the relevant period exceeds two crore rupees.
• The words "One Person Company" shall be mentioned in brackets below the name of such company, wherever its name is printed, affixed or engraved.
Minimum paid up capital of OPC is 1 lakh rupees.

2. Private Company

A Private Company is one which by its Articles of Association:

(i) Restricts the right of its members to transfer shares.

(ii) Except in One Person Company, it has minimum of 2 and a maximum of 200 members excluding past or present employees of the company, who are the members of the company.

(iii) Prohibits any invitation to the general public to subscribe for its shares.

(iv) Must have a minimum paid up capital of 1 lakh or such higher amount which may be prescribed from time-to-time.

It is necessary for a private company to use the word 'Private Limited' after its name as per Section 2(68) of the Companies Act, 2013.

3. Public Company

A public company means a company, which is not a private company. According to Indian Company Act, a public company is one which:

(i) Has a minimum paid-up capital of 5 lakhs or a higher amount which may be prescribed from time-to-time.

(ii) Has a minimum of 7 members and no limit on maximum members.

(iii) Has no restriction on transfer of shares.

(iv) Is not prohibited from inviting subscription from general public.

A private company which is a subsidiary of a public company is also treated as a public company.

Privileges of Private Company over Public Company

A private company is given exemptions or privileges as compared to a public company. Some of the main privileges are as follows:

1. A private company can be started with just two members, whereas, a public company requires at least seven members.
2. There is no need to issue a prospectus as public is not invited to subscribe to the shares of a private company.
3. It can allot shares without receiving the minimum subscription.
4. A private company can start its work just after getting a certificate of incorporation.
5. It can work with just two directors as compared to three directors under public company.

DAY-2

❖ TEACHINGMATERIAL

FORMATION OF A COMPANY

Formation of a company is not a simple process like in case of sole proprietorship or partnership. It is a complex and lengthy process, which involves a number of legal formalities and procedures. The formation of a company involves the following stages:

1. Promotion
2. Incorporation
3. Capital Subscription

It must be noted that these 3 stages are needed for formation of a public limited company. For a private limited company, only the first two stages are needed, i.e. a private company can start its business immediately after obtaining the certificate of incorporation. Private company is prohibited to raise funds from public. It does not need to issue a prospectus and complete the formality of minimum subscription. Let us now discuss these stages in detail.

PROMOTION OF A COMPANY

Promotion is the first stage in the formation of a company. It includes the steps like identification of a business opportunity, analysis of its prospects and taking steps to implement it for the formation of a company

In the words of Gerstenberg, "Promotion refers to the discovery of business opportunities and the subsequent organisation of funds, property and managerial ability into a business concern for the purpose of making profit the reform".

The person who performs all the tasks during the promotion stage is known **as 'Promoter'**. According to Section 2(69) of the Companies Act, 2013, the term 'Promoter' can be defined as the following:

• A person who has been named as such in a prospectus or is identified by the company in the annual return in section 92; or

• A person who has control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or

A person who is in agreement with whose advice, directions or instructions the Board of Directors of the company is accustomed to act.

Promoter is a person who conceives the idea of starting a business, examines the feasibility of idea, assemble various resources, prepare necessary documents and perform other activities needed to commence the business.

Thus, promoter performs various functions to bring a company into existence. These functions are the steps involved in the promotion of a company.

It must be noted that promoter can be a person or a group of persons or a company.

Functions of a Promoter (Steps in Promotion)

The important functions of promoters (or steps involved in promotion) are discussed as follows:

1. Identification of Business Opportunity: The process of formation of a company begins when promoter identifies a business opportunity or an idea. The idea may be with respect to setting up of a new business or expansion of the existing unit or merger of two business units. The promoter also undertakes preliminary analysis of the idea in terms of profitability, risk involved, resources required, etc. After conceiving the idea, the promoter proceeds to explore the feasibility of the business in view.

2. Feasibility Studies: It may not be feasible or profitable to convert all identified business opportunities into real projects. So, before investing the money in the idea, detailed feasibility studies are conducted in order to investigate all aspects of the intended business. Depending upon the nature of project and with the help of specialists like engineers, CAs, etc., the following feasibility studies may be undertaken:

(i) Technical Feasibility: Sometimes, the business idea is favorable, but technically it may not be possible to implement the idea. It may be due to non availability of required technology, raw materials and other inputs. The project would remain technically unfeasible until the technology or other inputs are made available from alternative sources.

(ii) Financial Feasibility: Every business activity requires funds. If the funds required for the project is so large that it cannot be arranged within the available means, then the project is said to be financial unfeasible. For example, project of developing townships may be very lucrative, but if it is not possible to arrange the required funds, then the project lacks financial feasibility.

(iii) Economic Feasibility: Sometimes a project is abandoned just because it might not be very profitable. Generally businessmen prefer to carry on with the ideas which are profitable. It must be noted that the experts hired to conduct the feasibility studies do not become promoters just because they are assisting the promoters.

3. Name Approval: The promoters have to select a name for the company and get it approved from the Registrar of companies. It has to be ensured that the name selected for the company does not match with the name of any other company. For this, three names are given to the registrar in order of preference. Registrar approves the name if the proposed name is not identical to name of any other existing company and is not misleading.

4. Fixing up Signatories to the Memorandum of Association: The promoters have to decide about the people who will be signing the Memorandum of Association of the proposed company. Usually, the people who sign the memorandum (known as signatories) are also the first Directors of the Company. The written consent of signatories to act as directors and to buy qualification shares is also taken. The Memorandum must be signed by at least 7 persons in case of a public company and by 2 persons in case of a private company. Promoters often try to convince influential and experienced businessmen to be the signatories of the proposed company.

5. Appointment of Professionals: The promoters appoint professionals such as mercantile bankers, auditors, etc. to assist in preparation and submission of necessary documents to the Registrar of Companies.

6. Preparation of Necessary Documents: The promoter takes up steps to prepare legal documents (Memorandum of Association, Articles of Association, Consent of Directors, etc.) as they have to be submitted to the Registrar for getting the company registered.

IMPORTANT DOCUMENTS REQUIRED

The important documents required to be submitted to the Registrar are:
1. Memorandum of Association
2. Articles of Association
3. Consent of Proposed Directors
4. Agreement
5. Statutory Declaration

Memorandum of Association

Memorandum of Association is the principal document of the company. As per section 2(56) of The Companies Act, 2013'Memorandum' means the memorandum of association of a company as originally framed or as altered from time to time in pursuance of any previous company law or of this Act. It has been described as the 'Charter of the Company' as it contains the powers and objectives of the company, defines the scope of its operations and its relations with the investors and outside world. The company has to work within the limits laid down in the Memorandum.

Contents of Memorandum of Association

The Memorandum of Association must contain the following clauses:

1. Name Clause: This clause contains the name of the company with which the company will be known. This name has already been approved by the Registrar of Companies.

2. Registered Office Clause: This clause contains the name of the state, in which the registered office of the company is proposed to be situated. The exact address of the registered office is not required at this stage, but it must be notified to the Registrar within 30 days of the be incorporation of the company. This clause is also known as 'Situation Clause' or 'Domicile Clause'.

3. Objects Clause: It is the most important clause of the memorandum. It defines the purpose for which the company is formed. A company cannot conduct any business not authorised by its object clause. The object clause is further divided into two sub-clauses:

(i) The Main Objects: This sub-clause list out the main objects for which the company is formed. Any essential or incidental act which is needed to achieve the main object is deemed to be valid, even if it is not explicitly stated in the sub-clause.

(ii) Other Objects: This sub-clause includes those objects which are not included in the main objects. However, to undertake a business included in this sub-clause, the company has to either pass a special resolution or pass an ordinary resolution and obtain approval of central government.

It must be noted that the object stated must not be illegal or in conflict with the provision of the Companies Act.

4. Liability Clause: This clause states that the liability of the members of the company is limited to the amount unpaid on the shares owned by them. For example, if a shareholder has purchased 500 shares of 10 each and has already paid 7 per share, then his liability is limited to 3 per share. Thus, in event of losses or company's failure to pay debts, the shareholder is liable to pay only 1,500 (i.e. the unpaid amount of * 3 on 500 shares).

5. Capital Clause: This clause specifies the maximum capital (known as authorised capital), which the company will be authorised to raise through the issue of shares. The division of authorised capital into number of shares with their face value is also specified in this clause. For example, the authorised share capital of the company may be *2 crores, divided into 20 lakh shares of 10 each.

It must be noted that the company cannot issue share capital in excess of the amount mentioned in this clause.

6. Association Clause: In this clause, the signatories to the Memorandum of Association state their intention to be associated with the company and also give their consent to purchase qualification shares. The Memorandum of Association must be signed by at least 7 persons in case of a public company and by 2 persons in case of a private company.

ARTICLE OF ASSOCIATION

The articles of association in a company is a document containing the rules and regulations for the internal management of the company. However, the companies are free to make their own Articles of Association.

1. Directors, their appointment and delegations of powers
2. Adoption of preliminary contracts.
3. Number and value of shares.
4. Issue of preference shares.
5. Allotment of shares.
6. Calls on shares.
7. Lien on shares.
8. Transfer and transmission of shares
9. Nomination
10. Forfeiture of shares
11. Alteration of capital.
12. Share certificates.
13. Voting rights and proxies.
14. Meetings and rules regarding committees
15. Nominee directors.
16. Issue of Debentures and stocks
17. Audit committee.
18. Managing director, Whole-time director, Manager, Secretary.
19. Additional directors..
20. Remuneration of directors
21. General meetings.
22. Directors meetings.
23. Borrowing powers..
24. Dividends and reserves.
25. Winding up.
26. Indemnity

Consent of Proposed Directors

In addition to Memorandum and Articles of Association, a written consent of proposed directors is required to confirm that they agree to act in that capacity and undertake to buy and pay for qualification shares.

Agreement

If the company proposes to enter into an agreement with any individual for appointing him as Managing Director/Whole time Director/Manager, then such agreement is also to be submitted to the Registrar.

Statutory Declaration

A statutory declaration is to be submitted to the Registrar stating that all the legal requirements of the Companies Act in regard to incorporation have been complied with. This statement has to be signed by any of the following:

- Advocate of High Court or Supreme Court; or
- Chartered Accountant/Company Secretary in full time practice; or
- Person named in the articles as a Director; or Manager or Secretary of the company.

Payment of Fee

Along with the above documents, necessary filing fees and registration fees has to be paid for the registration of the company. The amount of fees depends on the authorised share capital of the company.

DAY-4

INCORPORATION OF THE COMPANY

Incorporation means registration of the company under the Companies Act, 2013 or any previous Company Law. This is the second stage in the formation of the company. After the registrar approves the name, the promoter can proceed with the following steps for the incorporation of the Company:

1. Filing of Documents: Promoters make an application to the Registrar for the incorporation of the company. The application must be accompanied with following documents:

(i) Memorandum of Association duly stamped, signed and witnessed. It must also contain information about address, occupation and number of shares subscribed by the signatories.

(ii) Written consent of the proposed directors to act as directors.

(iii) Agreement (if any) with the proposed Managing Director/Whole time Director/Manager.

(iv) Copy of the Registrar's letter approving the company's name.

(v) Statutory Declaration affirming that all legal requirements for registration have been complied with

(vi) Notice of the exact address of the registered office. However, it may also be submitted within 30 days of the receipt of the certificate of incorporation.

2. Payment of Fees: Along with the above documents, necessary filing fees and registration fees at the prescribed rates are also to be paid.

3. Certificate of Incorporation: The Registrar scrutinises all the documents and if he is satisfied about the completion of formalities for registration, he issues a Certificate of Incorporation. The moment the certificate is issued, the company comes into existence. This certificate signifies the birth of the company and is also termed as birth certificate of the company.

As Certificate of Incorporation is so crucial, the Registrar should be very careful before issuing it. A private company can immediately commence its business after obtaining Certificate of Incorporation

Certificate of Incorporation *(Specimen)*

[Pursuant to sub-section (2) of section 7 of the Companies Act, 2013 and rule 8 of the Companies (Incorporation) Rules, 2014]

I hereby certify that .... (name of the company) is incorporated on this .... day of .... two thousand .... under the Companies Act, 2013 and that the Company is limited by shares/limited be guarantee/unlimited company.

The CIN of the company is ....

Given under my hand at .... this .... day of .... two thousand ....

Fees: Deed Stamp ₹ ....

Stamp Duty on Capital ₹ ....

SEAL

Sd/-
Registrar of Companies
.... (State)

CAPITAL SUBSCRIPTION

After the company is incorporated, the next stage for the public company is to raise the necessary capital. In order to raise funds, a public company can issue shares and debentures to the public. For this, it has to issue a prospectus. The steps required for raising funds from the public are as follows:

SEBI Approval: SEBI (Securities and Exchange Board of India) is the regulatory authority in the securities market to protect the interest of investors. If the company proposes to raise capital from public by issue of shares or debentures, then a draft prospectus has to be submitted to SEBI for its scrutiny to ensure that disclosures made therein are adequate for protection of interest of investors. Prior approval from SEBI is compulsory before going ahead with raising funds from public.

2. Filing of Prospectus or Statement in Lieu of Prospectus: Prospectus is a document inviting deposits or offers from the public for the subscription or purchase of shares or debentures of the company. A statement in lieu of prospectus is prepared when public company is confident of raising funds from private sources. A copy of prospectus or statement in lieu of prospectus is to be filed with the Registrar. The prospectus or statement in lieu of prospectus should make full disclosure of significant and material information in order to enable the investors to decide whether or not to invest money in the company.

3. Appointment of Bankers, Brokers and Underwriters: Raising funds from the public is a complex task. So, in order to ease the process, experts in different fields are appointed:

(i)Bankers receive and deposit the application money.

(ii) Brokers distribute the application forms and encourage the public to subscribe the shares.

(iii) Underwriters are appointed if the company is not sure of receiving minimum subscription of shares by the public. Underwriters undertake to buy the shares if these are not subscribed by the public. They receive a commission for the same. Appointment of underwriters depends upon the discretion of the company.

This process of appointing underwriters to ensure the minimum subscription of capital is known as Underwriting

4. Minimum Subscription: Before commencing the business, every public limited company must raise minimum subscription in order to avoid shortage of funds.

(i) It refers to minimum number of shares that must be subscribed by the investors before a company proceeds with the allotment of shares.

(ii) According to Section 39(1) of the Companies Act, 2013, Minimum Subscription is the amount stated in the prospectus as the minimum amount to be subscribed and paid by cheque or other instrument.

(iii) As per the Guidelines of Securities and Exchange Board of India (SEBI), a company must receive a minimum of 90% subscription against the entire issue before making any allotment of shares to the public.

If the stated minimum amount has not been subscribed and the sum payable on application is not received within a period of 30 days from the date of issue of the prospectus, or such other period as may be specified by the SEBI, the amount so received, shall be returned within such time and manner as may be prescribed. To avoid this risk, company generally appoints the underwriters.

5. Application to Stock Exchange: A public company must get itself listed or quoted in a stock exchange before it starts selling the securities to the public. .

(i)For this, company has to make an application in at least one stock exchange to get the permission.

(ii)If the company does not get permission within 10 weeks from the date of closure of subscription list, then the allotment will become void and all money received from the applicants will have to be returned within 80 days.

6. Allotment of Shares: After getting the name listed in the stock exchange, the company makes allotment of shares as per guidelines of SEBI.

• Till the time shares are allotted, application money received is required to remain in a separate bank account and must not be used by the company.

• Allotment letters are issued to the successful allottees. The company returns the application money to the applicants to whom no shares are allotted.

• In case of partial allotment (i.e. when shares allotted are less than shares applied), excess application money is either returned or adjusted towards allotment money.

• A return of allotment containing names, addresses of shareholders and number of shares allotted to each shareholder, signed by a director or secretary is filed with the Registrar within 30 days of allotment.

A public company may not invite public to subscribe to its securities. Instead, it can raise the funds privately (i.e. through friends, relatives or some private arrangements) as done by a private company. In such a case, there is no need to issue a prospectus. A Statement in Lieu of Prospectus' is filed with the Registrar at least 3 days before making the allotment.

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STUDY COURSE MATERIAL

SESSION-2020-21CLASS-XI

TOPIC:THEORY OF DEMAND

DAY-1

- **TEACHING MATERIAL**

Theory of demand

- Desire of commodity
- Ability to buy (purchasing power)
- Willingness to pay
- At the given price
- In the given time

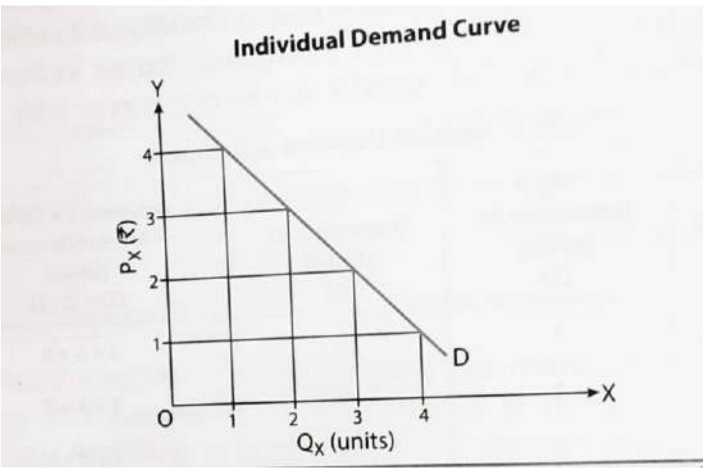
Definition of demand

Demand for a commodity is the desire to buy a commodity backed with sufficient purchasing power and willingness to spend at the given price and in the given time.

Individual demand curve and schedule

It shows different quantities of goods to be bought by a consumer at different prices at a given time.

Px	Qx
1	4
2	3
3	2
4	1

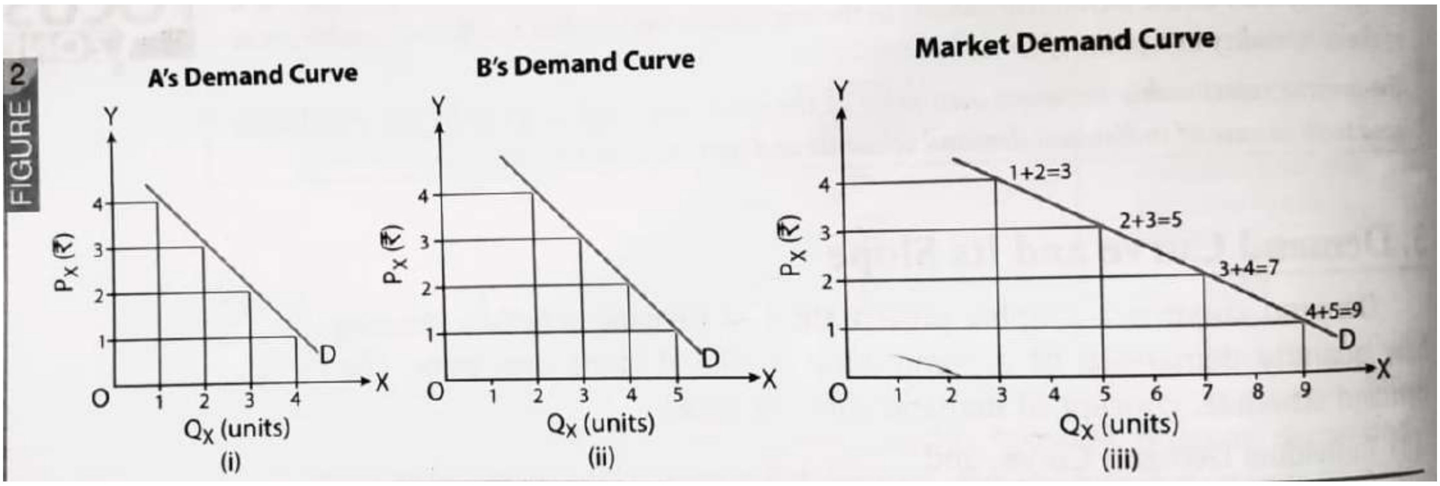


Individual demand curve shows different quantities of a commodity that one particular buyer is ready to buy at different possible prices.
Demand curve slopes downward from left to right indicating inverse relationship between price and quantity demanded.

Market demand and schedule

Market demand schedule shows demand for a commodity by all the consumer in the market. It shows different quantities of a commodity which the consumer buy at different possible prices of the commodity.

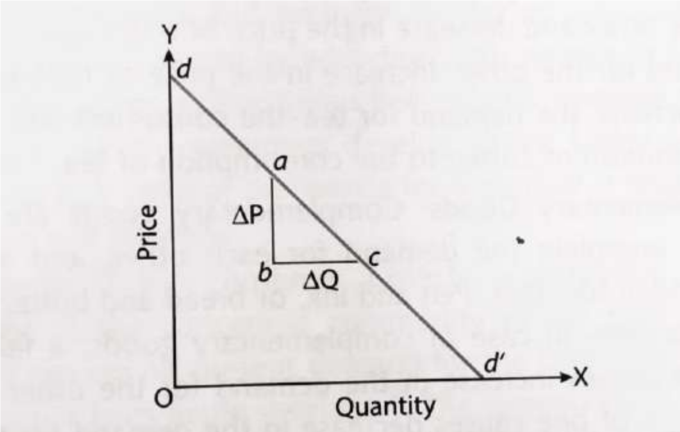
Px	Qx(ConA)	Qx(ConB)	Qx(ConA+ConB)
1	4	5	4+5=9
2	3	4	3+4=7
3	2	3	2+3=5
4	1	2	1+2=3



Slope of demand curve

Demand curve slopes downward because it shows inverse relationship between price and quantity demand of a commodity.
Slope of demand curve shows

DD=ΔP/ΔQ



Determinant of demand

There are two aspects

- Individual demand function
- Market demand function

Individual demand function:- It shows how demand for a commodity by an individual consumer is related to various determinant.

Dx=F(Px,Pr,Y,T,E)
Here,
Dx= demand of good x
F= function
Px= price of good x
Pr= price of related goods
Y= income of the consumer
T= taste and preference
E= consumers expectation

EXPAINATION:

Price of the commodity
When the price of the commodity increases when the quantity demanded decreases and vice versa other things remaining constant.

Price of related good
There are two types of related goods

- Substitute goods
- Complementary goods

Substitute goods are those which can be substituted for each other. For example of tea or coffee.
In this case if price increases of one commodity it causes increase in the demand of another commodity.
Even if the price of another commodity is constant.

Complementary goods are those which can complete the demand for each other therefore they are demanded together.
For example - pen and ink
Increase in the price of one commodity causes decrease in the demand for the other good also and vice versa.

Substitute goods	Complementary goods
These are the goods which can be interchanged for use	These are the goods which complete the demand for each other.
When the price of substitute goods increases the demand for a other good increases and vice versa.	When price of the complementary good increases the demand for a other good decreses and vice versa.
For example- Pepsi and Coke	For example- car and petrol

DAY-2

❖ **TEACHINGMATERIAL**

Income of the consumer

Income and the demand of the commodity have positive relation which means when income increases the demand also increases. The demand for the normal goods tends to increases and vice versa. On the other hand the demand for the inferior goods will decrease when the income is high and vice versa.

Difference between normal goods and inferior goods

Normal goods	Inferior goods
these are the goods in case of which there is a positive relation between income and quantity demanded	these are the goods in case of which there is a negative relation between income and quantity demanded
Income affect is positive	Income affect is negative
other things remaining constant quantity demand increases in response to the increase in consumers income	other thing remaining constant quantity demanded decreases In response to increase in consumers income
It may or may not be essential for life for example car for durable goods	It is essential for life for example cloths food grains
There is always an inverse relation between Price and demand	There may or may not be inverse relation between Price and demand

Taste and preferences

Other thing being constant demand for those goods increases for which the consumer develop strong taste and preferences. Change in taste and preference can be done by advertisements, change in fashion, climate, invention etc.

Expectations

If a consumer expects a significant change in the availability of concerned commodity in near future he may change his demand for the commodity.
For example natural calamity, war etc.

Market demand function

It shows total demand of a commodity in the market
Mkt. DD= F(Px,Pr,Y,T,E,Pp,Yd)

Population

The demand of a commodity increases when the number of buyers increases which means that is a positive relation between population and quantity demand.

Distribution of income

If the distribution of income increases in equality e bad rich becomes richer and poor becomes poor then the demand of luxurious good will increase. the fall in the income of poor people will make the demand of normal goods decrease and demand for inferior goods increase.

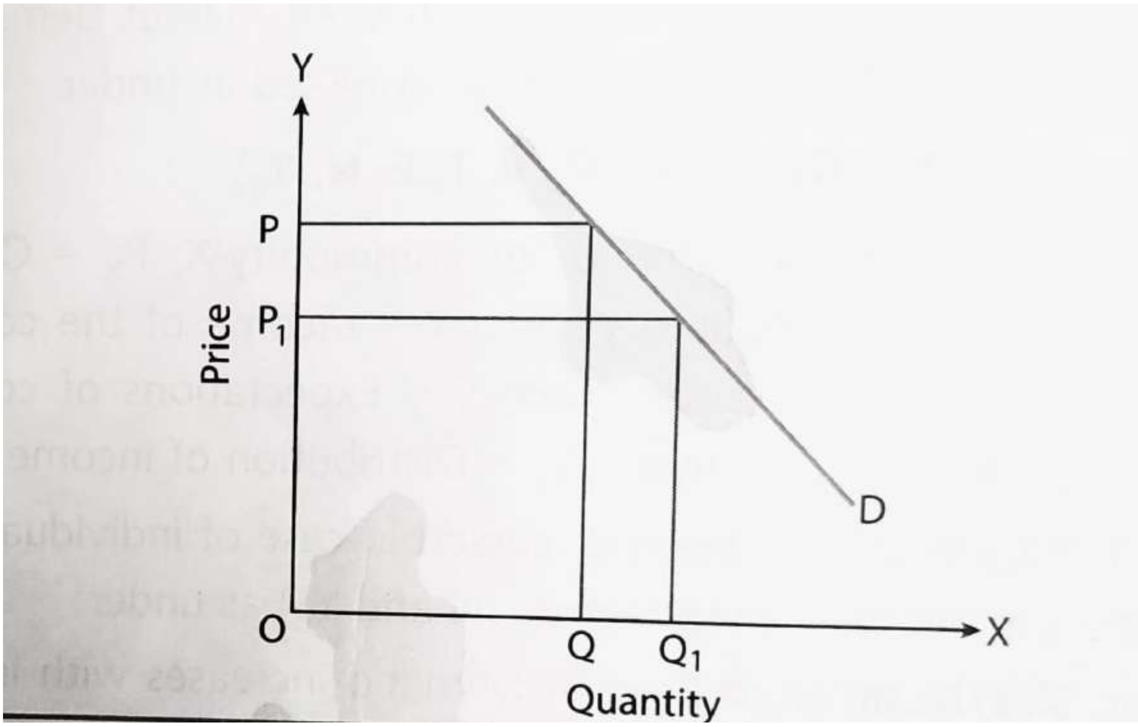
DAY-3

Law of demand
Law of demand states that other things remaining constant quantity demand will increase with the decrease in its own price of the commodity.

Assumption
Taste and preference remain constant
There is no change in the income of the buyer
Price of related goods do not change
Population remains constant
Schedule

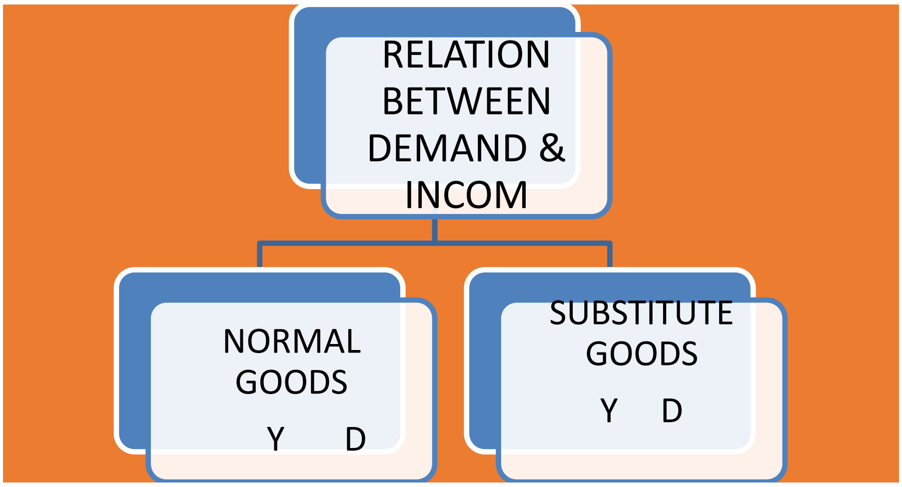
Price (X)	Demand (x)
10	80
15	50
20	10

Diagram



Why does Demand Curve Slope Downward?
Downward slope of demand curve indicates that more is purchased in response to fall in price. Thus, there is inverse relationship between own price of a commodity and its quantity demanded. This may be explained in terms of the following factors:
(1) Law of Diminishing Marginal Utility: According to this law, as consumption of a commodity increases, marginal utility of each successive unit goes on diminishing. Accordingly, for every additional unit to be purchased, the consumer is willing to pay less and less price.
(2) Income Effect: Income effect refers to the effect on quantity demanded when real income of the buyer changes owing to change in price of the commodity. With a fall in price, real income increases.

Accordingly, demand for the commodity expands.
(3) Substitution Effect: Substitution effect refers to substitution of one commodity for the other when it becomes relatively cheaper. Thus, when own price of commodity-X falls, it becomes cheaper in relation to commodity-Y. Accordingly, X is substituted for y. It is expansion of demand (for commodity-x) due to substitution effect.
(4) Size of Consumer Group: When price of a commodity falls, many more buyers can afford to buy it. Accordingly, demand for the commodity expands.
(5) Different Uses: A good may have several uses. Milk, for example, is used for making curd, cheese and butter. If price of milk reduces, it will be put to different uses. Accordingly, demand for milk expands.



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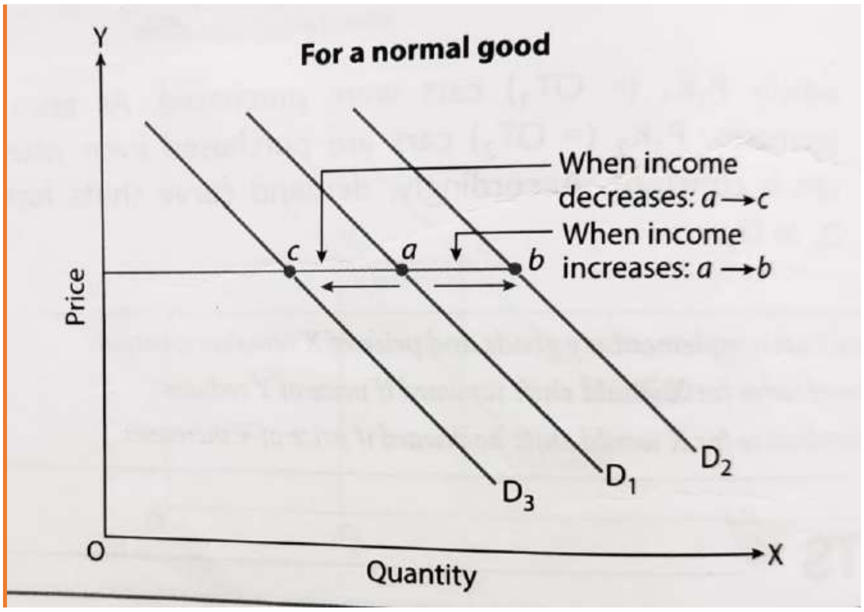
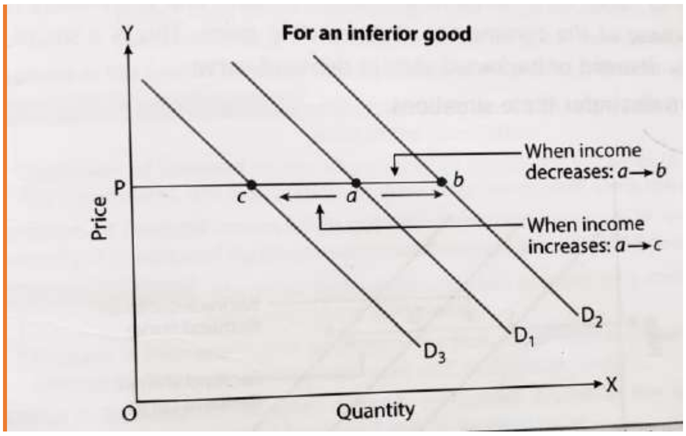
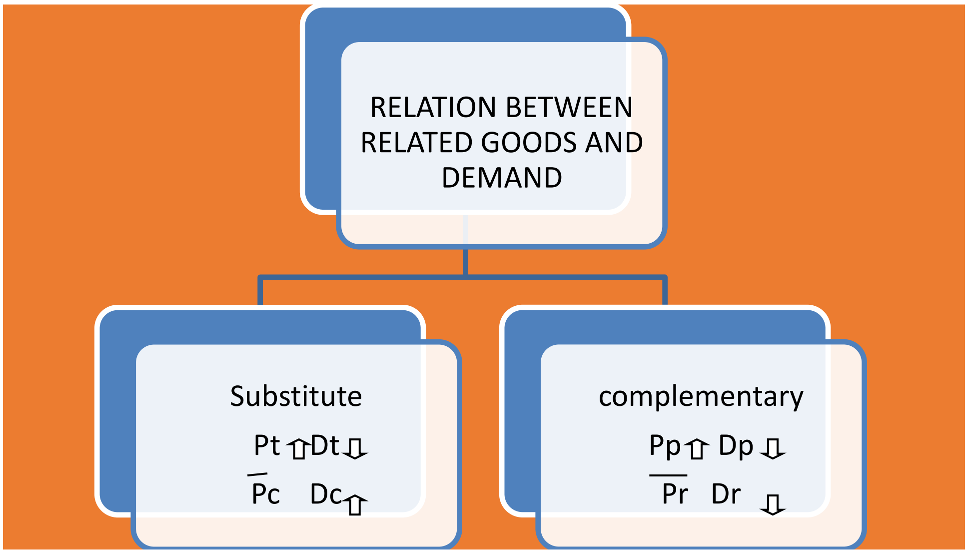
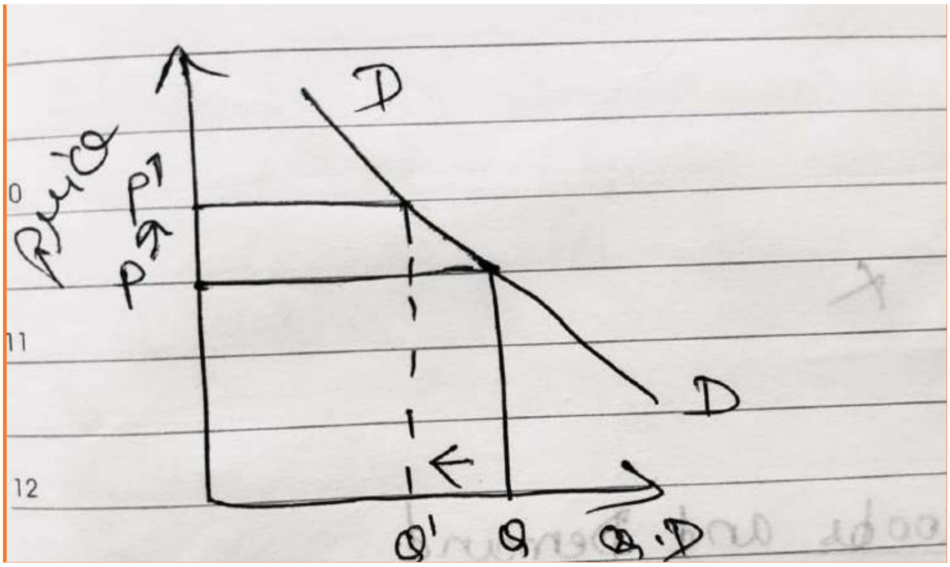
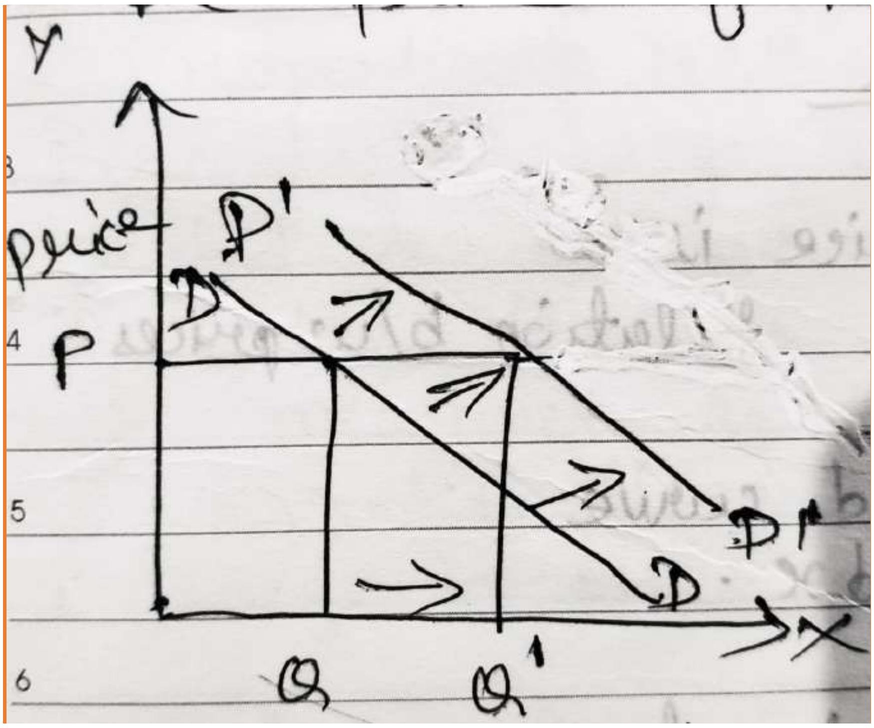






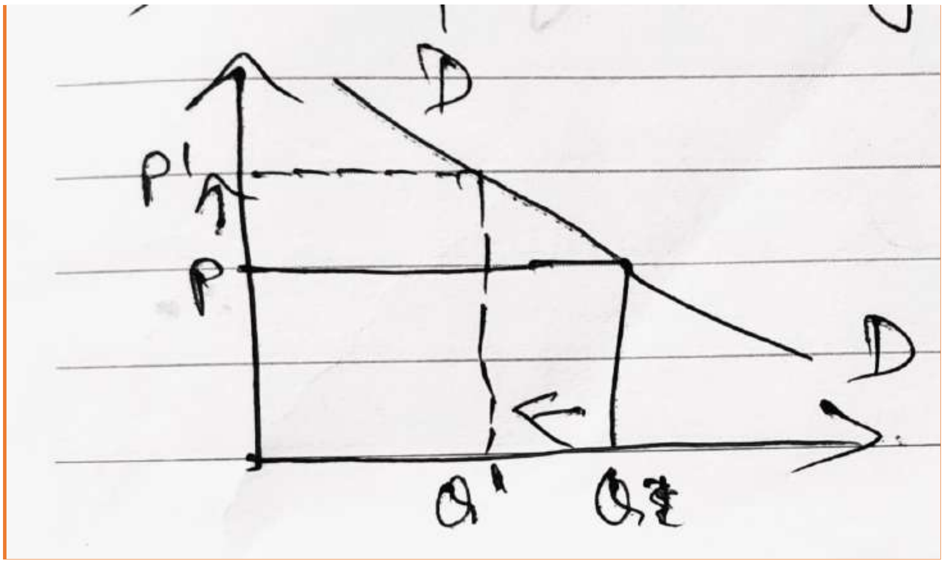
SUBSTITUTE GOODS

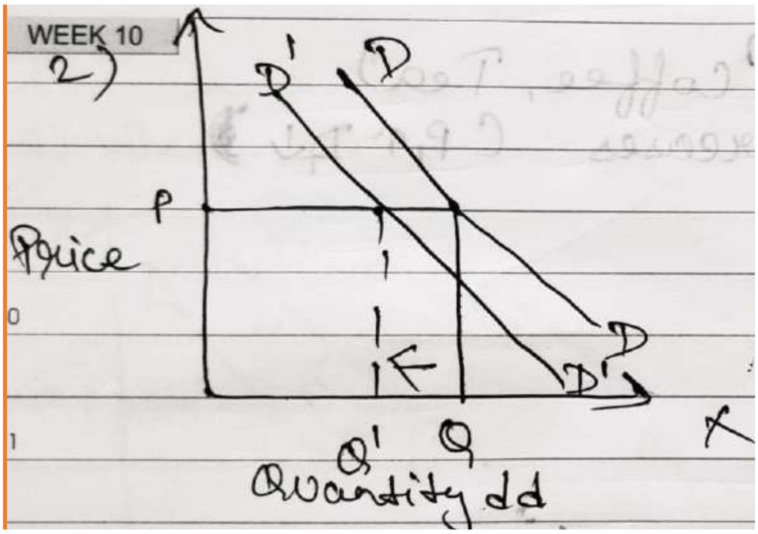




Price of coffee remains constant but the demand of the coffee increases due to change in the price of the tea.

COMPLEMENTARY GOODS





The demand of refill is decreasing as shown in above figure even when the price of the refill is constant because the price f the pen is increasing.

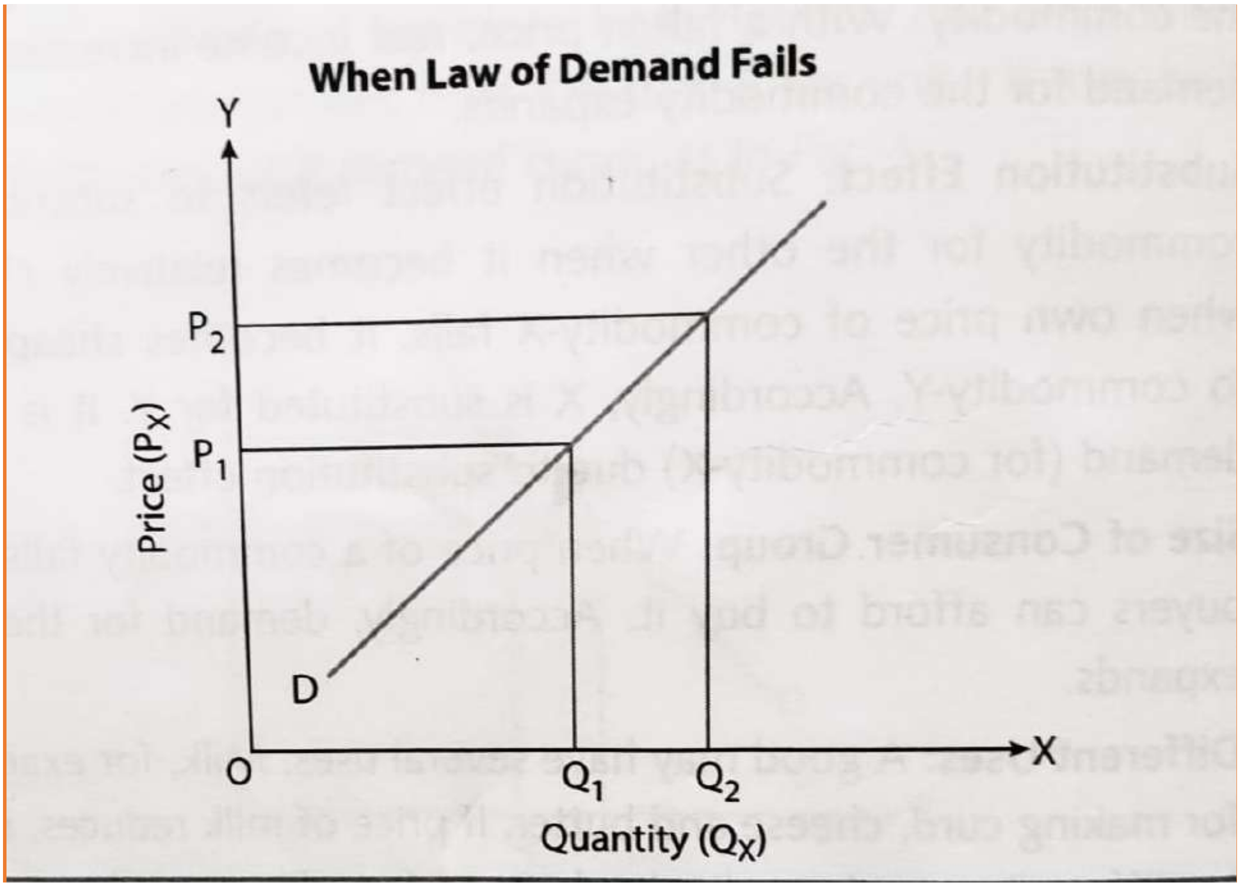
DAY-4

Exception of law of demand

It was introduced by Sir Robert Giffen and hence known as Giffen paradox or wrong solution.
Is shows positive relation between Price and demand.

Causes:

- **Ignorance** There are few consumer who are ignorant about the market conditions for change in price for such consumer law of demand is not applicable.
- **War and emergency** During the period of war or emergency the total supply of goods are limited. the consumer who fears a shortage of goods they are ready to buy the goods at any price and hence the demand increases when price increases.
- **Necessity of life** There are few goods which are necessary for survival of human beings for example food, clothes, shelter. Incase of such goods price and quantity demand are not negatively related.
- **Prestigious goods.** There are some cases where goods are demanded is because of its prestigious value for example diamond. Even if the price of these goods increases the demand will not fall.
- **Habituated goods.** in case of habituated goods Price and demand are not negatively related such as tobacco, internet, alcohol. As a person who is addicted to these goods wood purchase at any price.



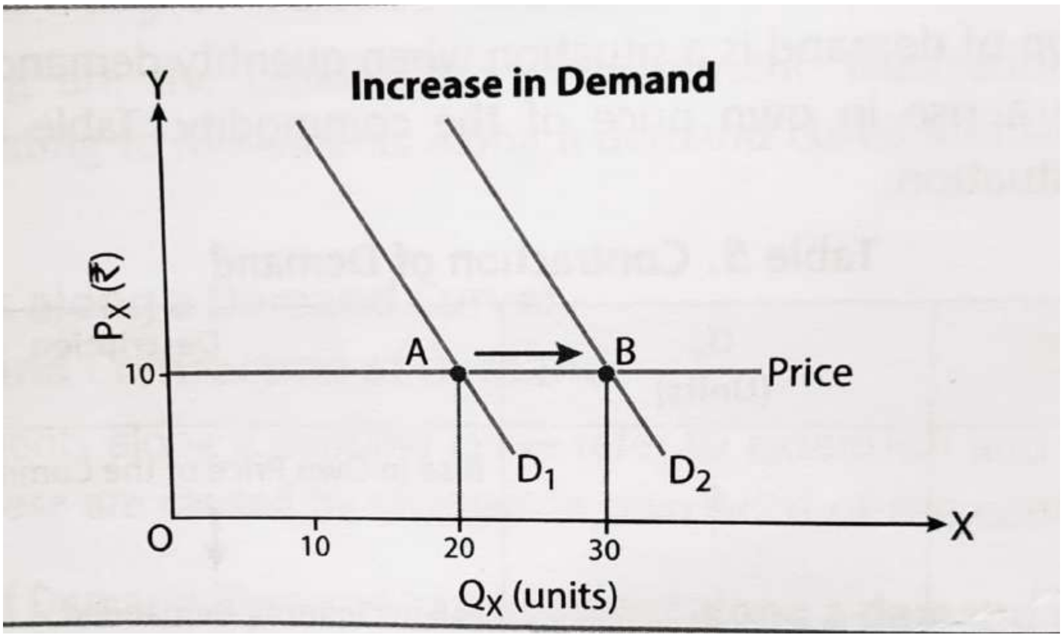
DAY-5

Change in demand and quantity demand

When the demand of a commodity is affected due to the change in other things where price is remaining constant then it is termed as change in demand.

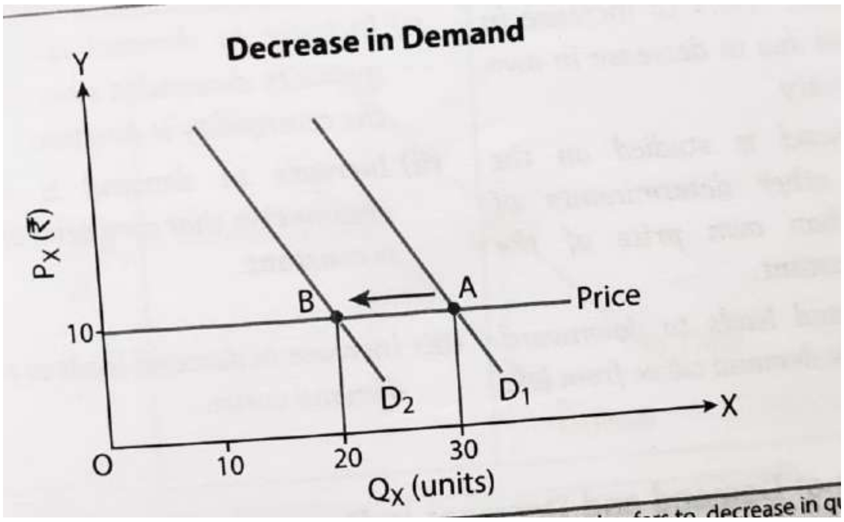
Increase in demand

Px	Qx
10	20
10	30



Decrease in demand

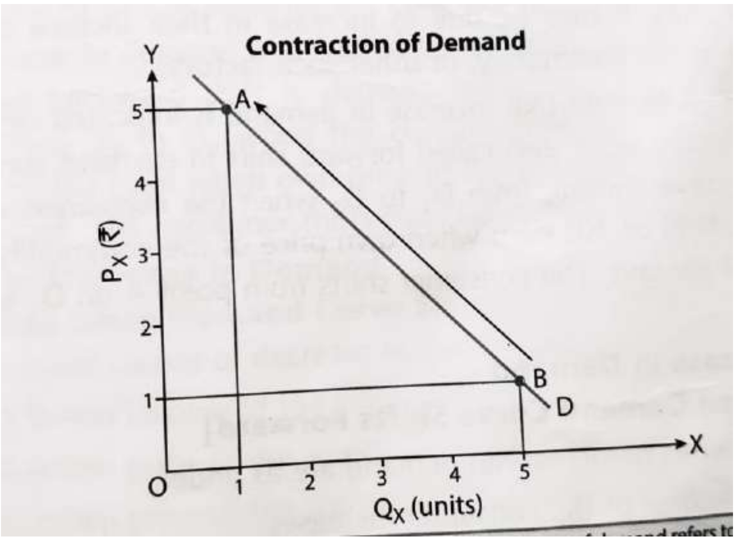
Px	Qx
10	30
10	20



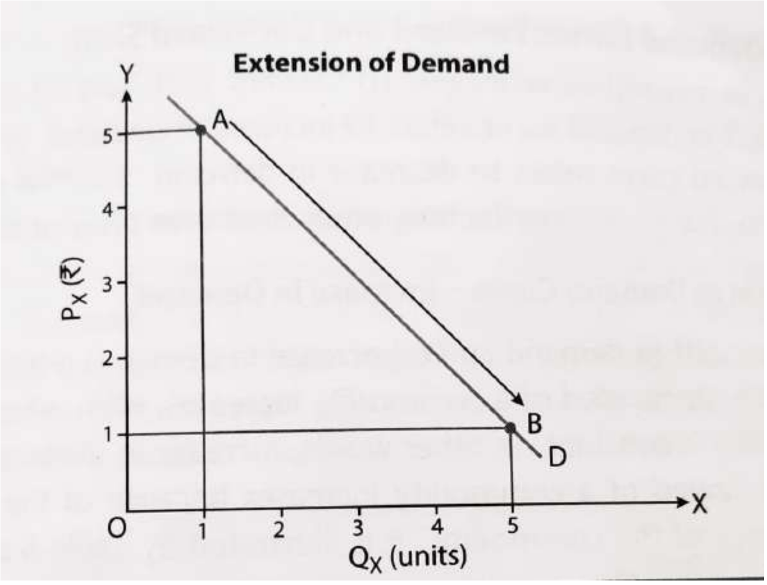
Change in quantity demand

When the demand of a commodity changes due to the change in its own price then it is known as change in quantity demand.

Contraction in quantity demand



Extension in quantity demand


Extension of Demand
Y
A
B
D
X
O
P_X (₹)
Q_X (units)
1
2
3
4
5