Concepts of Economics

S.No	Cause	Effect	Reasoning/Explanation
1	When price of a good increases	Quantity demanded falls	Law of demand
2	When price of a good increases	Quantity supplied rises	Law of supply
3	When price of a good decreases	Quantity demanded rises	Law of demand
4	When price of a good decreases	Quantity supplied falls	Law of supply
5	When demand increases	Price also increases	Competition among buyers take place
6	When demand decreases	Price also decreases	Competition among sellers take place
7	When supply increases	Price falls	Competition among sellers take place
8	When supply decreases	Price rises	Competition among buyers take place
9	Technology improves	Cost of production falls	Advance technology is cost saving
10	Price of inputs (raw material, wages) falls	Cost of production falls	Raw material become cheaper
11	Rate of tax falls	Cost of production falls	Government is imposing less tax
12	Cost of production falls	Supply increases	Production becomes profitable
13	Backward Technology	Cost of production rises	Cost consuming
14	Price of inputs (raw material, wages)increases	Cost of production rises	Raw material become costlier
15	Rate of tax increases	Cost of production rises	Government is taking more tax
16	Cost of production rises	Supply decreases	Production becomes less profitable

17	Increase in demand is less than increase in supply	Price will fall	Competition among sellers outweigh Competition among buyers
18	Increase in demand is more than increase in supply	Price will rise	Competition among buyers outweigh Competition among sellers
19	Increase in demand is equal to increase in supply	Price will remain same	Competition among buyers balances Competition among sellers
20	Inputs used in production are increased	MP first rises then falls even becomes negative	Law of diminishing marginal product
21	MP first rises then falls even becomes negative	MC becomes 'U' shaped	MC is 'U' shaped due to law of diminishing MP
22	AR(Price) constant	MR(net addition to TR) is constant	AR =MR in perfect competition
23	Creation of liabilities	Capital receipts	Borrowings
24	Reduction in assets	Capital receipts	Disinvestment ,recovery of old loans
25	Creation of assets	Capital expenditure	Buying of assets
26	Reduction in liabilities	Capital expenditure	Paying off debts
27	Foreign exchange rate increases	Value of domestic currency falls	Inverse relationship
28	Foreign exchange rate decreases	Value of domestic currency rises	Inverse relationship
29	Foreign exchange rate increases	Foreign goods become costlier	Imports will fall, demand for foreign exchange will fall
30	Foreign exchange rate decreases	Foreign goods become cheaper	Imports will rise, demand for foreign exchange will rise
31	Value of domestic currency rises	Our goods become costlier for foreigners	Exports will fall, supply of foreign exchange will fall
32	Value of domestic currency falls	Our goods become cheaper for foreigners	Exports will rise, supply of foreign exchange will rise

Equilibrium

S.No	Concept	Conditions	Explanation
1	Consumers Equilibrium Single commodity	MUx =price	If MUx > Px consumer is in gains, he will increase consumption. MUx < Py consumer is in loss, he will reduce consumption
2	Consumers Equilibrium Two commodity (utility analysis)	MUX/Px= MUy/Py	If MUX/Px > MUy/Py - utility per rupee from Goodx is more than utility per rupee of Goody. So consumption of Goodx is increased and consumption of Goody is reduced.. MUX/Px < MUy/Py utility per rupee from Goodx is less than utility per rupee of Goody. So consumption of Goodx is reduced and consumption of Goody is increased.
3	Consumers Equilibrium Indifference curve approach	MRSxy =Px/Py	If MRSxy > Px/Py - Consumer is willing to give up more but he has to give up less amount of other good. MRSxy < Px/Py - Consumer is willing to give up less but he has to give up more amount of other good.
4	Producers Equilibrium	MC = MR MC Must rise after intersecting MR	MC > MR adding more to cost. Profits are not maximum. MC<MR by increasing production profits can be increased.

5	Market Equilibrium	Quantity demanded equals to quantity supplied.	Qd > Qs Excess Demand Qd < Qs Excess Supply
6	Equilibrium level of income ,output and employment	AS = AD C+S = C+I	AS > AD unwanted unsold stock of goods. So output and employment is reduced. AS < AD Reduction in stock with firm. So firms will increase output by increasing employment
7	Equilibrium level of income ,output and employment	S = I	S > I people are saving more and consuming less. Unwanted unsold stock of goods. So output and employment is reduced. Income will fall and saving will fall. S < I people are saving less consuming more. Reduction in stock with firm. So firms will increase output by increasing employment. Income will increase savings will increase.