



ELASTICITY OF DEMAND

[GLOSSARY]

Subject : Business Economics

Paper No. & Title : 101
Microeconomics - I

Unit No. & Title : 5
Markets

Lecture No & : 3
: **Elasticity of Demand**

Glossary

Complements

Products that are usually consumed jointly. Example; vehicle and fuel

Demand

The amount of goods the consumer is willing and able to buy

Elasticity

It is the measure of responsiveness of one variable to the change in the other

Elasticity of demand

It is the measure of responsiveness of demand to the change in its determinant factors

Income

The money that a factor get against the use of its services for the production process

Income Effect

That part of an increase or decrease in the demand that is the result of a consumer's real income being increased or decreased due to change in price of a good.

Inferior goods

These are low quality goods having negative income elasticity. Example bajri and jowar as compared to wheat are inferior goods

Marginal

It describes the change in the current situation of any variable.

Marginal revenue

It is the increase in the total revenue by selling one additional unit of a product.

Substitute

A good, which can be used in place of other. Eg; tea and coffee