**Utility:**

Utility is the power of good or service to satisfy a human wants. It is the amount of satisfaction, which a consumer obtains from consuming a good or service during some specific period of time.

**Goods:**

A good is any material or thing which people want to use. Goods may be free like air or economic goods which have a price. A good which has utility for human beings is called consumer good.

**Human Wants:**

Human want means the desire to get and use something which provides utility.

Human wants are two types: Economic wants and Non economic wants

**Economic Wants:**

These are the wants which can be satisfied only by spending money e.g. want to get a cycle.

**Non- Economic Wants**:

Non-economic wants are human desires which can be satisfied without the use of money e.g. desire foe friendship. In economics we study only economic wants.

**Consumption:**

The use of goods and services to meet economic wants is called consumption. Consumption can be discussed under two heads:

**Direct Consumption**:

The consumption of consumer goods, i.e. the goods from which we get satisfaction directly, is called direct consumption i.e. consumption of food, cloth, car etc.

**Indirect Consumption:**

The consumption of capital goods, i.e. the goods from which we get satisfaction indirectly, is called indirect consumption. For example, the use of machine, factories etc, which produce consumers goods.

**Capital Goods:**

The products that satisfy our wants indirectly by making possible production of more goods. Machinery and equipment are the examples of capital goods.

**Consumer:**

The person, who uses goods and services to meet economic wants, is called consumer.

**Consumer’s behavior:**

The behavior which a consumer adopts to maximize satisfaction with limited resources, is called consumer’s behavior.

**Production:**

The act of producing goods and services, which fetch a price in the market, is called production.

**Producer:**

The person or a firm who produces marketable goods or services.

**Income:**

Income is a term that is used to describe the amount of wealth that an entity can comfortably spend during a specified period of time.

**Investment:**

An investment is an asset or item received with the goal of generating income. In other words, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth.

**Wealth:**

All things, which are used by the people and are not free. Thus wealth includes things such as houses, cattle, machinery, gold, money etc.

**Rate of interest:**

The percentage rate of return which a lender receives on the amount lent to the borrower.

**Demand:**

The amount of a commodity or service which a buyer is willing and able to purchase at a particular set of prices during a given time period is called demand.

**Demand Curve:**

It is a locus of points which represents the relationship between specific prices of a good or service and quantity demanded, other things being equal.

**Law of Demand:**

Other things being equal, the quantity demanded contracts when price increases and the quantity demanded extends when price decreases.

**Supply:**

The amount of a commodity or service which a seller is willing and able to sell at a particular set of prices during a given time period is called demand.

**Supply Curve:**

It is a locus of points which represents the relationship between specific prices of a good or service and quantity supply, other things being equal.

**Law of Supply:**

Other things being equal, the quantity supplied extends when price increases and the quantity supplied contracts when price decreases.

**Market:**

Market is an arrangement that allows buyers and sellers to exchange goods and services. Or A group of buyers and sellers that exchange a goods or services at a price.

**Revenue:**

It is the total receipt of a firm from the sale of a specific quantity of its product at a specific price over a particular period of time, i.e R = P Q

**Firm:**

Firm is a business unit which combines, co-ordinates, supervises and manages various factors of production to produce goods and services, sells these goods and services in the market and is responsible for profit or loss.

**Cost: (Cost of production)**

The payments of the rewards of factors of production either owned by the firm or purchased by the firm to produce a certain quantity of a good or service during a specific time period is called cost.

**Profit:**

It is the difference between revenue and cost. i.e π = R - C

**Factors of production:**

The factors which are involved in the process of production are termed as factors of production.

We have the following four factor of production: land, labour, capital and organization.

**Land:**

The term land is meant not only land in the strict sense of word but whole of the materials or the forces which nature gives freely for man’s aid.

**Labour:**

Labour is a mental or physical exertion to produce goods and services for monetary reward.

**Capital:**

Capital is that part of wealth which can be used for further production wealth.

**Organization or Entrepreneur:**

A entrepreneur is a person or a group of person who combines, co-ordinates, supervises and manages other factors of production to produce goods and services and is responsible for profit or loss.

Graph

Graphs are a kind of language.

Various branches of knowledge make extensive use of graph to increase the understanding of relationships between variables.

Economists also use graphs extensively.

The graphs make the study of economics interesting, eye-catching and easy to remember.

To make a graph, we draw two straight lines at right angles to each other. The lines are called axes. Horizontal line is called x-axis and vertical line is called y-axis.

The lines divide the space into four quadrants.

These two lines intersect each other at point O, which is called origin.

Every point of graph represents a pair values called x and y.

The value are written as (x,y).

The sales maximization model postulates that oligopolistic firms seek to maximize sales after they have earned a satisfactory rate of profit to satisfy stockholders. Baumol argued that a larger firm may feel more secure , may be able to get better deals in the purchase of inputs and lower rates in borrowing money, and they have a better image with consumers, employees, and suppliers.

Some early empirical studies found that a strong correlation existed between salaries and sale, but not between sales and profits. More recent studies, however, have found the opposite.

The sales maximization model is presented here because it is particularly relevant in oligopolistic markets.

In general, the profit rather than the sales maximization model provides the best vantage point from which to study the behavior of firms.

**Learning Curve**

The learning curve shows the decline in the average input cost of production with rising cumulative total outputs over time.

For example, it might take 1000 hours to assemble the 100th aircraft, but only 700 hours to assemble the 200th aircraft because managers and workers become more efficient as they gain production experience. The learning curve is negatively sloped and convex to the origin, indicating that average input costs decline at a decreasing rate as cumulative total output rises.

The learning curve can be expressed algebraically as follows:

** (1)**

Where C is the average input cost of the Q th unit of output,

a is the average cost of the first unit of output and b will be negative because the average input cost declines with increase in cumulative total output. The greater the absolute value of b, the faster the average input cost declines.

Taking the logarithm of both sides of equation 1, we get



Here b is the slope of learning curve.