**Business Economics**

**June 2023**

**1. Demand forecasting is not a speculative exercise into the unknown. It is essentially a reasonable judgment of future probabilities of market events based on scientific background. Explain the statement by elaborating on any 3 methods each from qualitative and quantitative methods of demand forecasting.**

**ANSWERS:**

**Introduction:**

**Demand:**

Demand is a consumer’s desire to purchase a particular goods or services at a given price. Demand is the crucial requirements for the existence of any business enterprise. Factors determining demand is Price of the product itself, Tastes and preferences of the consumer, income, population, etc.

**Forecasting:**

Forecasting means estimating in the present time by taking into consideration about the past for the events occurring in future. Forecasting act as a planning tool for future, it cannot be accurate

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**2**. **The law of Demand drives the economy and helps business decisions that meet consumer needs. Demand is the consumers' desire and willingness to pay for a product or service at a given price and time. Enumerate any five factors each from individual and market demand.**

**ANSWERS:**

**Introduction:**

Demand is the consumer’s desire to purchase a particular goods or services and willingness to pay a specific price for them. Demand is an effective desire. All desires are not a demand.

Demand is one of the crucial requirements for the existence of any business enterprise. A firm is interested in its own profit and/ or sales, both of which depend partially upon the demand for its product. The decision which management makes with respect to production, advertising, cost allocation, pricing etc., call for an analysis of demand. There are various features of demand like, demand is a relative concept, and demand is essentially expressed with reference to time and

**3. a. "The Law of Diminishing Marginal Utility plays an important role in the economy. It directly relates to the consumption and production of goods." In context with the given statement enumerate the Law of Diminishing Marginal Utility with its assumptions.**

a. ANSWER:

Introduction:

Utility is a satisfaction or benefit derived by consuming a product. Marginal utility is the added satisfaction of a goods or services a consumer gets by having one or more unit.

What is Law of Diminishing Marginal Utility?

The law of diminishing marginal utility is universal in character. It is based on the common consumer behavior that utility derived diminishes with the reduction in the intensity of a want. The law of diminishing marginal utility states that the marginal utility of a good or service

**b. Calculate Marginal Utility and Average Utility from the information given in the below table:**

b. ANSWER:

Introduction:

What is Marginal utility?

Marginal utility is the additional utility, or extra satisfaction of wants and needs, obtained from the consumption or use of an additional unit of a good or service. Marginal utility is, in other words, the extra satisfaction gained from an extra unit of good.