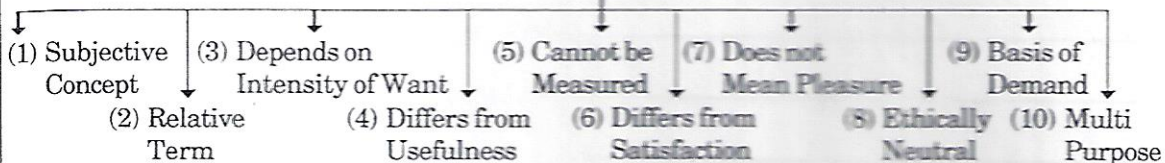
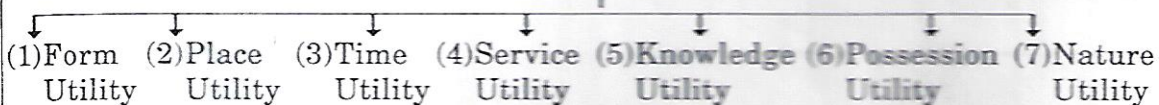
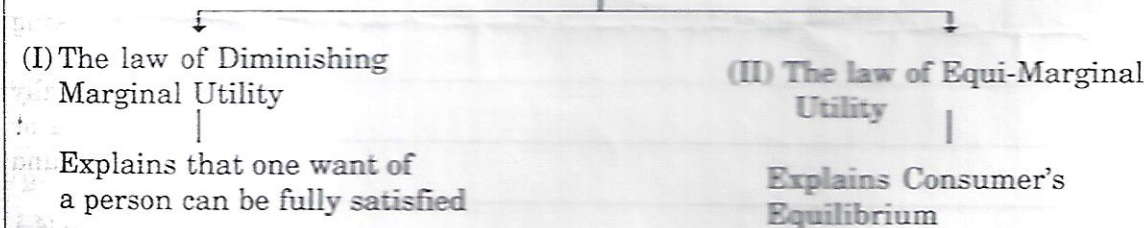


A.A.V. PATEL JUNIOR COLLEGEEXCELLANCE PROGRAM SYJC COMMERCESUB: ECONOMICSCHP: 02: CONSUMER'S BEHAVIOURSYNOPSIS

MARKS WITHOUT OPTION	MARKS WITH OPTION
06	10

**MEMORY CHART**

Prof Stanley Jevons says that "utility is the capacity of a good to satisfy human wants."

1. **Features or Characteristics of Utility**2. **Types / Forms of Utility**3. **Concepts of Utility**4. **Consumer's Behaviour Laws**



## \* DEFINITION \*

1) **UTILITY**: The concept of Utility was first coined by Stanley Jevons. According to Jevons utility may be defined as the capacity of a commodity to satisfy human want. It is the want satisfying power of a good. Nobody wants to demand any good if they do not have utility. Thus utility is the basis of demand. For Eg: a student wants to buy a pen because the pen has the capacity to satisfy his want of writing.

2) **MARGINAL UTILITY**: MU refers to the additional utility derived by a consumer from additional unit of a commodity consumed. It is the utility from the last unit of a commodity. In short, MU is the addition made by last unit to TU.

$$MU_n = TU_n - TU_{n-1}$$

$MU_n$  refers marginal utility of  $n$  units of stock

$TU_n$  refers to total utility of  $n$  units.

$TU_{n-1}$  refers to total utility of  $n-1$  units.

MU goes on diminishing as consumption increases.

UNITS	TU	MU
01	10	10
02	15	5
03	18	3
04	20	2
05	20	0
06	18	-2

3) **TOTAL UTILITY**: TU refers to the sum of utilities derived by the consumer from all units of a commodity consumed. It is an aggregate of utilities from all successive units of a commodity.



$$TU = \sum MU \quad \text{OR} \quad TU_n = MU_1 + MU_2 + MU_3 + \dots + MU_n.$$

Total Utility Increases at a diminishing rate.

4) **POSSESSION UTILITY**: Utility derived from transfer of ownership of goods from one person to another person is called possession utility. Eg: Wholesellers and retailers facilitate transfer of goods from them to buyers. The buyer enjoys possession utility. When a person consumes a new car, new house or new assets, its ownership provides him possession utility.

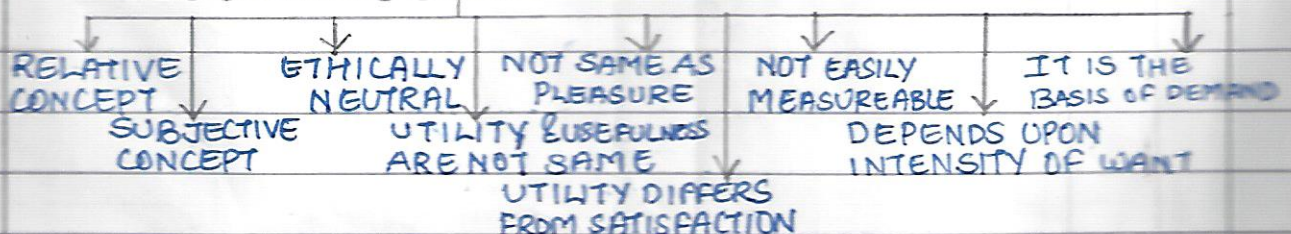
5) **KNOWLEDGE UTILITY**: When utility of a commodity increases due to awareness & knowledge of how to use the same, it is called knowledge utility. Eg: Calculators, computers, mobile phones etc become more useful to the people if they have proper knowledge to operate them. Knowledge utility can be created through advertisement & propaganda.

\* **DISTINGUISH BETWEEN:**

1.	UTILITY	USEFULNESS.
2.	UTILITY	SATISFACTION.
3.	PLACE UTILITY	TIME UTILITY.
4.	TOTAL UTILITY	MARGINAL UTILITY.

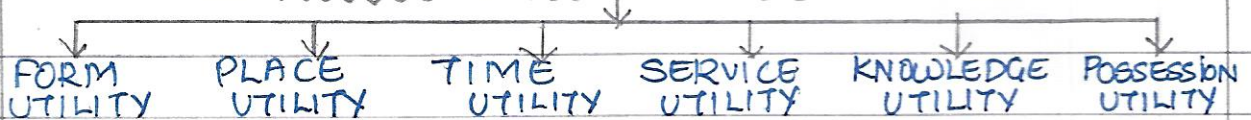
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### FEATURES OF UTILITY:

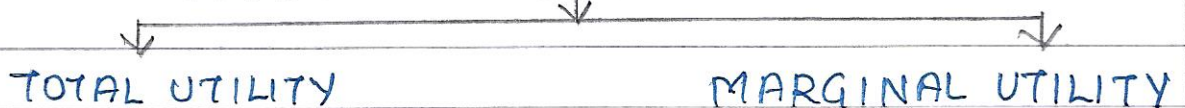




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TYPES OF UTILITY

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CONCEPTS OF UTILITY

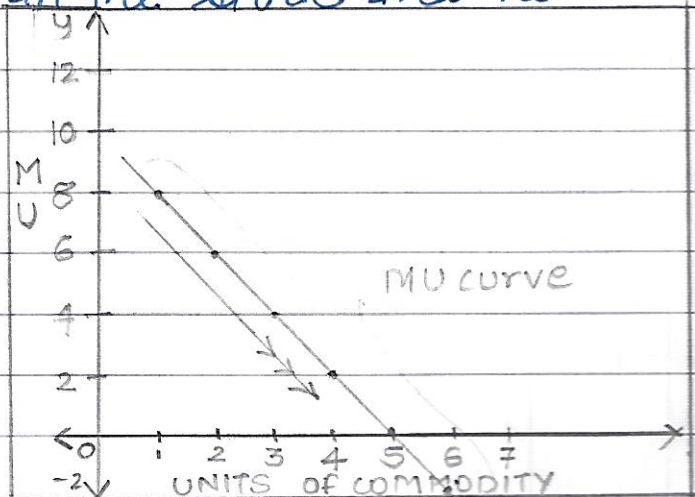
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LAW OF DIMINISHING MARGINAL UTILITY :

It was first proposed by Mr. Gossen. So this law is known as Gossen's first Law. However, it was further explained in detail by Prof. Alfred Marshall in his book 'Principles of Economics' published in the year 1890.

STATEMENT OF THE LAW.: According to Prof. Alfred Marshall, other things being constant, "The additional benefit which a person derives from the increase in the stock of a thing diminishes with every increase in the stock that he already has."

UNITS OF COMMODITY	MU
01	8
02	6
03	4
04	2
05	0
06	-2

ASSUMPTIONS OF THE LAW OF DMU



### EXCEPTIONS OF THE LAW OF DMU

↓ ↓ ↓ ↓ ↓ ↓  
HOBBIES MISERS DRUNKARDS MUSIC READING MONEY

### LIMITATIONS OF THE LAW OF DMU

↓ ↓ ↓ ↓ ↓  
UNREALISTIC CARDINAL INDIVISIBLE CONSTANT A SINGLE  
ASSUMPTION MEASUREMENT GOODS MU OF WANT  
MONEY

### IMPORTANCE OR SIGNIFICANCE OF THE LAW

↓ ↓ ↓ ↓ ↓ ↓  
TO THE TO THE TO THE TO THE TO THE TO UNDER-  
CONSUMER PRODUCER MONOPOLIST GOVERNMENT FINANCE STAND  
MINISTER MINISTERS PARADOX  
OF VALUE