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M. Com Sem I
(Managerial Economics)

* Assumptions of law of Demand -

The law of demand involves the following 'ceteris paribus' assumptions:

1. Consumer's income is fixed and constant.
2. Tastes and preferences of the consumer remain constant.
3. The given price change for the commodity is a normal one i.e, it is not speculative.
4. Prices of other goods like substitutes and complementaries remain constant.
5. There is no change in the distribution of the community income and wealth.
6. The size of population is unchanged.
7. The level of taxation and other fiscal measures undergo no significant changes.

The law of demand states that, all other things being equal, the quantity demanded of a good and services is inversely related to its price. This is one of the most foundational principles in economics.

8. No change in the quality of the product.
9. No expectation of future price changes.
10. Commodity should not confer distinction.