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M.Com Sem-I
(Managerial Economics)

* Linear Demand function -

A linear demand function is a mathematical expression that shows a straight-line relationship between the quantity demanded (Q_d) and price (P) of a good, using the formula - $Q_d = a - bP$. In this equation, 'a' represents the quantity demanded when the price is zero and 'b' represents the slope, which indicates the change in quantity for a one-unit change in price. The coefficient 'b' is always negative, reflecting the inverse relationship b/w price and quantity demanded.

Equation and Components -

$Q_d = a - bP$

where,

Q_d = Quantity demanded

a = The quantity demanded when the price is zero.

P = The price of the commodity.

b = The slope of the demand curve, which is the change in quantity demanded for a one-unit change in price ($\Delta Q_d / \Delta P$)