

# Life instance of economics



**Opportunity Cost-** The true cost of something is when one alternative is selected over the other. It can be on the basis of monetary or non-monetary. It represents an all-inclusive economic cost, which is the sum of explicit and implicit cost.

**Example-** When you attend a movie, the opportunity cost includes not only the cost of the tickets and transportation but also the time required to view the movie should be taken into account.

A football player attends training to be a better player instead of taking a vacation. The opportunity cost was the vacation.

**Utility-** It is defined as the power of a commodity or service to satisfy human wants. The utility is thus the satisfaction derived by the consumers by consuming the good.

**Example-** The utility of a non-veg food dish is zero to a vegan while it has a very high utility for non-veg foodie person.

The utility of a pack of cigarette is zero for a person who is a non-smoker while it has a very high utility for a smoker.

**Cardinal Utility-** Cardinal utility gives a value of utility to different options. It is basically giving different choices a specific utility value. It is an attempt to measure consumer satisfaction in numerical terms. It is subjective in nature. It varies from person to person.

**Example-** A person giving a rating in the manner of feedback to a restaurant.

Pratik yields 70 utils of satisfaction from a burger and 30 utils from a pizza.

**Ordinal Utility-** Ordinal utility is not measuring it but arranging it in order of preference. The consumer only ranks choices in terms of preference but do not give exact numerical values for utility.

**Example-** A person preferring one restaurant over the other because of having a predetermined order set in his mind.

A person prefers coca-cola over tea when he is thirsty, it means coco-cola has more utility than tea.

**Marginal Utility-** It is defined as the additional satisfaction or benefit that a consumer derives from buying an additional unit of a commodity or service. It is the increase in the quantity of output by increasing an additional unit of input.

**Example-** In a manufacturing unit with an increase in the number of employees, production increases.

When a student refers to an additional book on a particular subject other than the class notes, he gains a broader perspective and knowledge on that particular subject.