ECONOMIC ANALYSIS FOR BUSINESS

BA5101

UNIT-I

TWO MARK QUESTIONS:

1. **What is micro economics?**
   According to Watson," Microeconomics is the theory of the small, of the behaviour of the consumers, producers and markets".

2. **Define scarcity**
   According to McConnell, "scarcity is a situation in which there is not enough of resources to meet all human needs".

3. **Write a note on PPF?**
   PPF is a curve that illustrate the production possibilities of an economy- the alternative combinations of two goods that an economy can produce with given resources and technology.

4. **State the fundamental economic problem**
   - **What to produce**
   - **How to produce**
   - **For whom to produce**

5. **Briefly write on negative externalities**
   A negative externality occurs when an individual or firm making a decision does not have to pay the full cost of the decision.

6. **Briefly write on positive externalities**
   It is slightly more difficult to identify than their negative counterparts. They are often associated with government or charitable interventions in the market.

7. **List down the role of government**
   - **Role of government in price stability**
   - **Regulatory role of government**

- **Promote health and nutrition**
- **Secure property rights and political stability**
- **Research and development**

LONG ANSWER TYPE QUESTIONS:

1. **Explain in detail Micro economics and Macro economics. How they differ**
2. **Explain Scarcity and Efficiency.**
3. **Describe the economic growth and stability in detail.**
4. **Explain PPF. State the importance of PPF.**
5. **Explain the role of market in detail.**

UNIT-II

TWO MARK QUESTIONS:

1. **What is market structure?**
   The market structure variables that determine the magnitude and characteristics of competition are the basis of categorisation of the structure of the industry.

2. **Write down determinants of demand**
   - **Price of the commodity**
   - **Income of the consumer**
   - **Tastes and Preferences**
   - **Prices of related goods**
   - **Advertisement**
   - **Consumer Expectations**

3. **State the meaning of demand and supply**
   The demand for anything, at a given price, is amount of it, which will be bought per unit of time, at that price".
   The supply of goods is the quantity offered for sale in a given market at a given time at various price.

4. **What is elasticity of demand?**
   If the percentage change in quantity demanded is divided by the percentage change in one of the variable which affect the demand, then it is called 'Elasticity of demand'.

5. **What is meant by price elasticity of demand?**
   Elasticity of demand may be defined as the ratio of the percentage change in demand to the percentage change in price.

6. **Briefly explain the concept of Cross elasticity of demand**
   Cross- elasticity of demand for a good is defined as change in demand of that good due to change in price of another good.

7. **State the supply functions**
   The equation which is formed with the use of these factors is called supply function. Supply function can be represent as

   $$Sx=f(Px, Py, C, T, O, F, W, N,T)$$

8. **Define consumer surplus**
   The concept of consumer surplus is defined as " Excess of the price which a consumer would be willing to pay rather than go without a thing over that which he actually does pay, is the economic measure of this surplus satisfaction".

9. **What is economies of scale?**
   Economies of scale is when output increases leading to rise of long-run average total cost.

LONG ANSWER TYPE QUESTIONS:

1. **Discuss the meaning of demand and its various types.**
2. **Define price elasticity of demand. How it can be measured**
3. **Write detailed note on Law Diminishing Marginal Utility**
4. **Write an explanatory note on law of returns to scale.**
5. **What do you understand by economies and diseconomies of scale?**

UNIT-III

TWO MARK QUESTIONS:

1. **what is product market?**
   The total value of goods exchanged in product market each year is measured by gross domestic product. The demand side management of product market includes consumption expenditures, investment expenditures, government purchase and net exports.

2. **What is firm?**
   Firm is an organisation that produces and sells goods with the goal of maximising its profits.

3. **What is firm equilibrium?**
   A firm is a unit engaged in the production for sale at a profit and with the objective of maximising profit"

4. **List the various forms of market**
   - **Perfect Market**
   - **Imperfect Market**
     a. **Monopoly**
     b. **Monopolistic competition**
     c. **Oligopoly**
     d. **Duopoly**
5. **Write a short note on perfect market**
   Perfect competition is a market structure characterised by a complete absence of rivalry among the individual firm.

6. **Define entrepreneur**
   Land, labour and capital combines in them in the right proportion, then initiates the process of production and bears the risk involved in it. This factor is known as the entrepreneur.

7. **Define Market efficiency**
   The term market efficiency refers to the process by which resource are maximised to generate more productive value than they use,

every resource is optimally allocated to serve each person in the best way while minimising waste and inefficiency.

8. **What is meant by price discrimination**
   Price discrimination is charging different prices for the same product or same price for the differentiated product.

9. **Define monopolistic**
   According to J.S. basins, " Monopolistic competition is market structure where there are a long number of small sellers, selling differentiated but close substitute products"

10. **What is factor market?**
    It refers to markets where the factors of production are bought and sold such as the labour markets, the capital market, the market for raw materials, and the market for management.

LONG ANSWER TYPE QUESTION:

1. **What is market structure? Explain the characteristics and determinants of market structure.**
2. **Define 'oligopoly.' Explain how p[rice and output decision are taken under conditions of oligopoly under conditions of oligopoly.**
3. **Describe the determinants and type of market efficiency.**
4. **Explain demand and supply of factor.**
5. **Explain interaction of product and factor market.**

UNIT-IV

TWO MARK QUESTIONS:

1. **Define multiplier**
   Investment multiplier tells us that when there is an increment of aggregate investment, income will increase by an amount which is K times the increment of investment.

2. **Define national income**
   National income is that part of the objective income, of the community, including of course, income derived from abroad, which can be measured in money"

3. **Define GDP**
   Total monetary value of all finished goods and services being produced in the specified territory of the country during the current financial year is known as GDP.

4. **What is net national product?**
   Derivation of NNP is by subtracting the depreciation allowance from GNP, adding the net factor income from abroad to the net domestic product.

5. **What is aggregate demand?**
   Aggregate demand is the total demand for final goods and services in the economy (y) at a given time and price level.
   Y=C+I+G+(X-M)

6. **What is aggregate supply?**
   - **The supply of output of final consumer goods and services in a year**
   - **The output of capital goods which are also called investment goods or product goods because they help in producing further goods.**

7. **Write a note on effective demand**
   It represents that aggregate demand or total spending consumption expenditure and investment which matches with aggregate supply.
   Effective demand=National Income=National Output.

8. **Write down features of demand side management**
   - **Determinants of employment**
   - **Say's law falsified**

- **Role of investment**
- **Capitalistic Economy**

9. **What is fiscal policy?**
   By fiscal policy is meant the use of public finance or expenditure, taxes, borrowing, and financial administration to further our national economic objective.

LONG ANSWER TYPE QUESTIONS

1. **Explain the meaning and features of national income**
2. **What is aggregate supply demand? What are its components?**
3. **Explain the aggregate supply in detail**
4. **What is aggregate demand? What are its components?**
5. **How fiscal policy related to growth and price stability?**

UNIT-V

TWO MARK QUESTIONS:

1. **Define unemployment.**
   Unemployment occurs when people are without job and they actively looked for work within the past four weeks or are waiting to take up an appointment.
2. **Define Okun's law**
   Okun's law refers to the relationship between increases in unemployment and decreases in a country's gross domestic product GDP.
3. **What is Philip curve**
   Indicated a negative statistical relationship between the rate of change of money wage and the unemployment rate.
4. **Define money market equilibrium**
   Incorporating an interaction between the money market and the market for goods and services to determine simultaneously national income and the rate of interest. The model was later extended to take account of the labour market, the price level ,and financial assets otter than money or real capital.

5. **What is money market?**

   The money market is the collective name given to the various firms and institutions that deal various grades of near money.

6. **What are money market instrument?**
   - **Call/ notice/term money**
   - **Commercial bill**
   - **Treasury/ T-bills**
   - **Commercial papers**
   - **Certificates of deposits**

7. **List the impact of inflation**

   Inflation take place when money income is expanding relative to the output of work done by the productive agents for whom its the payment.

8. **State any two causes of inflation**
   - **Increase in demand for goods and services**
   - **Increase in public expenditure**
   - **Increase in private expenditure**
   - **Decrease in supply for good and services**
   - **Shortage of supplies of factors of production.**
   - **Hoarding by the traders**

9. **What is deflation?**

   Deflation is a situation when the value of money increases in the international market.

LONG ANSWER TYPE QUESTIONS

1. **What is aggregate supply? Discuss the aggregate supply curve**
2. **Explain okun's law with its uses and criticism**
3. **Define inflation. List the various causes and effects of inflation**
4. **What is inflation? Analyse its impact on the various section of the society.**
5. **Discuss the fiscal and monetary measures taken to reduce inflation**