**BUSINESS ECONOMICS-18UCO1A1**

**K1 LEVEL QUESTIONS**

**UNIT I**

1. Scope of business economics covers______ fields.

   a) Consumption analysis b) Production analysis c) Equilibrium analysis

   **d) All the above**

2. “Economics is the Science of Wealth” who gave this definition?

   (A) J. K. Mehta (B) Marshall

   **(C) Adam Smith** (D) Robbins

**3.** “Economics is what economists do.” It has been supported by—

   (A) Richard Jones (B) Comte

   (C) Gunnar Myrdal **(D) All of the above**

**4.** Economics is a science” the basis of this statement is—

   (A) Relation between cause and effect

   (B) Use of deductive method and inductive method for the formations of laws

   (C) Experiments **(D) All of the above**

5. Utility means—

   **(A) Power to satisfy a want** (B) Usefulness

   (C) Willingness of a person (D) Harmfulness

6. Three basic economic problems is _____

   **a) What, how and for whom** b) why, where, and when

   c) What, which and how mach d) what, which, why

7. Economics is a ----- science which deals with human wants and their satisfaction.

   **a. Social** b. Political c. Natural d. Physical

8. ------ defined economics as a study of mankind in the ordinary business of life.

   a. Adam smith b. Lionel Robbins c. Samuelson **d. Alfred Marshall**

9. The father of New Economics is:

   a. Marshall **b. J.M.Keynes** c. Adam Smith d. Karl Marx

10. Which of the following is defined as the study of the aggregate economy studied as a whole?

    a. Mathematical economics b. Econometrics **c. Macroeconomics** d. Microeconomics

**UNIT-II**

1. Demand curve is approximately for all time characterized as downward-sloping, implication that as price decreases, customers will buy more of product related to______

   a. Law of supply b. law of marginal utility **c. demand curve** d. law of demand
2. Completely competitive market exists when each member is a

   a. price maker **b. price taker** c. price seeker d. a & b
3. If demand for product does not change with small change in price then demand is said to be

   a. interactive b. augmented c. elastic **d. inelastic**
4. Demand for a particular product can decline if price is_____

   a. stable **b. high**c. low d. constant
5. Demand curve for prestige goods slopes is

   **a. upward** b. downward c. leftward d. rightward
6. If demand of product changes considerably with small change in price then demand is said to be______

   a. interactive b. augmented **c. elastic** d. inelastic
7. Indifferent curve analysis is a tool economists use to gain insight into the

   a. the firm **b. the individual** c. money markets d. banks
8. Which of the following is not a forecasting technique?

   a. Judgmental b. Time series **c. Time horizon** d. Associative
9. In which of the following forecasting technique, subjective inputs obtained from various sources are analyzed?

   **a. Judgmental forecast** b. Time series forecast c. Associative model d. All of the above
10. The horizontal demand curve parallel to x-axis implies that the elasticity of demand is:

a. Zero **b. Infinite** c. Equal to one d. Greater than zero but less than infinity

## UNIT-III

1.The marginal cost curve intersects the_____

a. ATC and AFC curves at their minimum points b. ATC curve at its maximinsing point c. **ATC and AVC curves at their minimum points** d. AVC and AFC curves at the minimum points

2.Implicit costs are:

a. equal to total fixed costs. b. comprised entirely of variable costs. c. "**payments" for self-employed resources.** d. always greater in the short run than in the long

3.The short run is a time period in which:

a. all resources are fixed. b. the level of output is fixed. c. the size of the production plant is variable. d. **some resources are fixed and others are variable**

4. Variable costs are:

a. sunk costs. b. multiplied by fixed costs. c. **costs that change with the level of production.** d. defined as the change in total cost resulting from the production of an additional unit of output.

5. Law of variable proportion is valid when:

**a. Only one input is fixed and all other inputs are kept variable** **b.** All factors are kept constant c. All inputs are varied in the same proportion d. None of these

6. Diminishing marginal returns implies:

a. Decreasing average variable costs b. Decreasing marginal costs c. **Increasing marginal costs** d. Decreasing average fixed costs

7.Third stage of law of variable proportion is

a. Increasing return b. positive returns c. **negative returns** **d.**constant returns

8.Marginal cost is defined as…………………….

**a. Change in total cost due to addition of one unit** ; b. Total cost divided by additional unit; c. Total cost divided by total units produced ; d. Total sales / Total production

9.Which of this curve never touch X AXIS?

a. AVC **b.AFC** c. TC d. MC

10.Total variable cost curve is explained by

a. Law of the diminishing marginal returns b. The price of the variable inputs

c. Production function d. **All the three**

**UNIT-IV**

1.Which of the following is not an essential condition of pure competition?

a. Large number of buyers and sellers b. Homogeneous product c. Freedom of entry d. **Absence of transport cost**

2.Under which of the following forms of market structure does a firm has no control over the price of its product

a. Monopoly b. Oligopoly c. Monopolistic competition d.**Perfect competition**

3. Under monopoly price discrimination depends upon:

a. **Elasticity of demand for commodity** b. Elasticity of supply for commodity

c. Size of market d. All of above

4. Firms in a monopolistic market are price _______:

a. Takers b. Givers c. **Makers** d. Acceptors

5.Market which have two firms are known as:

a. Oligopoly b. **Duopoly** c. Monopsony d. Oligopsony

6.Monopolist can determine:

a. Price b. Output c. **Either price or output** c.None

7.Which of the following is the most competitive market structure?

**a. perfect competition** **b.** monopolistic competition **c.** Oligopoly **d.** monopoly

8.Which of the following is the least competitive market structure?

a. perfect competition **b.** monopolistic competition **c.** Oligopoly **d. monopoly**

9. In which form of market structure would price be the key factor when competing?

**a. perfect competition** **b.** monopolistic competition **c.** Oligopoly **d.** monopoly

10. For which of the following market structure is it assumed that there are barriers to entry?

a. perfect competition b. monopolistic competition c. Oligopoly d. **monopoly**

**UNIT-V**

1. New product pricing strategy through which companies set lower prices to gain large market share is classified as

   a. Optional product pricing b. Skimming pricing c. **Penetration pricing**. d. Captive product pricing

2. Pricing strategy in which prices are set lower to actual price to trigger short term sales is classified as

   **a. Promotional pricing b.** Short term pricing **c.** Quick pricing d. Cyclical pricing

3. While setting the price, marketers

   a.Select the pricing objective b. Estimate demand c. Analysis competitors cost, offers and prices **d. All of the above**

4. The pricing objectives are

   a. Maximum current profit, market share and market skimming b. Survival c. Product quality leadership **d. All of the above**

5. Marketers focus on ____________ while maximizing market share.

   a.Higher sales volume b. Lower unit costs **c. Both a and b** d. none of the above

6. GDP measures:

   a**. A country's income** b. A country's wealth c. Consumer spending d. Net trade income

7. Real national income measures:

   a. Nominal national income adjusted for population change b. Nominal national income adjusted for unemployment c**. Nominal national income adjusted for inflation**d. Nominal national income adjusted for exchange rates

8. The standard of living is often measured by:

   **a)Real GDP per capita b.** Real GDP c. Real GDP * population d. Real GDP plus depreciation

9. Net National Product equals:

   Gross National Product adjusted for inflation b. Gross Domestic Product adjusted for inflation c. Gross Domestic Product plus net property income from abroad d. **Gross National Product minus depreciation**

10. Gross National Product equals:

    a. Net National Product adjusted for inflation

b. Gross Domestic Product adjusted for inflation

**c. Gross Domestic Product plus net property income from abroad**

d. Gross Domestic Product plus net property income from abroad

## BUSINESS ECONOMICS-18UCO1A1

## K2 LEVEL QUESTIONS

## UNIT I

1. What is economics?

**Economics is often defined as science of management of resources for promotion of well-being of mankind.**

2. Define economics.

**Alfred Marshall in his book 'Principles of Economics published in 1890 placed emphasis on human activities or human welfare rather than on wealth. Marshall defines economics as "a study of men as they live and move and think in the ordinary business of life."**

3. What is business economics?

**Business economics is a field of applied economics that studies the financial, organizational, market-related, and environmental issues faced by corporations.**

4. Define business economics.

According to **McNair** and **Meriam**, "Managerial Economics consists of the use of Economic modes of thought to analyse business situations."

5. What is opportunity cost?

**The opportunity cost means next best alternative cost.**

6. What is micro economics?

**Microeconomics is the study of individuals, households and firms' behavior in decision making and allocation of resources. It generally applies to markets of goods and services and deals with individual and economic issues.**

7. What is macro economics?

**Macroeconomics is the branch of economics that studies the behavior and performance of an economy as a whole. It focuses on the aggregate changes in the economy such as unemployment, growth rate, gross domestic product and inflation.**

8. What is incremental cost?

**Incremental cost reefers to additional cost incurred due to changes in the level of production activity.**

9. List out any five roles and responsibilities of business economist.

- **Technological development**
- **Business forecasting**
- **Costs**
- **Government policies**

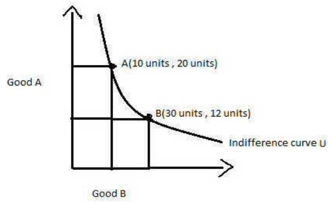
- **Location**

10. List out the concerts applies in business economics.

- **Opportunity cost**
- **Equi-marginal principle**
- **Incremental concept**
- **Time perspective**
- **Discounting principle**

**UNIT-II**

1. What is demand?
**Demand in economics is the consumer's desire and ability to purchase a good or service.**
2. What is law of demand?
**The law of demand governs the relationship between the quantity demanded and the price. This economic principle describes something you already intuitively know. If the price increases, people buy less. The reverse is also true. If the price drops, people buy more.**
3. What is indifferent curve?
**An indifference curve is a graph showing combination of two goods that give the consumer equal satisfaction and utility. Each point on an indifference curve indicates that a consumer is indifferent between the two and all points give him the same utility.**




4. What is consumer's surplus?
**Consumer surplus is an economic measurement of consumer benefits. Consumer surplus happens when the price that consumers pay for a product or service is less than the price they're willing to pay. It's a measure of the additional benefit that consumers receive because they're paying less for something than what they were willing to pay.**

5. What are the perishable goods?
**Perishable products lose their quality and value over a specified time even when handled correctly throughout the supply chain. Perishables include meats, fruits, vegetables, spices, grains, tobacco products, flowers and plants and pharmaceuticals, including over-the-counter medications, supplements and dietary aids.**

6. What is joint demand?
   **Joint demand is when the demand for one product is directly and positively related to market demand for a related good or service. Two complements are said to be in joint demand and the cross price elasticity of demand is negative.**
7. List out the price elasticity of demand.
   **Perfectly elastics demand**
   **Perfectly inelastic demand**
   **Unitary elastic demand**
   **Relatively elastic demand**
   **Relatively in elastic demand**
8. What is cross elasticity?
   **Cross elasticity of demand is an economic concept that measures the responsiveness in the quantity demanded of one good when the price for another good changes. Also called cross-price elasticity of demand, this measurement is calculated by taking the percentage change in the quantity demanded of one good and dividing it by the percentage change in the price of the other good.**
9. What is income elasticity?
   **Income elasticity of demand refers to the sensitivity of the quantity demanded for a certain good to a change in real income of consumers who buy this good, keeping all other things constant. The formula for calculating income elasticity of demand is the percent change in quantity demanded divided by the percent change in income. With income elasticity of demand, you can tell if a particular good represents a necessity or a luxury.**

10. Define demand forecasting.
   **According to Evan J. Douglas, "Demand estimation (forecasting) may be defined as a process of finding values for demand in future time periods."**

## UNIT-III

1. **Explain marginal cost.**
   **Marginal cost is the additional cost incurred for the production of an additional unit of output. The formula is calculated by dividing the change in the total cost by the change in the product output.**
2. What is replacement cost?
   **Replacement cost is the amount of money required to replace an existing asset with an equally valued or similar asset at the current market price. In other words, it is the cost of purchasing a substitute asset for the current asset being used by a company**.
3. What is historical cost?
   **Historical cost is an accounting method in which the assets of the firm are recorded in the books of accounts at the same value at which it was first purchased.**
4. What is fixed cost?

**A fixed cost is a cost which remains unchanged regardless of a company's level of output or revenue. It is the opposite of a variable cost.**

5. What is production function?

   **The Production Function shows the relationship between the quantity of output and the different quantities of inputs used in the production process. In other words, it means, the total output produced from the chosen quantity of various inputs.**

6. Define law of variable proportion

   **"As the proportion of one factor in a combination of factors is increased, after a point, first the marginal and then the average product of that factor will diminish." (F. Benham)**

7. What is producer's equilibrium?

   **The value of all assets used for production is limited. Hence, the producer has to use such a combination of inputs as would provide him with maximum output and profits. This optimum level of production, also called producer's equilibrium, is achieved when maximum output is derived from minimum costs.**

8. What is incremental cost?

   **Incremental cost can be defined as the encompassing changes experienced by a company within its balance sheet because of one additional unit of production.**

9. List out the three stages in law of variable proportion.

   **Increasing stage**

   **Constant stage**

   **Decreasing stage**

10. What is return to scale?

    **In the long- run the dichotomy between fixed factor and variable factor ceases. In other words, in the long-run all factors are variable. The law of returns to scale examines the relationship between output and the scale of inputs in the long-run when all the inputs are increased in the same proportion.**

## UNIT-IV

1. What is market structure?

**The Market Structure refers to the characteristics of the market either organizational or competitive, that describes the nature of competition and the pricing policy followed in the market.**

2. What is perfect competition?

**A Perfect Competition market is that type of market in which the number of buyers and sellers is very large; all are engaged in buying and selling a homogeneous product without any artificial restrictions and possessing perfect knowledge of the market at a time.**

3. What is monopoly?

**Monopoly refers to a market situation in which there is only one seller of a commodity**.

4. What is monopolistic competition?

**The Monopolistic Competition, there are a large number of firms that produce differentiated products which are close substitutes for each other. In other words, large sellers selling the products that are similar, but not identical and compete with each other on other factors besides price.**

5. What is oligopoly?

**The Oligopoly Market characterized by few sellers, selling the homogeneous or differentiated products**

6. What is imperfect competition?
   **Imperfect competition is a competitive market situation where there are many sellers, but they are selling heterogeneous (dissimilar) goods.**

7. What is pure competition?

**A market structure in which a very large number of firms sell a standardized product into which entry is very easy in which the individual seller has no control over the product price and in which there is no non-price competition; a market characterized by a very large number of buyers and sellers.**

8. Define monopolistic competition.

**According to Prof. Leftwich – "Monopolistic Competition (or imperfect competition) is that condition of industrial market in which a particular commodity of one seller creates an idea of difference from that of the other sellers in the minds of the consumers."**

9. What is free entry?

**Free entry is a term used by economists to describe a condition in which can sellers freely enter the market for an economic good by establishing production and beginning to sell the product. Along these same lines, free exit occurs when a firm can exit the market without limit when economic losses are being incurred.**

10. Define equilibrium of a firm.

**“A firm is a unit engaged in the production for sale at a profit and with the objective of maximizing profit.” –Watson.**

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**K3 LEVEL QUESTIONS**

**UNIT I**

**1.** Critically examine the definition of economics.
**2.** Economics is not only a science but an art. Explain.
**3.** Distinguish between micro and macro economics.
**4.** Explain briefly the law of economics applicable to business economics
**5.** What is the role of economics in solving practical problems?
**6.** What is the scope of business economics?
**7.** Explain the true nature of economics.
**8.** Short note on incremental principle?
**9.** What is opportunity cost?
**10.** Is economics a positive science or a normative science? Explain

**UNIT-II**

**1.** List out the Determinants of demand.
**2.** Distinguish between a demand function and demand curve. What are the features that cause a shift in the demand curve?
**3.** Analyse the assumption of indifference curve analysis.
**4.** Use indifference curves to explain what happens to the demand for an inferior goods as consumers real income increases at constant relative prices.
**5.** Explain the concept of consumer surplus. How did Marshall measure it?
**6.** Distinguish between derived demand and autonomous demand.
**7.** Explain the importance of indifference curve technique.
**8.** Explain the doctrine of consumer’s surplus with the help of indifference technique.
**9.** Explain the law of demand.
**10.** Explain various types of elasticity of demand.

**UNIT-III**

**1.** Examine the producer’s equilibrium with the help of is quant technique.

**2.** Explain the marginal cost.

**3.** Explain different costs.

**4.** State the reasons for the U shaped average

**5.** Explain the characteristics of production function.

**6.** Describe the isoquant curves.

**7.** Explain the law of constant returns.

**8.** Explain AR and MR under perfect competition.

**9.** What is revenue? What is its significance?

**10.** Explain the concept of production function.

**UNIT-IV**

**1.** Distinguish between market price and normal price.

**2.** Why is a firm under perfect competition called price taker?

**3.** What are the factors which make competition effective?

**4.** What is price discrimination not possible under perfect competition?

**5.** Examine the features of perfect competition.

**6.** List out the foundations of the monopoly power.

**7.** Distinguish between simple and discriminating monopoly. Show graphically how a discriminating monopolist attains equilibrium.

**8.** Analyse the important features of monopolistic competition.

**9.** Categories role of price leadership in oligopoly.

**10.** What is the nature of the demand curve in a monopoly?

**UNIT-V**

**1.** Explain the concepts of national income and per capita income.

**2.** List out the problems arise in the estimation of national income in India.

**3.** Explain the calculation of N.I.

**4.** List out the objectives of pricing policy.

**5.** What are the factors that determine the cost plus pricing?

**6.** What are the elements of national income?

**7.** Explain the calculation of GNP?

**8.** State the census of product method.

**9.** What are the advantages of national income?

**10.** List out the problems of pricing policy?

## BUSINESS ECONOMICS-18UCO1A1

## K4 LEVEL QUESTIONS

### UNIT I

1. What is elasticity of demand> explain different methods of measuring elasticity of demand.
2. Determine the demand distinction.
3. Explain why consumers indifference curves i) have negative slopes, ii) do not interset and iii) are convex to the origin, iv) show that if indifference are concave, a consumer will consume only one of the two goods
4. Explain consumer's equilibrium condition with the help of indifference curve approach.
5. Explain various methods of demand forecasting.

### UNIT-II

1. What is elasticity of demand> explain different methods of measuring elasticity of demand.
2. Determine the demand distinction.
3. Explain why consumers indifference curves i) have negative slopes, ii) do not interset and iii) are convex to the origin, iv) show that if indifference are concave, a consumer will consume only one of the two goods
4. Explain consumer's equilibrium condition with the help of indifference curve approach.
5. Explain various methods of demand forecasting.

### UNIT-III

1. Determine the various concepts of cost.
2. Draw short run and long run cost curves and explain their significances.
3. Explain the relationship between AR and MR.
4. Explain the term production function. How does it help in understanding producer's equilibrium?
5. State clearly the law of variable proportions.

## UNIT-IV

**1.** Explain how an individual firm attains equilibrium in the short run and long periods under perfect competition.

**2.** Define monopoly. Explain how is price determined under monopoly.

**3.** What do you mean by discriminating monopoly? Describe the price determination in a discrimination monopoly.

**4.** Compare price output equilibrium under monopolistic competition with that under a) perfect competition and b) monopoly.

**5.** Relationship between AR, MR and TR under perfect competition.

## UNIT-V

**1.** Criticise what are the difficulties involved in estimating national income in developing countries.

**2.** What are the different methods of computing national income?

**3.** Explain the methods of pricing policy.

**4.** Explain the factors affecting pricing policy?

**5.** Discuss the role of demand factor in pricing.