Unit 1

1. In describing a given production technology, the short run is best described as lasting
   - (a) **up to six months from now**
   - (b) up to five years from now
   - (c) as long as all inputs are fixed
   - (d) as long as at least one input is fixed
2. A firm encounters its "shutdown point" when:
   - (a) average total cost equals price at the profit-maximizing level of output
   - (b) average variable cost equals price at the profit-maximizing level of output
   - **(c) average fixed cost equals price at the profit-maximizing level of output**
   - (d) marginal cost equals price at the profit-maximizing level of output
3. Under______market condition, firms make normal profits in the long run.
   - (a) **Perfect Competition**
   - (b) Monopoly
   - (c) Oligopoly
   - (d) None of the above
4. If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:
   - (a) Zero
   - (b) Greater than zero but less than one
   - (c) **One**
   - (d) Greater than one
5. Which of the following is not a characteristic of a "price-taker"?
   - (a) **TR = P x Q**
   - (b) AR = Price
   - (c) Negatively – sloped demand
   - (d) Marginal Revenue = Price
6. Which cost increases continuously with the increase in production?
   - (a) Average cost
   - (b) Marginal cost
   - (c) Fixed cost
   - (d) **Variable cost**
7. Suppose the demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:
   - (a) large fall in quantity demanded
   - **(b) large fall in demand**
   - (c) small fall in quantity demanded
   - (d) small fall in demand

Unit 2

8. When the perfectly competitive firm and industry are in long run equilibrium then:
   - (a) **P = MR = SAC = LAC**
   - (b) D = MR = SMC = LMC
   - (c) P = MR = Lowest point on the LAC curve
   - (d) All of the above
9. In monopoly, the relationship between average and marginal revenue curves is as follows:

(a) AR curve lies above the MR curve (b) AR curve coincides with the MR curve

(c) AR curve lies below the MR curve (d) **AR curve is parallel to the MR** curve

10. Production may be defined as an act of ————————.

    (a) creating utility (b**) earning profit**

    (c) destroying utility (d) providing services

11. Demand for electricity is elastic because ————————.

    (a) it is very expensive (b) it has a number of close substitutes

    (c) it has alternative uses (d) **none of the above**

12. The opportunity cost of a good is

    (a) the time lost in finding it

    (b) the quantity of other goods sacrificed to get another unit of that good

    (c) the expenditure on the good

    (d) the loss of interest in using savings

13. Micro-economics is concerned with

    (a) the economy as a whole **(b) the electronics industry**

    (c) the study of individual economic behaviour (d) the interactions within the entire economy

14. ________ and________do not directl

    (a) the price of related goods, consumer incomes

    (b) Consumer incomes, tastes

    (c) the costs of production, bank ope

    (d) the price of related goods, prefere

15. Relationship between AR, MR and Pric

    (a) MR = AR + [e -1/e]

    (b) AR = MR x [e -1/e]

Unit 3

16. The Slope of Indiuerence Curve indicates?

    (a) Marginal Rate of Substitution of x f

    (**c) Slope of the budget line** (d) Change in prices

17. In perfect competition the firm's_______above AVC has the identical shape of the firm's supply curve

    (a) Marginal revenue curve **(b) Marginal cost curve**

    (c) Average cost curve (d) None of the above

18. If the demand curve for good X is downward-sloping, an increase in the price will result in

(a) A decrease in the demand for good X.

(b) No change in the quantity demanded for good X.

(c) A larger quantity demanded for good X.

(d) A smaller quantity demanded for good X.

19. Yesterday, seller A supplied 400 units of a good X at ` 10 per unit. Today, seller A supplies the same quantity of units at `5 per unit. Based on this evidence, seller A has experienced a (an)

(a) Decrease in supply. (b) Increase in supply.

(c**)** **Increase in the quantity supplied.** (d) Decrease in the quantity supplied.

20. Which of the following is a variable cost in the short run?

(a) Wages paid to factory labor

(b) Payment on the lease for factory equipment

(c) Rent on the factory

(d) Interest payments on borrowed financial capital

21. Price discrimination is a situation when a producer

(a) Charges diuerent prices in diuerent markets

(b) Charges same price

(c) Charges many prices

(d) All of the above.

22. Which of the following statements about price and marginal cost in competitive and monopolize markets is true?

(a) In competitive markets, price equals marginal cost; in monopolized markets, price equals marginal cost.

(b) In competitive markets, price exceeds marginal cost; in monopolized markets, price exceeds marginal cost.

(c) In competitive markets, price equals marginal cost; in monopolized markets, price exceeds marginal cost.

(d) In competitive markets, price exceeds marginal cost; in monopolized markets, price equals marginal cost.

23. New firms are barred from entering the market in

(a) Perfect competition (b) Oligopoly

(c) Monopolistic competition **(d) Monopoly**

24. If oligopolists engage in collusion and successfully form a cartel, the market outcome is

(a) The same as if it were served by a monopoly

(b) The same as if it were served by competitive firms

(c) Eflcient because cooperation improves eflciency

(d) Known as Nash equilibrium

25. If consumers always spend 15 percent of their income on food, then the income elasticity of demand for food is______.

(a) 1.50 (b) 1.15

(c) 1.00 (d) 0.15

26. If a fisherman must sell all of his daily catch before it spoils for whatever price he is ouered, once the fish are caught the fisherman's price elasticity of supply for fresh fish is ___.

(a) zero. **(b) infinite.**

(c) one. (d) unable to be determined from this information.

27. Which of the following statements is normative?

(a) Large government deficits cause an economy to grow more slowly.

(b) People work harder if the wage is higher.

(c) The unemployment rate should be less.

(d) Printing too much money causes inflation.

Unit 4

28. The elasticity of substitution between two perfect substitutes is:

(a) zero (b) greater than zero

(c) less than infinity **(d) infinite**

29. Elasticity of supply refers to the degree of responsiveness of supply of a good to changes in its:

(a) demand **(b) price**

(c) costs of production (d) state of technology

30. An isoquant slopes :

(a) downward to the left (b) downward to the right

(c) upward to the left **(d) upward to the right**

31. The income of a household rises by 20 per cent, the demand for computer rises by 25 per cent, this means computer (in Economics) is a/an

(a) inferior good (b) luxury good

(c) necessity (d) can't say

32. Which of the following is a property of the indiuerence curve ?

(a) Indiuerence curves are convex to the orgin

(b) Indiuerence curves slope downwards from left to right

(c) No two indiuerence curves can cut each other

(d) All of the above are the properties of Indiuerence curves.

33. The structure of the cold drink industry in India is best described as:

(a) Perfectly competitive (b) Monopolistic

(c) Oligopolistic **(d) Monopolistically competitive**

Unit 5

34. If a seller realizes `10,000 after selling 100 units and `14,000 after selling 120 units. What is the marginal revenue here?

(a) `4000 (b) `450

(c) `200 **(d) `100**

35. In economics, what a consumer is ready to pay minus what he actually pays, is termed as:

(a) Consumer's equilibrium (b) Consumer's surplus

(c) Consumer's expenditure **(d) None of the above**

36. What is the shape of the demand curve faced by a firm under perfect competition?

(a) Horizontal (b) Vertical

(c) Positively sloped **(d) Negatively sloped**

37. The second glass of lemonade gives lesser satisfaction to a thirsty boy, this is a clear case of:

(a) Law of demand (b) Law of diminishing returns

(c) Law of diminishing marginal utility (d) Law of supply

38. In the case of a straight line demand curve meeting the two axes the price – elasticity of demand at the mid-point of the line would be :

(a) 0 (b) 1

(c) 1.5 (d) 2

42. All of the following are determinants of demand except

(a) tastes and preferences (b) quantity supplied

(c) income **(d) price of related goods**

43. Which of the following cost curves in never 'U' shaped?

a. Average cost curve (b) Marginal cost curve

(c) Average variable cost curve (d) Average fixed cost curve

44. When aggregate economic activity is increasing, the economy is said to be in

a. an expansion. (b) a contraction.

(c) a peak. (d) a turning point.

DEPARTMENT OF COMMERCE-BPS

I YEAR

18UBP1A1-BUSINESS ECONIMICS

K2 LEVEL

UNIT I

1) What is Economics.

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

2)Define economics.

Marshall in his principles of economics defined economics as the study of mankind in the ordinary business of life.

3)What is business economics?

Business economics deals with economic issues connected with modern business .The business organisation ,in a broad sense , is a unit undertaking production and marketing of various goods and services needed by market for promotion of his welfare.

4) Define business economics.

Spenser and Seegleman say that business economics is the integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by the management.

5) What is macro economics?

Macro economics studies the aggregates such as the entire industry ,entire supply , entire demand of the economy, micro economics is individualistic , while is aggregative.

6) what is micro economics?

Micro economics studies the individual units like households .firms and resource suppliers , etc .

7) what is time perspective ?

It is also called time element. Economics use the functional time period in analysing equilibrium phenomenon .these periods generally referred to a short period and long period.

8) what is costs?
A business economics should identify ways and the means of economization the use of scarce resources and minimizing the costs are production.

9) What is profits ?

A business economist should guide a business man in such a way that he gets a fair return on the capital that he has invested in the business in this regard a business economist has to advice the business man in the three different areas viz. capital budgeting, budgeting controls, project planning.

10) What is investment?

It is the responsibility of the business economist to help the business man by making the right choice of the investment by assessing returns of different forms of investment through cost benefit analysis .

UNIT II

11. What is demand?

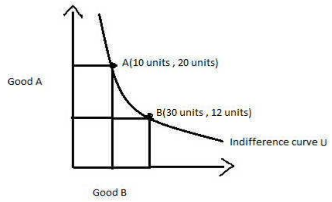
Demand in economics is the consumer's desire and ability to purchase a good or service.

12. 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.

13. 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.



14. 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.

15. 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.

16. 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.

17. List out the types price elasticity of demand.

- Perfectly elastics demand
- Perfectly inelastic demand
- Unitary elastic demand
- Relatively elastic demand
- Relatively in elastic demand

18. 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.

19. 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.

20. 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."

UNITI III

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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)

27. 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.

28. 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.

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

- Increasing stage
- Constant stage
- Decreasing stage

30. 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

31. 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.

32. 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.

33. What is monopoly?

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

34. 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.

35. What is oligopoly?

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

36. What is imperfect competition?

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

37. 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.

38. 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.”

39. 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.

40. 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

UNIT V

41) List out the objectives of price policy?

Maximisation of profit is considered as a supreme goal of policy objective the price determined by the entrepreneurs are such that firms secure maximum revenue and maximum profit.

42) What is price stability?

According to some one of the objectives of price policy is to maintain price stability over a long period of time. The fulfilment of this objective requires , preventing fluctuation in prices . A stable price policy , brings sufficient profits also .

43)What is market penetration ?

The entrepreneurs fix a low price with a view to enter into the market and capture a large share thereof.

44)Define market skimming .

Charging a high price to take advantage of the fact that some buyers are willing to pay a much higher price than others as the product has high value to them.

45)what is capital budgeting ?

It involves the planning of expenditure for assets . The return from which will be realised in future time periods.

46)What is cost of capital?

Capital budgeting is to considered the cost of capital and limit the capital investment accordingly . Capital rationing or limiting the capital investment is based on high yield .

47) What is pay back method?

The method indicates the length of time required to recoup the initial investment out of the annual cash flow produced by the investment .

48) What is meaning of national income?

National income means the total income of people of the nation in a year.The next aggregate performance of the economy in a year is also called as national income .

49) Definition of national income?

Alfred Marshall defines national income as “labour and capital of country acting on its natural resources produce annually a certain net aggregate of commodities , material and non material including the service of all kinds .

50)What is disposable personal income ?

Disposable income is the sum of the consumption and saving of the individuals.

****

Unit 1

1. Define Micro Economics.
2. What are the features of Demand?
3. Explain the various Definitions of economics by various authors.
4. What is the cause and effective method
5. Explain the law of demand
6. Why the demand curve is sloping downwards

Unit 2

1. What is law of supply?
2. Define Elasticity of supply?
3. Write note on Law of variable proportions.
4. What are the factors influencing the supply
5. What is consumer surplus? Explain
6. What is the equilibrium?

Unit 3

1. Explain the market
2. Define perfect competition
3. Define Monopoly.
4. Define Oligopoly.
5. Discuss briefly with all market conditions

Unit 4

1. What are the contribution of Agriculture to Indian economy?
2. What are the Merits and Demerits of Direct taxes?
3. Explain industrialization and what are the problems faced peoples according with industrialization?
4. Define Per capita income
5. Explain the NNP
6. What are the products that affect the national income

Unit 5

1. Define Poverty.
2. What are the functions of money?
3. What is poverty line? Explain

4. How to control the population?
5. What are the merits of globalization?
6. What are the merits of liberalization?

Unit 1

1. What are the differences between Micro and Macro economics?
2. Write brief note on Price Elasticity of Demand.
3. What are the factors influencing the demand of product?
4. Explain the various types of elasticity of demand?
5. Explain the definitions of micro economics
6. Explain the positive and normative curve.

Unit 2

1. Explain the various types of elasticity of supply
2. What are the factors influence the equilibrium price of the product?
3. What are the differences between the marshal and hick approach?
4. What are the differences between the law of return and law of variable proportions?
5. Describe Marshall and Hicks approach.
6. State point out the production and its factor of production.

Unit 3

1. Classify the market structures?
2. Determine the price-output under different market forms?
3. What are the competitors playing in all type of markets
4. Briefly explain the perfect competition?
5. What are the difference between the perfect and imperfect markets
6. Explain:
   a. Monopoly
   b. Oligopoly
   c. Duopoly

Unit 4

1. Explain the sources of income of India.
2. Briefly explain the GDP and NDP
3. What are the advantages of GDP and NDP to the india
4. Explain the GNP and NNP in India.
5. Discuss the role of three major sectors in India.
6. How to measure the national income?

Unit 5

1. Discuss :

    i).Unemployment iii) Inflation iii) Balance of Payment

2. What are the merits and demerits of globalization?
3. What are the merits and demerits of Liberalization?
4. What are the merits and demerits of Privatization?
5. Briefly explain the Poverty.
6. Explain the Population of India.
7. What are the steps can be taken for monitoring the population in India?