

BUSINESS

ECONOMICS

SUBCODE : 16CACCMI1B

2 Marks Question and Answers.

Unit : 1

1. What is Micro economics?

Micro means 'Small'. Micro economics relate to an inquiry as to how an individual maximise his satisfaction how a firms maximises its profit and how the households adjust expenditure income.

2. What is business economics?

⇒ Business economics is the latest technology used in business economics.

⇒ It denotes the application of economics then the business condition and decision making in business.

3. What is Macro economics?

Macro means "very big" or "large". It is concerned not with one particular unit, but all unit combined together. It give us an idea of aggregates or economy as whole. Hence it is often called 'Aggregative economics'. It is study of overall condition like total production total income, total investment in the economy.

Unit: 2

1. What do you mean by demand?

In economics more desire should be called demand. A paper may desire a motor car. The seller of motor cars is in no way affected by this desire. The desire for the commodity should be necessary purchasing power. Further the person should have the willingness to purchase the commodity.

2. What is indifference curve?

An indifference curve is the locus of different combinations of two commodities giving the same level of satisfaction.

3. What is Marginal Cost?

Marginal cost is the additional cost to incurred for the production of an additional unit of output. The formula is calculated by dividing the change in total cost by the change product output.

4. What do you mean by "demand curve"?

Demand curve are only graphical representation of demand schedule. The relation between the price and the amount bought can be plotted on a diagram as demand curve, it usually measure quantity on x axis and price y axis.

5. Write the meaning of elasticity of demand?

The relationship between small change in price and consequent change in the amount demanded is known as elasticity of demand.

Unit: 3.

1. Define - Land.

Marshall define land as "the material and the forces which nature give freely for man's use in land and water, air and light and heat."

2. What you meant by factor of production?

Production can take place only with the combination of factor production viz. Land, Labour, Capital and Organisation. In modern economics 'Enterprise' has come to occupy a very important role of production so as to deal with that on a separate footing as an agent of production.

3. Define Labour?

Alfred Marshall define labour as "The use or exertion of body or mind, partly or wholly, with a view to secure an income apart from the pleasure derived from the work".

4. Give the meaning of "economics"?

Economics is a social science which deals with human want and their satisfaction. It is mainly concerned with the way in which a society chooses the employment of its scarce resources with a view to the production of goods for production and future consumption.

5. Give any four characteristics of economics?

Micro economics nature:

Business economics is microeconomics in its nature because it deals with matters of a particular business firm only.

Use of economics theories:

Business economics uses all economics theories relating to the profit distribution of income tax.

Realistic one:

Business economics is a realistic science. It studies all matters concerning business organization by considering real conditions in the business fields.

Normative science:

Business economics is the normative science. It studies the matters concerning the aims and objectives of the business firm.

4. What is return on scale?

Under law of Return, we studied the behaviour of output when alteration in factor proportions is made. Factor proportions are altered by keeping one factor and other factor variable.

5. What you meant by external economics?

When the industry grows, they enjoy a number of advantage which are known as external economies of scale. This is not advantage due to the single firms and all firms due to structural growth.

4 unit: 4

1. What is meant by supply?

Supply mean good offered for sale at a price during a specific period of the time. It is capacity and intention of the producer to goods and service for sales at a specific price.

2. What you meant by equilibrium of price?

A firm is said to be equilibrium when it has no motive to change its organisation of scale of production because it is earning maximum net money profit.

3. What do you mean by monopoly?

It is a market situation in which the entire supply is controlled by one seller in the particular market area. The firm and the industry in this situation identical. The product of the monopolist may have substitute.

4. What do you mean by oligopoly?

Oligopoly market is a situation in which there are few large sellers and the product more or less perfect substitutes. The product may be differentiated as in the case of radios, typewriters or drugs.

5. What do you mean by perfect competition?

The type of market situation arises when there are large number of buyers and sellers in the market dealing in homogeneous product with perfect liberty on the part of buyer and seller to enter market as they choose.

Unit: 5.

1. What is public finance?

Public finance is specialized branch of economics income and expenditure of public authorities State Government, local Bodies municipalities and panchayats.

2. Define fiscal policy?

"Fiscal policy is a policy under which the government uses its expenditure and revenue programmes to produce desirable effect and avoid undesirable effects on the national income, production and employment."

3. Bring out the concept of fiscal policy?

Fiscal policy is the set of principles and decisions of a government regarding the level of expenditure taxation and public debt.

4. What is national income?

National income is the money value of all final goods and services produced by a country during a period of one year type of goods and service of different type.

5. Define "National Income"?

National income may be define as the aggregated factor income, which arises from the current production of goods and service production supplied by the normal residents of the national territory.