

BUSINESS ECONOMICS

(16CACCM1B)

B.COM - II SEMESTER

1. Define : "Business Economics".

Business economics is "the integration of economic theory with business practice for the purpose of facilitating decision-making and forward planning by management".

2. What is Macro Economics?

It is the analysis of the entire economic system, the overall conditions of an economy like total investment and total production.

3. What is Economics?

Business economics is the discipline which helps a business manager in decision making for achieving the desired results.

4. Define - "Macro Economics"

Macro economics deals not with individual quantities as such but with aggregates of these quantities.

5. What is mean by Economic Utility?

The economic utility of our good is excellent so we re confident it will generate demand by existing in the marketplace.

6. What is meant by law of Demand?

Price is the most significant and the price- quantity relationship called as the Law of Demand is stated.

7. State the meaning of Indifference Curve.

The various combinations of the two commodities are plotted and joined to form a curve called indifference curve.

8. What are the Elasticity of Demand?

Demand elasticity is calculated by taking the percent change in quantity of a good demanded and economic variable.

9. What is Production Process?

It is the act of creating output, a good or service which has value and contributes to the utility of individuals.

10. What is meant by Production?

The factors of production and all other things which the producer buys to carry out production are called input.

11. What is Opportunity Cost?

“That the cost of using something in a particular venture is the benefit foregone by not using in its best alternative use”.

12. What is Sunk Cost?

A sunk cost is a cost that has already been incurred and thus cannot be recovered.

13. Write a note on Perfect Market?

A market in which buyers and sellers have complete information in particular product and it is easy to compare price of product.

14. Give the meaning of Monopoly?

Monopoly is that market form in which a single producer controls the entire supply of a single commodity which has no close substitutes.

15. What is Imperfect Market?

In Imperfect Market competition an individual firm exercises its control over the price.

16. Write the meaning Oligopoly?

Oligopoly as the form of market organization in which there are few sellers of a homogenous product.

17. What are the Marginal Productivity?

Marginal Productivity of a production means the addition made to the total production by the employment of the marginal unit.

18. What do you mean by Theory of Distribution?

Production (that is ,land, labor, capital, and entrepreneurship) are sold.

19. Write a note on Economic Innovation.

Traditional model of economic growth so that knowledge, technology.

20. Write a note on Quasi - Rent .

The surplus earned by the instruments of production other than land is Quasi-Rent.

21. Write the scope of Business Economics.

- Demand analysis and forecasting
- Cost and production analysis
- Pricing decisions,
- policies and practices
- Profit management
- Capital management
- Business cycles.

22. Write about the features of Business Economics.

- The analysis of finding optimal solutions.
- Practical subject therefore it is pragmatic.
- The observed economic phenomenon.
- Strong economic concepts.
- Analyses the problem.

23. What are the analyses of mixed economy system?

- ✓ *Mixed economic is a compromise between capitalism and socialism.*
- ✓ *This system takes the best of the two systems and rejects the bad ones. in this , there is scope for private property, profit motive and private sector.*
- ✓ *At the same time, the government plays its role as a socialistic one with the public sector.*

24. How the Micro Economics is differ from Macro Economics?

- ❖ *Particular Market*
- ❖ *Economic Units*
- ❖ *Applied to Operational*
- ❖ *Deals*
- ❖ *Price of a Particular Commodity*
- ❖ *Analyzing any economy*

25. State the assumptions of law of demand.

- ✓ *There is no change in income of consumers.*
- ✓ *There is no change in the price of product.*
- ✓ *There is no change in quality of product.*
- ✓ *There is no substitute of the commodity.*

26. Briefly explain the types of elasticity supply .

- *Perfectly Elastic Supply*

- *Relatively Elastic Supply*
- *Relatively Inelastic Supply*
- *Unit Elastic Supply*
- *Perfectly Inelastic Supply.*

27. State the types of elasticity of demand.

Demand extends or contracts respectively with a fall or rise in price. This quality of demand by virtue of which it changes, when price changes is called elasticity of demand.

1. *Price Demand.*
2. *Income Demand.*
3. *Cross Demand.*

28. What are the factors affecting of supply?

- *Price of the commodity.*
- *Price of the related commodity.*
- *Price of factors of production*
- *Production technology.*
- *Government policy.*
- *Number of producers.*

29. What about the types of production functions?

- ❖ *Fixed proportion and variable function.*
- ❖ *Short period and long period production function.*
- ❖ *Cob-Douglas production function.*

❖ *Elasticity of technical substitution.*

30. Differentiate between fixed cost and variable cost.

- ✓ *Fixed costs are those costs which do not vary with output they are independent of output.*
- ✓ *Fixed cost are also known as overhead cost and includes manager's salary, property tax, rent to building etc.*
- ✓ *variable costs, on the other hand varies with output.*
- ✓ *If output is raised the variable costs will increase, if output is reduced the variable cost will fall.*
- ✓ *If the output is zero, the variable cost will be nil.*

31. What are the role of entrepreneur in the productive system.

- *Business strategy*
- *Approach to managing*
- *Contribute to the operations*
- *Manages change effectively*
- *Replicating appropriately.*

32. Differentiate between short run and long run cost curves.

- *LAC curve above SAC curves*
- *LAC curve lowest SAC curves*
- *LAC cannot SAC*
- *SAC curve are cup shaped, LAC curve is boat shaped.*

- *LAC is known as an enveloping curve because it envelopes all the SAC curves.*

33. Write a various classification of market.

(i) *Space* → *Local market, National market, International market,*

(ii) *Time* → *Short period market, Long Period market,*

(iii) *Nature of competition* → *Perfect market, Imperfect market.*

34. Write a element in the determination of price of a commodity.

- *Price of a commodity in an industry is determined at that point where industry demand is equal to industry supply.*
- *Marshall laid emphasis on the role of time element in the determination of price.*
- *He distinguished three periods in which equilibrium between demand and supply was brought about viz., very short period or market period; short run equilibrium and long run equilibrium.*

35. What are the monopolistic competition?

- *Monopolistic competition is more realistic than either pure competition or monopoly. It is a blending of competition and monopoly. "There is competition which is keen though not perfect, between many firms making very similar products".*

- *The firms aim at profit maximization by making adjustments in price and output, product adjustment and adjustment of selling costs. Equilibrium of a firm under monopolistic competition is based upon the following assumptions:*
- *The number of sellers is large and they act independently of each other.*
- *The product is differentiated.*
- *The firm has a demand curve which is elastic.*
- *The supply of factor services is perfectly elastic.*

36. What are the functions performed by an entrepreneur in the modern economy?

- *Assembling the factors of production forms the primary work of the entrepreneur.*
- *The organization of the labour force is the next important functions which will be more exacting.*
- *The next work is the provision of proper tools, appliances machines for raw materials used.*

External functions:

- *Purchasing of raw materials .*
- *Determination of quality and quantity.*
- *Ingenuity of the entrepreneur.*

37. What are the classical theory of interest?

Gross interest and net interest:

- ❖ Net interest refers to payment for the use of money or for the loan of capital.
- ❖ Gross interest includes both.
- ❖ Gross interest is wider or more comprehensive.

Classical theory of interest:

- ❖ Saving is not interest - elastic . because rich will save even at lower rate of interest Investment is not interest - elastic as it depends - upon marginal efficiency of capital.
- ❖ The theory ignores consumption demand for saving.

38. What are the types of price discrimination?

1. Personal
2. Local
3. Industrial use
4. Nature of product.

39. Find out the marginal productivity theory of distribution.

- i. Marginal productivity is high, profit will be high.
- ii. Find out the marginal productivity of a factor.
- iii. Marginal productivity of other factors.
- iv. Not possible to alter this factor.
- v. Can not determine his own marginal productivity.

40. Short note on Gross and Net rate of interest.

- ✓ Net interest refers to payment
- ✓ Loan of capital
- ✓ Reward for the risk
- ✓ Gross interest is wider or more comprehensive.

41. What are the application of economics in various fields?

- Economics as a psychology.
- Economics social science
- Economics political science
- Economics mathematics
- Economics technology

42. What are the Concept of Business Economics?

- Opportunity cost principle.
- Incremental principle.
- Discounting principle.
- Principle of time perspective.
- Accounting profit and economic profit.

43. Explain the factors determining demand:

- ✓ Nature of the commodity :Elasticity or inelasticity of demand depends on the nature of the commodity.
- ✓ Availability of substitutes :Elasticity of demand depends on the availability or non-availability of substitutes.

- ✓ *Variety of uses* :If a commodity can be used for several purposes, then it will have elastic demand.
- ✓ *Postponement* :If the consumption of a commodity can be postponed, then it will have elastic demand.
- ✓ *Amount of money spent* :Elasticity of demand depends on the amount of money spent on the commodity.
- ✓ *Time* :Elasticity of demand varies with time. Generally, demand is inelastic during short period and elastic during the long period.
- ✓ *Range of prices* :Range of prices exert an import influence on elasticity of demand. At a very high.

44. What are the price elasticity of demand? Give its types.

The concept of price-elasticity of demand was first of all introduced in economics by Dr. Marshall. In simple words, price elasticity of demand is the ratio of percentage change in quantity demanded to the percentage change in price. In other words, price elasticity of demand is a measure of the relative change in quantity purchased of a good in response to a relative change in its price.

- *Perfectly Elastic Demand*

When a small change in price leads to an infinitely large change in quantity demanded, it is called perfectly or infinitely elastic demand.

- *Perfectly inelastic Demand*

In this case, even a large change in price fails to bring about a change in quantity demanded

- *Unitary Elastic Demand*

The change in demand is exactly equal to the change in price. When both are equal $E = 1$ and elasticity is said to be unitary.

- *Relatively Elastic Demand*

Demand changes more than proportionately to a change in price.

- *Relatively Inelastic Demand*

Quantity demanded changes less than proportionately to a change in price.

45. Find out the various factors of production.

The factors of production describe the function that each resource perform in the business economic environment.

- *Land. Land is the economic resource encompassing natural resource found within a nation's economic...*
- *Labor...*
- *Capital...*
- *Entrepreneurship.*

46. How the price determined under perfect competition .

Demand and supply curves can be used to analyze the equilibrium market price and the optimum output.

1. *If quantity demanded is equal to quantity supplied at a*

particular price then the market is in equilibrium..

2. If quantity demanded is more than the quantity supplied then market price may not be stable. i.e., it will rise.

3. If quantity demanded is less than quantity supplied then market price is fixed not in a equilibrium position.

47. What is profit? Point out the different theories of profit.

Profit is a reward to the entrepreneur for combining the factors of production to meet the economic needs changing world. He undertakes the risk which others are unwilling or unable to bear. After managing the risk successfully he receives the profit.

Different Theories of Profit:

- Walk's Rent Theory of Profit.*
- Hawley's Risk Theory of Profit.*
- Knight's Uncertainty-Bearing Theory.*

48. List out Various concepts of cost.

The success of an organizations is measured in terms of profit. The profit of an organizations depends on cost of production, selling price and volume of sales.

In this analyses the basic cost concepts that are relevant in business decision making.

- Actual cost*
- Opportunity cost*
- Imputed cost*

- *Incremental cost*
- *Sunk cost*
- *Past cost and future costs*
- *Controllable and*
- *uncontrollable costs*
- *Original cost and*
- *replacement costs*
- *Fixed and variable cost*

49. *What are the Market price for a product?*

The price at which the amounts demanded and supplied is exactly equal, is called the market price.

Market price of perishable commodities:

In a case of commodity , influence on the market price.

Market price of non - perishable commodities:

When the commodities are not perishable, the stock can be kept in store for certain period.

50. *What is Modern theory of distribution?*

The modern theory of factors prices or distribution is called the demand and supply theory.

❖ *Demand theory:*

The essential difference demand for a factors and demand for a product is that former the demand is an indirect demand.

❖ *Supply theory:*

As in the case commodities, the general rule applicable to the factors is that supply will be larger if the remuneration for factor is high.

51. What do you mean by National Income?

The purpose of national income accounting is to obtain some measure of the performance of the aggregate economy. The major concepts used in the national income calculation are Gross Domestic Product (GDP), Gross National Product (GNP), Net National Product (NNP), personal income and Disposable income.

52. Write the note on Disposable income.

- ❖ *Disposable income is calculated by deducting the personal taxes like income tax, personal property tax from the personal income (PI).*

53. Write the note on Supernumerary income.

- ❖ *The expenditure to meet necessary living costs deducted from disposable consumer income is called as supernumerary income.*

54. Point out the Factors Determining National Income:

- ❖ *Quantity of goods and services produced by the country. Higher the quantity of production, higher shall be the national income.*

- ❖ *Quality of products and services produced in the country will also determine the national income of a country.*
- ❖ *Innovation of more technical skills will improve the productivity which will reflect on national income of the country.*
- ❖ *Political stability strengthens the national income of an economy.*

55. What are the Uses Of National Income Estimates?

- 1. National income is a measure of economic growth.*
- 2. National income is an indicator of success or failure of planning.*
- 3. Useful in estimating per capita income.*
- 4. Useful in assessing the performance of different production sectors.*
- 5. Useful in measuring inequalities in the distribution of income.*
- 6. Useful in measuring standard of living.*
- 7. Useful in revealing the consumption behaviour of the society.*
- 8. Useful in measuring the level and pattern of Investment.*
- 9. Makes international comparisons possible.*

56. Find out the Problems In Measuring National Income In India.

1. Non monetized sector:
2. Illiteracy:
3. Lack of occupational specification:
4. Unorganized productive activities:
5. Lack of adequate statistical data:
6. Self consumption:
7. Unpaid Services:

57. Write a Difficulties In The Calculation Of National Income:

1. Any income earned abroad have to be included
2. To avoid double counting, value added method should be considered
3. Services rendered free of charges are not to be included
4. Capital gains, transfer payments are not to be included
5. Changes in price level will also affect the calculation
6. Value of military services will not be taken into consideration.

58. What about the approaches To Calculate National Income?

✓ *The Income Approach:*

The income of individuals from employment and business, the profits of the firms and public sector earnings are taken into consideration.

✓ *The Expenditure Approach:*

In this approach national income is calculated by using the

expenditure of individuals, private, government and foreign sectors.

59. Write the Classification Of Market Structure Based On The Nature Of Competitor.

1. Perfect market
2. Imperfect market

The imperfect market in turn can be classified as

- a. Monopoly market
- b. Duopoly market
- c. Oligopoly market
- d. Monopolistic market/ competition

60. What are the Different Types Of Oligopoly?

- Pure and perfect oligopoly:
- Open and closed oligopoly:
- Partial and full oligopoly:
- Syndicated and organized oligopoly:

61. Write a Characteristic Features Of An Oligopoly Market.

- ✓ Few sellers
- ✓ Lack of uniformity in the product
- ✓ Advertisement cost is included
- ✓ No monopoly competition
- ✓ Firms struggle constantly
- ✓ There is interdependency

- ✓ *Experience of Group behavior*
- ✓ *Price rigidity*
- ✓ *Price leadership*
- ✓ *Barriers to entry*

62. Write note the Monopoly Market.

Mono means single, poly means seller and hence monopoly is a market structure where only one sells the goods and many buyers buy the same. Monopoly lies at the opposite extreme from perfect competition on the market structure continuum. A firm produces the entire supply of a particular good or service that has no close substitute.

63. Briefly the Characteristic Features Monopoly.

- *A single seller in the market*
- *There are no close substitutes*
- *There is a restriction for the entry and exit for the firms in the market*
- *Imperfect dissemination of information*

64. What are the Sources Of Economic Growth And Development Economic Factors?

1. *Natural resources:*
2. *Human Resource and population growth:*
3. *Capital formation and accumulation:*

4. *Technological progress:*
5. *Entrepreneurship:*
6. *Investment criteria:*
7. *Removal of market imperfection:*
8. *Capital output ratio:*

65. What do you Objectives Of Economic Policies?

1. *To achieve national level full employment*
2. *To stabilize the price fluctuations in the market*
3. *To achieve overall economic growth*
4. *To develop regions economically*
5. *To improve the standard of living of the people*
6. *To reduce income inequalities*
7. *To control monopoly market structure*
8. *To avoid cyclical fluctuations in various economic activities of the country*
9. *To improve the Balance of Payment of the country*
10. *To bring social justice in various aspects.*
11. *Now let us understand the various macroeconomic concept.*