Ch : 1

Introduction to Economics

(1) Write detailed note on demand and supply Equilibrium with Diagram.

→ Demand and supply interact to ensure an equilibrium price and quantity or a market equilibrium.

→ The market equilibrium occurs at that price and quantity where the force of supply and demand are in balance.

→ At the equilibrium price the ammount that buyers want to buy is just equal to ammount that seller want to sell.

→ The reason why its called equilibrium that, when supply and demands are in balance there is no reason for price to rise or fall. as long as other things remain unchanged.

Price Per Unit (kg)	Quantity demand (kg)	Quantity supply	Situation	Pressure on price
RS. 10	5	25	Surpluse	Downward
6	15	15	Equilibrium	Netural
4	20	10	Shortage	upword

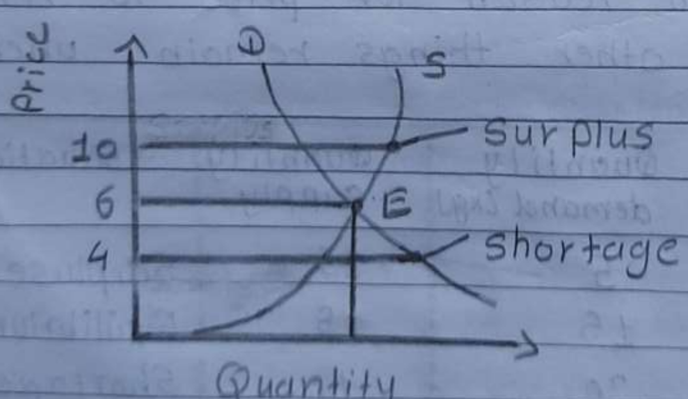
-> The table shows that only at particular price the equilibrium price (6 per kg) the desire of buyers and seller are simultaneausly satisfied.

-> There is no unsatisfied seller and buyers either. At all other prices either excess supply or excess demand.

-> It shows that market equilibrium occurs at the intersection of supply and demand curves.

-> The equilibrium price and quantity comes at that level where the ammount supplied equals to ammount demanded.

-> There is no shortage or surpluse in equilibrium price.



(2) Define Economics? Why economics useful for engineers?

-> Economic theories are collection of ideas economist have produced to explain how economic system work.

-> A economist is a person who studies economic system and try to find about the productive process.

-> Economics is a study of factor affecting the size, distribution and stability of country's national income.

-> Engineering economis discuss the manner in which engineering project should be undertaken and executed to have best utilization of avalaible capital, technical knowledge and other resources.

-> Important objective of Engineering economics:
- To produce product and provide service at minimum cost.
- To maximize financial efficiency.
- Maximum satisfaction of human want.
- To adopt technology for well being mankind.

-> Engineering economics tell about utilization of resources and to achieve maximum productivity and satisfaction to human wants.

-> It is used to take decision related to uncertain changes in bussiness enviroment.

-> It requires the application of engineering design and analysis principles to provide good service and that satisfy consumer at affordable cost.

-> Engineers are planner and builder, They are also problem solver managers and decision makers.

-> It involves systematic evalution of the economic benifit of proposed solution to engineering problem.

-> It is limited to a particular enviroment of decision making.

-> It deals with bussiness cycle, National income, industrial policy, foreign trades, labour relations.

(3) Explain demand forecasting.

→ Demand forecasting is the process of making estimate about the future customer demand over defined project and period using historical data and other information.

→ Proper demand forecasting gives bussiness valuable information about their potential in their current market and other market so that manager can make decision about pricing, bussiness growth strategy and market potential.

→ Without demand forecasting business risk making por decision about their product and target market.

→ Sales forecasting helps with bussiness planing budgeting and goal setting. Once you have good understanding of your future sales could like you can being to devlope and inform strategy to make your supply matches customer demand.

→ It allows bussiness to more effectively optimize inventory, increase inventory turn over rate, and reduce holding cost.

→ It provides insight into upcoming cash flow, meaning bussiness can more accuratley budget to pay suppliers and other operational cost. and invest in the growth of business.

→ Methods of demand forecasting

(a) Survey of buyer's choice
(b) Collective opinion method
(c) Barometric method
(d) Market experiment method
(e) Expert opinion method
(f) Stastical Methods.

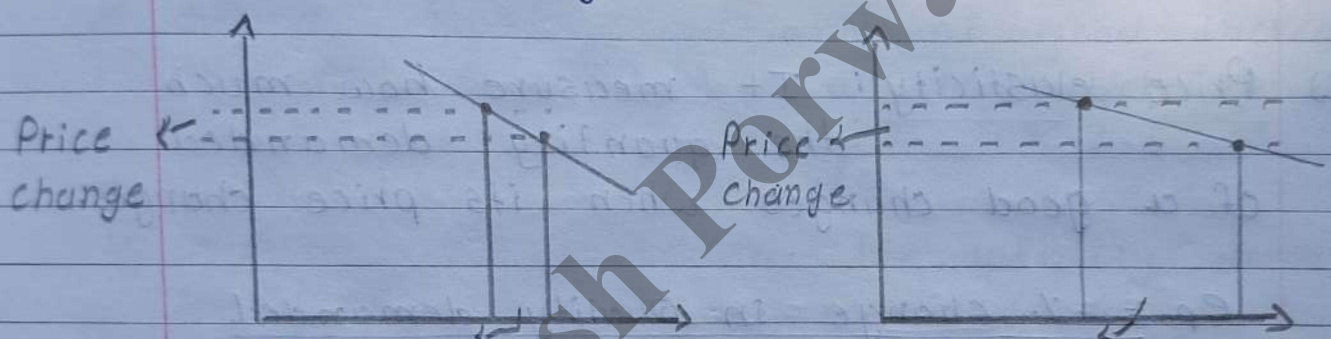
→ Barometric method : This method is based on past demand of product and tries to project the past into the future.
Based on future treds, the demand of product is forecasted.

→ Market experiment : In this method demand forecasted by conducting market studies and experiment on consumer behaviour under actual but controlled market condition.

(4) Explain Elastisity of Demand.

→ Demand curve usually slopes downward to the right. The steepness of slope tell, how the demand quantity alters with change in price. If the curve is very steep a small price change has very little effect on the demand quantity.

→ If the curve is flat a small change in price has large effect on ammount.



Less Quantity change   Large quality change

→ The price change in both graph are same in first graph demand quantity changes very little, in the second graph quantity change large size. The difference come from the slopes of the curve.

⇒ Elasticity is a way of quantifying how responsive supply and demand are to change in price.

→ Elasticity greater than 1 is called elastic.
→ Elasticity less than 1 is called inelastic.
→ Elasticity is equal to 1 is called unit elastic.

→ Elasticity means sensitiveness or responsiveness of demand to the change in price.

→ Elasticity of demand is a measure of responsiveness of demand to the changes in the price.

→ There are three types of elasticity demand:

(a) Price elasticity: It measure how much the quantity demanded of a good changes when its price changes.

$$e_p = \frac{\text{\% change in Quality demanded}}{\text{\% Change in price.}}$$

(b) Income Elasticity: It refers to the sensitivety of the quality demanded of a certain product in response to change in consumer income.

$$E_I = \frac{\text{\% Change in Quality demanded}}{\text{\% change in Income.}}$$

(c) Cross Elasticity: It capture the responsivness of quantity demanded of a one goods to change in price other good.

$$E_C = \frac{\text{\% Change in Quality demanded of good A}}{\text{\% change in Price of good B}}$$

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(5) Explain Elasticity of Demands.

→ * Price Elasticity

→ A measure of relation beetwen changes in the quantity demand of particular good a change in its price.

$$e_p = \frac{\%\ \text{Change in Quality demand}}{\%\ \text{change in price}}$$

→ if the quantity demand of good increase 15 % in response to a 10 % decrease in price then $e_p = \frac{15\%}{10\%} = 1.5$

→ The degree to which the quantity demands of good change in response to a change in price can be influenced by,
(1) The number of cross substitude.
(2) Types of good wheathe it necessity or luxury.

→ Bussiness evalute price elasticity of a demand for various products to help predict the impact of pricing on product sales.

* Income Elasticity

→ It is an economic term that refers to the sensitivity of the quantity demanded of a certain product in response to change in consumer income.

$$E_I = \frac{\text{\% change in Quantity Demanded}}{\text{\% change in income}}$$

→ If the quantity demanded of goods increase by 15 % and response to 10 % Increase in income then

$$E_I = \frac{25\%}{10\%} = 2.5$$

→ The quality demanded of normal necessties will increase with income but slower rate than luxury goods.

→ The quantity demanded in luxury good is very sensitive to change in income.

→ Low-grade goods have negative income elasticity of demand.

* ## Cross Elasticity

-> It captures the responsiveness of the quantity demanded of one good to a change in price of other good.

$$E_c = \frac{\text{\% change in Quality demanded good A}}{\text{\% change in price of good B}}$$

-> It may be positive or negative value depending wheather goods are complement or substitude.

-> If two product are complement, an increase in demand of one is accompanied by an increase in the quantity demanded of other.

-> An increase in demand for cars will increase demand for fuel.

-> The value of the cross price elasticity for complemantry goods thus be negative.

-> The positive cross-price elasticity indicates that the two good sustitude.

-> if price of coffe increases, Consumer may purchase less coffe and more tea.

(6) "Economics is tangible to every aspect of life" Justify statment.

-> It is a social science that studies how individual, bussiness, government and nation make choices on allocating resources to satisfy their wants and needs.

-> Common people have become more engrossed in the role economics play in our daily life.

-> Economic deals from the property market to the macroeconomics of the household budget. Everything is connected to economics.

-> For upgrading employability in banking, Goverment sector, NGO and bussiness attaining a comprehensive understanding of diverse ways that people economics phenomena allows for more compliant and ingenious practice.

(7) Differentiate Micro and Macro economics.

Micro Economics	Macro Economics
• It studies individual economic units	It studies nation's economy, as well as various aggregates.
• It prilimarily deal with individual income, output, price of goods.	It is study of aggregate such as national output, income.
• It focuses on overcoming issues concerning the allocation of resource and price.	It focuses on upholding issues like employment and national household income.
• It accounts for factor like demand and supply for particular commodity.	It accounts for aggregate demands and supply for nations economy.
• It helps to point out how equilibrium achieve at a small case.	It helps to determine equilibrium level of employment and income of nation
• It also focus on issues arising due to price variation and income level	The primary component of this problem is income.

Chapter: 2

Theory of Production Cost

(1) Define term production and explain factor affecting industrial production.

→ Production is the organized activity of transforming resources into finished products in the form of goods and services. the objective of production is to satisfy demand for such transformed resources.

→ There are three types of Production

(a) Primary Production : Primary production is carried out by extractive industries like agriculture, fishing, mining

- These industries are engagged in such activities as extracting the gift from Nature from earth surface and from the oceans

(b) Secondary Production : This include production in the manufacturing industry, turning out semi finished and finished good from raw materials. Conversion of flour into bread.

- They are genrally described as manufacturing and construction industries, such as manufaturing cars, furnishing, clothing.

(c) Tertiary Production : Industries in this sector produce all those services which enables the finished goods to be put in the hands of consumer.

- These services are supplied to firms in all types of industry and directly to consumer.
- Ex. Traders, banking, Insuarance

* Factors of Production.

-> Production of commodity or service requires the use of certain resources or factor of production.

-> Since most of the resources necessary to carry on production are scare relative to demand for them they are called economic resources.

-> Resources which we shall call factors of production are combined in various ways, by enterprise to produce an annual flow of good and services.

LAND | LABOUR | CAPITAL

↓

Provided factor inputs to

↓

Productive Enterprise

↓

Output for the

↓

Market

Name	Nature	~~Reward~~ Reward
Land	Any natural resource	Rent
capital	Man-made resources	Intrest
Enterprise	Risk taking & organising	Profit

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(2) Explain Breakbeaven.

→ Break even anaylisis is a technique that helps decision makers understand the relationships among sales volume, cost and revenues in organization. Break even analysis is graphical method of analyzing. It is also known as cost volume profit (CVP) analysis.

→ In this method break even point the level of sale volume to which total revenue equal total cost in is determined. After break even point organization begin to make profits. This point is also known as no profit no loss point.

→ It is indicator at minimum level of sales acheive which company has to achieve in order to be economically visible.

(a) Fixed cost : Fixed cost are that remains the same it doesn't change with production volume.
It reprsented by horizontal line.
Ex. Cost of land, Top managment, Taxes on property, Insurance.

(b) Variable cost : It is dependent on volume of production the cost changes with production quantities.

Ex: Cost of material, wages, Packaging cost

(c) Total cost : It is the sum of FC and VC. It is also known as manufacturing cost.

$TC = FC + VC$.

(d) Total Revenue : It is the cost that comes from selling the entire production.

TR = Selling price per unit x Number of unit sold

(e) Profit : Profit is realized after selling product Profit can be computed as the difference between total revenue and total cost of production.

Profit = $TR - TC$

(f) Margin of Saftey : It is the sales over the break even sales volume or it can be exprssed as the difference between output at full capacity and output at break even point.

Margine saftey = Actual sales - Sales at B.E.P

* Assumptions

-> Break even analysis assume that total cost is divided into two categories Fixed and variable cost.
It ignores semi variable cost.

-> FC remains constant throughout the volume of production.

-> Selling price of product is constant throughout the sale.

-> VC changes proportionally withe volume of production.

-> The firm is producing only one type of product. In case of multi-product firm, the product mix is stable.

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* Limitation

-> The analysis is based on FC, VC and TR. Any change in one variable affect B.E.P.

-> Semi variable cost and depriciation are not accounted which is significant in any manufacturing firm.

-> Multiple charts are to be produce in case of multi-product firm.

-> The effect of technological devlopment, also determines profitability.

-> The break even chart is based on FC concept and hence holds good for short period.

-> Break-even analysis is not suitable under fluctuating bussines environment.

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(3) Discuss different types of cost associated with Production.

-> To analyze and understand firm production decision it is important to know the different type of cost they facing during this process.

-> There are number of different types of cost that you should aware of: Fixed cost, variable cost, Total cost, Average cost, marginal cost.

-> The cost of Production and revenue.

(1) Real cost
(2) Opportunity cost
(3) Money cost
(4) Production cost
(5) Selling cost
(6) Fixed and variable cost
(7) Supplemantory cost
(8) Average and marginal cost.

(1) Real cost : It refers to the physical quantities of various factor used in producing commodity.

- Marshall described real cost as production of a commodity genrally requires many different kinds of labour and the use of capital in many form.

(2) Opportunity cost : It is also known as transfer cost and alternate cost.

- The price which is necessary to retain a given unit of factor in certain industry may be called its transfer price.

- If opportunity cost in other field is more labour will shift from one industry to those industry where transfer earning is more

(3) Money cost : It is monetary expenditure on input of various kinds.

- It is the total money expenses incurred by firm in producing community.
- They include wages and salaries of labour cost of row material.

(4) Production cost : Production cost have been called as total ammount of. money spent in production of goods.

- They include cost of raw material, cost of manufacturing, wages of worke engage in manufacture.

(5) Selling cost : It is the cost of marketing, advertisement and salesmanship.

- This cost are used to extract market, attract customer, capture more bussiness.
- They are especially important in the case of imperfect competetion in which goods are not identical but substitutes.

(4) Differentiate Plan and ~~Product~~ Process layout.

→

Product layout	Process layout.
Product is standadized.	Product is customized.
Identical flow and sequence of operation for each unit	Variable flow, relying on the nature of the job.
Minimum ispection is there	Inspection is conducting during multiple time
Result in transfer line.	Result in group technology
Production time is less.	Production time is high
High fixed cost and low variable cost	Low Fixed cost and high variable cost.
Suitable for mass production with less job variety	Suitable for moderate production in high job variety.

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Ch : 3

Market Structure ane National Income

(1) Define Monopoly market.

→ This sort of market is used to illustrate a situation in which there is no competetion at all. a single seller with complete control over the industry. It is the only one produceing in industry and no industry is producing its close substitute.

→ True monopolist are rarely existing today. They can exist typically with some form of government protection.

→ A monopolist has no competitor. This is the gread advantage of being monopolist. It can earn super normal profit.

→ Another example of monopoly is a franchised local authority such as telephone, cable TV, gas and electricity. Here there is single seller of a service with no close substitute.

→ Thus in long term no monopoly are completely secure from attack competitor.

* Features

- There is only one seller or producer.
- There is no free entry to the new seller in the market.
- There is no close substitute for the product.
- Monopolist decide prices and service conditions.
- Monopolist enjoy super normal profit.
- The Monopolist needs to brand his product advertise depends on the threat of competition rather than actual competition.

(2) Define Perfect Competition.

-> A market structure in which there are many firms, where there is freedom of entry to the industry where all the firm produce an identical product and where all firm are price taker.

-> In perfect competetion all firm are seprafley independent to each other Each firm operates as individual enterprise looking only to its best intrest. Perfect competition is an extreme situation in which competition is as strong as it could ever posibly be.

-> Firms are entirly subject to market forces. They have no power whatsover to affect the price of the product. The price they face determined by the interaction of demand and supply in whole market.

-> There is complete freedom of entry of new firm into industry. Existing firms are unable to stop new firms to setting up bussiness. An extention of this assumption is that there is complete factor mobility in long run.

* Features

- There is large numbers of buyers and sellers.

- There is no advantage for consumer to buy from any particular supplier rather than other.

- Seller and buyers must know the price being asked in other parts of market.

- In order to make free entry to new seller a would be producer must also know what profits are being made by existing producer.

- There is a freedom of entry and exite in industry.

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(3) Define GDP, NDP, NNP, GNP, Personal Income, National Income, Disposal Income.

→ National Income : It means the value of goods and services produced by a country during financial year.

→ GDP : It is stand for gross domestic product.
It is monetary measure of the market value of all the final goods and services produce in specific time period.

- GDP calculation includes income of foreigners in a country but exclude income of those people who are leaving outside country.

→ GNP : It is stand for gross national product.
It is estimate of total value of all the final products and services turned out in a given period by the means of production own's by country's residant.

$$GNP = GDP + x - M$$

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→ NNP : It is stands for net national product.
The total market value of all final goods and services produce by the factor of production of a country or other polity during given time period minus depriciation.

NNP = GNP - depriciation

→ NDP : It is calculated by deducting depriciation of plant and Machinary from GDP.

NDP = Gross domestic product - Depreciation

→ Disposal Income : It is total income that can be used by the household sector for either consumptior or saving during a given period of time, usually one year.

→ Personal Income : It is the total income recieved by members of the domestic household sector, which may or may not be earn from productive activities during given period of time, usually one year.

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(4) Explain 4 p's of marketing.

→ The 4 p's of marketing are price, place, product and promotion.

→ By carefully integrating all of these marketing strategy into marketing mix, company ensure they have a visible in demand product or service that is competetively priced and promoted to their customer.

→ Place refers to where and how people buy your product. some example of places consumber buy product and services including online via web browser. through smart phone, retail location.

→ Price refer to how much your product or service costs. How you price your product depends on competitior, demand, cost to produce the product and what consumer are willing to spend.

- Companies also need to consider their pricing model including choosing one time purchase or subscription based model.

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→ Product refers to product or service of your business provides to your target audience. The product a comany provide significantly depending on the type of company and what they do.

→ Promotion refers to specific and thougthful advertising that reaches a company's target market. A company might use instagram campagin, PR campagine, email campagin to reach its audience at right place and right time.

(5) Differentiate Perfect and Monopolist competition.

→

Perfect Competition	Monopolist competition
• Number of sellers and buyers are many	Numbers of sellers and buyers are many.
• Types of goods offer Homogeneous	Types of goods offer differentiated.
• There is no price takers	There is some price power.
• Marketing is not important	Marketing is important.
• Zero entry Barrier	No entry Barrier
• There is productive efficiency in long run.	There is no production efficiency in long run.
• Situation is unrealistic.	Situation is realistic

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Chaper: 4

Basic Economic Problems

(1) Explain Unemployment.

→ Unemployment is a term to refering to individual who are employable and actively seeking a job but are unable to find job.

→ Include in this group are those people in the workforce who are working but. do not have appropriate job.

→ There are four types of unemployment.
(i) Demand deficient (iii) Structual
(ii) Frictional (iv) Voluntary

(i) Demand deficient : When companies experience reduction in demand for their product and service they respond by cutting back on their production, reduce their workforce within the organization.

(ii) Frictional : Frictional unemployment refers to those workers who are in between job.
An example is a worker who recently quite or was fired and is looking for a job.

(iii) Structural : It happens when the skill set of a worker does not match the skill demanded by the Jobs avalaible , or alternative when workers are avalaible but unable to reach location of the job.

(iv) Voluntary : It happnes when worker decide to leave a job because its no longer financially compelling.
An example of worker whose take home pay is less than his cost of living.

* Causes

-> Unemployment causes by various reason that come from both demand side, supply side, employer side or worker.

-> There are employment oppurtunity in india but rising population problem creates unemployment. If the population grow in same rate that the next genration will face more problem of unemployement.

-> From the demand side, it may be caused by high intrest rate, global recession and financial crises.

-> From the supply side frictional and structural unemployment play role.

-> Many employer give prefrence to experienced candidate not to fresher.

-> Earlier for task hundreds ~~of~~ or thousand people were required to do work but now due to advance technology only one person can do many peoples work.

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(2) Explain Inflation.

-> Inflation means changes in level of price, which denotes the rate of growteh or decline price level.

$$\text{Rate of Inflation} = \frac{\text{Price level of current year} - \text{Price level of previous year}}{\text{price level of previous year}} \times 100$$

-> The price level is measured as weighted average of goods and services in economy.

-> Inflation is that stage when the increase in quantity money and credit is faster as compared to avalabile quantity of goods as result price level goes on increasing contineously.

-> There are three type of Inflation.

(i) Moderate Inflation : In this price rises slowly. The rise in price can be predicted. The Inflation rate is very small or single digit. In this people can trust money because there is small change in price.

(ii) Galloping Inflation : When the inflation is to high.

When inflation rate in 2 or 3 digit. Serious economic distortions are expected under this.
Under this money losses their value, value of holding money is reduced. People don't want to hold surplus money they hold only minimum base ammount.

(iii) HyperInflation : This is most extreme case of inflation. The market economy becomes most disasterous because prices rise by million or even trillion percent per year.

* Causes

-> When demand of any commodity or service increase and its supply decrease. then its obveious increase in price level.

-> When basic cost of product increase due to rise in raw material price and wages.

-> Servere drought, war, industrial unrest etc.

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(3) Explain Poverty

→ Poverty have not enough money or acess to resources to enjoy a decent standard of living be that lack of helthcare, education or water etc.

→ Primary poverty means not having enough money to meet basic need it can be also consider as living below the poverty line.

→ Secondary poverty means when people earn just enough money to afford neceesities. but spend part of it on coping mechanism to deal with financial and work related stress therefore end up strugling to make ends meet.

→ There are two classifications of poverty

(i) Absolute Poverty : It is condition where household income below a necessary level to maintain basic living standard.

- This condition make it possible to compare between different contries and also over time.

- In this state of poverty even if the country is growing economically it has no effect on people living below poverty line.

→

(ii) Relative Poverty : A condition where house hold income below median incomes.

- Relative poverty some time describe as relative deprivation because the people falling under this category are not living in total poverty, but they are not enjoying the same standard life as everyone else in the country.

- Relative poverty can also be permanant, meaning that certain families have absoult no chance of enjoying same standard life of as other people in same society currently have access to it. They are basically traped in low relative income box.

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Chapter : 5

Money

(1) What is Money. Explain type of money, function of Money and Medium of Money.

-> In economics, money is important for two reason. First make possible an easier exchange of good and service. Secondaly, the ammount of money in the economony can sometimes affect the level of economic activity like- price level of overall economy output and of employment.

-> Money is the mean of payment. But more than that money is a lubricant that facilities exchange.

-> Anything which is genrally acceptable in purchasing goods or service setting debt can be said to be money.

-> It need consist of coin and notes. It should immediately accepted in exchange of goods and services. Because money makes exchange so simple. It is called as medium of exchange.

* ## Types of Money

→ Money is liquid asset. It is something of value; which can Immediatley and easily be exchanged for something else of equal value. It has liquidity hence money promotes trade.

→ Cash is more liquid asset as it is readily accepted in exchanges and Used for small purchases.

→ Cash and bank promise of cash when required are equally liquid asset and therefore equally money. Cheques are accepted in place of cash payment for many goods and services.

→ Credit card can be Used for many transaction. Money facilitates saving and investment hence it can from capital.

→ Transaction Money : It is sum of coins and paper currency in circulation outside the banks and deposits.

→ Board Money: Board money includes asset such as saving account in addition of coins, paper currency and deposits.

→ Narrow Money: It refers to money balance which are readily avalaible to finance current spending. It consist of notes and coins held by pubic and banks, plus bank's holding cash.

. Now wages, rent, Intrest, profit, loss, cost are determined in terms of money. Therfore money is essential mean of economic growth.

* Function of Money

→ Money usually perform 4 functions.
(a) Medium of exchange
(b) Measure of value and unit of account
(c) Standard of deferred payment
(d) Store wealth

(a) Medium of exchange: Money facilities medium of exchange.

It means of measuring wage, rent, price intrest etc., it allows buying and selling smoothly.

(b) Measure of value and unit of account :

- Money is also used as the unit of account, the unit by which we measure value of thing. Just as we measure weight in kg, we measure value in money, making possible operation of price system and automatically providing the basis for keeping account, calculating profit and loss etc.

(c) Standard deferred payments : It is the unit in which loan and future contact are fixed. Without money there would be no common basis for dealing indebts in bank, insuarce company, society. By providing a standard for repayment, money makes borrowing and leading much easier

(d) Store of wealth : Money allows value to be held over time. In comparision with risky asset like real state, gold money is relatively riskless. Wealth stored in this form is completley liquid, it can be converted into other goods immediatley and without cost.

(2) What is Banking.

-> Commercial banks are genral purpose in nature. They collect fund from peoples and distributes fund among the needy people (borrowers). The borrowers may belong to any class of society. It also provide certaint services to the customer by nominal charges.

-> A bank is institution dealing in money and issues loan to the people.

-> The motive of commercial bank is to provide facilities and to make profit also.

-> A financial intermediary is an institution that specializes in bringing lenders and borrowers together.

-> Banks are not only financial intermediaries Insuarance company, pension funds and building society also take in money in order to relend it.

-> Commercial banks are financial intermediaries with government license to make loan, issue deposit, including deposit again cheque can be written. There are 4 banking system in india.

(a) Public sector (b) Private sector
(c) Co-operative sector (d) Devlopment bank

→ Bank invites deposits from the public in various form like FD reccuring deponds, mutual fund, bond, on Saving or current account which bank pay varying rate of intrest. The rate of intrest depends amount deposited and duration of deposit.

→ Main function of commercial banks are divided in three types:

(a) Primary function: Accepting deposit
- Giving loan

(b) Secondary function: Collection of salary, pension, dividend
- Issuing bank draft
- Executing agreements
- Collection counter for local authorities

(c) Genral Utility service: Safe deposit vaults
- Traveller's cheque
- Credit cards

(3) Explain Objective of fiscal policy.

-> Full Unemployment : To reduce unemployment and under-employment the state should spend sufficiently on social and economic overheads.
This expenditures would help to create more employment oppurtunity and increase the productive efficiency of economy.

-> Price Stability : Fiscal policy should try to remove the bottlenecks and structural which cause imbalance in various sectors of the economy. In short fiscal measures as well as monetary measures go side by side to achieve the objective of economic growth and stability.

-> Acclerating rate of economic : Primarily fiscal policy in devloping economy should aim at achieving an accelerated rate of economic growth. But high growth of economic growth can't achieve and maintained without stability in the economy.

-> Capital formation and growth : Capital assume a central place in any devlopment activity in a country and fiscal policy can be adopted as a crucial tool for the promotion of the highest rate of capital formation.

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→ Equitable distribution of income and wealth:

- Fiscal measure to a large extant
- To reduce inequalitive and distributive justice the govenment Should invest in those productive channel, which incur benifit to low income groups and are helpful in raising their productivity and technology.

→ Encouraging Investment: Fiscal policy aim at the accelaration of the rate of investment in public as well as in private sector of the economy.

Fiscal policy in the first instance Should encourage investment in public sector which in turn effect to increase the volume of investment in private sector. Fiscal policy should aim at rapid economic devlopment.

(4) Explain RBI or Central Bank.

→ The central bank in a country regulate the pumping of money through arteries of economic life.

→ Every country has a central bank which is responsible for managing menetary affair. Central bank represent the financial soverginity of the country. Central bank control supply of bank reserve.

→ Its main function is to superwise the price and avalability of money in economy. The central bank is controlled by government

→ If the central bank charges higher intrest rates, ~~higher~~ are charged by banks to their customer.

→ Higher rate quickly spread through whole financial system. If the rates are higher in one market than in other, funds flow away from low paying market into more profitable market hence funds in low paying market dry up.

→ The primary function of central bank is to serve as "lender of last resort" which means that the central bank ~~specialize~~ stabilize the banking system by lending money to bank when reserve run short.

→ In india reserve bank of india performs the role of central bank.

* Features

- Central bank works for the welfare of country and in public intrest.
- Central bank is not profit making institute.
- Central bank is a self reliance institute.
- Its sworn ememey is inflation.
- It manges more supply to country's economy.
- Central bank uses special instrument like monopoly of note issue.
- Being and independent institute its function not politically influenced.

* Functions

(a) Monopoly of not issue
(b) Banker of government
(c) Maintaining exchange rate
(d) Clearing house
(e) Debt Managment
(f) Lender of last report
(g) Supply or Money or credit control

(5) Explain followin terms.

→ Repo Rate : It is rate at which a bank borrows from the RBI against government security.

It is intrest rate which RBI give loan commercial bank

→ Cash Reserve Ratio : It is a percentage of deposits that a bank has to keep as reserve with RBI. When government increase CRR, the bank has to keep a large percentage of its deposit as reserve. Current CRR is 4%.

→ Statutor Liquidity Ratio : It is the percentage of deposits that bank has to invest in risk free asset such as cash, gold and government security.

→ Reserve Repo Rate : It is a Rate which bank keeps their funds with RBI. If Reserve Repo Rate increase bank find its more profitable to keep their funds with RBI.

→ Bank Rate : It is a Rate which central bank allow finance to commercial bank. Bank Rate is tool which central bank uses for Short term purposes.

(c) Differentiate Repo and Reverse Rapo Rate.

Repo Rate	Reverse Rapo Rate
• It is ~~a~~ rate which RBI lends money to bank.	It is rate which RBI borrows money from bank.
• It is higher than Revrse repo rate	It is lower than Repo rate.
• It is used to control inflation	It is used to control cash flow.
• It involves sales of security which would be repurchased further	It involes transfer of money from one account to other.

Chapter : 6

(1) Explain Managment as Art and as a Science.

->

* Managment as an Art

- Harold Koontz has defined managment as the art of getting things done through people.

- Art is an bourn talent and refer to creative skills and talent which people require to conduct certain activities in order to accomplish certain goals.

-> Creative : Manager have to come with creative ideas or solution to handle unique business problem.

-> Individual approach : Every manager need to adopt this individual approach of managing to handle situation.

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-> Application and Dedication : Managment requirs not only skills and knowledge but there is also a need for dicipline, dedication and commitment.

-> Inititative : Manager are like artists take the inititative in doing the right things at right time. This helps to accomplish objective more efficiently.

-> Intelligence : Managers should possesses mental intelligence, social intelligence, inter personal intelligence and emotional intelligence.

* Managment as a Science

-> Father of scientific managment F.W Taylor has declared managment has to be scientific

-> Managment is Social science because it deals with human being.

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→ Systemetic Decision Making :

- Managment start with the process of systemetic decision. Before taking any decision right information from right source and right time is to be collected.

→ Situational output : The output of managment process may very without change in input. This is possible by providing some resources, tool.

→ Universal Mangment Process :

- In all managment organization whether large and small and at all levels follow the same managment process. It includs planning, organizing, directing and controlling activities.

→ Universally accepted Managmant principle

- Like science the principal of managment are universally accepted. These principle are accepted by all succesfull organization.
- Managment principle includes - divison of work, unity of command, dicipline etc.

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(2) Explain Managment and Administration.

-> The word managment and administration are used alternatively but their scope and function are different.

-> Managment is a distinct process consisting of planning, organizing, activating and controlling to determine and accomplish the objective by the use of people and resource.

-> Administration is directing the way in which work is to be done mean it is a determinative or thinking function.

-> Managment is doing the execution of function, the policies and dcision implement being those laid down by administration. It involve employee of organization.

- Addministration is connected with determining major policies and objective of enterprise. Addministrator are owners of enterprise.

-> The main function of managment are leading and organizing the scope for decision making is limited.

- Administration are planning and controlling, decision making is mainly influeced by public opinion and government policies

→ Managerial work is delegated to the middle and lower level executives. Administration work is reserved for top level executive.

Managment	Administration
• Directing humans effort towards common goal	Determination of goal and policies of enterprise
• Managment is servant of administrator	Controlling managment and organization by policy.
• Technical ability require to function	Technical ability does not require.
• Productive in character.	Non productive in character.
• It executes the work	It gives proper direction

(3) Maslow's Need Heirarchy Theory

→ One of the most popular theories of motivation is the heirarchy of need theory. It is popUlized as Muslow's need heirarchy theory.

→ Abraham Maslow viewed motivation of human being as arising from levels of heirarchy of need.
Masalow suggested a number of intresting things about human need.
He suggested that most of human needs can be grouped into five categories.

(a) Physiological needs
(b) Safety needs / security needs
(c) Social needs
(d) Esteem needs
(e) Self-actulization need

(a) Physiological needs : According to herarchy, our first need is for survival, this includes the clothing, food, Shelter, water, air etc. These are called as physiological need.
the need for those things which will keep us alive and functioning physisologically.

(b) Saftey Needs : Security and saftey needs are second in priority.

These are needs which allow to fed physically and psychologically safe.

Everybody needs economic security and physical protection. This includes protection against job security, property insuarance.

(c) Social needs : Social needs for the sense of belong giverness and acceptance by other.

Men is essentially a social being, he wants to be loved by others and want affection from others.

These needs are secondary, infinite and are of mind not physical.

These need refers to the need of conversion, social ability, exchange of feelings and grivernence and recognition and belongingness.

(e) Esteem need : These are related to the two prolonged desire to have a positive self image and to have our contribution appreciated by others.

- Self esteem includes self respect, confidence.
- Public esteem means esteem or image in the eye of public such as power, praise, pubic appreciation, status and prestige.

Everyone wish respect and fame.

(4) Scientific Managment Principle.

-> Scientific managment is an attempt to determine and apply facts and laws of gaining efficiency without leaving anything to chance. All posible efforts are to be made to increase the efficiency of each departmant.

-> Scientific managmen is an approach within classical managment theory that emphasize the scientific method of work to improve the worker study.

-> Taylor's entire approach was fundamentally based on scientifically study and measuring efforts involved in perfoming each task that contituted a job and then determining from the data the single best way to carry out the total set of procedures.

-> For many of the blue collar jobs Taylor investigated such as loading pig iron, the best person meant the strongest person with strongest desire to do a good job.

-> Taylor stressed that it was mangment's not the worker's responsibility to study the task and determine scientifically the optimal way to perform it.

* **Objective**

- To find out the causes and areas of waste and eliminating them.

- Protecting the intrest of both owner and labour.

- To ensure higher wages with reduction in labour cost.

- Increasing purchase power of the consumer.
- Reducing cost of production
- To Minimize labour problem.
- To ensure timely delivery of goods.
- To improve quality of product.
- To provide higher reward and incentive to the efficient workers.
- To improve working condition of worker.
- To improve standard leaving of workers through increased wages.

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* Features

- Scientific managment does not involve a single element but a combination of varied elements.

- It is concerned with group or joint effort within an organization directed toward a common objective.

- The group effor should be made through certain type of organization and procedures.

- The procedures and organization which form part of it must not be either on casual observation or chance factors.

- The organization and procedures must be based on laws and principle evolved after carefull investigation and analysis of the work situation.

- The system must be a dynamic one and not a static one.

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Chapter : 7

Function of Managment

(1) Explain function of Managment.

→ The important managment functions can be categorised in four major function.

(a) Planning
(b) Organizing
(c) Leading
(d) Controlling

→ (a) Planning : planning is the managment function that involves setting of goal and deciding the best method to achieve them.

- planning is most important and basic activity of managment. The function also includes considering what must be done to encourage necessary levels of change and inovation.

- The plan must be flexible so that it can be modified due to change in working environment and new Information.

- Strategic planning which adresses long range goals and the board approaches for achieving them.

- Operational planning which focuses on short range objective and specific means used to obtain them and on related manegerial activity of decision making.

(b) <u>Organizing</u> : Organizing is the best managment function that focusses on allocating and arranging human and non-human resources so that plans can be carried out succesfully.
Different task must be assigned to different people and their efforts must be co-ordinated.

- This involves co-ordination of task and the various ways to accomplish it.
In managment process organizing function provides a valuable tool for promoting innovation and facilitating needed changes.

- Organizing is also concerned with building, devloping and maintaining of working relationships.

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(c) <u>Leading</u> : Leading is the managment function that involves influencing others to engage in the work behaviours necessary to reach goals.

- Leading includes communicating with others providing direction and motivating people. This function also includes encouraging the necessary level of change and innovation.

- A leader must also recognize the need for co-operation and combined efforts for survival and growth of firm.

(d) <u>Controlling</u> : Controlling is management functio aimed at regulating organizationa activities so that actual perfomace meets the expected objectives and standard of company.

- For regulating organizational activites manager need to monitor ongoing activity, compare ~~the~~ the results with standards and take the necessary corrective actions.

(2) Explain Project and Matrix organization.

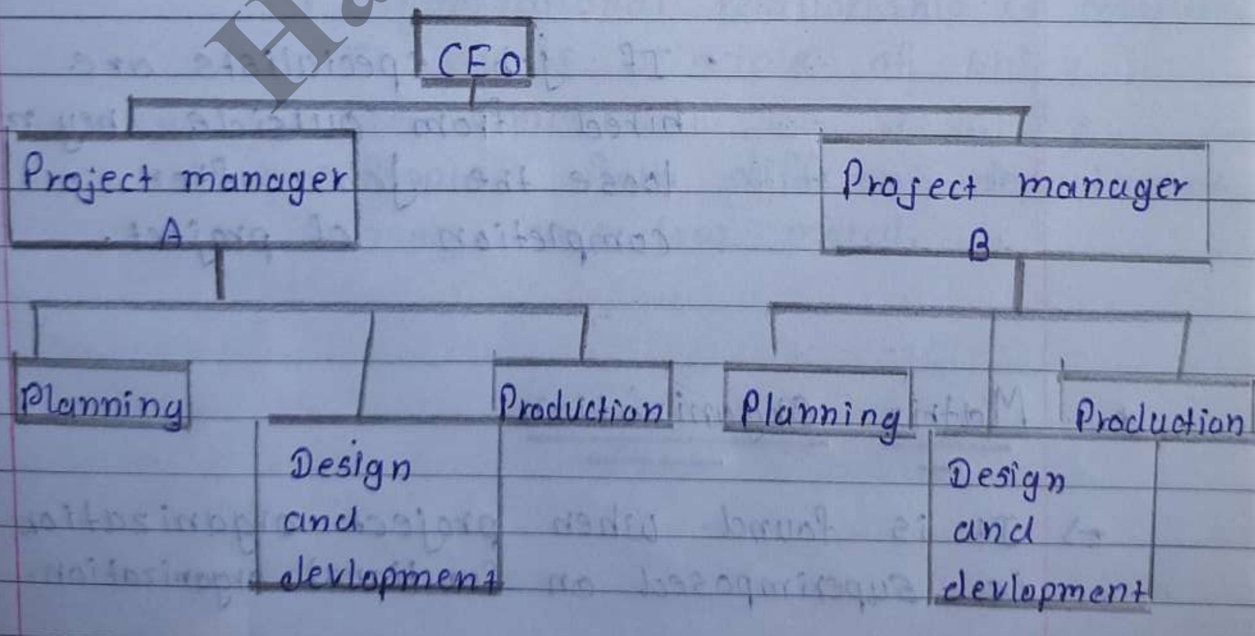
* **Project Organization**

→ project organization is when it is difficult to continue with the new bussiness environment or situations.

→ A seprate department is formed to face different situations for specified time duration.

→ Skilled person from different departmant are appointed for project. All the activities of a project are co-ordinated by the project manager.

→ A project organization is fully responsible for planning, designing, devlopment production and co-oriented by the project manager.



→ Advantage : Project organization does not affect the existing bussiness activities.

- Project organization uses talant of different skilled people in the organization.
- The project activities are time bounded.

→ Disadvantage : There may be posibility of conflicts between different specialist.

- The experienced gain from project may not be relavant for other project.
- If job specialists are hired from outside they may loose the job after completion of project.

* Matrix Organization

→ It is found when project organization is superimposed on functional organization.

→ Matrix organization is suitable when there is need to handle many activites simultaneously.

→ In matrix organization employee has to work under ~~to~~ two or more supervisors and employee has to report to more than two mangers.

→ <u>Advantage</u>: It is more flexible than other form of organisation.

- Better services from specialists can be availed.

→ <u>Disadvantage</u>: Multiple reporting of employees and Supervision may create confusion among employees.

- Organizational relationship is complex.
- It violets principle of Unity of command.
- Peoples from different departmant may have low moral.

(3) Differentiate centerlization and Decenterlization.

Decentralization	Centerlization
• Decision making capabilities delegated across multiple level.	Decision making capabilities rest with the top managment.
• Flow of Information open.	Flow of Information is vertical.
• Decenterlization is ideal for large sized organization.	Centerlization is ideal for small sized organization.
• Highly motivated employe	Demotivated employee.
• Burden get shared among many level	Only one group is carrying burden.

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Chapter : 9

(1) Explain Corporate Social Responsibility. (CSR).

→ Manager policies are shaped out of a combination of objectives and social obligation. To what extent the mix of economic and social factor is taken into account by managment depends on size of undertaking.

→ The large organization is very likley to be concerned with its social obligation as well as the need to make profits.

→ Social responsibilty is an argument that an organization has greater obligation to society beyond the pursuit of its own goal.

→ An organization's social responsibilities can be viewed at four level.
(a) Economic Responsibility
(b) Legal Responsibility
(c) Ethical Responsibity
(d) Discretionary Responsibity

-> The most important is economic responsibity followed by legal, ethical and directionary responsibilities.

-> It is now accepted both legally and socially that managment has a duty outside its obligation to the owner of the business.

-> To combined in one philosoply the need to make profits for dividends and continued investment and to provide good pay, working conditions and a measure of security for employees as well as the production of the environment.

-> The purposed of managment is to maximize profits to the benifit of owner also it is asserted that managment should be socially consious and its purpose is try to satisfy the conflicting requirments of owners intrest and the intrest of the employee.

-> Another posibility arise where the continued survival of the enterprise is no longer possible, or possible only by server staff reductions.

-> In the event of large scale shut-down, local authority and central government agencies must be informed so that steps can be taken to attract new industry to area.

(2) Explain Business Ethics.

-> Ethical means confirming to the standrds of a given profession or group. Any group can set its own ethical standards and then live by them or not.

-> Ethical standards wheather they are established by an individual a corporation, a profession or a nation help to guide person's decision and action.

-> The commonly accepted definition of ethics is rule or standards that govern behavior.

-> Ethics involves evaluting and knowing "right from wrong" in a specific situation.

-> Bussiness ethics is defined as the rules and principles that define right and wrong conduct organizational activities.

-> There are four views of ethics.

(a) Utilitarien view : In this view ethical decision are made on the basis of their outcome.

(b) Right view : The view respect and protect individual liberties and privileges.

(c) Theory of Justice view : Managment impose this view and enforce rules fairly and impartially

(d) Integrative social contract theory : In this approach decision are based on empirical and normatives factor.

(3) Explain four Step of Organization's Social Responsibity.

-> The four stage progression of an orgnization social resposibility are :

-> Stage 1 : Promote stakeholder's intrest by seeking to minimize cost and maximize profit

-> Stage 2 : Manger accept their responsibility to employee and focus on human resources concern.

-> Stage 3 : Expand responsibilities to other stakeholder

-> Stage 4 : Manager feel responsibility to Society as a whole.