**Practical Assignment 02**

**Problems Answers**

**Qn 01:** Given below are two price index series. Splice them on the base 1974=100. By what per cent did the price of steel rise between 1970 and 1975?

|  |  |  |
| --- | --- | --- |
| **Year** | **Old price index for Steel**  **Base (1965=100)** | **New price index for Steel**  **Base (1974=100)** |
| 1970 | 141.5 |  |
| 1971 | 163.7 |  |
| 1972 | 158.2 |  |
| 1973 | 156.8 | 99.8 |
| 1974 | 157.1 | 100.0 |
| 1975 |  | 102.3 |

**Ans 01:** Splicing of Old Price Index to New Price Index

|  |  |  |
| --- | --- | --- |
| **Year** | **Old price index for Steel**  **Base (1965=100)** | **New price index for Steel**  **Base (1974=100)** |
| 1970 | 141.5 |  |
| 1971 | 163.7 |  |
| 1972 | 158.2 |  |
| 1973 | 156.8 |  |
| 1974 | 157.1 | 100.0 |
| 1975 |  | 102.3 |

The percentage increase in the price of steel between 1970 and 1975 is

Hence, the required increase is 13.59%.

**Qn. 02:** From the following data compute the Fisher’s Price Index Number.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Commodity | Base Year (0) | | Current Year (1) | |
| Price () | Quantity () | Price () | Quantity () |
| A | 1 | 6 | 5 | 8 |
| B | 2 | 7 | 4 | 7 |
| C | 3 | 8 | 3 | 6 |
| D | 4 | 9 | 2 | 5 |

**Ans 02**:

**Qn 03:** Compute (i) Laspeyres’, (ii) Paasche’s, (iii) Fisher’s, (iv) Bowley’s and (v) Marshall Edgeworth’s index from the following table.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Commodity | **Base Year** | | **Current Year** | |
| **Quantity** | **Price** | **Quantity** | **Price** |
| A | 12 | 10 | 15 | 12 |
| B | 15 | 7 | 20 | 5 |
| C | 24 | 5 | 20 | 9 |
| D | 5 | 16 | 5 | 14 |

**Ans 03:**

Computation of Price Index Numbers

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Commodity | **Base Year** | | **Current Year** | |  |  |  |  |
| **Quantity** | **Price** | **Quantity** | **Price** |  |  |  |  |
| A | 12 | 10 | 15 | 12 | 144 | 120 | 180 | 150 |
| B | 15 | 7 | 20 | 5 | 75 | 105 | 100 | 140 |
| C | 24 | 5 | 20 | 9 | 216 | 120 | 180 | 100 |
| D | 5 | 16 | 5 | 14 | 70 | 80 | 70 | 80 |
| Sum |  |  |  |  | 505 | 425 | 530 | 470 |

1. Laspeyres’ price index
2. Paasche’s price index
3. Fisher’s price index
4. Bowley’s price index
5. Marshall Edgeworth’s price index