Business Economics

Date: M T W T F S

Short Question (Mid-term)

(1) Define demand?

Ans:- Demand is the consumer's desire to purchase a particular good or service.

(2) What is law of demand?

Ans:- The law of demand is a fundamental principle of economics that states that at a higher price, consumer will demand a lower quanity of good.

i.e:- fewer people will now buy trucks at this new, higher price point.

(3) Define Exception demand curve?

Ans:- An exceptional demand curve is one that moves upward to right as it violates the law of demand.

(4) What is elasticity of demand?

Date:

Ans:- The elasticity of demand or demand elasticity measure how demand responds to change in price or income.

(5) what is Income elasticity of demand?

Ans: Income elasticity of demand measure the responsiveness of demand for a particular good to change in consumer Income.

(6) what is law of supply?

Ans:- The law of supply is an economic theory that predicts how price of goods and services affects their supply.

i.e.:- if you manufacture 150 shirts, you can bring 150 shirts to market.

(7) Name of methods for measurement of elasticity of supply?

Date:

M T W T F S

Ans:- Proportionate method is the method for meaursement of elasticity of supply. In this method, elasticity of supply can be calculated by dividing the percentage changed in quanity supplied with the percentage in price of product.

⑧ Define market equilibrium?

Ans:- Market equilibrium refers to a situation where quantity demanded and quality supplied of good are equal.

⑨ what is perfect competition?

Ans:- perfect equilibrium/competition is an ideal type of market structure where all producers and consumers have full and symmetric information and no transactions costs.

Date: ____________

M T W T F

(10) Differentiate b/w firm and Industry?

Ans:- A firm refers to a single production unit in Industry producing a large, small quantity of commodity and selling it at a price in the market, Its main objective to earn profit.

Industry:- The industry refers to a group of firms producing the same product or service in an economy.

(11) Write the names of firm equilibrium in short run under perfect competition?

Ans:-

Date: M T W T F S

(12) what is break even point?

Ans:- The break even point is the point at which total cost and total revenue are equal.

(13) Define Monopoly?

Ans:- A monopoly is a market structure where single seller or producer assumes a dominant position in an industry or sector.

(14) what is business economics?

Ans:- Business economics is a field of applied economics that studies the financial, organizational, market-related and enviormental issues faced by corporations.

(15) what is market or business enviorment?

Ans:- Market enviornment and business environment refers to marketing terms that refers to factors and forces that affect a firm's ability to build and maintain successful customer relationships.

(16) Define Cross elasticity of demand?

Ans:- The meaurse of responsiveness in the quantity of demanded of one good when price for another good changes.

(17) What is market demand curve?

Ans:- The market demand curve is a graph that shows the relationship between the price of a product and demand for that particular product

(18) Define business strategy?

Ans:- A business strategy is a plan that outlines how company will achieve goals. There are many business strategy but some common includes cost, leadership, differentiation and focus.

Date:

M T W T F S

(19) Define business activity?

Ans: Business activities include any activity of business engages in for the primary purpose of making profit.

(20) what is MNC?

Ans: A multinational corporation is a Company that has business operations in at least one country other than its home country

i.e:- Coca-Cola, McDonald's.

Long Question (Mid-term)

(1) Explain the law of demand with the help of schedule and diagram?

Ans: Law of demand

The law of demand is a fundamental principle in economics that describes the relationship b/w the price of

Date:

a good or service and the quantity demanded by consumers. It can be explained with the help of demand schedule and a demand curve diagram:

Demand Schedule:-

A demand schedule is a table that shows the quantity of good or service that consumers are willing and able to purchase at different prices, all other factors are equal.

Price	Quantity demanded
5	100
4	150
3	200
2	250
1	300

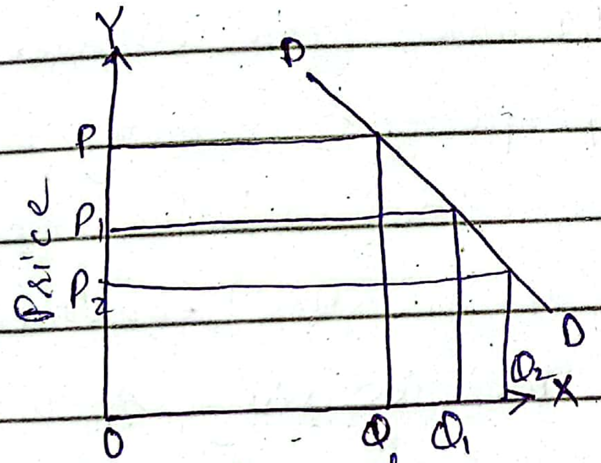
As the price of product decreases, the quantity demanded increase.

Date:

M T W T F S

Demand curve diagram

The demand curve is a graphical representation of demand schedule. It shows the same relationship between price and quantity demanded.



As you see in demand curve, it slopes downward from left to right. This means that as price of product decreases, the quantity demanded increases.

Date: ___________

(2) Explain a firm equilibrium or producer equilibrium in short run under perfect competition?

Ans:- In the short run under perfect competition, a firm reaches producer equilibrium when its maximizes its profit or minimizes its losses. This occur at the point where firm (MC) equals its (MR) and (MC) is rising. At this equilibrium

1) Price (P) = MC :- The firm sets its price equal to its MC to maximize its profit

2) Total revenue (TR) > Total variable cost (TVC)

3) Economic profit or loss:- The firm may earn a profit (TR > Total cost) or incur

Date:

M T W T F S

a loss (TR < Total cost).

4) Shutdown point: If price falls below average variable cost (P < AVC), the firm should temporarily shut down to minimize losses.

The producer equilibrium in short run under perfect competition involves setting price equal to MC, covering variable costs, and making decisions based on weather the firm is earning a profit or a loss.

③ How can we determine elasticity of demand according to total expenditure method?

Ans: Elasticity of demand:

The responsiveness of quantity demanded or supplied of

Date:

a good to a change in its price.

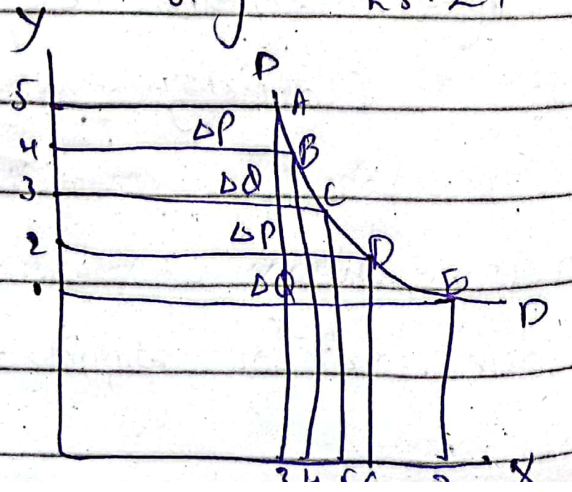
Meaursement of Elasticity by using expenditure method

According to this method, there are three ways

@ Equal to unity

when the price of commodity decreases the quantity demanded will increase but total expenditure remain constant

P_x	Q_x	TR
RS 8.00	3Kg	Rs. 24
RS 6.00	4Kg	RS. 24
RS 4.00	6Kg	RS. 24
RS 3.00	8Kg	Rs. 24



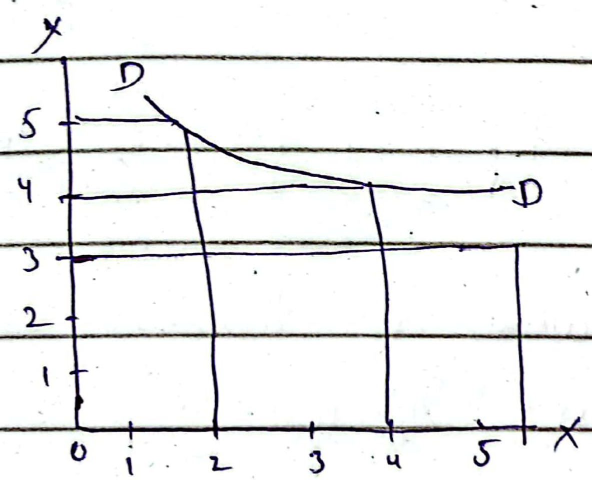
Date:

M T W T F S

b) Greater than unity

when the price of commodity decreases and its quantity demanded increase, but total expenditure change in opposite direction

P_x	Q_x	TR
RS 5-00	2 unit	RS.10
RS 4.00	4 unit	RS.16
RS 3.00	8 unit	RS.24



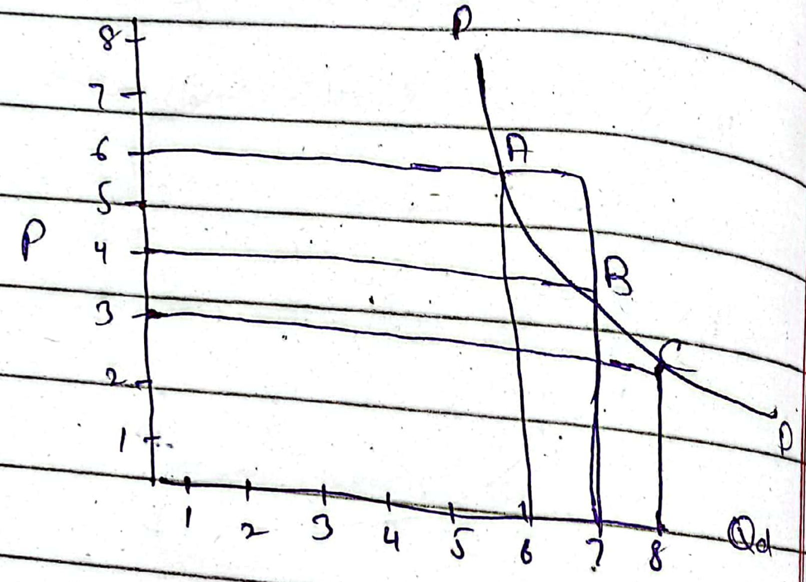
c) Less than unity

when price of commodity decreases the quantity demanded will Increase but total expenditure

Date:

will also decrease and vice versa.

P_x	Q_x	TR
RS 7	6 unit	RS. 42
RS 5	7 unit	RS. 35
RS 3	8 unit	RS. 24



④ what is business strategy Discuss different types of business strategy?

Ans: **Business Strategy**

A business strategy is foundational to a Company success. It helps

Date:

leaders to set organizational goals and gives companies a Compititive edge.

Types

1) Marketing Strategy
2) Cost leadership
3) Competitive advantage.
4) Diversification.

1) marketing strategy

The strategy that helps you to achieve your business goals and build a strong brand image.

2) Cost leadership

Businesses an employ cost leadership business level strategy to boost productivity.

3) Competitive advantage

The competitive advantage utilizes the finding

Date: ________

of product and market areas.

4) Diversification

Diversification can be another great way to Increase sales by expanding your customer base. This Strategy includes entering new market or introducing new product.