MODULE-4

Contents- Outline

- **Circular flow of economic activities – Stock and flow – Final goods and intermediate goods**

- Gross Domestic Product - National Income – Three sectors of an economy- Methods of measuring national income
- Inflation- causes and effects – Measures to control inflation- Monetary and fiscal policies

- Business financing- Bonds and shares -Money market and Capital market – Stock market – Demat account and Trading account - SENSEX and NIFTY.

➢ Circular flow of Economic Activities

The four-sector circular flow model highlights the key role that the foreign sector plays in the economy. It expands the circular flow model by illustrating how exports add to, and imports subtract from, the domestic flow of production and income. This is the "complete" model containing all four sectors.

Four sectors included in this model are:

• **Household Sector:** This includes everyone, all people, seeking to satisfy unlimited wants and needs. This sector is responsible for consumption expenditures. It also owns all productive resources.

• **Business Sector**: This includes the institutions (especially proprietorships, partnerships, and corporations) that undertake the task of combining resources to produce goods and services. This sector does the production. It also buys capital goods with investment expenditures.

• **Government sector**: This includes the ruling bodies of the federal, state, and local governments. Regulation is the prime function of the government sector, especially passing laws, collecting taxes, and forcing the other sectors to do what they would not do voluntarily. It buys a portion of gross domestic product as government purchases.

• **Foreign sector:** This includes everyone and everything (households, businesses, and governments) beyond the boundaries of the domestic economy. Role of Exports and Imports in Foreign Sector/ World Economy Exports: With the foreign sector in place, the next step in the construction of the four-sector flow is exports. Exports are goods produced by the domestic economy and purchased by the foreign sector. Exports are represented by a flow from the foreign sector to the core domestic flow. This is the flow of payments into the domestic economy in exchange for the physical flow of goods from the domestic economy Financial Markets: Financial markets connect the four sector model by accepting savings from the households and firms and in turn provide the investment to the other sectors.

Three-Sectors of an Economy

So far we have been working on the circular flow of a two-sector model of an economy. To this we add the government sector so as to make it a three-sector closed model of circular flow of economic activity. For this, we add taxes and government purchases (or expenditure) in our presentation.

Taxes are outflows from the circular flow and government purchases are inflows into the circular flow. The circular flow in a three-sector economy is illustrated.

Final goods and intermediate goods

Final goods are referred to as those goods which do not require further processing. These goods are also known as consumer goods and are produced for the purpose of direct consumption by the end consumer.

Intermediate goods are referred to as those goods that are used by businesses in producing goods or services. These goods are also known as producer goods.

In other words, intermediate goods are used for producing final goods or consumer goods or it can be said that they act as inputs in other goods and constitute the final goods as an ingredient.

Stock and flow

Stock and flow are both variables in nature and the distinction between them should be studied carefully to understand the development of the economic variables.

Generally, most of the economic variables that are studied are categorised either as stock or flow variable.

Stock refers to any quantity that is measured at a particular point in time

Examples: Bank deposits, capital, wealth, population

while **flow** is referred to as the quantity that can be measured over a period of time.

Examples: Capital formation, income, interest on capital, depreciation

Both the stock and flow are interdependent on each other. The concept of stock and flow is very essential in Economics, as it helps to understand the development of economic variables.

DEFINITION OF NATIONAL INCOME

National income is the final outcome of all economic activities of a nation valued in terms of money.

National income is the most important macroeconomic variable and the level of national income determines the level of aggregate demand for goods and services. Its distribution pattern determines the pattern of demand for goods and services, i.e., how much of which goods is demanded. The trend in national income determines the trends in aggregate demand, i.e., the demand for the goods and services, and also the business prospects. Therefore, business decision makers need to keep in mind these aspects of the national income, especially those having long-run implications. National income or a relevant component of it is an indispensable variable considered in demand forecasting. Conceptually, national income is the money value of the end result of all economic activities of the nation. Economic activities generate a large number of goods and services, and make net addition to the national stock of capital. These together constitute the national income of a 'closed economy'—an economy which has no economic transactions with the rest of the world. In an 'open economy', national income also includes the net results of its transactions with the rest of the world (i.e., exports less imports).

NATIONAL INCOME CONCEPTS

Gross National Product (GNP) of the various measures of national income used in national income analysis,

1. **GNP** is the most important and widely used measure of national income. It is the most comprehensive measure of the nation's productive activities. The GNP is defined as the value of all final goods and services produced during a specific period, usually one year, plus incomes earned abroad by the nationals minus incomes earned locally by the foreigners. The GNP so defined is identical to the concept of gross national income (GNI). Thus, GNP = GNI. The difference between the two is only of procedural nature. While GNP is estimated on the basis of product-flows, the GNI is estimated on the basis of money income flows, (i.e., wages, profits, rent, interest, etc.).

2. Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) is defined as the market value of all final goods and services produced in the domestic economy during a period of one year, plus income earned locally by the foreigners minus incomes earned abroad by the nationals.

3. Net National Product (NNP)

NNP is defined as GNP less depreciation, i.e., NNP = GNP – Depreciation Depreciation is that part of total productive assets which is used to replace the capital worn out in the process of creating GNP.

Briefly speaking, in the process of producing goods and services (including capital goods), a part of total stock of capital is used up. ‘Depreciation’ is the term used to denote the worn out or used up capital. An estimated value of depreciation is deducted from the GNP to arrive at NNP. The NNP, as defined above, gives the measure of net output available for consumption and investment by the society (including consumers, producers and the government). NNP is the real measure of the national income. NNP = NNI (net national income). In other words, NNP is the same as the national income at factor cost. It should be noted that NNP is measured at market prices including direct taxes. Indirect taxes are, however, not a point of actual cost of production. Therefore, to obtain real national income, indirect taxes are deducted from the NNP. Thus, NNP–indirect taxes = National Income.

4. Personal Income

It refers to the various sources of income earned by the individuals in the form, wages, salary, rent, profit

5. Disposable personal income

It is the income left after deducting income tax from the personal income

Methods to measure National Income

Three Approaches to Measure National Income Though the concept of national income is defined as the value of final goods and services, practically it can be measured using one of the following three Methods:

A. Value Added Method (also known as Product Method)

B. Factor Income Method

C. Expenditure Method

All methods provide the same estimates. The income paid to the factor of production is equal to value addition, and the total expenditure on goods and services is equal to income earned by the factors of production. These methods are used to arrive at the estimates for GDP at market price, and then adjusted for NFIA, depreciation, indirect taxes and price change to arrive at other concepts.

A. Value Added Method: At each stage of production a certain value is added to the product, which represents the contribution of labor and capital at that stage. The value addition at any stage of production includes cost of labor, profits and depreciation. The production of goods also requires many intermediate products, which are used up in the production process. Though the cost of intermediate products adds to price, their contribution to the price does not represent the value addition as they have already been produced. Therefore, the cost of intermediate is deducted from the price of final product to obtain the value added. GDP can be calculated by adding the gross value of all products (intermediate and final) and then deducting their cost of production. The whole process is done in three stages. In the first stage, the gross value of all goods and services is estimated. To obtain the gross value added, the various sectors are classified under different categories. Then, the gross value is estimated for each category by multiplying the output of each sector to their market price. The gross value of each category is then added to obtain aggregate gross value of all sectors. In addition, the record of the firms can also be used to get information about total value of sales and inventories. Here, one must be careful to include self-consumption of agricultural production and imputed rent of owner occupied houses. In the second stage, the estimates for the production costs and depreciation are generated. Estimation of production cost and depreciation is a complicated process. The information on inputs is used for sectors, where it is easy to obtain. In other cases, the cost is based on the estimates of inputs cost as a share of output. The depreciation is generally estimated as a certain percentage of gross value based on some accepted norms about depreciation. After obtaining the estimates of gross value, input cost and depreciation, GDP is calculated, in the third stage, by deducting input cost from gross value, and NDP is obtained by deducting depreciation from GDP.

B. Factor Income Method:

Factor income method is to use payment to the factors of production to arrive at GDP estimates. So the national income is the sum of three types of income earned by people, namely, labor income, capital income and mixed income. Labor income includes the income compensation of employees including bonus and employer's contribution to provident fund. Capital income includes retained profits of corporations, dividends, interest, rent, royalties, and surplus of public sector enterprises. Mixed income has features of both labor as well as capital income, thus cannot be assigned a category. It includes income of proprietors, self-employed doctors, lawyers etc. The sum of these incomes provides NNP at market price, which are used to calculate GDP, NDP and GNP.   C. Expenditure Method: In an economy, three agencies, households, firms and government, are involved in economic activities and purchase goods and services from each other. Expenditure method is based on the total spending of these three agencies on final goods and services produced within a year. The spending of households, firms and government is termed as consumption (C), investment (I) and government consumption (G), respectively. The consumption of these agencies also included imports, whereas the exported goods, though produced within the country, are consumed in foreign countries, therefore, the exports (X) are added to total expenditure and imports (M) are deducted to obtain GDP estimates. The GDP is then used to estimate other concepts.

GDP at market price = C + I + G + X – M

Inflation

Inflation is a rise in the general level of prices of goods and services in an economy over a period of time or inflation is a process of rising prices. A situation is inflationary when money buys less when the price level rises. The value of money varies inversely with the price level. Prof. Coulborn has defined inflation as "too much money chasing too few goods"

Causes/ Types of Inflation

1. **Demand-pull inflation**

Demand pull inflation is also called wage inflation. It occurs when the total demand for goods and services in an economy exceeds the available supply, so the prices for them rise in a market economy. Demand pull inflation is caused by excess demand, which can originate from war, high exports, strong investment, rise in money supply or government financing its spending by borrowing, black money.

2. **Cost-push inflation** (or supply-shock inflation)

Cost push inflation is the situation where even though there is no aggregate increase in demand, prices may still rise. This is caused by an increase in the cost of production, which can be due to an increase in wage cost and an increase in profits. Powerful trade unions may try to get the wages of the workers increased without a corresponding increase on productivity or cost of living. The increase in wage cost will result in an increase in the prices of the commodity produced by industry. Soon the workers of the other industries will also demand higher wages and thereby inflation spreads to all sectors of the economy. When businessmen try to make more profits by increasing the prices of their products results in inflation. At the same time other industries using the product of the above industries as their raw material will be forced to increase the prices of their output. Cost push inflation is harmful since it cannot be controlled. Any attempt to cut down the prices will be resisted by the workers and trade unions.

Effects of Inflation

Inflation affects the cost of any goods or services in an economy — including major purchases like homes and cars; consumer goods like food and televisions; personal services from construction to health care; and financial services like banking, loans, and credit cards.

Common effects of inflation include:

- Prices Rise. The most obvious effect of inflation is higher prices on everyday goods and services. That means a higher cost of living, but also generally higher wages.
- Interest Rates Go Up. To keep inflation from rising out of control, the RBI typically raises the market interest rate to increase the cost of borrowing

money and keep from pumping too much money into consumers' hands and spiking demand and prices.

- Debt Is Cheaper. If the inflation rate is greater than your interest rate on debt, you benefit by repaying the debt with less-valuable money. In countries that don't manage interest rates as the U.S. does, debt becomes cheaper with inflation, which can accelerate inflation further.
- Saving Is Deterred. If the inflation rate is higher than the yield on a savings account or the return on investments, consumers are incentivized to spend now rather than save money that will lose purchasing power over time. Raising interest rates helps savings keep up with inflation to avoid this dilemma.

CREDIT or INFLATION CONTROL METHODS

There are two important ways in which inflation can be controlled.

1. Monetary policy measures
2. Fiscal policy measures

1. Monetary policy measures

These are measures adopted by the central bank of a country (RBI) to control credit and money supply in an economy. Monetary policy measures can be classified as:

a) Quantitative credit control methods

Quantitative control aims at regulating the overall volume of bank credit, without considering the purpose for which credit is used. The important measures are

i) **Bank rate**- Bank rate is also called discount rate because bank provide finance to the commercial bank by rediscounting the bills of exchange. Bank rate is the minimum rate at which the central bank of a country provides a loan to the commercial bank of the country. When the central bank raises the bank rate, the commercial bank raises their lending rates, it results in less borrowing and reduces money supply in the economy. **In**

India Bank rate as of Jan-2022 6.25%

ii) Reserve ratio (CRR/SLR)

Depending on the economic conditions, the central bank increases or decreases the reserves that every commercial bank should keep in the central bank. There are two types of reserve ratios:

a) **Cash Reserve Ratio (CRR)-** Every commercial banks are required to maintain with the RBI an average cash balance, the amount of which shall not be less than certain % of the total of the Net Demand and Time Liabilities (NDTL), on a fortnightly basis. Increase in the CRR leads to the contraction of credit. Decrease in the CRR leads to the expansion of credit and banks tends to make more money available to borrowers. In India, the CRR by law, remains in between 3-15%. Current CRR rate is 4%.

b) **Statutory liquidity ratio (SLR)-** refers to percent of reserves the commercial banks in India require to maintain in the form of gold, government approved securities before providing credit to the customers. In India, SLR by law remains in between 20-40%. Increase in the SLR leads to the contraction of credit. Decrease in the SLR leads to the expansion of credit and banks tend to make more money available to borrowers. **Current SLR rate is 18.00%**

iii) Open market operations- It means the purchase and sale of securities by the central bank of the country. The sale of security by the central bank leads to contraction of credit and purchase thereof to credit expansion. **Repo and reverse repo rate**

Repo rate is the rate at which the RBI lends money to the banks for a short term. Reverse repo rate is the short term borrowing rate at which RBI borrows money from banks. Increase in Repo rates will contract credit as now commercial banks get funds from RBI at higher rate of interest. Similarly increase in Reverse Repo rates will also contract credit as commercial banks are more inclined to deposit their funds with RBI to earn higher interest.

Current Repo rate is 4.00% Reverse Repo rate is 3.35%

2. Fiscal Policy Measures

These are the measures taken by the government to control the aggregate demand in the economy. The main instruments of fiscal policy are i) public revenue ii) public expenditure iii) public borrowing

i) **Public revenue-** The main source of public revenue is tax. When there is inflation the government want to reduce the total spending in the economy and hence tax is increased. Increase in direct taxes decreases the disposable income of the people and hence they spend less money.

ii) **Public expenditure-** During inflation the government cut down its expenditure on developmental activities and welfare programmes. This reduces government demand for goods and services as well as private income. When the government spend less money, income of the individuals' decreases. Hence aggregate demand decreases.

iii) **Public borrowing-** when there is inflation the government will delay the repayment of public debt. At the same time the government should borrow more money from the public.

Business financing- Bonds and shares

Why Do Companies Issue Bonds? Debentures

- **Issuing bonds is one way for companies to raise money.**
- **A bond functions as a loan between an investor and a corporation.**
- **The investor agrees to give the corporation a certain amount of money for a specific period of time.**
- **In exchange, the investor receives periodic interest payments.**
- **When the bond reaches its maturity date, the company repays the investor.**

Bonds vs. Banks

"Why would a corporation issue bonds instead of just borrowing from a bank?"

1. **Like people, companies can borrow from banks**
2. **but issuing bonds is often a more attractive proposition.**
3. **The interest rate is usually less than the interest rate available from banks.**
4. **Companies are in business to generate corporate profits, so minimizing the interest is an important consideration.**

5. **Bonds release firms from the restrictions that are often attached to bank loans.**

Bonds vs. Stocks/Share

- **Issuing shares of stock grants proportional ownership in the firm to investors in exchange for money.**
- **Company will pay percentage**
- **money does not need to be repaid.**

DOWN SIDE compared to BONDS

- **The issuance of new bonds does not affect ownership of the company**
- **Stock issuance puts additional stock shares in circulation.**
- **future earnings must be shared among a larger pool of investors.**
- **More shares can cause a decrease in earnings per share (EPS)**
- **Issuing more shares also means that ownership is now spread across a larger number of investors.**

Types of Bonds

1. ***Collateralized debt obligations (CDOs).***
   - **Bonds backed by assets.**
   - **These bonds give investors the right to claim a company's underlying assets if the company defaults.**
   - **In consumer finance, car loans and home mortgages are examples of collateralized debt.**
2. **Non- Collateralized Loans**
   - **Companies may also issue debt that is not backed by underlying assets.**
   - **In consumer finance, credit card debt and utility bills are examples of such loans that are not collateralized.**
   - **Loans of this type are called unsecured debt.**
   - **Unsecured debt carries a higher risk for investors**

- **Higher interest rate than collateralized debt.**

3. **Convertible bonds**

These bonds start just like other bonds but offer investors the opportunity to convert their holdings into a predetermined number of stock shares.

Money market and Capital market

Fund Raising By Business Units

Business units have to raise short-term as well as long-term funds to meet their working and fixed capital requirements from time to time. From where would they get funds from? Ans : From investors or lenders. Surplus money flows from the investors or lenders to the businessmen for the purpose of production or sale of goods and services. So, we find two different groups, one who invest money or lend money and the others, who borrow or use the money.

Financial Market

Financial market is the market that facilitates transfer of funds between investors/ lenders and borrowers/ users. Financial market may be defined as 'a transmission mechanism between investors (or lenders) and the borrowers (or users) through which transfer of funds is facilitated'. It consists of individual investors, financial institutions and other intermediaries who are linked by a formal trading rules and communication network for trading the various financial assets and credit instruments. It deals in financial instruments (like bills of exchange, shares, debentures, bonds, etc).

Classification of Financial Market

A financial market consists of two major segments:

(a) Money Market; and (b) Capital Market.

1. Money Market.

The money market is a market for short-term funds, which deals in financial assets whose period of maturity is upto one year. It should be noted that the money market does not deal in cash or money as such but simply provides a market for **credit instruments such as bills of exchange, promissory notes, commercial paper, treasury bills, etc.** These financial instruments are a close substitute for money. These instruments help the business units, other organisations and the Government to borrow the funds to meet their short-term requirement.

INSTRUMENTS OF MONEY MARKET

<table>
<tr><td>1. Repo Rate</td><td rowspan="3">When bank need money from RBI</td></tr>
<tr><td>2. Bank Rate</td></tr>
<tr><td>3. Marginal Standing Facility</td></tr>
<tr><td></td><td></td></tr>
<tr><td>1. Call Money</td><td rowspan="3">When one bank need money from other bank</td></tr>
<tr><td>2. Notice Money</td></tr>
<tr><td>3. Term Money</td></tr>
<tr><td></td><td></td></tr>
<tr><td>1. Certificate of Deposit</td><td>Banks borrow from big corporates and industrialist</td></tr>
<tr><td>2. Commercial Paper</td><td>Corporates borrow from other large corporates</td></tr>
<tr><td>1. Way and Mean Advanced</td><td rowspan="3">When GOI borrow funds</td></tr>
<tr><td>2. Treasury Bill</td></tr>
<tr><td>3. Cash Management Bill</td></tr>
</table>

1. **Repo Rate:** Rate at which bank borrow money from RBI-

Maximum tenure-90 days

2. **Bank Rate**:Rate at which banks borrow money from RBI- Max tenure:- 90 days to 1 year.
3. **Marginal Standing Facility**: Bank borrow from RBI for one day or overnight
4. **Call Money: Bank to Bank borrowing for one day (Excluding RRBs)**
5. **Notice Money:Bank to Bank borrowing for (2-14 days) (Excluding RRBs)**
6. **Term Money: Bank to Bank borrowing for (15 days to 1 year) (Excluding RRBs)**

(NOTE: Rate are not fixed in the above three instruments)

7. **Certificate of Deposit (CD): Issued by banks and Financial Institutions. Also termed as Promissory Note Minimum amount :- 1 lakh and in multiples of 1 lakh**
   Maturity for banks: Minimum 7 days to 1 year
   Maturity for financial Institutions: 1 to 3 years
8. **Commercial Paper:** Introduced in 1990, Corporates having net worth more than 4 crore
   Maturity: Minimum 7 days to 1 year
   Issued amount- Minimum - 5 lakhs and in multiples of it
   When corporates/ industries need money they issue commercial paper.
9. **Way and Mean Advances:** when Government borrows from RBI. Max:- 90 days
10. **Treasury Bill (T-Bill) :** When Government wants more money apart from RBI, Govt issues T-Bill to big corporates and industries

Issued by GOI and managed by RBI - Minimum amount 25000 and in multiples of it.

Maturity period : 91 days , 182 days , 364 days

11. **Cash Management Bill:** same as T-Bill with maturity period of less than 91 days

2. Capital Market

Capital Market is an institutional arrangement for borrowing medium and long-term funds and which provides facilities for marketing and trading of securities. So it constitutes all long-term borrowings from banks and financial institutions, borrowings from foreign markets and raising of capital by issuing various ***securities such as shares, debentures, bonds, etc***.

Classified into two

1. Government securities (Gilt edged market)
2. Corporate or Industrial Securities market

Gilt-edged means '**of a best quality**'

This is because government securities are free from **risk of default and are highly liquid.**

This market deals with securities such as bonds and other securities issued by central government and state governments.

These securities are issued by IFCI, SFC, SIDCs and other government bodies.

Securities are issued in the form of bonds and other securities.

These securities are bought by:

- Banks
- Insurance companies
- Provident funds
- Reserve Bank of India
- Individuals

These securities have full backing of the government and are secured compared to corporate securities.

The securities usually carry 'a rate of interest' called **coupon rate**

Corporate Securities Market

Corporate securities market provide long term funds to companies

it can be divided into two

1. Primary market
2. Secondary market

In **Primary market** companies sell their shares, debentures for the first time to raise fresh capital. This market is also known as the New issue market.

On the basis of type of fund raised primary market can be classified as

1. Equity market
2. Debt market

In Equity market securities are issued like:

a. Equity share
b. Preference shares
c. Rights issue

In Debt market securities are:

i. Debentures
ii. Bonds
iii. Fixed Deposit

Methods of raising funds in primary market

1. IPO (Initial Public offering) : it refers to the process of offering shares of a company to the public for the first time. Investors can directly buy from the issuing company.
2. FPO (Further or Follow on public offer): when a company issues shares to the public after an IPO, it is called FPO
3. Right issue: when a company is in need of additional funds. They can first collect it from their existing shareholders
4. Private Placement: when a company offers its securities to a select group of persons NOT exceeding 200. It is called private placement. (it can be mutual funds, FI, banks etc)

Secondary Market

Secondary market is more commonly known as the stock market or stock exchange

Here the previously issued securities are bought and sold by the investors

After the IPO when the shares are listed in the stock exchange they can be traded in the stock exchange.

Money Market and Capital Market: A comparison

Point of Distinction	Money Market	Capital Market
1. Time period/Term	Deals in short-term funds	Long term funds
2. Instrument Dealt in	Deals in securities like treasury bills, commercial paper,bills of exchange, certificate of deposits etc.	Deals in securities like shares, debentures, bonds and government securities.
3. Participants	Commercial banks, NBFS, chit funds etc	Stock brokers,underwriters,mutual funds,individual investors, financial institutions
4. Regulatory body	RBI	SEBI

Stock market – Demat account and Trading account

Stock Market is the collection of markets and exchanges where people buy, sell and issue shares of publicly-held companies. People invest their money in buying shares in the hope of huge returns. To purchase, hold and sell shares, you need to have a Demat account, a digitally functioning account used to hold dematerialised securities, including stocks, mutual funds, bonds, etc.

Difference between Demat and Trading Account

The fundamental difference between a Demat account and Trading account is that a Demat account holds the shares and securities electronically whereas a trading account is used for buying and selling shares in the stock market. Both these accounts are necessary for carrying out the process of trading effectively.

What is Demat Account

This account is used for dematerialising your shares by converting your physical shares into an electronic form. The workings of a Demat account are quite similar to that of a bank account where you need to keep your money, and you also have the option of depositing or withdrawing money. Here, your account gets credited with shares instead.

What is Trading Account

This account is required for conducting your stock trading activities effectively. You are allowed to deal in (buy and sell) shares through your trading account.

SENSEX and NIFTY.

What is an index?

Reading and constant monitoring of the stock market has to be done both by experienced novice investors as well. Firstly, we should know what index means. The stock exchanges comprise several thousand companies. It is not possible to evaluate each and every stock to understand the market's performance and so a certain set of companies representing various sectors are chosen and a group is made. This group is called an index. The companies are picked on the basis of free-float market cap.

What is Sensex?

Companies raise capital by IPO (Initial Public Offering) and after the IPO gets over, these companies get listed on the stock exchanges such as BSE, NSE. This provides a greater opportunity for the public to buy these shares for the attainment of their short or long term goals.

Sensex is a combination of sensitivity and index and it was introduced in 1986. It is the benchmark index of BSE and consists of 30 companies that are listed on BSE.

What is Nifty?

Nifty is derived from the term National Stock Exchange Fifty and it comprises 50 companies that are traded on NSE. It is the benchmark index of NSE and was introduced in 1996.

MODEL QUESTIONS

17. a) What are the monetary and fiscal policy measures to control inflation?
    b) What is SENSEX?

18. a) What are the advantages of disadvantages of foreign trade?
    b) Explain the comparative cost advantage

1. What are the important economic activities under the primary sector?
2. Distinguish between a bond and share?
3. What is the significance of national income estimation?
4. How is GDP estimated?
5. What are the measures to control inflation?
6. How does inflation affect fixed income group and wage earners?