

BEFA ASST - UNIT-1.

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CSE-B.

Q1) Write the difference between Micro and Macro economics.

Microeconomics:

The study of an individual consumer or a firm is called microeconomics (also called theory of firm). Micro means 'one millionth'. Microeconomics deals with behaviour and problems of single individual and of micro organisation. Managerial economics has its root in microeconomics and it deals with the micro or individual enterprises. It is

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concerned with the application of the concepts such as price theory, law of demand and theories of market structure and so on.

Macroeconomics:

\* The study of 'aggregate' or total level of economic activity in a country is called macroeconomics.

\* It studies the flow of economic resources or factors of production (such as land, labour, capital, organisation and technology) from the resource owner to the business firm and then from the business firm to

the house holds. It deals with total aggregates for instance, total national income total employment, output and total investment. It studies the interrelated among various aggregates and examine their nature and behaviour, their determinations & cause of fluctuations.

Q2) Define business economics & explain nature of business economics with scope.

Business represent an organised effort by an individual or group of individuals to earn profit.



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Business economics is a field of applied economics that studies the financial, organisation, market related and environmental issues faced by corporations.

According to Smith, Sprecher and Siegleman, Business economics is the integration of economics theory with business practice for the purpose of facilitating decision making and forward planning by management.

Nature of Business economics :-

1) It is a science :-

Because it establishes between causes & effects.

It is an art.

→ Because business economics develops the best way of doing things.

3) Business economics is a Micro economics.

→ In business economics unit of study is form or business organisation and an individual industry.

4) Business Economics is the economics of firms :-

→ It largely uses the body of economics concept & principle which is known as

" Theory of firm."

5) Business economics is a normative science.

→ Normative science studies what should be done.



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Scope of Business Economics :-

Business economics is the application of economic theories in the process of decision making and formulation of future plans

1) Demand Analysis.

→ A major part of the business decision making depend on accurate estimates of demand.

2) Cost Analysis.

→ Cost Analysis are more useful for management decision in business economics.

3) Pricing practices and policies :-

→ As price give income to the firm, it constitutes as the most imp field of B.E

4) Profit Management -

→ The chief purpose of a business firm is to earn the maximum profit. There is always an element of uncertainties about profits because of variations in cost and revenue.

5) Capital management :-

→ Capital management implies planning and control of capital expenditure.

3). Explain the importance of National Income.

1) For the economy.

→ In present times, the national income data are regarded as out of country, which are known as social account.



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2) National Policies

National Policies use data from the basis of national policies

3) Economic Planning

→ The data pertaining to national income is very essential

4) Economic Research

→ National data income is also used by the research scholars

5) Comparison of Standard of living

To compare the standard of living of people in different countries as well as people living in same ~~area~~ country

Q4) Explain the following:

a) Non continuous source of finance.



Here purchase -

Howe Kendon

How purchases

Doctoring Records:

factor

Maintaining goods

b) Types of business firms.

1) Sole Proprietorship.

## i) Partnership

It is a business owned by so two or more people

|  
└───┬───┘  
general      limited

General Partnership: Here both owners invest their money, property, labour etc.

Limited partnership: It has attend one general partnership

## iii) Corporation

Corporation are a separate legal entity created by shareholders

\* Incorporate a business protects owners from being personally liable for the legal disputes

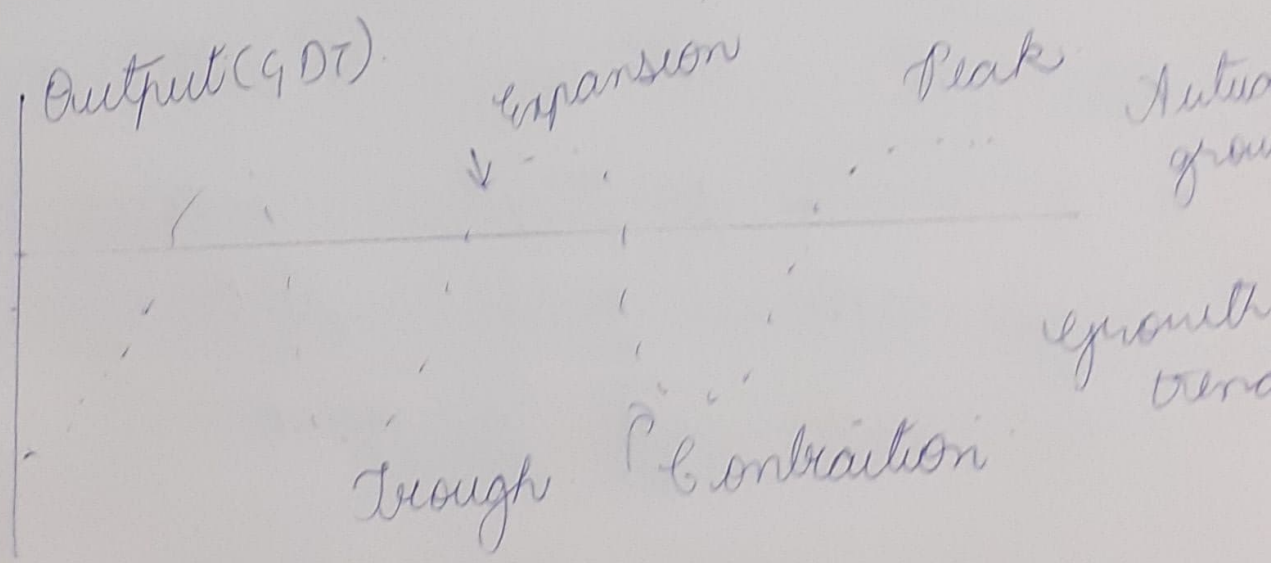


2) Explain the following

a) Features of business cycle including phases.

The term "business cycle" refers to economy-wide fluctuations in production, trade and general economic activity.

→ From a conceptual perspective, the business cycle is the upward and downward momentum of level of GDP.



\* Business cycle Phases -

a) phases

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Peak

Contraction

Through

b) Comment on money supply in inflation

\* Increasing the money supply faster than the growth in real output will cause inflation.

\* There is more money chasing the same no. of goods.

\* Therefore the increase in monetary demand causes firms to put up prices.

\* If the money supply increases at the same rate as real output, then prices will stay the same.