

Q.1] Define Economics.

Ans "Economics is the study of the production and consumption of goods and the transfer of wealth to produce and obtain those goods."

Q.2] Elasticity and types

Ans The equation of elasticity is given below:

$$\text{price elasticity of demand} = \frac{\% \text{ change in demand}}{\% \text{ change in price}}$$

→ This is the ratio of elasticity.

→ Types of Elasticity :-

1. Perfect Elastic Demand ($\epsilon = \infty$)
2. Perfect inelastic demand ($\epsilon = 0$)
3. Unitary Elastic demand ($\epsilon = 1$)
4. Elastic demand ($\epsilon > 1$)
- (A) zero income elasticity [$\epsilon_y = 0$]
- (B) Negative income elasticity [$\epsilon_y \leq 0$]
- (C) Positive income elasticity [$\epsilon_y \geq 0$]
- (d) Unit income elasticity [$\epsilon_y = 1$]
- (e) Income elasticity less than unit [$\epsilon \leq 1$]
- (f) Income elasticity greater than unit [$\epsilon \geq 1$]
5. Cross Elasticity of Demand

Q.3] Sunk Cost :

- In economics & business decision-making a sunk cost is a cost that has already been incurred and cannot be recovered.
- Sunk cost are also known as retrospective costs.
- They are sometimes contrasted with prospective costs, which are future costs that may be incurred or changed if an action is taken.

Example : registry cost, college fees

MARGINAL Cost :-

- Marginal cost is the addition made to the total cost by producing one more unit of output.
- It is the cost of one more unit produced.

Q.4] Opportunity Cost :

- Opportunity cost is the value of best alternative forgone, where a choice needs to be made between several mutually exclusive alternative given limited resources.
- The loss of potential gain through other alternative where one alternative

is chosen.

MONEY COST :

- 'Money cost' is the monetary expenditure on inputs of various kinds.
- It is the total money expenses incurred by a firm in producing a commodity.
- They include wages and salaries of labour, cost of raw material, expenditure on machines and equipment, depreciation and obsolescence charges on machines building and other capital goods, rent on building, interest on capital invested and borrowed, normal profits of business, expenses on power, light, fuel, advertisement and transportation, insurance charges and all type of taxes.

Q.5] Microeconomics and Macroeconomics :

* Microeconomics : It is the study of a behaviour of an individual consumer, behaviour of an individual firm, family is known as micro economics.

- It is concerned with the supply and demand in the individual market.
- *
- The business application of it is on operational or internal issues.

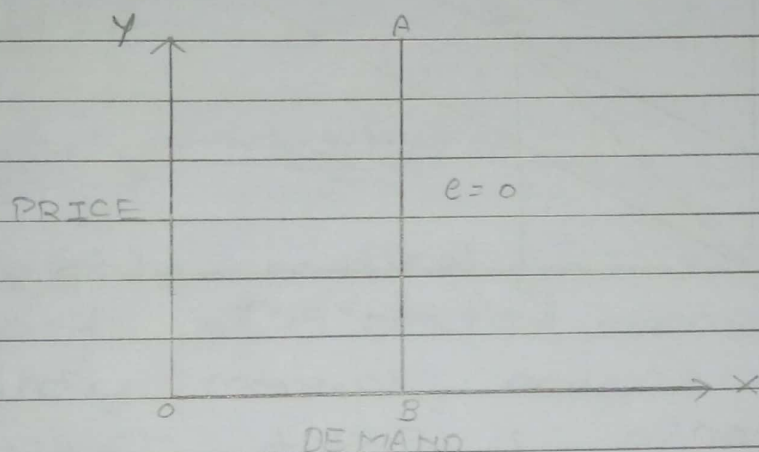
- It covers various issues like demand, supply, product pricing, factor pricing, production consumption, etc.
- Examples:- household, a person, personal income.

★ Macro Economics:

- It is the study of a behaviour of the whole economy is known as macro economics
- It is concerned with Fiscal/Monetary policy, inflation, poverty and unemployment.
- It is concerned with international trade and globalization
- It is concerned with standards and economic growth
- The business application of macro economics is on environment as external issues
- It covers issues like national income, general price, level, distribution, money, employment, etc.
- Example:- National Income, GDP, GNP, Unemployment.

Q.7] List of price Elasticity of demand.

1. Perfect Elastic Demand ($E = \infty$)
2. Perfectly Inelastic Demand ($E = 0$)



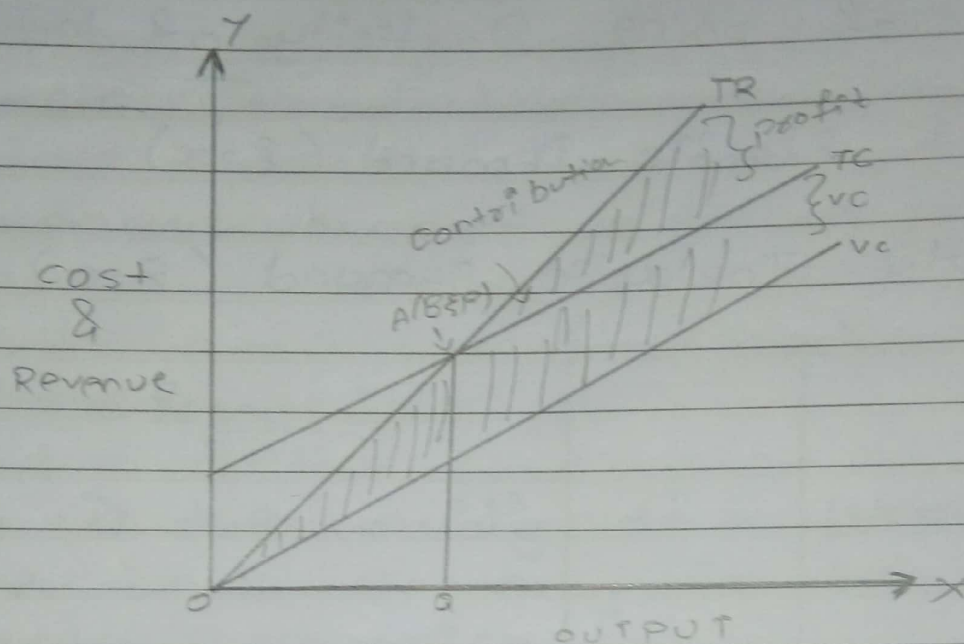
3. Unitary Elastic Demand ($E = 1$)
4. Elastic Demand ($E > 1$)

Q.8] Break Even Analysis

Ans Break-even analysis is of vital importance in determining the practical application of cost function.

- It is also known as "cost-volume-profit analysis".

- According to Matz, Carly and Frank "a break even analysis indicates at what level, cost and revenue are in equilibrium".



* Assumptions

- The total costs may be classified into fixed ~~or~~ variable costs. It ignores semivariable cost.
- The cost and revenue functions remain linear.
- The price of the product is assumed to be constant.
- The volume of sales & volume of production are equal
- The fixed cost remain constant over the volume under consideration
- It assumes constant rate of increase in variable cost
- It assumes constant technology and no improvement in labour-efficiency
- The price of the product is assumed to be constant.

Q.9] Perfect Competition :-

- In this market there is an extremely large number of buyers and sellers.
- Each buyer and seller controls a very insignificant portion of the total purchase or sale.

Monopoly Market :-

- Monopoly market is the exact opposite of perfect competition market.
- Ordinary monopoly means a situation in which there is a single seller of the product i.e. therefore means absence of competition.

Q.10] Define :-

GDP = Gross Domestic product.

"Gross domestic product means the market value of total production of goods and services by a country in their territorial area".

GNP = Gross National Product.

"Gross national product means the market value of all goods and services produced by national people in country and out of country".

NNP: Net National Production

"NNP is the subtraction of GNP and Depreciation on further of production"

NDP: Net Domestic Product

"NDP is the subtraction of GDP and Depreciation on further of production".

$NDP = GDP - \text{Depreciation on further of production}$

Q.12] Poverty

"Poverty means any people who cannot get minimum basic requirements".

Types:

(1) Relative poverty:- In this, income of different individuals or groups of individuals in society are compared and individuals or groups of individuals with comparatively low incomes are considered as poor.

(2) Absolute Poverty:- It refers to a situation in which a person's income is less than

what is required to meet the basic necessities of life, like food, shelter, home, cloths etc.

Q.13] Reasons behind Poverty

1. Low Rate of economic growths

- It means the rate of economy in the country is low so because of that people get low income.

2. Economic Inequalities:

- It means it has uneven distribution of income and consumption means poor becomes poor and rich becomes more rich.

3. Benefits of public investments have accrued more to upper section of the society :-

- It has found that the benefits of public investments undertaken during the last five decades have accrued more to the upper section than the middle & lower group.

4: Unemployment:

Lack of adequate expansion of unemployment opportunities during the planning period also accentuates the problem of poverty.

8.15] Unemployment

"The term unemployment means that person who ~~is~~ get it refers to a situation in which a person is jobless"

Types

- 1) Voluntary
- 2) Cyclical
- 3) Frictional
- 4) Seasonal
- 5) Structural.

⇒ Now.

- Voluntary Unemployment: It means that person who will get job but he did not want to work.

- Seasonal Unemployment:- It causes due to the, agriculture is the main occupation of a large majority of people in rural areas, but it does not provide gainful employment throughout the year to all those who are engaged in it.

Ex: Agriculture

Q.15] Inflation:

"Inflation refers to a situation in which the value of money is falling, that is prices are rising"

Types

1. Demand Pull Inflation

When the demand of product and service are increase that time the customer demanded more demand so, the price of product is rise

2. Cost-push inflation

- If the wage and rent rate of factors of production increase than the price of product also increase

Q.16] Bank Rate :

"A change from low to high bank rate means the economy needs cooling down. In other words, the RBI would like to reduce inflation."

- A change from high to low Bank means the economy needs to boost."

Repo Rate : It can be said that reduction in Repo rate helps the commercial banks to get money at a cheaper rate - while increase in repo rate discourages the commercial banks to get money as the rate increases.

Reverse Repo Rate

- "This rate encourages the bank to give money back to RBI and earn some interest on it. This happens when bank don't have enough money/companies to lend the money is lying idle with the banks."