BA5101- Economics Analysis For Business

2 Marks Question with Answer

Unit- II

1. What is market?

An arrangement whereby buyers and sellers interact to determine the prices and quantities of a commodity.

2. **Define law of demand?**

According to the law of demand, other things being equal if price of commodity falls, the quantity demanded of it will rise, and if the price of the commodity rises, its quantity demanded will decline.

3. What are the factors determining demand?

1) Income of the consumer
2) Price of the substitutes
3) Price of the commodity
4) Consumer's tastes and preferences
5) Consumer's expectations
6) Size of population
7) Distribution of income of wealth
8) Government Taxation Policy
9) Availability of credit
10) Pattern of saving
11) Advertisements
12) Climatic condition
13) Invention and discoveries
14) Business cycle
15) Demonstration effect

4. Types of demand?

1) Price demand
2) Income demand
3) Cross demand

5. What is demonstration effect?

When new products appear in the market, many people buy these products not because they genuinely need them but because others or neighbors have bought these products. This is known as demonstration effect.

6. What you mean by demand?

In an ordinary sense, the term demand is used to express our desire or want of a thing.

7. Why does the demand curve slope downwards from left to right?

1) Operation of the diminishing marginal utility
2) Income effect
3) Substitution effect
4) Change of number of consumers
5) Change of number of uses.

8. What is Giffen paradox?

It means that consumers will sometimes buy more of a product when its price rises and less when its price falls.

9. Define Demand function?

Individual's demand for a commodity depends on the own price of a commodity, his income price of related commodities (which may be either substitutions of complements) are tastes and preferences.

10. Define supply?

Supply has been defined as "other things being equal the quantity supplied of a commodity decreases when the price decreases".

(or)

Supply refers to the schedule of the techniques of good that will be purchased at various prices.

11. State the law of supply?

The law of supply states that when the price rises, the corresponding quality increases when the price falls the quantity supplied falls. There is a direct relationship between prices the quality supplied.

12. What are the factors determine the supply?

a) Production technology
b) Price factors of production
c) Prices of other product
d) Number outside of producers (or) firms
e) Future price expectations
f) Taxes subsidies
g) Factors outside the economic sphere

13. What is elasticity of supply?

It means the responsiveness of supply to changes in price.

14. Define market equilibrium?

According to Marshall, both the marginal utility of product of the cost of producing it look part in determining price.

15. Define elasticity of demand?

its defined thus “the elasticity of demand is a measure of the relative change in amount purchased in response to a relative change in price on a given demand curve”.

16. What is consumer behaviour?

Consumer behaviour can be defined as “These acts of individuals (consumer) directly of economic goods of services.

17. State law of diminishing marginal utility?

The law of diminishing marginal utility of a particular product the marginal utility will go on diminishing.

18. State the law of equi-marginal utility?

Its sate that other things remaining the same, a consumer gets maximum utility by spending his money income between different products in such a way that the marginal utility derived from the last unit of money spent on each product is equal.

19. What is ordinal utility approach?

It is the theory of consumer behaviour is based on the idea that utility is not measurable in monetary units but comparable by ranking the level of satisfaction.

20. Define marginal rate of Substitution?

It is defined as the rate at which an individual consumer will exchange successive units of one product to another.

21. Properties of indifference curve?

- Slope downward from left to right
- Convex to the origin
- Two indifference curves cannot intersect each other
- They do not touch the axes.

22. Budget lines (or) income line?

It is a line which indicates the various combination of products xy that a consumer can choose given his income market prices.

23. What is consumer equilibrium?

The consumer is in equilibrium when he obtains the maximum possible satisfaction from his purchases given the prices in the market of the amount of money he las for marking purchase.

24. What is meant by inferior goods?

Those goods which quantity that the consumer would buy less, as his income rises are called inferior goods.

25. Criticism of indifference curve approach?

1) Old wine in new bottle
2) Importance of Marshallian base
3) Unrealistic
4) Only two goods
5) Cannot explain uncertainty
6) Constancy of tastes

26. Define production?

According to strigler “The production function is name given to the relationship between the rates of input of production services of the rate of output of product.

27. Mention we COBB-DOUGLAS production function?

A well known empirical production function is the cobb-douglas production function it take two inputs and capital of is expressed by the following equation.

Q= KLC (i-a)

Where, Q= Quantity of output

L= Labour employed

K= Positive constants (a>i)

C= Quantity of capital used

28. Define Production function?

Production function is generally referred to as the technological relationship between the physical inputs of physical output of firm, in symbol

$$Q + f(L, K, N, R, V, E).$$

29. What are the stages of returns of scale?

1) Constant returns to scale
2) Increase returns to scale
3) Decrease returns to scale

30. What is constant return to scale?

It means that a given increase in all production inputs leads to a proportionate increase in the level of output.

31. Meaning of cost?

The term cost simply means cost of production it is the summation of all the costs incurred by a business firm in its production process.

32. What are the costs of concepts?

1) Money cost
2) Real costs
3) Opportunity cost
4) Explicit cost
5) Implicit cost
6) Fixed cost
7) Variable cost
8) Total cost
9) Average cost
10) Marginal cost

33. Define cost function?

It simply expresses the relationship between cost of output, In symbolically

$$C = f(Q, T, PF, K).$$

34. What is SUNK costs/ inescapable/ costs?

Sunk costs are expenditures that have been incurred in the past or that must be paid in the future as a part of a contractual payment.

35. What is cost control?

It means the regulation of the costs of operating a business firm. It is an efficient tool of management of the firm.

36. Define Cost Reduction?

It means the real of permanent reduction in the unit costs of products produced of services rendered without impairing their suitability for the intended use.