

BA5101- Economics Analysis For Business

2 Marks Question with Answer

Unit- III

1. Define perfect competition?

Perfect competition prevails when the demand for the output of each producer is perfectly elastic. This entails, first that the number of sellers is large, so that the output of the commodity, the second, that buyers are all alike in respect of their choice between rival sellers, so that the market is perfect.

2. What are the features of perfect competition?

- There is a large number of firms (producers and sellers).
- Products of all forms are homogeneous.
- There is freedom of new firms to enter the industry and old ones to leave it.

3. What is imperfect competition?

It is an important market category where in individual firms exercise control over the price to a smaller or large degree depending upon the degree of imperfection present in a case.

4. What is monopolistic competition?

It refers to a market situation in which there are many producers producing goods which are close substitutes for one another or where output is differentiated.

5. Define monopoly?

It means the existence of a single producer (or) seller which is producing (or) selling a product which has no close substitution.

6. Define Oligopoly?

The term 'oligopoly' is derived from two Greek words 'oligos' meaning a few of pollen meaning selling.

It refers to a market situation in which there are a few firms, producing other an homogeneous products which are close but not perfect substitutes of each other.

7. What are the conditions of a perfect market?

- Large number of buyers and sellers
- Homogeneous product
- Free entry or exit
- Cheap and efficient Transport and communication
- Wide extent
- Perfect knowledge
- Perfect combicity of the factor of production

8. Define selling costs?

Selling costs include the salaries and wages of salesman, allowances to retailers for the purpose of getting their product displayed by them and so many other type of promotional activities besides advertisements.

9. Define production costs?

According to Chamberlin cost of production includes all those expenses which are incurred to manufacture of provide a product to the consumer to meet his given demand or want.

10. Define land?

According to Marshall "By land is meant Materials and forces which nature gives freely for man's aid in land, water, air, light and heat".

11. State the characteristics of land?

- 1) Free gift of nature
- 2) Fixed quantity
- 3) Land is permanent
- 4) Land is primary factor of production
- 5) Land is passive factor of production
- 6) Land is immovable
- 7) Land has some original indestructible powers
- 8) Land differs in fertility
- 9) Supply of land is inelastic
- 10) Land has many uses.

12. What are the factors affecting productivity of land?

1. Qualities of land
2. Means of irrigation
3. Situation of land
4. Proper use of land
5. Improvements on land
6. Improved methods of cultivation
7. Trained labour
8. Ownership of land
9. Government policy

13. What is meant by labour?

In the words of Marshall, "Any extension of mind or body undergone partly or wholly with a view to some good other than the pleasure derived directly from me work is called labour".

14. What is real wage?

Real wage is equal to nominal wage divided by the price level.

Thus,

$$\text{Real wage} = w/p$$

W = stands for nominal wage

P = price level

15. What are the factors determining real wage?

- 1) Price level
- 2) Money wage
- 3) Regularity of work
- 4) Nature of work
- 5) Future prospects
- 6) Extra benefits
- 7) Trade expenses
- 8) Social prestige
- 9) Form of payment
- 10) Conditions of work

16. What is mean by collective bargaining?

The main function of trade union condition wages to improve the working bargaining, by collective bargaining of makes the rates of wages uniform for the same category of workers over the entire industry.

17. What is minimum wages?

Minimum wages is that wage which provides not only for the base sustenance of life but also for the preservation of the efficiency of the workers.

18. What are the benefits of minimum wages?

- 1) Increase in national income
- 2) For industry
- 3) Industrial peace
- 4) Remove exploitation
- 5) Profits squeeze
- 6) Price raise
- 7) Equitable distribution

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19. What is meant by capital?

“The term capital is used to describe all those instruments of production which are deliberately made by man to be used carry on production in future”

20. What are the major categories of capital goods?

- Structures
- Equipment
- Inventories of inputs and outputs

21. What is financial Assets?

Financial assets are monetary claims by one party against another party and an important example is a mortgage, which is a claim by a bank against a home owner for monthly payments of internet principal.

22. What is present value of Assets?

Capital goods are durable assets that produce a stream of rentals or receipts over time if we own an apartment building, we will collect rental payments over the

life of the building, much as the owner of the fruit orchard will pick fruit from the trees each season.

23. What are the properties of general equilibrium?

- 1) Basic principles of a general equilibrium
- 2) The basic results of a general equilibrium
- 3) Detailed analysis of general equilibrium
 - a) Consumer equilibrium
 - b) Producer equilibrium

24. What is free market efficiency?

People's market incomes are determined by rents, interest and wages. We must recognize that competitive pricing help to solve the question how goods are to be produced in an efficient manner. Getting the prices right is crucial to ensuring efficient selection of inputs in the production process.

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