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ECONOMICS CHALISA FOR CA-FOUND. DEC.2021

CHAPTER1

1. According "Joel Dean", BE is the analysis of economic theories to take business decision.
2. BE is normative in nature.
3. BE is science as well as an art.
4. Business Economics is also known as Managerial Economics.
5. BE is not an abstract (i.e., theory), infect it is application of the theory.
6. BE is applied economics
7. BE is multi displinery in nature
8. BE is pragmatic in approach (i.e., it realistic). It is not based on assumptions like Micro Economics.
9. BE basically uses theories micro economics but a business man also considers the macroeconomic policy while taking business decision.
10. BE is not only useful to business decision maker but also to managers of NGO and non – profit organizations.
11. Micro economics applied to internal or operational issues of business-like demand forecasting, production and cost analysis, inventory management,pricing,resorce allocation. profit analysis, risk and uncertainty analysis.
12. Macroeconomics applied to environmental issues of business like govt.policies,economics system. Stages of business cycle, trends in business environment etc.
13. Micro Economic – Study an individual, a firm, an industry.
14. Micro economics is also known as price theory because we determine Price in Micro.
15. In Micro Economics we determine price of factor and product.
16. Demand and supply curve are the basis tools of micro economics.
17. Micro economics are partial equilibrium based and macroeconomics is general equilibrium based.
18. Macroeconomics is also known as theory of income & employment.
19. In macroeconomics we study national income determination.
20. Macroeconomic is the study of economic as a whole, Ad & AS are the trolls of macro economics
21. Positive science explains" Facts and Cause & Effect relationship
22. We don't evaluate the economic policies of person to pronounce them good or bad, right or wrong.
23. According Lionel Robbins, economic is positive in nature.
24. According normative science, we explain what right to be or what ought not be.
25. Normative science gives suggestion ∴ it is prescriptive nature where positive only explain and give no evaluation ∴ is descriptive in nature.
26. According Alfred Marshall, economic is normative in nature.
27. Economics has been derived from Greek word Oikonomia.
28. Oikonomia means managing the household.
29. Scarcity of resources along with alternative uses are the root cause of economic problems.

30. Scarcity is a relative concept.
31. Goods which are scarce are called economic goods and we study only economic good in economics.
32. Goods which are abundant are non-economic good like sunlight air, water.
33. What to produce is also known as allocation of resources.
34. How to produce deals with the choice of production process. Missing matter i.e., Labour intensive or capital intensive.
35. A country which is labor abundant uses labour intensive techniques of production and produces those goods which use more labour and less capital.
36. Similarly, a country which is capital abundant will produce more goods & service which uses more capital and less labour.
37. For whom to produce is the problem relating to distribution of national income among the various factors of production.
38. 4th Economic problem, What provisions (if any) are to be made for economic growth?
39. An economic system refers to the sum total of arrangements for the production and distribution of goods and services in a society.
40.

Basis of Diff.	Socialistic	Capitalistic	Mixed
Also known as	Administrative command controlled planned	• Free • Market • Laissez faire	Planned
Resources owned by	Public but controlled by govt. (collective ownership)	Owned & controlled by Pvt. Sector	Partially by public & Pvt. Sector
Eco problem	Solved by planning authority	Solved by market mechanism	Both by market mechanism planning authority
Consumer	Welfare is objective	Consumer is sovereign (free)	Mixed behavior
Right to own private preparing	Do not exist	Exist	Exist but with certain limitations

41. Dual price system: has two types of prices administrative (which decided by govt.) & Market price (which decided by forces market demand & supply curve).
42. Consumer sovereignty means consumer is force to consume anything he wish to consume.
43. Consumer is uncrowned king in the capitalism.
44. Mixed Eco is like oxygen in the Tent – Schumpeter.
45. Economics is neutral b/w ends (i.e., economics lacks concern about consequences) – Lionel Robbins

46. Karl Max and Fredrick Angle supported socialism in their work Communist Manifestos published in 1848 Adam smith supported capitalism.
47. Relative equality of income is an important feature of Socialism.
48. Price mechanism exists in a socialist economy; but it has only a secondary role.
49. USA, UK, Germany etc. are capitalistic economy.
50. India's is mixed economy.
51. Socialism is a myth now. No economy in world is purely socialistic.
52. Vietnam, China and Cuba. North Korea, the world's most totalitarian state, is another example of a socialist economy.
53. Earlier USSR, Polland, Denmark and other eastern European nation followed socialism.
54. Scarcity gives rise to problem of choice making.
55. In mixed economy consumer has not complete freebies, govt. can restrict him to buy certain good (like liquor, cigarette etc.).
56. Mixed economy is not always a 'golden path' between capitalism and socialism
57. Adam Smith define economics in 1776 as "Enquiry into the nature about causes of wealth".
58. J.B. Say said "Economics is branch of knowledge which deals wealth."
59. According to Alfred Marshall, "Economics is the study of mankind in the ordinary business of life in which we study that part of individual and social action which are most close connected to Material Welfare.
60. Marshall and A.C. Pigou were welfare economists.
61. Robbins defined economics as science of scarcity.
62. Robbins said Economics is neutral between ends.
63. Robbins said Economics is positive science.
64. Robbins defined Economic as science of choice making.
65. What to produce, how to produce and for whom to produce are the 3 economic problems which arises due to scarcity of resources.
66. According to Jacob Viner, "Economics is what economist do".
67. According to Schumpeter mixed economy is like oxygen in the tent.
68. According to MC Connel macroeconomics is study of forest and not tree.
69. Socialistic economy is also known as Planned, Administrative, Controlled, Command economy.
70. Capitalistic economy is also known as Free, Market, lessiez faire economy.
71. Inequalities of income is the disadvantage capitalist economy.
72. Micro economic theory deals with allocation of resources it is also known as **Price Theory.**
73. Till 19th century Economics was known as Political Economy.

CHAPTER2

74. Demand is a flow concept. It differs from desire.
75. Substitute goods are also known as alternative goods. Substitution effect is positive i.e., increase in price of one substitute results in increase in demand of other substitute goods.
76. Demand for complementary goods is also known as Tied and Joint demand.
77. Income effect of normal good is positive and of inferior goods is negative.
78. Size of population distribution of income effect market demand.
79. Law of demand is qualitative statement.
80. Giffen goods paradox was given by Sir Robert Giffen.
81. He explains behavior of two goods Bread and Meat.
82. Giffen goods exhibit positive price effect and their demand curve is upward sloping.
83. The negative Income effect of Giffen goods is greater than substitution effect this make Price effect is Positive
84. All Giffen are Inferior but all inferior is not Giffen.
85. Inferior goods follow law of demand. Their price effect is negative
86. Goods demanded not because of their intrinsic worth but because of the prestige attached to them is called **Veblen effect**.
87. Diamonds, rare paintings are called Veblen, Snob, Prestige goods.
88. Change in quantity demanded is due to change in price.
89. Change in demand is due to change in factors like, Income, Price of related goods, Taste & Pref.
90. Change in quantity demand is shown by movement along with demand curve.
91. Change in demand is due to change in Cetris Paribus condition
92. Change in demand is shown by shift in demand curve.
93. Slope of Demand Curve is $-\Delta P/\Delta Q$
94. $Q = a - bP$, in direct demand function where a = autonomous demand and b=elasticity of demand ad 1/b = slope of demand curve.
95. $P=a - bQ$ is inverse demand function.
96. Slope of curve is inversely related to elasticity of demand
97. Higher the slope lowers the elasticity and vice –versa
98. Demand which is independent of price is called autonomous demand.
99. Derived demand is demand of Intermediate Good which raised due to demand of final goods
100. All Straight-line demand curve have same constant slope.
101. Demand curve can be derived by Law of DMU (Marshallian approach) and by Price Consumption curve (Hicksian approach).

102. Price effect is summation of Substitution effect and Income effect.
103. Price elasticity measures degree change in demand due to change in price of the commodity.
104. The value of price elasticity ranges from 0 to ∞.
105. Point method measures elasticity of demand for very minute change in price.
106. Arc method is used to measure elasticity of demand between two points of demand curve.
107. Arc method is also known as Mid-Value method and Average method.
108. Where the demand curve touches price axis, εd = ∞.
109. Where the demand curve touches quantity axis εd = 0.
110. Moving down the demand curve elasticity decreases.
111. In the mid of the straight-line demand curve εd = 1.
112. Higher price, higher εd and lower price, lower εd.
113. Elasticity of demand between mid of the straight-line demand curve and Y axis is elastic. And Elasticity of demand between mid of the straight-line demand curve and X axis is in elastic
114. Perfectly inelastic demand curve is vertical to *x*-axis their slope is ∞ and ed=0
115. Perfectly elastic is horizontal to *x*-axis their slope is 0 and ed=∞
116. No commodity has perfectly inelastic demand not even salt. Salt has almost inelastic demand.
117. Cross elasticity measures degree change in demand due to change in price of related goods.
118. The value of cross elasticity if positive then two good are substitute goods.
119. The value of cross elasticity is negative then two goods are complementary goods.
120. In case of value of cross elasticity is zero then two goods are unrelated.
121. Monopoly has zero cross elasticity.
122. Perfect substitutes have infinite cross elasticity.
123. Monopolistic competition has very high cross elasticity.
124. Better are the substitutes greater is the value of cross elasticity, for e.g., Pepsi and Coke has high Cross elasticity and Scooter and Moter cycle have low Cross elasticity
125. Inferior goods have Negative Income elasticity.
126. In case if necessities the value of income elasticity ranges between 0 to 1
127. In case comforts income elasticity is greater than 1 but less than 2
128. In case luxuries income elasticity is greater than 2.
129. In case the elasticity of Advertisement is +Ve it means demand is sensitive to advertisement expenditure.
130. When the demand is elastic increase in price will results in decrease in total expenditure.
131. When demand is inelastic increase in price will results in increase in total expenditure.
132. When demand is unitary elastic, and change in price brings no change in total expenditure.
133. Unity elastic demand curve have rectangular hyperbola.
134. Necessities and Prestige Goods have Inelastic demand & Comforts and luxuries have Elastic demand.
135. Brands like Haldiram , Jockey, Gillette have Elastic demand whereas class bhujia , undergarment, shaving blades have Inelastic demand.
136. In Short Run Demand is Inelastic and in Long run demand is elastic.
137. When we demand shirt, manufacturer demands cloths thus cloth is derived demand.
138. Marshall has given cardinal approach.

139. According to cardinal approach, utility derived from a commodity can be measured.
140. Constant marginal utility of money is assumed constant.
141. When marginal utility is positive, the total utility keeps on rising.
142. Slope of TU is MU
143. TU=ΣMU , MU = ΔTU/ΔQ, AU = TU/Q
144. AU curve never touches X-axis
145. Area lying below the MU curve is TU
146. When marginal utility is zero, total utility is maximum, this is known as point of satiety.
147. In Indifference curve consumer never get satiate.
148. When marginal utility is negative, total utility starts falling.
149. Area lying below the marginal utility curve is total utility.
150. Consumer equilibrium is the point were
Utility derived = Utility sacrificed in terms of price Marginal utility = P_X. MU_m
151. Consumer surplus was given by Alfred Marshall.
152. Consumer surplus is the difference between what the consumer is willing to pay and what be actual pays.
153. Consumer surplus is maximum in case of necessities and minimum in case of luxuries.
154. Consumer surplus is the area lying below demand curve and above price line.
155. For explaining consumer surplus Marshall used concept of perfect competition.
156. Water-Diamond paradox is explained by Law of Scarcity.
157. In case of 1st degree price discrimination, consumer surplus is zero.
158. Indifference curve provides same level of satisfaction. It is also known as Iso-Utility Curve.
159. Ordinal approach was given by J.R. Hick and Allen.
160. Slope of Indifference Curve = MRS_{xy}.
161. IC Curve and convex to origin because MRS_{xy} is diminishing.
162. When $MRS_{xy} = 0$, the Indifference Curve is L-shaped, this is the case of perfect complementary.
163. In case of perfect substitute MRS_{xy} is constant and IC curve is straight line.
164. Higher IC curve provides higher level of satisfaction, IC do not cut each other.
165. IC curve do not touch the axis.
166. In the left hand above corner of IC curve MRS_{xy} is very high.
167. In the right hand below corner of IC curve MRS_{xy} is very low.
168. In case of Good-Good commodity IC will be convex to origin and in case of BAD –BAD commodity IC will be Concave to origin.
169. Pollution and garbage have concave indifference curve
170. Income and leisure have convex Indifference curve.
171. Budget line represents various combination of 2 goods X & Y which consumer can purchase out of given income.
172. Combination lying on or inside the budget line are attainable but the combination lying inside the budget line are unattainable.
173. Slope of budge line = Px/Py

174. In case consumer purchases commodity, X only, then budget line merged with X-axis.
175. In case consumer purchases commodity Y only then budget line will merged with Y-axis.
176. In case Px=0, Py=100 and M=1000, the budget line will be Horizontal.
177. In case Py=0, Px=100 and M=1000, the budget line will be Vertical.
178. Consumer equilibrium condition by IC,

i) MRS xy = Px/Py

ii) At equilibrium, IC curve must be convex to origin.

179. Supply is flow concept.
180. Supply is part of stock.
181. Supply is at given price and time period.
182. Goods which are derived from same raw material are called substitute in production for e.g., Tomato puree and tomato sauce are substitutes in production as they are derived from tomato.
183. Substitution Effect in production is negative
184. Change in quantity supplied is due to change in price of the commodity.
185. Change in supply is due to change in technology, change in number supplier, change in price of related good, change in government policy or change in cetris paribus condition.
186. Elastic supply curve has Y-intercept
187. Inelastic supply curve has X-intercept
188. Unitary supply curve originates from origin
189. Elasticity of supply measures degree change in supply due to change in price.
190. Forecasting of demand is the art and science of predicting the probable demand for a product or a service at some future date on the basis of certain past behavior.
191. Demand forecasting help in decision making, policy making, inventory management, budgetary planning
192. Industry- level forecasting is concerned with the demand for the industry's products as a whole.
193. Firm- level forecasting refers to forecasting the demand for a particular firm's product, say, the demand for ACC cement
194. The most direct method of estimating demand in the short run is to ask customers what they are planning to buy during the forthcoming time period, usually a year, it is called consumer survey method.
195. Collective opinion method: This method is also known as sales force opinion method or grass roots approach. In this method salesman are required to estimate sales from the respective territory
196. Barometric methods are based on past experience and try to project the past into the future.
197. Under controlled experiment or Market experiment method, future demand is estimated by conducting market studies and experiments on consumer behavior
198. Under Expert opinion or Delphi method, instead of depending upon the opinions of buyers and salesmen, firms solicit the opinion of specialists or experts through a series of carefully designed questionnaires.

The Delphi technique, developed by Olaf Helmer at the Rand Corporation of the USA.

CHAPTER 3

199. Production function explains relationship between Input and Output.

200. Production is the organized activity of resources into finished product, James Bates & J R Parkinson.

201. Profit is the reward of uncertainties, Frank Knight

202. True Function of entrepreneur is to introduce innovation, Schumpeter

203. Firms balanced growth theory was given by, R.L. Morris

204. Satisfactory Profit for firm is advocated by, H.A. Simon

205. Sales Maximization theorem was given by, Baumol

206. Manager set their goal of their firm, A. A Barle and GC Means

207. Managerial Utility maximization, Williamson

208. Product, Sales, Inventory and Market are the four goals other than Profit, Cyret and March

209. Production Function as maximum output with given input and given state of technology- Samuelson

210. Cobb – Douglas production function is given by, Paul H. Douglas & C W Cobb

211. Value in exchange mean command over commodity in general was given by, A C Pigou

212. When we transport good from one area to another, we create Place utility.

213. When we store goods to be used later on be create Time utility.

214. When we convert input into output, we call it Form Utility.

215. When we deliver services to another, we call it Personal utility

216. In short Run production is function of variable factors.

217. In long Run production is function of fixed and variable factors.

218. Short Run is too short the time period when at least one factor is fixed.

219. Long Run is too long the time period when all the factors are variable.

220. Cobb- Douglas is $Q= A L^a K^b$ where a &b is elasticity of output due to labour and capital and A is efficiency parameter

221. They observed that contribution of labour is $3/4^{th}$ and Capital is $1/4^{th}$ in the production process.

222. If a+b> 1 then it is IRS

223. If a+b =1 then it is CRS

224. If a+b<1 then it is DRS

225. Cobb-Douglas production function is homogenous production function or CRS

226. Cobb-Douglas production function given by Paul H. Douglas and C.W. Cobb who studied the production function of the American manufacturing industries.

227. In very short period supply is fixed.

228. Perishable goods have perfectly inelastic supply.

229. Very large period is also called as secular period.

230. Very short period price is also known as market period price.

231. Long period price is Normal price.

232. Normal price is always less than market period price.

233. Alfred Marshall explained the impact of time element on price and output.

234. In the law of variable proportion, the technology remains constant.

235. In the law of variable proportion, the proportion between fixed and variable factor keeps on changing.

236. Out of MP, AP & TP, MP reaches at its maximum point at first and TP at last.

237. Out of MP, AP &TP, MP starts falling at first and TP at last.

238. When AP is rising, MP is rising as well as falling.

239. When AP = 15 & MP = 20, We cannot tell whether MP is rising or falling.

240. When AP is maximum, AP = MP. When AP is falling, AP > MP.

241. When AP = 20 & MP = 15, then both MP & AP both are falling.

242. Where MP is maximum at that point there is point of inflexion on TP curve.

243. Returns to scale is long run function, here the inputs are increased in same proportion.

244. When doubling the inputs results in more than double the output, we call it IRS

245. When doubling the inputs results in double the output, we call it CRS

246. When doubling the inputs results in less than double the output, we call it DRS

247. TP = Total product, L = Total labour employed.

248. In the 1st stage of law of variable proportion, TP is increasing with Increasing rate initially then with diminishing rate.

249. Stage 2nd of variable proportion ends where AP is maximum.

250. Stage 2nd of variable proportion ends where MP is zero and TP is maximum.

251. When the distance between successive isoquant diminishes, we call it IRS

252. When the distance between successive isoquant increases, we call it DRS

253. When the distance between successive isoquant remains same, we call it CRS

254. Land is a passive factor,Immobile,hetrogenous

255. Supply of land is Perfectly Inelastic for economy and is inelastic for firm

256. According to Riccardo the power of land is indestructible.

257. All mental or physical exercise done to earn economic rewards is called labour.

258. Labour is perishable in nature, it is active factor, it has poor bargaining power.

259. Supply curve of Labour is backward bending.

260. Labour supply curve is an exception to law of supply.

261. All capital is wealth but all wealth is not capital.

262. Fixed capital is that which exists in a durable shape

263. Social Capital is what belongs to the society as a whole in the form of roads, bridges.

264. Individual capital is personal property owned by an individual

265. Circulating capital is capital which performs its function in production in a single use and is not available for further use. e.g., seeds, fuel, raw materials, etc.

266. Saving, mobilization of saving and investment are the 3-stages of capital formation.

267. The objectives of an enterprise are:

268. Organic objectives: The basic minimum objective of all kinds of enterprises is to survive or to stay alive.

269. Initiating business process, risk bearing and innovation are function of entrepreneur.

270. Economic objectives are to maximize profit.

271. Increasing marginal returns is due to
Indivisible fixed factor, Division of labour, Specialization.

272. Diminishing returns to factor is due to
Breaking up of optimum combination between fixed and variable factor
& Lack of capital.
273. Increasing returns to scale is due to economies of scale.
274. Decreasing returns to scale is due to diseconomies of scale.
275. Law of diminishing returns is applicable to all types of economic activity.
276. Accounting cost is the cost incurred on hired factor of production. It is also known as explicit cost.
277. Economic cost is sum of explicit and implicit cost.
278. Accounting profit is always more than economic profit.
279. The pain and discomforts which labour suffer during production process is called as real cost.
280. Cost which society bears is called social cost
281. Direct cost is known as traceable cost.
282. Implicit cost is the cost which incurred on owned factor of production.
283. Implicit cost is calculated on the basis that what we could have earned if we have employed our resources somewhere else.
284. Opportunity cost is the cost of forgone opportunity.
285. Fixed cost is parallel to x-axis.
286. Fixed cost does not depend upon level of output.
287. Variable cost changes with the change in level of output.
288. Variable cost increases with increase in level of output
289. When TVC increases with diminishing rate, The returns to factor were increasing.
290. When TVC increases with the increasing rate, the returns to factor were diminishing.
291. TVC is Concavo-Convex curve also called inverse S-shaped curve
292. At zero level of output TC = TFC.
293. TC – TVC = TFC, since TFC remains constant $\therefore$ TC || TVC.
294. The slope of TC= slope of TVC = MC
295. Marginal cost changes with change in variable cost.
296. Increasing returns shows Diminishing marginal cost and Diminishing returns shows Increasing marginal cost.
297. AFC curve continues to fall but never touches x-axis.
298. AFC curve is rectangular hyperbola.
299. AFC is convex to origin.
300. AVC is u-shaped cost curve. Initially it diminishes due to increasing return and after reaching at its maximum point it starts rising because of diminishing returns.
301. AC is also u-shaped cost curve.
302. The difference between AC & AVC keeps on falling because AFC continues to fall. But these two curves never touch x- axis as AFC never becomes zero.
303. Out of MC, AC &AVC, MC reaches at its minimum point at first then AVC and then AC.
304. MC cut AVC and AC at their respective minima.
305. Initially MC and AC both are falling but falling rate of MC > AC.
306. At minimum point of AC, AC = MC.
307. MC = 20, AC = 15, both MC & AC are rising or AC is rising.
308. MC = 15, AC = 20, Impossible to tell whether MC is falling or rising OR AC is falling.

309. Long run Avg. cost curve is also known as Planning curve and Envelop curve.
310. SAC is Plant curve.
311. Output at minimum point of LAC is efficient output.
312. Negatively sloped part of LAC is due to Economies of scale, in this part firm enjoy IRS
313. Positively sloped part of LAC is because of Diseconomies of scale here firm suffer DRS
314. Only one short run Average cost curve (SAC) is tangent to long run average cost curve (LAC) at its minimum point.
315. At minimum point of LAC, LAC = SAC = SMC = LMC.
316. In case of Modern Theory of cost the LAC curve is L-shaped or Saucer shaped.
317. Stair-step cost first increases then remain constant and then increases again. e.g., wager

CHAPTER4 – MARKET

318. In perfect market AR = MR = P.
319. In perfect Market TR curve is Upward Sloping straight line as MR is constant.
320. Doubling the output double the revenue in perfect market.
321. In imperfect market, AR and MR are downward sloping.
322. MR = $\Delta TR/\Delta Q$, AR=TR/Q
323.ΣMR =TR, Slope of TR is MR
324. In perfect market, number of sellers are very large and one firm cannot influence the price. They are Price taker and Industry is maker.
325. In perfect market, firm sells homogeneous product $\therefore$ cross elasticity is infinity.
326. In perfect market, firm produces efficient output.
327. In perfect market there exists no excess capacity.
328. In perfect competition P=MC
329. The demand curve of perfect competitive firm is horizontal.
330. In perfect market the firms earn, super normal profit, normal profit or may suffer the loss in short run.
331. When Price (AR) = MC there is Allocative Efficiency.
332. In long run the competitive firms only normal profit because entry is free.
333. In monopoly, the distinction between firm and industry disappears.
334. The monopoly firm is price marker.
335. In monopoly the demand curve is downward sloping.
336. The slope of MR is double the AR or Slope of AR is ½ the MR
337. In monopoly there exists no substitutes $\therefore$ demand curve is inelastic.
338. In monopoly the firm experience super normal profit even in the long run as the entry is restricted.
339. Monopoly is shows inefficient allocation because they charge high price and produces less output
340. Soap, Shampoo and Toothpaste industry is example of monopolistic competition.
341. In monopolistic competition the firms produce differentiated products.
342. Product differentiation is the characteristics of monopolistic competition.
343. In monopolistic competition the cross elasticity is very high.
344. In monopolistic competition there exist excess capacity.
345. In monopolistic competition the firm earns normal profit in the long run because

entry and exit are free like perfect competition

346. Long run outcome of monopolistic competition is similar to that of perfect competition i.e., normal profit because in both market entry is free.

347. The prime difference of perfect and monopolistic competition is of product differentiation.

348. In short run the firm continue to produce even in situation of loss as long as AR≥AVC.

349. In short run the firm leave market when AR < AVC.

350. In long run the firm leaves market when AR < AC.

351. When MR > MC, the firm continue to produce.

352. When MR = MC, the firm produces equilibrium output.

353. When MR = MC, the firm produces profit maximizing output.

354. MC should cut MR from below this is sufficient condition of equilibrium.

355. When MR < MC, the firm does not produce.

356. Difference between Price and MC is the indicator of monopoly power.

357. Higher the elasticity, lower is the difference between price and marginal cost therefore lower is monopoly power.

358. Bread, butter, eggs market is local market.

359. Semi-durable goods market is regional market.

360. Durable goods market is national market.

361. Gold, silver market is international market.

362. Where delivery of goods takes place on the spot the market is called spot market.

363. Where delivery of goods takes place in future, we call it future market.

364. Stock exchange is regulated market.

365. When there is single buyer, we call it Monopsony

366. When there are 2 sellers, we call it duopoly

367. When there is single seller and buyer, we call it bilateral monopoly

368. Oligopoly means few seller

369. It is characterized by few dominating firms having substantial barrier on entry.

370. Oligopoly firm are dependent upon each other for price and output decisions

371. There exist mutual rivalries among oligopoly firms.

372. The theory of oligopoly is group behavior and not individual firm

373. Live and let live policy is adopted by oligopoly firms.

374. In price leadership a dominant firm having greater market share set the price and other small firm follow it. It is also called as Barometric price leadership.

375. Organization of petroleum exporting countries (OPEC) is cartel.

376. Cartel is also known as collusive oligopoly.

377. In pure oligopoly firm produces perfect substitutes.

378. Kinked demand curve was given by Paul M. Sweezy in 1939

379. Kinked demand curve is used to explain price rigidity.

380. In kinked demand curve, the response to decrease in price is more than increase in price.

381. Cartel is also called syndicated oligopoly.
382. Oligopoly is Partial or Full when it is dominated by one large firm
383. Price discrimination can be carried out for different use, person and place.
384. There must exists monopoly for carry out price discrimination.
385. There must exists difference in elasticity on two sub-market for carrying out price discrimination.
386. In 1st degree price discrimination, the consumer surplus is zero.
387. In 2nd degree price discrimination, the firm charges different price for different quantity purchased.
388. In 3rd degree price discrimination, the firm divide the total market into small sub-market.
389. That portion of marginal cost (MC) which lies above AVC is short run supply curve of perfect competition.
390. In pure competition there exist large no. of firm, free entry and homogeneous product.
391. Agricultural goods market is closer to perfect competition.
392. Increase in supply with demand remaining constant results in decrease in price.
393. Equilibrium price is determined where demand is equal to supply.
394. Globalization has made Indian market as buyer market.
395. Average revenue curve is also known as demand curve and Price
396. Oligopoly firm do not enter in price competition they carry out non-price competition.
397. Oligopoly is the market situation where firm where the firm bases its market policy on the basis of expected behavior of rivals, Stigler
398. Firm Control Output in contrast to price in, Cournot's Model
399. Leader set output other firms follow the output. , Stackelberg's Model
400. Price is control Variable, each firm sets its own price, Bertrand Model
401. Perfect competition is ideal market.
402. Ed >1 the MR is Positive
403. Ed = 1 then MR is Zero
404. Ed < 1 Then MR is Negative
405. Value in use refers to usefulness or utility
406. Value in exchange or economic value is the amount of goods and services which we may be obtained in the market in exchange of a particular thing.
407. Value in exchange mean command over commodity in general was given by, A C Pigou
408. The elements of a market are:
Buyers and sellers; product or service; Bargaining for a price; Knowledge about market conditions; and One price for a product or service at a given time.
409. On the basis of volume of business there are two type of market whole sale (B2B) and retail (B2C).

CHAPTER - 5 - Business Cycle (BC)

410. The rhythmic fluctuation in aggregate Economic activities is called as Business Cycle.
411.BC is contagious in nature
412.BC has 4 distinct phases but all these phases have no fixed time duration.
413.BC is seen in Free market
414.BC greatly affect the consumer durable and capital goods.
415. Beginning of business cycle is Trough
416. Expansion or upswing shows ↑ in NY, output, Price employment etc.
417. During expansion, Std. of living money supply, ROI also ↑es.
418. During expansion Involuntary unemployment is almost zero and whatever unemployment is there is either frictional or structural
419. Demanded for consumer durable like TV, Fridge, Machines increases during expansion.
420. Peak is also called as Boom and prosperity
421. Significant contraction is called Recession
422. Peak & Trough are the turning points.
423. At peak, the demand for inputs is very high ∴ Price of goods & services is very high.
424. At peak actual demand get stagnant
425. The firm continues to produce and inventories start piling up.
426. Peak is end of expansion.
427. After peak, contraction or downturn' begins.
428. In downturn, output NY, price, employment ↓es.
429. A typical feature of depression is the fall in the interest rate. With lower rate of interest, people's demand for holding liquid money (i.e., in cash) increases.
430. When the hardship gets further aggravated, we call it recession.
431. Even at full employment there exists unemployment called Natural unemployment.
432. Natural unemployment includes Frictional & Structural unemployment.
433. Frictional unemployment arises due to change in job. It is temporary nature.
434. Unemployment which arises due to due to change is std of living, Economic growth etc. is called as structural.
435. Contraction leads to Recession which further aggravates to Depression.
436. Large number of bankruptcies and liquidation significantly reduce the magnitude of trade and commerce during depression
437. In through, the NY becomes –Ve and Eco. growth also get –Ve.
438. Recovery starts in Labour market.
439. Leading indicator shows which phase will begin. It tells us in advance, the onset of phase of BC.
440. Leading indicators are changes in stock prices, profit margins and profits, indices such as housing, interest rates and prices.
441. Concurrent Indicator. Show which phase of BC is going on.
442. Coincident indicators are Gross Domestic Product, industrial production, inflation, personal income, retail sales and financial market trends such as stock market prices.

443. Lagging Indicator shows which phase of BC is completed. It confirms the phase of BC.

444. Lagging indicators are unemployment, corporate profits, labour cost per unit of output interest rates, the consumer price index and commercial lending activity.

445. Great Depression – 1929-33
IT Bubble Burst – 2000
Global Economic Crisis - 2008

446. Cobweb Theory – Kaldor

447.BC is purely Monetary

448. Phenomenon – Haw trey

449.BC is due to wave of Optimism and Pessimism–A.C Pigou

450.BC is due to change in Effective demand – J.M Keynes

451. Internal causes of BC are (a) Change in Govt. Exp. (b)Change in Investment (c)Change in Agg. Demand (d) Money supply (e) Macroeconomic policies

452. External causes of BC are (A) War (b) Post war reconstruction
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