Economics 2 Mark Answers

1. **Economic Goods:** Are manmade they have create production and price. They are limited in supply and have both value use and value in exchange Ex: Book, Pen, and Watch.
2. **Capital Goods:** Capital goods are those goods which satisfy human wants indirect and are used in the production of other goods. Ex: - Machine, tools etc. they are classified into single use capital goods and durable capital goods.
3. **Intermediary Goods:** The goods which are semi finished goods and in the production process is known as Intermediary Goods. Ex: - cotton and Fiber of Cloths.
4. **Wealth:** In generally wealth means money with the people. But in economics any good possessing utility having value, scarce in available and transferable is to be couriered as wealth.
5. **Income:** Income is periodical money returns coming regularly from a source. It can be in the form of money in terms of goods and services (Real Income).
6. **Price:** The value of a commodity expressed in terms of money in known as price. If a commodity is exchanged for money is its price Ex: - One Pen = Rs 10.
7. **Utility:** The capacity of goods and services to satisfy human wants is known as utility. It is of four types namely form utility, Place utility, Time utility and Service utility.
8. **Partial Equilibrium:** It explains the equilibrium of a single consumer or single firm or sings industry. Micro economics deals with this analysis. After Marshall popularized this concept.
9. **Cardinal Utility:** According to cardinal utility analyses, it is possible to measure and compare utilities from different commodities numerical in terms 1,2,3,4 Alfred Marshall developed this analysis.
10. **Ordinal Utility:** 1, 2, 3…etc are ordinal numbers borrowed from mathematics. According to these analysis utilities of that one commodity is preferred to the other.
11. **Total Utility:** It is the total amount of satisfaction which the consumer gets from the consumption of all units of goods. It is the sum total of marginal utility ($TU_n = f(Q_n)$
    Tu_n = total utility of commodity n
    Q_n = Quantity of n commodity
12. **Marginal Utility:** It is the additional utility obtained from the consumption of an additional unit of the commodity $Mu = \frac{Tu}{Q} = \frac{\text{change in total utility}}{\text{change in Quantity}}$
13. **Consumers Equilibrium:** Equilibrium implies a position of rest a consumer is said to be in equilibrium when he gets maximum satisfaction with his limited income. The condition for consumer equilibrium is $\frac{Mu_x}{P_x} = \frac{Mu_y}{P_y}$ The marginal utilities of different goods are proportional their prices
14. **Demand Schedule:** Demand Schedule shows the functional relationship between the Quantities of commodity demanded at various prices in a given time. It may be Individual demand schedule or market demand schedule.
15. **Giffen Goods or Giffen Paradox:** Giffen Goods means necessary goods sir Robert Giffen in made 12th century observed that law paid workers in Britain purchase more bread when its price increases by decreasing the purchases of meat, cake etc. As bread was the staple food. This is an exception to the law of demand.
16. **Prestige Goods:** This was explained by the stein Veblen hence these goods are also called Veblen goods. Generally rich people purchase prestige goods like diamonds and cars for the rate of prestige. Hence they buy more when their prices rise.

17. **External economics:** When several forms that produce similar goods come up in one locality they enjoy external economics. Specialization, infrastructure, research economies.
18. **Supply Function:** the relation between the supply and the factors that determine supply is known as supply function.

    S_x=f(P_x, P_I T, W, G_P) S_x = Supply of good x

    F = Function

    P_x = Price of x

    P_I = Price of Inputs

    T = Technology

    W = Weather conditions

    G_P = Government Policy
19. **Law of Supply:** This law explains that other things remaining constant the supply of commodity extends with rise in price and contracts with a fall in price. There is a direct relation between price and supply.
20. **Law of Demand:** The law of Demand states that, when other factors remains constant the Quantity demanded extends with is a Indirect relationship between demand and price.
21. **Arc Method:** Arc method is the elasticity at the midpoint of an Arc of a demand curve it studies a portion of the demand curve between two points. This is used when the change in price is not very large.
22. **Money Cost:** Money cost refer to money payment made to different factors of production they are rent, wages, interest, profits. All the payments in money comprise money costs to the producer.
23. **Opportunity Cost:** Opportunity cost of a factor is the benefit that is forgive from its alternative case. According to Austrian school opportunity cost is the next best alternative sacrificed in order to obtain that commodity.
24. **Fixed Cost:** The cost of production which remain constant even the production may be increase or decrease is known as fixed cost Ex:- Rent on factory, building, machinery, salary of permanent staff.
25. **Speculation:** When the price of commodity rises the speculators expect that it will rise still further therefore, they buy more. It they expect that there is a fall in prece then the demand may not expect.
26. **Demand Function:** The demand function explains the functional relationship between, demand for, a commodity and its various determinants. It may be expressed in Mathematical equation

    D_n = f(P_n, P_{sc}, Y, T)

    D = Demand for 'n' good

    P_n = Price of n good

    P_{sc} = Price of Substitutes and complementary

    Y = Consumer's Income — Determinants of Demand

    T = testes of the consumers

27. **Income Demand:** Income Demand explains functional relationship between income of a consumer and the quantity demanded. When we study income demand other things like prices of the good, substitute's complementary and tastes are assumed to remain constant. Depending up on the slop of the Income demand curve we can identify withers its is superior or inferior good.

28.Crose Demand: Crose Demand refer to the different quantities of a commodity that consumers purchase per unit of time at different prices of a related commodity "other things remaining the same". The related goods are either substitutes or complementary.

29.Production Function: it explains the technical relationship between physical input and physical output. It can be explained with the help of mathematical equation. Q = f(L,M,K,O)

Q = Production
F = Function
L = Land M = Labor K = Capital, O = Organization

30. Internal Economic: When a firm expands its output it enjoys certain benefits known as Internal Economies. These economies are technical managerial, financial and other when size of a firm becomes very large, there will be diseconomies.

31. Variable Cost: The cost of production which changes according to the changes in the production are variable cost in long period all costs are variable cost Ex:- Prices of raw materials, wages power & transport charges.

32. Average Cost: Average cost means cost per unit of output. As production increases Average cost decrease and after a stages increases. Ac is in U Shape Average cost = Total cost or Ac AFC+AVC output

33. Marginal Cost: Marginal cost is the additional cost of production producing one more unit of output. As production increases marginal cost decreases and after a stage increases a result it is in 'U' Shape Marginal Cost = $\frac{\text{Total cost}}{\text{Output}}$

34. Average Revenue: Average revenue is the revenue present of output
1. Under perfect competition this curve is parallel to x-axis.
2. Under perfect competition this curve slopes down words to the right

$$AR = \frac{\text{Total Revanue}}{\text{Quantity}}$$

35.Marginal Revenue: Marginal Revenue is the additional revenue earned by selling one more unit of output.
1. Under Perfect competition this curve is parallel to x-axis
2. Under imperfect competition this curve slopes down words to the right

$$MR = \frac{TR}{Q}$$

36. Market Period: Market period is also known as very short period inputs cannot be changed in the very short period. Supply remains constant in this period. Fish, vegetables, flowers will have very short period.

37. Monopolistic competition: Monopolistic competition is a blending of Monopoly and competition most of the goods are produced by several firms with small differences Ex:- soaps, garments, cosmist, firms advertise their goods to promote sales.

38.Oligopoly: Oligopoly is a market with a few producer. Each firm produces a considerable part of the output. Decision of one firm affects the other firm. There is a close interdependence among firms.

39.Economic Rent: Economic rent is the pure rent payable as a reward for utilizing the productivity of land are to records it is surplus over corts or expenses of cultivation.

40.Quari Rent: The Quari rent Concept used of Marshall, refers to the short run earnings man made for (machines, tools). They are fixed in supply in the short run when demand for them increases, their price also increases.

41.Contact Rent: Contract Rent is the price paid for the servicers of land, building etc made according to an agreement for a given period of time Ex:- The hiring charges of a cycle Rs10/-

42.Scarcity Rent: This Concept was explained by Marshall scarcity rent is a payment made to a factor which is limited in supply therefore price is largely influenced by its demand. This is based on the supply and demand for land.

43.Piece Wages: Piece wages are decided according to the volume of work turned out by a laborer while dividing skill expertise are taken in to consideration.

44.Time Wages: Time wages are paid for the number of days he works. They may be paid either on daily basis, weekly bases monthly basis yearly basis Ex:- Govt servants are paid monthly wages irrespective of their efficiency.