BUSINESS ECONOMICS AND FINANCIAL ANALYSIS

Subject code: SM405ES

Regulations: R16-JNTUH

Class: II Year B. Tech MECH II Sem

Department of Mechanical Engineering

BHARAT INSTITUTE OF ENGINEERING AND TECHNOLOGY

Ibrahimpatnam - 501 510, Hyderabad

BUSINESS ECONOMICS AND FINANCIAL ANALYSIS (SM405ES)
COURSE PLANNER

Course Overview:

The present course is designed in such a way that it gives an overview of concepts of Economics. Managerial Economics enables students to understand micro environment in which markets operate how price determination is done under different kinds of competitions. Financial Analysis gives clear idea about concepts, conventions and accounting procedures along with introducing students to fundamentals of ratio analysis and interpretation of financial statements. Break Even Analysis is very helpful to the Business Concern for Decision Making, controlling and forward Strategic Planning. Ratio analysis gives an idea about financial forecasting, financial planning, controlling the business and decision making.

Prerequisites:

- Introduction to Managerial Economics & Concepts.
- Business and New Economic Environment.
- Financial Accounting Concepts.

Course Objectives:

- Understand the concepts of managerial economics and the market dynamics namely demand elasticity of demand and pricing in different market structures.
- Gain the knowledge on the production theories and cost analysis while dealing with the production and the concept of breakeven analysis.
- Examine the price-output decisions under different types of marketing structures and the significance of different forms of business organizations existing in the modern business.
- Describe the significance of the project management, capital budgeting, estimation of the projects through capital budgeting methods for choosing the best and optimal projects.
- Provide the optimal decisions for acquiring the knowledge on financial accounting, management accounting and ratio analysis.

Course Outcomes:

- Understand the elasticity of the demand of the product, different types, and measurement of elasticity of demand and factors influencing on elasticity of demand.
- Recognize the Production function, features of Iso-Quants and Iso-Costs, different types of internal economies, external economies and law of returns with appropriate examples.
- Illustrate the features, merits and demerits of different forms of business organizations existing in the modern business.
- Enumerate the concept of capital budgeting and allocations of the resources through capital budgeting methods and compute simple problems for project management.

- Evaluate different types of financial ratios for knowing liquidity and profitability positions of business concern.

<u>How Program Outcomes are assessed:</u>

Program Outcomes		Level	Proficiency assessed by
PO1	**Engineering knowledge:** Apply the knowledge of mathematics, science, engineering fundamentals, and an engineering specialization to the solution of complex engineering problems.	2	Assignments, Tutorials, Mock Tests
PO2	**Problem analysis:** Identify, formulate, review research literature, and analyze complex engineering problems reaching substantiated conclusions using first principles of mathematics, natural sciences, and engineering sciences.	2	Assignments, Tutorials, Mock Tests
PO3	**Design/development of solutions:** Design solutions for complex engineering problems and design system components or processes that meet the specified needs with appropriate consideration for the public health and safety, and the cultural, societal, and environmental considerations.	2	Assignments, Tutorials, Mock Tests
PO4	**Conduct investigations of complex problems:** Use research-based knowledge and research methods including design of experiments, analysis and interpretation of data, and synthesis of the information to provide valid conclusions.	-	-
PO5	**Modern tool usage:** Create, select, and apply appropriate techniques, resources, and modern engineering and IT tools including prediction and modeling to complex engineering activities with an understanding of the limitations.	-	-
PO6	**The engineer and society:** Apply reasoning informed by the contextual knowledge to assess societal, health, safety, legal and cultural issues and the consequent responsibilities relevant to the professional engineering practice	2	Assignments, Tutorials, Mock Tests
PO7	**Environment and sustainability:** Understand the impact of the professional engineering solutions in societal and environmental contexts, and demonstrate the knowledge of, and need for sustainable development.	-	-
PO8	**Ethics:** Apply ethical principles and commit to professional ethics and responsibilities and norms of the engineering practice.	-	-
PO9	**Individual and team work:** Function effectively as an individual, and as a member or leader in diverse teams, and in multidisciplinary settings.	3	Assignments, Tutorials, Mock Tests
PO10	**Communication:** Communicate effectively on complex engineering activities with the engineering community and with society at large,		

	such as, being able to comprehend and write effective reports and design documentation, make effective presentations, and give and receive clear instructions.	-	-
PO11	**Project management and finance:** Demonstrate knowledge and understanding of the engineering and management principles and apply these to one"s own work, as a member and leader in a team, to manage projects and in multidisciplinary environments.	3	Assignments, Tutorials, Mock Tests
PO12	**Life-long learning:** Recognize the need for, and have the preparation and ability to engage in independent and life-long learning in the broadest context of technological change.	-	-

- End-of-course surveys (Quarterly).
- Instructor evaluation reports (Quarterly).
- Department performance report (Quarterly).
- Student exit survey (Yearly).
- Alumni survey (Yearly).
- Alumni Advisory Board (Once or twice yearly).
- Student Advisory Committee (Once or twice yearly).

How Program Specific Outcomes are assessed:

Program Specific Outcomes (PSO)		Level	Proficiency assessed by
PSO1	**Professional Skills:** The ability to understand, analyze and develop computer programs in the areas related to algorithms, system software, multimedia, web design, big data analytics, and networking for efficient design of computer-based systems of varying complexity.	-	-
PSO2	**Problem-Solving Skills:** The ability to apply standard practices and strategies in software project development using open-ended programming environments to deliver a quality product for business success.	-	-
PSO3	**Successful Career and Entrepreneurship:** The ability to employ modern computer languages, environments, and platforms in creating innovative career paths to be an entrepreneur, and a zest for higher studies.	3	Assignments, Tutorials, Mock Tests

1: Slight (Low) 2: Moderate (Medium) 3: Substantial (High) 4:None

- Employer satisfaction survey (Yearly).
- Alumni survey (Yearly).
- Placement records, higher education records.

SCOPE OF THE COURSE:

The student will be given an insight into what is Business theory and how to integrate with the Accounting Concepts.

The student will understand the Business theories, Business environment, and business related decisions in a day to day operations. The student will be in a position to understand the following concepts:

- Business Economics, Demand Analysis
- Elasticity of Demand, **Demand forecasting**
- Theory of production & cost analysis, Production function, Break even Analysis
- Market Structures, Types of competition, Pricing Strategies
- Business & New Economic Environment
- Introduction to Financial **accounting Financial** Analysis through Ratios.

Towards the end of the course it is expected that the students would be matured enough to understand and evaluate the Economics theories in real life situations of Business.

Course Content:

UNIT – I: - Introduction to Business and Economics:

Business: Structure of Business Firm, Theory of Firm, Types of Business Entities, Limited Liability Companies, Sources of Capital for a Company, Non-Conventional Sources of Finance.

Economics: Significance of Economics, Micro and Macro Economic Concepts, Concepts and Importance of National Income, Inflation, Money Supply in Inflation, Business Cycle, Features and Phases of Business Cycle. Nature and Scope of Business Economics, Role of Business Economist, Multidisciplinary nature of Business Economics.

UNIT – II: - Demand and Supply Analysis:

Elasticity of Demand:

Elasticity, Types of Elasticity, Law of Demand, Measurement and Significance of Elasticity of Demand, Factors affecting Elasticity of Demand, Elasticity of Demand in decision making, Demand Forecasting: Characteristics of Good Demand Forecasting, Steps in Demand Forecasting, Methods of Demand Forecasting. Supply Analysis: Determinants of Supply, Supply Function & Law of Supply.

UNIT- III: - Production, Cost, and Market Structures & Pricing:

Production Analysis: Factors of Production, Production Function, Production Function with one variable input, two variable inputs, Returns to Scale, Different Types of Production Functions.

Cost analysis: Types of Costs, Short run and Long run Cost Functions.

Market Structures: Nature of Competition, Features of Perfect competition, Monopoly, Oligopoly, and Monopolistic Competition. Pricing: Types of Pricing, Product Life Cycle based Pricing, Break Even Analysis, & Cost Volume Profit Analysis.

UNIT - IV

Financial Accounting: Accounting concepts and Conventions, Accounting Equation, Double-Entry system of Accounting, Rules for maintaining Books of Accounts, Journal, Posting to Ledger, Preparation of Trial Balance, Elements of Financial Statements, and Preparation of Final Accounts.

UNIT - V

Financial Analysis through Ratios: Concept of Ratio Analysis, Liquidity Ratios, Turnover Ratios, Profitability Ratios, Proprietary Ratios, Solvency, Leverage Ratios (simple problems), Introduction to Fund Flow and Cash Flow Analysis (simple problems).

Books and References:

TEXT BOOKS

I. A.R. Aryasri, "Managerial Economics and Financial Analysis", TMH Publications, 3nd Edition, 2007.

REFERENCE BOOKS:

I. D.N. Dwivedi, "Managerial Economics", Vikas Publication House Pvt. Ltd, 2nd Edition, 2012.

II. S.N. Maheshwari & S.K.Maheshwari, "Financial Accounting", Vikas Publication House Pvt.Ltd, 4th Edition, 2012.

III. R. Narayana Swamy, "Financial Accounting- A managerial Perspective", Pearson publications, 1st Indian Reprint Edition, 2012.

IV. J.V. Prabhakar Rao & P.V. Rao, "Managerial Economics & Financial Analysis", Maruthi Publishers, 1st Revised Edition, 2011.

V. M.Kasi Reddy & Saraswathi, "Managerial Economics and Financial Analysis", PHI Publications, New Delhi, 10th Revised Edition, 2012.

VI. Varshney & Maheswari, "Managerial Economics", Sulthan Chand Publishers, 1st Revised Edition, 2009.

NPTEL Web Course:

https://onlinecourses.nptel.ac.in/noc19_hs28/preview
https://onlinecourses.nptel.ac.in/noc19_ma07/preview
https://onlinecourses.nptel.ac.in/noc19_mg01/preview

NPTEL Video Course:

https://www.youtube.com/watch?v=51-nXPx3cw4&list=PLbMVogVj5nJTG7ahmEJc4MlcGT0hCr5ik
https://www.youtube.com/watch?v=vLPpF0hunwc&list=PLbMVogVj5nJRTAVF4-tuejAFiLKIV3Mo

Relevant syllabus for GATE: Not Applicable

Relevant syllabus for IES: Not Applicable

Session	Week	Topic	Course Learning Outcomes	Teaching Methodology	Reference

Unit - 1					
1	1	Business: Structure of Business Firm, Theory of Firm	Explain	Chalk and talk	T1
2		Types of Business Entities, Limited Liability Companies	Understand	Chalk and talk	
3		Sources of Capital for a Company	Explain	Chalk and talk	
4	2	Non-conventional Sources of Finance.	Explain	Chalk and talk	
8		Significance of Economics, Micro and Macro Economic Concepts	Understand	Chalk and talk	
6		Concepts and Importance of National Income, Inflation	Understand	PPT	
7	3	Money Supply in Inflation, Business Cycle	Explain	Chalk and talk	
8		Features and Phases of Business Cycle	Explain	Chalk and talk	
9		Nature and Scope of Business Economics, Role of Business Economis	Understand	Chalk and talk	
10		Multidisciplinary nature of Business Economics	Understand	Chalk and talk	
Unit - 2					
11	4	Elasticity, Types of Elasticity, Law of Demand	Understand	Chalk and talk	T1
12		Measurement and Significance of Elasticity of Demand	Demonstrate	Chalk and talk	
13		Factors affecting Elasticity of Demand,	Understand	Chalk and talk	
14	5	**MOCK TEST-1**			
15		Elasticity of Demand in decision making	Understand	Chalk and talk	
16		Characteristics of Good Demand Forecasting	Demonstrate	Chalk and talk	
17	6	Steps in Demand Forecasting,	Understand	Chalk and talk	
18		Methods of Demand Forecasting	Understand	Chalk and talk	
19		Determinants of Supply,	Explain	Chalk and talk	
20		Supply Function & Law of Supply	Explain	Chalk and talk	
Unit - 3					
21	7	Factors of Production, Production Function	Understand	Chalk and talk	
22		Production Function with one variable input, two variable inputs	Understand	Chalk and talk	
23		Returns to Scale, Different Types of Production Functions	Understand	Chalk and talk	T1

24	8	Types of Costs, Short run and Long run Cost Functions	Understand	Chalk and talk	
25		Nature of Competition, Features of Perfect competition	Understand	Chalk and talk	
26		Monopoly, Oligopoly, and Monopolistic Competition	Explain	Chalk and talk	
I Mid Examinations					
UNIT – 3 Contd.					
27	9	Types of Pricing, Product Life Cycle based Pricing	Understand	Chalk and talk	T1
28		Break Even Analysis, and Cost Volume Profit Analysis	Understand	Chalk and talk	
UNIT – 4					
29	10	Accounting concepts and Conventions	Understand	Chalk and talk	T2
30		Accounting Equation, Double-Entry system of Accounting	Understand	Chalk and talk	
31		Rules for maintaining Books of Accounts	Understand	Chalk and talk	
32	11	Journal	Solve	Chalk and talk	
33		Posting to Ledger	Solve	Chalk and talk	
34		Preparation of Trial Balance	Solve	Chalk and talk	
35	12	Elements of Financial Statements	Solve	Chalk and talk	
36		Preparation of Final Accounts	Solve	Chalk and talk	
37		**MOCK TEST – II**			
UNIT – 5					
38	13	Concept of Ratio Analysis, Liquidity Ratios	Solve	Chalk and talk	T2
39		Turnover Ratios, Profitability Ratios	Solve	Chalk and talk	
40		Proprietary Ratios, Solvency Ratios	Solve	Chalk and talk	
41	14	Ratios (simple problems)	Solve	Chalk and talk	
42		Introduction to Fund Flow	Solve	Chalk and talk	
43		Cash Flow Analysis	Solve	Chalk and talk	
44	15	Revision - 1st Chapter	Solve	Chalk and talk	
45		Revision - 2nd Chapter	Solve	Chalk and talk	
46		Revision - 3rd Chapter	Solve		

				Chalk and talk	
47		Revision - 4th Chapter	Solve	Chalk and talk	
48		Revision - 5th Chapter	Solve	Chalk and talk	
II Mid Examinations					

<u>Mapping Course Outcomes Leading to the Achievement of Program Outcomes and Program Specific Outcomes:</u>

Course Outcomes	Program Outcomes (PO)											Program Specific Outcomes (PSO)		
	PO1	PSO 2	PSO2	PO4	PO5	PO6	PO7	PO8	PO9	PO10	PO11	PO 12	PSO1	PSO2	PSO3
CO1	2	-	-	-	-	3	-	-	2	-	3	-	-	-	-
CO2	2	-	-	-	-	-	-	-	-	-	2	-	-	-	-
CO3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CO4	2	-	-	-	-	-	-	-	2	-	3	-	-	-	3
CO5	-	2	2	-	-	2	-	-	3	-	2	-	-	-	2

QUESTION BANK:

UNIT-I:

Short Answer Questions-

1. Define Business Economics.
   [L1:REMEMBERING]
2. What is the structure of Business Firm?
   [L1:REMEMBERING]
3. What are the types of Business Entities?
   [L1:REMEMBERING]
4. What is the difference between Micro Economics and Macro Economics?
   [L1:REMEMBERING]
5. What is the meaning of Limited Liability Companies?
   [L1:REMEMBERING]
6. Explain National Income? [L2: UNDRESTANDING]

Long Answer Questions-

1. Define Business Economics (BE)? Explain its nature and scope. Illustrate how it helps in solving managerial problems. Does it (BE) have any links with any other disciplines?
   [L1:REMEMBERING]
2. What is the meaning of Business Cycle and what are the phases of Business Cycle?

[L1:REMEMBERING]

3. What are the sources of Capital for a Company and what are the non-conventional sources of finance?
4. What are the types of Business Organizations and explain in detail? [L1:REMEMBERING]

UNIT – II

Short Answer Questions-

1. Discuss the determinants of Demand? [L6: CREATING]
2. Define Elasticity of Demand. [L1:REMEMBERING]
3. Give a short note on Statistical method. [L1:REMEMBERING]
4. What is Demand forecasting? [L1:REMEMBERING]
5. What are the determinants of Supply? [L1:REMEMBERING]

Long Answer Questions-

1. What is demand analysis, its nature and types of demand, factors determining demand? Define law of Demand, what are its exceptions & significance. [L1:REMEMBERING]
2. What do you understand by elasticity of demand? Explain the factors governing it, its different types of elasticity of demand and their measurements? [L1:REMEMBERING]
3. What do you understand by demand forecasting? Explain different methods of demand forecasting. [L1: REMEMBERING]
4. Is it necessary to accurately estimate the future demand for a product? How can you measure future demand in respect of services? [L1: REMEMBERING]

UNIT – III

Short Answer Questions-

1. Define Production Management.
   [L1:REMEMBERING]
2. Write a short note on Isocosts and Isoquants.
   [L1:REMEMBERING]
3. What are the Least cost combination Inputs?
   [L1:REMEMBERING]
4. Write a short note on Break even analysis.
   [L1:REMEMBERING]
5. Distinguish Output costs vs Input costs. [L2: UNDRESTANDING]
6. What are the characteristics of markets?
   [L1:REMEMBERING]
7. Define Perfect competition.
   [L1:REMEMBERING]
8. What is Monopoly?
   [L1:REMEMBERING]
9. What are the characteristics of Business?
   [L1:REMEMBERING]
10. Define Skimming and Penetration Pricing.
    [L1:REMEMBERING]

Long Answer Questions-

11. Please write Short notes with graphs on the following: (a) Isoquants and their features (b) Cobb-Douglas production function (c) Law of increasing returns.
    [L1:REMEMBERING]
12. Explain Law of returns with appropriate examples and discuss the economies of scale that accrue to a firm.
    [L1:REMEMBERING]
13. Explain the different cost concepts used in the process of cost analysis.
    [L1:REMEMBERING]
14. Explain how the short run and long run influence the cost. [L1: REMEMBERING]
15. What is Break Even Point (BEP)? How do you determine it?
    [L1:REMEMBERING]

16. What is Break Even Analysis (BEA)? What are the assumptions of BEA and what is the significance and what are the limitations of BEA?
    [L1:REMEMBERING]
17. What do you mean by Public Enterprises and explain the forms of public enterprises. [L1:REMEMBERING]

UNIT – IV

Short Answer Questions-

1. Define Accounting.
   [L1:REMEMBERING]
2. What are the conventions of Accounting?
   [L1:REMEMBERING]
3. Give a short note on Journal and Ledger.
   [L1:REMEMBERING]
4. What is Trial balance?
   [L1:REMEMBERING]
5. Draw a format of Profit and Loss Account?
   [L1:REMEMBERING]
6. Draw a format of Balance Sheet?
   [L1:REMEMBERING]

Long Answer Questions-

1. Prepare Trail Balance from the following information in the Books of Hrishikesh: Sundry debtors - 14,000; Hrishikesh Capital A/c - 15,000; Interest from bank A/c 750; Discount received – 100; Sales returns a/c - 100; Purchase returns a/c - 200; Bank A/c - 9,500; Rent A/c - 1,000; Salaries A/c - 400; Wages A/c - 50; Purchase A/c - 2000; Sales A/c - 11,000.
2. Write down the format of Trading, Profit & Loss a/c, Balance Sheet with contents?
3. A firm's sale during the year was Rs. 4, 00, 000 of which 60% were on credit basis. The balance of debtors at the beginning and end of the year were 25,000 and 15,000 respectively. Calculate debtors' turnover ratio of the firm and find out debt collection period.
4. Journalize the following in the books of Rama Krishna Ltd for the year ended 31-Mar-2012 and also prepare ledger accounts for the same. <u>(All Amounts in Rs.)</u>

March 1	Rama Krishna commenced business with	40,000
March 1	Deposited into bank	15,000
March 5	Purchase goods for cash	15,000
March 7	Purchase goods from Sirisha	8,000
March 9	Retuned goods to Sirisha	1,000
March 15	Sold goods for cash	10,000
March 17	Sold goods to Anupam	5,000
March 19	Depreciation on furniture	500
March 20	Salaries paid	1,000

March 25 Commission received	1,500

UNIT – IV

Short Answer Questions-

1 Give a short note on types of Ratio's.
[L1:REMEMBERING]

2 What are the Liquidity Ratios?
[L1:REMEMBERING]

3 What are the Turnover Ratios?
[L1:REMEMBERING]

4 What are the Profitability Ratios?
[L1:REMEMBERING]

5 What are the Proprietary Ratios?
[L1:REMEMBERING]

6 What are the Solvency Ratios?
[L1:REMEMBERING]

7 What are the Leverage Ratios?
[L1:REMEMBERING]

8 Difference between Cash Flow Analysis and Funds Flow Analysis? [L2: UNDRESTANDING]

Long Answer Questions-

1. What is Ratio Analysis? What are its advantages and Disadvantages?
[L1:REMEMBERING]
2. What is Ratio Analysis? Write are the types of ratios (Liquidity, activity, capital structure & profitability ratios)
[L1:REMEMBERING]

UNIT – I

1. The form of business organization that has the largest sales volume is the:

a. partnership.
b. corporation.
c. cooperative.
d. multinational.

The simplest form of business ownership is a:

a. proprietorship.
b. partnership.
c. corporation.
d. cooperative.

2. Which of the following is an advantage of a sole proprietorship?

a. ease of starting a business.
b. being your own boss.
c. pride of ownership.

d. all of the above.

3. The main disadvantage of a general partnership is:

   a. the unlimited liability of the partners.
   b. disagreement amongst partners.
   c. shared management.
   d. difficulty of termination.

4. A ____________ is a business with two or more owners:

   a. corporation.
   b. conglomerate.
   c. partnership.
   d. public corporation.

5. A partner who is not actually involved in the partnership but lends his name for public relations purposes is a:

   a. silent partner.
   b. general partner.
   c. nominal partner.
   d. dominant partner.

6. A______________partner is an owner who has unlimited liability and is active in managing the firm:

   a. senior partner.
   b. general partner.
   c. silent partner.
   d. limited partner.

7. Which of the following is probably the most important reason for incorporating?

   a. limited liability of shareholders.
   b. more money for investment.
   c. increased flexibility.
   d. shared management.

8. A___________ provides for the greatest degree of continuity:

   a. general partnership.
   b. joint venture.
   c. corporation.
   d. sole proprietorship.

9. The major advantage of a franchise is:

   a. training and management assistance.
   b. personal ownership.
   c. nationally recognized name.

d. all of the above.

10. Which of the following is a characteristic of a co-operative?

    a. profits are not subject to income tax.
    b. one vote per share.
    c. dividends are paid on a per share basis.
    d. all of the above.

11. The most effective form of business organization for raising capital is the:

    a. joint venture.
    b. partnership.
    c. corporation.
    d. proprietorship.

12. Co-operatives play an important role in:

    a. aerospace.
    b. agriculture.
    c. manufacturing.
    d. all of the above.

UNIT – II

1) Who explained the "Law of Demand"? ( )
   (a) Joel Dean (b) Cobb-Douglas
   (c) Marshall (d) C.I.Savage&T.R.Small
2) Demand Curve always ________ sloping. ( )
   (a) Positive (b) Straight line (c) Negative (d) Vertical
3) Geffen goods, Veblan goods and speculations are exceptions to___. ( )
   (a) Cost function (b) Production function
   (c) Law of Demand (d) Finance function
4) Who explained the "Law of Demand"? ( )
   (a) Cobb-Douglas (b) Adam smith
   (c) Marshall (d) Joel Dean
5) When PE = $\propto$ (Price Elasticity of Demand is infinite), we call it ___. ( )
   (a) Relatively Elastic (b) Perfectly Inelastic
   (c) Perfectly Elastic (d) Unit Elastic
6) Income Elasticity of demand when less than 'O' (IE = < O), it is termed as ____. ( )
   (a) Income Elasticity less than unity (b) Zero income Elasticity
   (c) Negative Income Elasticity (d) Unit Income Elasticity
7) The other name of inferior goods is _______. ( )
   (a) Veblan goods (b) Necessaries
   (c) Geffen goods (d) Diamonds
8) Estimation of future possible demand is called ______. ( )
   (a) Sales Forecasting (b) Production Forecasting
   (c) Income Forecasting (d) Demand Forecasting
9) How many methods are employed to forecast the demand ( )
   (a) Three (b) Four
   (c) Two (d) Five
10) What is the formula for Price Elasticity of Demand? ( )

(a) % of change in the Price / % of change in the Demand
(b) % of change in the Demand / % of change in the
(c) % of change in the Demand / % of change in the Price
(d) % of change in the Demand of 'X / % of change in the Price of 'Y'

11) When a small change in price leads great change in the quantity demand, we call it ________. ( )
(a) Inelastic Demand (b) Negative Demand
(c) Elastic Demand (d) None

12) When a great change in price leads small change in the quantity demand, we call it ________. ( )
(a) Elastic Demand (b) Positive Demand
(c) Inelastic Demand (d) None

13) "Coffee and Tea are the ________ goods". ( )
(a) Relative (b) Complementary
(c) Substitute (d) None

14) Consumers Survey method is one of the Survey Methods to forecast the _____. ( )
(a) Sales (b) Income
(c) Demand (d) Production

15) What is the formula for Income Elasticity of Demand? ( )
(a) % of change in the Income / % of change in the Demand
(b) % of change in the Demand / % of change in the Price
(c) % of change in the Demand / % of change in the Income
(d) % of change in the Demand of 'X' / % of change in the Price of 'Y'

16) What is the formula for Cross Elasticity of Demand? ( )
(a) % of change in the Price of 'X' / % of change in the Demand of 'Y"
(b) % of change in the Demand / % of change in the Price
(c) % of change in the Demand of 'X' / % of change in the Price of 'Y'
(d) % of change in the Demand / % of change in the Income

17) When PE = 0 (Price Elasticity of Demand is Zero), we call it ___. ( )
(a) Relatively Elastic demand (b) Perfectly Elastic demand
(c) Perfectly Inelastic demand (d) Unit Elastic demand

18) When PE =>1 (Price Elasticity of Demand is greater than one), we call it ___. ( )
(a) Perfectly Elastic demand (b) Perfectly inelastic demand
(c) Relatively Elastic demand (d) relatively inelastic demand

19) When PE =<1 (Price Elasticity of Demand is less than one), we call it ___. ( )
(a) Perfectly inelastic demand (b) Relatively Elastic demand
(c) Relatively inelastic demand (d) perfectly Elastic demand

20) When PE =1 (Price Elasticity of Demand is one), we call it ___. ( )
(a) Perfectly Elastic demand (b) Perfectly inelastic demand
(c) Unit elastic demand (d) Relatively Elastic demand

21) When Income Elasticity of demand is Zero (IE = 0), It is termed as ___. ( )
(a) Negative Income Elasticity (b) Unit Income Elasticity
(c) Zero Income Elasticity (d) Infinite Income Elasticity

UNIT – III

1) How many types of input-output relations discussed by the Law of production. ( )
   (a) Five (b) Four
   (c) Two (d) Three
2) How many stages are there in 'Law of Variable Proportions'? ( )
   (a) Five (b) Two
   (c) Three (d) Four
3) Congregation of body of persons assembling together to work at a certain Time and place is called as ( )
   (a) Firm (b) Industry
   (c) Plant (d) Size
4) When a firm expands its Size of production by increasing all factors, It secures certain advantages, known as ( )
   (a) Optimum Size (b) Diseconomies of Scale
   (c) Economies of Scale (d) None
5) When producer secures maximum output with the least cost combination Of factors of production, it is known as_______ ( )
   (a) Consumer's Equilibrium (b) Price Equilibrium
   (c) Producer's Equilibrium (d) Firm's Equilibrium
6) The 'Law of Variable Proportions' is also called as ____________. ( )
   (a) Law of fixed proportions (b) Law of returns to scale
   (c) Law of variable proportions (d) None
7) _________ is a 'group of firms producing the same are slightly different products for the same market or using same raw material'. ( )
   (a) Plant (b) Firm
   (c) Industry (d) Size
8) When proportionate increase in all inputs results in an equal Proportionate increase in output, then we call____________. ( )
   (a) Increasing Returns to Scale (b) Decreasing Returns to Scale
   (c) Constant Returns to Scale (d) None
9) When different combinations of inputs yield the same level of output known as ___________. ( )
   (a) Different Quants (b) Output differentiation
   (c) Isoquants (d) Production differentiation
10) Conversion of inputs in to output is called as _________________. ( )
   (a) Sales (b) Income
   (c) Production (d) Expenditure
11) When Proportionate increase in all inputs results in more than equal Proportionate increase in output, then we call _____________. ( )
   (a) Decreasing Returns to Scale (b) Constant Returns to Scale
   (c) Increasing Returns to Scale (d) None
12) When Proportionate increase in all inputs results in less than Equal Proportionate increase in output, then we call _____________. ( )
   (a) Increasing Returns to Scale (b) Constant Returns to Scale
   (c) Decreasing Returns to Scale (d) None
13) A curve showing equal amount of outlay with varying Proportions of

Two inputs are called ________________. ( )
(a) Total Cost Curve (b) Variable Cost Curve
(c) Isocost Curve (d) Marginal Cost Curve

14) The cost of best alternative forgone is_______________ ( )
(a) Outlay cost (b) Past cost
(c) Opportunity cost (d) Future cost

15) If we add up total fixed cost (TFC) and total variable cost (TVC), we get _____. ()
(a) Average cost (b) Marginal cost
(c) Total cost (d) Future cost

16) _____ costs are theoretical costs, which are not recognized by the Accounting system.( )
(a) Past (b) Explicit
(c) Implicit (d) Historical

17) _____ cost is the additional cost to produce an additional unit of output. ( )
(a) Incremental (b) Sunk
(c) Marginal (d) Total

18) _______ costs are the costs, which are varies with the level of output. ( )
a) Fixed (b) Past
(c) Variable (d) Historical

19) _________________ costs are those business costs, which do not involve any cash payment. ( )
(a) Past (b) Historical
(c) Implicit (d) Explicit

20) The opposite of Past cost is ________________________. ( )
(a) Historical (b) Fixed cost
(c) Future cost (d) Variable cost

21) _____ is a period during which the existing physical capacity of the firm can be changed. ( )
(a) Market period (b) Short period
(c) Long period (d) Medium period

22) What is the formula for Profit-Volume Ratio? ( )
(a) (Sales/Contribution)*100 (b) (Variable cost/Sales)*100
(c) (Fixed cost/Sales)*100 (d) (Contribution/Sales)*100

23) _______ is a point of sales at which there is neither profit nor loss. ( )
(a) Maximum sales (b) Minimum sales
(c) Break-Even sales (d) Average sales

24) What is the formula for Margin of Safety? ( )
(a) Break Even sales – Actual sales (b) Maximum sales – Actual sales
(c) Actual sales – Break Even sales (d) Actual sales – Minimum sales

25) What is the formula for Break-Even Point in Units? ( )
(a) Contribution/Selling Price per unit (b) Variable cost/Contribution per unit
(c) Fixed cost/Contribution per unit (d) Variable cost/Selling Price per unit

26) What is the Other Name of Profit Volume Ratio? ( )
(a) Cost-Volume-Profit Ratio (b) Margin of safety Ratio
(c) Marginal Ratio (d) None

27) What is the break-even sales amount, when selling price per unit is 10/-, Variable cost per unit is 6/- and fixed cost is 40,000/-. ( )
(a) Rs. 4, 00,000/- (b) Rs. 3, 00,000/-
(c) Rs. 1, 00,000/- (d) Rs. 2, 00,000/-

28) 'Contribution" is the excess amount of Actual Sales over ______. ( )
(a) Fixed cost (b) Sales
(c) Variable cost (d) Total cost

29) Exchange value of a unit of good expressed in terms of money is called ( )
(a) Cost (b) Capital
(c) Price (d) Expenditure

30) The price of a product is determined by the ______of that product. ( )
(a) Place and time (b) Production and sales
(c) Demand and supply (d) Cost and income

31) The price at which demand and supply of a commodity equal is known as: ( )
(a) High price (b) Low price
(c) Equilibrium price (d) Marginal price

32) A market where large number of buyers and sellers dealing in homogeneous product with perfect knowledge is called ( )
(a) Imperfect competition (b) Monopoly
(c) Perfect competition (d) Monopolistic competition

33) In which market, single market price prevails for the commodity ( )
(a) Monopoly market (b) Oligopoly market
(c) Perfect competition market (d) Duopoly market

34) The Price determined in the very short period is known as_____. ( )
(a) Secular price (b) Normal price
(c) Market price (d) Short run price

35) In which period, the supply of commodity is fixed ( )
(a) Short period (b) Long period
(c) Very short period (d) Very long period

36) Charging very high price in the beginning and reducing it gradually is called ( )
(a) Differential pricing (b) Sealed bid pricing
(c) Skimming pricing (d) Penetration pricing

37) If monopoly arises on account of legal support or as a matter of legal Privilege, it is called as ( )
(a) Private monopoly (b) Government monopoly
(c) Legal monopoly (d) Single price monopoly

38) Under which pricing method, price just equals the total cost ( )
(a) Marginal cost pricing (b) Cost plus pricing
(c) Full cost pricing (d) Going rate pricing

39) ______ is a place in which goods and services are bought and sold. ( )
(a) Factory (b) Workshop
(c) Market (d) Warehouse

40) ___________________ is the example for perishable goods. ( )
(a) Pens (b) Belts
(c) Vegetables (d) Cloths

41) ____________________is a form of market organization in which there is only one seller of the commodity. ( )

(a) Perfect Competition (b) Duopoly
(c) Monopoly (d) Oligopoly

42) If average Revenue is greater than the Average cost, monopolist earns _____. ( )
(a) Loss (b) No loss No profit
(c) Profit (d) None

43) The firm is said to be in equilibrium, when it's Marginal Cost (MC) equals to ___. ( )
(a) Total cost (b) Total revenue
(c) Marginal Revenue (d) Average Revenue

44) ___________ is a position where the firm has no incentive either to expand or contrast its output. ( )
(a) Maximum output (b) Minimum output
(c) Equilibrium (d) None

45) Marginal revenue, Average revenue and Demand are the same in ________ Market Environment ( )
(a) Monopoly (b) Duopoly
(c) Perfect Competition (d) Imperfect Competition

46) ._________ is a period in which supply can be increased by altering the Variable factors and fixed costs will remain constant. ( )
(a) Long – run (b) Mid – term
(c) Short – run (d) Market period

47) The total supply of a good is produced by a single private person or firm is called as________. ( )
(a) Government Monopoly (b) Legal Monopoly
(c) Private Monopoly (d) Natural Monopoly

48) In perfect competition market, seller is the _________. ( )
(a) Price – Maker (b) Price changer
(c) Price – Taker (d) Price Dictator

49) Charging Very Low price in the beginning and increasing it gradually is called _____. ( )
(a) Differential pricing (b) Sealed bid Pricing
(c) Penetration Pricing (d) Skimming Pricing

50) If Average Revenue is less than the Average Cost, Monopoly secures _____. ( )
(a) Profits (b) Abnormal Profits
(c) Losses (d) Super Profits

51) In Monopoly market environment, seller is the __________. ( )
(a) Price - Taker (b) Price - Accepter
(c) Price - Maker (d) None

52) A Partnership firm can be formed with a minimum of Two Partners and it can have a maximum of _______ Partners. ( )
(a) 50 (b) 40 (c) 20 (d) 30

53) "People may come and people may leave, but I go on forever" is applicable to ______ Business organization. ( )
(a) Sole proprietorship (b) Partnership

(c) Company (d) Joint Hindu Family

54) ______ is Supreme Authority for Company Organization. ( )

(a) Directors (b) Debenture holders

(c) Share holders (d) Creditors

55) "One man one vote" Principle is adopted in ______. ( )

(a) Partnership firms (b) Company

(c) Co-operative enterprises (d) Hindu family business

56) The management of 'Joint Hindu Family' business vests in the eldest member of the family, called _____. ( )

(a) Director (b) Grand father

(c) Kartha (d) Manager

57) Minimum Two and maximum ___ members are permitted in private limited company. ( )

(a) Un-limited (b) 20 (c) 50 (d) 10

58) Minimum ___ and maximum ____ members are permitted in public limited company. ( )

(a) 50 ; Un-limited (b) 20 ; 50

(c) 7 ; Un-limited (d) 7 ; 50

59) Liability of sole proprietor is _______________ ( )

(a) Limited (b) Minimum

(c) Un-limited (d) None

60) Liability of Shareholder _______________( )

(a) Un-limited (b) Maximum

(c) Limited to the share capital (d) None

61) Certificate of commencement of business should be obtained by ___ Company to start its functions. ( )

(a) Private (b) Statutory

(c) Public (d) Chartered

62) Company operates in more than one Country is called as _____ ( )

(a) Private company (b) Government company

(c) Multinational company (d) Indian company

63) ____ is not required to private company to start its functions. ( )

(a) Certificate of incorporation (b) Registration

(c) Certificate of commencement of business (d) None

64) ____ partner can enjoy profits but no liability for losses. ( )

(a) Active (b) Sleeping (c) Minor (d) Nominal

65) In public sector unit's ownership is in the hands of _____. ( )

(a) Private persons (b) Public

(c) Government (d) None

66) Promoting balanced regional development is one of the objectives of _______ units. ( )

(a) Private sector (b) Joint sector

(c) Public sector (d) None

67) If either state government of central government or both have got not less than 51% of share in the organization. Then that is called ____. ( )

(a) Private organization (b) Partnership organization

(c) Government organization (d) Joint sector organization

UNIT – IV

1. In which Book-keeping system, business transactions are recorded as two separate accounts at the same time? ( )
   (a) Single entry (b) Triple entry
   (c) Double entry (d) none

2. In which Concept "Business is treated separate from the Proprietor? ( )
   (a) Cost concept (b) Dual aspect concept
   (c) Business entity concept (d) Matching concept

3. When a deduction allowed from the gross or catalogue price to traders; then it is called as ______. ( )
   (a) Cash discount (b) Credit discount
   (c) Trade discount (d) None

4. "Outstanding wages" is treated as _________. ( )
   (a) Asset (b) Expense
   (c) Liability (d) Income

5. How many types of accounts are maintained to record various types of all business transactions? ( )
   (a) Five (b) four
   (c) Three (d) Two

6. Which connects the link between Journal and Trial Balance? ( )
   (a) Trading Account (b) Profit & Loss account
   (c) Ledger (d) Balance sheet

7. Which assets can be converted into cash in short period? ( )
   (a) Fixed Assets (b) Intangible Assets
   (c) Current Assets (d) Fictious Assets

8. "Bank overdraft" is a ________. ( )
   (a) Asset (b) Expense
   (c) Liability (d) Income

9. Profit and Loss account is prepared to find out the business ____. ( )
   (a) Gross result (b) Financial position
   (c) Net result (d) Liquidity position

10. The statement of "Debit and credit balances of Ledger accounts" is called as ____. ( )
    (a) Journal (b) Ledger
    (c) Trial balance (d) Balance sheet

11. _____ is a person who owes money to the firm. ( )

(a) Creditor (b) Owner
(c) Debtor (d) Share holder

12. The statement reveals the financial position of a business at any given date is called( )
(a) Trading account (b) Profit and loss account
(c) Balance sheet (d) Trial balance

13. ______ is called as 'Book of Original Entry'. ( )
(a) Ledger (b) Trial Balance
(c) Journal (d) Trading account

14. Debit what comes in; Credit what goes out is ____ account principle? ( )
(a) Nominal (b) Personal
(c) Real (d) None
15. The process of entering transactions in to Ledge accounts known as ____. ( )
(a) Journal entry (b) First entry
(c) Posting (d) None
16. Debit Expenses and Losses; Credit Incomes and Gains is ______ account principle. ( )
(a) Personal (b) Real
(c) Nominal (d) None
17. "Prepaid Insurance Premium" is treated as _________. ( )
(a) Gain (b) Income
(c) Asset (d) Liability
18. "Net Profit" can be found out by preparing _______. ( )
(a) Trading account (b) Trial balance
(c) Profit and Loss account (d) Balance sheet
19. What is the current asset from the following? ( )
(a) Creditors (b) Bills payable
(c) Debtors (d) Bank over draft
20. What is the formula for Pay Back period? ( )
(a) Avg. Investment (b) Annual earnings
Avg. earnings Cost of the product
(c) Cost of the project (d) Cash inflow
Annual earnings Cash outflow
21. __________ Decision relates to the selection of assets in which funds will be invested by a firm. ( )
(a) Finance (b) Dividend
(c) Investment (d) None
22. ______ Method is one of the traditional methods. ( )
(a) Net present value (b) Profitability index
(c) Payback period (d) internal rate of return
23. Funds needed for short-term purpose is known as ______. ( )
(a) Fixed capital management (b) Capital Budgeting
(c) Working capital management (d) Long-term capital management
24. What is the formula for Average Rate of Return (ARR)? ( )

(a) Cost of the project/ Avg. earnings (b) Present value of cash inflow/ Present value of cash outflow (c) Avg. earnings/ Avg. investment (d) Avg. investment/ Avg. earnings

25. What is the current Liability from the following? ( )
    (a) Bills Receivable (b) Closing stock
    (c) Bills payable (d) Cash in hand

26. The Pay Back Period also called as ________. ( )
    (a) Current Period (b) Pay reserve method
    (c) Pay off Period (d) None
27. ______ holders have preference over dividends. ( )
    (a) Equity share (b) Debenture
    (c) Preference share (d) Ordinary share
28. ______ holders are the real owners of the company. ( )
    (a) Debenture (b) Preference share
    (c) Equity share (d) Liability
29. Interest is paid on loan and dividend is paid for _____. ( )
    (a) Debenture (b) Public deposits
    (c) Shares (d) Securities
30. . ______ are deducted from Current Assets, while calculating working Capital. ( )
    (a) Fixed Assets (b) Fixed Liabilities
    (c) Current Liabilities (d) Fictious Assets

UNIT – V

1. A company's 'return on investment' indicates its ____. ( )
   (a) Solvency (b) Stock turnover
   (c) Profitability (d) Debtors collection

2. Which would a business be most likely to use its 'solvency' ( )
   (a) Gross profit ratio (b) Debtors collection period
   (c) Debt – Equity ratio (d) Current ratio

3. Higher 'Assets turnover ratio' explains ____. ( )
   (a) More profitability (b) Higher sales turnover
   (c) Better utilization of assets (d) large liability base

4. Which of the following measures company's liquidity position ( )
   (a) Stock Turnover ratio (b) Debtor's collection period
   (c) Current ratio (d) Net profit ratio

5. The difference between current assets and current liabilities is called ___. ( )
   (a) Cost of goods sold (b) Outsiders funds
   (c) Working capital (d) Shareholders funds

6. Debtor's is a current asset, whereas creditor's is ________. ( )
   (a) Fixed Asset (b) Fixed Liability
   (c) Current Liability (d) Long-term Liability

7. What is the Desirable current Ratio ______? ( )
   (a) 1:2 (b) 3:2 (c) 2:1 (d) 1:1

8. Long-term stability of an enterprise indicates by ____ ratios. ( )
   (a) Liquidity (b) Profitability
   (c) Solvency (d) Turnover
9. The Liquidity ratios assess the capacity of the company to repay its _____ Liability. ( )
   (a) Long-term (b) Profitability
   (c) Solvency (d) Turnover
10. Acid Test Ratio is also called as ________. ( )
   (a) Current Ratio (b) Absolute Liquid Ratio
   (c) Quick Ratio (d) Debt-Equity Ratio
11. The relationship between two numerical values is called as ____. ( )
   (a) Account (b) Ledger
   (c) Ratio (d) Discount
12. "Gross Profit" can be found out by preparing _______. ( )
   (a) Profit and Loss account (b) Balance sheet
   (c) Trading account (d) Trial balance

WEBSITES:

1. www.economist.com
2. www.financialexpress.com
3. http://eac.gov.in
4. economics.harvard.edu/
5. http://www.econbiz.de
6. http://aeaweb.org/rfe/
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EXPERT DETAILS:

1. Prof. Amartya Sen is Thomas W. Lamont University Professor and Professor of Economics and Philosophy, at Harvard University.
2. Philippe Aghion, Robert C. Waggoner, Professor of Economics, Harvard University.
3. Pol Antràs, Professor of Economics, Harvard University.
4. Robert J. Barro, Paul M. Warburg Professor of Economics, Harvard University.
5. Richard N. Cooper, Maurits C. Boas Professor of International Economics, Harvard University.

JOURNALS (NATIONAL & INTERNATIONAL):

1. Annual Review of Economics
2. Business Economics
3. Cambridge Journal of Economics

4. Canadian Journal of Economics
5. Comparative Technology Transfer and Society
6. Contemporary Economic Policy
7. De Economist
8. Economic History Review
9. Economic Inquiry
10. The Economic Journal
11. National Institute Economic Review
12. Oxford Review of Economic Policy
13. Quarterly Journal of Economics
14. Student Economic Review

LIST OF TOPICS FOR STUDENT SEMINARS:

1. Business Economics, its scope & application areas.
2. Demand Analysis.
3. Impact of Demand Determinants on demand.
4. Elasticity of Demand, Types & Measurement.
5. Demand Forecasting & methods of demand forecasting.
6. Factors governing demand forecasting.
7. Production Function–Isoquants and Isocosts, MRTS, Least Cost Combination of Inputs.
8. Cobb-Douglas Production function, Laws of Returns.
9. Internal and External Economies of Scale.
10. Cost Analysis: Cost concepts.
11. Break-even Analysis (BEA) - & Its applications.
12. Market structures: Types of competition.
13. Objectives and Methods of Pricing.
14. Forms of Business Organizations.
15. Public Enterprises and their types.
16. Changing Business Environment in Post-liberalization scenario.
17. Financial Analysis through ratios.

CASE STUDIES/SMALL PROJECTS:

1. Case Analysis on Ratio Analysis

2. Case Analysis on Final account problems with adjustments