SNS COLLEGE OF TECHNOLOGY

(*An Autonomous Institution*)

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COIMBATORE-35

ᐧA DEPARTMENT OF ELECTRICAL AND ELECTRONICS ENGINEERING

UNIT: 1 BASIC ECONOMICS

2 MARKS

1. What is meant by economics?

Economics is a study of economic problems of the people concerning production, consumption, exchange and distribution of wealth.

2. What is micro economics?

Micro economics is the study of a particular household, individual price, a firm or an industry.

3. What is macro economics?

Macro economics analyses the behaviour of broad economic aggregate like national income, general income, and general price level. etc.

4. What sort of relationship exists between the demand for goods and the price of complementary goods?

The relationship between the demand for goods and the price of complementary goods is inverse. when the price of complementary goods falls its demand would increase. it would increase the demand for goods as they are going to be used along with the complementary goods.

5. State the law of diminishing marginal utility.

It states that with successive increase in the units of consumption of a commodity, every additional unit of that commodity gives lesser satisfaction to the consumer. consumption beyond point of safety.

6. What are the assumptions of law of demand?

a) Price of related goods remains constant.

b) Income of the consumer does not change

c) Taste and preferences of the people remain unchanged.

7. What are the factors which affect the price elasticity of demand for a commodity?

a) Nature of the commodity

b)Availability of substitutes

c) Share in the total expenditure d) Different uses of a commodity

8. State the assumption of the law of supply.

a) Price of related goods remains unchanged. b)Technology of production should not changed

c) Cost of factors of production should remain the same

d) Goals of the firm should not change

9. Give any three factors affecting elasticity of supply

a) Nature of commodity

b) Cost of production

c) Time element

10. Define market demand.

Market demand is the total quantity demanded by all the purchasers together.

11. State the law of supply

The law of supply states that the quantity of a commodity supplied varies directly with the price, other determinants of supply remaining constant.

12. What is fixed cost?

Fixed costs are the cost which does not change with change in the level of output.

13. Define marginal cost.

Marginal cost is the change in the total cost by producing an additional unit of output

14. State & explain the law of demand

The law of demand states that other things being equal demand when price falls and contracts when price rises.

15. Why does the demand curve slope downwards to the right?

A normal demand curve slopes downwards from left to right and it means that more units of a good are brought when price falls and less number of units are brought when rises. That is, when price falls, demand expands. So the demand curve as a rule, slope downwards from left to right.

16. Define cross elasticity of demand.

Cross elasticity of demand is the responsiveness of demand for a commodity say X to a given change in the price of a related say Y.

7. Classify wants. a)Necessaries

b) Comforts

c)Luxuries

18. Name the factors influencing demand.

a) Changes in the price of other goods.

b) State of trade

c) Changes in the taste and fashion d)

Advertisement expenditure

19. What is demand forecasting?

Demand forecasting is the estimate of level of demand to be expected for goods or services for some period of time in the future.

20. What is meant by supply in economics?

Supply is the amount of commodity which will be offered for sale at a given price per unit of time.

UNIT: 2

DEMAND AND SCHEDULE

2 MARKS

1. What are the elements of financial management?

a)Fixed and working capital management.

b) Determining sources of funds

c) Financial analysis

d) Capital budgeting

2. Explain working capital

Working capital is that part of the capital which is required for the financing of working or current needs of the firm.

3. What is meant by fixed capital?

Fixed capital is associated with the amount of capital acquired by an enterprise for acquiring fixed assets such as land, building, plant, machinery and equipment, which are intended for long term continued use i business.

4. Classify working capital a)Permanent

working capital b) Variable working

capital

5. List the internal sources of finance.

a) Retained profit

b) Depreciation provisions

c) Deferred taxation

d) Personal funds

6. List the external sources of finance. a) Venture capital funds

b) Loans from financial institutions

c) Loans from banks

d) Trade credit

7. What are the responsibilities of good financial management? a)Profit planning

b) Worth maximization c) Procurement of finance

d) Capital financing

8. Enumerate executive function of financial management.

a) Assessment of financial needs in terms of fixed and working capital

b) Choosing the sources of funds

9. What is the role of financial manager in an organization?

The specific role of a financial manager includes anticipation of financial needs, acquiring financial resources and allocating funds in business.

10. What is debenture?

A debenture is an instrument issued by a company which denotes an obligation resulting from the borrowing of money through the instrument.

11. Name the state level financing institution for advancing loans to industries.

Tamilnadu industrial development corporation

12. What are retained earnings?

Retained earnings are profits not distributed by way of divided payments but retained within th organization as revenue reserves. These retained earnings are utilized by the company to finance i expansion plans or meet its requirements of working capital.

13. Explain what is meant by obsolescence of machine.

Obsolescence is the loss in value of an asset due to new inventions, modifications, and change in legislation, styles, technology or other causes. It is different from wear & tear due to normal usage.

14. What is investment?

The purchase of capital goods, such as plant and machinery in a factory in order produce goods for future consumption.

15. Define cost of capital.

Cost of capital is concerned with the amount that should be expended in order to acquire capital for investment project.

16. What is financial accounting?

The art of recording, classifying and summarizing in a significant manner and in terms of money transactions and events which are impart at least of a financial character and interpreting the resulting thereof.

17. State the nature of financial accounting.

a) The transaction is mostly financial in nature

b) It deals with the overall performance of the business.

c) It is more rigid in its approach

18. Write the types of business accounts. a) Personal account b) Real account

c) Nominal account

19. What are the systems of book keeping? a)Double entry system b) Single entry system

20. What are the functions of financial management? a)determining financial needs b) Determining sources of funds c) Financial analysis

d) Profit planning and control

UNIT: 3
ORGANISATION
2 MARKS

1. What are the components of cost? a)Prime cost

b) Factory cost

c) Office cost

d) Total cost

2. State the factors influencing pricing decisions.

a) Cost of manufacturing

b) Objectives and polices of management

c) Demand of the product

d) Distribution strength of the firm

3. Explain short run period in economics.

Short run period is defined as a period during which at least one element of factor input is in fixed supply, the fixed factor input is plant and equipment.

4. What is meant by incremental cost?

Incremental cost is the additional cost due to a change in the level or nature of business activity.

5. List out the various pricing policies in India. a) Skim

pricing

b) Penetration pricing c) Market

pricing d)Mixed pricing

6. What is meant by opportunity cost?

Opportunity cost of a factor refers to its value in its next best alternative use. Opportunity cost is also known as transfer earnings on the foregone alternatives.

7. What are the pricing methods?

a)Cost plus pricing method

b) Break even analysis method
c) Target rate of return method

d)leadership pricing method

e) Going rate pricing method

f) Marginal cost pricing method

8. What is price index?

The ratio of one price to the price of the same item at a different time.

9. List three semi variables costs.

a)electricity charges

b) Telephone charges

c) Depreciation

d)maintenance expenses.

10. Explain the relationship between cost and output.

The cost of production in an industry depends on the rate of output which is important in economic analysis of cost .the relationship between cost and output determines the cost function. Once the cost function is determined estimates of future cost of production at various output levels can usually be obtained.

11. List the main difference between short term cost & long term cost.

The short term cost are cost which are recurring but the long term costs are used over a period of time.

12. Define safety margin.

Safety margin is the difference between the actual sales quantity and the break even sales quantity expressed in monetary terms or as a percentage.

13. What are producer goods?

Producer goods are economic goods made for the purpose of producing consumer goods and other capital goods.

14. State four pricing methods employed by businessmen.

15. a)Full cost pricing

b) Target rate of return pricing

c) Going rate pricing

d) Sealed bid pricing

16. Mention the methods of measuring national income. a)production

method

b)Income method

c) Expenditure method

17. Explain equilibrium price.

It is a price at which the supply of, & demand for, a commodity are equal.

17. Define price.

Price is defined as the exchange value of a product or a service quantified in monetary terms.

18. Define cost.

Cost is the amount of expenditure notional or actual, attributes to a thing .cost refers to sacrifice or receive some benefits.

19. Write a short note on skimming price policy.

Skimming pricing policy uses high prices to obtain a high profit and quick recovery of the development costs in the early stages of a products life before competition intensifies.

20. What is price discrimination?

Price discrimination is the charging of different prices of different groups of individual for the same goods or services for reasons not associated with differences in costs. This may occur when there is a geographic separation of markets ,the structure of demand in each market being different.

UNIT-4 BREAK EVEN ANALYSIS
2 MARKS

1. What are the uncertainties a firm faces?
    1) Dynamic nature of consumer needs
    2) Diverse nature of competition
    3) Uncontrollable nature of most elements of cost
    4) Continuous technological developments
2. How is cost-volume-profit relationship determined?

   The most important method of determining cost-volume-profit relationship is Break even Analysis.
3. What is Break even Analysis?

   The method of determining the cost-volume-profit relationship is known as Break even Analysis.

4. Who are benefitted through Break even Analysis?

Break even Analysis is useful for business executives, but also for an entrepreneur who is on the threshold of setting up his own unit.

5. What is the usefulness Break even Analysis?

Break even Analysis is valuable for project appraisal executives, business students, accountants etc.

6. How is the knowledge of Break even Analysis is helpful to business consultant?

The knowledge of Break even Analysis is helpful to business consultant is useful in order to provide right recommendations to their clients.

7. What does break even Analysis involves?

Break even Analysis the study of revenue and costs of a firm in relation to its volume of sales and specifically the determination of that volume at which the firms costs and revenue will be equal.

8. What is breakeven point?

Breakeven point is defined as that level of sales at which total revenue is equal to total costs and the net income is equal to zero.

9. Write the relationship between breakeven point and variable cost?

Write the formula for breakeven point and contribution per unit?

$$\text{Breakeven point} = \frac{\text{fixed cost}}{\text{price per unit} - \text{variable cost}}$$

$$\text{Breakeven point} = \frac{\text{fixed costs}}{\text{contribution per unit}}$$

10. How is BEP determined?

BEP's are determined as

In terms of physical units In terms of money

12. What is break even chart?

Break even chart is defined as "a graphical presentation of fixed costs, variable costs and sales revenue for various volumes of operations. It illustrates the profits or losses incurred at different volumes of operations, the breakeven point and margin of safety".

13. Give the formula for Selected operating point.

$$\text{Selected operating point} = \frac{\text{Fixed costs} + \text{arget profit}}{\left(\frac{P}{V}\right)\text{ratio}}$$

14. Define (P/V) Ratio.

It is the ratio of contribution to sales, which is expressed in terms of percentages. It is also called as "Contribution Ratio".

15. What are the uses of BEA?

It predicts the effects of change in price on sales.

It predicts the effects of change on profitability of changes in costs and efficiency.

16. Write down the limitations of break even Analysis?

BEP Analysis assumes costs and revenue to be linear in function. This practice is not true. Break Even Chart is useful only for single product companies.

17. How is BEP determined In terms of physical units?

$$\text{BEP} = \frac{\text{fixedcosts}}{\text{contribution margin per unit}}$$

18. How is BEP determined In terms of money?

$$\text{BEP} = \frac{\text{fixedcosts}}{\text{contribution ratio}}$$

19. How is Contribution Ratio Determined?

$$\text{Contribution Ratio} = \frac{\text{Sales} - \text{Variable cost}}{\text{Sales}}$$

20. How is Contribution Margin per unit Determined? Contribution Margin=Sales-Variable costs

21. Define Marginal Ratio.

It is the ratio of contribution to sales, which is expressed in terms of percentages. It is also called as "Contribution Ratio".

Unit 5

COST AND BREAK EVEN ANALYSIS

2MARKS

3. What are the uncertainties a firm faces?
    1) Dynamic nature of consumer needs
    2) Diverse nature of competition
    3) Uncontrollable nature of most elements of cost
    4) Continuous technological developments
4. How is cost-volume-profit relationship determined?

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3. What is Break even Analysis?

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8. What is breakeven point?

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9. Write the relationship between breakeven point and variable cost?

$$\text{Breakeven point} = \frac{\text{fixed costs}}{\text{price per unit} - \text{variable cost}}$$

12. Write the formula for breakeven point and contribution per unit?

$$\text{Breakeven point} = \frac{\text{fixed costs}}{\text{contribution per unit}}$$

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24. How is Contribution Ratio Determined?

$$\text{Contribution Ratio} = \frac{\text{Sales} - \text{Variable cost}}{\text{Sales}}$$

20. How is Contribution Margin per unit Determined? Contribution
Margin=Sales-Variable costs

21. Define Marginal Ratio.

It is the ratio of contribution to sales, which is expressed in terms of percentages. It is also called as "Contribution Ratio".