PRINCIPLES OF ECONOMICS-I (MICRO ECONOMICS)

‘Economics is the study of factors determining material welfare of human beings’- Prof. Cannon

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KEY TERMS

- Utility : Features, Form, Place, Time, Services, MU, TU, Water-Diamond Paradox
- Demand, Desire, Want, DF, DS,DC, SF, SS,SC
- Price and Value: Normal vs. Market Price
- Equilibrium, Market
- Elasticity vs. Flexibility
- Very short run, Short run vs. Long run
- Super Normal Profits, Normal Profits, Losses
- Product Pricing : Perfect Market and Imperfect Market
- Factor Pricing : Wages, Rent, Interest and Profit

ECONOMICS of ENGINEERING and VALUING

- Study of Material Wealth of Nations-A. Smith
- Study of Material Needs-A. Marshall
- Administration of Scarce Resources-Scitovsky
- Problem of Choice-Robbins
- Determinants of Employment and Standard of Living-Benham and Keynes
- Economic Circle

CONSUMER BEHAVIOUR

- Theory of Demand : DC: Individual and Market, DS, Law of Demand, Changes in Demand :

  Extension, Contraction, Increase, Decrease in Demand
- Cardinal Utility Approach: TU, MU, IU

  Law of DMU (MU=P) and Law of EMU (MU of X=MU of Y)
- Ordinal Utility Approach : IC Analysis: IC Curve, IC Map, Price Line, Hicks, Slutsky, PE, IE, SE
- Revealed Preference Approach : Samuelson Choice Reveals Preference
- Theory of Supply- SF, SC : Individual and Market, SS, Law of Supply, Changes in Supply- Extension, Contraction, Increase, Decrease in Supply
- Elasticity of Demand : Degrees :More, Less, Unity, Zero and Infinite, Curves, Types : Price, Income and Cross

PRODUCTION, COST, REVENUE and MARKET FORMS

- PRODUCTION: TP, AP, MP, Economies of Scale, Laws of Production
- COST : TC, TFC, TVC, AC, AFC, AVC, MC
- REVENUE : TR, AR, MR under various Markets
- PERFECT COMPETITION : Price Determination
- MONOPOLY : Price Determination
- MONOPOLISTIC COMPETITION : Price Determination

FACTOR PRICING

- LAND : Rent, Quasi Rent, Ricardo and Modern Theory
- LABOUR : Wages, Salary, Traditional and Modern Theory
- CAPITAL : Interest, Gross, Net, Classical, Neo-classical, Keynes, Modern
- ENTREPRENEUR : Profit, Gross, Net, Risk, Uncertainty

MICRO ECONOMICS (Sample Questions)

Q. No. 1. Cardinal utility analysis of consumer behaviour was developed by

(a) A. Marshall (b) Adam Smith (c) Irving Fisher (d) Hicks

Q. No. 2. An Indifference curve represents

(a) One commodity (b) Two commodities (c) Four commodities (d) None

Q. No. 3. At saturation point, TU is maximum and MU is

(a) Zero (b) Positive (c) Negative (d) Decreasing

Q. No. 4. Price Effect is

(a) IE+SE (b) IE-SE (c) SE-IE (d) IE/SE

Q. No. 5. Which statement is false

(a) At equilibrium point, MR=MC

(b) Under perfect competition, goods are similar

(c) A monopolist earns abnormal profits even in the long run

(d) Adam Smith called price mechanism as Price Regulation

MICRO ECONOMICS (Sample Questions)

Q. No.6 The return to entrepreneurship is known as-

(a) Explicit Profit. (b) Economic Profit.

(c) Opportunity Revenue (d) Normal Revenue.

Q. No.7 Economic profit refers to-------- minus all relevant costs, both explicit and implicit.

(a) Profit (b) Cost (c) Expenses (d) Revenues

Q. No. 8. The concept of Quasi Rent is concerned with…………

(a) A. Marshall (b) D. Ricardo (c) A.C. Pigou (d) M. Friedman

Q. No. 9. Under …………………..market, firm is price taker and not price maker.

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

Q. No. 10 Which one is not a component of Gross Interest

(a) Net Interest (b) Reward for Risk (c) Reward for Management (d) Reward for convenience

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THANKS