BE-MACRO ASSIGNMENT-1

ROLL NO.408

1. A
2. C
3. B
4. A
5. C
6. D
7. B
8. D
9. A
10. C
11. B
12. D
13. C
14. B
15. A
16. B
17. C
18. D
19. C
20. C
21. A
22. A
23. B
24. D
25. A
26. C
27. B
28. B
29. .
30. .

31. The short-run aggregate supply curve (SRAS) lets us capture how all of the firms in an economy respond to price stickiness. When prices are sticky, the SRAS curve will slope upward. The SRAS curve shows that a higher price level leads to more output. The short-run aggregate supply curve is upward sloping because the quantity supplied increases

when the price rises. In the short-run, firms have one fixed factor of production (usually capital). When the curve shifts outward the output and real GDP increase at a given price.

32. A negative externality exists when the production or consumption of a product results in a cost to a third party. Air and noise pollution are commonly cited examples of negative externalities.
    Externalities lead to market failure because a product or service's price equilibrium does not accurately reflect the true costs and benefits of that product or service.

33. Actual economic growth is measured by the annual percentage change in a country's real national output (GDP). Potential economic growth is also known as trend growth and is measured by the estimated annual change in a country's potential level of national output.

34. The three different ways to measure GDP are - Product Method, Income Method, and Expenditure Method.

    Under the product method, the national income is calculated by adding up the money value of goods and services produced by the primary, secondary, and tertiary sectors. It is useful for assessing the contribution of each of these sectors towards the national income.

    In the income method, the national income is measured by adding up the pretax income generated by the individuals and companies in the economy. It consists of income from wages, rent of buildings and land, interest on capital, profits, etc.

    The expenditure method is a system for calculating gross domestic product (GDP) that combines consumption, investment, government spending, and net exports. It is the most common way to estimate GDP.