BUSINESS ECONOMICS

ASSIGNMENT

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- **419**

1. a
2. c
3. d
4. d
5. a
6. c
7. b
8. c
9. a
10. b
11. c
12. b
13. c
14. c
15. d
16. a
17. d
18. d
19. a
20. b
21. b
22. a
23. d
24. a
25. d
26. a
27. d
28. b
29.

→

a.

NET DOMESTIC INCOME = RS24000 + RS28000 + RS10000 (in cr)

NET DOMESTIC INCOME = RS 62000 CRORE

b.

GROSS DOMESTIC INCOME = RS62000 + RS1700(in cr)

GROSS DOMESTIC INCOME = RS 63700 CRORE

c.

NET NATIONAL INCOME = 62000 – 300

NET NATIONAL INCOME = RS 61700 CRORE

30.

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Plastic has a societal cost since it pollutes the environment. People use plastic because it is convenient for them. As a result, the Marginal Social Cost (MSC) is distinct from the Marginal Personal Cost (MPC).

The use of plastic bags pollutes the ecosystem, and animals may die as a result of their ingestion. As a result, there may be a minor external cost associated with keeping water bodies clean and protecting animals from plastic eating.

As a result, MSB is less than MPB. MPB - MECc = MSB The MSB curve is shown below the MPB curve in the diagram. The market will be in an equilibrium situation with Price Ppc at QPc. MSB = MSC in a socially optimal equilibrium at output Q* of price P*. QPc > Q* Plastic bags are being created and consumed in excess, according to society. As a result of overconsumption, a dead weight welfare loss occurs.

31.

For each price level, the short-run aggregate supply curve depicts the aggregate output of the economy that companies are ready to supply in the short run — that is, between long-run equilibria.

Because salaries are not fully flexible in the short run, the short-run aggregate supply curve slopes higher. This is due to either money illusion, in which workers make decisions based on the level of their money earnings rather than their real salaries,... and/or fixed wage contracts, in which workers are unable to renegotiate their wages in reaction to price increases.

Firms will now enjoy higher marginal income for their products when the price level rises as a result of increasing aggregate demand.

Because inflexible salaries would not rise at the same rate, firms' marginal costs will not have increased as much as their marginal revenue.As a result, it will be profitable for businesses to increase output by hiring more people.As a result, higher prices are associated with higher output in the short run (and vice versa), and the aggregate supply curve in the short run is upward sloping.

32.

Negative Externality Definition - Negative externalities occur when production and/or consumption impose external costs on third parties outside of the market for which no appropriate compensation is paid. This causes social costs to exceed private costs.

33. Increases in the real Gross Domestic Product or real Gross National Product are referred to as true economic growth. Actual economic growth is defined as an increase in the trend rate of real Gross Domestic Product rather than an increase in output.
34.

Income measure: This measures the total of factor earnings. These are factor payments to land, labour and capital. Transfer payments are not included (to avoid double counting).

Output measure: This measures the value of goods and services produced. To avoid double counting we only include the "value added" component of firms' output.

Expenditure method: This includes all expenditure (including exports minus imports) in the economy and also what would have to be spent to purchase increases in inventories (or stocks). To avoid double counting, we include only expenditure on final goods.