**UNIT 1**

1. **Economics**

**Economics** is a social science concerned with the production, distribution, and consumption of goods and services. **Economics** can generally be broken down into macroeconomics, which concentrates on the behavior of the aggregate economy, and microeconomics, which focuses on individual consumers and businesses.

1. **Efficiency(Nov 2018) (Nov 2015) (Jan 2014)**

**Efficiency** signifies a level of performance that describes using the least amount of input to achieve the highest amount of output. The state or quality of being **efficient**, or able to accomplish something with the least waste of time and effort; competency in performance.

1. **Economic Efficiency (May 2017) (Nov 2016) (Nov 2016) (May 2014) (Nov 2014)**

**Economic efficiency** implies an **economic** state in which every resource is optimally allocated to serve each individual or entity in the best way while minimizing waste and inefficiency.

1. **Productive Efficiency (Nov 2015) (May 2014)**

**Productive efficiency** (or **production efficiency**) is a situation in which the economy or an economic system (e.g., a firm, a bank, a hospital, an industry, a country, etc.) could not produce any more of one good without sacrificing **production** of another good and without improving the **production** technology.

**Productive efficiency** is concerned with producing goods and services with the optimal combination of inputs to produce maximum output for the minimum cost. ... (i.e. it is impossible to produce more of one good without producing less of another).

1. **Scarcity (May 2018) (Nov 2016)**

An inadequate amount of something; a shortage

**Scarcity** refers to the basic **economic** problem, the gap between limited – that is, **scarce** – resources and theoretically limitless wants. This situation requires people to make decisions about how to allocate resources efficiently, in order to satisfy basic needs and as many additional wants as possible.

1. **Externalities (May 2018) (Nov 2015) (Jan 2014)**

In economics, an externality is the cost or benefit that affects a party who did not choose to incur that cost or benefit. Externalities often occur when a product or service's price equilibrium cannot reflect the true costs and benefits of that product or service.

1. **Limitations of Macroeconomics (May 2014)**

Macroeconomics regards aggregates to be homogeneous, but in everyday life, aggregates tend to be heterogeneous.

The stabilization measure of aggregate variables aren't considered to be important. These aggregate variables may lack some significant.

Macroeconomics measurement concepts are statistically complex.

The indiscriminate use of macroeconomic variables may be misleading in analyzing the real-world problems.

1. **Micro and macro Economics (Nov 2014)**

**Micro**

Micro means small, Microeconomics deals with the economic interactions of a specific person, a single entity, or a company.

Microeconomics deals with the economic interactions of a specific person, a single entity or a company; it is the study of markets. Major goals of microeconomics is to analyze the market and determine the price for goods and services

**Macro**

**Macro means large**

The study of the performance, structure, behavior, and decision-making of an economy as a whole, rather than individual markets.

Macroeconomics is generally focused on countrywide or global economics. It studies involves the sum total of economic activity, dealing with the issues such as growth, inflation, and unemployment.



1. **Economic Growth (May 2016)**

**Economic growth** is an increase in the capacity of an **economy** to produce goods and services, compared from one period of time to another. It **can** be measured in nominal or real terms, the latter of which is adjusted for inflation.

1. **Fundamental economic problems (Jan 2018)**
* What to produce?
* How to produce?
* For whom to produce?
* What provisions (if any) are to be made for economic growth?
1. **PPF(Jan 2018) (May 2017) (Nov 2016) (May 2016) (Nov 2015)**

The **production possibility frontier** (PPF) is a **curve** illustrating the different possible amounts that two separate goods may be produced when there is a fixed availability of a certain resource that both items require for their manufacture.

A production–possibility frontier or production possibility curve is a curve which shows various combinations of the amounts of two goods which can be produced within the given resources and technology.

**UNIT 2**

1. **Market equilibrium(Nov 2018) (May 2018) (May 2016) (Nov 2015) (Jan 2014)**

The supply and demand curves intersect, the **market** is in **equilibrium**. This is where the quantity demanded and quantity supplied are equal. The corresponding price is the **equilibrium** price or **market**-clearing price, the quantity is the **equilibrium** quantity.

1. **Demand (May 2017) (Nov 2016)**

**Demand** is an **economic** principle referring to a consumer's desire to purchase goods and services and willingness to pay a price for a specific good or service. Holding all other factors constant, an increase in the price of a good or service will decrease the quantity demanded, and vice versa.

1. **Factors that influence Demand (Jan 2014)**
* Tastes and Preferences of the Consumers: ADVERTISEMENTS: ...
* **Income** of the People: ...
* Changes in Prices of the Related Goods: ...
* Advertisement Expenditure: ...
* The Number of Consumers in the Market: ...
* Consumers' Expectations with Regard to Future Prices:
1. **Law of Demand and Supply(Nov 2015) (May 2014)**
* The law of demand says that at higher prices, buyers will demand less of an economic good.
* The law of supply says that at higher prices, sellers will supply more of an economic good.
1. **Supply (Nov 2016)**

**Supply** is a fundamental **economic** concept that describes the total amount of a specific good or service that is available to consumers. **Supply** can relate to the amount available at a specific price or the amount available across a range of prices if displayed on a graph

1. **Elasticity of Demand (Nov 2015) (Jan 2018)**

Price elasticity of demand is a measure used in economics to show the responsiveness, or elasticity, of the quantity demanded of a good or service to increase in its price when nothing but the price changes.

This quality of demand by virtue of which it changes (increases or decreases) when price changes (decreases or increases) is called **Elasticity of Demand**.

1. **Cross elasticity of demand (Nov 2016)**

In economics, the cross elasticity of demand or cross-price elasticity of demand measures the responsiveness of the quantity demanded for a good to a change in the price of another good. Changes in the price of tea will impact changes in coffee demand.

1. **Consumer behaviour (May 2016)**

**Consumer behavior** is the study of individuals, groups, or organizations and all the activities associated with the purchase, use and disposal of goods and services, including the **consumer's** emotional, mental and behavioral responses that precede or follow these activities.

1. **Consumer surplus**

**Consumer Surplus** is the difference between the price that **consumers** pay and the price that they are willing to pay. On a supply and demand curve, it is the area between the equilibrium price and the demand curve. For example, if you would pay 76p for a cup of tea, but can buy it for 50p – your **consumer surplus** is 26p.

1. **Consumer equilibrium (May 2017) (Nov 2014)**

**Consumer Equilibrium**. The state of balance obtained by an end-user of products that refers to the number of goods and services they can buy given their existing level of income and the prevailing level of cost prices. **Consumer equilibrium** permits a customer to get the most satisfaction possible from their income.

1. **Production function**

In economics, a production function gives the technological relation between quantities of physical inputs and quantities of output of goods.A production function shows the quantity of output we obtain from quantities of inputs.

The production functions for some products require one, specific mix of inputs to achieve a target output.Y = F(K, L)with the F representing the function that translates K and L into a quantity of real output

1. **Cost function(Jan 2018)**

A **cost function** is a **function** of input prices and output quantity whose value is the **cost** of making that output given those input prices, often applied through the use of the **cost** curve by companies to minimize **cost** and maximize production efficiency.

The **cost function equation** is expressed as C(x)= FC + V(x), where C equals total production **cost**, FC is total fixed **costs**, V is variable **cost** and x is the number of units.

1. **Diseconomies of scale (Nov 2018) (May 2018) (Nov 2015) (Nov 2014) (Nov 2014)**

In microeconomics, diseconomies of scale are the cost disadvantages that economic actors accrue due to an increase in organizational size or on output, resulting in production of goods and services at increased per-unit costs. The concept of diseconomies of scale is the opposite of economies of scale.

**Diseconomies of scale** occur when the expansion of output comes with increasing average unit costs.

1. **Economies of Scale (Nov 2016) (Nov 2016) (Jan 2014)**

In microeconomics, economies of scale are the cost advantages that enterprises obtain due to their scale of operation, with cost per unit of output decreasing with increasing scale.

1. **Law of return to scale (Nov 2015) (May 2014) (Nov 2014)**

The **law of returns to scale** states when there are a proportionate change in the amounts of inputs, the behavior of output also changes. The degree of change in output varies with change in the amount of inputs.

There are **three phases** of **returns** in the long-run which may be separately described as (1) the **law** of increasing **returns** (2) the **law** of constant **returns** and (3) the **law** of decreasing **returns**.

**UNIT 3**

1. **Factors market (Nov 2018) (Nov 2016) (Nov 2014) (Nov 2015)**

A factor market is a market in which companies buy the **factors of production** or the resources they need to produce their goods and services. Companies buy these productive resources in return for making payments at factor prices. This market is also referred to as the input market. **Factors of production** into **four** categories: land, labor, capital, and entrepreneurship.

1. **Firm Equilibrium (Nov 2016)**

**Firm** is said to be in **equilibrium** when it has no incentive either to expand or to contract its output. A **firm** would not like to change its level of output only when it is earning maximum money profits. Hence, making a maximum profit or incurring a minimum loss is an important condition of a **firm's equilibrium**.

A firm is in equilibrium when it has no desire to change (increase or decrease) its output levels. At the equilibrium point, the firm earns maximum profits.

1. **Market efficiency (May 2017) (Nov 2016) (May 2016) (Nov 2015) (Nov 2014) (Nov 2018) (May 2018)**

**MARKET EFFICIENCY**: The notion that a competitive **market** automatically achieves an **efficient** allocation of resources by equating demand price with supply price and quantity demanded with quantity supplied. **Market efficiency** relies on the self-correction process that eliminates shortages or surpluses.

1. **Monopsony (May 2014)**

In economics, a monopsony is a market structure in which a single buyer substantially controls the market as the major purchaser of goods and services offered by many would-be sellers.

1. **Various forms of Market/ Market structure (Nov 2016)**
* **Perfect Competition** with Infinite Buyers and Sellers. ...
* Monopoly with One Producer. ...
* Oligopoly with a Handful of Producers. ...
* Monopolistic **Competition** with Numerous Competitors. ...
* Monopsony with One Buyer.
1. **Perfect Market (May 2017) (Nov 2015)**

A theoretical market in which buyers and sellers are so numerous and well informed that monopoly is absent and market prices cannot be manipulated.

1. **Competitive Market (Nov 2014)**

A **competitive market** is when there are many producers competing to provide consumers with the goods and services needed. In a **competitive market**, no single producer or consumer can dictate the **market**. All **competitive markets** share five characteristics: profit, diminishability, rivalry, excludability, and rejectability.

1. **Imperfect Market (May 2016)**

**Imperfect** competition is a competitive **market** situation where there are many sellers, but they are selling heterogeneous (dissimilar) goods as opposed to the perfect competitive **market** scenario. As the name suggests, competitive **markets** that are **imperfect** in nature.

1. **Factors of production (Jan 2018)**

The factors of production are resources that are the building blocks of the economy; they are what people use to produce goods and services. Economists divide the factors of production into four categories: **land**, **labor**, **capital**, and entrepreneurship.

1. **Derived demand (Nov 2018) (May 2018) (Jan 2014)**

**Derived demand** is **demand** for a factor of production or intermediate good that occurs as a result of the **demand** for another intermediate or final good. In essence, the **demand** for, say, a factor of production by a firm is dependent on the **demand** by consumers for the product produced by the firm.

**UNIT 4**

1. **Aggregate demand (Jan 2018)**

In macroeconomics, aggregate demand or domestic final demand is the total demand for final goods and services in an economy at a given time. It is often called effective demand, though at other times this term is distinguished. This is the demand for the gross domestic product of a country.

**Aggregate demand** is the total amount of goods and services demanded in the economy at a given overall price level at a given time.

1. **Aggregate Supply (Jan 2014) (Nov 2014)**

**Aggregate supply** (AS) is defined as the total amount of goods and services (real output) produced and **supplied** by an economy's firms over a period of time.

1. **Multiplier effect (Nov 2018) (May 2018) (May 2017) (Jan 2014) (Nov 2014)**

The **multiplier effect** refers to the proportional amount of increase in final income that results from an injection of spending. Alternatively, a **multiplier effect** can also work in reverse, showing a proportional decrease in income when spending falls.An initial increase in spending, cycles repeatedly through the economy and has a larger impact than the initial amount.

1. **Fiscal Deficit (May 2017)**

A **fiscal deficit** is a shortfall in a government's income compared with its spending. The government that has a **fiscal deficit** is spending beyond its means.

The difference between total revenue and total expenditure of the government is termed as **fiscal deficit**. It is an indication of the total borrowings needed by the government.

1. **GDP (May 2016) (Nov 2016)**

Gross Domestic Product (**GDP**) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

1. **Components of GDP (May 2018)**

components of GDP is Y = C + I + G + NX.

That stands for: GDP = Consumption + Investment + Government + Net Exports, which are imports minus exports.

1. **Calculation of GDP (Nov 2016)**

The following **equation** is used to **calculate** the **GDP**: **GDP** = C + I + G + (X – M) or **GDP** = private consumption + gross investment + government investment + government spending + (exports – imports).

Nominal value changes due to shifts in quantity and price

1. **Gross National Income (Nov 2015)**

The gross national income, previously known as gross national product.**Gross national income** is a measurement of a country's **income**. It includes all the **income** earned by a country's residents and businesses, including any **income** earned abroad. ... **GNI** also includes any product taxes not already counted, minus subsidies.

The **formula** to calculate the components of **GNP** is Y = C + I + G + X + Z. That stands for **GNP** = Consumption + Investment + Government + X (net exports) + Z (net income earned by domestic residents from overseas investments minus net income earned by foreign residents from domestic investments).

1. **Fiscal policy (May 2016) (Nov 2016) (Nov 2014)**

Fiscal **policy** is the use of government spending and **taxation** to influence the economy. **Fiscal policy** is an estimate of taxation and government spending that impacts the economy. It can be either expansionary or contractionary.

The **objective of fiscal policy** is to maintain the condition of full employment, economic stability and to stabilize the rate of growth. For an under-developed economy, the main purpose of **fiscal policy** is to accelerate the rate of capital formation and investment.

**UNIT 5**

1. **Fiscal policy vs Monetary Policy (Nov 2016)**

Monetary policy involves changing the interest rate and influencing the money supply.Fiscal policy involves the government changing tax rates and levels of government spending to influence aggregate demand in the economy.

1. **Foreign Exchange rate (Nov 2014)**

A **foreign exchange rate** is the price of the domestic **currency** stated in terms of another **currency**. Since standardized **currencies** around the world float in value with demand, supply, and consumer confidence, their values change relative to each over time.

1. **Okun’s Law (Nov 2018) (May 2018) (Nov 2016) (Nov 2015)(Nov 2016) (Nov 2014)**

In economics, Okun's law is an empirically observed relationship between unemployment and losses in a country's production. The "gap version" states that for every 1% increase in the unemployment rate, a country's GDP will be roughly an additional 2% lower than its potential GDP.

1. **Short run long run supply curve(Jan 2018)**

In the **short**-**run**, a firm produces that output at which its marginal cost is equal to the price. But, in the **long**-**run**, the price must be equal to both the-marginal cost and the average cost.

1. **Phillips curve (May 2017) (Nov 2016) (Nov 2016) (Nov 2016) (Nov 2014)(Nov 2018)**

The **Phillips curve** shows the inverse relationship between inflation and unemployment in an economy.The Phillips curve is a single-equation economic model, named after William Phillips, describing an inverse relationship between rates of unemployment and corresponding rates of rises in wages that result within an economy.

1. **Monetary Policy (May 2017) (May 2016) (May 2014)**

**Monetary policy** is the macroeconomic **policy** laid down by the central bank. It involves management of money supply and interest rate and is the demand side economic **policy** used by the government of a country to achieve macroeconomic objectives like inflation, consumption, growth and liquidity.

1. **Money Market (Nov 2015) (Jan 2014)**

**Money market** basically refers to a section of the financial **market** where financial instruments with high liquidity and short-term maturities are traded. It is used by the participants as a way of borrowing and lending for the short term.

1. **Money Market Equilibrium(Jan 2018) (Nov 2014) (Nov 2015) (Nov 2014) (Nov 2014)**

**Money market equilibrium** occurs at the interest rate at which the quantity of **money** demanded equals the quantity of **money** supplied.Equilibrium in the money market takes place when the quantity of money demanded is equal to the quantity supplied.

1. **Inflation (May 2016) (Nov 2015)**

**Inflation** is a quantitative measure of the rate at which the average price level of a basket of selected goods and services in an economy increases over a period of time, Often expressed as a percentage, **inflation** indicates a decrease in the purchasing power of a nation's currency.

1. **Inflation rate (May 2018)(Jan 2014)**

The rate at which prices increase over time, resulting in a fall in the purchasing value of money.