SIR C.R.REDDY COLLEGE OF ENGINEERING, ELURU

DEPARTMENT OF INFORMATION TECHNOLOGY

LESSON PLAN

SUBJECT: CSE 4.1.4 Principles of Economics &Management

CLASS: 4/4 B.Tech I SEMESTER, A.Y.2019-20

INSTRUCTOR: Smt. G .Krishnaveni

Sir C R Reddy College of Engineering

DEPT. OF INFORMATION TECHNOLOGY

Course Description:

This course is to provide students with an overview of the concepts and fundamental of economics and management. It also helps students in understanding the forms of business organizations. This course provides the knowledge on conditions of different market structures.

This course is to provide students the knowledge on how to plan the various activities which are required in the daily business life. The student gain sound knowledge on functional area of management. This course covers the topics like kinds of economics, demand elasticity, law of diminishing marginal utility, perfect competition, monopoly, sole proprietorship, partnership, partnership, public enterprises, functions of HRM, PM, FM and MM, entrepreneurship and phases of installing a project.

Course Objectives:

1. Apply economic reasoning to the analysis of selected contemporary economic problems.
2. Understand how households (demand) and businesses (supply) interact in various market Structures to determine price and quantity of goods and services produced and consumed.
3. Analyze the efficiency and equity implications of government interference in markets.
4. Recognize and identify situations leading to market failures and government failures.
5. Evaluate the intent and outcomes of government stabilization policies designed to correct macroeconomic problems.
6. Use economic problem solving skills to discuss the opportunities and challenges of the increasing globalization of the world economy.

Course Outcomes:

- Understand the links between production costs and the economic models of supply.
- Represent supply, in graphical form, including the upward slope of the supply curve and what shifts the supply curve.
- Understand how different degrees of competition in a market affect pricing and output.
- Apply economic reasoning to individual and firm behavior

CSE4.1.4	**PRINCIPLES OF ECONOMICS AND MANAGEMENT**	
Instruction: 3 Periods + 1 Tut/week, Univ. Exam: 3 Hours		**Credits: 4**
Internal: 30 Marks	**University Exam: 70 Marks**	**Total: 100 Marks**

Syllabus

1. **Introduction to Managerial Economics:** Wealth, Welfare and Scarce Definitions of Economics; micro and Macro Economics; Demand- Law of Demand, Elasticity of Demand, types of Elasticity and factors of determining price elasticity of Demand: utility- Law of Diminishing Marginal Utility and its limitations.

2. **Conditions of Different Market Structures:** Perfect Competition, Monopolistic Competition, Monopoly, Oligopoly, and Duopoly.

3. **Forms of Business Organizations:** Sole Proprietorship, Partnership, Joint Stock Company-Private Limited and Public Limited Companies, Public Enterprises and their types.

4. **Introduction to Management:** Functions of Management- Taylor's Scientific management; Henry Fayol's Principle of Management; Human Resource Management- basic Functions of HR Manager; Man Power Planning, Recruitment, Selection, Training, Development, Placement, Compensation and performance Appraisal(in brief).

5. **Production Management:** Production Planning and Control, plant Location, Break-Even Analysis, assumptions and applications.

6. **Financial Management:** Types of Capital: Fixed and Working Capital and Methods of Raining Finance; Depreciation: Straight Line and Diminishing Balance Methods. Marketing Management: Functions of marketing and Distribution Channels.

7. **Entrepreneurship:** Entrepreneurial Functions, Entrepreneurial Development: Objectives, Training, and Benefits: Phases of installing a project.

Text Books:

1. K.K.DEWETT, Modern Economic Theory, S.Chand and Company, New Delhi-55.

2. S.C. Sharma and Banga T. R., Industrial Organization & Engineering Economics, khanna Publications, Delhi-6.

Reference Books:

1. A.R. AryaSri, Management Science, TMH publications, New Delhi-20.

2. A.R. AryaSri, Managerial Economics and Financial Analysis, TMH Publications, new Delhi-20.

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Prerequisite

Students are expected to know and understand the basic business terminology.

Internal Assessment Details:

Internal Test 1& 2 descriptive: 30 Marks 2/3rd of internal that is total 20 marks

Assignment-1& 2: 10 Marks

Total: 30 Marks

Online References:

1) https://open.umn.edu/opentextbooks/textbooks/principles-of-economics
2) https://en.wikipedia.org/wiki/Economics

SIR C R REDDY COLLEGE OF ENGINEERING :: ELURU

DEPARTMENT OF INFORMATION TECHNOLOGY

COURSE SCHEDULE

The schedule for the whole course/subject is:

Unit No	Description of the Chapter	Description of the Topics	Total no of periods (L+T)
1	**Introduction to Managerial Economics**	Wealth, Welfare and Scarce Definitions of Economics; micro and Macro Economics; Demand- Law of Demand, Elasticity of Demand, types of Elasticity and factors of determining price elasticity of Demand: utility- Law of Diminishing Marginal Utility and its limitations.	10+1
2	**Conditions of Different Market Structures**	Perfect Competition, Monopolistic Competition, Monopoly, Oligopoly, and Duopoly.	10+2

3	**Forms of Business Organizations**	Sole Proprietorship, Partnership, Joint Stock Company- Private Limited and Public Limited Companies, Public Enterprises and their types.	7+1
4	**Introduction to Management**	Functions of Management- Taylor's Scientific management; Henry Fayol's Principle of Management; Human Resource Management- basic Functions of HR Manager; Man Power Planning, Recruitment, Selection, Training, Development, Placement, Compensation and performance Appraisal(in brief).	9+1
5	**Production Management**	Production Planning and Control, plant Location, Break-Even Analysis, assumptions and applications.	7+1
6	**Financial Management**	Types of Capital: Fixed and Working Capital and Methods of Raining Finance; Depreciation: Straight Line and Diminishing Balance Methods. Marketing Management: Functions of marketing and Distribution Channels.	7+1
7	**Entrepreneurship:**	Entrepreneurial Functions, Entrepreneurial Development: Objectives, Training, and Benefits: Phases of installing a project.	7+1

Total no of instructional periods available for the course : 70 periods

Total no of estimated periods : 65 periods

Signature of the H.O.D **Signature of the Faculty**

Date:

	LECTURE PLAN
DEPARTMET	INFORMATION TECHNOLOGY
NAME OF LECTURER	G.Krishnaveni

Expected (Planed) date of completion of the course:

Unit Number: 1 26th June 2019

Unit Number: 2 July 12th 2019

Unit Number: 3 July 25th 2019

Unit Number: 4 August 12th 2019

Unit Number: 5 August 28th 2019

Unit Number: 6 September 12th 2019

Unit Number: 7 September 23rd 2019

Sl. No	**Topics to be covered**	**Referen ce**	**Teaching method**	**Outcomes**
1	Introduction to Economics	TB	BB	a,c
2	Basic Terminologies of Economics	TB	BB	a,c
3	Goods and its Types	TB	BB	a,b,c
4	Goods and its Types	TB	BB	a,b,c
5	Wealth definition of Economics	TB	BB	b,c,d
6	Welfare definition of Economics	TB	BB	b,c,d
7	Scarcity definition of Economics	TB	BB	b,c,d
8	Growth definition of Economics	TB	BB	b,c,d
9	Jacob Vernir's definition of	TB	BB	b,c,d

	Economics			
10	Micro Economics	TB	BB	b,c,d
11	Macro Economics	TB	BB	b,c,d,e
12	Demand, Types of Demand	TB	BB	b,c,d,e
13	types of Elasticity and factors of determining price elasticity of Demand	TB	BB	b,c,d,e
14	types of Elasticity and factors of determining price elasticity of Demand	TB	BB	b,c,d,e
15	types of Elasticity and factors of determining price elasticity of Demand	TB	BB	b,c,d,e
16	utility- Law of Diminishing Marginal Utility and its limitations	TB	BB	b,c,d,e
17	utility- Law of Diminishing Marginal Utility and its limitations	TB	BB	b,c,d,e
18	utility- Law of Diminishing Marginal Utility and its limitations	TB	BB	b,c,d,e
19	Perfect Competition	TB	BB	b,c,d,e
20	Perfect Competition	TB	BB	b,c,d,e
21	Monopolistic Competition	TB	BB	b,c,d,e
22	Monopolistic Competition	TB	BB	b,c,d,e
23	Monopoly, Oligopoly, and Duopoly	TB	BB	b,c,d,e
24	Monopoly, Oligopoly, and Duopoly	TB	BB	b,c,d,e
25	Monopoly, Oligopoly, and Duopoly	TB	BB	b,c,d,e
26	Sole Proprietorship, Partnership	TB	BB	b,c,d,e
27	Sole Proprietorship, Partnership	TB	BB	b,c,d,e
28	Sole Proprietorship, Partnership	TB	BB	b,c,d,e
29	Joint Stock Company- Private Limited and Public Limited Companies	TB	BB	b,c,d,e
30	Joint Stock Company- Private Limited and Public Limited Companies	TB	BB	b,c,d,e
31	Joint Stock Company- Private Limited and Public Limited Companies	TB	BB	b,c,d,e
32	Public Enterprises and their types	TB	BB	b,c,d,e
33	Public Enterprises and their types	TB	BB	b,c,d,e
34	Functions of Management-	TB	BB	b,c,d,e

	Taylor's Scientific management			
35	Functions of Management-Taylor's Scientific management	TB	BB	b,c,d,e
36	Henry Fayol's Principle of Management	TB	BB	b,c,d,e
37	Henry Fayol's Principle of Management	TB	BB	b,c,d,e
38	Human Resource Management	TB	BB	b,c,d,e
39	basic Functions of HR Manager	TB	BB	b,c,d,e
40	Man Power Planning	TB	BB	b,c,d,e
41	Recruitment, Selection	TB	BB	b,c,d,e
42	Training	TB	BB	b,c,d,e
43	Development	TB	BB	b,c,d,e
44	Placement	TB	BB	b,c,d,e
45	Compensation and performance Appraisal(in brief)	TB	BB	b,c,d,e
46	Production Planning and Control	TB	BB	b,c,d,e
47	Production Planning and Control	TB	BB	b,c,d,e
48	plant Location	TB	BB	b,c,d,e
49	plant Location	TB	BB	b,c,d,e
50	Break-Even Analysis	TB	BB	b,c,d,e
51	assumptions and applications	TB	BB	b,c,d,e
52	Types of Capital: Fixed and Working Capital	TB	BB	b,c,d
53	Types of Capital: Fixed and Working Capital	TB	BB	b,c,d
54	Methods of Raining Finance	TB	BB	b,c,d
55	Methods of Raining Finance	TB	BB	b,c,d
56	Depreciation: Straight Line and Diminishing Balance Methods	TB	BB	b,c,d
57	Depreciation: Straight Line and Diminishing Balance Methods	TB	BB	b,c,d
58	Depreciation: Straight Line and Diminishing Balance Methods	TB	BB	b,c,d,e
59	Marketing Management	TB	BB	b,c,d
60	Marketing Management	TB	BB	b,c,d
61	Functions of marketing and Distribution Channels	TB	BB	b,c,d
62	Functions of marketing and Distribution Channels	TB	BB	b,c,d
63	Entrepreneurial Functions	TB	BB	b,c,d

64	Entrepreneurial Functions	TB	BB	b,c,d
65	Entrepreneurial Development	TB	BB	b,c,d,e
66	Entrepreneurial Development	TB	BB	b,c,d,e
67	Objectives	TB	BB	b,c,d,e
68	Objectives	TB	BB	b,c,d,e
69	Training, and Benefits	TB	BB	b,c,d,e
70	Training, and Benefits	TB	BB	b,c,d
71	Phases of installing a project	TB	BB	b,c,d
72	Phases of installing a project	TB	BB	b,c,d
73	Phases of installing a project	TB	BB	b,c,d
74	Phases of installing a project	TB	BB	b,c,d
	Total classes 74			

Principle of Economics and Management

Unit Wise Question Bank

UNIVERSITY QUESTIONS
2 MARKS
UNIT - 1

1) What do you mean by Production-possibility frontier (PPF)? Jan 2010/ May/ June 2012

Production Possibility Curve (PPC) is a curve that shows the possible combinations of any two economic goods an economy can produce by using the available scarce resources.

It is sometimes called Production Possibility Frontier, Production Possibility Boundary and Transformation Curve as the concept illustrates the potential productive capacity of
the economy.

2. What do you understand by Macro economics? Jan 2011/ Nov/Dec 2009

The term 'macros' in Greek means large. Macro economics is the study of aggregates (total
or whole).

It studies about aggregate (total) demand, aggregate consumption, aggregate production,
aggregate income and aggregate investment, etc.

It studies all parts or components of the whole economy and it is not concerned with

individual aspects of the economy.
Macro economics examines the forest and not the trees.

3.) What do you understand by Productive efficiency? Jan 2010/ Nov/Dec 2009

1. Efficient selection of goods to be produced,
2. Efficient allocation of resources in the production of these goods with efficient choice
of method of production, and
3.Efficient allotment of the goods produced among consumers.

4.) State the meaning of microeconomics. Jan 2011

The term 'mikros' in Greek means small.
Micro economics refers to the study of small units. In other words, micro economics studies the individual parts or components of the whole economy.
Micro- economics is the study of particular firms, particular households, individual prices, wages, income, individual industries and so on.

Micro economics as the name implies is concerned with parts of the economy rather than
with the economy as a whole

5. State the fundamental economic problems. Jan 2010/ May/ June 2012

What to produce?
How to produce?
To whom to produce?

6. Explain the Economic efficiency Jan 2012

Economically efficient production is organized to minimize the ratio of inputs to outputs.
A situation where each good is produced at the minimum cost
The extent to which a given set of resources is being allocated

7. Explain the Productive efficiency May/ June 2012/

Productive efficiency (also known as "technical efficiency") occurs when the economy is
utilizing all of its resources, and operating at its production possibility frontier (PPF).

This takes place when production of one good is achieved at the lowest cost possible
Productive efficiency requires that all firms operate using best-practice technological and
managerial processes.
By improving these processes, an economy or business can extend its production possibility

8) What do you mean by efficiency? Jan 2012
Efficiency is one of the most important concepts to use in Economics course.
There are several meanings of the term - but they generally relate to how well an economy allocates scarce resources to meets the needs and wants of consumers.
v Economic efficiency is a term typically used in microeconomics when discussing product.
Production of a unit of good is considered to be economically efficient when that unit of
good is produced at the lowest possible cost.
Economic efficiency is used to refer to a number of related concepts. It is the using of resources in such a way as to maximize the production of ...
The extent to which a given set of resources is being allocated across uses or activities in
a manner that maximizes whatever value they are Economically efficient production is organized to minimize the ratio of inputs to outputs.

9) What do you mean by economic growth? Jan 2012
A positive change in the level of production of goods and services by a country over a certain period of time. Economic growth is usually brought about by technological innovation and positive external forces.
Economic growth is an increase in activity in an economy. It is often measured as the rate of change of gross domestic product (GDP).
Economic growth refers only to the quantity of goods and services produced; it says nothing about the way in which they are produced

UNIT 2

1) Define the term market. May/ June 2012/ Nov/Dec 2009
• The word market is not easy to define because it is used in many sense.

• The word is derived from the Latin word mercatus from the verb mercari which means to trade.
• It is the act or technique of buying or selling.
• A market need not be situated in a particular place or locality
• Buyers & sellers need not come into personal contact. The transactions can even be carried through telephones, agents etc.
• A market may refer to a commodity or services like fish market, vegetables market, money market, or share market.

2.) What is monopoly? Jan 2010

Monopoly- It is a market where the entire supply is controlled by one supplier in the particular market area.

In such a situation the monopolist will have power to fix the price as large.

3**.) What is demand? Jan 2012**

"The various quantities of a given commodity or services which consumers would buy in
one market in a given period of time at various prices or at various incomes or at various
prices of related goods"

"A desire for a commodity backed by willingness & ability to pay a price"

The amount of a particular economic good or service that a consumer or group of consumers
will want to purchase at a given price. The demand curve is usually downward sloping, since consumers will want to buy more as price decreases.

4) State law of demand? Jan 2011

• The law of demand indicates the relationship between the price of a commodity & the quantity demanded in the market
• Consumers & merchants know that if you lower the price of a goods or services without
altering its quantity or quality people will beat a path to your doorway. This is referred to as
law of demand.

5**.) What is elasticity of demand? May/ June 2012**

Elasticity means the capacity of demand to shrink or stretch in response to change in price

UNIT 3

1. The elasticity of demand in a market is great or small according to the amount demanded
increase much or little for a given rise in price
2. The elasticity of demand is a measure of the relative change in the amount purchased in
response to a relative change in price on a given demanded curve

6.) What is supply? Nov/Dec 2009

• Supply means the commodity offered for sale.
• Supply always relates to price
• The quantity supplied of a commodity increases when the price increases & the quantity supplied of a commodity decreases when the price decreases

UNIT 4

7**.) State law of supply? Jan 2010**

1. The law of supply states that there is a direct relationship between price & quantity supplied.
When the price rises the quantity supplied increases, & when the price falls the quantity
supplied also falls.
2. In other words the law of supply states that the producers are willing to produce & offer for
sale more of their product at a higher price than at a lower price.

8.) What is elasticity of supply? Jan 2011

Elasticity of supply is measured as the ratio of proportionate change in the quantity supplied to the proportionate change in price. High elasticity indicates the supply is sensitive to changes in prices, low elasticity indicates little sensitivity to price changes, and no elasticity means no relationship with price. Also called price elasticity of supply.

9) What is marginal utility? Jan 2010/ May/ June 2012

The addition made to the total utility by the addition of consumption of one more unit of a commodity.

10) What is consumer equilibrium? Jan 2012

Point of maximum consumer satisfaction: the point at which a consumer is deriving maximum
satisfaction from his or her purchases

• When consumers make choices about the quantity of goods and services to consume, it is
presumed that their objective is to maximize total utility. (Satisfying power of a commodity or a services which determines the demand for commodity is called utility)

11) What is consumer surplus? Jan 2010

• The concept of consumer surplus was introduced by Proff. Alferd Marshall

• What a consumer is willing to pay for one unit of commodity & what he actually pays,
measures the monetary cost the expected utility

• If a person is willing to pay Rs 50 . For a toy but he buys for Rs 30. It is said Rs 20 is consumer surplus.

• He gets higher satisfaction than the price he actually pays for him

• Consumer surplus = Potential price – Actual price

• The difference between the potential price & actual price is consumer surplus

• The sum total of surplus in enjoyed by the consumer.

12) What is fixed cost? Nov/Dec 2009

• Fixed cost are those which are fixed in production

• These cost do not vary with every change in output

• Fixed cost includes depreciation of machinery, building, maintenance of land

13) What is sunk cost? Nov/Dec 2009

• Cost which remain unaltered even after a change in the level or nature of business activity

• These are known as specific cost.

• The best example for sunk cost is depreciation

UNIT 5

1.) Define labour Jan 2011

• Labor signifies the contribution of human elements in production.

• Labour refers to any exertion physical or mental undertaken in expectation of a reward, the
reward usually begins the payment of money (the payment of wages)

2.) What is division of labour? May/ June 2012

Division of labour refers to dividing & sub dividing labour into a number of groups each
performing only one complete process of production, if the making of an article is split up into
several processes & each process is entrusted to a separate set of workers is called division of
labour.

3.) What is business cycle? Jan 2010

• Business cycle or trade is a part of the capitalist system. It refers to boom & depression.

• In business cycle there are wave like fluctuations in aggregate income, employment, output & price level.

• Fluctuations in economic activity have been occurring periodically in a more or less regular fashion. These fluctuations have been called business cycle. It may be noted that
calling there fluctuations as cycle means they are periodic & occur regularly.

• The duration of a business cycle has not been of the same length, it has varied from a minimum of two years to a maximum of 10 to 12 years.

• Some business cycle have been very short lasting for only 2 to 3 years, while others have
lasted for several years.

4.) What is capital? May/ June 2012

• Capital refers to produced means of production

• Capital includes all finished goods which are useful for the production of consumer goods

• The reward paid to capital as a factor of production is called interest

5.) What are the four phases of business cycles? Nov/Dec 2009

The following phases of business cycle have been distinguished

1. Expansion (Boom, upswing or prosperity)

2. Peak (upper turning point)
3. Contraction (downswing, recession or depression)
4. Trough (lower turning point)

UNIT 6

1. State the meaning of national income? Jan 2012

National income has been defined by various writers from different angles.

1. Generally it refers to the money value of the flow of goods and services available annually in an economy.
2. National income is the total money value of goods & services produced in a country (i.e.) 1Year.
3. National income is, the money value of all final outcome of all economic activities of the people of a country.
4. National income estimate which measures the volume of commodities and services turned out during a given period, counted without duplication.
5. National income is the value of goods and services produced during a given period counted without duplication.
6. Total income of the country is called 'national income'.

2. What are the methods of computation of national income? Jan 2011

There are 3 methods of computation of national income

1. Product method (or) Census method (or) Value added method (or) Production method (or) Output method
2. Income method
3. Expenditure method

3. What do you mean by income method? May/ June 2012

• Income is calculated by adding up the rent of land, wages, salaries of employees, interest on capital, profits of entrepreneurs & income of the self employed people.

• Income is obtained by summing up of the income of all individuals of a country.

• While estimating national income through income method certain precautions should be taken (i.e.) which should be included & not included.

4. What is circular flow of income? Jan 2011

The modern economy is a monetary economy. In the modern economy, money is used in the process of exchange. money has removed the difficulties of barer system. thus money acts as a medium of exchange.

1. Circular flow of income TWO- Sector economy (income & expenditure)
2. Circular flow of income THREE- Sector economy (income & expenditure with government)
3. Circular flow of income Four- Sector open economy (income & expenditure with government & foreign sector)

5. State aggregate demand May/ June 2012

• It is the total expenditure which all households & business firms want to make on goods
& services.

• In a two sector model the aggregate demand consists of 2 components

There is consumption demand

There is a demand for capital goods which is called investment demand.

• Thus by aggregate demand we mean how much expenditure the households & the entrepreneurs are undertaking on consumption & investment.

Aggregate demand = Consumption demand + investment demand

6. State aggregate supply Jan 2010

The aggregate supply means the total money value of goods & services produced in an economy in a year. The supply or output of final goods & services in a year.

• It is important to note that aggregate supply is the same thing as national product as both represents the value of output of final goods & services produced.

• The aggregate supply of goods of an economy depends upon the stock of capital, the amount of labour used & the state of technology.

7. What is transfer payments? Nov/Dec 2009

• We have explained about the determination of national income in the three sector economy when government expenditure is financed by imposition of lump sum tax.

• We now extend our model to include transfer payments & see how they affect determination of national income.

• Transfer payments are payments to the people by the government for which it receives no services or goods in return from them.
• Transfer payments are made by the government to promote social welfare.
Unemployment allowances, poverty relief grants, social security contributions, old age pensions are some important examples of transfer payments.
• (Transfer payments are opposite of tax) Where as tax reduces disposable income of people, transfer payments increases their disposable income.
• Transfer payments are financed through tax, then transfer payments become a part of government expenditure which reduces disposable income.
• Since transfer payments increases the disposable income of the people, they will increase their consumption expenditure depending on their propensity (tendency) to consume.

8. Define multiplier Jan 2012
Multiplier is a kind of ratio, which expresses the relationship between the increase in national
income & the increase in investment which induces the raise in Income
• A large change in income for a small change in investment is called as multiplier.
• The total effect of an increase in investment, on income is called the multiplier.
A multiplier can be defined as " the change in investment is multiplied in order to present us with the resulting change in income"
Generally, an increase in investment in the economy, will increase the income of the people & this will be an additional investment.

9. What is closed economy? Jan 2011
Working of the multiplier depends upon the fact whether economy is closed or open. A closed
economy implies absence of international trade. More imports over exports act as a leakage on
the income.

10. State accelerator principle Jan 2010
The concept of multiplier is not sufficient to explain the aggregate income. Therefore, Keyens had explained in this principle.
Accelerator (or) the principle of acceleration is another important tool in economic analysis.

Multiplier & Accelerator are parallel concepts. The multiplier shows the effect of change in
investment on consumption & income, whereas the accelerator shows the effect of change in
income & consumption of investment.
Multiplier explains how the consumption depends on investment.
Accelerator explains how the investment depends on consumption.

UNIT 7

1. What is inflation? Jan 2012

• Inflation means rise in prices after full employment has been reached.
• Inflation refers to rise in prices or fall in the value of money (i.e.) prices are rising (land
present value & future value).
• Inflation refers to too much money chasing too few goods (out of 100 cars only 2 cars)
• Inflation exists when money income is expanding more than in proportion to increase in
earning activity.
• Inflation occurs when the general level of prices & costs is rising.
• A continuous rise in the general price level over a long period of time has been the most
common feature of both developed & developing economies.
All these factors are very common in developing economies like India. The world in general has
gone through inflation since Second World War.

2. **What is hyper inflation (or) Jumping (or) Galloping (or) Run away (or) Spiraling? May/ June 2012**

• Hyper inflation is based on speed with which prices rise.
• When prices begin to rise at more than three digit rate per annum, it is called hyper inflation.
• When the price level rises about 100% per year it is called hyper inflation. (for e.g.) if the
price of commodity is Rs. 100 today it will become Rs. 200 in the next year
• In hyper inflation prices rise every month, every day & even every hour & there is

virtually no limit of the height to which prices might rise.
• It is dangerous to the economy as it cannot controlled easily.

3. What is unemployment? Jan 2011

• In economics, unemployment refers to the condition and extent of joblessness within an
economy, and is measured in terms of the unemployment rate, which is the number of unemployed workers divided by the total civilian labor force.
• Hence, unemployment is the condition of not having a job, often referred to as being "out
of work", or unemployed

4. State Okun's Law Jan 2012
• Arthur Okun (1929 – 1979) was one of the most creative American economic policy makers of the post ware era.
• He created the concept relation between output & unemployment that is now known as
Okun's Law.
• The most distressing consequence of any recession is a rise in the unemployment rate. As
output falls, firms need fewer labour inputs, so workers are not hired & current workers
are laid off.
• Okun's law states that for every 2 % that GDP falls relative to potential GDP, the unemployment rate rises about 1% point.
• Moreover if you want to bring the unemployment rate down, actual GDP must be growing faster than potential GDP.
5. How RBI measure of money supply Jan 2010/ Nov/Dec 2009
M1 = C + DD + OD
M2 = M1 + Savings with post office
M3 = M1 + Net time deposits with the commercial banks
M4 = M3 + Total deposits with post offices (including NSC)
Where
C= Currency held by the public
DD = Net demand deposits with banks

OD= Other deposits with RBI
NSC =National savings certificates