

Economics Interview Questions And Answers Guide.



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Economics Job Interview Preparation Guide.

Question # 1

The phrase ceteris paribus means:

Answer:-

While others stand constant

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Question # 2

With implementation of GST, is VAT now relevant?

Answer:-

After implementation of GST, VAT is not relevant because we are talking about a single tax. But those commodities which are not included in GST or those that don't come under any GST tax slab where we can charge VAT

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Question # 3

Explain why for many goods, the long-run price elasticity of supply is larger than the short-run elasticity?

Answer:-

Time period plays an important role so that people respond to price change and demand tends to be more inelastic in long run than short run.

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Question # 4

I want more questions related to economics in view of India?

Answer:-

No answer is posted for this question

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Question # 5

What is economic recession?

Answer:-

It is defined as the total clampdown on the economic activities of a country which leads to a total slowdown of activities into a profitable economy.

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Question # 6

How best to define economics?

Answer:-

Economics is usually defined as the problem of how best to distribute limited resources, limited because wants are characterized as unlimited, but common sense tells us that rather than limited resources, there is an abundance of resources. The difference is one of perspective and this is core to any alternative understanding of economics. If wants are the focus, then of course resources are limited by definition, but if minimum needs or essentials are used as the foundation, then resources are seen to be abundant. The difference is between a description and an explanation. A focus on wants or desires describes a market situation, while a focus on essentials or needs allows an explanation of choices to begin.

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Question # 7

Does Europe, the USA or China have the largest economy?

Answer:-



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1- Europe (remember Italy, French, UK and Germany are 4 world's power) 2- USA 3- China.
2006 GDP Figures from the CIA World Fact book, in Trillions of dollars, purchasing power parity:
European Union: 13.080
United State: 13.060
China: 10.210
Prior to 2005, and probably back to 1942, the United State surpassed the EU.

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Question # 8

What currency was used in the 1700s?

Answer:-

This depends on the country. Most currencies, however, were based on gold and silver.
In America, in the 13 colonies, tobacco was mostly used as a type of currency.

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Question # 9

Why do some people believe that a mixed economic system solves basic economic problems?

Answer:-

It is because both the private sector and public sector have a say in answering the basic economic questions, thus, there will be a degree of high efficiency (due to the private sector involvement) and social welfare too (due to the public sector involvement).
It allows the Government to intervene when the economy faces market failure. The mixed economic system allows markets to operate freely until it fails to allocate resources efficiently, after this, the government agencies, such as the EU Competition Commission, are able to correct for these failures. If this had been a completely free economic system, Government agencies would not have the means of power to be able to intervene.

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Question # 10

Should Newspapers and book publishers convert to electronic publishing over paper publishing as their primary product?

Answer:-

NO! Only a fraction of the world's people has access to computers or the energy needed to operate them. How would a deaf-mute access literary works?

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Question # 11

What are the advantages of leaving the allocation of a country's resources to the price mechanism?

Answer:-

The main conditions required are:

1. Either a finite number of agents or goods.
2. No externalities - That is, the consumption of one person should not harm or benefit anyone else.
3. No matter how much a person is consuming, they must be able to be made slightly happier by consuming a bit more of something.

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Question # 12

What kind of market structure is the automotive industry?

Answer:-

There are many ways to describe the market structure of the automotive industry. Here are two:

One of heterogeneous buyers makes up the population and nearly homogeneous sellers. This means that everyone (the population) needs a car (because a car is not a luxury item), but everyone has different needs (i.e.: compare a mother of 4 to a construction worker). Thus, buyers are everyone in the population, and they are heterogeneous (different). However, sellers are practically the same. GM, Ford, Chrysler, Nissan, Honda, Toyota, etc all offer the same products. Thus, they are homogeneous (similar).

Buyers with high brand-preference and highly marketed sellers this means that many automobile buyers have a brand loyalty, and sellers market to cultivate that loyalty. A great example of this is Jeep and Harley Davidson. Both companies have created a kind of community amongst their owners (I am sure we have all seen two Jeeps passing and the driver's wave at each other).

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Question # 13

What are the advantages of free market economy?

Answer:-

There are many advantages to a free market economy. They range from the moral issues to the practical issues. We will deal mainly with the practical ones.

Unprecedented innovation - Free markets are wrought with inventions and the capital to research them. Countries classified as having a free market have been responsible for the vast majority of inventions since the 19th century.

Very high-income mobility - This means that under a free market system it is easier to move around income brackets. It is just easier to become rich or poor when you are left to your own devices as opposed to a controlled economy where resources are allocated by the government.

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Question # 14

What are the disadvantages of mixed economy system?

Answer:-



The disadvantages of a mixed economy really depend on how "mixed" it is. For instance, if it is mixed more towards a free-market, there is little regulation (some may see this as a good, though), but if it is mixed more towards a command economy, the control may stifle growth. Mixed economies can also have different characteristics. Each of these will share a different set of disadvantages. A will stifle profits due to its high tax structure, but will encourage new ideas due to its low regulation (this could result in many weird effects such as an economy comprised almost solely of small, well-niche businesses). B will encourage profits, but due to its regulation, some new ideas (and some growth) will be stifled. For instance, if environmental regulations are strict, the building of new plants or refineries might be lowered. This could result in a small number of very large and profitable businesses.

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Question # 15

What was the theory of mercantilism?

Answer:-

Mercantilism was the economic philosophy underlying English colonial policy. The object of mercantilism was to increase the wealth of the Mother Country (Great Britain) in gold and silver. To accomplish that goal, a favorable balance of trade was desired. That means that a nation would sell more than it would purchase, thus creating a surplus in the treasury. The name of the philosophy points out the importance is of merchants in this policy. Merchants would sell products to foreign nations and purchased items to be sold within the nation. Colonies played a vital role in mercantilism. A colony would supply the necessary raw materials to the industries of England and the colonists would be a source of income to the nation because they would buy the finished products and supplies they needed to grow, from the Mother Country. The ideal was to become self-sufficient. The nation would produce everything its people needed and buy nothing from foreign nations. Since the ideal could not be accomplished in the real world of economics, the object of mercantilism was to minimize imports that cost money and maximize exports and the trade that brought money in to the nation.

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Question # 16

Why was Vietnam divided into two countries?

Answer:-

The north was communist, the south was capitalist, which was determined by their supporter states, the USSR and the US after independence in 1954, and however, this division was only meant to be temporary, with elections to re-unify the country.

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Question # 17

What can you do about tourists use of natural resources?

Answer:-

Countries have to legislate so that new tourist developments satisfy environmental safeguards. All development must be sustainable.

- 1) There must be no pollution into waterways and oceans.
- 2) Garbage and sewage must be collected and recycled as much as possible.
- 3) Tourist movements into natural areas must be limited so the numbers do not do any damage to the environment.
- 4) Building must blend into the natural environment.
- 5) There must be legal deforestation (e.g., cutting down rainforests to build a golf course).
- 6) New resorts and gardens must not put too great a demand on water and other natural resources.

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Question # 18

What are the various uses for break-even analysis?

Answer:-

Such analysis allows the firm to determine at what level of operations it will break even (earn zero profit) and to explore the relationship between volume, costs, and profits. It helps the management that at current costs of products how many numbers of units must be sold to recover the cost of producing the product.

For Example: If you spend, \$200 on producing a product and selling price is \$20 then you must sale 10 units to recover the cost of product. It also helps the management to determine how much of units to be sold to get desired profit on product. For example: if in the above example you want to earn \$20 profit then add it to it's cost of \$200 and it will become \$220 now you need to earn profit of this \$20 you need to sale 11 items of product.

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Question # 19

What still matters in strategic management lies in the value of planning?

Answer:-

There is an old saying that if you fail to plan, you are planning to fail. By acting on this, strategic management actually gives the organization direction, a sense of identity and unity towards what the business goal. Therein lays the continued importance of strategic management towards business success.

Every business has a vision and a mission. Strategic management takes into consideration both of these. Strategic management helps in achieving the organizational goals in an effective and efficient manner. For more details on importance of management, you can see the "Importance of Management" section on

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Question # 20

What is the importance of strategic management towards the success of a business?

Answer:-

Strategic management used to play a different after the Second Word War. Strategic plans of the past usually range 3 to 5 years. Some companies could even have plans for 10 good years. That is not possible today given rapid evolution of our society.

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Question # 21



What are the effects of globalization on Indian industry?

Answer:-

Indian industry has progressed a lot due to globalization. A lot of improvement has been seen in Indian industry.

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Question # 22

How tourism is an upcoming industry?

Answer:-

Tourism is an upcoming industry because it is generating high level of income, nowadays it is third number of high income generating industry...

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Question # 23

What caused the Great Depression?

Answer:-

The business boom of the 1920s made people overly confident therefore, they invested their money in risky stocks and deals. In addition, banks made careless loans and soon failed when people could not pay them back. Third, businesses produced more goods than were wanted and they could not sell or make a profit. Lastly, human workers / jobs were becoming replaced by machines and people could not find work.

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Question # 24

Is there a difference between corporate profit maximization and maximization of shareholder wealth?

Answer:-

Sure, profit maximization relates to profits *only* while shareholder wealth also involves total company equity, debt ratios and any of 15 other financial performance measure ratios. Management could focus on profit maximization over a longer period of time, say, 40 years (Toyota), while the shareholder would rather see stock values and corporate total value increase immediately (get in and get out) (90% of American manufacturers). If management focused on short-term profit maximization, say at the expense of long-term sales revenues, then shareholder wealth (stock price) could actually decrease because of the loss of market share.

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Question # 25

Is there a rule of thumb for office rent or lease per gross income?

Answer:-

There is a GRM (Gross Rent Multiplier) that compares the total rental/lease income to the value or price of the property.

The price can run 8 to 10 times the gross income, but that can vary based on market conditions, interest rates, management, building type, quality.

Capitalization Rate (cap rate) is a more comprehensive way of evaluation, but if the GRM is known for a building type and location, you can quickly determine a ballpark value.

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Question # 26

How does one arrive at a competitive pricing strategy for a multi-service practice where there are no specific products in question?

Answer:-

If your question is competitive pricing of services then utilize ABC (Activity Based Costing) to determine the Cost per activity related to the service.

Accumulate all such activities into a package and arrive at Cost per Package. Analyze the overall revenues that packages may stream in discounted over the next three years. You now have two points of Play

a) Cost per package

b) Overall discounted cost per enhanced package

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Question # 27

How do the average household income of the different countries compare?

Answer:-

In order to answer this question it is best to look at median household income. Median household income represents the statistical mid-point, with half of all households making more and half making less.

For the developed nations, median household income figures range from \$30,000 to \$55,000. For US states median household income figures range from \$32,000 to \$57,000. Overall, median household income levels among developed nations are similar to those found among US states.

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Question # 28

What is the marginal cost of capital?

Answer:-

Marginal or incremental cost of capital is cost of the additional capital raised in a given period

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Question # 29

What will be the long-term effects of the Baby Boom?



Answer:-

There are millions of Baby Boomers coming up hot and heavy. There are pros and cons...

PROS:

Baby Boomers want things right and aren't too old to fight for it which could be excellent in the areas of health care, politics, and taking a good solid stand on important issues of the country they are in.

Baby Boomers are either going to retire and travel, stay around home, have ill health perhaps, or many will go back to work part-time or full-time. Although I am not classed as a Baby Boomer I found that I would rather work part-time than stay home constantly and it helps financially. Baby Boomers may even have more free time to volunteer in places that need help, or, they may even go back to College or night school. Some may even go into their own businesses. They have much to offer.

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Question # 30

Who are Canada's top three trading partners?

Answer:-

- 1 U.S
- 2 Japan
- 3 United Kingdom

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Question # 31

What is the Gross Domestic Product of Norway?

Answer:-

Norway is one of the world's most developed nations and is home to one of the most advanced economies in the world. The country's overall GDP is quite large considering the nation's small population. Its GDP per capita is higher than that of the United States, ranked second in both nominal and PPP figures.

Its GDP figures in 2005 were as follows:

- 1) Nominal GDP: \$296 billion (25th rank)
- 2) GDP PPP was \$195 billion (42nd rank)
- 3) Nominal GDP per capita: \$64,000 (2nd rank)
- 4) GDP PPP per capita: \$42,000 (2nd rank)

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Question # 32

What is the economy in Bulgaria like?

Answer:-

Bulgaria was somewhat hesitant in terms of embracing market reforms. The economy suffered greatly after the fall of communism with standard of living dropping drastically. In the mid 1990s, the economy improved and reforms were implemented. Economic growth has been steady and stable, ranging from 5% to 7% since the late 1990s. Currently its GDP per capita is considerably above that of most developing nations but still considerably lower than that of Eastern Europe's more developed economies, not to mention the post-industrial economies of Western Europe. 15% of its GDP is still derived from agriculture, compared to less than 3% in most developed nations. Unemployment remains relatively high at almost 10% and the country receives roughly \$475 billion in financial aid annually. Overall, the nation has overcome many of the problems that have plagued the economy during the early 1990s. Bulgaria remains ahead of most other developing or quasi-developed nations, yet lags behind other former communist nations such as the Czech Republic, Slovenia or Hungary.

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Question # 33

Who decides what goods services will be produced and sold in the US?

Answer:-

It is mostly the American consumer. The US government also plays a large role in the nation's economy, constituting roughly 36% of GDP - making it the largest and thus most influential economic institution and consumer. Manufacturers or those controlling supply may also manipulate demand through advertising and popular media.

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Question # 34

Why is economics seen as a social science?

Answer:-

Beginning with a definition:

The social sciences are a group of academic disciplines that study human aspects of the world. They diverge from the arts and humanities in that the social sciences tend to emphasize the use of the scientific method in the study of humanity, including quantitative and qualitative methods.

Economics is clearly a human phenomenon. Even though some topics in economics, such as game theory, are used in the natural sciences and mathematics, economics remains a study of purely human phenomenon.

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Question # 35

What is the Malthusian theory on population?

Answer:-

If population growth continues then there will not be enough resources around for everyone this will lead to an event such as famine or war, which will reduce the population.

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Question # 36

What does macroeconomics mean?

Answer:-

The study of the overall aspects and workings of a national economy is such as income, output, and the interrelationship among diverse economic sectors. It is the study of all aspects of the economy. It is different from microeconomics, which studies how individual entities (such as people, families, or even corporations) fit in the economy.

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Question # 37

Is there competition between the producers in Canada?

Answer:-

Yes, Canada is a mixed economy. Thus, there is going to be some degree of competition among "producers."

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Question # 38

How do tax cuts affect the economy?

Answer:-

Tax cuts improve the economy by giving the people more spending power and higher consumer confidence, which leads to them spending more of all of their income which leads to more jobs, more business investment in more efficient technologies, and ultimately higher GDP growth.

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Question # 39

What is the difference in changing the scope between a spiral approach and a waterfall approach?

Answer:-

The scope of requirements changes in Waterfall model is less than that in Spiral Model. In Waterfall model, you progress to the next stage only when the requirements of the stage above it are finalized and signed off. So literally, we do not have any scope of changing the requirements once we move down the phases in this model.

However, Spiral model gives us flexibility to change the requirements and scope anytime during the life cycle.

In this model, we implement the individual requirements following all the standard phases of Software Life Cycle. Therefore, if any new change is there, we can implement it in next version of the software.

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Question # 40

What is globalization and what are its effects on the Indian economy?

Answer:-

It is largely positive. Globalization has brought many jobs and large sums of investment to India. India's economy has been growing at exceptional rates for the past several years and many new opportunities have opened up for India. Yet, India does remain quite poor. Its GDP per capita is less than \$2,000, a fraction of the GDP per capita found in some Latin American and Eastern European nations. Most of those who profit from globalization in India are the upper classes, with many in the lower classes being displaced and suffering from miserable labor conditions. Nonetheless, globalization has created a large economic boom for India with largely positive effects. Define economics on the welfare and scarcity of resources. Economics need to be studied to see where the economy is going, what can be removed from the economy and what can be added in order to improve it.

Economics is one of the fundamentals of business and if studied carefully, one can do very well business if all the right moves are made.

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Question # 41

What are the types of market economies?

Answer:-

From my understanding, there are 4 main types of market economies. They are also known as Economic Systems. The 4 are Free Market, Mixed Market, Command and Traditional Economy. Please try to understand that there are various terms for them, and it can be different from one book to another. What is important is to understand its characteristics. The Free Market, just simply means let the invisible hand in the Economy work, while in the Command Economy, the invisible hand is the government. The mixed Economy has a mixture of both. Traditional economy is a bit different though, the economy only moves when an elder tells them to.

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Question # 42

What is the opportunity cost of devoting scarce university land to car parking?

Answer:-

Since opportunity cost is defined as the cost of any activity measured in terms of the best alternative activity, which is forgone, in this case, the opportunity cost can be a field for students to play around or a land where a library can be built. Another example would be the opportunity cost of coming to school. This answer will be the time enjoyed going to the cinema or time spent with your partner. Hence, the opportunity cost of coming to school will be the cost of not going to cinema and spending time with your partner.

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Question # 43

How do reductions in government spending affect the economy?

Answer:-



Generally the government is very good at wasting money and resources so less spending, by the government helps the economy as those resources are allocated in areas that are more efficient.

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Question # 44

What is the significance of foreign exchange rate risk and how can this risk be mitigated?

Answer:-

Foreign exchange risk is the level of uncertainty that a company must manage for changes in foreign exchange rates that will adversely affect the money the company receives for goods and services over a period.

For example, a company sells goods to a foreign company. They ship the goods today, but will not receive payment for several days, weeks or months. During this grace period, the exchange rates fluctuate. At the time of settlement, when the foreign company pays the domestic company for the goods, the rates may have traveled to a level that is less than what the company contemplated. As a result, the company may suffer a loss or the profits may erode.

To minimize or manage the risk, companies enter into contracts to buy foreign currency at a specified rate. This allows the companies to minimize the uncertainty of the risk, so that they can price their products accordingly.

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Question # 45

How do the determinants of demand affect the price of a particular product?

Answer:-

As demand for a good goes up, the price goes up. So any determinant of demand that has positive or negative effect on demand will have the same affect on the price.

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Question # 46

What is a monopoly?

Answer:-

When one business or company dominates its area and squeezes out all its competition, the result is the consumer does not have a free choice, and inevitably, the price of its products or services will increase, and the 'Monopoly' increases its profit. Although, sometimes prices stay low to discourage anyone from entering the market, profit still does occur. Not to be confused with a pure monopoly, where a company has control over the entire market for a product because of barriers.

However, a monopoly is a philosophical process of direct competition leading to a pure monopoly it is not in itself a purely dominating force. It is rather, the process of obtaining competitive grounds for strive toward total control.

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Question # 47

How does outsourcing affect the economy?

Answer:-

In principle, outsourcing makes things a little cheaper and increase profitability. However, some things need to be done 'in house'. For example, some employers (largely) outsource recruitment to key posts. The people making the decisions may be good at picking bright people, but they often do not really know what is needed by the employer. In Britain, it often said that corporations 'hire people who are good at getting jobs but bad at doing them'. To the extent that this is true, it is damaging for all concerned.

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Question # 48

What is an Oligopoly?

Answer:-

Oligopoly is a market where the supply is controlled by a small group of companies. In this condition, the actions of one company will have a material effect on the entire market for a product.

Several characteristics of an Oligopoly:

- 1) Substantial barriers to entry
- 2) Market dominated by a few large firms
- 3) Differentiated products
- 4) Price rigidity

An example of this type of monopoly would be the corporations Visa and MasterCard. They are in the business of card securities and hold major market share. However, it could be noted that Visa holds more of a pure monopoly status; MasterCard does have a high level of control to create a competitive market situation.

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Question # 49

How do you explain GNI per capita?

Answer:-

A measure of the wealth is earned by nations through economic activities all around the world.

Gross National Income comprises the total value of goods and services produced within a country (i.e. its Gross Domestic Product), together with its income received from other countries (notably interest and dividends), and less similar payments made to other countries. It is also known as GNP.

It can be calculated as follows:

GNI = Gross Domestic Product + Net property income from abroad.

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Question # 50

What is the average standard of living in Africa?



Answer:-

It is extremely low. Africa is the most impoverished continent on the face of the planet. The average African has scarce access to safe drinking water and most commonly lacks plumbing. "Informal housing" is the rule with electricity and safe transportation remaining luxuries. Even life style attributes taken for granted by the average Mexican or Russian are out of reach for many Africans. In terms of employment, many Africans are unemployed or employed in agriculture. Sub-Saharan Africa in particular is one the world's poorest regions. According to the World Bank 74.9% of the population lived on less than \$2 a day in 2003; 44% lived on less than \$1 a day.

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Question # 51

What kind of market demand and supply information would be useful to you in deciding upon a business strategy?

Answer:-

Market Demand and Supply Information

A customer-filled form of the following fields will be of great use. 1) Do you need product urgently?

2) How many times have you visited our store?

3) Was the proper information provided to you?

4) Were you attended properly?

5) Can you afford to pay more for a quick delivery?

6) Have you ever used our product?

7) How do you know about our product?

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Question # 52

What are the advantages of regional integration?

Answer:-

Advantages of Regional Integration

Most economic experts cite that regional integration allows disadvantaged countries to realize economies of scale, compete on a broader (often global) platform and increase overall economic efficiency. Alassane D. Ouattara the Deputy Managing Director of the International Monetary Fund states that regional integration 'enables participating countries to pool their resources and avail themselves of regional institutional and human resources, in order to attain a level of technical and administrative competence that would not be possible on an individual basis'.

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Question # 53

In economics what is a normative statement?

Answer:-

A normative statement in economics is like a normative statement in any other academic subject--it is a statement about something with an implicit value judgment or moral claim.

It is distinct from a descriptive statement that is supposed to be value/ideologically neutral.

For example, a descriptive statement in economics could be something like, 'Social Security is set to go bankrupt by 2050.' Whereas a normative statement would be something like, 'Social Security is set to go bankrupt by 2050 and thus must be saved to prevent a huge boom in elderly poverty.'

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Question # 54

What are the differences between perfect competition and monopoly competition?

Answer:-

In a monopoly, you are gaining an unfair advantage over any competition because you own so many infrastructures. Monopolies used to be known as trusts, which is why you sometimes hear of Anti-Trust Law violations.

At one time, AT&T owned every phone line, every phone and every piece of phone equipment in the country. They monopolized the industry; how could you compete with them when they owned everything? Similarly, the Post Office has an excellent infrastructure for delivering mail, but they do not have a monopoly because FedEx and UPS and DHL have all found ways to carve out a healthy piece of the parcel moving business, so although UPS always grumbles about the Post Office, they do OK in competition.

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Question # 55

What are business cycles and what role do the Federal Reserve and Federal Government have in trying to control them?

Answer:-

It is very important that you understand that the Federal Reserve is not a government institution. It does not take its orders from the federal government. Yes, they put their hand in and try to change the course of the U.S. Economy.

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Question # 56

What is the advantage of mixed economy system?

Answer:-

Advantages are:

1) People can make their own decisions

2) The government has limited control, which is good for structure

3) Provides freedoms such as Enterprise, ownership, Social Welfare, Profit Earnings, Political Freedom

4) All national resources are utilized under mixed economy.

5) It will activate the government support and direction.



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Question # 57

What are the advantages and disadvantages of both a fixed exchange rate regime and a flexible exchange rate regime?

Answer:-

There are two ways the price of a currency can be determined against another. A fixed, or pegged, rate is a rate the government (central bank) sets and maintains as the official exchange rate. A set price will be determined against a major world currency (usually the U.S. dollar, but also other major currencies such as the euro, the yen, or a basket of currencies). In order to maintain the local exchange rate, the central bank buys and sells its own currency on the foreign exchange market in return for the currency to which it is pegged.

If, for example, it is determined that the value of a single unit of local currency is equal to USD 3.00, the central bank will have to ensure that it can supply the market with those dollars. In order to maintain the rate, the central bank must keep a high level of foreign reserves. This is a reserved amount of foreign currency held by the central bank which it can use to release (or absorb) extra funds into (or out of) the market. This ensures an appropriate money supply, appropriate fluctuations in the market (inflation/deflation), and ultimately, the exchange rate. The central bank can also adjust the official exchange rate when necessary.

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Question # 58

Why do prices tend to up?

Answer:-

Because of the increasing inflation level

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Question # 59

What are the differences between absolute advantage and comparative advantage?

Answer:-

Absolute advantage and comparative advantage are two basic concepts to international trade. Under absolute advantage, one country can produce more output per unit of productive input than another can. With comparative advantage, if one country has an absolute (dis)advantage in every type of output, the other might benefit from specializing in and exporting those products, if any exist.

A country has an absolute advantage economically over another, in a particular good, when it can produce that good at a lower cost. Using the same input of resources, a country with an absolute advantage will have greater output. Assuming this one good is the only item in the market, beneficial trade is impossible. An absolute advantage is one where trade is not mutually beneficial, as opposed to a comparative advantage where trade is mutually beneficial.

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Question # 60

What are the steps in hypothesis testing?

Answer:-

An experiment is described by an exponential random variable with mean θ and x_1 and x_2 . A proposed test of the hypothesis $\theta=2$ against the alternative $\theta=\hat{\theta}^{1/2}$ uses the critical region $\{(x_1, x_2): \min(x_1, x_2) < \hat{\theta}^{1/4}\}$. Show that this test has size of approximately 0.22 and find its power. Obtain a better test of the same size

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Question # 61

What advantages might a socialist system have in responding to the needs of the poor?

Answer:-

The socialist system is based on the notion of equality for everyone, everyone has a job and everyone has a place to live. Everyone has to forfeit his or her class rights in a socialist system. A socialist system has universal health care and dental care, childcare, as well as similar access to resources such as food and water. Ideally, the socialist system could cater to the needs of the poor because it provides equal access to all folks, regardless of income.

Although advantageous to the poor, the socialist system can mean heavy taxation on all citizens. There could be corruption as well as unequal access to resources, which means that the people who tow the party line usually have more access to better goods. The socialist system means highly unusual labor quotas, food ration cards, long lines at the store, or below superior quality goods available.

[Read More Answers.](#)

Question # 62

What are the functions of price mechanism in a free market economy?

Answer:-

Price Mechanism

Price mechanism is the point, which equilibrates supply and demand within a market. It is a mechanism of pricing. The price mechanism is one, which allows the prices of good and services to be decided by the interplay between supply and demand. There is no centralized price fixing.

The price mechanism is the concept that the free market, when left to its own devices, will formulate fair prices of the goods or services on its own by the natural laws of supply and demand.

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Question # 63

What is the impact on the economy if price ceiling or price floor were removed?

Answer:-

Price ceiling is government rules or laws setting price floors or ceilings that forbid the adjustment of price to clear markets. Price ceilings make it illegal for sellers to charge more than a specific maximum price. Ceilings may be introduced when a shortage of a commodity threatens to raise its price a lot.

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Question # 64

What is privatization?

Answer:-

Privatization is the transfer of ownership from the public sector (government) to the private sector (business).

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Question # 65

What is the difference between project proposal and project feasibility study?

Answer:-

Project feasibility study is required to make a decision whether the project proposal is technically and economically feasible. After finalization of the project feasibility report by the experts (technical & economical), the decision for going ahead for preparation of Detailed Project Report (DPR) for the project proposal.

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Question # 66

What is inflation?

Answer:-

It is when the price of everything starts going up. Often an outside stimulus can start a cycle of inflation.

The price of goods and services is going up because of an over supply of money. As the amount of money in wallets increases so does the temptation to increase prices, which increases costs especially by banks and finance institutions. They have the least to lose as they hike up interest rates to regain losses.

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Question # 67

Why did the European Union make monetary unification?

Answer:-

I think the reason was that by standardizing the monetary system, trade between the countries of the EU would become much less complicated, and therefore easier and hopefully would increase significantly, benefiting all involved.

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Question # 68

What are the advantages of capitalism?

Answer:-

The advantages of capitalism are that the governments have limited control over other business, which lets business compete.

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Question # 69

What is the importance of microeconomics in study of managerial economics?

Answer:-

It's a economics for decision making where we have to be very optimize and implement those situation which will be helpful in profit maximization in our business effectively and efficiently

Since the microeconomics explains the concepts like demand, production, supply analysis, so that it maximizes the profit.

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Question # 70

How do trade barriers affect international trade?

Answer:-

Trade barriers come in many forms. Quota is one. This is when a country sets a limit to the imported products. This is done for a number of reasons. One is because the government of the importing country wants to protect the local manufacturers.

In this way, trade barriers can affect the international trade because it does not promote free trade. When countries trade with each other they do not want to have trade barriers because it can result in an unfair trade where country A may export goods to country B but country B cannot do vice versa because country A sets up trade barriers such that it makes it very difficult for country B to export. One example is a trade barrier concerning with health and safety.

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Question # 71

What are the capitalist countries in the world?

Answer:-

Capitalism is the dominant, most used form of government there is in the world today. Currently, over 80% of countries use capitalism and a free market economy.

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Question # 72

What is an interest sensitive good?

Answer:-

Things like housing and autos tend to be affected by changes in interest rates because financing is typically required to make such purchases. If financing becomes more expensive due to an increase in interest rates, sales in these goods tend to be effected in a negative way. On the other hand, when interest rates are low sales are



usually positively impacted for interest rate sensitive goods.

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Question # 73

What is social cost benefit analysis?

Answer:-

It refers to the study of feasibility of a project in terms of its total economic cost and total economic benefits.

It means to compare total cost with total benefit if we add external cost with private cost, its called total social cost if we add external benefit with private benefit, called total social benefit.

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Question # 74

What happens to unsold newspapers?

Answer:-

They are picked up by the delivery driver and transported back to the distribution center where they are kept for recycling.

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Question # 75

What countries are the members of the OECD?

Answer:-

Members of the Organization for Economic Cooperation and Development are:

Twenty countries originally signed the Convention on the Organization for Economic Co-operation and Development on 14 December 1960. Since then a further ten countries have become members of the Organization.

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Question # 76

What is the difference between service industry and industry in economy?

Answer:-

Industry is a generic term, but is most commonly used as a substitute term for a manufacturer of goods such as Pepsi or Ford. The term industry can also be used to refer to a very specific group of companies.

The service industry is essentially non-good producing industries such as retail trade, wholesale trade, and the service industries. According to the U.S. Census Bureau, these companies make up 70% of the total economic activity in the United States. Good examples of the service industry include health care, hospitality & accommodations, and real estate. The financial and insurance sectors would also be included within the service industry.

In economic terms, the differences are essentially the same. This is obviously a little simplistic, but check out Google Finance or any financial site under the Sector Summary to see how each of the "industries" are broken down for the purpose of comparison and reporting.

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Question # 77

What is profitability analysis?

Answer:-

This is an analysis of costs and revenue to determine whether a venture will make a profit. This is important information in deciding on whether to make an investment. The length of time required to repay the initial investment can be a critical factor.

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Question # 78

What are the advantages of leaving resource allocation to price allocation?

Answer:-

The 5 advantages are Neutral, Flexible, Freedom of choice, No administrative cost and lastly Diminished incentives. Distinguish between diminishing returns and diseconomies of scale. Diseconomies of scale I guess means as you produce more it becomes more expensive to produce.

For example, you produce output 1 for \$2 but output 2 for \$5 thus the second one required \$3

Now let us say input for output 1 had to be doubled for input 2. One land gave output 1. Output 2 needed 2 lands. Then there are not diminishing returns.

However, as second land was costing \$3 there was diseconomies of scale.

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Question # 79

What is Universal Banking?

Answer:-

It generally refers to the combination of commercial banking and investment banking. It is a supermarket for both wholesaler n retailer financial services as it offers a wide range of financial services

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Question # 80

Does capital inflow lower US interest rates?

Answer:-



Basic textbook models, such as the Mundell-Fleming model, say that capital inflow occurs due to the domestic interest rate being higher than the world interest rate, and thus capital inflow. So according to this model, it can lower interest rates so that interest rates stabilize to the world interest rate. However, there is a checklist that needs to be ticked off and this checklist is like a chain, for example if domestic interest rates are high then there is going to be capital inflow, the domestic currency will appreciate due to the increase in demand for the currency, thus Net Exports will decrease until exchange rates have stabilized.

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Question # 81

How does the current situation in the Middle East affect the US economy?

Answer:-

An interruption in supply and demand and economic warfare, coupled with unfair business practices in the US causes the price of fuel to rise. During the original invasion of Iraq, tanker traffic in the Persian Gulf was drastically cut for fear of losing ships and cargo. This caused a minor shortage of crude oil. OPEC only sales crude, it is refined (distilled) locally. In capitalist free markets, suppliers are allowed to raise prices during shortages, so that they can outbid other consumers when replenishing their crude. Unfortunately, OPEC realized that countries were willing to pay this extra price and refused to lower their price when pre-war supply was restored. OPEC denies this, but the US has captured documents that prove OPEC intentionally inflated prices. Now, because gas prices go up, it costs more for the shipping and trucking companies to do business. A large percentage of what you pay for a gallon of milk comes from the shipping cost of getting it to your grocery.

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Question # 82

What is meant by the term National Debt?

Answer:-

When a government spends more than it receives in taxes, it runs a budget deficit, which is usually covered by issuing debt obligations to domestic and/or international investors. In the US, these obligations are Treasury bills, Treasury notes, and Treasury bonds. The total outstanding amount of such obligations constitutes a National Debt.

[Read More Answers.](#)

Question # 83

What is the role of Indian government in Indian economy?

Answer:-

Keynesian (John Keynes) economics is all about using monetary and fiscal (Government) policies to help direct the market towards equilibrium. Keynes did not believe that the market was self-correcting, and thus required government involvement. Keynesian economics also uses the view that prices are constant in the short term and only adjust in the long term (sticky price theorem). This delay in price adjustment pulls the market away from equilibrium.

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Question # 84

What is full employment GDP?

Answer:-

The value of total output produced at full employment.

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Question # 85

What is an opportunity cost?

Answer:-

Opportunity cost is cost of an alternative that must be forgone in order to pursue a certain action. Put another way, the benefits you could have received by taking an alternative action. Concept of opportunity cost is central to economics because it reminds us that everyday we each have choices to make and for each choice, that we make there is a second best option that we forego {that we pass up}

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Question # 86

What is PPS?

Answer:-

Packets per second (pps) are a measure of throughput for network devices such as bridges, routers, and switches. It is a reliable measurement only if all packet sizes are the same. Vendors will often rate their equipment based on pps, but make sure comparisons are made using the same packet sizes.

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Question # 87

What is Collateral management?

Answer:-

Collateral Management is a function to manage collateral effectively. It provides interface to enter collateral data, and it has a master data of collateral descriptions and types. It maintains customer, collateral, and credit account relationships so the amount of idle collateral can be determined. It is usually packaged in an application or part of the core-banking application.

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Question # 88

How would you differentiate between strike labor dispute and labor unrest?

**Answer:-**

Unrest is unexcused walkouts or absences or you have unresolved issues that may lead to a strike. Labor strike is just that. Workers walk out on jobs and do not return until a new contract is negotiated and approved by membership

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Question # 89

What is Ricardos Theory?

Answer:-

Briefly, the price of anything is based on comparative advantage. If Adam produces clocks better and cheaper than Bill, all clock production should go to Adam.

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Question # 90

What is pricing of Factors of Production?

Answer:-

Whenever we have touched on the pricing of productive factors, we have signified the prices of their unit services, i.e., their rents. In order to set aside consideration of the pricing of the factors as "wholes," as embodiments of a series of future unit services, we have been assuming that no businessmen purchase factors (whether land, labor, or capital goods) outright, but only unit services of these factors. This assumption will be continued for the time being. Later on, we shall drop this restrictive assumption and consider the pricing of "whole factors."

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Question # 91

What is meaning of market economy?

Answer:-

The meaning of a market economy is in which the decision and production are made. The consumption of goods services are based on voluntary exchange in markets.

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Question # 92

What is consumption?

Answer:-

"Consumption" is an old name for tuberculosis (TB) that describes how the illness wastes away or consumes its victims. TB is "an ancient enemy" that has plagued humankind for more than five thousand years.

It can also mean to "consume", consumption of food or resources.

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Question # 93

What is BOP?

Answer:-

It is called as Balance of payments - an economic term. (BOP) measures the payments that flow between any individual country and all other countries. It is used to summarize all international economic transactions for that country during a specific time, usually a year. The BOP is determined by the country's exports and imports of goods, services, and financial capital, as well as financial transfers. It reflects all payments and liabilities to foreigners (debits) and all payments and obligations received from foreigners (credits).

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Question # 94

What are financial centers?

Answer:-

Banks and brokerage firms are considered financial centers

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Question # 95

What is the difference between an economic luxury and an economic necessity?

Answer:-

An economic luxury is wasting land on pools huge garden, etc. An economic necessity is what you need a certain amount of space (houses) to make something very necessary (to live in)

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Question # 96

What is the incidence of tax?

Answer:-

Well tax incidence refers to who actually pays the tax.

Tax incidence can be divided into-

1. Formal incidence: the party liable to the tax
2. Informal incidence: party, who actually pays the tax

The tax incidence is decided by the elasticity of demand and supply for a good or service.



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Question # 97

Is it true that government revenues are increased because of lower tax rates?

Answer:-

It is true to a point. The Laffer curve shows that revenues increase as the tax rates rise (0 tax rate = 0 revenue) up to a point, but the increase slows as the rate rises higher and at some point total revenue begins to decline. If your incremental tax rate is 1% and you can work 4 hours to make \$100, you will get to keep \$99 and most people would be willing to do this. You would probably will to work the extra hours if you were taxed 5 or 10%. However, if you were subject to an incremental rate of 99%, you would not work that long knowing the government was only going to let you keep \$1. The "magic number" seems to be somewhere around 15-20%. If the rates are above this, people are not motivated to increase their earnings. Big corporations react the same way.

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Question # 98

What is inflation and how is it measured?

Answer:-

Inflation means an overall increase in the prices of goods and services. It is a decrease in the value of a currency. There are three types of measurement, Core Inflation, CPI, and WPI. Core Inflation is a measurement of non-volatile goods such as food and non-precious metals. It leaves out goods like oil because oil's price is subject to wild fluctuations. CPI is the most common measurement, using a market basket of goods and measuring their price from a point in the past (a CPI of 100 is arbitrarily the same price level for 1982-1984). Thus, the equation is (Price of most recent market basket/price of same market basket in 1982-1984) X 100. The 100 is to give us the number we normally see. WPI is Wholesale Price Index. It is a measure of wholesaler's prices and is generally considered a pre-cursor to what CPI will be (as it takes time for goods to reach the consumer).

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Question # 99

How is education an investment in human capital?

Answer:-

Well, the idea of humans as capital means that humans have a certain worth to a company (or society). Education increases that worth, making individuals more able to contribute to a company (or to society). Therefore, investing in Education... in your employees, for instance, is worthwhile because then your employees increase their value to you, as an employer. In a general sense, society's investment in educational programs increases people's value to society in general.

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Question # 100

Why does an indifference curve never meet?

Answer:-

No indifference curve can intersect because all points on indifference curve are ranked equally preferred and ranked or less more preferred than every other point on the curve.

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Question # 101

What is Price Level?

Answer:-

The price level refers to the monetary value of a good or service.

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Question # 102

What perfect competitive market and pure monopoly market have in common?

Answer:-

A perfect competitive market and pure monopoly market both have to follow the "law of demand".

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Question # 103

What does it mean when a rupee appreciate?

Answer:-

I think the answer to this question lies in the reasons, which are contributing to the rise and fall of a price of any commodity. India has now good amount of dollars and as such, demand of dollars has come down comparatively.

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Question # 104

What is trickle down economics?

Answer:-

A derogatory term applied to Reaganomics, or supply-side economics, trickle-down economics is the theory that tax cuts for the wealthy merely "trickled down" to the bottom groups and that the rich benefited at the expense of the economy. Similar criticisms were raised about the supply-side tax cuts enacted by Treasury Secretary Andrew Mellon in 1921 but not for those made by John Kennedy in the 1960s. Supply-side cuts involve cutting taxes across the board but most dramatically for those in the top tax brackets. The rationale was that those who paid the most taxes would then be able to reinvest their tax "savings." Thus, supporters



have countered the phrase "trickle-down" with the one coined by John Kennedy: "a rising tide lifts all boats."

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Question # 105

What is the Service sectors percentage in Indian GDP?

Answer:-

Services industry contributes 55.5% to Indian GDP.

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Question # 106

How do you define a control in economics?

Answer:-

A control in economics means a steady profit rate that is increasing. Therefore, after one year you could have £1mill profit then the next year £3mill profit etc.

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Question # 107

Which is a better measure of economic well-being real GDP or Nominal GDP?

Answer:-

Well real GDP takes into account the inflation rate and thus is more accurate at recording the actual increase in production activities. Therefore, Real GDP is better.

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Question # 108

How do you calculate variable unit costs and total annual costs?

Answer:-

Annual units sold, 1000. Raw materials annual cost 650. Building rent annual cost 9000. If sales volume increased to 6000 units and 8000 units, what is the total annual cost and unit cost for fixed variable?

Cost per unit of raw material = $650/1000 = 0.65$

Fixed cost (Rent) = 9000

Fixed cost per unit = $9000/1000 = 9.00$

If the sales volume increases to 6000 units, then total cost = 12900 and cost per unit = 2.150

Variable cost + fixed cost = $(0.65 \times 6000) + 9000 = 12900$ / $6000 = 2.15$

If the sales volume increases to 8000 units, then total cost = 14200 and cost per unit = 1.775

$(0.65 \times 8000) + 9000 = 14200$ / $8000 = 1.775$

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Question # 109

What is a tariff?

Answer:-

A tax on goods leaving or entering some place

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Question # 110

What is Ramsay pricing?

Answer:-

It assigns costs based on the price elasticity of demand. Yet higher the elasticity (elastic), the lower the charge of fixed costs when allocated amongst products.

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Question # 111

What is consumer demand?

Answer:-

Consumer Demand is how much of something that consumers are wanting. A company needs to know the consumer demand so they know how much of a product to make.

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Question # 112

Why marketers are interested in discretionary income?

Answer:-

Because discretionary Income = the money people have left over once they have paid for all of their basic requirements (Food, Clothing, Shelter).

You could also call it Disposable Income because you can spend on whatever you want.

If people do not have very much discretionary income then they cannot buy all kinds of useless stuff that marketers are trying to sell them.

This would limit the potential demand for a good or service.

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Question # 113

What is causing the rise in the price of oil?

Answer:-

The rise in the price of oil can be traced to a simple factor, but there are several other contributing factors.

The simplest explanation is that the demand for oil is greater than the current production. When demand exceeds supply, price will increase, as people are willing to pay more to ensure that they get their scarce resource (oil in this case).

Depending on your political views and knowledge of the situation, you may also believe that the production of oil is much lower than capacity because certain middle-eastern countries know that America depends on oil imports more than other countries. An increase in oil prices will lead to a slightly weaker US economy.

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Question # 114

What is explanatory research?

Answer:-

Explanatory research is research conducted in order to explain any behavior in the market. It could be done through using questionnaires, group discussions, interviews, random sampling, etc.

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Question # 115

What is a retention bonus?

Answer:-

A Retention bonus is an incentive paid to a key employee to retain them through a critical business cycle. This could be a transitional period (such as mergers and acquisitions) to ensure productivity or to meet a critical milestone. It has proven to be a very good tool in persuading employees to stay.

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