



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad - 500 043

ELECTRICAL AND ELECTRONICS ENGINEERING

DEFINITIONS AND TERMINOLOGY QUESTION BANK

Course Name	:	BUSINESS ECONOMICS AND FINANCIAL ANALYSIS
Course Code	:	AHS015
Program	:	B.Tech
Semester	:	III
Branch	:	CSE / IT / ECE/ EEE / ME / CE
Section	:	A, B, C, D
Course Faculty	:	Ms. T Tulasi Bhai, Assistant Professor, MBA

COURSE OBJECTIVES:

The course should enable the students to:	
I	Provide basic knowledge about the Finance concepts, markets and various services provided in those markets.
II	Apply financial concepts, theories, and tools, and to evaluate the role of technology and the legal, ethical and economic environment as it relates to financial institutions.
III	Enrich the information about the roles of intermediaries and its regulating bodies.
IV	Understand factoring, leasing, venture capital concepts and aware on the importance of finance for economic well

DEFINITIONS AND TERMINOLOGYQUESTION BANK

S.No	QUESTION	ANSWER	Blooms Level	CO	CLO	CLO Code
UNIT-I						
1	What is economics?	Economics is the study of nature and uses of national wealth	Understand	CO 1	CLO 1	AHS015.03
2	What is management?	Management is the science and art of getting things done through people in formally organized groups.	Remember	CO 1	CLO 1	AHS015.01
3	Define managerial economics	Managerial Economics can be defined as amalgamation of economic theory with business practices so as to ease decision-making and future planning by management.	Remember	CO 1	CLO 1	AHS015.01
4	Define microeconomics.	The study of individual firm or a consumer. It is also called as Theory of Firm.	Remember	CO 1	CLO 1	AHS015.01
5	Define macroeconomics.	The study of aggregate or total level of economic activity in a	Remember	CO 1	CLO 1	AHS015.01

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		country.				
6	What is Business decision?	Business decision making is essentially a process of selecting the best out of alternative opportunity open to the firm.	Remember	CO 1	CLO 2	AHS015.02
7	What is demand?	<p>A product or service is said to have demand when three conditions are satisfied.</p> <ul style="list-style-type: none"> • Desire on the part of the buyer to buy • Willingness to pay for it • Ability to pay the specified price for it 	Remember	CO 1	CLO 1	AHS015.01
8	Define Law of Demand.	The law of demand states the relationship between price and demand of a particular product or service.	Remember	CO 1	CLO 1	AHS015.01
9	Define Demand function.	Demand function is a function which describes a relationship between one variable and its determinants.	Remember	CO 1	CLO 2	AHS015.02
10	What is Elasticity of Demand?	The rate of responsiveness in the demand of a commodity for a given change in price or any other determinants of demand.	Remember	CO 1	CLO 1	AHS015.01
11	What are consumer goods?	Consumer goods refers to such products and services which are capable of satisfying human need.	Remember	CO 1	CLO 2	AHS015.02
12	What are producer goods?	Producer goods are those which are used for further processing or production of goods and services to earn income.	Remember	CO 1	CLO 1	AHS015.01
13	Define forecasting.	Forecasting helps to assess the likely demand for products and services and to plan accordingly.	Understand	CO 1	CLO 2	AHS015.02
14	What is meant by demand forecasting?	Demand forecasting is necessary to measure demand accurately in terms of quantity and its value for several purposes.	Remember	CO 1	CLO 1	AHS015.01
15	What is meant by unit elasticity?	The elasticity of demand is said to unity be when the change in	Remember	CO 1	CLO 2	AHS015.02

S.No	QUESTION	ANSWER	Blooms Level	CO	CLO	CLO Code
		demand is equal to change in the price.				
UNIT-II						
1	Define Production.	The technical relationship which reveals the maximum amount of output capable of being produced by each and every set of inputs.	Remember	CO 2	CLO 3	AHS015.03
2	What is Isoquants?	That the quantities throughout a given isoquant are equal.	Remember	CO 2	CLO 4	AHS015.04
3	What is Isocosts?	Cost curve that represents the combination of inputs that will cost the producer the same amount of money.	Understand	CO 2	CLO 3	AHS015.03
4	Define Cost.	Cost is the expenditure incurred to produce a particular product or service.	Understand	CO 2	CLO 4	AHS015.04
5	Define Marginal Cost.	As the additional cost incurred for producing an additional unit.	Understand	CO 2	CLO 3	AHS015.03
6	What is Opportunity Cost?	The cost of the next best alternative forgone.	Remember	CO 2	CLO 4	AHS015.04
7	What is Incremental cost?	The costs incurred to enhance volume or quality of the production from one level to another.	Remember	CO 2	CLO 3	AHS015.03
8	Define Sunk costs.	Such costs that have already been incurred and cannot be recovered.	Remember	CO 2	CLO 3	AHS015.03
9	Define Break-even analysis.	'no-profit or no loss' As analysis of costs and their possible impact on revenues and volume of the firm. Hence, it is also called the cost-volume analysis.	Remember	CO 2	CLO 4	AHS015.04
10	Define Variable Cost.	A cost that varies with the level of output.	Remember	CO 2	CLO 3	AHS015.03
11	What is Out-of-pocket cost?	The direct payment of money that may or may not be later reimbursed from a third-party source.	Remember	CO 2	CLO 4	AHS015.04
12	Define short – run cost.	The cost is the cost which has short –term implications in the production process.	Remember	CO 2	CLO 3	AHS015.03
13	Define Long-run cost.	The cost function represents the minimum cost of producing a quantity of some good.	Remember	CO 2	CLO 4	AHS015.04
14	What is Profit?	A financial benefit that is realized when the amount of revenue gained from a business activity exceeds the expenses, costs, and the taxes needed to sustain the activity.	Remember	CO 2	CLO 3	AHS015.03
15	Define Total Revenue.	The total receipts from sales of a given quantity of goods or services.	Remember	CO 2	CLO 3	AHS015.03

S.No	QUESTION	ANSWER	Blooms Level	CO	CLO	CLO Code
UNIT-III						
1	Define market?	It is a place or a point which buyers and sellers negotiate their exchange of well-defined products or services.	Understand	CO 3	CLO 5	AHS015.05
2	What is Market structure?	Refers to the characteristics of a market that influence the behavior and performance of firms that sell in the market.	Remember	CO 3	CLO 5	AHS015.05
3	Define perfect Competition?	A market structure in which all firms in an industry are price takers and in which there is freedom of entry into and exit from the industry is called Perfect Competition.	Remember	CO 3	CLO 6	AHS015.06
4	Define Monopoly?	If there is only one seller, monopoly market is said to exist.	Remember	CO 3	CLO 6	AHS015.06
5	What is duopoly?	If they're re two sellers, duopoly is said to exist.	Remember	CO 3	CLO 5	AHS015.05
6	Define Oligopoly.	If there is a competition among a few sellers, oligopoly is said to exist.	Understand	CO 3	CLO 5	AHS015.05
7	Define Monopsony	If there is only one buyer, monopsony market is said to exist.	Remember	CO 3	CLO 6	AHS015.06
8	What is cost-plus pricing?	The average cost at normal capacity of output is ascertained and then a conventional margin of profits is added to the cost to arrive at the price.	Understand	CO 3	CLO 6	AHS015.06
9	Define Market Skimming.	A pricing approach in which the producer sets a high introductory price to attract buyers with a strong desire for the product and the resources to buy it, and gradually reduces the price to attract the next and subsequent layers of the market.	Remember	CO 3	CLO 5	AHS015.05
10	What is market penetration?	Where the products are priced so low to start with, perhaps to familiarize the products, and as the market pickups, the price also is slowly raised.	Remember	CO 3	CLO 5	AHS015.05
11	Define Sole Trader.	Implies that there is only one trader who is the owner of the business.	Remember	CO 3	CLO 5	AHS015.05
12	Define partnership.	The relationship between two or more persons who agree to share the profits of thee business carried on by all or any one of them acting for all.	Remember	CO 3	CLO 6	AHS015.06
13	What is meant by privatization?	Inducting private ownership in State –owned public enterprises with a strategy to reduce the role of government in business.	Remember	CO 3	CLO 6	AHS015.06
14	What is meant by Globalization?	Integrating the economy of a country with the world economy with a view to eliminating	Remember	CO 3	CLO 5	AHS015.05

S.No	QUESTION	ANSWER	Blooms Level	CO	CLO	CLO Code
		supply bottlenecks, improving investment climate , providing a wide choice of quality goods and services to the ultimate consumers.				
15	Define market?	It is a place or a point which buyers and sellers negotiate their exchange of well-defined products or services.	Remember	CO 3	CLO 5	AHS015.05
UNIT -IV						
1	Define Capital.	Defined as wealth, which is created over a period of time through abstinence to spend.	Remember	CO 4	CLO 7	AHS015.07
2	Define working Capital.	The capital of a business is used in its day-to-day trading operations, calculated as the current assets minus the current liabilities.	Remember	CO 4	CLO 7	AHS015.07
3	What is meant by debentures?	A long-term security yielding a fixed rate of interest issued by a company and secured against assets.	Remember	CO 4	CLO 8	AHS015.08
4	What is lease agreement?	The agreement between the lessor and lessee is called a lease agreement.	Remember	CO 4	CLO 7	AHS015.07
5	Define Venture Capital.	Capital invested in a project in which there is a substantial element of risk, typically a new or expanding business.	Remember	CO 4	CLO 7	AHS015.07
6	What is meant by Bank overdraft?	The overdraft allows the account holder to continue withdrawing money even when the account has no funds in it or has sufficient funds to cover the amount of the withdrawal.	Remember	CO 4	CLO 8	AHS015.08
7	Define Capital Budgeting.	The long term planning to make and finance proposed capital outlays.	Remember	CO 4	CLO 7	AHS015.07
8	What is meant by payback method?	Method of evaluating a project by measuring time it will take to recover the initial investment.	Remember	CO 4	CLO 7	AHS015.07
9	What is meant by ARR method?	The ratio of annual profits after taxes to the average investment.	Remember	CO 4	CLO 7	AHS015.07
10	Define Discounted cash flows?	The future cash inflows reduced to their present value based on a discounting factor.	Remember	CO 4	CLO 7	AHS015.07
11	What is meant by IRR method?	The rate of return at which the present value of expected cash flows of a project exactly equals the original investment.	Remember	CO 4	CLO 8	AHS015.08
12	What is meant by Net present value?	The excess of present value of future cash inflows over and above the cost of original investment.	Remember	CO 4	CLO 7	AHS015.07

S.No	QUESTION	ANSWER	Blooms Level	CO	CLO	CLO Code
13	Define Profitability Index.	Is a financial tool which tells us whether an investment should be accepted or rejected.	Remember	CO 4	CLO 7	AHS015.07
14	What is meant by Discounting?	The process of reducing the future cash inflows to their present values is called discounting.	Remember	CO 4	CLO 7	AHS015.07
15	Define complementary proposal.	Contingent proposal is one which is dependent on the other.	Remember	CO 4	CLO 8	AHS015.08
UNIT-V						
1	What is meant by accounting?	Accounting is the recording, classifying and summarizing of business transaction in terms of cash, the preparation of financial report, the analysis and interpretation of these reports for the information and guidance of management	Understand	CO 5	CLO 9	AHS015.09
2	What is the purpose of accounting?	The main purpose of accounting is to determine profit or loss during a specified time, to show financial condition of the business on a particular date and to have control over the firm's property..	Remember	CO 5	CLO 10	AHS015.10
3	What are functions of financial accounting?	<ul style="list-style-type: none"> • Book keeping function • Classification of information • Preparation of financial accounting • Segregating of financial transactions 	Remember	CO 5	CLO 9	AHS015.09
4	Define Balance sheet?	In simple term Balance sheet is a statement, which shows the assets and liabilities of the firm. Balance sheet presents the financial position of a firm as revealed by the accounting records.	Remember	CO 5	CLO 10	AHS015.10
5	What is Profit and loss account?	Profit and loss account is prepared to ascertain the net profit or net loss of the business concern for an accounting period.	Remember	CO 5	CLO 9	AHS015.09
6	Write any four Accounting Concept.	i) Business entity concept ii) Going concern concept iii) Money measurement concept iv) Accounting period concept	Understand	CO 5	CLO 10	AHS015.10
7	What is meant by Ratio analysis?	In simple term ratio is numerical relationship between two numbers.	Remember	CO 5	CLO 9	AHS015.09
8	Define Profitability Ratio?	Profitability ratios throw light on how well the firm is organizing its activities in a profitable manner.	Remember	CO 5	CLO 10	AHS015.10
9	What is meant by current ratio?	Current ratio is the ratio between current assets and	Remember	CO 5	CLO 9	AHS015.09

S.No	QUESTION	ANSWER	Blooms Level	CO	CLO	CLO Code
		current liabilities.				
10	Define financial ratio.	Financial ratios are calculated on the basis of items of the balance sheet. Therefore, solvency ratios are also called balance sheet ratios.	Remember	CO 5	CLO 10	AHS015.10
11	What is meant by Solvency ratio?	Solvency ratios express the financial position of business.	Remember	CO 5	CLO 9	AHS015.09
12	What is meant by Journal?	Journal is the first book in which transactions are recorded in a chronological order, the moment they take place in business.	Remember	CO 5	CLO 10	AHS015.10
13	What is meant by Ledger?	Ledger is a book that contains several accounts. The process of preparation of accounts from the journal into ledger is called posting in the ledger.	Remember	CO 5	CLO 9	AHS015.09
14	Define Trial balance.	Trial balance is a statement containing debit and credit balances of various accounts taken out from ledger book as on a particular date.	Remember	CO 5	CLO 10	AHS015.10
15	What is meant by activity ratios?	Activity ratios express how active the firm is in terms of selling its stocks, collecting its receivables and paying its creditors.	Remember	CO 5	CLO 9	AHS015.09

Signature of the Faculty

HOD, MBA