

Chapter 1 – Introduction to Macro Economics

Question 1

In Economics, a good is something which,

- Is a service
- Can be a service
- Appears appealing
- Satisfies wants and needs

Answer: Satisfies wants and needs

Question 2

What is Export?

Answer: Exports are the goods and services manufactured in one nation and bought by residents of another nation. It doesn't matter what the good or service is. It can be shipped, sent by email, or carried in personal luggage on a ship or plane. If it is manufactured domestically and traded to someone in a foreign country, it is known as an export.

Question 3

Who is called the 'Father of Modern Economics'?

Answer: Adam Smith

Question 4

Differentiate between Micro and Macroeconomics.

Answer:

Microeconomics	Macroeconomics
The individual economic unit is studied	The aggregate economic unit is studied
It deals with ascertainment of cost price and output in the individual markets	It deals with ascertainment of general price and output in the whole economy
Main issues are ascertainment of price and allocation of resources	Here, the main issue is ascertainment of income level and tackling unemployment in the economy

Question 5

What are Macroeconomics and Microeconomics? What is the association between the 2?

Answer:

Macroeconomics, like a discrete part of economics, was surfaced after the British economist John Maynard Keynes issued and published his book *The General Theory of Employment, Interest and Money* in 1936. The ascendant thinking in economics before Keynes was all the workers who are willing to work would find employment and all the plants (factories) will be functioning at their comprehensive capacity. This school of notion is called as the classical tradition.

Microeconomics is a branch of economics that contemplate the attributes of decision makers within the economy, such as households, individuals and enterprises. The term 'firm' is generally used to refer to all sorts of trade. Microeconomics distinct with the study of Macroeconomics, which considers the economy as an entity.

Whilst these 2 studies of the subject Economics appear to look different, they complement each other and are interdependent since there are several overlapping issues between these 2 segments. For instance, raised inflation (macro effect) would be the reason for the increase in the price of raw materials.

Question 6

What is entrepreneurship?

Answer: The meaning of entrepreneurship includes an entrepreneur who takes action to create a change in the world. Whether startup entrepreneurs solve an issue that many struggles every day, bring people together in a way no one has before or build something revolutionary that advances society, they all have one thing in common: action.

Question 7

A resource is,

- Good only
- Service only
- Good or a service
- Neither a good nor a service

Answer: Good or a service

Question 8

Cash paid against trade payable belongs to,

- No effect
- Operating activities
- Financing activities
- Investing activities

Answer: Operating activities

Question 9

The basic factors of production are land, labour, capital and,

- Enterprise
- Investment
- Machinery
- Resources

Answer: Enterprise

Question 10

Positive economics states,

- What is supposed to be
- Central problems of an economy
- What is
- What will be

Answer: What is

Question 11

Define great depression.

Answer: Economists usually attribute the beginning of the great depression to the sudden devastating collapse of the US stock market prices on October 29, 1929, known as Black Tuesday. However, a few conflicts have been arisen and check the stock crash as a symptom, rather than a cause, which is known as Great depression.

Question 12

Interest received on investment will be,

- Added (Financing activities)
- Deducted (Investing activities)
- Added (Investing activities)

- Deducted (Financing activities)

Answer: Added (Investing activities)

Question 13

What is an import?

Answer: An import is a good or service that is brought into one country from another. The word import is derived from the word 'port' since commodities are often shipped via boat to the abroad countries. Along with the exports, imports form the backbone of international trade.

Question 14

Under which type of activity would you categorise the sale of shares of another firm whilst preparing the cash flow statement?

- Financing activity
- Investing and Financing
- Operating activity
- Investing activity

Answer: Investing activity

Question 15

What is the name of the John Maynard Keynes celebrated book?

Answer: Name of the book is 'The General Theory of Employment, Interest and Money' which was published in the year 1936.