In three Sector Model = $K = \frac{1}{1 - b(1-t)}$

CHAPTER 1:NATURE AND SCOPE OF BUSINESS ECONOMICS

Sno.	Concept	Formula
1	Total Utility	$TU=MU_1+MU_2+MU_3+....MU\ n^{th}$ Units
3	Marginal Utility	1. Marginal Utility = Change in Total Utility (ΔTU) / Change in No. of Units Consumed(ΔQ) 2. $MUn=TU_n-TU_{n-1}$
4	Consumer Equilibrium - Cardinal	$\frac{MU_x}{Price_x} = \frac{MU_y}{price_y}$
5	Consumer Surplus	1. What a consumer is ready to pay – what he actually pays. 2. Marginal Utility (MU) - Price
6	Consumer Equilibrium - Ordinal	$MRS_{XY} = MU_X / MU_Y$
7	PRICE ELASTICITY {PERCENTAGE METHOD}=	% Change in quantity demanded / % change in price (or) $\frac{\Delta q}{\Delta p} \times \frac{P}{q}$ — use this % Δ = $\frac{New-Old}{old} \times 100$
8	Method of derivative	$\frac{-dq \times p}{dp \times q}$ $\frac{\Delta q}{\Delta P} \times \frac{P}{q}$ → old/Base (old → New)
9	Method of Graph	Lower segment/Upper segment (or) $\frac{\Delta Q}{\Delta P}$
10	Arc Elasticity	$\frac{(q1-q2) \times (p1+p2)}{(q1+q2)\ (p1-p2)}$
11	Total Outlay Method	1. If Total expenditure & Price moving in same direction – Inelastic (Direct) 2. If Total expenditure & Price moving in Opposite direction – Elastic (Inverse) 3. If total revenue remains unchanged – Unit elastic $E=1$
12	Income Elasticity	%change in Demand / % change in income (or) $\frac{\Delta Q}{\Delta Y} \times \frac{Y}{Q}$ % change = $\frac{New-Old}{old} \times 100$
13	Cross Elasticity	%change in Demand of good x / % change in price of good y $\frac{\Delta Q_x}{\Delta P_y} \times \frac{P_y}{Q_x}$
14	Advertisement Elasticity	% change in demand of commodity / % change in advertisement expenditure $\frac{\Delta Q}{\Delta A} \times \frac{A}{Q}$ — It is typically Positive
15	Elasticity of supply- % Change method	% change in Quantity supplied / % change in price
16	Arc Elasticity	$\frac{(S1-S2) \times (P1+P2)}{(S1+S2)\ (P1-P2)}$
17	Method of derivative	$\frac{dq \times p}{dp \times q}$ × Point Elasticity = $\frac{\Delta Q}{\Delta P}$ (or) Lower Segment / Upper Segment
18	Cobb-Douglas	$Q=KL^{a}C^{(1-a)}$

MRS will be constant if Perfect substitute

MCQ

MCQ

CA Foundation – Economics & BKC - Economist Summary		
19	*Average Product*	Total product Quantity of input
20	*Marginal Product*	1. Change in Total Product (ΔTP) Change in No. of Quantity (ΔQ) of Input 2. $MP_n = TP_n - TP_{n-1}$
21	*Economic Costs*	Explicit Costs + Implicit Costs
22	*Marginal cost per unit*	1. Difference in Total Cost (TC) between two output levels Difference in Output Quantity at those levels 2. Difference in Total variable (TVC) of two units ★ Difference in Output Quantity of two units 3. $TC_n - TC_{n-1}$ 4. $TVC_n - TVC_{n-1}$ } same in Body Cost chapter [only in short Run]
23	*Total Cost*	Total Fixed cost + Total variable cost
24	*Average Total Cost*	1. Total Cost Total output 2. Average Fixed cost + Average Variable cost 3.
25	*Average Fixed cost- AFC*	TFC Q.
26	*Average Variable cost - AVC*	TVC Q
27	*Total Revenue*	Price x Quantity (P x Q)
28	*Average Revenue* ★ (AR = P)	1. Total Revenue (TR/Q) Quantity 2. Also Known as Price
29	*Marginal Revenue*	1. Change in TR Change in Qty. sold 2. TRn - TRn-1 3. Marginal Revenue = Average Revenue (E - 1/E) ★ ← use this for Price Descrimination
30	*Accounting profit*	Total revenue - Explicit cost ★ 1000 - 200 = 800
31	*ECONOMIC PROFIT*	Total Revenue-(Explicit Cost + Implicit Cost) 1000 - (200 + 100) = 700
32	*Profit maximisation condition*	1. MC = MR 2. MC Curve cuts MR from Below

MICRO

National Income

Nominal GDP = $\frac{\text{REAL GDP} \times \text{GDP Deflator}}{100}$

Real = $\frac{\text{Nominal GDP}}{\text{GDP Deflator}} \times 100$

GDP Deflator = $\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$

Inflation Rate of two year = $\frac{\text{new} - \text{old}}{\text{old}} \times 100$

I $C = \bar{C} + b(Y - T)$ $\quad Y_d = (Y - T)$ * T = Tax

II $C = \bar{C} + b(Y - T)$ $\quad * T = \bar{T} + ty$

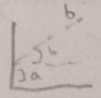
III $C = \bar{C} + b(Y - T + T_r)$ $\quad *$ T = Tax, T_r = transfer Payment

$K = \frac{1}{1 - b(1-t)}$, Normal $K = \frac{1}{1 - MPC}$ OR $\frac{\Delta Y}{\Delta I}$

Net NDY = NNP_{FC} + NIT + Net Current Transfers from rest of world

Gross NDY = Net NDY + Depreciation

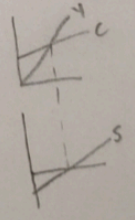
consumption Function $C = \bar{a} + by$



* a = Autonomous
* b = $\frac{\Delta C}{\Delta Y}$

Consumption Function $S = -\bar{C} + (1-b)Y$

Relation b/w Y, C, S



Macro