H.M. CLASSES

ALL CHAPTER DISTINGUISH BETWEEN

1. Micro Economics and Macro Economics

Points	Micro Economics	Macro Economics
1. Definition:	Micro economics is the study of the behaviour of individual units like behaviour of a consumer, a firm, price of a commodity etc.	Macro-economics is the study of the behaviour of the economy as a whole.
2. Deals:	It deals with the problems of pricing and income distribution of factors of production.	It deals with the problems of size of national income, economic growth level of employment, general price level etc.
3. Scope:	Its scope is limited.	Its scope is much wider.
4. Popularized by:	These concepts are studied in detail and popularized by Alfred Marshall.	These concepts are studied in general and popularized by J.M. Keynes.

2. Slicing Method and Lumping Method

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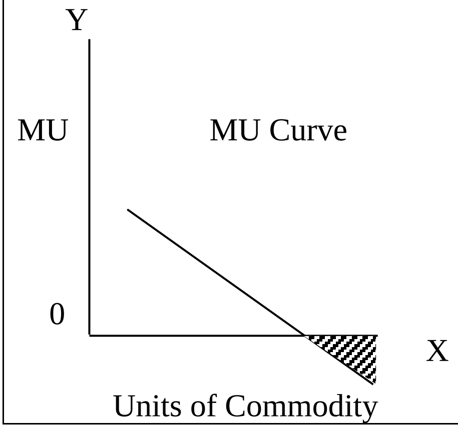
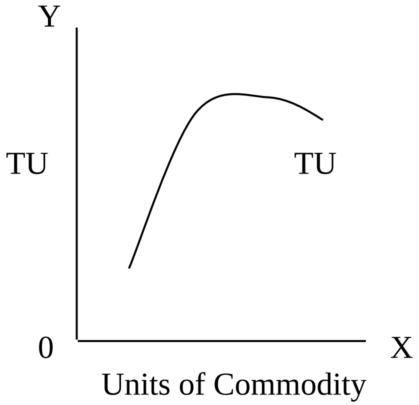
3. Marginal Utility and Total Utility

Marginal Utility	Total Utility
1.Meaning:- It refers to the addition made to TU by consuming one more unit of the same commodity.	It refers to sum total of utilities derived from consumption of all units of a given commodity.
2.Formula:-$MU_n = TU_n - TU_{(n-1)}$	$TU = \Sigma MU$
3.Zero:- MU can become zero and negative.	TU will never become zero and negative.
4.Diagram:-MU curve slopes downward. 	TU slopes upward from left to right. 

4. Place Utility and Time Utility

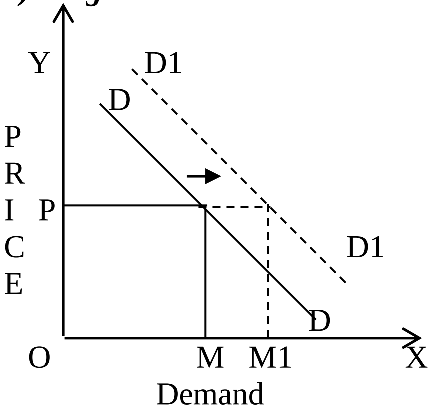
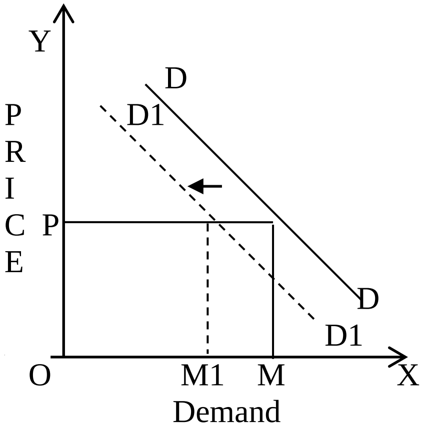
Points	Place Utility	Time Utility
1.Meaning	Utility increased by changing the place of utilization of a commodity is called Place Utility.	Utility increased by changing the time of utilization of a commodity is called Time Utility .
2.Creation	Place Utility is created by use of Transport facilities	Time Utility is created by use of Storage facilities .
3. Determinant	The amount of utility is determined by the choice of place	The amount of Utility depends upon the time chosen.
4. Example	Sea Sand has more Utility in construction work than along the seashore	Umbrellas has greater utility during rainy season than in winter

5. Demand and Desire

Points	Demand	Desire
***1. Definition:*.**	Demand means the desire backed ***(Supported)*** by	Desire means a particular want. For example If you

	willingness and capacity to purchase a commodity	want to paint your house but for "pink" colour paint.
2. Example:	For example a family demands 10 kgs. sugar in a month.	You want cold drink but desire Fanta.
3. Relation:	Demand is always related to price and time.	Desire has no such relationship with price and time. It is independent .
4. Usage:	Demand is word used in general with price, supply, economic development etc.	Desire is more personal in nature.

6. Increase in Demand and Decrease in Demand

Increase in demand	Decrease in demand
1) Definition: Increase in demand refers to more demand at the same price.	Decrease in demand refers to less demand at the same price.
2)Reason: This is because of change in the determinants of demand like rise in income, more fashion etc.	This is because of change in the determinants of demand like fall in income, fashion, taste, etc.
3) Diagram:  At the same price OP, demand increases from OM to OM1	 At the same price OP, demand decreases from OM to OM1
4) Representation: This is shown by the shift of the demand curve to the right of the original demand curve.	This is shown by the shift of the demand curve to the left of the original demand curve.

(7) Expansion in Demand and Contraction in Demand :

Ans. Expansion in Demand	Contraction in Demand
(1) Meaning	
Other factors remaining constant, a rise in demand due to a fall in price is called expansion in demand.	Other factors remaining constant, a fall in demand due to a rise in price is called contraction in demand.
(2) Movement in equilibrium point	
In expansion in demand, equilibrium point of price and demand moves downward from the left to the right on the same demand curve.	In contraction in demand, equilibrium point of price and demand moves upward from the right to the left on the same demand curve.

8. Individual Demand and Market Demand

Points	IndividualDemand	Market Demand
1) Definition:	It refers to demand for a commodity made by one person or family at a price during a given period of time.	It refers to demand for a commodity made by all buyers in the market at a price during a given period of time.
2) Relation:	It shows relation of demand with one buyer's point of view.	It shows relation of demand from all buyers in the market.
3) Concept:.	It is a narrow concept	It is a wider concept.

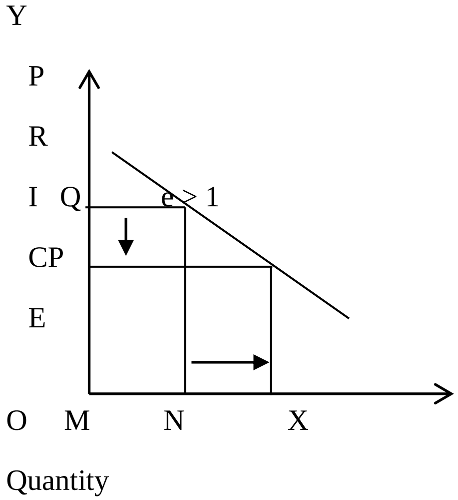
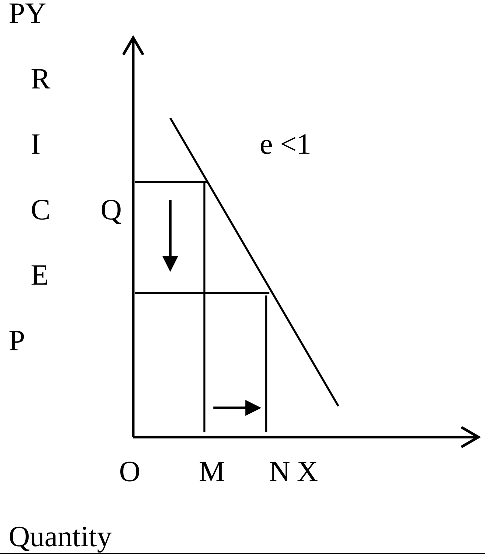
(9) Direct Demand and Indirect Demand :

Ans. Direct Demand	Indirect Demand
1. Meaning	
The demand for commodities and services satisfying the human wants directly is said to be direct demand.	The demand for commodities and services satisfying the human wants indirectly is said to be indirect demand.
2. Nature	
Direct demand is conventional in nature. For example, demand for consumer goods like clothes, furniture, etc.	Indirect demand is derived in nature. For example, demand for capital goods like equipment, tools, etc.

(10) Expansion of Demand and Increase in Demand :

Ans. Expansion of Demand	Increase in Demand
(1) Meaning	
Other factors remaining constant, a rise in demand due to a fall in price is called expansion of demand.	Price remaining constant, a rise in demand due to favourable changes in other factors is called increase in demand.
(2) Equilibrium Point	
In expansion of demand, equilibrium point of price and demand moves downward from the left to the right on the same demand curve.	In increase in demand, equilibrium point of price and demand shifts from the left to the right on the new demand curve.

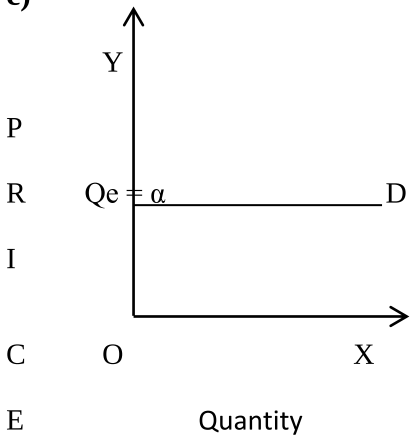
11. Relative Elastic Demand and Relatively Inelastic Demand.

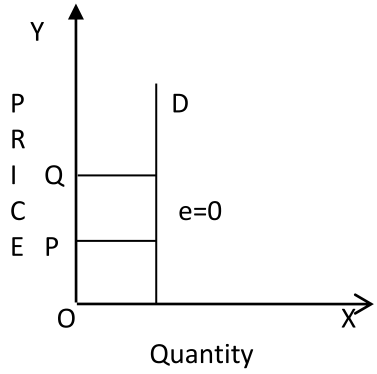
Relatively elastic demand	Relatively inelastic demand.
a)Meaning : If change in price brings about more than proportionate change in quantity demanded then demand is said to be relatively elastic.	If change in price brings about less than proportionate change in demand then demand is said to be relatively inelastic.
b)Coefficient : Coefficient of elasticity is more than one.	Coefficient of elasticity is less than one.
c) Nature Of Curve : Demand curve is relatively flat	Demand curve is relatively steep.
d) Graph : 	

12. Perfectly Elastictic Demand and Perfectly Inelastic Demand

Perfectly elastic Demand	Perfectly inelastic demand
a)Meaning: The demand is said to be perfectly elastic when slight percentage change in price brings infinite (unlimited) percentage change in quantity demanded.	The demand is said to be perfectly inelastic when percentage change in price, brings no (zero) percentage change in quantity demanded.
b) Numerical value : The elasticity value of an elastic demand is always greater than one, i.e. $Ed>\propto$	The elasticity value of perfectly inelastic demand is zero, i.e. $Ed=0$.

c)





d) Slope Of Demand Curve : Perfectly elastic demand curve is horizontal straight line parallel to X-axis.	Perfectly inelastic demand curve is vertical straight line parallel to Y-axis.

(13) Income Elasticity of Demand and Cross Elasticity of Demand :

Ans.

Income Elasticity of Demand	**Cross Elasticity of Demand**
(1) Meaning	
Income elasticity of demand can be defined as the percentage change in the quantity demanded of a commodity in response to a change in the income of the consumer.	Cross elasticity of demand can be defined as the percentage change in the quantity demanded of one commodity (say 'x') in response to the change in the price of another commodity (say 'y').
(2) Formula	
$Ey = \frac{\Delta Q}{Q} \times \frac{Y}{\Delta Y}$ Where, (i) ΔQ = Change in demand (ii) ΔY = Change in income (iii) Y = Original income (iv) Q = Original Demand.	$Ec = \frac{\Delta Q_x}{Q_x} \times \frac{P_y}{\Delta P_y}$ Where, (i) ΔQ_x = Change in demand for commodity x (ii) ΔP_y = Change in price of commodity y (iii) P_y = Original price of commodity y (iv) Q_x = Original demand for commodity x.

14. Stock and Supply

Points	Stock	Supply
1. Definition:	Stock refers to the total quantity of a commodity produced by the seller for sale or it refers to potential***(Possible)***supply. Stock is a base or source of supply.	Supply refers to the actual quantity of a commodity offered for sale at a given price in a given time.
2. Exceed:	It is the total quantity produced and it can exceed supply.	It is the part of stock and cannot exceed stock.
3. Entire Stock:	In case of durable ***(Long lasting)*** goods stock may exceed supply because the entire stock may not be thrown to the market when the price is low.	In case of perishable ***(to be destroyed)*** goods like fruits, milk, etc., supply is same as stock because the entire stock is brought to the market for sale
4.Reservoir & Flow:	Stock is like a reservoir (to store).	Supply is a flow (going on) concept.

(15) Expansion of Supply and Increase in Supply :

Ans. Expansion of Supply	**Increase in Supply**
(1) Meaning	
A rise in supply caused by rise in the price while other factors remaining constant is called expansion (extension) in supply.	A rise in supply caused by favourable changes in other factors than price is called increase in supply.
(2) Equilibrium Point	
In expansion of supply, the new equilibrium point of price and supply moves upwards from the left to the right on the same supply curve.	In increase in supply, the new equilibrium point of price and supply shifts from the left to the right on the new supply curve.

(16) Contraction of Supply and Decrease in Supply :

Ans. Contraction of Supply	Decrease in Supply
(1) Meaning	
A fall in supply caused by fall in price while other factors remaining constant is called contraction of supply.	A fall in supply caused by unfavourable changes in other factors than price is called decrease in supply.
(2) Equilibrium point	
In contraction of supply, the new equilibrium point of price and supply moves downwards from the right to the left on the same supply curve.	In decrease in supply, the new equilibrium point of price and supply shifts from the right to the left on the new supply curve.

(17) Average Revenue and Average Cost :

Ans. Average Revenue	Average Cost
(1) Meaning	
Average revenue refers to revenue per unit of output sold.	Average cost refers to the per unit cost of production.
(2) Formula	
Average revenue is calculated with the help of the following formula : $AR = \frac{TR}{TQ}$ Where, AR = Average Revenue, TR = Total Revenue and TQ = Total Quantity of Output.	Average cost is calculated with the help of the following formula : $AC = \frac{TC}{TQ}$ Where, AC = Average Cost, TC = Total Cost and TQ = Total Quantity of Output.

(18) Supply and Aggregate Supply :

Ans. Supply	Aggregate Supply
(1) Meaning	
Supply refers to quantity of a commodity that a seller is willing and able to offer for sale at a particular price, during a certain period of time.	It refers to the minimum amount of sales proceeds which entrepreneurs expect to receive from the sale of output at a given level of employment.
(2) Concept	
Supply is a microeconomic concept.	Aggregate supply is macroeconomic concept.

19. Perfect Competition and Monopoly

Points	Perfect Competition	Monopoly
1. Definition:	Under perfect competition there are large number of sellers and buyers of a commodity.	Under monopoly there is one seller and many buyers of a commodity.
2.Price:.	Each competitive firm is a price taker	A monopoly firm is a price maker.
3.Entry:	There is free entry and exit of firms.	Entry of rival firm is restricted due to legal and natural factors.
4. Influence:	A competitive firm cannot influence the market supply of a commodity and its price.	A monopolist has full control over the market supply of his commodity. Hence, he can influence its price.

20. Natural Monopoly and Public Monopoly

Points	Natural Monopoly	Public / Social Monopoly
1. Meaning	When seller controls the ownership of natural resources . It is called Natural Monopoly	When the government controls the sole ownership and supply of goods or services it is called public monopoly .
2. Objective	Profit motive is the objective of natural monopoly	Public welfare is the objective of public monopoly
3. Example	Tea from Assam, coffee of Brazil etc.	Railway Run by the government of India is an

		example of Public Monopoly.

21. Perfect Competition and Monopolistic Competition

Points	Perfect Competition	Monopolistic Competition
1. Definition:	Under perfect competition there are large number of sellers selling homogenous product in the market.	Under monopolistic competition there are large number of sellers selling differentiated product in the market.
2. Nature:	It is an ideal market.	It is a realistic market.
3. Sales:	Since the product sold is homogenous, there is no need of incurring selling cost on advertisements, posters etc.	Since the product sold is different, each seller has to incur selling cost in order to popularize his product.
4. Substitutes:.	There are no substitutes available for his product	Many close substitutes are available for his product.

(22) Price Index Numbers and Quantity Index Numbers :

Ans. Price Index Numbers	Quantity Index Numbers
(1) Meaning	
Price index number is a type of index number derived by multiplying the ratio of sum of the prices of various commodities of the current year and sum of the prices of various commodities of the base year by 100.	Quantity index number is a type of index number derived by multiplying the ratio of sum of the quantities of the various goods of the current year and sum of the quantities of various goods of the base year by 100.
(2) Formula	
Price Index Number $P_{01} = \frac{\Sigma p_1}{\Sigma p_0} \times 100$	Quantity Index Number $Q_{01} = \frac{\Sigma q_1}{\Sigma q_0} \times 100$

(23) Simple Index Numbers and Weighted Index Numbers :

Ans. Simple Index Numbers	Weighted Index Numbers
(1) Meaning	
Index numbers measured by giving equal importance (weight) to every commodity are known as simple index numbers.	Index numbers measured by giving suitable importance (weight) to every commodity on the basis of their quantity are known as weighted index number.
(2) Nature	
The measurement of simple index numbers is comparatively simple.	The measurement of weighted index numbers is comparatively complex.

(24) Gross Domestic Product and Net Domestic Product :

Ans. Gross Domestic Product	Net Domestic Product
(1) Meaning	
Gross Domestic Product is the gross market value of all final goods and services produced within the domestic territory of a country during a financial year.	Net Domestic Product is the net value of all final goods and services produced within the domestic territory of a country during a financial year.
(2) Formula	
GDP = C + I + G + (X – M)	NDP = C + I + G + (X – M) – D

25. Gross National Product and Net National Product

Points	GNP	NNP
1. Definition:	GNP refers to the aggregate market value of all final goods and services produced in a country during a given year.	NNP refers to the net aggregate market value of all final goods and services produced in a country during a given year.
2. Formula:	GNP = C + I + G + (X – M) i.e. GNP includes depreciation cost.	NNP = GNP – Depreciation i.e. in NNP depreciation cost is deducted.

3. Idea:	It does not give the correct idea about the wealth of the nation.	It gives the correct idea about the wealth of the nation
4. Concept:	It is a wider concept.	It is a narrower concept.

26. Gross National Product and Gross Domestic Product

Points	GNP	GDP
1. Definition:	GNP is the money value of all goods and services produced by the citizens of a country.	GDP is the money value of all goods and services produced within the geographical boundaries of a country.
2. Contribution:	It includes the contribution to production made by the citizens staying abroad.	It does not include the contribution to production made by citizens outside the country.
3. Comparison:.	It does not include the contribution to production made by foreigners staying in India	It includes the contribution to production made by foreigners staying in India.
4. Greater:	GNP will be greater than GDP, if exports are more than the imports.	GDP will be greater than GNP if imports are more than exports.

(27) Net National Product and Net Domestic Product :

Ans. Net National Product	Net Domestic Product
(1) Meaning	
Net National Product is the net value of all goods and services at market value resulting from current production during a financial year in a country, including net income from abroad.	Net Domestic Product is the net value of all final goods and services produced within the domestic territory of a country during a financial year.
(2) Formula	
$NNP = C + I + G + (X - M) + (R - P) - D$	$NDP = C + I + G + (X - M) - D$

(28) Public Finance and Private Finance :

Ans. Public Finance	Private Finance
(1) Meaning	
The financial transactions carried out by the government with the objective of providing maximum social advantage to the society are called public finance.	The financial transactions carried out by an individual or a private enterprise to fulfil private interest are called private finance.
(2) Elasticity	
Public finance is comparatively more elastic. There is much scope for changes in public finance.	Private finance is comparatively less elastic. There is not much scope for changes in private finance.

(29) Special Assessment and Special Levy :

Ans. Special Assessment	Special Levy
(1) Meaning	
The payment made by the citizens of a particular locality in exchange for certain special facilities given to them by the authorities is known as special assessment.	A duty levied by the government on unhealthy items with the basic intention of discouraging citizens from consuming unhealthy items is known as special levy.
(2) Examples	
A special tax levied by local bodies on the residents of a particular area where extra / special facilities of roads, energy, water supply are provided is an example of special assessment.	Duty levied on wine, opium and other intoxicants are the examples of special levy.

30) Direct Tax and Indirect Tax

Points	*Direct Tax*	Indirect tax
1 .	When consumers pay taxes directly to the government then those taxes are called as	When consumers pay taxes indirectly to the government on goods and services which

	Direct Taxes.	they consume then those taxes are called as Indirect taxes.
2 .	E.g. Income tax, property tax, wealth tax. Etc.	E.g. custom duties, excise duties, sales tax, services tax etc.
3 .	People sometimes escape paying such taxes by showing less income earned or showing less property to the government.	People can not escape from paying indirect taxes while purchasing goods.
4 .	People know the correct figures of taxes paid by them.	People do not know the correct figure of taxes paid by them.

(31) Money Market and Capital Market :

Ans. **Money Market**	**Capital Market**
(1) Meaning	
A type of financial market in which short term finance is provided is called the money market.	A type of financial market in which the medium term and long term finance is provided is called the capital market.
(2) Constituents	
The Reserve Bank of India, commercial banks, co-operative banks, development financial institutions, Discount and Finance House of India, indigenous bankers, money lenders, unregulated non-bank financial intermediaries, etc. are the constituents of money market in India.	Government securities market, Industrial securities market, development financial institutions, financial intermediaries, etc. are the constituents of capital market in India.

(32) **Demand Deposits and Time Deposits :**

Ans.

Demand Deposits	Time Deposits
(1) Meaning	
Deposits that are withdrawn on demand are called demand deposits.	Deposits that are withdrawn after a certain period of time are called time deposits.
(2) Types	
Current deposits and savings deposits are the types of demand deposits.	Recurring deposits and fixed deposits are the types of time deposits.