

## **Some Basic Conc - R & U - Very Short (Info & Concept)**

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### **Q. 1. What are final goods?**

**Ans.** Final goods are those goods which are out of the boundary line of production and are ready for use by their final users.

### **Q. 2. What are intermediate goods?**

**Ans.** Intermediate goods are those goods which are used as raw material or are purchased by the firms for resale.

### **Q. 3. What are consumption goods?**

**Ans.** Consumption goods (also known as consumer goods) are those goods which are used for the direct satisfaction of human wants. Example: Milk used by households.

### **Q. 4. What are capital goods?**

**Ans.** Capital goods are fixed assets of the producers which are repeatedly used in the production of other goods and services and which are of high value.

### **Q. 5. What are producer goods?**

**Ans.** Producer goods are those goods which are used for further production. These may be used either as raw material (like wood used in making chairs) or as fixed assets (like a tractor used in farming).

### **Q. 6. Name the two types of final goods.**

**Ans. (i)** Final consumer goods, and

**(ii)** Final producer goods.

### **Q. 7. Define intermediate consumption.**

**Ans.** Intermediate consumption refers to expenditure by the producers on the purchase of intermediate goods during an accounting year.

### **Q. 8. Define investment.**

**Ans.** Investment refers to expenditure by the producer (during the period of an accounting year) on the purchase of all such goods which add to his stock of capital. It is also called capital formation.

### **Q. 9. What is fixed investment?**

**Ans.** Fixed investment refers to increase in the stock of fixed assets or capital goods (like plant and machinery) of the producers during an accounting year.

**Q. 10. What do you mean by inventory investment?**

**Ans.** Change in inventory stock during the year is called inventory investment of the producers.

**Q. 11. Define depreciation.**

**Ans.** Depreciation (or consumption of fixed capital) refers to loss of value of fixed assets (in use) on account of:

- (i) Normal wear and tear, and
- (ii) Expected obsolescence,
- (iii) Accidental damages.

**Q. 12. Define depreciation reserve fund.**

**Ans.** Depreciation reserve fund refers to that fund which the producers keep to cope with depreciation losses in the process of production.

**Q. 13. Why does an entrepreneur make a provision for consumption of fixed capital?**

**Ans.** An entrepreneur makes a provision for the consumption of fixed capital with a view to replace the worn-out fixed assets.

**Q. 14. Define capital loss.**

**Ans.** Capital loss is a loss of value of fixed assets while these are not in use. It occurs on account of:

- (i) Natural calamities, and
- (ii) Fall in market value of the assets during periods of economic recession.

**Q. 15. What is current replacement cost?**

**Ans.** Current replacement cost refers to the estimated value of depreciation for all the producing units in the economy, during the period of an accounting year.