



INDIAN SCHOOL AL WADI AL KABIR

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| Class: XI | Department: Commerce |
| | Topic: INDEX NUMBER |

1. An index number is used to measure changes in:
 - a. Quantity only
 - b. Demand only
 - c. A variable over time
 - d. Price only**A: c**
2. Which of the following is also known as cost of living index?
 - a. Consumer price index
 - b. Producer price index
 - c. Wholesale price index
 - d. None of the above**A: a**
3. Which of the following index number, indicates the change in the industrial production?
 - a. Nifty
 - b. GDP
 - c. CPI
 - d. IIP**A: d**
4. Price of top 30 shares of Bombay Stock exchange increased, which of these will increase?
 - a. WPI
 - b. CPI
 - c. Inflation rate
 - d. Sensex**A: d**
5. Whose formula is ideal for construction of Index Number?
 - a. Pasche's formula
 - b. Laspeyer's formula
 - c. Fisher's formula
 - d. None of these**A: c**

6. Define the following:
 - i. Consumer Price Index
 - ii. Wholesale Price Index
 - iii. Index numbers
 - iv. Producer index numbers (Refer notes)
 - v. Sensex: it is a useful guide for investors in the stock market. If the Sensex is rising, investors are optimistic of the future performance of the economy.

7. What are the two types of price index numbers?
 - i. Simple or Unweighted
 - ii. Weighted index numbers

8. Mention two important uses of Index Numbers.
 - a. They are indispensable in economic policy making.
 - b. They measure and permit comparison of the prices of certain goods.

9. Mention two important limitations of Index Numbers.
 - a. Index numbers are only estimates---they are true only on an average.
 - b. Index numbers prepared for one purpose cannot be effectively used for other purposes
 - c. Index numbers do not help in international comparison.
 - d. It is difficult to collect retail prices so index numbers based on wholesale prices may be misleading.

10. Discuss the main problems which are faced in the construction of Index Numbers.
 - a. Purpose of the index number is to be absolutely clear, in order to avoid confusion.
 - b. Selection of the items to be included is to be done very carefully and suitably, in order to get a meaningful picture of the change involved.
 - c. selection of the source of data.

11. Calculate weighted aggregate price index from the following using: i. Laspeyre's method. ii. Paasche's method.

| Commodity | Base Period | | Current Period | |
|-----------|-------------|----------|----------------|----------|
| | Price | Quantity | Price | Quantity |
| A | 10 | 6 | 15 | 8 |
| B | 25 | 10 | 40 | 20 |

| | | | | |
|---|----|----|----|----|
| C | 30 | 15 | 45 | 12 |
| D | 15 | 20 | 30 | 15 |
| E | 20 | 8 | 25 | 6 |

A: (Laspeyre's : 161.06 , Paasche's : 160.31)

12. Calculate weighted average of price relative index from the following data:

| Commodity | weight in (%) | Base Yr Price (Rs) | Current Yr Price (Rs) |
|-----------|---------------|--------------------|-----------------------|
| A | 40 | 2 | 4 |
| B | 30 | 5 | 6 |
| C | 20 | 4 | 5 |
| D | 10 | 2 | 3 |

(A: 156)

13. Calculate cost of living index from the following data:

| Commodity | weight in (%) | Base Yr Price (Rs) | Current Yr Price (Rs) |
|-----------|---------------|--------------------|-----------------------|
| Food | 4 | 30 | 47 |
| Fuel | 1 | 8 | 12 |
| Clothes | 3 | 14 | 18 |
| Rent | 2 | 22 | 15 |
| Misc. | 1 | 25 | 30 |

(A: 129.03)

14. Calculate the simple Aggregative Price Index on the basis of the following data:

| Commodity | Price (2018) (Rs) | Price (2019) (Rs) |
|-----------|-------------------|-------------------|
| Rice | 120 | 180 |
| Wheat | 80 | 100 |
| Oil | 300 | 400 |
| Pulses | 130 | 180 |
| Sugar | 150 | 200 |

(A: 135.89)

15. Find out the price index of the year 2018, assuming 2016 as the base year of the following data by using simple average of price relative method:

| Commodity: | Wheat | Sugar | Rice | Potato | Salt |
|---------------|-------|-------|------|--------|------|
| P-2016 (Rs): | 800 | 1100 | 400 | 500 | 300 |
| P- 2018 (Rs): | 900 | 1200 | 600 | 700 | 500 |

(A: 135.65)