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# Statistics - ICom Part 1 Statistics Chapter 5 Short Questions Preparation

Q1. Define link relative .

**Ans 1:** A price relative in which price of the precodring year is taken as base is called the link relative.

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Q2. What are the limitation of index number?

**Ans 1:** Some limitation of index are given below:

1. All index numbers are not suitable for all purpose.
2. There may be error in choice of base period
3. If it not possible take into account all change in product.

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Q3. What is the difference between simple and composite index number?

**Ans 1:** Simple index number measures the relative change in single variable while composite index number measure the relative change in more than one variable.

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Q4. What are the three types of index numbers.

**Ans 1:** There are three types of index numbers.Price index numbersQuantity Index numberValue index number

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Q5. Differentiate between laspeyre index number and paasche's index number.

**Ans 1:** In computing laspeyres index we use the quantity of base year as weight,In computing paasche index number we use the quantity of current year as weight.

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Q6. Define laspeyres index number.

**Ans 1:** It was named after the name of an economist E time Laspeyre,
If is an index in which base year quantities are used as weights.

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Q7. What is the base period?

**Ans 1:** The period with whihc prices in other periods are compared is called the bose period or refrence period.

**Ans 2:** The base period is usually a year becasue a month or a quarter is too short a period to be used as base.

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Q8. Why index number are called economicss baraometer.

**Ans 1:** Index numbers are playing key role in commericaial, industrial and mechanical field, i.e. it is called economics barometer.

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Q9. Write two advantages of chain base method.

**Ans 1:** 1- Link relative make year to year comprasion whihc are very suually for businessmen

**Ans 2:** 2- The weighting system can be changed as required from time to time.

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Q10. Which index number satisfy the time revereal or factor reveral test or both.

**Ans 1:** Fisher's ideal index satisfice both the time reverail and factor reversal tests Marshall Edgeworth index satisfies the time reversal test only Laspeyres and Paasche indices do not satisfy both the tests.

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