

Statistics - ICS Part 1 Statistics Chapter 5 Short Questions Preparation

Q1. Which index number satisfy the time reversal or factor reversal test or both.

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

Q2. Write two advantages of chain base method.

Ans 1: 1. Link relatives are useful to make year to year comparisons.
2. New items can be substituted for old items provided the number of items remain the same.

Q3. Write any two uses of index numbers.

Ans 1: 1- Index numbers can be used in education to compare the intelligence of a student with that of an average student of his age as class.

Ans 2: 2- Index numbers can be used to show the general health conditions of the people and to indicate the adequacy of hospital facilities.

Q4. Define Chain index.

Ans 1: A link relative converted to a fixed base is called the chain index. The chain index for a year is obtained by multiplying the average of the link relatives of that year by the chain index of the preceding year and then dividing the resulting product by 100.

Ans 2: The chain index for the base year is usually taken as 100

Q5. What is consumer price index number?

Ans 1: Consumer Price index is designed to measure change in the cost of living.

Q6. Why index numbers are called economic barometer.

Ans 1: Index numbers are playing a key role in commercial, industrial and mechanical fields, i.e. it is called an economic barometer.

Q7. Define simple and composite index number.

Ans 1: An index number that is computed for a single variable is called a simple index number.

Ans 2: An index number that is computed from two or more variables is called composite index numbers.

Q8. What are the types of composite index numbers.

Ans 1: Unweighted index number weighted index number.

Q9. What are the disadvantages of the Laspeyres' index.

Ans 1: Laspeyres index assumes that the quantities of items bought in the current period are the same as those in the base period. If the time interval between the base period and the current period is great, the assumption may be unrealistic, and the index may lose much of its usefulness.

Q10. What is the main disadvantage of the unweighted index numbers.

Ans 1: Unweighted index number does not take into account the relative importance of various commodities. It attaches equal importance or weight to milk and mutton in computing a cost of living index number
