

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

Q1. Write main steps involved in construction of price index numbers.

**Ans 1:**

1. Purpose and Scope
2. Selecting components
3. Choosing the base year
4. choosing the weight
5. choosing the average

Q2. Write any two uses fo index numbers.

**Ans 1:** 1- Index numbers can be used to education to compare teh 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 at hospital facilities.

Q3. Enlist the main steps involved in the construction of index number.

**Ans 1:** 1- Definition of the purpose and scope.

**Ans 2:** 2- Selection of commodities to be included.

**Ans 3:** 3- Collction prices.

**Ans 4:** 4- Selection of the base period  
5- Choice of average to be used

**Ans 5:** 6- Selection of suitable weights

Q4. Describe the chain base method.

**Ans 1:** In chain base method the price of preceding year is taken as base.

Q5. What is the CPI.

**Ans 1:** Consumer Price Index

Q6. Differentiate between price relative and link relative.

**Ans 1:** In calculating Price relative, the current year price is divided by the base year price. In calculating link relatives, the current year price is divided by the price of preceding year.

---

Q7. State some uses of consumer price index number.

**Ans 1:** The consumer price indices can help the government to take suitable economic measures to control prices.

**Ans 2:** These indices can be made a basis for regulation of wage rates. They are used by industrial and commercial organizations to grant dearness allowance and bonus to their employees to meet the increased cost of living.

**Ans 3:** Index numbers are used to evaluate the purchasing power of money, They are also used for forecasting business and economic activities.

---

Q8. What is the difference between average of relatives method and aggregate method.

**Ans 1:** In aggregate method, we sum all prices before finding the ratios. In Average of relatives method, we first compute price relatives and then take the average.

---

Q9. What are quantity index number?

**Ans 1:** A quantity or volume index number is that which is used to measure the relative change in quantities of items.

---

Q10. What is the consumer price index number.

**Ans 1:** The consumer price index number also called the cost of living or retail price index, is designed to measure changes in the cost of living. It is the cost of goods and services of daily use purchased by a particular class of people in a town or area.

---