FUNDAMENTAL BUSINESS ECONOMICS

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Fundamental Business Economics
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Unit 1: Introduction to Economics

1.1 Economics and Business

Economics is the social science that studies how individuals, businesses, governments, and societies make choices about the allocation of scarce resources to satisfy unlimited wants and needs. Business economics applies these principles to the specific decisions faced by firms and managers.

Key Concepts

- Scarcity
- Opportunity cost
- Resource allocation
- Production
- Consumption
- Exchange
- Distribution

Scarcity

Scarcity exists because resources are limited while human wants are virtually unlimited. Land, labor, capital, and entrepreneurship are all finite in any given economy at any given time.

Opportunity Cost

Opportunity cost is the value of the next best alternative that is given up when a choice is made. It is not always measured in money; it can be measured in time, effort, or any other scarce resource.

Resource Allocation

Resource allocation refers to the way in which an economy distributes its scarce resources among competing uses. Different economic systems allocate resources in different ways.

Production

Production is the process of combining resources to create goods and services that have value and can satisfy human wants.

Consumption

Consumption is the use of goods and services by households to satisfy their wants and needs.

Exchange

Exchange is the process of trading goods and services, usually through markets, in which buyers and sellers agree on prices.

Distribution

Distribution refers to how the income and wealth produced by an economy are shared among the people who helped produce it.

1.2 Microeconomics and Macroeconomics

Microeconomics studies the behavior of individual economic agents such as households, firms, and markets. Macroeconomics studies the economy as a whole, including aggregate output, employment, inflation, and economic growth.

Microeconomics

Microeconomics examines how prices are determined in individual markets and how consumers and firms make decisions. It includes the study of supply and demand, elasticity, consumer behavior, and market structures.

Macroeconomics

Macroeconomics examines the economy at the aggregate level. It includes the study of gross domestic product, unemployment, inflation, monetary policy, fiscal policy, and international trade.

Positive and Normative Economics

Positive economics describes what is, while normative economics prescribes what ought to be. Positive statements can be tested against evidence; normative statements cannot.

1.3 The Economic Problem

The economic problem arises because resources are scarce relative to unlimited wants. Every society must answer three basic questions: what to produce, how to produce it, and for whom to produce it.

What to Produce

This question concerns the choice among different goods and services that can be produced with the available resources.

How to Produce

This question concerns the choice of techniques and methods used to combine resources in production.

For Whom to Produce

This question concerns the distribution of the goods and services among the members of society.

1.4 Economic Systems

An economic system is the way a society organizes its production, distribution, and consumption of goods and services. Common systems include traditional, command, market, and mixed economies.

Traditional Economy

In a traditional economy, decisions are based on customs, beliefs, and practices passed down through generations.

Command Economy

In a command economy, a central authority makes most decisions about production and distribution.

Market Economy

In a market economy, decisions are made by individuals and firms interacting through markets, guided by prices.

Mixed Economy

A mixed economy combines elements of market and command systems, with both private and public ownership of resources.

1.5 Production Possibilities

The production possibilities curve shows the maximum combinations of two goods that can be produced when all resources are fully and efficiently employed.

Efficiency

Points on the curve are efficient. Points inside the curve are inefficient. Points outside the curve are unattainable with current resources and technology.

Shifts of the Curve

The curve shifts outward when resources increase or technology improves, and inward when resources decrease.

1.6 Demand

Demand is the quantity of a good or service that consumers are willing and able to buy at various prices during a given period of time.

Law of Demand

The law of demand states that, all else equal, the quantity demanded of a good falls when its price rises, and rises when its price falls.

Determinants of Demand

- Income
- Prices of related goods
- Tastes and preferences
- Expectations
- Number of buyers

1.7 Supply

Supply is the quantity of a good or service that producers are willing and able to sell at various prices during a given period of time.

Law of Supply

The law of supply states that, all else equal, the quantity supplied of a good rises when its price rises, and falls when its price falls.

Determinants of Supply

- Input prices
- Technology
- Expectations
- Number of sellers

1.8 Market Equilibrium

Market equilibrium occurs where the quantity demanded equals the quantity supplied. The price at this point is called the equilibrium price.

Surplus and Shortage

A surplus occurs when the price is above equilibrium. A shortage occurs when the price is below equilibrium.

1.9 Elasticity

Elasticity measures the responsiveness of one variable to changes in another. Price elasticity of demand measures how much the quantity demanded changes when the price changes.

Elastic and Inelastic

Demand is elastic when the quantity demanded changes more than proportionally to the price. Demand is inelastic when it changes less than proportionally.

1.10 Government and Markets

Governments intervene in markets through taxes, subsidies, price controls, and regulation. These interventions can correct market failures but may also create inefficiencies.

Taxes

A tax on a good raises the price paid by buyers and lowers the price received by sellers, reducing the quantity traded.

Subsidies

A subsidy is a payment to producers that lowers their costs and increases the quantity supplied.

Price Controls

Price ceilings set a maximum legal price; price floors set a minimum legal price. Both can create surpluses or shortages.

Unit 2: Consumer Behavior

2.1 Utility

Utility is the satisfaction or pleasure that a consumer derives from consuming a good or service. It is a subjective concept and cannot be directly observed.

Total Utility

Total utility is the overall satisfaction a consumer receives from consuming a given quantity of a good.

Marginal Utility

Marginal utility is the additional satisfaction gained from consuming one more unit of a good.

Diminishing Marginal Utility

The law of diminishing marginal utility states that as a consumer consumes more units of a good, the marginal utility of each additional unit tends to decrease.

2.2 Budget Constraints

A budget constraint shows the combinations of goods that a consumer can afford given their income and the prices of the goods.

Budget Line

The budget line is the boundary of the budget constraint. Its slope is the negative of the ratio of the prices of the two goods.

Changes in Income

An increase in income shifts the budget line outward; a decrease shifts it inward.

Changes in Prices

A change in the price of one good rotates the budget line around the intercept of the other good.

2.3 Consumer Choice

Consumers choose the combination of goods that maximizes their utility subject to their budget constraint.

Optimal Choice

The optimal choice is the point on the budget line where the consumer reaches the highest possible indifference curve.

Substitution and Income Effects

A change in price affects the quantity demanded through the substitution effect and the income effect.

2.4 Indifference Curves

An indifference curve shows all combinations of two goods that give the consumer the same level of utility.

Properties

- Indifference curves slope downward.
- Indifference curves do not cross.
- Higher curves represent higher utility.
- Indifference curves are usually convex to the origin.

Marginal Rate of Substitution

The marginal rate of substitution is the rate at which a consumer is willing to trade one good for another while remaining equally satisfied.

2.5 Revealed Preference

Revealed preference theory infers consumer preferences from observed purchasing behavior rather than from stated preferences.

Weak Axiom

The weak axiom of revealed preference states that if a bundle is chosen when another is affordable, the latter cannot be chosen when the former is affordable.

2.6 Consumer Surplus

Consumer surplus is the difference between the maximum price a consumer is willing to pay for a good and the price they actually pay.

Aggregate Consumer Surplus

Aggregate consumer surplus is the sum of consumer surplus across all buyers in a market.

2.7 Intertemporal Choice

Intertemporal choice concerns how consumers allocate consumption and saving across different periods of time.

Saving and Borrowing

Saving allows consumption to be shifted to the future; borrowing allows consumption to be shifted to the present.

Interest Rates

Interest rates affect the relative price of present and future consumption and therefore influence intertemporal choices.

2.8 Uncertainty and Risk

Uncertainty exists when outcomes are not known with certainty. Risk refers to uncertainty where the probabilities of outcomes are known.

Expected Utility

Expected utility is the weighted average of the utilities of all possible outcomes, with the probabilities as weights.

Risk Aversion

A risk-averse consumer prefers a certain outcome to a gamble with the same expected value.

2.9 Behavioral Economics

Behavioral economics incorporates psychological insights into economic models of decision making.

Bounded Rationality

Bounded rationality recognizes that people have limited cognitive resources and often make decisions that are satisfactory rather than optimal.

Heuristics and Biases

Heuristics are mental shortcuts that can lead to systematic biases in judgment and decision making.

2.10 Applications of Consumer Theory

Consumer theory is applied to policy questions such as taxation, welfare, and the design of markets.

Tax Incidence

Tax incidence studies who ultimately bears the burden of a tax, which may differ from who legally pays it.

Welfare Analysis

Welfare analysis evaluates the gains and losses to consumers and producers from changes in policy or market conditions.

Unit 3: Production and Costs

3.1 Production Functions

A production function describes the relationship between inputs and the maximum output that can be produced with those inputs.

Inputs

Inputs are the resources used in production, such as labor, capital, land, and materials.

Output

Output is the quantity of goods or services produced.

Short Run and Long Run

In the short run, at least one input is fixed. In the long run, all inputs can be varied.

3.2 Total, Average, and Marginal Product

Total product is the total output produced. Average product is output per unit of input. Marginal product is the additional output from one more unit of input.

Law of Diminishing Returns

The law of diminishing returns states that as more units of a variable input are added to fixed inputs, the marginal product eventually decreases.

3.3 Costs in the Short Run

Short-run costs include fixed costs, which do not vary with output, and variable costs, which do.

Fixed Costs

Fixed costs are costs that do not change with the level of output in the short run.

Variable Costs

Variable costs are costs that change with the level of output.

Total Cost

Total cost is the sum of fixed costs and variable costs.

3.4 Costs in the Long Run

In the long run, all costs are variable because the firm can adjust all of its inputs.

Economies of Scale

Economies of scale exist when long-run average cost falls as output increases.

Diseconomies of Scale

Diseconomies of scale exist when long-run average cost rises as output increases.

Constant Returns to Scale

Constant returns to scale exist when long-run average cost remains the same as output increases.

3.5 Revenue

Revenue is the income a firm receives from selling its output.

Total Revenue

Total revenue is the price multiplied by the quantity sold.

Marginal Revenue

Marginal revenue is the additional revenue from selling one more unit of output.

3.6 Profit Maximization

A profit-maximizing firm chooses the level of output where marginal revenue equals marginal cost.

Profit

Profit is total revenue minus total cost.

Shutdown Decision

A firm should shut down in the short run if price falls below average variable cost.

3.7 Perfect Competition

Perfect competition is a market structure with many small firms selling identical products and free entry and exit.

Characteristics

- Many buyers and sellers
- Homogeneous products
- Free entry and exit
- Perfect information
- Price takers

3.8 Monopoly

A monopoly is a market with a single seller of a product that has no close substitutes.

Barriers to Entry

Barriers to entry prevent new firms from entering the market and can sustain monopoly power.

Monopoly Pricing

A monopolist sets a price above marginal cost and produces less than the competitive quantity.

3.9 Oligopoly and Monopolistic Competition

Oligopoly is a market with a few large firms. Monopolistic competition is a market with many firms selling differentiated products.

Oligopoly

In an oligopoly, firms are interdependent and may cooperate or compete strategically.

Monopolistic Competition

In monopolistic competition, firms have some market power because their products are differentiated.

3.10 Game Theory

Game theory studies strategic interactions among rational decision makers.

Nash Equilibrium

A Nash equilibrium is a set of strategies in which no player can improve their payoff by changing their strategy alone.

Prisoner's Dilemma

The prisoner's dilemma illustrates why two rational players may not cooperate even when cooperation would benefit both.

Unit 4: Macroeconomic Indicators

4.1 Gross Domestic Product

Gross domestic product is the total market value of all final goods and services produced within a country during a given period.

Expenditure Approach

The expenditure approach measures GDP as consumption plus investment plus government spending plus net exports.

Income Approach

The income approach measures GDP as the sum of wages, rents, interest, and profits earned in production.

Real and Nominal GDP

Nominal GDP is measured at current prices. Real GDP is adjusted for changes in the price level.

4.2 Unemployment

Unemployment refers to people who are actively looking for work but do not have a job.

Types of Unemployment

- Frictional unemployment
- Structural unemployment
- Cyclical unemployment

Natural Rate of Unemployment

The natural rate of unemployment is the rate that exists when the economy is at full employment.

4.3 Inflation

Inflation is a sustained increase in the general price level of goods and services in an economy.

Consumer Price Index

The consumer price index measures the average change in prices paid by consumers for a basket of goods and services.

Deflation

Deflation is a sustained decrease in the general price level.

4.4 Aggregate Demand

Aggregate demand is the total demand for all goods and services in an economy at different price levels.

Components

- Consumption
- Investment
- Government spending
- Net exports

4.5 Aggregate Supply

Aggregate supply is the total supply of all goods and services in an economy at different price levels.

Short-Run Aggregate Supply

The short-run aggregate supply curve slopes upward because some prices are sticky in the short run.

Long-Run Aggregate Supply

The long-run aggregate supply curve is vertical at the economy's potential output.

4.6 Fiscal Policy

Fiscal policy is the use of government spending and taxation to influence the economy.

Expansionary Fiscal Policy

Expansionary fiscal policy increases government spending or reduces taxes to stimulate aggregate demand.

Contractionary Fiscal Policy

Contractionary fiscal policy reduces government spending or increases taxes to reduce aggregate demand.

4.7 Monetary Policy

Monetary policy is the management of the money supply and interest rates by a central bank.

Interest Rates

Lowering interest rates encourages borrowing and investment; raising them discourages it.

Money Supply

The money supply includes currency in circulation and various forms of bank deposits.

4.8 The Business Cycle

The business cycle refers to the recurring fluctuations in economic activity around its long-term trend.

Phases

- Expansion
- Peak
- Recession
- Trough

4.9 Economic Growth

Economic growth is the increase in the capacity of an economy to produce goods and services over time.

Sources of Growth

Growth can come from increases in labor, capital, technology, and human capital.

4.10 International Trade

International trade is the exchange of goods and services between countries.

Comparative Advantage

Comparative advantage is the ability of a country to produce a good at a lower opportunity cost than another country.

Exchange Rates

The exchange rate is the price of one currency in terms of another.

Unit 5: Financial Markets

5.1 Financial Markets and Institutions

Financial markets are markets in which financial assets are traded. Financial institutions are the intermediaries that operate in these markets.

Banks

Banks accept deposits and make loans, creating money in the process.

Stock Markets

Stock markets are markets in which shares of ownership in firms are traded.

Bond Markets

Bond markets are markets in which debt securities are issued and traded.

5.2 Interest Rates

Interest rates are the price of borrowing money or the return on lending money.

Nominal and Real Interest Rates

The nominal interest rate is the rate stated in financial contracts. The real interest rate is the nominal rate adjusted for inflation.

Determinants of Interest Rates

- Supply and demand for loanable funds
- Inflation expectations
- Risk
- Liquidity
- Time to maturity

5.3 Time Value of Money

The time value of money is the principle that a dollar today is worth more than a dollar in the future.

Present Value

Present value is the current worth of a future sum of money discounted at a given interest rate.

Future Value

Future value is the amount to which a current sum will grow at a given interest rate.

5.4 Risk and Return

Risk and return are the two fundamental dimensions of investment decisions.

Risk Premium

The risk premium is the additional return required by investors for bearing risk.

Diversification

Diversification reduces risk by holding a portfolio of assets whose returns are not perfectly correlated.

5.5 Stocks

Stocks represent ownership shares in a corporation.

Dividends

Dividends are payments made by a corporation to its shareholders.

Capital Gains

Capital gains are the increase in the value of an asset over the price at which it was purchased.

5.6 Bonds

Bonds are debt securities that promise to pay a fixed stream of payments.

Coupon Bonds

Coupon bonds pay periodic interest payments and a final principal payment at maturity.

Zero-Coupon Bonds

Zero-coupon bonds pay no interest and are sold at a discount to their face value.

5.7 Derivatives

Derivatives are financial contracts whose value depends on the value of an underlying asset.

Futures

Futures are contracts to buy or sell an asset at a specified price on a specified future date.

Options

Options give the holder the right, but not the obligation, to buy or sell an asset at a specified price.

5.8 Financial Crises

Financial crises are episodes of severe disruption in financial markets.

Causes

Causes include excessive leverage, asset bubbles, and failures of regulation.

Consequences

Consequences include recessions, unemployment, and loss of wealth.

5.9 Regulation

Financial regulation is the set of rules and supervision that governs financial institutions and markets.

Capital Requirements

Capital requirements require banks to hold a minimum amount of capital relative to their assets.

Deposit Insurance

Deposit insurance protects depositors against the loss of their deposits if a bank fails.

5.10 Personal Finance

Personal finance is the application of financial principles to individual and household decisions.

Budgeting

Budgeting is the planning of income and expenses over a period of time.

Saving and Investing

Saving and investing are the allocation of income to future consumption.

Unit 6: International Economics

6.1 Trade Theory

Trade theory explains why countries trade and how they benefit from trade.

Absolute Advantage

Absolute advantage is the ability of a country to produce a good using fewer resources than another country.

Comparative Advantage

Comparative advantage is the ability of a country to produce a good at a lower opportunity cost than another country.

6.2 Trade Policy

Trade policy is the set of rules and measures that governments use to regulate international trade.

Tariffs

Tariffs are taxes on imported goods.

Quotas

Quotas are limits on the quantity of imported goods.

Free Trade Agreements

Free trade agreements are treaties that reduce barriers to trade between countries.

6.3 Balance of Payments

The balance of payments is a record of all transactions between residents of a country and the rest of the world.

Current Account

The current account records trade in goods and services, income, and transfers.

Financial Account

The financial account records investment flows and changes in ownership of assets.

6.4 Exchange Rates

The exchange rate is the price of one currency in terms of another.

Floating Exchange Rates

Floating exchange rates are determined by the forces of supply and demand in the foreign exchange market.

Fixed Exchange Rates

Fixed exchange rates are pegged by the government or central bank to a specific value.

6.5 Foreign Exchange Markets

Foreign exchange markets are markets in which currencies are traded.

Participants

Participants include banks, firms, governments, and individuals.

6.6 Purchasing Power Parity

Purchasing power parity is the theory that exchange rates adjust so that identical goods cost the same in different countries.

Absolute PPP

Absolute PPP states that the exchange rate equals the ratio of the price levels in the two countries.

Relative PPP

Relative PPP states that the change in the exchange rate equals the difference in inflation rates between the two countries.

6.7 Capital Flows

Capital flows are movements of financial assets between countries.

Foreign Direct Investment

Foreign direct investment is investment by a firm in productive assets in another country.

Portfolio Investment

Portfolio investment is investment in financial assets such as stocks and bonds in another country.

6.8 Globalization

Globalization is the increasing integration of economies around the world.

Benefits

Benefits include lower prices, greater variety, and access to new technologies.

Costs

Costs include job displacement, increased inequality, and loss of cultural diversity.

6.9 Development Economics

Development economics studies the economic problems of low-income countries.

Poverty

Poverty is the lack of sufficient income to meet basic needs.

Inequality

Inequality is the unequal distribution of income and wealth.

6.10 Sustainable Development

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Environmental Economics

Environmental economics studies the relationship between the economy and the environment.

Externalities

Externalities are costs or benefits that affect third parties who are not involved in a transaction.

Unit 7: Public Economics

7.1 Public Goods

Public goods are goods that are non-rival and non-excludable.

Non-Rivalry

Non-rivalry means that one person's consumption does not reduce the amount available to others.

Non-Excludability

Non-excludability means that it is difficult to prevent people from consuming the good.

Free Rider Problem

The free rider problem arises when people benefit from a public good without paying for it.

7.2 Externalities

Externalities are costs or benefits that affect third parties who are not involved in a transaction.

Negative Externalities

Negative externalities are costs imposed on third parties, such as pollution.

Positive Externalities

Positive externalities are benefits enjoyed by third parties, such as education.

Coase Theorem

The Coase theorem states that private bargaining can solve externality problems if property rights are well defined and transaction costs are low.

7.3 Taxation

Taxation is the compulsory transfer of resources from individuals to the government.

Tax Incidence

Tax incidence studies who ultimately bears the burden of a tax.

Deadweight Loss

Deadweight loss is the loss of efficiency that arises when taxes reduce the quantity traded below the efficient level.

7.4 Government Spending

Government spending includes purchases of goods and services, transfer payments, and interest on public debt.

Transfer Payments

Transfer payments are payments made by the government without receiving goods or services in return.

7.5 Public Debt

Public debt is the total amount owed by the government to its creditors.

Debt-to-GDP Ratio

The debt-to-GDP ratio is the ratio of public debt to gross domestic product.

Sustainability

Sustainability concerns whether the government can meet its debt obligations without default or excessive inflation.

7.6 Social Insurance

Social insurance is a system of programs that provide protection against risks such as unemployment, illness, and old age.

Pensions

Pensions are regular payments made to retired workers.

Unemployment Insurance

Unemployment insurance provides temporary income to workers who lose their jobs.

7.7 Income Distribution

Income distribution refers to how the total income of an economy is divided among its members.

Lorenz Curve

The Lorenz curve is a graphical representation of income distribution.

Gini Coefficient

The Gini coefficient is a numerical measure of income inequality.

7.8 Poverty

Poverty is the lack of sufficient income to meet basic needs.

Absolute Poverty

Absolute poverty is poverty defined by a fixed standard of living.

Relative Poverty

Relative poverty is poverty defined relative to the income of others in society.

7.9 Public Choice

Public choice applies economic methods to political decision making.

Voting

Voting is the process by which citizens express their preferences for public policies.

Rent Seeking

Rent seeking is the use of resources to obtain economic rents through political means.

7.10 Cost-Benefit Analysis

Cost-benefit analysis is a method for evaluating the desirability of a project or policy.

Discounting

Discounting is the process of converting future costs and benefits to present values.

Net Present Value

Net present value is the present value of benefits minus the present value of costs.

Unit 8: Advanced Topics

8.1 Information Economics

Information economics studies how information affects economic decisions.

Asymmetric Information

Asymmetric information exists when one party to a transaction has more information than the other.

Adverse Selection

Adverse selection is the problem that arises when asymmetric information leads to the selection of undesirable participants.

Moral Hazard

Moral hazard is the problem that arises when one party changes its behavior after a transaction because it does not bear the full consequences.

8.2 Auctions

Auctions are mechanisms for allocating goods to the highest bidders.

English Auction

In an English auction, bidders openly raise their bids until only one bidder remains.

Sealed-Bid Auction

In a sealed-bid auction, bidders submit their bids privately and the highest bidder wins.

Revenue Equivalence

Revenue equivalence states that different auction formats yield the same expected revenue under certain conditions.

8.3 Contracts

Contracts are agreements between parties that specify their rights and obligations.

Incomplete Contracts

Incomplete contracts are contracts that cannot specify all contingencies.

Hold-Up Problem

The hold-up problem arises when one party can exploit another after a relationship-specific investment has been made.

8.4 Organizations

Organizations are groups of people working together to achieve common goals.

Principal-Agent Problem

The principal-agent problem arises when an agent acts on behalf of a principal but has different interests.

Incentives

Incentives are rewards or penalties that motivate behavior.

8.5 Networks

Networks are sets of connections among individuals or firms.

Network Externalities

Network externalities exist when the value of a good to one user depends on the number of other users.

Platforms

Platforms are intermediaries that facilitate interactions between different groups of users.

8.6 Behavioral Finance

Behavioral finance applies psychological insights to financial decision making.

Overconfidence

Overconfidence is the tendency to overestimate one's own abilities and the accuracy of one's information.

Loss Aversion

Loss aversion is the tendency to prefer avoiding losses to acquiring equivalent gains.

8.7 Macroeconomic Models

Macroeconomic models are simplified representations of the economy used for analysis and forecasting.

IS-LM Model

The IS-LM model relates the interest rate and output in the goods and money markets.

AD-AS Model

The AD-AS model relates the price level and output in the aggregate demand and aggregate supply framework.

8.8 Dynamic Models

Dynamic models study how economic variables change over time.

Difference Equations

Difference equations describe how a variable evolves from one period to the next.

Stability

Stability concerns whether a dynamic system returns to equilibrium after a disturbance.

8.9 Econometrics

Econometrics is the application of statistical methods to economic data.

Regression Analysis

Regression analysis estimates the relationship between a dependent variable and one or more independent variables.

Causality

Causality concerns whether changes in one variable cause changes in another.

8.10 Frontiers of Economics

Frontiers of economics are areas of active research and debate.

Behavioral Economics

Behavioral economics incorporates psychological insights into economic models.

Experimental Economics

Experimental economics uses controlled experiments to test economic theories.

Big Data

Big data refers to the use of large datasets in economic research and policy.

EXERCISE

1. Multiple Choice Questions (MCQs) – Level 1

1. Duplication of data in different files is called ____.
   a) Data redundancy b) Data inconsistency c) Data isolation d) Invalid data
2. If data is stored in a file in the basic description, meaning, and type of problem will it is not?
   a) Data redundancy b) Data inconsistency
   c) Data overflow d) Invalid data
3. In record is data called ____.
   a) Entity b) Entity c) Property d) Tuple
4. An attribute is also called ____.
   a) Entity b) Entity c) Field d) Relation
5. What is a thing of interest to an organization about which data is to be kept?
   a) Entity b) Entity c) Field d) Relation
6. A small type of database, there is a term or data is stored by a single user?
   a) Hierarchical Database b) Network Database
   c) Relational Database d) Object-Oriented Database
10. In which database model, data is organized in tree-like structure?
    a) Hierarchical Database b) Network Database
    c) Relational Database d) Object-Oriented Database
11. What refers to the maximum number of times a relationship instance can be associated with an entity instance?
    a) Relation b) Cardinality c) Visibility d) E-R diagram
12. What refers to the minimum number of times a relationship instance can be associated with an instance in the related entity?
    a) Relation b) Cardinality c) Visibility d) E-R diagram
13. Which of the following is used to represent a relationship between one entity and more than one entity?
    a) Cardinality b) Descriptive data c) Attribute set d) Foreign key

Answer:

1	2	3	4	5	6	10	11	12	13
a	b	b	b	a	a	a	b	b	a

2. Differentiate between the following terms:

a. Difference between data and information.

Answer:

Data	Information
Data refers to facts and figures. It is the information is organized, form of data that is processed in a meaningful way according to the given problem.	meaningful form of data that is processed in a meaningful way according to the given problem.

b. Define a database.

Answer:

Definition:

A database is a collection of related data. A database consists of one or more data files and data

Take certain facts.

Q. What is a Database Management System (DBMS)?

Answer:

A database management system (DBMS) is a set of programs that allow users to create, maintain and control access to a database. The DBMS software also helps in providing an interface between the database and various hardware and software. Its main purpose is to improve data sharing, data access, decision making and increase end user productivity.

Q. Define primary key.

Answer:

A relational database is a collective set of multiple data sets organized by tables, records and columns. Relational database is created using a relational model. A relational model means that the tables communicate and share information, which facilitates data searchability, organization and reporting.

b. Define primary and secondary key.

Answer:

Primary key:

A primary key in a database can have a unique key field known as primary key to identify a record.

Secondary key:

To identify a record in a table need to be searched on field other than primary key such a field is known as secondary key.

c. Define attribute and entity.

Answer:

Attribute

Attribute is a property or characteristics of an entity.

Entity

An entity is a thing of interest to an organization about which data is to be kept.

d. Define instance and schema.

Answer:

An instance in a database is the actual content of the database at a particular point in time

e. Differentiate between cardinality and modality.

Answer:

Difference between cardinality and modality	
Cardinality	Modality
Cardinality refers to the maximum number of times an instance in one entity can be associated with instances in the related entity.	Modality refers to the minimum number of times an instance in one entity can be associated with an instance in the related entity.

f. Define schema.

Answer:

The word schema is a Greek word, which means shape or plan

g. Why is it necessary to normalize a relational database?

Answer:

To avoid data redundancy and inconsistency, it is necessary to normalize a relational database

1. What are the advantages of using a DBMS over file management system?

Answer:

DBMS has many advantages over file management system because it provides solutions to all the problems in the file management system.

Following are the main advantages of DBMS:

The following problems were faced in file management system:

a. Data Redundancy

b. Data consistency

c. Program-Data Dependency

d. Lack of flexibility

e. Data not Shareable

f. Poor Security

g. Data Anomaly

h. Difficult Data Accessibility

Solution to Data Redundancy:

Data redundancy is the duplication of data in many different files in the management system.

Example:

Consider a student's data may be held on a file in the Science Department and also Personnel Department.

When data is to be updated, it must be changed in both files. This results in wastage of storage space and may lead to data inconsistency.

Solution to Data Inconsistency:

The problem is not faced in DBMS because all the data belonging to the entire organization is maintained in a single database and is accessed and updated in a controlled way.

b. Data consistency:

In a file management system, some data may be held in several different files. If data has to be updated in each separate file when it changes. It also is a chance of inconsistency to occur in the data.

Solution in DBMS:

Data consistency is solved in DBMS because all the data is centralized for use by all the programs.

Example:

If a school student's information such as name, address, phone number and class are held in a file in the Science Department and also in a file in the Personnel Department. If the student changes his address, it must be changed in both files. If it is changed in one file and not the other, then it is inconsistent.

c. Program-Data Dependency:

In a file management system, every computer program in each Department has to specify exactly what data is to be used and how it is to be stored. Therefore, if the data has to be stored in a record, such as the addition of a new field, then all the programs in the Department that wish to use data in the file have to be changed.

Example:

If a new field, place of student's is to be added in student details in the Science Office and Accounts Office, run both the programs need to be changed.

d. Lack of flexibility:

In the management system, when information of a non-routine nature is needed, it can take weeks to assemble the data from the various files and write new programs to produce the required report.

e. Poor Security:

The biggest problem is security in a file management system. Any user who has access to the computer can access the data. Therefore, there is no control over who can access the data in a file management system, whereas it can be fairly very easily introduced in database management system.

5. Data not Sharable

The main point of data file is made for sharing data with other people in a file management system, but this is not possible because it is kept in a file that is not shared. Therefore it is difficult to share data with others in a file management system.

6. Poor Data Accessibility

DBMS provides facility to retrieve and recovery from failures including disk crash, power failure, software errors, which may bring the database from the consistent state to a state prior to the failure.

7. Poor Recovery

In Conventional filing systems, there is no centralized security system, which means every programmer is free to use the organization. DBMS makes it easier to enforce security restrictions since the data is centralized. It is easy to monitor who is trying to gain access to the data.

c. Define Database Administrator and describe the tasks performed by him.

Answer:

Database Administrator

Database administrator (DBA) is the person responsible for supervising the database and the use of DBMS in an organization.

Tasks performed by DBA

a. Schema definition by DBA

b. Storage structure and accessing the operational policies and procedures for its usage.

c. Granting authority to access the database.

d. Controlling privileges and permissions of database users.

e. Maintaining database integrity.

f. Planning recovery procedures if hardware or software failure occurs and ensuring that the data is safe.

g. Providing training to new employees about using the database.

d. Define database model and explain its types.

Answer:

Database Model

Database model is the theoretical foundation of a database and determines in which manner data can be stored, organized and manipulated. It defines a way of storing data.

Types of Database Models

There are many different database models which are as follows

a. Hierarchical Database Model

b. Network Database Model

c. Relational Database Model

d. Object-Oriented Database Model

e. Object Relational Database Model

a. Hierarchical Database Model

In a hierarchical model, data is organized into a tree-like structure as shown in Fig 7.1.



Fig 7.1 Hierarchical Database Model

It is a logical construct with nodes and branches relationship.

Attributes and Domain

Data elements in a table/view relationship are called columns and these having subdivisions are called domains. In a hierarchical structure, subdivisions can have only a single name and if there is any subdivision, it is called a child of the parent. The structure is very suitable to represent relationships in the real world.

Example of hierarchical model

Fig 7.2 shows a hierarchical model where data table of students, departments of an organization and types of marriages.

b. Network Database Model

It is a database model in which entities in which some of the same elements can have more than one same data element as shown in Fig 7.3

Fig 7.3 Network Database Model

A network is a more complex model than a hierarchical model. A hierarchical model can be thought of as a network model but the hierarchy restriction is not applied. A network model is composed of records and sets. Records contain fields and sets define one-to-many relationships between records.

c. Relational Database Model

In a relational model, data is held in tables as shown in Fig 7.3 and the tables are linked by means of common fields.

Fig 7.4 Relational Database Model

Fig 7.4 Table is a relational database.

Relation

The "relation" in a relational database refers to the various tables in the database; relations also mean "entities".

Tuple

A tuple in database consists of rows and columns. One row of data within one table. Each column in a row is called an attribute of the data.

Use of relational database model

Which of the following models is used in many database applications because it is independent of any particular application? It is the most popular database model used in business applications?

a. Hierarchical Database Model

b. Object-Oriented Database Model (Object Database Management Systems) (ODBMS): Object databases store objects rather than data such as integers, text, bitmaps and strings. Objects are used

In object-oriented programming languages such as C++ and Java.

Characteristics of Real world

The real world objects have characteristics, that is, state and behaviour.

Example

The object table has four states and five behaviours as shown in Fig 7.4.

Name	Objects
Name	Name
ID	Set ID
Address	Get Address
Current Internet	Set Internet
Email address	Get Email address

Fig 7.4 States and Behaviour of Object Table

Object

An object stores its states in variables and exposes its behaviour through functions in programming languages.

Object Relational Database Model

An Object Relational (ORDBMS) is a database management system similar to relational database, but with an object-oriented database model: objects, classes and inheritance are directly supported in database schemas and in the query language. The main reason of the existence and is many-valued relationships in the real world.

b. Describe the steps involved in database designing.

Answer:

Steps for designing database

Following steps are involved in designing database

Gather the requirements and define the problem (word analysis)

Gather the requirements and define the problem of your database, e.g. drafting out the sample output reports generated from the database.

Step 2: Gather Data, Organize in tables and Specify the Primary Keys

Once you have decided on the purpose of the database, gather the data that are needed to be stored in the database. Organize the data in tables.

Choose one column or a few columns as the primary key, which uniquely identify the each of the records.

Step 3: Create Relationships among Tables

Create relationships among tables and establish tables wherever little purpose. The power of relational database lies in the relationships that can be defined between tables. The most crucial aspect in designing a relational database is to identify the relationships among tables. The types of relationship are as follows:

a. One-to-many

b. Many-to-many

c. One-to-one

Step 4: Normalize the Design

Refine and normalize the design by following steps

Adding more columns

Create new tables, combine data using one-to-one relationship

Split a large table into two smaller tables

c. What is an E-R diagram? Explain with examples.

Answer:

E-R Diagram

Entity-relationship (ER) diagram which defines the conceptual view of a database. It is made up of entities and the associations among them. In one line, the ER model is considered a

good option for designing databases. Any object, for example, entities, attributes of an entity relationship can be described using ER diagram. ER model is well supported with the help of an ER diagram. An ER diagram is best suited for the conceptual design of a database.

ER Diagram Symbols

a. Entities and their attributes

b. Relationships among entities

These concepts are explained in Fig 7.5

Fig 7.5 ER diagram concept

Entity is shown in an ER Model in a rectangle while having properties called attributes. Every attribute is defined by a set of values called domain.

Example

In a student database, a Student is considered as an entity. Student has various attributes like roll number, name, age, class, etc.

Representation of entities

Entities are represented by means of rectangles. Rectangles are named with the entity set they represent. Fig 7.6 shows some entities.

Fig 7.6 Entities

2. Attributes

Attributes are the properties which define the entity type. For example, Roll_No, Name, DOB, Age, Address, Mobile_No are some attributes which can be defined for the student entity.

Representation of attributes

Attributes are represented by means of ellipses. Every ellipse represents one attribute and is directly connected to its entity (rectangle).

Example

Fig 7.7 shows three attributes Roll_No1, Name and Marks1 of student entity. The primary key attribute is underlined.

Fig 7.7 Attributes

3. Relationship

Relationship is an association among entities is called relationship. Relationships are represented by a diamond-shaped symbol(also called the decision box). Fig 7.8 shows some relationships between entities.

Fig 7.8 Relationship

In the diagram, the entities, Car and Person are related by the relationship Owns and Taxi Driver relationship illustrates the two roles played by the entity Person. Thus, a person can be a taxi driver or a car owner or both. The role of the entity Person in the Taxi Driver relationship is called as agent. The keyword information in the table is ignored. You will create the full table shown in Fig 7.9.

Student ID	Name	Address
1	Jack Smith	123 Main St
2	Jane Doe	456 Oak Ave
3	Bob Johnson	789 Pine Rd

Fig 7.9 Table

Course ID	Course Name	Instructor
101	Introduction to Computer Science	Dr. Smith
102	Data Structures and Algorithms	Dr. Johnson
103	Database Management Systems	Dr. Lee

Fig 7.10 Table

Enrollment ID	Student ID	Course ID	Grade
1	1	101	A
2	1	102	B
3	2	101	A
4	2	103	C
5	3	102	B
6	3	103	A

Fig 7.11 Table

c. What is Normalization? Explain the following Normal Forms 1NF, 2NF, 3NF.

Answer:

Normalization

Normalization is a series of steps to create normal forms used to ensure that data anomalies are not created when information is inserted, updated or deleted.

First Normal Form

To be in first normal form, we break up our data into its related data groups.

Explanation

In a relational form to obtain first normal form, consider the table shown in Fig 7.12.

Student ID	Name	Address	Courses
1	Jack Smith	123 Main St	Introduction to Computer Science, Data Structures and Algorithms
2	Jane Doe	456 Oak Ave	Introduction to Computer Science, Database Management Systems
3	Bob Johnson	789 Pine Rd	Data Structures and Algorithms, Database Management Systems

Fig 7.12 Table in First Normal Form

In the preceding, the Courses column contains more than one value. To put the table in first normal form, we need to remove the courses column and create a new table with the student ID and courses as the two columns. The new table is shown in Fig 7.13.

Student ID	Course
1	Introduction to Computer Science
1	Data Structures and Algorithms
2	Introduction to Computer Science
2	Database Management Systems
3	Data Structures and Algorithms
3	Database Management Systems

Fig 7.13 Table in First Normal Form

Second Normal Form (Removes Transition functional Dependencies)

To be in second normal form, a relation must be in first normal form, all transitive functional dependencies must be removed. Similar to partial functional dependencies, transitive functional dependencies occur when a non-key attribute can determine another non-key attribute. Consider the table shown in Fig 7.14. Here, the course name is dependent on the course ID, which in another non-key attribute that is not the primary key in the original table.

StudentID	Name	Address	CourseID	CourseName
1	Jack Smith	123 Main St	COMP1010	Introduction to Computing
2	Jane Doe	456 Oak Ave	COMP1010	Introduction to Computing
3	Bob Johnson	789 Pine Rd	COMP1010	Introduction to Computing

Fig 7.14 Table with CourseID and CourseName attributes

The other normal forms are also obtained in a similar way by further breaking up the table and removing remaining information if always.

Third Normal Form (Removes Transitive Functional Dependencies)

To move into second normal form, all partial functional dependencies must be removed. Partial functional dependencies occur when there is a composite key and only one part of the key is needed to determine the value of a non-key attribute. Consider the table shown in Fig 7.15. Here, we have a composite key and the partial functional dependencies now do not exist table, creating two tables.

Explanation

In the first example, we have to further check if we are keeping more data than we need to or our system. If we look at Fig 7.15, we can see that the course and tutor columns are also storing the information about the student. Therefore, we can remove the course and tutor columns and create a new table. Now, we can add and list the duplicate information entered in the orderless field. Orderless is only dependent on the student ID, which is not the primary key in the original table. Therefore, we can see that partial dependencies must be removed. When we apply the same rules to the second table, we can see that the partial functional dependency in our database, we get the following tables shown in Fig 7.17, which are in second normal form.

StudentID	CourseID
1	COM1
1	COM2
2	COM1
3	COM3
3	COM1
3	COM2

StudentID	OrderNumber
1	COM1
1	COM2
2	COM1
3	COM3
3	COM1
3	COM2

Fig 7.17 Table in Second Normal Form

Third Normal Form (Removes Transition functional Dependencies)

To be in second normal form, a relation must be in first normal form, all transitive functional dependencies must be removed. Similar to partial functional dependencies, transitive functional dependencies occur when a non-key attribute can determine another non-key attribute. Consider the table shown in Fig 7.18. Here, the course name is dependent on the course ID, which in another non-key attribute that is not the primary key in the original table.

StudentID	Name	Address	CourseID	CourseName
1	Jack Smith	123 Main St	COMP1010	Introduction to Computing
2	Jane Doe	456 Oak Ave	COMP1010	Introduction to Computing
3	Bob Johnson	789 Pine Rd	COMP1010	Introduction to Computing

Fig 7.18 Table with CourseID and CourseName attributes

Explanation

In our example above, we have CourseName that is dependent on CourseCode and CourseCode is dependent on StudentID, which is the primary key in the original table. Therefore, we can see that transitive dependencies must be removed. Similar to partial functional dependencies, transitive functional dependencies occur when a non-key attribute can determine another non-key attribute. Consider the table shown in Fig 7.19. Here, the course name is dependent on the course ID, which in another non-key attribute that is not the primary key in the original table.

StudentID	Name	Address	CourseID	CourseName
1	Jack Smith	123 Main St	COMP1010	Introduction to Computing
2	Jane Doe	456 Oak Ave	COMP1010	Introduction to Computing
3	Bob Johnson	789 Pine Rd	COMP1010	Introduction to Computing

Fig 7.19 Table in Third Normal Form

LAB ACTIVITIES

Following lab activities are to be carried out during the practical periods.

1. A city has many universities and each university has many departments. Each department has many teachers. Define the attributes for the entities, university, department and teacher and draw the ER diagram.

Answer:

Practical Work

2. A company sells many products to their customers. There are many suppliers who supply different products. Draw the E-R diagram of entities, company, supplier and customer.

Answer:

Practical Work

3. A college offers many courses. A student is allowed to register to only one course at a time. An instructor teaches many courses. Draw the E-R diagram of entities, courses, student and instructor.

Answer:

Practical Work

4. A city has many Cable TV companies. Each company has many customers. A customer subscribes Cable TV from only one company. Draw the E-R diagram of entities, Cable TV company, channels and customer.

Answer:

Practical Work

Q.1 Select the correct choice from the following questions.

1. It is the raw material given as input to the computer for processing:
   A. Data B. Information C. Data D. Delta
2. It is a collection of related files that are usually integrated, linked or cross-referenced to one another:
   A. Database B. Data modelling C. Data analysis D. Data modification
3. It is a set of programs that allow users to create, maintain and manipulate database, and store or retrieve data from those database files:
   A. DBA B. DBMS C. ACCA D. CCNA
4. Its main purpose is to improve data sharing, data access, decision-making and increase end user productivity:
   A. DBA B. DBMS C. ACCA D. CCNA
5. Microsoft Access is an application of:
   A. DBMS B. Office Management
   C. Graphic designing D. Web designing
6. Microsoft SQL Server is an application of:
   A. DBMS B. Office Management C. Graphic designing D. Web designing
7. Sybase is an application of:
   A. DBMS B. Office Management
   C. Graphic designing D. Web designing
8. Oracle is an application of:
   A. DBMS B. Office Management
   C. Graphic designing D. Web designing
9. If data is not updated in any file, it causes:
   A. Data inconsistency B. Data redundancy
   C. Data overflow D. Invalid data
10. This is the person responsible for supervising the database and the use of DBMS in an organization:
    A. DBA B. Hardware engineer C. Software engineer D. System analyst
11. It defines a way of structuring data:
    A. Database B. Data model C. Data analysis D. Data modification
12. In this model, data is organized into a tree-like structure:
    A. Hierarchical Database Model B. Network Database Model
    C. Relational Database Model D. Object-Oriented Database Model
13. It is a logical construct with owner and subordinate relationship:
    A. Hierarchical Database Model B. Network Database Model
    C. Relational Database Model D. Object-Oriented Database Model
14. It is a logical structure in which some of the data elements can have more than one owner data element:
    A. Hierarchical Database Model B. Network Database Model
    C. Relational Database Model D. Object-Oriented Database Model
15. In this model, data is held in tables and the tables are linked by means of common fields:
    A. Hierarchical Database Model B. Network Database Model
    C. Relational Database Model D. Object-Oriented Database Model
16. In this model, the data resides in the database and is manipulated collectively with queries in a query language:
    A. Hierarchical Database Model B. Object Relational Database Model
    C. Relational Database Model D. Object-Oriented Database Model

17. SQL stands for:
    A. Structured Query Language B. Structured Query List
    C. Simple Query Language D. Simple Query List
18. It is a computer language for defining different data structures:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
19. To create objects in a database model, is the task of:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
20. To alter the structure of the database, is the task of:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
21. To delete objects from the database, is the task of:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
22. It is used to manage or manipulate data:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
23. To retrieve data from a database, is the task of:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
24. To insert data into a table, is the task of:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
25. To update existing data within a table, is the task of:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
26. To delete records from a table, is the task of:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
27. It is used for controlling the data:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
28. To allow specified users to perform specific tasks, is the task of:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
29. To disallow specified users from performing specified tasks, is the task of:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
30. To cancel previously granted or denied permissions, is the task of:
    A. Data Definition Language B. Data Manipulation Language
    C. Data Control Language D. Data Structure Language
31. It is a file that contains data about a single entity:
    A. Database Table B. Record C. Field D. Relation
32. A collection of related fields treated as a single unit is called:
    A. Database Table B. Record C. Field D. Relation
33. In relational database, rows are also known as:
    A. Field B. Relation C. Attribute D. Tuples
34. It is part of a record and contains a single piece of data for the subject of the record:
    A. Database Table B. Record C. Field D. Entity
35. In a relational database, records are stored in files called:
    A. Tables/Relations B. Record C. Field D. Entity

36. This data type is used to store text and combinations of text and numbers:
    A. Integer B. Real Numbers C. Boolean Data D. Character
37. This data type is used to store whole numbers such as 34 and 2073:
    A. Integer B. Real Numbers C. Boolean Data D. Character
38. This data type is used to store numbers that have fractional part such as 23.75:
    A. Integer B. Real Numbers C. Boolean Data D. Character
39. This data type is used for True or False values:
    A. Integer B. Real Numbers C. Boolean Data D. Character
40. Each entity in a database must have a unique key field known as _____ to identify a record:
    A. Candidate or Alternate Key B. Secondary Key
    C. Foreign Key D. Primary Key
41. It is a column, or set of columns, in a table that can uniquely identify any database record without referring to any other data:
    A. Candidate or Alternate Key B. Secondary Key
    C. Foreign Key D. Primary Key
42. It is made on a field that you would like to be indexed for faster searches:
    A. Candidate or Alternate Key B. Secondary Key
    C. Foreign Key D. Primary Key
43. It is a field or collection of fields in one table that uniquely identifies a row of another table or the same table:
    A. Candidate or Alternate Key B. Secondary Key
    C. Foreign Key D. Primary Key
44. In this step the nature and scope of the problem, to be solved, is identified and the problem is clearly defined:
    A. Problem Identification/Definition B. Feasibility Study
    C. Requirement AnalysisD. Identify Entities and Attributes
45. Its purpose is to find one or more solutions of the problem and to suggest the most desirable and economical solution
    A. Problem Identification/Definition B. Feasibility Study
    C. Requirement Analysis D. Identify Entities and Attributes
46. Its purpose is to obtain thorough and detailed understanding of the problem:
    A. Problem Identification/Definition B. Feasibility Study
    C. Requirement Analysis D. Identify Entities and Attributes
47. It identifies the highest-level relationships between different entities:
    A. Conceptual Data Modeling B. Enterprise Data Modeling
    C. Logical Data Modeling D. Physical Data Modeling
48. It addresses the unique requirements of a specific business:
    A. Conceptual Data Modeling B. Enterprise Data Modeling
    C. Logical Data Modeling D. Physical Data Modeling
49. It illustrates the specific entities, attributes and relationships involved in a business function:
    A. Conceptual Data Modeling B. Enterprise Data Modeling
    C. Logical Data Modeling D. Physical Data Modeling
50. It represents an application and database-specific implementation of a logical data model:
    A. Conceptual Data Modeling B. Enterprise Data Modeling
    C. Logical Data Modeling D. Physical Data Modeling
51. Entities are represented by means of:
    A. Rectangles B. Squares C. Circles D. Parallelograms
52. Attributes are represented by means of:
    A. Rectangles B. Squares C. Ellipses D. Parallelograms
53. Relationships are represented by:
    A. Rectangles B. Squares C. Ellipses D. Diamond symbols

54. When only one instance of an entity is associated with the relationship, it is marked as:
    A. 1:1 B. 1:2 C. 1:3 D. 1:N
55. When more than one instance of an entity is associated with a relationship, it is marked as:
    A. 1:1 B. 1:2 C. 1:3 D. 1:N

Answers:

1.	Data	2.	Database
3.	DBMS	4.	DBMS
5.	DBMS	6.	DBMS
7.	DBMS	8.	DBMS
9.	Data inconsistency	10.	DBA
11.	Data model	12.	Hierarchical Database Model
13.	Hierarchical Database Model	14.	Network Database Model
15.	Relational Database Model	16.	Object Relational Database Model
17.	Structured Query Language	18.	Data Definition Language
19.	Data Definition Language	20.	Data Definition Language
21.	Data Definition Language	22.	Data Manipulation Language
23.	Data Manipulation Language	24.	Data Manipulation Language
25.	Data Manipulation Language	26.	Data Manipulation Language
27.	Data Control Language	28.	Data Control Language
29.	Data Control Language	30.	Data Control Language
31.	Database Table	32.	Record
33.	Tuples	34.	Field
35.	Tables/Relations	36.	Character
37.	Integer	38.	Real Numbers
39.	Boolean Data	40.	Primary Key
41.	Candidate or Alternate Key	42.	Secondary Key
43.	Foreign Key	44.	Problem Identification/Definition
45.	Feasibility Study	46.	Requirement Analysis
47.	Conceptual Data Modeling	48.	Enterprise Data Modeling
49.	Logical Data Modeling	50.	Physical Data Modeling
51.	Rectangles	52.	Ellipses
53.	Diamond symbols	54.	1:1
55.	1:N		

Q.2 Give short answers of the following questions.

Q1: Define data.
Ans. Data refers to the facts and figures in raw form i.e. not in organized form. Data is the raw material given as input to the computer for processing.

Q2: Define information.
Ans. Information is the processed or organized form of data. When the computer processes data and it is properly arranged and organized, it is converted to information. It is also called the output of computer and is the meaningful form of data.

Q3: Define File Management System.
Ans. A file (or file based) management system is a collection of programs used for managing data stored in various files. Each program within a file management system is developed independently and it defines and manages its own data.

Q4: Define database.
Ans. A database is a collection of related data.

Q5: What is meant by DBMS?
Ans. A database management system (DBMS) is a set of programs that allow users to create, maintain and manipulate database, and store or retrieve data from those database files. It provides user-friendly access and controls between user and database. Its main purpose is to improve data

54. When only one instance of an entity is associated with the relationship, it is marked as:
A. 1:1 B. 1:2 C. 1:3 D. 1:N

55. When more than one instance of an entity is associated with a relationship, it is marked as:
A. 1:1 B. 1:2 C. 1:3 D. 1:N

Answers:

1.	Data	2.	Database
3.	DBMS	4.	DBMS
5.	DBMS	6.	DBMS
7.	DBMS	8.	DBMS
9.	Data inconsistency	10.	DBA
11.	Data model	12.	Hierarchical Database Model
13.	Hierarchical Database Model	14.	Network Database Model
15.	Relational Database Model	16.	Object Relational Database Model
17.	Structured Query Language	18.	Data Definition Language
19.	Data Definition Language	20.	Data Definition Language
21.	Data Definition Language	22.	Data Manipulation Language
23.	Data Manipulation Language	24.	Data Manipulation Language
25.	Data Manipulation Language	26.	Data Manipulation Language
27.	Data Control Language	28.	Data Control Language
29.	Data Control Language	30.	Data Control Language
31.	Database Table	32.	Record
33.	Tuples	34.	Field
35.	Tables/Relations	36.	Character
37.	Integer	38.	Real Numbers
39.	Boolean Data	40.	Primary Key
41.	Candidate or Alternate Key	42.	Secondary Key
43.	Foreign Key	44.	Problem Identification/Definition
45.	Feasibility Study	46.	Requirement Analysis
47.	Conceptual Data Modeling	48.	Enterprise Data Modeling
49.	Logical Data Modeling	50.	Physical Data Modeling
51.	Rectangles	52.	Ellipses
53.	Diamond symbols	54.	1:1
55.	1:N		

Q2: Few short answers of the following questions

Q1: Define data.
Ans. Data refers to the facts and figures in raw form i.e. not in organized form. Data is the raw material given as input to the computer for processing.

Q2: Define Information.
Ans. Information is the processed or organized form of data. When the computer processes data and it is properly arranged and organized, it is converted to information. It is also called the output of computer and is the meaningful form of data.

Q3: Define File Management System.
Ans. A file (or file based) management system is a collection of programs used for managing data stored in various files. Each program within a file management system is developed independently and it defines and manages its own data.

Q4: Define database.
Ans. A database is a collection of related data.

Q5: What is meant by DBMS?
Ans. A database management system (DBMS) is a set of programs that allow users to create, maintain and manipulate database, and store or retrieve data from those database files. It provides user-friendly access and controls between user and database. Its main purpose is to improve data

sharing, data access, decision making and increase end user productivity.

Q6: Which operations are included in manipulation of data?
Ans. Manipulation of data includes the following operations:
- ⇨ Adding new data
- ⇨ Deleting unwanted data.
- ⇨ Changing existing data
- ⇨ Select Query
- ⇨ Update Query
- ⇨ Delete Query
- ⇨ Append Query
- ⇨ Make Table Query

Q7: What are the responsibilities of DBMS?
Ans. The DBMS helps to create an environment in which users have better access to data. DBMS helps to give an integrated view of the organization's operations. The DBMS makes it possible to share the data in the database among multiple applications and users.

Q8: Give some examples of the database systems managed by DBMS.
Ans. Some examples of the database systems managed by DBMS are;
- ⇨ Customer information system
- ⇨ Inventory information
- ⇨ Library management
- ⇨ Accounting and bookkeeping

Q9: Give some examples of DBMS software.
Ans. Examples of DBMS software include
- ⇨ Microsoft Access
- ⇨ Microsoft SQL Server
- ⇨ Sybase
- ⇨ Oracle
- ⇨ MySQL

Q10: Which problems were faced in file management system?
Ans. The following problems were faced in file management system:
- ⇨ Reduced Data Redundancy
- ⇨ Data consistency
- ⇨ Program-Data Dependency
- ⇨ Lack of Flexibility
- ⇨ Data not Sharable
- ⇨ Backup and Recovery
- ⇨ Data Security

Q11: Who is database administrator?
Ans. Database Administrator (DBA) is the person responsible for supervising the database and the use of DBMS in an organization.

Q12: Write down any four responsibilities of DBA.
Ans. DBA has the following responsibilities
- ⇨ Designing the database and enforcing the operational policies and procedures for its usage.
- ⇨ Planning security measures and backup of database.
- ⇨ Controlling privileges and permissions of database users.
- ⇨ Allocating passwords to users.

Q13: What is meant by database model?
Ans. A database model is the theoretical foundation of a database and determines in which manner data can be stored, organized and manipulated. It defines a way of structuring data.

Q14: How many types of database models are there?
Ans. There are five types of database models:
- ⇨ Hierarchical Database Model
- ⇨ Network Database Model
- ⇨ Relational Database Model
- ⇨ Object-Oriented Database Model
- ⇨ Object Relational Database Model

Q15: Define members and owners in hierarchical structure.
Ans. Data elements in a subordinate relationship are called members and those having subordinates are called owners. In a hierarchical structure, subordinates can have only a single owner and there is only one data element that has no owner. This structure is very suitable in describing many relationships in the real world.

Q16: Give some examples of the hierarchical database model.
Ans. Some examples of hierarchical model are table of contents, departments of an organization and types of memories.

Q17: Define relation in a relational database model.
Ans. The "relation" in a relational database refers to the various tables in the database, which are linked with each other.

Q18: Write down the use of relational database model.
Ans. The relational database model is used to make database management systems more independent of any particular application. It is the most popular database model used in business applications.

Q19: What is meant by SQL?
Ans. SQL (Structured Query Language) is a standard language for accessing and manipulating databases.

Q20: How many types of SQL languages are for relational databases?
Ans. There are three types of SQL languages for relational databases. These are:
- ⇨ Data Definition Language
- ⇨ Data Manipulation Language
- ⇨ Data Control Language

Q21: What are the important tasks of DDL?
Ans. Some important tasks of DDL are:
- ⇨ To create objects in a database model
- ⇨ To alter the structure of the database
- ⇨ To delete objects from the database

Q22: Give some examples of DML tasks.
Ans. Some examples of DML tasks are:
- ⇨ To retrieve data from a database
- ⇨ To insert data into a table
- ⇨ To update existing data within a table
- ⇨ To delete records from a table

Q23: What are the important tasks of DCL?
Ans. Some important tasks of DCL are:
- ⇨ To allow specified users to perform specific tasks
- ⇨ To disallow specified users from performing specified tasks

- ⇨ To cancel previously granted or denied permissions

Q24: What is meant by effective DBMS?
Ans. An effective DBMS provides users with timely, accurate and relevant information. This information is stored in computer files, which needs to be suitably organized and properly maintained so that users can easily access the information they need.

Q25: Define database table.
Ans. A database table is a file that contains data about a single entity. An entity can be a person, place or event, etc.,

Q26: State the composition of database table.
Ans. A database table is composed of rows and columns. Rows hold the records and columns hold the fields. Data item is inserted at each row and column intersection. Tables are also called relations in RDBMS.

Q27: How many types of keys are used in database?
Ans. The following are the types of keys used in databases:
- ⇨ Primary Key
- ⇨ Candidate or Alternate Key
- ⇨ Secondary Key
- ⇨ Foreign Key

Q28: Define candidate key or alternate key.
Ans. A key field that can act as a primary key field in a table to unique identifies each record but it is not chosen, as primary key is known as candidate or alternate key.

Q29: What is meant by foreign key?
Ans. A key field used in a relationship between tables whose value matches a primary key in the other table is known as foreign key.

Q30: Define database planning.
Ans. Database planning is a systematic approach to the development of database that moves from concept to design and development to implementation.

Q31: How a database should be planned?
Ans. Database should be planned in a systematic way to save time, efforts and make it perform the expected tasks. The time and work required to plan a database depends on its complexity.

Q32: Which steps are involved in planning a database?
Ans. The following steps are involved in planning a database:
- ⇨ Problem Identification/Definition
- ⇨ Feasibility Study
- ⇨ Requirement Analysis
- ⇨ Identify Entities and Attributes
- ⇨ Assigning Names to Tables and Columns

Q33: Which steps are included in feasibility study?
Ans. Feasibility study includes the following steps:
- ⇨ Investigate the problem
- ⇨ Find out all the possible solutions available
- ⇨ Study all the solutions to determine their feasibility
- ⇨ List the issues with each solution
- ⇨ Select the preferred solution for implementation
- ⇨ Document the results in a feasibility report

Q34: Which diagram is called Entity-Relationship diagram (ERD)?
Ans. Data modeling is the process of designing logical structure of a database with a diagram using text and symbols to represent the way data needs to flow. This diagram is called Entity-Relationship diagram (ERD).

Q35: Write a short note on data models.
Ans. Data models define how data is connected to each other and how they are processed and stored inside the system. Data models are built during the analysis and design phases of a project to ensure that the requirements for a new application are fully understood. A data model can be thought of as a diagram or flowchart that illustrates the relationships between data. Well-documented conceptual, logical and physical data models allow stake-holders to identify errors and make changes before any programming code has been written.

Q36: Define entity.
Ans. An entity is a thing of interest to an organization about which data is to be held.

Q37: Define relationship.
Ans. A relationship is a link or association between entities.

Q38: On which factors, ER model is based on?
Ans. ER Model is based on:
- ⇨ Entities and their attributes
- ⇨ Relationships among entities

Q39: Define degree of the relationship.
Ans. The number of participating entities in a relationship is known as the degree of the relationship.

Q40: Define one-to-one relationship.
Ans. When only one instance of an entity is associated with the relationship, it is marked as '1:1' and is called one-to-one relationship.

Q41: Define one-to-many relationship.
Ans. When more than one instance of an entity is associated with a relationship, it is marked as '1:N' and is called one-to-many relationship.

Q42: Define many-to-many relationship.
Ans. When more than one instance of an entity on the left and more than one instance of an entity on the right can be associated with the relationship, it is called many-to-many relationship.

Q43: How to get first normal form?
Ans. To get to first normal form, we break up our data into its related data groups.