Basic Economic Problem - The basic economic problem is about scarcity and choice, which includes “ what to produce, how to produce and for whom to produce

Ceteris Paribus - the assumption that all other variables within the model remain constant whilst one change is being considered.

Complements - A good or service that is used in conjunction with another good or service.

Composite demand - Demand for a good that has multiple uses. e.g. People may demand oil because it can be used to create both petrol and diesel.

Consumer Surplus - Consumer surplus is a measure of the welfare that people gain from consuming goods and services

Cross price elasticity of demand - An economic concept that measures the responsiveness in the quantity demand of one good when a change in price takes place in another good.

Direct Tax - A tax that is paid directly by an individual or organization to the imposing entity.

Elastic demand - the demand elasticity refers to how sensitive the demand for a good is to changes in other economic variables.
Elasticity of demand (Ped) = % change in demand of good X / % change in price of good X

Elastic Supply - Supply of a good or service that increases or decreases as the price of an item goes down or up. See also elasticity of supply.

Equilibrium Price - Open market price at which the quantity of a product supplied matches the quantity demanded.

Externalities - Factors whose benefits (called external economies) and costs (called external diseconomies) are not reflected in the market price of goods and services.

Factors of production - Resources required for generation of goods or services, generally classified into four major groups:
1 Land(including allnatural resources)
2 Labor(including allhuman resources)
3 Capital(including all man-made resources)
4 Enterprise(which brings all the previous resources together forproduction).

Full Capacity - The maximum level of output of goods and/or services that a given system can potentially produce over a set period of time.

Income elasticity of demand - A measure of the relationship between a change in the quantity demanded for a particular good and a change in real income.

Indirect Tax - A tax that increases the price of a good so that consumers are actually