Glossary

1. **Base year**
   A base year is the year used for comparison for the level of a particular economic index. The arbitrary level of 100 is selected so that percentage changes (either rising or falling) can be easily depicted.

2. **Circular Test**
   It is concerned with the measurement of price changes over a period of years, when it is desirable to shift the base. If in the use of index number interest attaches not merely to a comparison of two periods, but to the measurement of changes over a period of years, it is frequently.

3. **Factor Reversal Test**
   A test for index numbers in which an index number of quantity, obtained if symbols for price and quantity are interchanged in an index number of price, is multiplied by the original price index to give an index of changes in total value.

4. **Index number**
   An index number is an economic data figure reflecting price or quantity compared with a standard or base value. The base usually equals 100 and the index number is usually expressed as 100 times the ratio to the base value.

5. **Laspeyer's Index**
   In this method we calculate the index by taking the summation $\sum P1q0 / \sum P_0q_0$.

6. **Marshall Edgeworth method**
   In this method also the current year as well as base year price and quantities are considered. The formula for constructing the index is: $p_{01} = \Sigma p_1 q_0 + \Sigma p_1 q_1 / \Sigma p_0 q_0 + \Sigma p_0 q_1 \times 100$

7. **Paasche's method**
   Paasche's price index is a weighted aggregate price index in which the weights are determined by quantities in the given year. The formula for constructing the index is $p_{01} \Sigma p_1 q_1 / \Sigma p_0 q_1 \times 100$

8. **Price index**
   A price index is an average of prices for a given class of goods or services in a given region, during a given interval of time. It is a statistic designed to help to compare how these prices, taken as a whole, differ between time periods or geographical locations.

9. **Product Test**
   Product Test is another name for Factor Reversal Test.

10. **Quantity Index**
    Is a measure reflecting the average of the proportionate changes in the quantities of a specified set of goods and services between two periods of time. Usually a quantity index is assigned a value of 100 in some selected base period and the values of the index for other periods are intended to indicate the average percentage change in quantities compared with the base period.

11. **Simple aggregative method**
    This is the simplest method of constructing index numbers. When the method is used to construct a price index, the total of current year prices for the various commodities in question is divided by the total of base year prices and the quotient is multiplied by 100. Symbolically:
    $p_{01} = \Sigma p_1 / \Sigma p_0 \times 100$

12. **Time Reversal Test**
    A test used with index numbers that is satisfied when the new index is the reciprocal of the original index if the functions of the base period and given period are interchanged

13. **Unit Test**
    It requires that the formula should be independent of the units in which, or for which prices and quantities are quoted. This test is satisfied by all index number methods except the simple (unweighted) aggregative index method

14. **Value Index**
    An index number formed from the ratio of aggregate values in the given period to the aggregate values in the base period.

15. **Weighted average method**
    These indices are of the simple aggregative type with the fundamental difference that weights are assigned to the various items.