

The LNM Institute of Information Technology

Department of HSS

Introduction to Economics HSS 201

End Term Exam

Time: 180 minutes

Date: 05/12/2017

Max. Marks: 60

Instructions: Attempt the paper in sequence and answer new question on a new page. No partial credits. Give examples and draw diagrams wherever necessary. NO clarifications will be entertained about meaning or interpretation related to any question or about the content/structure. Make your own assumption and apply your own discretion based on the class room discussion.

Q1. Are the following statements correct or incorrect? Only Indicate.

[1x4=4]

- a. If average product is increasing, marginal product must be less than average product.
- b. If marginal product is negative, average product must be negative
- c. If average product is positive, total product must be rising.
- d. If total product is increasing, marginal product must also be increasing.

Q2. How will each of the following changes in demand and/or supply affect equilibrium price in a competitive market; that is do price and quantity rise, fall, remain unchanged, or are the answers indeterminate because they depend on the magnitudes of the shifts? Use supply and demand diagrams to verify your answers.

[1x4=4]

- a. Supply decreases and demand is constant.
- b. Demand decreases and supply is constant.
- c. Demand increases and supply increases.
- d. Demand decreases and supply decreases.

Show your answer in the answer book exactly using the following table/template –

S.No.	Impact on equilibrium price (Rise / Fall / Remain unchanged / Indeterminate)
a	
b	
c	
d	

Q3. Suppose there is an improvement in medical technology that enables more healthcare to be provided with the same amount of resources. Show graphically how would this affect the production possibility curve? [2]

Q4. We know that a change in the price of a product causes a movement along the demand curve. Suppose consumers believe that prices will be rising in the future. How will that affect demand curve for the product in the present? Show this graphically? [2]

Q5. What is the relationship between price elasticity and position on the demand curve? For example, as you move up the demand curve to higher prices and lower quantities, what happens to the measured elasticity at different points on the demand curve? How would you explain that? [5]

Q6. Discuss the causes of market failure with examples. [5]

Q7. "Most of the firms are assumed to have U-shaped cost curves. However many ICT firms are working with cost curves that decline over their whole range." Discuss. [10]

OR

Explain the concept of Break-even, Contribution margin and Margin of safety with diagram. [10]

Q8. Discuss the investment evaluation techniques based on time value of money [10]

Q9. "Industries in which technological change is important are almost always imperfectly competitive." Discuss with reasons. [10]

Q10. Short notes (any two): [4x2=8]

- Bank rate, repo rate and reverse repo rate
- SWOT analysis of Indian Economy
- Stages of business cycles