**Teacher’s Assessment Test –I**

**HS 1340 (Principles of Economics): Section -II**

**Time – 50 minutes (04:20 PM to 05:10 PM)**

**Maximum Marks: 30 Marks (WILL BE CONVERTED TO 20)**

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| **Qs.no** |  | ***Marks*** |
| **Q1** | Define Economics. What are the central problems of an economy? | 5 |
| **Q2** | Distinguish between   1. Macro Economics and Micro Economics 2. input markets and output markets 3. Normal Good and Inferior good 4. Marginal Utility and Marginal rate of substitution 5. Positive and Normative Economics | 10 |
| **Q3** | Discuss consumer and producer surplus. Estimate Consumer surplus and Producer surplus, if a hypothetical market experience following demand and supply function.  Demand function: P = 60 – 0.75Qd and  Supply function: P= 7 + 2Qs | 5 |
| **Q4** | The utility function of a consumer is given by U=q1q2. Suppose Pq1=1 and Pq2=2. The consumer wants to spend Rs. 40 for both the goods. What will be his demand function for q1 and q2? | 5 |
| **Q5** | The AcNielsen consultant estimates the demand function for Coca Cola to be  *P=320-6Q.*   1. At what output level the elasticity of demand equals unity? 2. At present 50 units are demanded. Should the AcNielsen consultant advice Coca Cola Company to raise price to increase total revenue? | 5 |