**Asian School of Management and Technology**

(Affiliated to Tribhuvan University)

Gongabu, Kathmandu

**Full Marks: 100**

**Time: 3 Hrs.**

**SET A**

**Preboard** **Examination 2081**

**BIM / Fourth Semester / ECO 206: Economics for Business**

***Candidates are required to answer the question in their own words as far as practicable.***

**Group A**

**Brief Answer Questions**

**Attempt all questions. (10 ×2 = 20)**

1. Why macroeconomics is also called income and employment theory?
2. What is meant by market efficiency?
3. What will happen to demand for Hamburger when price of Hotdogs rises?
4. Point out four features of isoquant.
5. Define diseconomies of scale.
6. Derive price when ep = 0.5 and MR = - 20
7. Write any four features of oligopoly.
8. What is the equation of isocost line when total outlay is Rs.1000, price of labour is Rs.50 and price of capital is Rs.25
9. Define linear saving function.
10. What do you mean by deflation?

**Group B**

**Short Answer Questions**

**Attempt any six questions. (6×5 = 30)**

11. How business environment is affected by macroeconomic variables and policies? Explain.

12. Explain the equilibrium of firm under perfect competition.

13. Define cost push inflation. What are its causes?

14. Show the relationship between price elasticity, MR and TR.

15.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Period | T1 | T2 | T3 | T4 | T5 | T6 |
| Yd | 0 | 5000 | 10000 | 15000 | 20000 | 25000 |
| C | 2000 | 6000 | 10000 | 14000 | 18000 | 22000 |

1. Derive linear consumption function and saving function.
2. Graph saving curve and explain the trend of APS and MPS.

16. What is monetary policy? Explain its instruments.

17. What is trade cycle? Explain the depression phase of trade cycle.

**Group C**

**Long answer questions**

**Attempt any three questions (3x10 = 30)**

18. Compute nominal GDP, Real GDP, GDP deflator and the rate of inflation.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year | Px | Qx | Py | Qy | Pz | Qz |
| 2009 | 10 | 1000 | 100 | 200 | 500 | 300 |
| 2010 | 13 | 1050 | 115 | 225 | 540 | 450 |
| 2011 | 15 | 1200 | 120 | 275 | 600 | 700 |

19. Consider the following figures related to national income aggregates and estimate:

1. Gross private domestic investment.
2. Net exports
3. Gross domestic product at market price
4. Gross national product at market price
5. Net national product at market price
6. National income
7. Personal income
8. Personal disposable income.

|  |  |
| --- | --- |
| Description | Rs.in Million |
| Payment of factor income to the rest of the world | 10 |
| Indirect taxes | 40 |
| Exports | 120 |
| Net private domestic investment | 200 |
| Personal taxes | 120 |
| Corporate profits | 90 |
| Personal consumption expenditure | 500 |
| Dividends | 8 |
| Transfer payment | 100 |
| Subsidies | 10 |
| Social insurance payments | 70 |
| Depreciation | 100 |
| Receipts of factor income from the rest of the world | 8 |
| Government consumption and investment | 150 |
| Imports | 100 |

20. Explain long run marginal cost curve.

21. How is exchange rate determined under the fixed and flexible exchange rate system? Explain.

**Group D**

**Situation Analysis**

22. **Read the situation given below and answer the questions that follow. (20)**

**The Historical Performance of The US Economy.**

Economists use many types of data to measure the performance of an economy. Three macroeconomic variables are especially important: real gross domestic product (GDP), the inflation rate, and the unemployment rate. Real GDP measures the total income of everyone in the economy (adjusted for the level of prices). The inflation rate measures how fast prices are rising. The unemployment rate measures the fraction of the labor force that is out of work. Macroeconomists study how these variables are determined, why they change over time, and how they interact with one another.

**The real GDP in USA**: two aspects of real GDP are noteworthy. First, real GDP grows over time. Real GDP per person today is about eight times higher than it was in 1900. This growth in average income allows us to enjoy a much higher standard of living than our great grandparents did. Second, although real GDP rises in most years, this growth is not steady. There are repeated periods during which real GDP falls, the most dramatic instance being the early 1930s.Such periods are called recessions if they are mild and depressions if they are more severe. Not surprisingly, periods of declining income are associated with substantial economic hardship.

**Inflation in USA**: inflation varies substantially over time. In the first half of the twentieth century, the inflation rate averaged only slightly above zero. Periods of falling prices, called deflation, were almost as common as periods of rising prices. By contrast, inflation has been the norm during the past half century. Inflation became most severe during the late 1970s, when prices rose at a rate of almost 10 percent per year. In recent years, the inflation rate has been about 2 or 3 percent per year, indicating that prices have been fairly stable.

**The US unemployment rate**: there is always some unemployment in the economy. In addition, although the unemployment rate has no long-term trend, it varies substantially from year to year. Recessions and depressions are associated with unusually high unemployment. The highest rates of unemployment were reached during the Great Depression of the 1930s. The worst economic downturn since the Great depression occurred in the aftermath of the financial crisis of 2008-2009, when unemployment rose substantially. These three evidences offer a glimpse at the history of the US economy.

**Questions:**

1. What is real GDP? How is it computed?
2. What is economic recession? Write its characteristics.
3. Differentiate between inflation and deflation. Explain the role of monetary authority to maintain price stability in the country.
4. Define unemployment. What are the causes of unemployment?
5. Overview the US economy from 1900 AD to the date.

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