**Asian School of Management and Technology**

(Affiliated to Tribhuvan University)

Gongabu, Kathmandu

**Full Marks: 100**

**Time: 3 Hrs.**

**SET B**

**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. Point out the scope of Microeconomics.
2. Define consumer’s surplus.
3. Define advertisement elasticity of demand.
4. What is marginal rate of technical substitution (MRTSLK).
5. Define economic profit.
6. Let, production function, Q = 16L + 8L2 - L3. Compute marginal product.
7. Write any four features of monopolistic competition.
8. What are the instruments of fiscal policy?
9. Define investment function.
10. Distinguish between real GDP and nominal GDP.

**Group B**

**Short Answer Questions**

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

1. Describe about the basic economic issues: scarcity, alternatives and choice.
2. How does a firm attain equilibrium under monopoly?
3. Explain the law of returns to scale.
4. What is balance the balance of payment? Explain its components
5. Why short run average cost curve is U – shaped?

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| --- | --- | --- | --- | --- | --- | --- |
| Price (Rs) | 100 | 80 | 60 | 40 | 20 | 10 |
| Quantity Demanded (in units) | 100 | 200 | 300 | 400 | 500 | 600 |

1. Work out the elasticity for the fall in price from Rs.80 to Rs.60.
2. Calculate elasticity for the increase in the price from Rs.60 to Rs.80.
3. Why is elasticity coefficient in part (a) different from that in (b)?
4. What is trade cycle? Explain the prosperity phase of trade cycle.

**Group C**

**Long answer questions**

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

1. The demand curve of a firm's product is given by an equation, Q = 28 – 0.5P while cost function is TC = 50 + 2Q + 0.25Q2. Find the profit maximizing output, price and total profit.
2. A market consists of three consumers; A, B and C, whose individual demand equations are as follows:

A: P = 35 – 0.50 QA

B: P = 50 - 0.25 QB

C: P = 40 - 2.00 QC

The market supply equation is given by Qs = 40 + 3.5P

1. Determine market equilibrium price and quantity.
2. Find price elasticity of demand at equilibrium price.
3. Explain long run average cost curve.
4. Define demand pull inflation. And what are its causes?

**Group D**

**Situation Analysis**

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

In past decades demand of cold drinks was relatively lower than that of present decades. Producers of cold drinks and consumers were also relatively few at those days. In recent days demand of cold drinks is increasing because of several causes and one cause behind rise in the demand may be the modernization in life style of people. Nowadays demand of cold drinks is in increasing trend not only in summer season but in winter season as well. In every type of celebration use of cold drinks has become very common in all seasons.

Firms which produce and sell cold drinks in the market make huge advertisement expenditure to attract consumers toward their product. These firms are making advertisement in both winter and summer season but extent of increase in demand of the drinks is relatively low in winter season. Cold drinks producing firms are making their own special strategy to maximize their selling in the market. Because of high competition in the market every firms are trying to prove their product as the best.

Every rival firm are trying to capture the large share of market. Because of oligopolistic nature of the market, no any firm is trying to make significant increase in price. But firms are trying to sell huge amount of drinks in the market through other ways like attractive advertisement of the product, offering various types of bumper prizes, offering extra amount in same packaging and rate, making attractive packaging etc. these polices of the firms are being effective and cold drinks producing firms have become able to increase their selling without reducing the price of their product in market.

**Questions:**

1. Is their applicability of law of demand in case of cold drinks? Why? Give your logic.
2. Either elasticity of supply is positive or negative as well as the elasticity is same or not in different season? Give arguments.
3. Is there shift of demand curve? Justify with your logic.
4. Either cross elasticity of demand for cold drinks is positive or negative? Give your arguments.
5. How producers have become able to increase their selling in market? Describe with your view.

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