 **KIST COLLEGE OF MANAGEMENT**

**Affiliated to Tribhuvan University**

**Full Marks: 100**

**Pass Marks: 60**

**Time: 3 hrs.**

**Kamalpokhari, Kathmandu**

**September, 2024**

**Pre - Board Examination**

**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: [10 x 2 = 20]**

1. Microeconomics is also known as price theory. Why?
2. Write any four determinants of demand.
3. Define economic efficiency.
4. State the law of increasing returns to scale.
5. Prepare a list of properties of isoquant.
6. What is balance of payment?
7. Write any four causes for the shift in the demand curve.
8. How does central bank correct inflationary pressure by adopting quantitative methods?
9. Let the autonomous demand be 10 and the slope of the demand curve be 6. Derive linear demand curve.
10. Define production possibility curve (PPC).

**Group – B**

**Short Answer Questions [Attempt any Six Questions]: [6 x 5 = 30]**

1. Describe the relationship between price elasticity of demand and revenue.
2. Calculate GDP at factor cost and market price from the following data:

|  |  |
| --- | --- |
| **Description** | **Rs. In billion** |
| Compensation of employees  Rental Income  Net Interest  Proprietor's income  Corporate profit tax  Retained earning  Dividend  Capital consumption allowance  Indirect tax  Subsidy | 3200  240  700  800  600  460  1800  320  1000  120 |

1. The market demand function and supply function for a product are given below:

Demand function, Qd =3000-50P and Supply function Qs =1500+50P where Q is quantity and P is the price.

1. What are the equilibrium price and quantity?
2. Calculate the consumer’s surplus.
3. Define perfect competition market. Explain its characteristics.
4. What is cost push inflation? Explain its causes.
5. Explain the objectives of monetary policy.
6. Given Q =100K1/2L1/2, C = Rs 1000, W=Rs 50 and r =Rs 40. Determine the quantity of labor and capital that the firm should use to maximize output. What is the level of output?

**Group – C**

**Long Answer Questions [Attempt any Three Questions]: [3 x 10 = 30]**

1. Explain the law of variable proportions.
2. Describe the various phases of business cycle.
3. The following data shows the quantity produced and their respective market prices of two goods A and B that a hypothetical economy produces:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Output of A | Price of A (Rs.) | Output of B | Price of B (Rs.) |
| 2077  2078  2079  2080 | 1800  1880  1880  1920 | 8000  8800  9200  8400 | 6000  4800  5600  6800 | 100  120  120  140 |

1. Compute Nominal GDP, Real GDP, GDP Deflator and Rate of inflation. (8)
2. Why is the real GDP a better measurement of welfare than nominal GDP? (2)
3. Consider the following cost schedule:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Output (Q) | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Total Variable Cost (TVC) | 0 | 10 | 18 | 24 | 32 | 50 | 80 | 124 | 360 |

1. At TFC =Rs. 75, Compute TC, AFC, AVC, AC and MC
2. Using a cost schedule, show the relationship between AFC, AVC and AC.
3. Graph AC and MC and explain their relationship.

**Group - D**

**Comprehensive / Case / Situation Analysis Questions: [5 x 4 = 20]**

1. Read the following situation and answer the questions given below:

In Nepal, 17 airlines companies are operating services in different sectors. Among them seven airlines fly Kathmandu-Nepalgunj sector. Yeti Airlines flies 72 seat capacity aircraft in Kathmandu-Nepalgunj sector where it charges seven different air fares: Dollar Fare, Normal Fare, Yellow Fare, Victor Fare, Green Fare, Flanker Fare, Special Fare and Hotel Fare. All the fares are charged in Nepalese Rupees except Dollar Fare which is charged in US Dollar for foreigners. Among them Dollar Fare and Normal Fare are high fare categories which are targeted for foreigners, business men, people working for INGOs etc. Yellow Fare and Green Fare are moderate fare categories. Flanker Fare, Special Fare, and Hotel Fare are low fare categories which are targeted for general people. Tickets of all types of fare are nontransferable. Following table shows the air fares of Yeti Airlines for four different categories in Kathmandu-Nepalgunj sector:

|  |  |  |  |
| --- | --- | --- | --- |
| Dollar fare | Normal fare | Yellow fare | Hotel fare |
| $140 (about Rs.18000) | Rs.8900 | Rs. 7700 | Rs.5200 |

**Questions:**

* 1. What type of market structure is the airline industry in Nepal? Justify with proper reason. (4)
  2. Does the pricing policy of Yeti Airlines show the discriminating pricing? How? (4)
  3. Does Yeti Airlines price discrimination fulfill the conditions for price discrimination? (4)
  4. Are the elasticity of demand for high fare users and low fare users different? Elaborate. (4)
  5. Is price discrimination justifiable? Give reasons. (4)

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