**NAGARJUNA COLLEGE OF INFORMATION TECHNOLOGY**

**Full Marks: 100**

**Pass Marks: 50**

**Time: 3 hrs.**

**Shankhamul -09, Lalitpur**

**SET - A**

**Pre-Board Exam 2081**

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

***Candidates are required to give answer in their own words.***

**Group – A**

**Brief Answer Questions: (Attempt all questions) [10x2=20]**

1. Show the scope of macroeconomics in chart.
2. Suppose that P1 = 15, P2 = 20, Q1 = 50 , Q2 = 35. Show the value of price elasticity of demand by Mid-Way Approach.
3. What are the objectives of fiscal policy?
4. What is Accounting Cost?
5. List out the features of monopolistic market.
6. What are the conditions required for price discrimination?
7. What is Two-Part-Tariff Pricing Technique?
8. Define the conditions of Producer's Equilibrium.
9. If C = a + bY. Define the elements.
10. Define the term NNP with formula.

**Group-B**

**Short Answer Questions. (Attempt any six questions) [6x5=30]**

1. Explain the change in Market Equilibrium due to only change in supply.
2. What is monopoly market? How are price and output determined under it in short-run?
3. Explain any 2 phases of Business Cycle.
4. What is exchange rate? How it is formulated? Explain.
5. Let the demand and supply functions for eggs in the Nepalese Economy are given by the following equations:

Qd = 740 – 2P;     Qs = 20 + 4P   Where Qd = quantity of eggs: Qs = quantity of eggs; P = price per eggs in rupees.

a. Fill the following table:

|  |  |  |
| --- | --- | --- |
| Price (in Rs) | Quantity Demanded (Qd) | Quantity Supplied (Qs) |
| 100 | x | x |
| 110 | x | x |
| 120 | x | x |
| 130 | x | x |
| 140 | x | x |

b. Use the information in the table to find the equilibrium price and equilibrium quantity and also display in figure.

1. A firm faces following demand and cost functions:  
   P = 100 - Q and C = 25 + 10Q + 2Q2. Find the price and output that maximize profit for the firm.
2. Define the term Nominal GDP, Real GDP and GDP Deflator.

**Group-C**

**Long Answer Questions (Attempt any Three Questions). [3x10=30]**

18. Using given production function, Q = 14L + 7L2 – L3, answer the following questions:

a. Compute TP, AP and MP schedules and explain three stages of production.

b. Draw TP, MP and AP curves and explain the three stages of production based on the Law of Variable Proportion.

19. Consider the following output function

Q = 50K0.5L0.5 as where Total cost (C) = Rs 850.

a. Derive the expansion path at which wage rate for labour is Rs 60 and interest rate of capital is Rs 80.

b. Determine the maximized level of output for the production.

c. Compute the profit level when price of the product is Rs 2.5.

20. Consider the following schedule given below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Output | TVC | TC | AVC | AC | MC |
| 0  1  2  3  4  5  6  7  8  9 | –  –  –  –  –  –  –  –  –  – | 300  330  354  372  396  450  540  672  840  1080 | –  –  –  –  –  –  –  –  –  – | –  –  –  –  –  –  –  –  –  – | –  –  –  –  –  –  –  –  –  – |

a. Complete the above table.

b. Graph AC and MC curve and explain their relationship.

21. Define monetary policy. What are the instruments of monetary policy?

**Group 'D'**

**Comprehensive Answer Question: [1x20=20*]***

22. Carefully read the following situation and answer the questions that follow:

Have you ever woundered why the tax imposed by government on Goods like Cigarettes, Liquor, and Luxury products etc. is very high? This is so because the government understands that consumer demand for such product is relatively inelastic and high tax rate on such goods will result in higher tax collection for the government as revenue and thus government comes out with the policy of high taxes on such commodities.

Similarly, if the government of a country wishes to discourage consumption of certain goods then it can impose very high taxes on such category of Goods. For example, Government tax is very high on imported Cars and Other Luxury Products in Nepal.

In the same manner, if government of a country wishes to encourage consumption of certain category of goods or may be investment in production of certain category of goods then it reduces the related taxes for encouraging production and consumption of such goods.

**Questions:**

a. Why the government increases their tax on cigarettes, liquor, and luxury products?

b. How can we draw the diagram if government impose the tax on Luxury goods so as people will be discouraged to buy?

c. What would be policy of the government to impose the tax on Luxury goods and why

d. What would be your recommendation to the government on the above statement?

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**SET - B**

**Pre-Board Exam 2081**

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

***Candidates are required to give answer in their own words.***

**Group – A**

**Brief Answer Questions: (Attempt all questions) [10x2=20]**

1. Define the point of Producer's Equilibrium in one sentence.
2. What is monetary cost on production?
3. Show the scope of microeconomics in chart.
4. What are the objectives of fiscal policy?
5. What is Accounting Cost?
6. List out the features of monopolistic market.
7. What are the conditions required for price discrimination?
8. If C = a + bY. Define the elements.
9. Define the term personnel income.
10. Suppose that P1 = 5, P2 = 10, Q1 = 50 , Q2 = 35. Show the value of price elasticity of demand by Mid-Way Approach.

**Group-B**

**Short Answer Questions. (Attempt any six questions) [6x5=30]**

1. Explain the change in Market Equilibrium due to only change in demand.
2. What is monopoly market? How are price and output determined under it in short-run?
3. Explain any 2 phases of Business Cycle.
4. What is exchange rate? How it is formulated? Explain.
5. Let the demand and supply functions for eggs in the Nepalese Economy are given by the following equations:

Qd = 740 – 2P;     Qs = 20 + 4P   Where Qd = quantity of eggs: Qs = quantity of eggs; P = price per eggs in rupees.

a. Fill the following table:

|  |  |  |
| --- | --- | --- |
| Price (in Rs) | Quantity Demanded (Qd) | Quantity Supplied (Qs) |
| 100 | x | x |
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| 120 | x | x |
| 130 | x | x |
| 140 | x | x |

b. Use the information in the table to find the equilibrium price and equilibrium quantity and also display in figure.

1. A firm faces following demand and cost functions:  
   P = 100 - Q and C = 25 + 10Q + 2Q2. Find the price and output that maximize profit for the firm.
2. Define the different terms of National Income Measurement like GDP, GNP, NNP, NDP with formula.

**Group-C**

**Long Answer Questions (Attempt any Three Questions). [3x10=30]**

**18.** Using given production function, Q = 14L + 7L2 – L3, answer the following questions:

a. Compute TP, AP and MP schedules and explain three stages of production.

b. Draw TP, MP and AP curves and explain the three stages of production based on the Law of Variable Proportion.

**19**. Consider the following output function

Q = 100K0.5L0.5 as where Total cost (C) = Rs 1000.

a. Derive the expansion path at which wage rate for labour is Rs 60 and interest rate of capital is Rs 80.

b. Determine the maximized level of output for the production.

c. Compute the profit level when price of the product is Rs 2.

**20**. Consider the following schedule given below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Output | TVC | TC | AVC | AC | MC |
| 0  1  2  3  4  5  6  7  8  9 | –  –  –  –  –  –  –  –  –  – | 200  230  254  272  296  350  440  572  740  980 | –  –  –  –  –  –  –  –  –  – | –  –  –  –  –  –  –  –  –  – | –  –  –  –  –  –  –  –  –  – |

a. Complete the above table.

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**Group 'D'**

**Comprehensive Answer Question: [1x20=20]**

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**Questions:**

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