**Asian School of Management and Technology**

(Affiliated to Tribhuvan University)

Gongabu, Kathmandu

**Full Marks: 100**

**Time: 3 Hrs.**

**SET B**

**Preboard** **Examination 2080**

**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 microeconomics is also called slicing method?
2. Define producer’s surplus.
3. What will happen to demand for pen when price of coffee rises?
4. Define isoquant.
5. Define diseconomies of scale.
6. Derive price when ep = 0.5 and MR = - 20
7. Write any four features of perfect competition.
8. What is the equation of isocost line when total outlay is Rs.2000, price of labour is Rs.100 and price of capital is Rs.50.
9. Define investment function.
10. Distinguish between GNP and NNP.

**Group B**

**Short Answer Questions**

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

1. Describe about the basic economic issues: scarcity, alternatives and choice.
2. Explain the equilibrium of firm under perfect competition by total revenue and total cost approach.
3. Define cost push inflation. What are its causes?
4. What is cross elasticity of demand? Explain its various types.
5. Derive AVC with the help of TVC.
6. What is fiscal policy? Explain its objectives.
7. What is trade cycle? Explain the depression phase of trade cycle.

**Group C**

**Long answer questions**

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

1. 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 |

1. From the following data, calculate National Income by Income and Expenditure methods.

|  |  |
| --- | --- |
| **Items** | **Rs.in crores** |
| Government final consumption expenditure | 50 |
| Subsidies | 10 |
| Rent | 200 |
| Wages and salaries | 600 |
| Indirect taxes | 60 |
| Private final consumption expenditure | 800 |
| Gross domestic capital formation | 120 |
| Social security contributions by employers | 55 |
| Royalty | 25 |
| Net factor income paid to abroad | 30 |
| Interest | 20 |
| Consumption of fixed capital | 10 |
| Profit | 130 |
| Net exports | 70 |
| Change in stock | 50 |

1. Explain long run marginal cost curve.
2. How is exchange rate determined under the fixed and flexible exchange rate system? Explain.

**Group D**

**Situation Analysis**

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

Despite several steps taken in the past to contain inflation rate within a desired level, such rates still remain volatile in Nepal. There lay a challenge of bringing inflation rate within desirable limit by resolving supply related problems and appropriate combination of monetary and fiscal policies. Prices of goods and services also tend to vary by regions. In this context, improving management of entire supply system including petroleum products, expansion of storage capacity of essential commodities and effective implementation of market monitoring, development of storage, distribution and price information system for agro-products pose a big challenge.

Multi-dimensional elements including demand and supply sides have been factors influencing the inflation. There remains a major challenge to contain inflation within desirable limit through effective implementation and coordination of monetary, fiscal and supply policies. Moreover, containing the inflation expectation through certainty of policy is a daunting challenge.

**Requirements:**

1. What are the causes of inflation in Nepalese context? Explain in light of demand-pull and cost-push inflation.
2. As an economic advisor, what policy recommendation through monetary and fiscal policies would you make to bring inflation at a desirable limit?
3. Do you agree that inflationary pressures in Nepalese economy have been creating adverse effects on distribution? Explain.

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