**College of Applied Business & Technology**

**Sent-up examination, March 2024**

**BIM / Fourth Semester / ECO206 Economics for Business**

*Candidates are required to give their answers in their own words as far as practicable.*

**Section “A” 20 minutes**

**Brief answer questions: (10X1=10)**

1. State the main objective of microeconomics.
2. State the causes of rightward shift in demand curve of leather shoes industry.
3. Define consumption function.
4. Define marginal rate of technical rate of substitution.
5. What are the properties of isoquant?
6. Define implicit cost.
7. Write any two examples of second-degree price discrimination.
8. Define oligopoly.
9. Define inflation.
10. Define compensation of employees.

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**Section “B” 30 minutes**

**Short answer questions: (any two) (2X5=10)**

1. Explain the process of computing NI by income method.
2. Define long run average cost curve. Why long run AC is U shaped? Explain.
3. Explain various degree of price discrimination.
4. Explain uses of microeconomics in business decision making.

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**Section “C” 80 minutes**

**Comprehensive Answer Questions:**

1. Consider the following demand schedule. (2+2)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Points | A | B | C | D | E | E |
| Px | 500 | 400 | 300 | 200 | 100 | 0 |
| Qx | 0 | 1000 | 2000 | 3000 | 4000 | 4000 |

* 1. Derive linear demand function.
  2. Compute price elasticity of demand at various points.

1. Consider the following schedule

|  |  |
| --- | --- |
| **Description** | **Rs. in Billion** |
| Indirect Business Taxes | 36,000 |
| Imports | 26,000 |
| Government Investment | 36,000 |
| Gross Fixed Capital formation | 140,000 |
| Payments to Rest of the World | 16,000 |
| Exports | 14,400 |
| Wages and Salaries | 440,000 |
| Government Consumption | 60,000 |
| Receipts from Rest of the World | 8,000 |
| Consumption expenditure | 529,600 |
| Changes in Stocks | –4,000 |
| Subsidy | 16,000 |
| Rent | 18,000 |
| Interest | 30,000 |
| Mixed Income | 80,000 |
| Employer's Contribution to Social Security | 30,000 |
| Corporate Income | 100,000 |
| Consumption of Fixed Capital | 32,000 |

1. Compute NI from both income and expenditure method. (8)

17. The price of raw sugar recently reached highest since 2010 due to the problems with supply from India. Historically raw sugar has traded at between 10 and 12 rupees per KG at the Birgang of trade. But the price increased to over 18 rupees last month. Growing demand in Bangladesh for sugar to be turned into ethanol for fuel, coupled with a sharp fall in Indian production have both been factors in the price increases. Sugar production in India for 2011 – 12 fell 45 percent on year due to less rain in the monsoon damaging a number of agriculture crops. The London based international sugar organization predict the global consumption of sugar is likely to outstrip production by 9 M tones year, forcing food companies and government to dig into stockpiles. In Nepal snack producers including sweets producers put pressure on the Nepal government to relax import controls, warning that otherwise they might run out of sugar. Commentators predict the most shoppers will be unaffected because sugar is such a small part of a consumers typical spending in a week that no one will notice an increase in price.

Questions (3+3+3)

* 1. Explain, using supply and demand analysis, why the price of sugar has been increasing recently.
  2. Do you think the supply or demand for sugar is price elastic or inelastic? Justify your choice and explain whether this means any given change in supply or demand will have a bigger effect on the equilibrium price of quantity.
  3. In what ways is the market for sugar used in confectionery related to the market for ethanol?