 **KIST COLLEGE OF MANAGEMENT**

**Full Marks: 100**

**Pass Marks: 60**

**Time: 3 hrs.**

**Affiliated to Tribhuvan University**

**Kamalpokhari, Kathmandu**

**March, 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. Macroeconomics is the study of aggregates. Give reasons.
2. Write any four determinants of demand.
3. Define economic efficiency.
4. Define cross elasticity of demand.
5. Prepare a list of properties of isoquant.
6. What is flexible exchange rate system?
7. Write any four causes for the shift in the supply 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 opportunity cost.

**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 | 1600  120  350  400  300  230  900  160  500  60 |

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

Demand function, Qd =1000-10P and Supply function Qs =200+10P where Q is quantity and P is the price.

1. Compute demand and supply at prices: Rs. 30,35,40,45 and 50
2. Compute price elasticity of demand and supply at equilibrium price.
3. Explain the concept of business profit and economic profit with suitable example.
4. What is demand pull 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. How is the equilibrium price determined? What will be the effect on the equilibrium price due to an increase in demand and supply simultaneously?
2. Explain 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.) |
| 2076  2077  2078  2079 | 900  940  940  960 | 4000  4400  4600  4200 | 3000  2400  2800  3400 | 50  60  60  70 |

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 | 20 | 36 | 48 | 64 | 100 | 160 | 248 | 360 |

1. At TFC =Rs. 150, 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: [4 x 5 = 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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