**Group “A”**

**Brief Answers Questions**: **[10**×**2=20]**

1. Microeconomics.
2. How do we express demand function?
3. Law of supply.
4. Market efficiency.
5. Compute price elasticity, when AR=20 and MR=10
6. Give a brief introduction of an Isoquant.
7. Construct an Iso-cost curve, when total outlay=Rs.100, Pk=20 and PL=10.
8. How a firm differs from an industry?
9. Oligopoly.
10. Personal disposable income.

**Group “B”**

**Short Answer Questions: (answer any six questions) [6×5=30]**

1. Explain the shifting of a demand curve.
2. Describe market equilibrium with a figure.
3. Explain income elasticity when Ei=1, Ei>1 and Ei<1.
4. Explain the law of increasing returns to scale.
5. How can we derive a long run average cost curve (LAC)?
6. Define cost push inflation and what are its causes?
7. Calculate NDP at FC and GDP at MP from the following data:

|  |  |
| --- | --- |
| **Items** | **Rs In Crore** |
| Wages and salaries | 2,000 |
| Rent | 100 |
| Profit | 500 |
| Interest | 250 |
| Income of the self-employed | 300 |
| Net indirect tax | 500 |
| Depreciation | 300 |

**Group “C”**

**Long Answer Questions: (answer any Three question)**   **[3×10=30]**

1. Explain the law of variable proportions with a table and a figure.
2. Let us consider, a woman working in a large garment factory earning Rs. 15,000 per month decides to open tailoring shop of her own. She runs the operating by herself without hired help and invests no money of her own. She takes premises and machines on rent Rs. 10,000 per month and Rs. 30,000 per month respectively. She spends Rs. 15,000 per month on supplies, electricity, telephone and so on. During the month, her gross earning or total revenue or income is Rs.65000.

a) Calculate the business profit.

b) Calculate the economic profit.

c) Should this woman remain in the business if she is indifferent between working for herself or others in the

similar capacity?

1. Consider the following table when TFC=Rs.12.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Quantity | 1 | 2 | 3 | 4 | 5 | 6 |
| TVC | Rs.6 | Rs.8 | Rs.9 | Rs.10 | RS.14 | Rs.21 |

a) Find TFC, Tc, AFC, AVC, AC and MC for various levels of output.

b) Plot on the same graph the AVC, AC and MC schedules.

c) What is the relationship between AVC, AC and MC?

1. Total cost function of a producer is given by TC=1000+10Q- 0.9Q2+ 0. 004Q3.Find TFC, TVC, TC, AFC, AVC and MC to produce 5 units of output.

**Group “D”**

**Comprehensive Answer / Case / Situation Analysis Questions:**  **[2×10=20]**

1. Business cycles refers to oscillations in aggregate economic activities, particularly in employment, output, income, price, profits etc., which occur periodically with certain regularity. It is characterised by alteration of economic expansion and contraction in economic activities. The process of fluctuation is of a cumulative self-reinforcing nature. The seed of recession is cultivated by prosperity itself. A recession, once started tends to build upon itself much as forest fire, once under way, tend to create its own draft and given internal impetus to its destructive ability. Similarly, when business fluctuations occur in a country, it will be spread in the world economy. At the moment of recession, central bank and government alert themselves and try to maintain coordination in implementing policy instruments (monetary and fiscal instruments). In this reference, answer the following questions.
2. Explain the factors responsible for ending prosperity.
3. How does economic recession affect the domestic economy? How are the effects of recession spread in foreign markets?
4. What type of monetary and fiscal measures would you follow to remove recession? Explain.

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**Group “A”**

**Brief Answers Questions**: **[10**×**2=20]**

1. Scarcity
2. Movement along a demand curve.
3. Linear supply function.
4. Find cross elasticity, when Px1=10 and Px2=12; Dy1=100 and Dy2=120.
5. Find TP and AP when, L=3; with the production function, Q=10L+5L2-L3.
6. Give an example of bundling.
7. Gross national product.
8. Deflation.
9. What are the Quantitative instruments of monetary policy?
10. Balance of payment (BOP).

**Group “B”**

**Short Answer Questions: (answer any six questions) [6×5=30]**

1. Explain the scope of macroeconomics.
2. How can we measure price elasticity of demand with point method? Explain the geometric method.
3. Explain the properties of an isoquant.
4. How can we derive a LAC curve? Explain.
5. What are the characteristics of monopolistic competition?
6. Explain the goals of fiscal policy.
7. Derive the value of GDP deflator and rate of inflation from the following table.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Nominal GDP | Real GDP | GDP Deflator  (%) | Rate of inflation (%) |
| 2015/16 | 470,269 | 208/481 |  |  |
| 2916/17 | 542,691 | 209/621 |  |  |
| 2017/18 | 618,961 | 220/489 |  |  |
| 2018/19 | 719,548 | 233,805 |  |  |
| 2019/20 | 843,294 | 249/903 |  |  |

**Group “C”**

**Long Answer Questions: (answer any Three question)**  [**3×10=30]**

1. Give an introduction of consumption function. Explain the nature of APC and MPC.
2. Consider the following data:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| No. of L | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| TP | 40 | 100 | 180 | 240 | 280 | 300 | 310 | 300 |

a) Compute AP and MP.

b) Graph TP, AP and MP and explain their relationship in reference to the law of variable proportions.

c) Using schedule, explain the relationship between (i) TP and MP and (ii) AP and MP.

1. Suppose price of labour (w) =Rs.50 and price of capital (r)=Rs.100 for different total outlay, like Rs. 800, Rs. 1000 and Rs.1200; derive iso-cost line and isoquant and also identify least cost combination in a graph, using the information given below.

|  |  |  |  |
| --- | --- | --- | --- |
| Combinations | Labour (L) | Capital (K) | Output |
| A  B  C | 6  10  18 | 9  5  3 | 200  200  200 |

1. The total cost function of a producer is given as C=868 + 47Q + 0.5Q2. find TFC, TVC, TC, AFC, AVC and MC to produce 12 units of output.

**Group “D”**

**Comprehensive Answer / Case / Situation Analysis Questions: [2×10=20]**

1. Let, 2500 trading houses are involved in trading cell phones in Nepal. Similarly, market survey shows that large numbers of Nepalese are using cell phone. it is assumed that market for cell phone is perfectly competitive. In this reference, answer the following questions.
   1. How are the equilibrium price and the quantity of cell phone determined?
   2. What will be the effect on equilibrium price and quantity of cell phone when inflow of remittance increases by high percentage?
   3. What will be the effect on equilibrium price and quantity of cell phone when government increases VAT on cell phone?
   4. What will be the simultaneous effect on equilibrium price and quantity of cell phone when inflow of

remittance increases and government increases VAT on cell phone?

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