

# Jaypee University of Engineering & Technology, Guna

T-1 (Odd Semester 2022)

21B14HS547 – CONCEPTS OF ECONOMICS

Maximum Duration: 1 Hour

Maximum Marks: 15

## Notes:

1. This question paper has 04 questions.
2. Write relevant answers only.
3. Do not write anything on question paper (Except your Er. No.).
4. Calculators are allowed.

## Marks

Q1.

State whether the given statements are TRUE or FALSE with proper justification.

1. If the price of a commodity declines, the total revenue will increase. In such case the demand is inelastic. [03]
2. If total profit is at a maximum, marginal profit is zero.
3. Gross national product counts goods and services produced within the country's borders, regardless of who produced it.

Q2.

You have been hired as a financial advisor to Michael Jordan. He has received two offers for playing professional basketball and wants to select the best offer, based on considerations of money only. Offer A (total \$10m) is \$2m each year for 5 years. Offer B (total \$11m) is \$1m each year for four years and \$7m in year 5. Which offer has greater present value assuming a discount rate of 8% per annum? [04]

Q3.

Fred currently works for a corporate law firm. He is considering opening his own legal practice, where he expects to earn \$200,000 per year once he gets established. To run his own firm, he would need an office and a law clerk. He has found the perfect office, which rents for \$50,000 per year. A law clerk will be hired for \$35,000 per year. To open his own practice, Fred would have to quit his current job, where he is earning an annual salary of \$125,000. Calculate the accounting profit/loss and economic profit/loss in the given case. Would Fred's legal practice be profitable? [04]

Q4.

Explain the following terms [04]

1. Bank Rate
2. Repo Rate
3. Cash Reserve Ratio (CRR)
4. Statutory Liquidity Ratio (SLR)