Enrollment No.....................................

Faculty of Engineering
End Sem (Even) Examination May-2022
CB3CO02 Fundamentals of Economics
Programme: B.Tech.   Branch/Specialisation: CSBS

Duration: 3 Hrs.   **Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

Q.1   i.   If the percentage increase in the quantity demanded of a commodity is   **1**
less than the percentage fall in its price, then elasticity of demand is:
(a) >1   (b) =1   (c) <1   (d) =0

ii.   The perfect elastic demand curve is: **1**
(a) Downward sloping   (b) Parallel to X-axis
(c) Parallel to Y-axis   (d) Upward sloping

iii.   An indifference curve shows-   **1**
(a) The relative price of one good relative to another.
(b) Consumption possibilities that a consumer faces at different prices and income.
(c) Different combinations of two goods among which the consumer is indifferent.
(d) The opportunity cost of one good relative to another.

iv.   A consumption point inside the budget line-   **1**
(a) Is possible to afford but has some unspent income.
(b) Shows that the consumer spends income on only one of the goods.
(c) Shows that the consumer has chosen to spend all of his or her income on both products.
(d) Is affordable and, because it is inside the budget line, means that all the person's budget has been spent.

v. $MC_n = $ ____.   **1**
(a) $TC_n - TC_{n-1}$ (b) $TC_{n-1} - TC_n$ (c) $AC_n - TC_{n-1}$ (d) None of these

vi.   TVC = ____.   **1**
(a) TC/Output   (b) TC-TFC   (c) TCV+TFC   (d) None of these

P.T.O.

vii. Calculate the value of multiplier if MPC is 2/3- **1**
(a) 6   (b) 2   (c) 3   (d) 12

viii. .... Investment refers to the investment which depends on the profit **1**
expectations and is directly influenced by income level.
(a) Autonomous   (b) Private
(c) Induced   (d) Public

ix. The Demand for Money-for Transaction purpose is the function of- **1**
(a) Rate of interest   (b) Bank credit
(c) Income   (d) None of these

x. Who regulates money supply? **1**
(a) Government of India
(b) Reserve Bank of India
(c) Commercial Banks
(d) Planning Commission

Q.2 i. Write a note on Comparative Statics. **3**

ii. What do you mean by price elasticity of supply? Explain any five **7**
types of price elasticity of supply.

OR iii. Graphically explain shift in demand curve and movement along the **7**
demand curve.

Q.3 i. Explain budget line with diagram. **3**

ii. What do you mean by price ceilings? Now a day's world facing **7**
Corona virus pandemic in such condition Government of India is using
price ceiling of few commodities. Discuss its utility in such condition.

OR iii. Write a note on indifference curve. Explain its any five characteristics. **7**

Q.4 i. Explain average cost, average variable cost and marginal cost. **3**

ii. Explain ISO-quant. Explain any five characteristics of ISO-quant. **7**

OR iii. Define Monopolistic competition. Explain the price and output **7**
determination of a firm in short run.

Q.5 i. Write a note on taxes and subsidies. **3**

ii. Explain simple Keynesian model of income determination. **7**

OR iii. In an economy, the marginal propensity to consume is 0.8. If the **7**
investment increases by Rs. 1000 crores, calculate the total increase in
income.

Q.6 i. Explain transactionary and speculative demand for money. **3**

ii. Define business cycle. Explain various phases of business cycle. Draw **7**
a diagram of a business cycle which shows the impact of severe acute
respiratory syndrome coronavirus 2 (SARS-CoV-2) on world
economy.

OR iii. What do you mean by monetary policy? Explain its various tools. **7**

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Marking Scheme
CB3CO02 Fundamentals of Economics

Q.1   i.   If the percentage increase in the quantity demanded of a commodity is **1**
less than the percentage fall in its price, then elasticity of demand is:
   (c) <1

ii.   The perfect elastic demand curve is: **1**
(b) Parallel to X-axis

iii.   An indifference curve shows-   **1**
(c) Different combinations of two goods among which the consumer is
    indifferent.

iv.   A consumption point inside the budget line-   **1**
(a) Is possible to afford but has some unspent income.

v. $MC_n =$ ____.   **1**
(a) $TC_n - TC_{n-1}$

vi. $TVC =$ ____.   **1**
(b) TC-TFC

vii.   Calculate the value of multiplier if MPC is 2/3-   **1**
(c) 3

viii.   .... Investment refers to the investment which depends on the profit   **1**
expectations and is directly influenced by income level.
(c) Induced

ix.   The Demand for Money-for Transaction purpose is the function of-   **1**
(c) Income

x.   Who regulates money supply?   **1**
(b) Reserve Bank of India

Q.2	i.	Comparative Statics	3 marks	**3**
	ii.	Price elasticity of supply	2 marks	**7**
		Any five types of price elasticity of supply	(1 mark * 5)	
OR	iii.	Graphically explain shift in demand curve	3.5 marks	**7**
		Graphically explain movement along the demand curve		
			3.5 marks	

Q.3	i.	Budget line	1 mark	**3**
		Diagram	2 marks	

	ii.	Price ceilings with diagram	4 marks	**7**
		Its utility	3 marks	
OR	iii.	Indifference curve with diagram	2 marks	**7**
		Any five characteristics	(1 mark * 5)	

Q.4	i.	Average cost, average variable cost, marginal cost	1 mark each	**3**
	ii.	ISO-quant with diagram	2 marks	**7**
		Any five characteristics of ISO-quant	(1 mark * 5)	
OR	iii.	Monopolistic competition	1 mark	**7**
		Any three diagram	(2 marks * 3)	

Q.5	i.	Taxes	1.5 marks	**3**
		Subsidies	1.5 marks	
	ii.	Keynesian model	1 mark	**7**
		Assumption	1 mark	
		Explanation	4 marks	
		Criticism	1 mark	
OR	iii.	Calculation of multiplier (k)	3 marks	**7**
		Calculation of total increase in income	4 marks	

Q.6	i.	Transactionary demand for money	1.5 marks	**3**
		Speculative demand for money	1.5 marks	
	ii.	Business cycle	1 mark	**7**
		Various phases of business cycle	4 marks	
		Diagram of a business cycle	2 marks	
OR	iii.	Meaning of monetary policy	2 marks	**7**
		Any five tools	(1 mark * 5)	

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