

Total No. of Questions: 6

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Enrollment No.....



Faculty of Engineering
End Sem Examination May-2024
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. Assume suitable data if necessary. Notations and symbols have their usual meaning.

- Q.1 i. If the percentage change in quantity supplied is greater than the percentage change in price, supply is: **1**
(a) Inelastic (b) Elastic (c) Unitary elastic (d) Perfectly elastic
- ii. Comparative statics in microeconomics refers to the analysis of: **1**
(a) How equilibrium changes when one or more factors change
(b) How demand and supply curves shift
(c) The relationship between two variables over time
(d) The study of individual consumer behaviour.
- iii. Indifference curves represent: **1**
(a) The combination of goods that provide the highest level of utility to consumers
(b) The trade-offs consumers face when allocating their budgets between different goods
(c) The relationship between the prices of two goods and the quantity demanded of each good
(d) The level of satisfaction consumers derive from consuming different combinations of goods
- iv. What does consumer surplus represent in welfare analysis? **1**
(a) The difference between the price consumers are willing to pay and the price they actually pay
(b) The difference between the quantity demanded and the quantity supplied at the market equilibrium price
(c) The total revenue received by producers in the market
(d) The total cost incurred by consumers to purchase a product

[2]

- v. The long-run average cost curve (LRAC) is U-shaped due to: **1**
 (a) Economies of scale followed by diseconomies of scale
 (b) Constant returns to scale
 (c) Diseconomies of scale followed by economies of scale
 (d) Increasing returns to scale followed by decreasing returns to scale
- vi. In perfect competition, a firm maximizes profit when: **1**
 (a) Marginal cost equals marginal revenue
 (b) Average cost is minimized
 (c) Price equals marginal cost
 (d) Total revenue exceeds total cost
- vii. Net National Product (NNP) can be calculated by: **1**
 (a) Adding depreciation to Gross Domestic Product (GDP)
 (b) Subtracting depreciation from Gross National Product (GNP)
 (c) Subtracting indirect taxes from Gross National Product (GNP)
 (d) Adding indirect taxes to Gross Domestic Product (GDP)
- viii. If a country's exports exceed its imports, it results in: **1**
 (a) A trade deficit (b) A trade surplus
 (c) Balanced trade (d) No impact on the economy.
- ix. How do fiscal policies aim to stabilize the economy during economic downturns? **1**
 (a) By reducing government spending and increasing taxes
 (b) By increasing government spending and reducing taxes
 (c) By increasing interest rates and reducing money supply
 (d) None of these
- x. The speculate demand for money is the function of- **1**
 (a) Income (b) Saving (c) Rate of interest (d) Demand
- Q.2 i. Describe the concept of market equilibrium. **3**
 ii. Discuss the concept of elasticity of demand. Define price elasticity of demand. Explain types of price elasticity of demand. **7**
- OR iii. Explain the law of supply. **7**
- Q.3 i. Differentiate between price ceilings and price floors. **3**
 ii. What do you mean by indifference curve? Explain the characteristics of indifference curve. **7**
- OR iii. Analyse the income effect and substitution effect of a price change on consumer behaviour. Illustrate how these effects influence the demand for goods and services. **7**

[3]

- Q.4 i. Define isoquants. **3**
 ii. Define monopolistic competition. Explain the price and output determination of a firm in short run. **7**
- OR iii. What do you mean by monopoly? Explain price determination under monopoly. **7**
- Q.5 i. Describe the components of the consumption function. **3**
 ii. Critically discuss the multiplier concept. **7**
- OR iii. Explain the simple Keynesian model of income. **7**
- Q.6 Attempt any two
 i. Write short note on IS-LM model. **5**
 ii. Explain monetary policy tools. **5**
 iii. Write a short note on business cycle. **5**

Q 1 (i) b

(ii) a

(iii) d

(iv) a

(v) a

(vi) a

(vii) b

(viii) b

(ix) b

(x) c

Q 2 (i) According to explanation

Q 2 (ii) Discuss the concept of elasticity of demand

(iii) Define price elasticity of demand - (01) (01)

Explain 5 types of price elasticity of demand
each carry one mark (05)

Q 2 (iii) Statement of the law & definition - (01)

Assumption of the law (01)

Explanation of the law (04)

Criticism of the law (01)

Q 3 (i) Explain any three difference each
carry one mark (03)

Q 3 (ii) Define indifference curve - (02)

Explain any 5 characteristics with
diagram (05)

Q 3 (iii) Explain income effect - (2.00)

Explain substitution effect (2.00)

Illustrate how these effects influence
the demand for goods & services - (03)
with diagram

Q 4 (i) Define Iso-quant with diagram - (01)
& table

Q 4 (ii) Define monopolistic competition - (02)
Explain the price and output

determination of a firm in short-run
with 5 diagram ————— (05)

Q.4 (iii) Define monopoly ————— (2.5)
Explain price determination under
monopoly with 3 diagram ————— (4.5)

Q.5 (i) Describe the components any two — (3)

Q.5 (ii) Statement & definition of multiplier — (01)

Assumptions — (01)
explanation with table and diagram (04)
criticism ————— (01)

Q.5 (iii) concept — (01)
Assumptions — (01)
explanation of the model — (04)
criticism ————— (01)

Q.6 (i) explain IS & LM model
with diagram ————— (05)

Q.6 (ii) Explain any 5 tools each carry one
mark (05)

Q.6 (iii) Define business cycle — (01)
explain any four phases of
business cycle — (04)