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

Faculty of Commerce / Management

End Sem (Odd) Examination Dec-2017
CM3EG01 Micro Economics /
MS3EG01 Business Economics-I

Programme: B.Com. (Hons)   Branch/Specialisation: Commerce /

/ BBA   Management

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.   Study of Economics is concerned with   1
               (a) Unlimited resources   (b) Scarce resources
               (c) Both (a) and (b)   (d) None of these

   ii.   Inductive method of studying economics focuses on: 1
               (a) Formulating assumption   (b) Hypothesis development
               (c) Both (a) and (b)   (d) None of these

  iii.   Low price elasticity of demand shows that the product is: 1
               (a) Luxury   (b) Necessity   (c) Inferior   (d) Comfort

   iv.   Law of Equi-Marginal Utility tells us about: 1
               (a) Consumer's equilibrium   (b) Law of substitution
               (c) Both (a) and (b)   (d) None of these

   v.   Which of the following fact about the cost is true: 1
               (a) AC = MC, when AC is maximum
               (b) AVC = MC, when AC is maximum
               (c) AC = MC, when AC is minimum
               (d) AVC = MC, when AVC is maximum

   vi.   Which of the following equation is valid: 1
               (a) Economic Cost = Implicit cost +accounting cost
               (b) Explicit cost = Economic cost – Implicit cost
               (c) Accounting cost = Economic cost + Social cost
               (d) Implicit cost = Explicit cost + Accounting cost

vii. Price discrimination is the important feature of   **1**
(a) Monopoly   (b) Perfect competition
(c) Monopolistic competition (d) Oligopoly

viii. Under perfect competition   **1**
(a) AR > MR   (b) $AR = MR \times TR$
(c) $AR = TR \div MR$ (d) AR = MR

ix. Under perfect competition, demand for a factor is its: **1**
(a) MRP curve   (b) ARP curve
(c) TRP curve   (d) TR-TC

x. Uncertainty theory of profit is propounded by
(a) Schumpeter   (b) F B Hawley
(c) F H Knight   (d) J B Clark

Q. 2 i. Discuss the Baumol's theory of Sales Revenue Maximization.   **4**

ii. What do you understand by economic cyclic flow? Discuss two sector economic cyclic flow.   **6**

OR iii. Define microeconomics. Discuss its importance and limitations.   **6**

Q. 3 i. Distinguish between cardinal and ordinal models of utility analysis.   **3**

ii. What is price elasticity of demand? State its types and determinants.   **7**

OR iii. Discuss percentage method and total outlay method of elasticity measurement critically.   **7**

Q.4 i. What do you understand by Isoquant? Discuss its marginal rate of technical substitution.   **3**

ii. Define cost. Distinguish between economic, opportunity cost and explicit cost.   **7**

OR iii. State and differentiate between law of returns to variable proportions and law of returns to scale.   **7**

Q.5 i. Discuss equilibrium of a firm under perfect competition.   **4**

ii. Differentiate between perfect competition, monopoly and monopolistic competition.   **6**

OR iii. Write short notes on following: **6**
(a) Kinked demand curve
(b) Price leadership
(c) Cournot model of duopoly

Q.6 i. Define rent, wage and interest.   **3**

ii. What is profit planning? Discuss the importance of Break Even Analysis in profit planning.   **7**

OR iii. Discuss innovation and uncertainty theory of profit critically.   **7**

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Marking Scheme

Q.1   i.   Study of Economics is concerned with   **1**
             (b) Scarce resources
       ii.   Inductive method of studying economics focuses on: **1**
             (d) None of these
       iii. Low price elasticity of demand shows that the product is: **1**
             (b) Necessity
       iv.   Law of Equi-Marginal Utility tells us about: **1**
             (a) Consumer's equilibrium
       v.   Which of the following fact about the cost is true: **1**
             (c) AC = MC, when AC is minimum
       vi.   Which of the following equation is valid: **1**
             (b) Explicit cost = Economic cost – Implicit cost
       vii. Price discrimination is the important feature of   **1**
             (a) Monopoly
       viii. Under perfect competition   **1**
             (d) AR = MR
       ix.   Under perfect competition, demand for a factor is its: **1**
             (b) ARP curve
       x.   Uncertainty theory of profit is propounded by
             (c) F H Knight

Q. 2   i.   Baumol's theory of Sales Revenue Maximization.   **4**
       ii.   Economic cyclic flow – 2 marks   **6**
             Two sector economic cyclic flow – 4 marks
OR   iii. Microeconomics – 2 marks   **6**
             Its importance and limitations – 4 marks

Q. 3   i.   Cardinal and ordinal models of utility analysis.   **3**
       ii.   Price elasticity of demand – 3 marks   **7**
             Its types – 2 marks
             Determinants – 2 marks
OR   iii. Percentage method and total outlay method   **7**

Q.4   i.   Isoquant – 2 marks   **3**
             Its marginal rate – 1 marks
       ii.   Cost – 1 marks   **7**
             Economic, opportunity cost and explicit cost – 6 marks
OR   iii. Difference between law of returns to variable proportions and law of   **7**
             returns to scale.

Q.5   i.   Equilibrium of a firm under perfect competition.   **4**
       ii.   Difference between perfect competition, monopoly and monopolistic   **6**
             competition.
OR   iii. Write short notes on following: 2 marks for each   **6**
             (a) Kinked demand curve
             (b) Price leadership
             (c) Cournot model of duopoly

Q.6   i.   Define rent, wage and interest. 1 mark for each   **3**
       ii.   Profit planning – 2 marks   **7**
             Importance of Break Even Analysis – 5 marks
OR   iii. Innovation and uncertainty theory of profit   **7**

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