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| **B. E. Degree (Autonomous) Eighth Semester End Examination (SEE), May 2021/June 2021** | | | | | | | | | | | | | | | | | | | |
|  | | | | | | | | | | | | | | | | | | | |
| **PRINCIPLES of ECONOMICS** | | | | | | | | | | | | | | | | | | | |
| **(Model Question Paper – III)** | | | | | | | | | | | | | | | | | | | |
| **Time: 3 Hours]** | | | | | | | | | | |  | | | | **[Maximum Marks: 100** | | | | |
|  | | | | | | | **Instructions to students:**  **Answer FIVE FULL questions.**  **Write diagram for questions where it is relevant.** | | | | | | | | | |  | | |
|  | | | | | | | | | | | | | | | | | | | |
| **Q.No.** | | | **Questions** | | | | | | | | | | | | | **Marks** | | **CO** | **RBT Cognitive Level** |
| **1.** | **a)** | | Explain why price floors and price ceilings can be inefficient by considering a real world use case. | | | | | | | | | | | | | 7 | | CO1 | L3 |
| **b)** | | Discuss the shifts in the demand and supply curves of the labor market by considering a real world use case. | | | | | | | | | | | | | 6 | | CO1 | L2 |
| **c)** | | Identify the demanders and suppliers in a financial market and explain how interest rate can affect the supply and demand. | | | | | | | | | | | | | 7 | | CO1 | L2 |
| **OR** | | | | | | | | | | | | | | | | | | | |
| **2.** | **a)** | | Explain Usury laws by considering an example. | | | | | | | | | | | | | 6 | | CO1 | L3 |
| **b)** | | Contrast consumer surplus, producer surplus and social surplus by considering a use case. | | | | | | | | | | | | | 7 | | CO1 | L2 |
| **c)** | | Describe how PPF gives information about comparative advantage by considering a use case. | | | | | | | | | | | | | 7 | | CO1 | L2 |
|  | | | | | | | | | | | | | | | | | | | |
| **3.** | **a)** | | Discuss short run costs in terms of total cost, fixed cost and variable cost. | | | | | | | | | | | | | 6 | | CO3 | L2 |
| **b)** | | Discuss short run costs in terms of average total cost, average variable cost and marginal cost and evaluate the patterns of cost to determine potential profit. | | | | | | | | | | | | | 7 | | CO3 | L2 |
| **c)** | | Illustrate how we can build the long run average cost curve from a group of short run average cost curves with a neat diagram. | | | | | | | | | | | | | 7 | | CO3 | L3 |
| **OR** | | | | | | | | | | | | | | | | | | | |
| **4.** | **a)** | | Explain how the shape of the long run average cost curve has implications on the size and number of firms will compete in an industry with an example. | | | | | | | | | | | | | 7 | | CO2 | L3 |
| **b)** | | Explain the difference between  a) fixed and variable inputs  b) production in short run and in the long run  c) total and marginal product | | | | | | | | | | | | | 7 | | CO3 | L3 |
| **c)** | | Explain elasticity and tax incidence and describe how the long run and short run impacts of elasticity affect the equilibrium. | | | | | | | | | | | | | 6 | | CO3 | L3 |
|  | | | | | | | | | | | | | | | | | | | | 8 Marks |
| **5.** | **a)** | | Interpret and analyze the prisoner's dilemma with a neat diagram. | | | | | | | | | | | | | 6 | | CO4 | L3 |
| **b)** | | Explain why and how oligopolies exist and the role of collusion and competition in it. | | | | | | | | | | | | | 7 | | CO4 | L3 |
| **c)** | | Explain how to enforce cooperation when parties find themselves in a prisoner's dilemma situation. | | | | | | | | | | | | | 7 | | CO4 | L3 |
| **OR** | | | | | | | | | | | | | | | | | | | |
| **6.** | **a)** | | Explain why monopoly is inefficient by considering an example. | | | | | | | | | | | | | 7 | | CO4 | L3 |
| **b)** | | Explain shutdown point with a use case. | | | | | | | | | | | | | 6 | | CO4 | L3 |
| **c)** | | Illustrate how to determine the highest profit by comparing total revenue and total cost by considering a use case. | | | | | | | | | | | | | 7 | | CO4 | L3 |
|  | | | | | | | | | | | | | | | | | | | |
| **7.** | **a)** | | Discuss cyclical unemployment with a neat diagram. | | | | | | | | | | | | | 7 | | CO5 | L2 |
| **b)** | | Explain the relationship between sticky wages and employment using various economic arguments. | | | | | | | | | | | | | 7 | | CO5 | L3 |
| **c)** | | Explain why wages might be sticky downward in detail. | | | | | | | | | | | | | 6 | | CO5 | L3 |
| **OR** | | | | | | | | | | | | | | | | | | | |
| **8.** | **a)** | | Illustrate how unexpected shifts in productivity can have a powerful effect on the natural rate of unemployment with a neat diagram. | | | | | | | | | | | | | 7 | | CO5 | L3 |
| **b)** | | Describe how public policy and natural rate of unemployment are related in detail. | | | | | | | | | | | | | 6 | | CO5 | L2 |
| **c)** | | Explain frictional employment and structural unemployment in detail. | | | | | | | | | | | | | 7 | | CO5 | L3 |
|  | | | | | | | | | | | | | | | | | | | |
| **9.** | **a)** | | Identify the ways in which the inflation can blur the perception of supply and demand and problems of long term planning. | | | | | | | | | | | | | 7 | | CO6 | L2 |
| **b)** | | Explain the relationship between indexing and inflation and identify the ways the government can control inflation through macroeconomic policy. | | | | | | | | | | | | | 7 | | CO6 | L3 |
| **c)** | | Explain the connection between trade balances and financial capital flows. | | | | | | | | | | | | | 6 | | CO6 | L3 |
| **OR** | | | | | | | | | | | | | | | | | | | |
| **10.** | **a)** | | Explain the determinants of trade and current account balance. | | | | | | | | | | | | | 7 | | CO6 | L3 |
| **b)** | | Explain how a nation's own level of domestic saving and investment determines a nation's balance of trade. | | | | | | | | | | | | | 7 | | CO6 | L3 |
| **c)** | | Identify the ways in which borrowing money or running a trade deficit can result in a healthy economy or can result in a weaker economy. | | | | | | | | | | | | | 6 | | CO6 | L2 |

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