Q1. Along a linear, downward-sloping demand curve, price elasticity of demand_____ when price decreases. **[1 Mark, CO2]**

Q2. The demand for a commodity is perfectly elastic. If a tax of Rs. 10 is imposed on seller, how much tax burden will be shared by the producer and consumer without leaving the market? **[1 Mark, CO2]**

Q3. Individuals are willing to sacrifice smaller amount of one good in order to get additional amount of another good, therefore, indifference curves are_____. **[1 Mark, CO2]**

Q4. The demand function of a product is given by P= 32-2Q. If the current market price is Rs 16, what should be done to increase the revenue? **[1 Mark, CO2]**

Q5. Demand function for a product A is given by $Q_A = 460-2P_A+2.5\ P_B$ .Find out the cross-price elasticity of demand when price of A and B are Rs.180 and Rs. 200 respectively. **[1 Mark, CO2]**

Q6. _____ is used to see the directional or graphical relationship between x and y variables. **[1 Mark, CO5]**

Q7. Assume an economy produces only two goods.Due to some unavoidable reasons, the technology has degraded and there is a decrease in resources of both the goods. In that scenario, draw to show what will happen to production possibility curve. **[1 Mark, CO1]**

Q8. Rati Singh was working in a financial firm as a Chartered Accountant at a salary of Rs2, 00,000 per month. Last year, she left her job to set up her own establishment and for this she used her savings Rs 5, 00,000 which were kept in a bank giving her 5% monthly rate of interest. Her revenue during her first year of operations is Rs 40, 00,000. Her per month expenses are as follows:

Salaries to hired help	Rs 50,000
Stationery	Rs20,000
Rent	Rs25,000
Miscellaneous	Rs20,000

Based on above information:

a. Calculate the Explicit and implicit costs. **[1 Mark, CO1]**

b. Calculate the Accounting and Economic Profit **[1 Mark, CO1]**

c. Based on your calculations, do you think it was the right decision to start her own business? Explain. **[1 Mark, CO1]**

Section B

Q9. Fit a regression line for the below given data related to income and consumption expenditure of five families. **[2 Marks, CO5]**

Consumption ($)	Income ($)
25	43
28	46
35	49
32	41
31	36

Q10. In an attempt to increase revenues and profits, a firm is considering 5 percent increase in price of its good and 15 percent increase in advertising expenditure. If the price elasticity of demand is -1.5 and advertising elasticity of demand is +0.6, would you predict an increase or decrease in total revenue? Explain. **[2 Marks, CO2]**

Q11. The demand and supply functions of a commodity are given by Q= 300-3P and Q= 6P-30 respectively. The government wants to generate revenue of $3000 by imposing a tax on the producer with a tax amount less than $50 per unit. Compute, how much burden the producer will have because of this tax. **[3 Marks, CO2]**

Q12. Assume that you will have to consume your entire income of $23 on two goods, Book and Coffee. The marginal utilities of these products are given in table below.

Qty. Books	MU_{books}	Qty.Coffee	MU_{coffee}
1	20	1	30
2	16	2	27
3	14	3	18
4	8	4	15
5	6	5	12
6	4	6	9

If the per unit prices of Book and Coffee are $2 and $3 respectively, compute the optimal quantities of the two products. What is the total utility will you realize? **[3 Marks, CO2]**