

CS/BBA (H)/BIRM/BSCM/SEM-1/BBA-104/2012-13

2012

ECONOMICS – I

Time Allotted : 3 Hours

Full Marks : 70

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following :

10 × 1 = 10

i) The income elasticity of demand for the normal goods is
always

a) Positive b) Negative

c) Zero d) None of these.

ii) q being total output, the AP of input x_1 is

a) dq/dx_1 b) q/x_1

c) $q \cdot x_1$ d) None of these.

iii) The $MRTS_{L,K}$ is defined as

a) ratio of the two MPs of L and K

b) ratio of the two APs of L and K

c) ratio of the two TPs of L and K

d) None of these.

iv) For an elastic demand curve price elasticity of demand
is

a) greater than unity b) less than unity

c) equal to unity d) None of these.

v) If the inputs of a firm are increased by 5%, output

increases by 10%. the production function of the firm

exhibits

a) CRS b) DRS

c) IRS d) None of these.

vi) When the price of substitute goods raises the demand

for the other substitute also

a) Rises b) Falls

c) Remain same d) None of these.

vii) If there are two buyers in the market, the market is

called

a) Duopoly b) Duopsony

c) Oligopoly d) None of these.

viii) When total product is maximum, Marginal product is :

a) Negative b) Positive

c) Zero d) Cannot be confirmed.

ix) In which market form there is no distinction between

firm and an industry

a) Monopoly

b) Monopolistic competition

c) Perfect competition

d) Oligopoly.

x) Slope of the isoquant is known as

a) MRTS b) MRS

c) VMPL d) MPL.

xi) Long run cost curves are known as planning curves

because

a) They are tangent to the minimum points of the

short run cost curves showing least cost of

production

- b) They cover the short run cost curves
 - c) They show low costs of raw materials
 - d) All of these.
- xii) Which of the following is the formula of price elasticity of demand :
- a) $\Delta P/\Delta Q$. Q/p b) Q/P . $\Delta P/Q$
 - c) $\Delta P/\Delta Q$. P/Q d) $\Delta Q/\Delta P$. P/Q

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. Explain why an Iso-Quant is downward sloping and convex to the origin ?
3. Discuss the modern theory of Long Run costs
4. Define monopolistic competition. Why is monopolistic competition so called ?
5. What is ridge lines ? State the Economic Region of production.
6. Why is short-run average cost curve U-shaped ?

GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

7. Prepare cost schedule indicating AFC, AVC, AC, MC from the following information

OUTPUT	0	1	2	3	4	5	6	7	8
TOTAL COST (RS)	100	120	130	135	200	300	500	1000	2000

- 8 a) Distinguish between Ricardian theory & modern theory
- b) Explain liquidity preference theory 8 + 7
9. a) Explain marginal productivity theory wage.
- b) What are the nature of gross profit ? 9 + 6

10. The demand function for a particular firm's novels (Q_x) is

given by the following equation :- $Q_x = 12000 - 5000P_x + 5I + 500P_c$

$$Q_x = 12000 - 5000P_x + 5I + 500P_c$$

P_x = price charged for the novels

I = income per capita

P_c = price of books from other competing publishers

Assume also, $P_x = \text{Rs. } 5$; $I = \text{Rs. } 10000$; $P_c = \text{Rs. } 6$

Find out the followings

- i) Determine what effect of a price increase would have on total revenues ?
- ii) Evaluate how sale of the novels would change during a period of rising income ?
- iii) Assess the probable impact if competing publishers raise their prices.

11. In the context of an oligopolistic market, explain the concept of Kinked demand curve. Comment on the determination of equilibrium in this model. 8 + 7

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