Sample Paper – ECON 605 - PAPERSET I

SAMPLE PAPER
ECON 605 (PAPERSET I)
Managerial Economics

[Max Marks: 70]

Note: Attempt Questions from all sections as directed.

Section A - Attempt any two questions out of four. Each question carries 7.50 marks.[15 Marks]

Question No: 1

Explain theorems on price elasticity.

Question No: 2

Compare and contrast the marginal utility approach with the indifference curve approach in understanding consumer behaviour.

Question No: 3

Highlight the various differences that arise between Perfectly competitive and Imperfectly competitive market forms.

Question No: 4

How does the producer attain equilibrium under the iso-quant approach?

Section B - Compulsory Questions. Each question carries 7.50 marks.[15 Marks]

Paragraph No: 1

The law of supply summarizes the effect price changes have on producer behavior. For example, a business will make more video game systems if the price of those systems increases. The opposite is true if the price of video game systems decreases. The company might supply 1,000,000 systems if the price is $200 each, but if the price increases to $300, they might supply 1,500,000 systems.

To further illustrate this concept, consider how gas prices work. When the price of gasoline rises, it encourages profit-seeking firms to take several actions: expand exploration for oil reserves; drill for more oil; invest in more pipelines and oil tankers to bring the oil to plants where it can be refined into gasoline; build new oil refineries; purchase additional pipelines and trucks to ship the gasoline to gas stations; and open more gas stations or keep existing gas stations open longer hours. Similarly, when consumers start paying more for cupcakes than for donuts, bakeries will increase their output of cupcakes and reduce their output of donuts in order to increase their profits. When your employer pays time and a half for overtime, the number of hours you are willing to supply for work increases.

Therefore the law of supply is one of the most fundamental concepts in economics. It works with the law of demand to explain how market economies allocate resources and determine the prices of goods and services. Based on the above case, answer the following questions:

Question No: 1

What are the different factors that affect the supply of a good? Explain with examples.

Question No: 2

Explain the impact of a rise in the price of other goods on the supply curve of a commodity. Distinguish between change in quantity supplied and change in supply.

Section C - Compulsory Questions. Each question carries 2.00 marks.[40 Marks]

QuestionNo: 1

Cost incurred on fixed factors of production is called

Option: 1

Variable cost

Option: 2

Average cost

Option: 3

Fixed cost

Option: 4

None of the above

QuestionNo: 2

Which Market form holds only a single producer

Option: 1

Oligopoly

Option: 2

Monopolistic

Option: 3

Monopoly

Option: 4

None of the above

QuestionNo: 3

When taxes fall, the supply curve of the good shifts

Option: 1

To the left

Option: 2

To the right

Option: 3

Upwards

Option: 4

Downwards

QuestionNo: 4

The additional revenue earned by selling one additional unit of a good is called______________________.

Option: 1

Marginal Cost

Option: 2

Marginal product

Option: 3

Marginal Revenue

Option: 4

Average Revenue

QuestionNo: 5

The degree of responsivness of demand of a good with respect to changes in income of the consumer is called _______________

Option: 1

Price elasticity of demand

Option: 2

Income elasticity of demand

Option: 3

Cross elasticity of demand

Option: 4

None of the Above

QuestionNo: 6

When TP is falling, MP is

Option: 1

Zero

Option: 2

Negative

Option: 3

Rising

Option: 4

Falling

QuestionNo: 7

MC intercest Ac at its

Option: 1

Maximum

Option: 2

Minimum

Option: 3

Zero

Option: 4

None of the above

QuestionNo: 8

TP increases at a ________________________ rate in the second stage of poduction, under Law of variable proportions.

Option: 1

Increasing

Option: 2

Constant

Option: 3

Decreasing

Option: 4

None of the above

QuestionNo: 9

Price discrimination is observed under which market form:

Option: 1

Monopoly

Option: 2

Perfect competetion

Option: 3

Oligopoly

Option: 4

None of the above

QuestionNo: 10

______________________ is defined as the satisfaction derived when a good is consumed.

Option: 1

Utility

Option: 2

Opportunity cost

Option: 3

Revenue

Option: 4

None of the above

QuestionNo: 11

Under perfect competition, the nature of the goods produced is:

Option: 1

Hetrogenous

Option: 2

Homogenous

Option: 3

Differentiated

Option: 4

None of the above

QuestionNo: 12

Under oligopoly market form the demand curve is

Option: 1

downward sloping

Option: 2

Upward sloping

Option: 3

Kinked

Option: 4

None of the above

QuestionNo: 13

The cost incurred per unit of production is called ______________________________.

Option: 1

Total Cost

Option: 2

Average Cost

Option: 3

Marginal Cost

Option: 4

None of the above

QuestionNo: 14

Demand curve of necessary goods are

Option: 1

Perfectly Elastic

Option: 2

Perfectly Inelastic

Option: 3

Unitary Elastic

Option: 4

None of the above

QuestionNo: 15

When TP is maximum, MP is

Option: 1

Zero

Option: 2

Rising

Option: 3

Falling

Option: 4

Negative

QuestionNo: 16

Total cost is the summation of

Option: 1

Total variable cost and Average Cost

Option: 2

Total fixed cost and Average cost

Option: 3

Total fixed cost and Total Variable cost

Option: 4

None of the above

QuestionNo: 17

When a small change in price results in a proportionately larger change in quantity demanded, then the good is said to be

Option: 1

Less Elastic

Option: 2

More elastic

Option: 3

Unitary elastic

Option: 4

None of the above

QuestionNo: 18

When market price is greater than equilibrium price, then there is ___________________________ in the goods market

Option: 1

Excess demand

Option: 2

Excess supply

Option: 3

Deficient supply

Option: 4

None of the above

QuestionNo: 19

Under which market form do we see few large sellers of a good

Option: 1

Monopoly

Option: 2

Oligopoly

Option: 3

Perfect competition

Option: 4

None of the above

QuestionNo: 20

Rightward shift in demand curve results in

Option: 1

Increase in demand

Option: 2

Decrease in demand

Option: 3

Expansion in demand

Option: 4

None of the above