

[Time: 2.30 Hrs]

[Marks:75]

Please check whether you have got the right question paper.

- N.B:**
1. All questions are compulsory.
 2. Figures to the right indicate full marks.
 3. Students answering in the regional language should refer in case of doubt to the main text of the paper in English.

- Q.1 a) Describe the scope of business economics. 15
b) Explain the profit maximization principle.

OR

- a) Discuss the problem of merit and demerit goods.
b) With the help of diagram explain how production caused by positive and negative externality.

- Q.2 a) Explain the theory of attributes with the help of diagram. 15
b) Discuss the law of supply.

OR

- a) What is price elasticity of supply? What are the Determinants of price elasticity of supply?
b) What are the properties of indifference curve?

- Q.3 a) Explain law of returns to scale. 15
b) Explain the term 'Expansion Path' with the help of diagram.

OR

- a) What are the sources of monopoly power?
b) Explain the features of monopolistic competition.

- Q.4 Choose the correct option for the following 15

1) Which amongst the following sectors are found in a two sector closed economy?

- a) Households and Government
b) Households and Firms
c) Households and External Sector
d) Households and Foreign sector

2) What happens to the PPC when economic growth takes place?

- a) The PPC shifts to the right
b) The PPC shifts to the left
c) The PPC becomes convex to the origin
d) The PPC becomes concave to the origin

- 3) The term "invisible hand" was given by -----.
- a) Adam Smith
 - b) David Ricardo
 - c) John Maynard Keynes
 - d) Milton Friedman
- 4) Allocation efficiency is achieved when price is equal to -----
- a) Average Revenue
 - b) Marginal Revenue
 - c) Marginal Cost
 - d) Total Cost
- 5) When change in quantity supplied is greater than the change in price in *percentage terms*, supply is said to be -----.
- a) Unitary elastic
 - b) Relatively inelastic
 - c) Relatively elastic
 - d) Perfectly inelastic
- 6) The quantity supplied will also increase if the market is -----.
- a) Monopolistic
 - b) monopoly
 - c) oligopoly
 - d) perfect market
- 7) The Arc method uses the average of the changes in -----
- a) the price and quantity supplied
 - b) the price and quantity demanded
 - c) the demand and quantity supplied
 - d) the supply and quantity demanded
- 8) An important cause of internal diseconomies of scale is -----.
- a) Rising factor costs
 - b) Diminishing returns to management
 - c) Rising production cost
 - d) Pollution
- 9) The Learning curve shows the relationship between ----- and additional units of output.
- a) Capital cost
 - b) Labour cost
 - c) Interest cost
 - d) Raw material cost

10) Which side of iso quant curve indicate higher level of production?

- a) Right side
- b) Left side
- c) Vertical
- d) Horizontal

11) The ----- costs are opportunity costs of factors owned and used by the entrepreneur.

- ~~a) Explicit costs~~
- X b) Implicit costs
- c) Variable costs
- d) Fixed costs

12) Demand curve under monopolistic competition is ----- as compared to demand curve under monopoly.

- ~~a) Less Elastic~~
- X b) More Elastic
- c) Perfectly Inelastic
- d) Perfectly Elastic

13) In monopolistic competition new firms will be attracted to --- in the long run.

- ~~a) Employment Opportunities~~
- ~~b) Power Opportunities~~
- ~~c) Promotion Opportunities~~
- ~~d) Profit Opportunities~~

14) If average total cost is below the market price, then the firm will earn -----.

- ~~a) Average Profit~~
- ~~b) Zero Profit~~
- ~~c) Economic Profit~~
- ~~d) Total Profit~~

15) Under Monopolistic Competition, more firms will continue to enter the industry until the firms are earning only -----.

- a) Supernormal Profit
- b) Normal Profit
- C) Minimum Profit
- d) Maximum Profit

Q.5 Write notes on (Any 3)

- a) Concept of Scarcity
- b) Income elasticity of demand.
- c) Marginal rate of technical substitution (MRTS)
- d) Cournot model
- e) Wastages in monopolistic competition

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