

BIM / Fourth Semester / ECO 206: Economics for Business

Candidates are required to answer the questions in their own words as far as practicable.

Group "A"

Brief Answer Questions:

[10 × 2 = 20]

1. State the scope of macroeconomics.
2. Write any four determinants of supply.
3. Name the tools that help to measure economic efficiency.
4. Derive linear demand function of apple in the market from following data:

Price of apple (Rs per kg.)	0	100	200	300	400	500
Market demand (units)	12	10	8	6	4	2
5. Write any two differences between fixed cost and variable cost.
6. Give any four examples of fixed factors of production for vegetable production.
7. What are the conditions for price discrimination?
8. Differentiate between consumption function and saving function.
9. Make a list of instruments of the fiscal policy.
10. In 2021/22, GDP at current price of country A is Rs 4,212 billion and GDP deflator is 186, calculate GDP at constant price.

Group "B"

Short Answer Questions: (Attempt any SIX Questions)

[6 × 5 = 30]

11. Explain the uses of microeconomics in business decision.
12. Calculate price elasticity of demand and price elasticity of supply when price increases from Rs 15 to Rs 20 in following demand and supply schedule:

Price of goods X (in Rs)	Market demand for goods X (in units)	Market supply of goods X (in units)
5	100	40
10	90	50
15	80	60
20	70	70
25	60	80

13. Describe the process of computing GDP by value added method.

14. Production function of a firm is $Q = 50 \sqrt{KL}$. Market wage rate is Rs 1,000 and rental rate of capital is Rs 5,000. Determine the quantity of labor and capital that the firm should use to maximize output if the firm has total cost outlay $C = \text{Rs } 200,000$. Also calculate total output.

15. Explain the causes of wage rate differentials.

16. Explain the quantitative instruments of monetary policy.

17. Let, demand function, $P = 100 - 4Q$, cost function, $TC = 50 + 6Q^2$. Compute total revenue, total cost and profit at the output range from 0 to 10 units. Graph them and determine profit maximizing output and maximum profit.

Group "C"

Long Answer Questions: (Attempt any THREE Questions)

[3 × 10 = 30]

18. Explain the behavior of AFC, AVC and AC with proper reasons.

19. What is balance of payment? Explain its components.

20. The market demand function and supply function for Tasty Ice Cream are $Q_d = 7500 - 14P$ and $Q_s = 500 + 6P$ respectively in Magh where Q is the quantity of Tasty Ice Cream in units and P is price of Tasty Ice Cream in rupees.

a) Compute market demand and market supply of the Tasty Ice Cream at prices: Rs.250, 300, 350, 400, and 450 and find the equilibrium price and quantity of the Tasty Ice Cream

b) Draw the market demand and market supply curves of the Tasty Ice Cream and find the equilibrium point in diagram.

c) If market demand function changes to $Q_{d1} = 8500 - 14P$ in Baishakh, compute new market demand schedule and draw new market demand curve. What is the effect of change in season in equilibrium price and quantity?

21. Suppose, short run production function of firm is $Q = 10L + 9L^2 - L^3$. Calculate total product, average product and marginal product and graph them. Does the production function reflect the law of variable proportion?

[3+4+3]

Group "D"

Comprehensive Answer / Case / Situation Analysis Questions:

[20]

22. Read the following situation and answer the following questions:

The world market of personal computer (PC) has been expanding year by year. According to the demand and supply model, when the demand increases, the equilibrium price goes up. But in computer market, demand is growing but the price has been decreasing gradually due to the technical economies of scale. Though the labor and managerial diseconomies are obvious, large scale production of PC industry enjoys the technical, financial, R&D and marketing economies.

In the world PC market, more than 24 companies including Apple, Sony, Vaio, Toshiba, Dell, Fujitsu, Lenovo, Acer, Hewlett-Packard, Samsung etc. are producing computers for millions of customers. Recently, more and more computer product chains have been

entered to the market and it has led size of the industry grown. In Nepal, branded computers of these companies as well as assembled PCs are sold in the market.

During past 40 years, price of computers have been decreasing drastically in the world market. In 1982, an IBM PC with 10MB hard drive would have run you more than \$15,000 in inflation-adjusted dollars. Now, \$400 to \$500 is the cost of a decent entry-level desktop. A 10MB spinning hard drive would cost \$7,210 inflation-adjusted. You can now get a 4TB spinning hard drive for \$70. The original Hewlett-Packard LaserJet printer, in 1984, cost \$3,495—that's \$9,366 in today's dollars and now you can pick one up for \$99 or less. In Nepali computer market, the price of computer has also been decreasing continuously. In Nepali market, you can buy an assembled desktop computer at lowest price Rs 25,000.

Demand for the PC is increasing day by day as it makes life of people easy and they are affordable due to decrease in price and increase in real income during the decades. Computers are the main source of connectivity among people. The major share of work schools, colleges, offices, hospitals are mostly dependent on the computers. And also doing a long distant chat for almost free, information technology has enabled human being in coming out with the speedy solutions of almost everything. Modern PCs often have high-speed or dial-up connections to the internet, allowing access to the World Wide Web and a wide range of other resources. Because of the technological advancement, the computers can be produced at a lower cost with more appealing features in forms of laptop, notebook etc. and it has become fashion and trend due to consumer preference. Due to technological change in computer, for example, CPU speed, system memory, hard drive capacity increased by hundreds times.

Questions:

- a. Identify the major issues in a given case.
- b. Identify the determinants of demand and supply of computer and explain them.
- c. Do you agree that world PC market is competitive? Give your critical arguments.
- d. Why is the price of PC decreasing continuously despite of increase in its demand?



[4+8+4+4]