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TRIBHUVAN UNIVERSITY

2078 (Partial) / 2079 (Regular)

B.B.S. 4 Yrs. Programme / I Year/MGMT

Full Marks: 100

MGT : 207 (Microeconomics for Business)

Time: 3 hrs.

(New Course)

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

The figures in the margin indicate full marks.

Group "A"

Brief Answer Questions

[10×2=20]

Attempt ALL questions.

1. What are the characteristics of business economics?
2. Consider the supply function $Q_s = a + bP$ and interpret the components.
3. Write any four assumptions of cardinal approach.
4. Why is LAC - U shaped?
5. Prepare a list of characteristics of oligopoly.
6. State the relationship between TR and price elasticity of demand.
7. Write any four examples of explicit costs.
8. Define value of marginal productivity of labour.
9. What are the causes for the operation of the law of increasing returns?
10. How is degree of economies of scope computed?

Group "B"

Descriptive Answer Questions

[5×10=50]

Attempt any FIVE questions.

11. Describe the nature of microeconomics.
12. Explain the factors that cause shift in demand curve.
13. How is the price determined under "joint profit maximization cartel". Explain.
14. What is economic rent? How is it determined?

P.T.O. |

15. Let, revenue function, $TR = 100Q - Q^2$, cost function, $TC = 50 + 6Q^2$.
- a) Compute TR, TC and profit (π) at the output range of 0 to 10 units.
- b) Graph TR, TC and π and explain profit maximization goal of the firm [3+(3+4)]

16. Consider the following cost schedule:

Q:	0	1	2	3	4	5	6	7	8
TFC:	100	100	100	100	100	100	100	100	100
TVC:	0	10	18	24	32	50	80	124	180
TC:	100	110	118	124	132	150	180	224	280

- a) Graph TFC, TVC and TC and explain their behavior
- b) Is the trend of TC or TVC is influenced by the law of variable proportions? Explain.

Group "C"

Analytical Answer Questions

[2×15=30]

Attempt any TWO questions.

17. Explain the price effect for normal substitutes. How can it be decomposed into income and substitution effects? Explain. [7+8]
18. Describe the significance of production function in business decision - making. How do firms achieve optimal employment of two variable inputs? Explain. [5+10]

19. Consider the following supply schedule:

Points:	A	B	C	D	E
Price (Rs):	0	10	20	30	40
Supply (Units):	100	200	300	400	500

- a. Compute the price elasticity of supply at movement from B to D and D to B by proportion method. [4]
- b. Compute the price elasticity of supply at midway between B and D and D and B by arc method. Why is arc method considered as more appropriate method than proportion method? [4+2]
- c. How do firms use price elasticity of demand in business decision making? Explain with suitable examples. [5]

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