

TRIBHUVAN UNIVERSITY

2080

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

Full Marks: 100

MGT : 207 (Microeconomics for Business)

Time: 3 hrs.

(Regular)

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. Write any four uses of microeconomics.
2. State the condition for equilibrium under cardinal approach.
3. Consider the demand function, $Q_d = a - bP$ and interpret the components.
4. Prepare a list of assumptions of isoquant.
- ✓ 5. What are the characteristics of LAC?
- ✓ 6. Write any four examples of accounting cost.
- ✓ 7. Mention the types of oligopoly.
- ✓ 8. What are the determinants of supply of loanable funds?
- ✓ 9. Write any two relationships between price elasticity of demand and marginal revenue.
- ✓ 10. What are the factors that cause interest rate differentials?

Group "B"

Descriptive Answer Questions

[5×10=50]

Attempt any FIVE questions.

- ✓ 11. Describe the nature of business economics. [5+5]
- ✓ 12. Explain the factors that cause shift in supply curve.
13. Explain the concept of accounting profit and economic profit with suitable examples.
14. Derive shortrun supply curve of a competitive firm.

P.T.O.

15. Consider the following production schedule:

Labour (L):	0	1	2	3	4	5	6	7
TP _L :	0	20	48	78	104	120	120	98

- a. Compute AP_L and MP_L [2]
 b. Graph TP_L, AP_L and MP_L and explain three stages of production with proper reasons

16. Consider the following cost schedule:

Q:	1	2	3	4	5	6	7	8
AFC:	100	50	33.3	25	20	16.7	14.3	12.5
AVC:	10	9	8	8	10	13.3	17.7	22.5
AC:	110	59	41.3	33	30	30	32	35

- a) Graph AFC, AVC and AC and explain their behavior. [6]
 b) Is the trend of AC is influenced by law of variable proportions? Explain [4]

Group "C"

Analytical Answer Questions

[2×15=30]

Attempt any TWO questions.

17. Explain the income effect for inferior and normal goods.

18. How are the price and the output determined under monopoly in short run? Is monopoly price is always higher than competitive price? Give reasons. [10+5]

19. Consider the following demand schedule;

Points:	A	B	C	D	E
Income (RS):	10000	20000	30000	40000	50000
Demand (Units):	200	400	600	800	1000

- a) Compute the income elasticity of demand at movement from B to D and D to B by proportion method [4]
 b) Compute the income elasticity of demand 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 firm use price elasticity of demand in business decision making? Explain with suitable examples. [5]