

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. 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
ACC:	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]

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