Group – A
(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following:

i) Profit maximizing condition of a firm is

✓a) MR = MC where MC is rising   b) MR > MC where MC is rising

c) MR < MC where MC is rising   d) none of these

ii) Which of the following will cause the LM curve to shift?

a) a change is taxes   b) a change in government spending

c) a change in consumption   ✓d) a change in money supply

iii) If C = 100 + 0.65Y, then the value of marginal propensity to save is

a) 0.65   b) 0.5

c) 0.35   ✓d) 0.60

iv) Liquidity trap refers to a situation where

a) there is too much liquidity in the economy

b) the firms in the economy are facing credit crunch

✓c) interest rates do not decrease, no matter how much the money supply is expanded

d) the country faces severe shortage of foreign exchange

v) The degree of association between two variables is measured by

a) regression coefficient   ✓b) correlation coefficient

c) both (a) & (b)   d) none of these

vi) Writing off the unamortized cost over the useful life of an asset is known as

✓a) depreciation cost   b) appreciation cost

c) implicit cost   d) explicit cost

vii) Organization of Petroleum Exporting Countries (OPEC) is a classical example of

✓a) Cartel   b) Natural Monopoly

c) Perfect competition   d) Duopoly

viii) When CRR decreases, money supply in the economy

   ✓a) increases   b) decreases

   c) remains constant   d) none of these

ix) During the periods of depression and boom, profits

   a) remain same   ✓b) fluctuate

   c) increase   d) decrease

x) A firm has a variable cost of Rs. 1,000 at 5 units of output. If fixed costs are Rs. 400, what will be the average total cost at 5 units of output?

   ✓a) Rs. 280   b) Rs. 60

   c) Rs. 120   d) Rs. 1400

xi) Fixed exchange rate is subjected to

   ✓a) Central bank's control   b) Commercial bank's control

   c) State Bank's control   d) any control

xii) In a pay-off matrix

   a) always a saddle point exists   b) never a saddle point exists

   ✓c) not always a saddle point exists   d) none of these

Group – B
(Short Answer Type Questions)

2. What are the differences between tariff and quota?

See Topic: **ECONOMIC CONCEPT FOR MANAGERS**, Short Answer Type Question No. 3.

3. Explain the effects of expansionary fiscal and expansionary monetary policies separately in an IS-LM framework where the LM curve is vertical.

See Topic: **FISCAL AND MONETARY POLICIES**, Long Answer Type Question No. 7(or).

4. Explain how increasing population has retarded economic growth in India.

See Topic: **INDIAN ECONOMIC OVERVIEW**, Short Answer Type Question No. 1.

5. In a two person game, each player simultaneously shows either one or two fingers. If the no. of fingers matches, Player A wins Re. 1 from player B, otherwise A pays Re. 1 to B. Construct the pay-off matrix for this game.

See Topic: **BUSINESS AND ECONOMIC MODELS**, Short Answer Type Question No. 3.

6. Define Business Cycle. What are its characteristics?
See Topic: FISCAL AND MONETARY POLICIES, Long Answer Type Question No. 1(or).

7. The annual requirement for a particular raw material is 2,000 units, costing Re. 1 each to the manufacturer. The ordering cost is Rs. 10 per order and carrying cost 16% per annum of the average inventory value. Find the Economic Order Quantity.
See Topic: BUSINESS AND ECONOMIC MODELS, Short Answer Type Question No. 4.

Group – C
(Long Answer Type Questions)

8. Explain with a suitable example the 'two person zero sum game' theory. Determine the maxi-min and mini-max value for the following pay-off matrix:

$$\begin{bmatrix} 2 & 9 & 4 \\ 7 & 5 & 3 \\ 6 & 1 & 8 \end{bmatrix}$$

See Topic: BUSINESS AND ECONOMIC MODELS, Short Answer Type Question No. 5.

9. a) The utility function of an individual is given as $U = 0.6X^2 + 1.2Y^2$, where price of X is 3 and price of Y is 4. If the budget of the consumer is 170, find the optimum level of utility of the consumer in unit.

b) How the least square method can be used to forecast the demand for a product?

a) See Topic: OPTIMIZATION, Long Answer Type Question No. 7.

b) See Topic: FISCAL AND MONETARY POLICIES, Short Answer Type Question No. 6.

10. A company sells three products A, B and C. We have the following information:

Particulars	Product A	Product B	Product C
Sales (units)	7000	5000	6000
Selling price/unit	Rs. 10	Rs. 8	Rs. 5
Variable cost/unit	Rs. 5	Rs. 6	Rs. $2\frac{1}{2}$

The fixed cost p.a. is Rs. 40,000. Find out the PV ratio and Break-even sales. Also construct a PV chart for the products A, B and C.
See Topic: MARGINAL ANALYSIS, Long Answer Type Question No. 3.

11. Write short notes on any *two* of the following:
    a) Balance of payments
    b) Comparative advantage theory
    c) Transaction demand
    d) Normal profit.

a) See Topic: ECONOMIC CONCEPT FOR MANAGERS, Long Answer Type Question No. 6(b).
b) See Topic: ECONOMIC CONCEPT FOR MANAGERS, Long Answer Type Question No. 6(c).
c) See Topic: FISCAL AND MONETARY POLICIES, Long Answer Type Question No. 8(c).
d) See Topic: PROFIT, Short Answer Type Question No. 3.

12. a) Discuss the factors affecting rate of exchange.
b) What is flexible rate of exchange?
See Topic: ECONOMIC CONCEPT FOR MANAGERS, Long Answer Type Question No. 3(a) & (b).