



MID-WEST UNIVERSITY
SCHOOL OF MANAGEMENT (MUSOM)
(An Autonomous Institution)
MUSOM EXAMINATION SECTION
FINAL EXAMINATION-2023 (2080)
BACHELOR OF BUSINESS ADMINISTRATION (BBA)
SEMESTER – I

Subject: Business Economics
Full Marks: 100

Course Code: MGT 413
Time: 3 Hrs.

Exam Roll No.:

Section A: Multiple Choice Questions (1×15 = 15 Marks)

Time: 15 Minutes

Tick (✓) the correct answers

1. The relationship between microeconomics variables whose values related to the same point of time is _____.
a. micro dynamic b. micro static c. both a and b d. none
2. The term micro and macro were first used by _____.
a. Adam Smith b. Alfred Marshall c. Regnar Frisch d. J.M. Keynes
3. The goods for which an increase in price of one leads to increase in the demand for others and vice-versa.
a. Complementary Goods c. Inferior Goods
b. Substitute Goods d. Normal Goods
4. If the price elasticity of demand of potato is 0.8. It indicates that the potato is a _____.
a. luxurious goods b. necessity goods c. inferior Goods d. none
5. Determine the equilibrium price from $Q_d = 10 - 4p$ and $Q_s = -2 + 8P$
a. Rs. 1 b. Rs. -1 c. Rs. 2 d. Rs. 0.5
6. Properties of indifference curve.
a. IC has a negative slopes c. Both a and b
b. Convex to the origin d. None
7. The process of creating utility in goods and services.
a. Product c. Production function
b. Production d. All
8. Suppose a production function is $Q = 10L + 5L^2 - L^3$ when $L = 3$. Find AP.
a. 14 b. 15 c. 16 d. 17
9. The causes of economies of scope is _____.
a. Common production facilities c. Common marketing
b. Use of by-products d. All
10. In the short run equilibrium of monopolist, the firm earns super normal profit.
a. $AR > AC$ b. $AR = AC$ c. $AR < AC$ d. None
11. What condition are necessary for the firms to be in equilibrium in all market?
a. $MR = MC$ c. Both a and b
b. MC must intersect MR from below d. None
12. What will be the marginal revenue when total revenue is constant?
a. $MR = 0$ b. $MR < 0$ c. $MR > 0$ d. $MR = 1$
13. What will be the economic rent when factor supply is perfectly elastic?
a. Economic rent is greater than zero c. Economic rent is equal to zero
b. Economic rent is less than zero d. None
14. If actual earning is Rs. 10000 and transfer earning is Rs 7000, what will be economic rent?
a. 4000 b. 3000 c. 3500 d. 2500
15. Sources of demand for loanable fund.
a. Investment demand c. Demand for hoarding
b. Consumption demand d. All





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You are required to answer in your own words as far as applicable. The figures in the margin indicate the full marks.

Section – B: Short Answer Questions (8 × 5 = 40 Marks)

Answer any eight questions:

1. “Microeconomics helps in business decision making”. Justify. [5]
2. What are the factors affecting shift in demand curve? Explain in brief. [5]
3. A market consists of three consumers; A, B and C, whose individual demand equations are as following:
A: $P = 35 - 0.50 Q_A$
B: $P = 50 - 0.25 Q_B$
C: $P = 40 - 2.00 Q_C$
The market supply equation is given by $Q_s = 40 + 3.5 P$. Determine the market equilibrium price and quantity. [2.5+2.5]
4. Define cardinal utility analysis. What are its assumptions? [2+3]
5. Explain the properties of Iso-quant curve. [5]
6. Why AC curve is U shaped? [5]
7. What are the features of Oligopoly market? Explain. [5]
8. How price and output are determined under perfect competition market structure in long run time period? [5]
9. Using the production function, $Q = 16L + 8L^2 - L^3$, compute TP, AP and MP. [2+1+2]
10. Explain the different types of innovation which gives rise to profit. [5]

Section – C: Long Answer Questions (3 × 10 = 30 Marks)

Answer any three questions:

11. Explain the decomposition of price effect on income and substitution effect. [10]
12. Explain the different types of price elasticity of supply? How price elasticity of supply is measured in point method? [5+5]
13. Explain the concept of short run production function with one variable input. In which stage, does a rational producer produce? Discuss. [10]
14. Suppose, price of labor (w) = Rs 50 and price of capital (r) = Rs 100. For different total outlays (say Rs 800, Rs 1000 and Rs 1200), derive iso-cost line and iso-quant line and also identify least cost combination. [4+4+2]

Combination	Labor (L)	Capital (K)	Output
A	6	9	200
B	10	5	200
C	18	3	200

15. Compute the following table and explain the relationship between AC and MC with diagram.[5+5]

Output	TFC	TVC	TC	AFC	AVC	AC	MC
0	200	0					
1	-	50					
2	-	90					
3	-	120					
4	-	140					
5	-	175					
6	-	230					
7	-	310					
8	-	400					

Section – D: Case Study

(15 Marks)

16. Read the following case and answer the questions following it.

Chicken price in the Surkhet valley have dropped Rs 60 per kg over a week bringing smiles to restaurant owners and meat lovers. Now the price of chicken is Rs 290 per kg for consumers, down from Rs 350 last week. The daily requirement of broiler meat in the valley stands at 250 tons during normal times and 300 tons during marriage and festival seasons.

The Nepal Chicken Sellers Association (NCSA), which fixes price by checking supply and demand, set the new rate citing a rise in supply. "Demand for chicken from restaurants, party venues and caterers has dropped 40-50 percent from last week with the end of the marriage season," said vice-president of NCSA. He added that farmers had been dispatching large quantities of chicken due to a supply glut. Chicken breeding usually speeds up in the summer season and the mortality rate is lower due to favorable temperatures. In contrast to the seasonal rise in output, people have a tendency to eat less chicken in the summer, sending down demand 10-15 percent, said traders. "The price will rise after a month when the marriage season starts," he said.

Questions:

- Explain the factors affecting on change in demand and supply of chicken in Surkhet valley? [5]
- Explain the effects of change in demand and supply on equilibrium price and quantity of chicken by using demand and supply curve. [5]
- If you are appointed as a marketing manager of XYZ poultry firm and assigned to follow price discrimination policy for chicken into different markets like restaurants and households. How do you follow it? Explain. [5]

