

Mid-West University
Examinations Management Office
Surkhet, Nepal
Final Examination-2079
Bachelor of Business Studies (BBS)
Semester - I

Subject: Micro Economics

Course Code: MGMT 313/413

Full Marks: 60 Pass Marks: 30

Time: 3: 00 Hours

You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.

SECTION A: VERY SHORT ANSWER QUESTIONS (10 X 1 = 10 MARKS)

Answer **ALL** the questions.

1. Illustrate any two examples of the use of microeconomics in business decision making.
2. If $Q_d = 300 - 20P$ and $Q_s = 50 + 30P$. Find the equilibrium price and output.
3. If the price of food falls 5% resulted the rises in demand by 12%. Find out the price elasticity of demand say whether demand is elastic or inelastic.
4. What do you mean by consistency of choice?
5. Draw the diagram of budget line.
6. Suppose that $PL = 50$, $PK = 100$ and and total cost $C = 2000$. Write the equation of iso-cost.
7. Write the two important conditions of equilibrium in MC-MR approach.
8. Suppose a lecturer is earning Rs. 50,000 per month in Mid-West University. If the next best alternative job in school as a teacher, he can earn Rs. 40,000 per month. Calculate the opportunity cost of a lecturer.
9. Define and illustrate the concept of money wages.
10. Who introduces the concept of dynamic theory of profit first?

SECTION B: SHORT ANSWER QUESTIONS (3 X 8 = 24 MARKS)

Answer any **THREE** questions.

11. Introduce the concept of shift in demand curve. What are the causes of shift in demand curve? [3+5]
12. Explain the concept of marginal rate of substitution with the help of schedule and curve. [8]
13. Define the concept of total fixed cost, total variable cost, average fixed cost, average variable cost and marginal cost. Calculate all of these with the given output it is 20 and total cost function is;
 $TC = 400 + 10Q - 0.05Q^2 + 0.002Q^3$ [8]
14. Describe the liquidity preference theory of interest. [8]
15. "Profit is reward for innovation." Discuss. [8]

SECTION C: LONG ANSWER QUESTIONS (2 X 13 = 26 MARKS)

Answer any **TWO** questions.

16. Distinguish between cardinal and ordinal utility analysis. How is a consumer in equilibrium in ordinal utility analysis? [5+8]
17. Explain the perfect competition market structure with its characteristics. How is price and output determined in perfect competition market structure in short run time period? [5+8]
18. Define long run production function. Explain the law of returns to scale with the help of the iso-quant method. [3+10]

THE END