



First Term Exam-2071
Subject: BUSINESS ECONOMICS - I

Level: BBS - I

Time: 3 Hrs

F.M:100

P.M.: 40

Set -I

Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

Group 'A'

Brief Answer Questions (attempt all)

1. Define Business Economics. [2]
2. Microeconomics is also called price theory. Why? [2]
3. List out the determinants of DDC milk in Kathmandu. [2]
4. What do you understand by market equilibrium? [2]
5. Calculate cross elasticity of demand when 10% rise in price of X-good causes 5% increase in demand for Y-good. Also say these goods are substitute or complementary. [2]
6. Define elasticity of demand. [2]
7. Define Supply schedule. [2]
8. List out any four assumptions of ordinal utility analysis. [2]
9. Define PCC curve. [2]
10. Define the meaning of marginal rate of substitution (MRS). [2]

Group 'B'

Descriptive Answer Questions (attempt any five)

[5 x 10 = 50]

11. Define Microeconomics. Explain the scope of microeconomics. [3+7]
12. Explain the various types of demand functions. [10]
13. Explain the concepts of movement along a supply curve and shift in the supply curve with diagram. What are the factors responsible for shift in supply curve? [6+4]
14. A market consists of three consumers, A, B and C, whose individual demand equations are as follows:
 $Q_{dA} = 30 - 1.00P$,
 $Q_{dB} = 22.5 - 0.75P$,
 $Q_{dC} = 37.5 - 1.25P$,
and the industry supply equation is given by $Q_s = 40 + 3.5P$
 - a. Find out the market demand function and derive the market demand curve [4]

- b. Determine the equilibrium price and quantity mathematically [3]
- c. Determine the amount that will be purchased by each individual. [3]

15. Explain the arc method of measuring price elasticity of demand. [10]
16. Explain the concept of indifference curve with the help of table and diagram. [10]

Group 'C'

Analytical Answer Questions (attempt any two)

[2 x 15 = 30]

17. Define supply function. Explain the various determinants of supply. [5+10]
18. What is price elasticity of demand? Explain and illustrate the measurement of price elasticity of demand with the help of point method. [3 +12]
19. [2 x 10 = 20] Define substitution effect. Decompose price effect into substitution effect and income effect. [3+12]



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Set –II

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Group 'A'

Brief Answer Questions (attempt all)

[2 x 10 = 20]

1. List out the scope of business economics. [2]
2. List out the limitations of microeconomics. [2]
3. Define demand function. [2]
4. What do you mean by shift in demand curve? [2]
5. Define elasticity of supply. [2]
6. As a result of 20% increase in income of the consumer, demand for a commodity increases by 40%. Find out income elasticity of demand and nature of the commodity. [2]
7. What is meant by income elasticity of demand? [2]
8. List out any four assumptions of cardinal utility analysis. [2]
9. Define substitution effect. [2]
10. Why does marginal rate of substitution diminish? [2]

Group 'B'

Descriptive Answer Questions (attempt any five) [5 x 10 = 50]

11. Define business economics. Explain its features. [3+7]
12. Explain the importance of microeconomics in business decision making. [10]
13. Explain the various determinants of demand. [10]
14. A publishing company plans to publish a book. From the sales data of other publishers of similar books, it works out the demand function for the book as $Q_d = 500 - 5P$. Find out: [5+5]
 - i. Point-elasticity of demand at price Rs. 20, and
 - ii. Arc elasticity for a fall in price from Rs. 25 to Rs. 20. Explain the concept of supply function.
15. Explain the point method of measuring price elasticity of demand. [10]
16. Explain consumer's equilibrium with the help of indifference curve approach. [10]

Group 'C'

Analytical Answer Questions (attempt any two)

[2 x 15 = 30]

17. Explain the concept of shift in demand curve. What are the factors responsible for shift in demand curve?
18. How is income elasticity of demand calculated by arc and point method?
19. What is indifference curve? Explain the properties of indifference curve.