(GCF-1, GCF-2, GCF-4, GCF-5+8, GCF-6+9, GCF-10, GCF-11, VCF-1, VCF-2, SCF-1 & VDCF-1)
DATE: 10.10.2019 **MAXIMUM MARKS: 100** **TIMING: 2 Hours**

ECONOMICS AND COMMERCIAL KNOWLEDGE

All Questions is compulsory.

(1) Ans. c
Explanation:
In the long run Both demand and supply can change.

(2) Ans. c
Explanation:
In market, the price output equilibrium is determined by Marginal cost curve and marginal revenue curve.

(3) Ans. c
Explanation:
Economics is the study of How society manages its scarce resources.

(4) Ans. b
Explanation:
If demand is elastic then price cuts will increase spending.

(5) Ans. d
Explanation:
Utility means satisfaction of good.

(6) Ans. c
Explanation:
Consumer surplus = what a consumer is ready to pay – what he actually pay.
= 320 – 180 = 140

(7) Ans. d
Explanation:
Economic, Social and National objective of the objective of entrepreneur

(8) Ans. c
Explanation:
Creation of utility is production in economics.

(9) Ans. b
Explanation:
An upward shift in marginal cost reduces output and an upward shift in marginal revenue increases output.

(10) Ans. d
Explanation:
Firms are assumed to minimize costs and to maximize profits.

(11) Ans. c
Explanation:
Advertisement cost, Offer discount to customers and Incentive to dealers are selling expenses.

(12) Ans. b
Explanation:
Equilibrium is defined as a situation in Neither buyers nor sellers want to change their behaviour.

(13) Ans. a
Explanation:
If firms can neither enter nor leave an industry, the relevant time period is Short run.

(14) Ans. a
Explanation:
In a Mixed Economy, Industries in Private Sector have profit motive only as their objective and driving force.

(15) Ans. b
Explanation:
The Cardinal Approach to Utility assumes Marginal Utility of Money is Constant.

(16) Ans. a
Explanation:
The concept of Consumer Surplus arises due to the reason that MU is initially higher than Price.

(17) Ans. a
Explanation:
MRS decrease as we go down the Curve Indifference Curve Analysis approach operate

(18) Ans. c
Explanation:
The responsiveness of a good's demand to changes in the Firm's spending on advertising is called Advertisement elasticity

(19) Ans. b
Explanation:
The method in which future demand is estimated by conducting market studies and experiments on consumer behaviour is known as Market Experiment Method.

(20) Ans. c
Explanation:
Driven by emotions and sentiments is not an economic activity.

(21) Ans. d
Explanation:

Arc elasticity of supply formula is $\frac{q_1 - q_2}{q_1 + q_2} \times \frac{p_1 + p_2}{p_1 - p_2}$ & $\frac{\Delta Q}{Q} \times \frac{P}{\Delta P}$

(22) Ans. b
Explanation:
Cardinal Approach helps to explain the law of demand because law of demand operates due to law of diminishing marginal utility.

(23) Ans. d
Explanation:
MC Curve intersects AC curve at its minimum point. This point is known as "Optimum point of production".

(24) Ans. a
Explanation:
Because the goods are totally unrelated hence there is no relation between these goods hence the cross elasticity would be zero.

(25) Ans. a
Explanation:
Contraction is supply means "Decrease in quantity supplied is due to decrease in price of goods concern."

(26) Ans. a
Explanation:
Marginal Utility of a commodity depends on its quantity and is Inversely proportional to its quantity because when quantity increases than marginal utility decreases

(27) Ans. b
Explanation:
TP increases at diminishing rate due to decrement in MP but positively.

(28) Ans. d
Explanation:
Shape of AVC is always U shape.

(29) Ans. a

(30) Ans. c

(31) Ans. d
Explanation:
P_1 = 8/- Q_1 = 80
P_2 – 10/p Q_2 = 100

$$= e_a = \left\{\frac{Q_1 - Q_2}{Q_1 + Q_2} \times \frac{P_1 + P_2}{P_1 - P_2}\right\}$$

$$= \left\{\frac{20}{180} \times \frac{18}{2}\right\}$$

= 1

(32) Ans. a
Explanation: Since whenever the price rises there is contraction in Q.D. and whenever the price falls there is expansion in Q.D.

(33) Ans. c

(34) Ans. d

(35) Ans. c

(36) Ans. a
Explanation:
Indifference curves slope downward left to right because MRSxy always decreases.

(37) Ans. d
Explanation:
When AC is minimum, then MC is equal to AC, which is known as "Optimum point of production".

(38) Ans. c

(39) Ans. c

(40) Ans. b
Explanation:
Since, in perfectly inelastic demand, there is no change in quantity demanded (e=0). Hence availability of substitutes does not affect the quantity demanded because with any change in price, quantity demanded does not change.

(41) Ans. d
Explanation:
Since the economist who gave cobb - douglas production function was an American.

(42) Ans. b
Explanation:
Under Partial Oligopoly, the industry is dominated by one large firm, which is considered or looked upon as a leader of the group. The dominating firm will be the price leader.

(43) Ans. c
Explanation:
Rising portion of Marginal Cost curve is known as supply curve because marginal cost increases with the increment in level of output.

(44) Ans. a

(45) Ans. a

(46) Ans. c

(47) Ans. a
Explanation:
Under P.C. in long run a firm earns normal profit.

(48) Ans. a
Explanation:
Region above prevailing price has E>I
Region below prevailing price has E<I
Which creates a kink at prevailing price.

(49) Ans. c

Explanation:
Since $MP_n = TP_n - TP_{n-1}$.

(50) Ans. c
Explanation:

Since $AFC = \frac{TFC}{Q}$ $\qquad$ $AVC = \frac{TVC}{Q}$

$20 = \frac{TFC}{4}$ $\qquad$ $40 = \frac{TVC}{5}$

$TFC = 80$ $\qquad$ $TVC = 200$

Since $TC = TFC + TVC$

$TC = 80 + 200$

$TC = 280$

Ac at 5 unit $= \frac{TC}{Q} = \frac{280}{5} = 56$ *Ans.*

(51) Ans. b
Explanation:
Since TR is maximum at MR=0

(52) Ans. a
Explanation:
Since excess supply reduces equilibrium price.

(53) Ans. d

(54) Ans. a
Explanation:
Since Sir Robert Giffen was Scottish.

(55) Ans. a
Explanation:

Since $ATC = \frac{TFC}{Q} + \frac{TVC}{Q}$

Or

$ATC = AFC + AVC$

(56) Ans. c

(57) Ans. b
Explanation:
Since profit maximization condition is perfect competition is MR=MC.

(58) Ans. d
Explanation:
In oligopoly elasticity is elastic on upper part of demand curve and inelastic on lower part of demand curve.

(59) Ans. a
Explanation:
Since elasticity of supply of industrial products is highly elastic.

(60) Ans. d
Explanation:
Since land possess all of the above mentioned features.

(61) Ans. d

(62) Ans. a

(63) Ans. b

(64) Ans. c

(65) Ans. b

(66) Ans. a

(67) Ans. d

(68) Ans. d

(69) Ans. b

(70) Ans. a

(71) Ans. d

(72) Ans. a

(73) Ans. c

(74) Ans. a

(75) Ans. d

(76) Ans. d

(77) Ans. c

(78) Ans. b

(79) Ans. d

(80) Ans. d

(81) Ans. b

(82) Ans. a

(83) Ans. b

(84) Ans. d

(85) Ans. b

(86) Ans. a

(87) Ans. c

(88) Ans. a

(89) Ans. d

(90) Ans. a

(91) Ans. c

(92) Ans. b

(93) Ans. c

(94) Ans. d

(95) Ans. a

(96) Ans. a

(97) Ans. a

(98) Ans. b

(99) Ans. b

(100) Ans. a

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