

SARDAR PATEL UNIVERSITY

VALLABH VIDYANAGAR

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FIRST SEMESTER EXAMINATION (CBBES)

F Y BBA (Honours) (HTM)

Subject Code: UM-01-CBB-H03

Subject : Principles of Economics

Date: 19/11/2010

Note:- Answers of all the questions (including multiple choice questions) should be written in the provided answer book only.

Time: 2 : 30 PM to 4 : 30 PM

Day : Friday

Marks: 60

Q.1 (A) Write the correct multiple choice answers.

(5)

**1. If the price of pepsi decreases relatively to the price of the coke and 7-up, the demand for ;**

1. Coke will decreases
2. 7- up will decreases
3. Coke and 7-up will increase
4. Coke and 7- up will decrease

**2. The supply of goods refers to**

1. Actual production of goods
2. Total exisiting stock of the goods.
3. Stock available for sale
4. Amount of the good offered for sale at a particular price per unit of time.

**3. Contraction of supply is result of -----**

1. Decrease in the number of the producer
2. Decrease in the price of the good concerned
3. Increase in the prices of other goods.
4. Decrease in the outlay of seller

**4. Who expressed the view that " Economics is neutral between Ends."?**

1. Robibins
2. Marshall
3. Pigou
4. Adam simth

**5. The law of demand is-----**

1. A quantity statement
2. A qualitative statement
3. Both quantity and quality statement
4. Neither quality nor quantity statement

(B) What is economics? Explain the nature and scope of economics. (10)

**OR**

Q.1 (A) Write the correct multiple choice answers. (5)

**1. Demand for the commodity refers to ---**

1. desire for the commodity
2. need for commodity
3. quantity demand for the commodity
4. Quantity of the commodity demanded at a certain price during any particular period of time.

**2. Contraction of demand refers to-----**

1. decrease in the number of the consumer
2. increase in the price of the concerned good
3. increase in the price of the other goods
4. decrease in the income of the Purchaser

**3. the law of demand, assuming other things to remain constant, establishing the relationship between:**

1. Income of the consumer and the quantity of a good demanded by him.
2. Price of the goods and quantity demanded
3. Price of the goods and the demand for its substitute.
4. Quantity demanded of a good and the relatively prices of its complementary goods.

**4. all of the following are determinants of demand Excepts;**

1. Tastes and Preferences
2. Quantity supply
3. Income
4. Price of the related goods

**5. Which of the following is the best general definition of the study of economics?**

1. Inflation and unemployment in a growing economy.
2. Business decision making under foreign competition.
3. Individual and social choice in the face of scarcity.
4. The best way to invest in the stock market.

(B) What is demand? Explain the law of demand and factors affecting demand. (10)

Q. 2. (A) Write the correct multiple choice answers.

(5)

1. The cost which remains same at any level of output is known as \_\_\_\_\_

1. Total Cost
2. Variable Cost
3. Fix Cost
4. Marginal Cost

2. When we divide Total Cost by output, then we will get \_\_\_\_\_ Cost.

1. Total Cost
2. Average Cost
3. Fix Cost
4. Marginal Cost.

3. \_\_\_\_\_ Cost means an additional in Total Cost.

1. Total Cost
2. Average Cost
3. Fix Cost
4. Marginal Cost.

4. \_\_\_\_\_ Cost can be defined as the revenue, which could be earned by employing a particular goods or services, in some other alternative uses.

1. Accounting Cost
2. Economic cost
- 3 Opportunity Cost
4. Variable Cost.

5. Total cost in the short run is classified into fixed cost and variable costs. Which one of the following is a variable cost.

1. Cost of raw materials
2. Cost of equipments
3. Interest payment on past borrowings
4. Payment of rent on building

(B) Define the average cost (AC) and marginal cost (MC) and explain the relationship between average cost and marginal cost.

(10)

OR

Q. 2. (A) Write the correct multiple choice answers.

(5)

**1. What is the shape of the demand curve faced by a firm under perfect competition.**

1. Horizontal
2. Vertical
3. Positively sloped
4. Negatively sloped

**2. Marginal revenue is equal to**

1. The change in price divided by the change in output
2. The change in quantity divided by the change in price
3. The change in  $P \times Q$  due to a one unit change in output
4. Price, but only if the firm is a price searcher

**3. Under which of the following forms of market structure does a firm has no control over the price of its product?**

1. Monopoly
2. Monopolistic competition
3. Oligopoly
4. Perfect Competition

**4. Monopolistic competition differs from perfect competition primarily because**

1. In monopolistic competition, firms can differentiate their products.
2. In perfect competition, firms can differentiate their products.
3. In monopolistic competition, entry in to the industry is blocked.
4. In monopolistic competition, there are relatively few barriers to entry.

**5. The long run equilibrium out comes in monopolistic competition and perfect competition are similar because in both market structures**

1. The efficient output level will be produced in the long run.
2. Firms will be producing at minimum average cost
3. Firms will only earn a normal profit
4. Firms realize all economies of scale

(B) Explain the characteristics of perfect competition in detail and how the firm will come in equilibrium in short run and long run under perfect competition. (10)

Q.3 (A) Write the correct multiple choice answers.

(5)

1. **Money in traditional sense.**

1. Serves as a medium of exchange
2. Serves as a store of value
3. Serves as a both medium of exchange and store of value
4. Serves neither as medium of exchange and store of value.

2. **Money includes**

1. Currencies and demand deposits
2. Bonds governmental securities
3. Equity shares
4. All of the above

3. **Which is the following statements about money is incorrect?**

1. There are many assets which carry the attribute on money
2. Money is what money does
3. In modern sense, money has stability high degree of substitutability and feasibility of measuring statistical variation
4. None of the above

4. **Which is the central bank of India.**

1. State Bank of India
2. Punjab National Bank
3. Oriental Bank of Commerce
4. Reserve Bank of India

5. **Who is the official "Lender of The Last Resort" in India.**

1. SBI
2. PNB
3. RBI
4. OBC

(B) What is money? Define the role of money in Indian Economy.

(5)

(C) Explain the various functions of money.

(5)

OR

Q. 3 (A) Write the correct multiple choice answers.

(5)

1. \_\_\_\_\_ refers to that portion of total deposits of a commercial bank which it has to keep with RBI in the form of cash reserves.

1. CRR
2. SLR
3. Bank rate
4. Repo rate

2. \_\_\_\_\_ refers to that portion of total deposits of a commercial bank which has to keep with itself in the form of liquid assets.

1. CRR
2. SLR
3. Bank rate
4. Repo rate

3. In order to control credit in the country, the RBI may

1. Buy securities in the open market
2. Sell securities in the open market
3. Reduce CRR
4. Reduce Bank rate

4. Which of the following statement is correct.

1. The RBI is just like any ordinary commercial bank in India
2. The RBI is responsible for the overall monetary policy in India
3. Selective credit control measures affect all the banks in a similar manner
4. a high rate of interest encourages new investment.

5. When prices are falling continuously, the phenomenon is called

1. Inflation
2. Stagflation
3. Deflation
4. Reflation

(B) Explain the various functions of Reserve Bank of India.

(5)

(C) Explain credit control process in brief.

(5)

Q. 4 (A). Write the correct multiple choice answers.

(5)

1. \_\_\_\_\_ is a systematic record of all the economic transactions between one country and rest of the world.

1. Balance of Trade
2. Balance of transactions
3. Budget
4. Balance of payment

2. International trade refers

1. Trade between two districts
2. Trade between two states
3. Trade between two countries
4. None of the above

3. International trade is not concerned with

1. Comparative cost theory
2. Absolute advantage cost theory
3. Equal cost theory
4. Liquidity preference theory

4. BOP Stands for

1. Bank of Punjab
2. Balance of Payment
3. Bank of Pakistan
4. None of the above

5. Which of the true example of international trade.

1. Trade between India and Srilanka
2. Trade between Ahmedabad and Delhi
3. Trade between Himachal Pradesh and Assam
4. None of the above

(B) What is International Trade? Explain its importance

(5)

(C) Discuss limitations of international trade.

(5)

OR

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Q. 4 (A) State whether following statements are True or False

(5)

1. Deflation is a major to correct disequilibrium of balance of payment
2. There is no difference between international trade and national trade
3. Exchange rate is not concerned with exports and import
4. Purchasing power parity theory is concerned with the country's currencies purchasing power.
5. International trade is playing very important role in the growth of Indian economy.

(B) What s balance of payment? Explain the causes of disequilibrium in balance of payment.  
(5)

(C) Give the suggested remedial measures to remove disequilibrium in balance of payment  
(5)