

PAPER-2: Fundamental of Economics Page no: 103-138**June 2001 Foundation level (Economics)**

Question No.1 is compulsory

1. Which of the following statements are 'Correct' and which are 'Incorrect'? Give reasons: $2 \times 10 = 20$
- Deductive method of study is not based on actual facts
 - Expansion of demand means increase in demand
 - Income effect is negative in the case of an inferior good.
 - Population and labour supply are not one and the same thing.
 - Return to scale explain returns to a factor as a result of change in output.
 - The profit motive guides individual initiative in the Capitalist economy.
 - Land reform has the same meaning as Tendency reform.
- 2.a. Discuss whether economics is entirely neutral between ends. 10
- b. What are the main features of a Free Enterprise Economy? 10
- 3.a. How does a consumer attain maximum satisfaction by the application of the Law of Equi-marginal Utility? 10
- b. Discuss the various determinants of Demand. 10
- 4.a. Explain the characteristics of Labour as a Factor of Production. 10
- b. Explain and illustrate the law of Variable Proportions. 10
- 5.a. Distinguish between Fixed cost and Variable cost. Is the distinction between them valid in the long Run? 8+2
- b. Explain and illustrate the equilibrium of the firm in the short period under Perfect Competition. 10
- 6.a. How far growth in Gross National product be taken as a measure of Economic Welfare? 10
- b. Analysis the adverse effects of Population growth on Economic development in under developed countries. 10
- 7.a. Discuss the causes responsible for low Agriculture productivity. 10
- b. Discuss the justification for the establishment of Public Sector Enterprises. 10
- 8.a. How do the banks create Credit? How are they affected in this regard by monetary measures adopted by the Central Bank? 6+4
- b. Discuss the main objective of Public Expenditure as an instrument of Fiscal policy. 10
9. Write short notes on any two of the following: 10 \times 2 = 20
- Methods of Demand Forecasting
 - Features of monopolistic Competition
 - Measures for Export Promotion

Dec 2001 Foundation level (Economics)

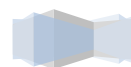
1. Which of the following statements are 'Correct' and which are 'Incorrect'? 2×10=20
- a. Indifference curve approach is an ordinal approach.
 - b. Supply refers to the stock of a commodity at the disposal of a seller.
 - c. Production is the creation of utility.
 - d. There can be general rise in prices, but not in values.
 - e. A monopolist can have control over both price and output.
 - f. According to Malthus, population left to itself grows in geometrical progression.
 - g. As an economy grows, there is a shift of labour from primary sector to secondary and tertiary sectors.
 - h. Inflation and deflation both are good for wage earners.
 - i. Agriculture accounts for the larger shares in India's national Income.
 - j. Unfavorable terms of trade essentially retard economic growth.
- 2.a. Distinguish between Micro and Macro economics. How are they inter dependent? 6+4
- b. What are the basic problems of an economic system? How are they solved in a free market economy? 6+4
- 3.a. What is meant by Marginal utility? Discuss the relationship between Total utility and Marginal Utility. 3+7
- b. Define price elasticity of demand. What are its main determinants? 3+7
- 4.a. Explain the characteristics of labour as a factor of production. Why the supply curve of labour is backward bending? 6+4
- b. Explain the internal and external economics and diseconomics of scale. 10
- 5.a. Explain the integration of the process of economic development with population with reference to the theory of demographic transition. 10
- b. What are iso product curves? Explain their characteristics. 2+8
- 6.a. What is equilibrium Price? How is it affected by changes in demand and supply in a perfect competition market? 2+8
- b. What is Price Discrimination? Explain the condition essential for price discrimination. 4+6
- 7.a. Distinguish between economic development and Economic growth. What are the main indicators of economic growth? 4+6
- b. Explain the various concepts related to National income. 10
- 8.a. Discuss the role of agriculture in India's economy. 10

Notes:

June 2002 Foundation level (economics)

Question No.1 is compulsory. Answer any FOUR from the rest.

1. Which of the following statements are 'Correct' and which are 'Incorrect'? Give answer in brief for your answer:
 - a. Macro economics is a study of aggregates.
 - b. A downward slope of demand curve indicates that the quantity of a commodity demanded increases as its price falls.
 - c. Total utility is maximum when marginal utility is zero.
 - d. External economics of scale are dependent on the output level of individual firms.
 - e. In the short period a firm can alter both the fixed and the variable factors.
 - f. National income estimates at current prices reflect the real growth in the economy.
 - g. A larger population can never be useful for the economy.
 - h. Agriculture plays an important role in industrial development.
 - i. Banks not only deal in money, they also create money.
 - j. A deficit balance of trade necessary implies a deficit in balance of payments.
- 2.a. Discuss whether economics is a positive science or a normative science or both.
 - b. Discuss the nature and limitations of economics laws.
- 3.a. What are the various factors which determine the supply of a product?
 - b. Explain and illustrate the Law of Diminishing Marginal Utility. What are the assumptions behind the law?
4. a. What is division of labour? How does it affect the efficiency of labour?
 - b. Explain the concepts of average cost and marginal cost and illustrate relationship between average cost and marginal cost.
- 5.a. Explain fundamental characteristics of perfect competition. Why the average revenue curve of an individual firm under perfect completion is a horizontal straight line?
 - b. Explain and illustrate price output determination of a firm under monopolistic completion.
- 6.a. Explain various difficulties involved in the estimation of national income in developing economics.
 - b. Discuss the economic and non economic causes of poverty.
- 7.a. Explain land reform measures adopted in India.
 - b. What is the justification for existence of small scale industries in a developing economy?
- 8.a. Explain the measures of credit control adopted by a central bank.
 - b. What measures can be adopted to improve the profitability of Public Sector Enterprise.
9. Write notes on any two of the following:
 - a. Malthusian Theory of Population
 - b. Objectives of monetary policy
 - c. Measures for correcting adverse balance of payments



Dec 2002 Foundation Level (Economics)

Attempt all questions.

1. Identify the correct or incorrect statements with proper reasons. 1.5×4=5
- Indifference Curve slopes downward from left to right.
 - In the short period a firm can alter both the fixed and the variable factors.
 - Economics resources have alternative uses.
 - A rational producer seeks his production at a point where marginal product is zero.
2. Give answer in short (any three) 4×3=12
- What are the causes responsible for the operation of law to demand?
 - What are the conditions for monopolistic competition?
 - What are the difference between micro and macro economics?
 - Explain any two statistical methods of demand forecasting.
3. a) How the consumer attains equilibrium with the help of indifference curve? 10
OR Derive short run supply curve of a competitive firm.
- b) Explain the Law of Variable Proportions. 10
OR Explain the nature of short run average and marginal cost curves.
4. Write short notes on (any three) 3×4=12
- Difference between Perfect Competition and monopoly.
 - Relation between AR and MR
 - Positive and Normative Economics
 - Marginal Rate of technical substitution
5. Identify the correct and incorrect statement with proper reasons. 1.5×4=12
- A deficit in balance of trade necessarily implies as deficit in balance of payments.
 - Nepal Rastra Bank is the lender of the last resort for commercial banks in Nepal.
 - The incidence of rural poverty is greater than urban poverty.
 - There is plan holiday in current fiscal year.
6. Write short notes on (any three) 4×3=12
- Direction of foreign trade.
 - Promotional functions of Nepal Rastra Bank
 - Economic causes of poverty
 - Economic development and economic growth
7. a) How is the national income computed by value added method? 10
OR- How the equilibrium level of income and output are determined in two sector economy?

b) Make a critical appraisal of HMG's efforts for improvement of agriculture. 10

OR- What are the objectives of a fiscal policy?

OR- Explain the prospects and problems of tourism industry in Nepal.

8. Write short notes on (any three): 4×3=12

a) Explain the various effects of inflation on production.

b) What are the institutional sources of agriculture finance in Nepal?

c) What are the important of cottage and small scale industry in Nepal? Explain

d) The value of multiplier varies positively with MP Justify.

JUNE 2003 (economics)

1) Identify the correct or incorrect statements with proper reasons. 1.5×4

a. Firm and industry are identical in case of monopoly.

b. Law of variable proportions shows the long run introduction behavior.

c. Monopoly can earn abnormal profit in the long run.

d. Law of supply shows negative relationship between price and quantity supplied.

2) Give answer in short (any THREE): 4×3

a. What is price elasticity of demand?

b. What is an isoquant?

c. How does consumer attain equilibrium under IC approach?

d. Explain the scope of micro economics and macro economics.

3) a. How are TR, AR and MR curves derived under perfect competition? 10

OR- Describe the equilibrium of monopolist firm

b. Describe the law of return to scale. 10

OR- What are the various concepts of short run cost? Explain.

4) Write short notes on: 4×3

a. Law of demand

b. Marginal rate of substitution

c. Purpose of demand forecasting

5) Identify the correct and incorrect statement with proper reasons. 1.5×4

a. Nepal Rastra Bank is a profit seeking institute.

b. Agriculture is the back bone of Nepalese economy.

c. Economic growth and economics development are same.

d. Macro economics is also called income and employment theory.

6) write short notes on (any THREE): 4×3

a. Composition of Nepalese foreign trade.

b. Explain difficulties in measuring national income in Nepal.

- c. What are the problems of agriculture marketing in Nepal?
- d. Describe the causes of inflation
- 7) a. What is multiplier? How is it derived?
OR- What is GNP and GDP? How is it measured from expenditure method?
- b. What are the features of current HMG industrial policy-1992? 10
OR- Explain the objectives of fiscal policy in under developed countries like Nepal.
- 8) Write short notes on (any THREE): 4×3
- a. Write down the sources of agriculture finance.
- b. Explain the traditional functions of Nepal Rastra Bank.
- c. Explain the planned development effort of HMG/N.
- d. Highlight the problems of tourism industry.

Dec 2003 (economics)

Attempt all questions.

- 1) Identify the correct or incorrect statements with proper reasons. 1.5×4=6
- a. Iso- quant convex to the origin.
- b. Under monopoly, the demand curves slopes negative.
- c. Firm and industry are identical incase of perfect competition.
- d. A rational producer seeks his production at a point where average product is zero.
- 2) Give answer in short (anyTHREE): 4×3=12
- a. What are the conditions for the price discrimination?
- b. Explain any two non statistical method of demand forecasting.
- c. How is the price elasticity computed by point method?
- d. Explain the production function.
- 3) a. Define indifference curve. What are its properties? 2+8
OR- State and explain the law of substitution with the help of diagram. 4+6
- b. Explain the nature of short run total cost curves. 10
OR-How are the price and the output determined under monopolistic competition in long run? 2+8
- 4) Write short notes on (any THREE): 4×3=12
- a. Returns to Scale
- b. Micro and macro economics
- c. Law of supply
- d. Scope of micro economics
- 5) Identify the correct and incorrect statement with proper reasons. (1.5×4=6)
- a. Credit creation is higher with a lower with a lower cash reserve ratio.
- b. The incidence of rural poverty is greater than urban poverty.



- c. Economic growth and economic development are same.
- d. Monetary policy is issued and implemented by Finance Ministry in Nepal.
6. Give answer in short (any THREE): 4×3=12
- a. State the prospect of tourism industry in Nepal.
- b. What are the effects of inflation on distribution? Explain any three.
- c. What are the problems of agriculture marketing in Nepal? Explain any three.
- d. What are the causes of poverty in Nepal? Explain any three.
7. a. Explain the process of plan formulation in Nepal. 10
- OR- Define fiscal policy. What are its objectives? 2+8
- b. How is the national income computed by expenditure method? 2+8
- OR Define business cycle. Explain its various phases. 4×3=12
8. Write short notes on (any THREE):
- a. World Trade Organization(WTO)
- b. Balance of Payment
- c. Functions of Nepal Rastra Bank
- d. Multiplier

Economics(New)

June 2004(Economics)

Attempt all questions.

- 1) Identify the correct or incorrect statements with proper reasons. 1.5×4=6
- a) Macro economics is also called income and employment theory.
- b) Price discrimination is possible under perfect competition.
- c) Under perfect competition, demand curves of firm slopes downward from left to right.
- D) Fixed costs are avoidable costs.
- 2) Give answer in short (any THREE): 4×3=12
- a) What are the causes responsible for the operation of law of demand?
- b) What are the conditions for monopolistic competition? Explain any four.
- c) Explain the scope of the macroeconomics.
- d) Describe the short run equilibrium of firm under monopoly.
- 3.a) How does production behave in short run? Explain with reference to law of variable proportion.
- OR- How is long run average cost (LAC) curve derived? Explain. 10
- b) Define price elasticity of demand. What are its types? How is it computed by arc method? 2+6+2
- OR- Define demand forecasting. What are the statistical methods of demand forecasting? 2+8
- 4) Write short noted on (any THREE): 4×3=12
- a) Diminishing marginal rate of substitution.
- b) Relation between AR and MR

- c) Return to scale
- d) Relation between Ac and MC
- 5) Identify the correct and incorrect statement with proper reasons. 1.5×4=6
- a) Expenses on construction of residential building are included on private domestic investment.
- b) There is high potentiality of tourism industry in Nepal.
- c) Every rise in price level is inflationary.
- d) Planning effort of economic development was started after the restoration of multiparty democracy system in 1990 A.D.
- 6) Write short notes on (any THREE): 4×3=12
- a) What are the objectives of monetary policy? Explain any two.
- b) State the institutional sources of agricultural credit.
- c) Distinguish between balance of payments and balances of trade.
- d) What types of difficulties are encountered in the measurement of national income in under developed countries like Nepal.
- 7.a) What are the characteristics of Industrial policy (1992)? 2+8=10
- OR- Explain the process of plan formulation.
- b) Define inflation. What are its economic effects? 2+8=10
- OR- Explain the process of income propagation in two sector economy.
8. Write short notes on (any THREE): 4×3=12
- a) Economic growth and economic development.
- b) Tenth five year plan
- c) GDP and GNP
- d) Functions of Nepal Rastra Bank

DEC 2004 (Economics)

Attempt all questions.

(1.5×4=6)

- 1) Identify the correct or incorrect statements with proper reasons.
- a. Firm can change fixed cost of production during short run.
- b. Long run average cost curve (LAC) is also known as envelop curve.
- c. IC convex to the origin.
- d. Law of variable proportions is also called production function with one variable input.
- 2) Answer the following questions in short (any three) (4×3=12)
- a. What are the properties of indifference curve? Explain any two.
- b. Explain any four characteristics of perfect competition.
- c. What are the uses of micro economics in business decision making?
- d. Explain any two non statistical methods of demand forecasting.

- 3.a) Distinguish between movement along a supply curve and shift in supply curve. What are the causes responsible for shifting supply curve? (6+4=10)
- OR- Define TFC,TVC,TC,AFC,AVC and MC. Also explain the relationship between AC and MC.
- b) How are the price and the output determined under discriminating monopoly?
- OR- State and explain the least cost combination of two inputs under fixed total outlay criterion.
- 4) Write short notes on any THREE.
- Budget line
 - Shapes of demand curve under monopoly
 - Income Elasticity of demand
 - Demand function
- 5) Identify the correct and incorrect statements with proper reasons.
- Indirect taxes are not included with GDP at factor cost
 - The incidence of rural poverty is greater than urban poverty.
 - Every rise in price level is not inflationary.
 - The share of agriculture in GDP is very low in Nepal
- 6) Write answer in short any THREE.
- What are the source of long term industrial finance in Nepal?
 - Explain the depression phase of trade cycle.
 - Explain any four problems of agriculture marketing in Nepal.
 - Explain any four economic characteristics of Nepalese economy.
- 7.a) What are the functions of Nepal Rastra Bank?
- OR- Explain the process of plan formulation
- b) How is national income computed by expenditure method?
- OR- State and explain the process of multiplier.
- 8) Write short notes on any THREE.
- Demand pull inflation
 - Human development index (HDI)
 - Composition of foreign trade
 - Tenth five year plan

JUNE 2005 (Economics)

- 1) Identify the correct or incorrect statements with proper reasons. (1.5×4=6)
- The concept of Iso quant and indifference curve are similar.
 - Cardinal approach and Ordinal approach are virtually same.
 - Under perfect competition, demand curve of the firm is downward sloping.
 - Law of demand is base on law of diminishing marginal utility.
- 2) Give answer in short (Any THREE) (4×3=12)



- a. What is the relationship between TR,AR and MR under imperfect competition?
- b. Describe the relationship between AC and MC.
- c. Explain the law of supply.
- d. What are the uses of Micro Economics? Explain any two.
- 3) a. What are the purposes of demand forecasting? Which methods will you select for the demand forecasting of a new product? Explain. (3+7=10)
- OR- What are the necessary conditions for effective price discrimination? Explain the price and output determination under third degree price discrimination. (3+7=10)
- b. What is production function? How does the production behave when more and more unit of variable inputs are combined with the given amount of fixed input? Which stage do you prefer for the operation? (1.5+7+1.5=10)
- OR- What do you mean by consumer's equilibrium? How does consumer attain equilibrium under IC approach? (2+8=10)
- 4) Write short notes (Any THREE) (4×3=12)
- 5) Identify the correct and incorrect statement with proper reasons. (1.5×4=6)
- a. Multiplier is the original contribution of J.M. Keynes in the field of Macro Economics.
- b. Per- capita income is suitable indicator of economic development.
- c. With trade liberalization, size of Nepalese foreign trade has been increasing.
- d. BOP includes only the transaction of visible trade.
- 6) Write short notes on (Any THREE) (4×3=12)
- a. Difference between economic development and economic growth.
- b. Non- institutional/traditional source of agriculture finance.
- c. Current issues of Nepalese foreign trade.
- D. Economics characteristics of Nepalese Economy.
- 7) a. What is inflation? How inflation does affect the economics, social, political and moral life of the society? Explain. (2+8=10)
- OR- What are the various concepts of national income accounting? Explain the various problems in the measurement of national income in under developed countries like Nepal. (5+5=10)
- b) Explain the determination of equilibrium level of income and output in 2 sector economic model with the help of Keynesian Macro Economic framework. 10
- OR- Explain the various efforts made by HMGN for the alleviation of Poverty I Nepal. 10
- 8) Write short notes on (Any THREE). (4×3=12)
- a. Objectives and priorities of Tenth plan
- b. Traditional function of Nepal Rastra Bank
- c. World Trade Organization(WTO)
- d. Balance of Payment and Balance of Trade

Notes:

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DEC 2005 (Economics)

Attempt all questions.

- 1) Identify the correct or incorrect statement with proper reasons. (1.5×4=6)
- Law of demand shows positive relationship between price and quantity demanded.
 - income elasticity of demand is generally related with substitutes and complements.
 - Change in demand is due to the change in factor except price.
 - equilibrium conditions of monopolist and competitive firm are different.
- 2) Answer the following questions in short (any THREE) (4×3=12)
- What is isoquant? What are the various properties of isoquant? State.
 - Explain the relationship between TR, AR and MR under monopoly?
 - Why does a demand curve slope downward from left to right?
 - State the major difference between micro and macro economics.
- 3) a. How does consumer attain equilibrium under ordinal approach? Explain the superiority of ordinal approach over cardinal approach. (6+4=10)
- OR- What are difference between expansion in demand and increase in demand? Explain with example and figure.
- b. Define demand forecasting. What are the statistical methods of demand forecasting? (3+7=10)
- OR- How is equilibrium price determined under perfect competition?
- 4) Write short notes (any three) (4×3=12)
- Production function
 - Law of supply
 - Cross elasticity of demand
 - Monopolistic competition
- 5) Identify correct or incorrect statement with proper reasons. (1.5×4=6)
- Balance of trade and balance of payment are different concepts.
 - Economic growth is a necessary condition for economic development but not sufficient condition.
 - Monetary policy is issued and implemented by Finance Ministry in Nepal.
 - The income earned by domestic people from abroad is included in GDP.
- 6) Answer the following questions in short (Any THREE): (4×3=12)
- Suggest some measures to alleviate poverty.
 - What are the difficulties in measuring national income in Nepal?
 - What are the function of Nepal Rastra Bank?
 - What are the different phrases of trade cycle?
- 7) a. What is multiplier? How is simple multiplier derived? Show that the value of multiplier depends on the value of MPC. (2+6+2=10)
- OR- "Nepal has immense prospects of tourism industry." Explain.
- b. Explain the process of plan formulation. 10
- OR- Explain the objectives of monetary policy.
- 8) Write short notes on (Any THREE) (4×3=12)

- a. Importance of Fiscal Policy
- b. Tenth plan in Nepal
- c. Importance of large scale industry?
- d. Nepal and WTO

December 06, FOE

Attempt all questions:

1. Identify the correct or incorrect statements with proper reasons. (2×5=10)
 - a. Micro economics is also called price theory.
 - b. In the long run all costs are variable.
 - c. The concepts of iso- quant and indifference curves are similar.
 - d. MR curve must cut MC curve from below at the equilibrium point is sufficient condition for profit maximization.
 - e. Extension in demand means more demand at fewer prices.
2. Short answer questions: (any two) (5×2=10)
 - a. Explain the relationship between microeconomics and macroeconomics.
 - b. What is iso- quant? Explain any two properties of iso- quant.
 - c. Explain the relationship between average and marginal revenue curves.
 - d. Explain the law of supply.
3. Long answer questions: (Any two)
 - a. How are the price and the output determined under monopoly in the short run? 10
 - b. What is indifference curve? Explain how consumer attains equilibrium with the help of indifference curve? (3+7=10)
4. Write short notes on: (any two): (5×2=10)
 - a. Fixed cost and variable cost
 - b. Monopolistic competition
 - c. Consumer's surplus
 - d. Marginal rate of technique substitution
5. Identify the correct or incorrect statements with proper reasons: (2×5=10)
 - a. Every rise in price level is inflationary.
 - b. Economic development is not possible without economics growth.
 - c. The income earned by domestic people from abroad is included in GDP.
 - d. Fiscal policy is the concept related to the fund raising and fund spending activities of the government.
 - e. Capital gains are excluded from GDP.
6. Short answer questions: (Any two) (5×2=10)
 - a. Explain how plan is formulated.
 - b. Explain any five major problems of tourism industry in Nepal.

- c. What are the problems of tourism industry in Nepal.
- d. Distinguish between balance of trade and balance of payments.

7. Long answer question.(Any two)

- a. What is Central Bank? How does central bank control credit? (3+7=10)
- b. Define national income. How can it be measured? (3+7=10)
- c. Explain the characteristics of Nepalese Economy. 10
- d. Explain the importance of agriculture in Nepal and also show the problems in development of this sector. (5+5=10)

June 07.FOE

Attempt all questions.

- 1) Identify the correct or incorrect statements with proper reasons. (5×2=10)
 - a. Averages revenue curve under imperfect competition slopes from left to right.
 - b. In short run, all costs are variable.
 - c. Marginal utility is zero when total utility reaches at peak.
 - d. Budget line shows the purchasing power of the consumer.
- 2) Short answer question.(Any two) (2×5=10)
 - a. Explain any two uses of macro economics.
 - b. Define marginal rate of substitution. What are the causes of diminishing marginal rate of substitution?
 - c. Define averages costs and explain the relationship between AC and MC.
 - d. Why does the demand curve slope downward from left to right?
- 3) long answer questions: (Any Two) (2×10=20)
 - a. Define price elasticity of demand. How is it measured with the help of point method?
 - b. What is iso-quant? Explain the concept of least cost combination of two inputs at a given output criterion.
 - c. Define demand forecasting. What are the different techniques of survey method?
 - d. Explain how the price and output are determined under monopoly in the short run.
- 4) Write short notes on: (Any two) (2×5=10)
 - a. Decreasing returns to scale
 - b. MC, MR approach of firm equilibrium
 - c. Average fixed cost and average variable cost.
 - d. Consumer's Surplus
- 5) Identify the correct or incorrect statements with proper reasons. (5×2=10)
 - a. Transfer payments should not be included in measuring national income
 - b. Multiplier is affected by marginal propensity to consume.
 - c. High inflation is favorable to the economy and economic development
 - d. Nepal Rastra Bank is the main source of industrial finance.

e. Agriculture sector is considered as the backbone of Nepalese Economy

6) Short answer question: (Any two) (2×5=10)

a. Discuss the role of Nepal Rastra Bank in the development of banking sector

b. Explain any five characteristics of Nepalese economy

c. Explain any five prospect of Tourism Industry.

d. Explain any five major problems of foreign trade in Nepal.

7) Long answer question. (Any two) (2×10=20)

a. Explain the process of plan formulation in Nepal

b. Discuss the objective of monetary policy in developing countries like Nepal.

c. Explain the source of agriculture finance in Nepal.

d. Explain effect of inflation on production and distribution of income and wealth.

8) Write short notes on: (Any two) (2×5=10)

a. Investment Multiplier

b. investment Multiplier

c. Poverty alleviation programmers' in Nepal

d. SAPTA

December 07, FOE

Attempt all questions.

1) Identify the correct or incorrect statements with proper reasons. (5×2=10)

a. Macro economics is a study of aggregates.

b. Rise in quantity demanded due to fall in price is known as increase in demand.

c. All factors of production in long run are variables.

d. Marginal utility is zero when total utility reaches at maximum

e. The firm and the industry are not the same in the monopoly market.

2) Short answer questions. (Any two): (2×5=10)

a. Explain any three properties of iso-quants.

b. What are the characteristics of perfect competition market? Explain any four.

c. Define elasticity of demand. How is it measured by 'Arc method'?

d. Distinguish between average fixed cost and average variable cost.

3) Long answer questions. (Any two) (2×10=20)

a. Define microeconomics. Explain the various uses of microeconomics.

b. Explain how the price and the output are determined under monopolistic competition in the short run.

c. How the consumer attains equilibrium with the help of an indifference curve?

d. Define supply. Explain its determinants.

4) Write short notes on. (Any two) (2×5=10)



- a. TR,TC approach of the firm equilibrium under Perfect competition.
 - b. Law of demand
 - c. Accounting cost and economic cost.
 - d. Relation between averages reserve and marginal revenue.
- 5) Identify the correct or incorrect statements with proper reasons. (5×2=10)
- a. WTO is a challenge to Nepal
 - b. Fiscal policy is related to control and regulate the money supply in the country.
 - c. Net export (X-M) is a part of GDP
 - d. Balance of payments and balance of trade are the same concepts.
 - e. Inflation can be controlled by purchasing the bonds and the central bank
- 6) Short answer questions (Any Two) (2×5=10)
- a. Explain the importance of Central Bank of Nepal for development.
 - b. Elaborate about trade diversification
 - c. "Agriculture sector is considered as the backbone of Nepalese economy" Why?
 - d. Explain the depression phase of trade cycles.
- 7) Long question answer. (Any two) (2×10=20)
- a. Define poverty. Suggest measures to alleviate poverty.
 - b. Define GNP. Describe its accounting methods?
 - c. Explain key constraints in Nepalese economy. Discuss any three constraints for policy suggestions.
 - d. State the role of monetary policy in developing countries.
- 8) Write short notes. (Any two) (2×5=10)
- a. Comparison between Macro and Micro economics
 - b. Objectives and targets of 10th plan.
 - c. Relation of multiplier with MPC
 - d. Objectives of fiscal policy

June 08, FOE

Attempt all questions:

1. Identify the correct or incorrect statement with proper reasons. (5×2=10)
 - a. Supply curve slopes upward to the right.
 - b. All factors of production are variation in long run.
 - c. Marginal utility is negative when total utility declines from the peak.
 - d. Micro economics is the microscopic study of the economy
 - e. Budget line shows the purchasing power of the consumer.
2. Short answer questions (Any two): (2×5=10)
 - a. Decline explicit costs and implicit costs with suitable examples.
 - b. Distinguish between law of variable proportions and law of returns to scale.



- c. Explain any three properties of indifference curves.
- d. Explain any two technique of survey method of demand forecasting.
3. Long answer questions. (Any Two): (2×10=20)
- a. Explain the producer's equilibriums condition with the help of iso quant under given production quota.
- b. Explain the relationship between AR and MR.
- c. How are the price and the output determined under monopoly in short run?
- d. Explain the price elasticity of demand. What are its types?
4. Write short notes on. (Any two): (2×5=10)
- a. Causes of decreasing return to scales
- b. Cross elasticity of demand
- c. MC, MR approach of equilibrium of a perfectly competitive firm.
- d. Relation between AC and MC
- 5 Identify the correct or incorrect statements with proper reasons. (5×2=10)
- a. Services of housewives are included in national income.
- b. Taxes should be reduced to control inflationary pressure in the economy.
- c. Balance of Payments includes only visible items.
- d. Macroeconomics is also called aggregative economics.
- e. Agriculture is the backbone of Nepalese economy.
6. Short answer questions: (Any two) (2×5=10)
- a. State the difference between macro and micro economics
- b. Explain the four causes of poverty.
- c. Explain any five features of Nepalese economy.
7. Long answer questions. (Any two) (2×5=10)
- a. Define trade cycles. Explain its prosperity phase.
- b. Explain the demand pull inflation.
- c. Critically discuss. Tenth Plan of Nepal for Millennium Development Goal.
- d. State the problems of foreign trade.
8. Write notes on.(Any two) (2×5=10)
- a. Monetary policy
- b. Difficulties in the measurement of national income
- c. Importance of small scale industries
- d. SAFTA

December 08. FOE

Attempt all questions:

- 1) Identify the correct and incorrect statements with proper reasons: (5×2=10)



- i. The problem of unemployment is a micro economic issue.
- ii. Total fixed cost (TFC) increases when the level of output increases.
- iii. A firm under perfect competition will not lower the price to increase its sales.
- iv. Indifference curve is convex to the origin.
- v. All inputs are variable in long run.

2) Short answer questions. (Any two) (2×5=10)

- i. Explain the law of demand with suitable examples.
- ii. What are the characteristics of monopoly market?
- iii. Distinguish between accounting costs and economic costs.
- iv. Explain the law of increasing return to scale. Why does this law operate in the long run?

3) Long answer question (Any two) (2×10=20)

- i. Define price elasticity of demand. How is it measured with the help of total outlay method?
- ii. What is consumer's equilibrium? How the consumer attains equilibrium position with the help of an indifference curve?
- iii. How are the price and the output determined under monopolistic competition in the long run?
- iv. Explain the law of variable proportions.

4) Write short notes on (any two) (2×5=10)

- i. Sample survey method of demand forecasting
- ii. Relation between AC and MC
- iii. Determinants of supply
- iv. Revenue curves under perfect competition

5) Identify correct or incorrect statements with proper reasons: (5×2=10)

- i. Balance of payments includes all economic transactions.
- ii. Income earned from illegal activities are included in National income
- iii. During inflation, saving are increased
- iv. Institutional sector provides adequate finance in Nepalese agriculture

6) Short answer questions. (Any two) (2×5=10)

- i. What are the difference between central bank and commercial banks?
- ii. Explain any four problems of Nepalese agriculture.
- iii. Briefly explain the importance of tourism in economic development.
- iv. How does fiscal policy correct the adverse balance of payments?

7) Long answer questions.(Any two) (2×10=20)

- i. How is national income computed by production method?
- ii. Define trade cycle. Explain its prosperity phase
- iii. Discuss the characteristics of a developing country.
- iv. Define multiplier and show the size of the multiplier varies directly with the size of the marginal propensity to consume.

8) Write short notes on. (Any two) (2×5=10)

- i. WTO and Nepal
- ii. Open and suppressed inflation
- iii. Quantitative instruments of credit control
- iv. Relative poverty and absolute poverty

June 2009, FOE/ Foundation

Attempt all questions.

Question No 1

Identify the correct or incorrect statement with proper reasons:

5×2=10

- a) Micro economics is also called price theory.
- b) Demand curve slopes downward from left to right.
- c) Higher indifference curve represents higher level of satisfaction than lower one.
- d) Under monopolistic competition, the firm is a price maker.

Question No 2.

Short answer questions(Any Two)

2×5=10

- a) "Supply varies positively with price". Identify.
- b) Explain any three importance of macroeconomics.
- c) Explain that product differentiation and selling costs are two fundamental characteristics of monopolistic competition.
- d) What are the types of cross elasticity of demand?

Question No. 3

Long answer questions(Any Two)

- a) Define indifference curve. How does consumer attain equilibrium with the help of indifference curves? 2+8=10
- b) Derive and define LAC. Why is it U-shaped? 7+3=10
- c) Explain the law of variable proportions. 10
- d) Derive short run supply of a firm under perfect competition. 10

Question No 4.

Write short notes on (Any Two):

2×5=10

- a) Fixed costs and variable costs.
- b) Law of decreasing returns to scale.
- c) Complete Enumeration method of demand forecasting.
- d) Individual and market demand curve.

Question No 5

Identify correct or incorrect statements with proper reasons:

(5×2=10)

- a) Government increases tax rate to control inflation.
- b) Value of intermediate goods is included while accounting the national income.



- c) Agriculture Development Bank is the only institution to provide agriculture finance in Nepal.
- d) Marginal propensity to consume is always less than one.
- e) Nepalese economy is dualistic in nature.

Question No.6

Short answer questions (Any Two)

- a) What are the problems of Nepalese agriculture? Explain any four. 1+4=5
- b) Explain any four importance of cottage and small scale industry. 5
- c) Explain any four prospects of Tourism industry in Nepal. 5
- d) Briefly explain the functions of commercial banks of Nepal. 5

Question No 7.

Long Answer questions (Any Two):

- a) Define poverty and explain the causes of poverty in Nepal. 3+7=10
- b) Explain the theory of cost push inflation. What are its causes? 5+5=10
- c) Define national income. How can it be measured by income method? 2+8=10
- d) Describe the various economics development indicators. Which one do you think appropriate for Nepal? Give reasons. 8+2=10

Question No8

Write short notes on (Any Two):

- a) SAFTA
- b) Investment multiplier
- c) Balance of trade and balance of payments
- d) Prosperity phase of trade cycle

2×5=10**December 2009. FOE/ Foundation**

Attempt all questions.

1. Identify the correct or incorrect statements with proper reasons. 5×2=10
 - a) Macroeconomics is also called income and employment theory.
 - b) Responsiveness of the demand to change in the price of a commodity is known as price elasticity of demand.
 - c) Owner's land for factory is an examples of explicit cost.
 - d) Firms under monopolistic competition obtain only profit in the long run.
 - e) "Demand" and "Desire" give the same meaning in economics.
2. Short Answer Questions(Any Two): 2×5=10
 - a) Explain the scope of micro economics.
 - b) Explain any four properties of indifference curve
 - c) Define positive income elasticity of demand and explain its various types.
 - d) Explain the characteristics of monopoly market.

3. Long answer questions (Any Two):
- a) Define iso quant curve. What are its properties? 2+8=10
 - b) Explain the behavior of AFC, AVC and AC. 10
 - c) Define supply. Explain the determinants of supply. 2+8=10
 - d) Explain the short run equilibrium of a firm under monopolistic competition. 10
4. Write short notes on (Any Two): 2×5=10
- a) Marginal rate of substitution
 - b) Limitation of law of variable proportion
 - c) Demand forecasting
 - d) Total outlay and price elasticity of demand
5. Identify correct or incorrect statement with proper reasons: 5×2=10
- a) Custom duty is an example of indirect tax.
 - b) When aggregate consumption increases at a constant rate, MPC remains constant.
 - c) Economic development is a broader term than economic growth
 - d) Capital gains are excluded from GDP.
 - e) Agriculture Development Bank is the only institution to provide agriculture finance in Nepal.
6. Short Answer Questions (Any Two): 2×5=10
- a) Differentiate between GDP at current market price and GDP at constant price.
 - b) Explain the tool of monetary policy.
 - c) What are the problems of tourism industry in Nepal?
 - d) Define demand pull inflation. How can it be controlled by monetary policy?
7. Long Answer Questions (Any Two):
- a) Define agriculture marketing. What are problems of agriculture marketing in Nepal? 2+8=10
 - b) Explain the function of Nepal Rastra Bank. 10
 - c) Describe the various development indicators. Which one do you think appropriate for Nepal? 4+6=10
 - d) Define depreciation phase of trade cycle. How can it be removed by fiscal policy? 10
8. Write short notes on (Any Two): 2×5=10
- a) Expenditure method of national income accounting
 - b) Non institutional source of agricultural finance
 - c) Cottage & small scale industry
 - d) SAFTA

June 2010, FOE/Foundation

1. Identify the correct or incorrect statements with proper reasons: 5×2=10
- a) Increment in average income of private and public sector employees causes shift in demand curve of Mobil phone sets.

- b) Marginal product decreases when total product increases at a diminishing rate.
- c) LAC is 'U' shaped rather than 'L' shaped.
- d) Under monopoly the average revenue curve slopes parallel to X-axis.
- e) Profit is a temporary surplus according to the innovation Theory of Profit.

2. Short answer questions (Any Two): 2×5=10

- a) Explain Law of supply
- b) Explain any four uses of micro economics.
- c) Describe the objectives of Price discrimination.
- d) Explain the characteristics of oligopoly market.

3. Long answer questions (Any Two): 2×10=20

- a) Elaborate the main points of difference between micro and macro economics.
- b) Explain the term elasticity of Demand. Explain how price elasticity of demand is measured by Arc Method.
- c) Explain the concept of short run costs.
- d) How are the price and the output determined under monopolistic competition in long run?

4. Write short notes on (Any Two): 2×5=10

- a) TR,MR and AR
- b) Sample survey method of Demand Forecasting
- c) Accounting Cost & economics Cost
- d) Monopoly

5. Identify correct or incorrect statements with proper reasons: 5×2=10

- a) Secondhand sales are excluded from GDP_{FC}
- b) MPC is never equal to one
- c) Demand pull inflation results economic expansion.
- d) Composition of foreign trade means the list of names of importers and exporters.
- e) As a member of WTO, Nepal has to abandon trade protection policy.

6. Short Answer Questions (Any Two): 2×5=10

- a) What types of difficulties are encountered in the measurement of GDP? Explain any four.
- b) Explain any four features of Nepalese economy.
- c) Problems of Tourism Industry in Nepal
- d) Explain any four causes of poverty

7. Long answer questions (Any Two): 2×10=20

- a) What are the determinants of marginal efficiency of capital?
- b) Define poverty. Suggest some measures to alleviate poverty.
- c) What is Agriculture Marketing? What are problems of marketing in Nepal?



d) Describe the various Development Indicators with examples.

8. Write short notes on (Any Two):

2×5=10

a) Types of monetary policy

b) Globalization

c) Traditional sources of agri- finance

d) SAFTA

December 2010, FOE/Foundation

Attempt all questions.

1. Identify the correct or incorrect statements with proper reasons.

5×2=10

a) An iso- cost line shoes the investment capacity of the producer.

b) Under monopolistic competition firms obtain only normal profit in long run.

c) Supply curve slopes upwards to the right.

d) Demand is the flow concept.

e) Microeconomics is the microscopic study of the economy.

2. Short answer questions (Any Two):

a) Explain the production function.

5

b) What are the determinants of supply? Explain any four.

5

c) What are the causes for the operation of the law of increasing to scale?

5

d) How is market demand curve derived from individual demand curve?

5

3. Long answer questions. (Any Two):

a) Define monopoly. How are the price and the output are determined under it in short run?
2+8=10

b) Define indifference curve. What are its properties?

2+8=10

c) Define microeconomics. What are its types?

1+9=10

d) Explain the behavior of short run average cost curves.

10

4. Write short notes on (Any Two):

2×5=10

a) Cross elasticity of demand

b) Shapes of revenue curves under perfect competition

c) Budget line

d) Market supply curve

5. Identify the correct or incorrect statements with proper reasons:

5×2=10

a) Debtors gain during inflation.

b) Taxes should be reduced to control inflationary pressure in the economy.

c) the size of Multiplier varies positively with the size of MPC.

d) Capital gains are excluded from GDPFC.

e) Economic development is a broader term than economic growth.

6. Short answer questions. (Any Two):

- a) Explain the circular flow of income and expenditure in a two sector economy. 5
- b) Distinguish between balance of trade and balance of payments. 5
- c) What are the problems of Nepalese agriculture? Explain any four. 1+4=5
- d) Define fiscal policy. How does it help to achieve full employment and economic growth? 1+4=5

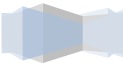
7. Long answer questions. (Any Two):

- a) Explain the problems of agricultural marketing in Nepal and suggest remedial measures to solve these problems. 6+4=10
- b) Define tourism industry. Explain various prospects of tourism industry. 2+8=10
- c) Define GDP_{mp}. How is it computed by value added method? 2+8=10
- d) Explain the main functions of commercial bank in Nepal. 10

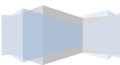
8. Write short notes on (Any Two):

- a) Absolute and relative poverty 2×5=10
- b) Composition and direction of foreign trade
- c) Investment multiplier
- d) SAFTA

Notes:

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Lined writing area with a large diagonal watermark reading 'EIA SCANNER'.



CAP-I Examination Questions**June 09, FOE/ CAP-I***Attempt all questions.*Part A'

- 1) Answer the following questions. (Any Two)
 - i. Define price elasticity of demand. How is it measured with the help of total outlay method? (3+7=10)
 - ii. What is monopolistic competition? How are the price and output determined under it in long run? (2+8=10)
 - iii. Explain the law of variable proportions. Does it apply only in agriculture? (7+3=10)
- 2) Answer the following questions. (Any Three)
 - i. Explain the shape of revenue curves under perfect competition.
 - ii. What are the uses of microeconomics? Explain any four.
 - iii. Explain the principle of diminishing marginal rate of substitution.
 - iv. What are the sources of loan able funds?
- 3) Answer the following:
 - a) Justify the following statements with appropriate reasons. (Any three)
 - i. Macroeconomics is also called income and employment theory.
 - ii. The VMPL curve slopes downward to the right.
 - iii. The short run AC curves is U-shaped.
 - iv. Monopoly firm is a price maker.
 - b) Write short notes on. (Any Three)
 - i. Accounting cost and economic cost
 - ii. Economic rent and contract rent
 - iii. Linear and non linear supply functions
 - iv. Production possibility curve

Part B

- 4) Answer the following questions. (Any Two)
 - i. Define poverty. What are the causes of poverty in Nepal?
 - ii. Define poverty. What are the causes of poverty in Nepal?
 - iii. Define expansionary and contractionary monetary policy. Which policy would you suggest to contract economic recession? Give reasons.
- 5) Answer the following questions (Any Three):
 - i. What are the functions of financial intermediaries?
 - ii. Explain the Psychological law of consumption function.
 - iii. Define fiscal policy. How does it help to achieve full employment and economic growth?
 - iv. What are the characteristics of Nepalese agriculture? Explain any four.
- 6) Answer the following:

a) Justify the following statements with appropriate reasons (Any Three)

- i) Induced investment varies positively with the level of income.
- ii) Nepalese economy is dualistic in nature.
- iii) Economic development is wider term than economic growth.
- iv. Capital gains are excluded from GDP at factor cost.

b) Write short notes on (Any Three)

- i. Principles of WTO
 - ii. Economic Liberalization
 - iii. Mixed economy
 - iv. Cyclical and disguised unemployment
-

December 09,FOE/CAP-I

Attempt all questions.

Part 'A'

1. Answer the questions (Any Two)

- a) Define income elasticity of demand. What are its types?
- b) Explain the laws of returns to scale.
- c) Define monopoly. How are the price and the output determined under it in long run?

2) Answer the following questions (Any Three)

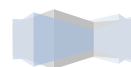
- a) Define the budget line.
- b) Explain the uncertainty theory of profit.
- c) Define micro economics. What are its uses? Explain any three
- d) Distinguished between fixed cost and variable cost.
- e. Explain the shape of revenue curve under perfect competition.

3.a) Justify the following statements with appropriate reasons.

- i. Land is the passive factor of production.
- ii. IQ convex to the origin
- iii. When TVC increases at a diminishing rate. MC decreases.
- iv. All firms, under monopolistic competition earn only normal profit in long run.
- v. When firms, hire more or more units of labour, value of marginal productivity of labour obtained from each successive unit goes on falling.

b) Write short notes on (Any Four)

- i. Law of supply
- ii. Oligopoly
- iii. Production
- iv. Scarcity
- v. Liquidity preference



Part'B'

4) Answer the following questions(Any Two):

- Define consumption function. What are its determinants?
- Evaluate the role of agriculture in Nepalese economy and critically examine the problems of Nepalese agriculture.
- Define fiscal policy. What are its objectives?

5) Answer the following questions (Any three)

- What are the arguments for protectionism? Explain any four.
- What are the importance of small and cottage industry? Explain any four.
- Define monetary policy. Explain its any four instruments.
- explain the role of economic liberalization in Nepalese economy.
- What are the effects of inflation on production?

6. a) Justify the following statements with appropriate reasons.

- Open market operation is the source of expand or contract of money supply
- Transfer payments are excluded from GDP
- Demand pull inflation result economic expansion
- Macro economics in the study of aggregates
- The MPC of poor is greater than that rich

b) Write short notes on (Any four)

- Balance of payment
- Direct and indirect taxes
- SAFTA
- Poverty
- Gross domestic product at market price

June 2010. FOE/CAP-I

Attempt all questions.

Part'A'

1. Answer the following questions. (Any Two):

- What is indifference curve? Explain with its properties. (2+8=10)
- Explain the behavior of short run total cost curves (TFC,TVC and TC.) 10
- Explain price and output determination under perfect competition in short run. 10

2. Answer the following questions (Any Three):

- Explain the slope of revenue curves under monopoly. 5
- Explain the production function. 5
- Explain the uncertainty bearing theory of profit. 5
- What are the differences between micro and macro economics? Explain any four.5

- e. Explain the law of demand. 5
2. a) Justify the following statements with appropriate reasons. (5×1=5)
- Under perfect competition, marginal revenue curve coincide with average revenue curve.
 - Total fixed cost curve slopes as parallel to X-axis.
 - Joint Stock Company is an artificial person.
 - Firm under monopolistic competition, earns only normal profit in long run.
 - Demand is a flow concept.
- b) Write short notes on (Any two): (4×2.5=10)
- Money wage and real wage
 - Elasticity of supply
 - Law of diminishing
 - Oligopoly
 - Shift in supply curve

Part- 'B'

4. Answer the following questions. (Any Two):
- What do you mean by developing country? What are its characteristics? Discuss. (2+8=10)
 - What is investment and explain its determinants? (2+8=10)
 - Define inflation. How can it be controlled by monetary and fiscal by policies? (2+4+4=10)
- 5 Answer the following questions (Any Three):
- What are the instruments of monetary policy? 5
 - Explain the value added method of measuring GDP_{mp}. 5
 - Define deficit financing. Explain its any four importances. (1+4=5)
 - What are the poverty alleviation measures? Explain any Four (1+4=5)
 - Explain the causes of backwardness of Nepalese agriculture. 5
6. a. Justify the following statements with appropriate reasons. (5×1=5)
- GDP is narrow term than GNP.
 - Central Bank is the banker's bank
 - Deficit finance helps to increase inflation.
 - Macro economics is also known as income and employments theory.
 - BOP is a broader term than BOT.
- b. Write short notes on (Any Four): (4×2.5=10)
- Direction of foreign trade in Nepal
 - Investment multiplier
 - Personal income and disposal income
 - Proportional tax and progressive tax
 - Say's law of market

Notes:

December 2010, FOE/CAP-IAttempt all questions. **Part-'A'**

1. Answer the following questions (Any two):

- a) Define micro economics. Explain the uses of micro economics in business decisions (2+8=10)
- b) Illustrate law of variable proportions with example. 10
- c) Explain the law of diminishing marginal utility. What are the assumptions of this law? (7+3=10)

2. Answer the following questions. (Any Three):

- a) Explain the uncertainty theory of profit. 5
- b) Explain elasticity of supply. 5
- c) Explain diagrammatically how a firm under perfect competition attains equilibrium under MR and MC approach. 5
- d) Explain the decreasing return to scale with the help of an iso quant curve. What are the causes of it? 5
- e) Relationship between MC and AC. 5

3. (a) Justify the following statements with appropriate reasons. (5×1=5)

- i) Scarcity refers to the availability of resources in a small quantity.
- ii) Indifference curve does not intersect each other.
- iii) All competitive firms are price takers.
- iv) Monopoly firm always earns supernormal profit.
- v) Demand forecasting is an important tool of business decision.

(b) Write short notes on (Any Four): (4×2.5=10)

- i) Price elasticity of demand
- ii) Efficiency of labour
- iii) Production function
- iv) Revenue curves under imperfect competition
- v) Monopoly marker

Part- 'B'

4. Answer the following questions. (Any Two):

- a) Define poverty. Suggest measures to alleviate poverty (5+5=10)
- b) Explain 'Consumption Function.' Explain the subjective factors of consumption function. (5+5=10)
- c) Explain the measurement difficulties of national income in developing countries. 10

5. Answer the following questions (Any Three):

- a) Explain the role of banking system. 5
- b) What are the arguments in favor of free trade policy? Explain any four. 5

- c) Discuss the any four objectives of fiscal policy. 5
- d) Describe any five characteristics of Nepalese agriculture. 5
- e) How can GNP be measured with the help of value added method? 5
6. (a) Justify the following statements with appropriate reasons. (5×1=5)
- Macroeconomics is also known as income and employment theory.
 - Central bank is advisor of the government.
 - Free trade widens the market.
 - The MPC of the poor is greater than that of the rich.
 - Capital gains are excluded from GDP.
- (b) Write short notes on (Any Four): (4×2.5=10)
- World Trade Organization (WTO)
 - Income Tax
 - Economics development and economic growth
 - Inflation
 - GDP at constant prices

June 2011, FOE/CAP-I

Attempt all questions.

Part "A"

1. Answer the following questions (Any Two):
- Define price elasticity of demand. How is it computed by point method? (4+6=10)
 - Explain the law of diminishing return. Does it apply only to agriculture? (8+2=10)
 - Explain how price and output are determined under monopolistic competition in the long run? 10
2. Answer the following questions. (Any Three)
- State the difference between micro economics and macro economics. 5
 - Define and derive the marginal rate of substitution. 5
 - Define Explicit Cost and Implicit Cost. 5
 - How is the internal determined according to the liquidity preference theory of interest? 5
 - Show the relationship between AR and MR under different market structure. 5
3. a. Justify the following statements with appropriate reasons. (5×1=5)
- Production possibility curve always concave to origin.
 - Supply curve slopes upward from left to right.
 - Isoquants do not intersect each other.
 - Average Revenue curve (demand curve) of monopolistic market is flatter than monopoly market.
 - Law of diminishing marginal rate of substitution is considered superior than law of diminishing marginal utility,
- b. Write short notes on (Any Four): (4×2.5=10)
- Arc method of measuring price elasticity of demand.
 - Shift in demand curves

- iii. Marginal product
- iv. Constant returns to scale
- v. Monopoly market

“Part B”

4. Answer the following questions (Any Two)
- a. What is national income and how can it be measured? (2+8=10)
 - b. Explain the role of banking system in economy. 10
 - c. What is protectionism? Explain the arguments in favour of protectionism. (2+8=10)
5. Answer the following questions (Any Three)
- a. What are the causes of poverty in Nepal? Explain any four. 5
 - b. Explain the role of monetary policy in developing countries. 5
 - c. Differentiate between direct tax and indirect tax. 5
 - d. What are the problems of Nepalese foreign trade? 5
 - e. Explain the concept of Balance of Trade and Balance of Payments. 5
- 6.a) Justify the following statements with appropriate reasons. (5×1=5)
- i. The Income earned by domestic people from abroad is included in GDPP.
 - ii. Central Bank is a profit seeking institute.
 - iii. Tax rates should be reduced to control inflationary pressure in the economy.
 - iv. Nepalese economy is dualistic in nature.
 - v. Agriculture is the backbone of Nepalese economy.
- a. Write short notes on (Any four) (4×2.5=10)
- i. Circular flow of income in simple economy
 - ii. Consumption function
 - iii. Progressive Tax
 - iv. SAFTA
 - v. World Trade Organization

Dec 2011Economics/CAP-I

Attempt all questions.

PART 'A'

1. Answer the following questions (Any Two):
- a) Define demand function. How can demand analysis be used in business decision making? (3+7=10)
 - b) Illustrate the law of return to scale with example. 10
 - c) What is short run cost? Explain with its types. (2+8=10)
2. Answer the following questions (Any THREE)
- a) Explain various uses of micro economics. 5
 - b) Discuss the shapes of AR curve under monopoly. 5
 - c) How can price and output be determined under monopoly in short run? 5
 - d) Explain the risk theory of profit. 5
 - e) Show the difference between gross profit and net profit. 5
- 3.a) Justify the following statements with appropriate reasons. (5×1=5)
- i) Choice is a method to address scarcity problem.

- ii) Demand curve always slopes downward from left to right.
- iii) Supply curve is downward sloping.
- iv) Long run average cost curve is also called envelop curve.
- v) A competitive firm only earns normal profit in long run.

b) Write short notes on. (Any Four)

(4×2.5=10)

- i) production Possibility Curve
- ii) Average revenue and Marginal revenue
- iii) Total Fixed Cost (TFC)
- iv) Demand Forecasting
- v) Conditions for Monopolistic Competition

PART 'B'

4. Answer the following questions (Any Two):

(3+7=10)

- a) Define inflation. What will be appropriate measures to control; it? 10
- b) Explain the objectives of fiscal policy in under developed countries like Nepal. 10
- c) Define central bank and discuss its various roles. 2+8=10

5. Answer the following questions (Any THREE):

- a) Differentiate between GDP and GNP. 5
- b) What are the causes of cost push inflation? 5
- c) "Saving is vice not a virtue". Illustrate 5
- d) Explain causes of trade deficit in Nepal. 5
- e) What are the problems of foreign trade in Nepal? 5

6.a) Justify the following statements with appropriate reasons.

(5×1=5)

- i) The MPC of the poor is greater than that of the rich.
- ii) Employment in the economy is determined by wage rate according to Keynes.
- iii) Negative balance of payment is always good.
- iv) Nepal Rastra Bank is the lender of the last resort for commercial banks in Nepal.
- v) Monetary policy is issued and implemented by finance ministry in Nepal.

b) Write short notes on (Any Four)

(4×2.5=10)

- i) National income or NNP at factor cost
- ii) Poverty
- iii) Income Tax
- iv) Human Development Index (HDI)
- v) Principle of SAFTA

Notes:

EIA SCANNER

