

# JK LAKSHMIPAT UNIVERSITY, JAIPUR

## INSTITUTE OF ENGINEERING AND TECHNOLOGY

End Term Examination (Regular/Backlog), November 2016  
B. Tech/ M. Tech (as applicable) in ..... Engineering, Semester VII

Roll No.....

COURSE CODE: HS701: Principles of Economics

Time: 3 hours

Max. Marks: 100

### Instructions to students:

1. Do not write anything other than your roll number on question paper.
2. Assume suitable data wherever required and mention it clearly.
3. Writing appropriate units, nomenclature, and drawing neat sketches/schematics/ flow chart wherever, required are an integral part of the answer.

|      |                                                                                                                                                                                                                                                                                                                 |    |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Q.1A | Objective type multiple choice questions (10 questions @ 1 mark)                                                                                                                                                                                                                                                | 10 |
| i.   | Which of the following formula is incorrect?<br>(A) $AVC = TVC/Q$ (B) $MC = \Delta TC / \Delta Q$<br>(C) $MC = \Delta TVC / \Delta Q$ (D) $AC = TVC + TFC$                                                                                                                                                      |    |
| ii.  | Which of the following is not a variable cost?<br>(A) Wages of watchman (B) Rent of the building<br>(C) Advertisement cost (D) All of the above                                                                                                                                                                 |    |
| iii. | Which one of the following is not an example of external economies?<br>(A) Division of labor (B) Managerial economies<br>(C) Risk bearing economies (D) All of the above                                                                                                                                        |    |
| iv.  | There are two goods X and Y. if price of X increases demand for Y decreases these goods are :<br>(a) Complementary (b) Substitutes<br>(c) Inferior (d) Luxury                                                                                                                                                   |    |
| v.   | Slope of normal demand curve:<br>(a) Negative (b) Positive<br>(c) Zero (d) None                                                                                                                                                                                                                                 |    |
| vi   | For which commodity elasticity of demand is greater than one?<br>(a) Luxury goods (b) Necessary goods<br>(c) Consumer goods (d) All of the above                                                                                                                                                                |    |
| vii  | What is bank rate?<br>(A) The rate of interest charged by public sector banks from the general public.<br>(B) The rate of interest on housing loans.<br>(C) The rate of interest on educational loan.<br>(D) The rate at which the RBI discounts the bills of commercial banks.                                 |    |
| viii | During depression, it is advisable to -<br>(A) Lower Bank Rate and Purchase Securities in the market.<br>(B) Increase Bank Rate and purchase securities in the open market.<br>(C) Decrease Bank Rate and sell securities in the open market.<br>(D) Increase Bank Rate and sell securities in the open market. |    |
| ix   | Which one is an example of monopolistic market?                                                                                                                                                                                                                                                                 |    |

|      |                                                                                                          |                                             |    |
|------|----------------------------------------------------------------------------------------------------------|---------------------------------------------|----|
|      | (A) Public utility services<br>(C) Soap industry                                                         | (B) Stock market<br>(D) Cold drink industry |    |
| x    | When supply of a commodity decreases on a fall in its price, it is called_____.                          |                                             |    |
|      | (a) Expansion of supply<br>(b) Contraction of supply<br>(c) Increase in supply<br>(d) Decrease in supply |                                             |    |
| Q.2  | Short answer type questions (4 questions @ 2.5 marks)                                                    |                                             | 10 |
| i    | Define Balance of payment.                                                                               |                                             |    |
| ii   | Define cost.                                                                                             |                                             |    |
| iii  | What is equilibrium price?                                                                               |                                             |    |
| iv   | Define monopoly market.                                                                                  |                                             |    |
| Q.3A | Explain law of demand.                                                                                   |                                             | 05 |
| Q.3B | Explain saving function.                                                                                 |                                             | 05 |
| Q.4A | What is consumption function?                                                                            |                                             | 05 |
| Q.4B | Distinguish between extension of supply and increase in supply.                                          |                                             | 05 |
| Q.5A | What are the causes of inflation?                                                                        |                                             | 05 |
| Q.5B | What are different types of unemployment?                                                                |                                             | 05 |
| Q.6A | Explain central economic problems.                                                                       |                                             | 05 |
| Q.6B | Explain internal economies of scale.                                                                     |                                             | 05 |
|      | OR                                                                                                       |                                             |    |
| Q.6B | Explain external economies of scale.                                                                     |                                             | 05 |
| Q.7A | Distinguish between balance of payment and balance of trade.                                             |                                             | 05 |
| Q.7B | Explain different components of balance of capital account.                                              |                                             | 05 |
|      | OR                                                                                                       |                                             |    |
| Q.7B | Explain different components of balance of current account.                                              |                                             | 05 |
| Q.8A | Explain different types of cost. Use diagram and schedule also.                                          |                                             | 10 |
| Q.9A | What are the different types of exchange rate system? How equilibrium rate of exchange is determined?    |                                             | 10 |
| Q.9B | Explain long run production function.                                                                    |                                             | 10 |
|      | OR                                                                                                       |                                             |    |
| Q.9B | Explain law of variable proportions. Use diagram and schedule also.                                      |                                             | 10 |