REV-01
BEC/08/20

2025/12

SET A

BA ECONOMICS
FIRST SEMESTER
PRINCIPLES OF ECONOMICS
BEC – MIN –911
[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs. **Full Marks: 70**

Objective

Time: 30 mins. **Marks: 20**

Choose the correct answer from the following: ***1×20=20***

1. Your opportunity cost of going to a movie is:
   a. The price of the ticket
   b. Cost of soda and popcorn
   c. Cash expenditure plus value of time
   d. Zero, as long as you enjoy the movie and it is worthwhile use of time and money

2. Economics is best defined as the study of
   a. How society manages its scarce resources
   b. How to run a business most profitably
   c. How to predict, inflation, unemployment and stock prices
   d. How the government can stop the harm from unchecked self- interest

3. Which of the following will cause a rightward shift of the demand curve for tea?
   a. Fall in price of coffee
   b. Rise in price of coffee
   c. Fall in consumer income
   d. Fall in population

4. Adam Smith's " invisible hand" refers to :
   a. The hidden methods that businesses use to profit at consumer's expense
   b. The ability of the free market to reach desirable outcome
   c. The ability of government regulation to benefit consumers
   d. The way in which producers in unregulated markets impose cost on consumers

5. Government may intervene in a market economy to
   a. Protect property rights
   b. Correct a market failure
   c. Achieve a more equal distribution of income
   d. All of the above

6. If a nation has high and persistent inflation, the most likely explanation is
   a. The Central Bank creating excessive amounts of money
   b. Unions bargaining for excessively high wages
   c. The government imposing excessive level of taxation
   d. Firms using their monopoly power to enforce excessive price hike

7. If the demand for a good increases when income rises, it is a:
   a. Giffen good
   b. Inferior good
   c. Normal good
   d. Complementary good

8. The circular flow diagram illustrates that in markets of factors of production,
   a. Households are buyers and firms are sellers
   b. Households are sellers and firms are buyers
   c. Households and firms are both buyers
   d. Households and firms are both sellers

9. A fall in the price of a commodity leads to an increase in quantity demanded. This is known as:
   a. Shift in demand curve
   b. Increase in demand
   c. Decrease in demand
   d. Movement along the same demand curve

10. The demand curve for a normal good slopes downward because:
   a. Marginal utility of money decreases
   b. Income effect and substitution effect work in the same direction
   c. Income effect and substitution effect work in opposite directions
   d. Law of supply operates

11. Water is necessary for life. Is the marginal benefit of a glass of water is large or small.
   a. Large
   b. Small
   c. Average
   d. Cannot say

12. Which goods will a nation typically import?
   a. Those goods in which the nation has an comparative advantage
   b. Those goods in which the nation has an absolute advantage
   c. Those goods in which the other nation has an absolute advantage
   d. Those goods in which the other nation has an comparative advantage

13. Salary of permanent staff is which type of cost?
   a. Variable and implicit cost
   b. Fixed and implicit cost
   c. Variable and explicit cost
   d. Fixed and explicit cost

14. Which curve is not affected by fixed cost?
   a. MC curve
   b. TC curve
   c. AC curve
   d. AFC curve

15. Marginal cost refers to addition to the total cost when one more unit of output is.....
   a. wasted
   b. produced
   c. employed
   d. sold

16. All the curves except.....are U shaped curve.
   a. Average fixed cost curve
   b. Average variable cost curve
   c. Average cost curve
   d. Marginal cost curves

17. In which situation can PPC be a straight line?
    a. When MRT is decreasing
    b. When MRT is increasing
    c. When MRT is constant
    d. None of these

18. PPF is concave to the origin because of:
    a. Increasing MRT
    b. Diminishing MRT
    c. Constant MRT
    d. None of the above

19. Which of the following illustrates a decrease in the unemployment using the PPC?
    a. A movement down along the PPC
    b. A rightward shift of the PPC
    c. A movement from a point on the PPC to a point inside the PPC
    d. A movement from a point inside the PPC to a point on the PPC

20. Law of variable proportion is also known as:
    a. Law of returns
    b. Returns to a variable factor
    c. Law of returns to factor
    d. All of these

-- --- --

Descriptive

Time : 2 Hr. 30 Mins. **Marks : 50**

[Answer question no.1 & any four (4) from the rest]

1. Explain the principles on: 10
   a) How people make decisions in an economy?
   b) How people interact in an economy?

2. a) Explain the main causes of market failure with example. 2×5=10
   b) What does the invisible hand of the markets do?
   c) Why is productivity important?
   d) Give two example of trade- off that you face in your life?
   e) Why should policymakers think about incentives?

3. Define a monopoly market structure. Examine its characteristics. Discuss the three main reasons for the emergence of monopoly. 7+3=10

4. Define a perfectly competitive market and examine its main characteristics. 10

5. a) Define production possibility frontier? 2+3+3+2=10
   b) Why PPF is concave shaped?
   c) What is marginal rate of transformation? Explain with the help of an example.
   d) An economy will always produces on, but not inside a PPF: defend or refute the statement.

6. a) Explain law of variable proportion with schedule and diagram. 6+4=10
   b) What are the reasons for increasing returns to a factor?

7. a) What are the reasons for increasing returns to scale? 5+5=10
   b) Define the relationship between TP, AP and MP.

8. a) Define TC, TVC and MC. 3+7=10
   b) Explain the relationship between TC, TVC, TFC.

= = *** = =