REV-01
BCM/24/30

2025/05

SET A

BACHELOR OF COMMERCE
SIXTH SEMESTER
MANAGERIAL ECONOMICS
BCM – 602
[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. Opportunity cost refers to:
   a. The cost of producing one additional unit
   b. The monetary cost of a good or service
   c. The value of the next best alternative foregone
   d. The total cost of all available alternatives

2. Managerial economics primarily deals with:
   a. Application of economic concepts to business decision-making
   b. The study of national income and inflation
   c. Formulating government fiscal policies
   d. Managing public sector enterprises

3. An increase in consumer income will generally lead to:
   a. A decrease in demand for normal goods
   b. An increase in demand for inferior goods
   c. No change in the demand for any goods
   d. An increase in demand for normal goods

4. The Law of Demand states that, other things being equal:
   a. As price increases, demand increases
   b. As price decreases, supply decreases
   c. As price increases, quantity demanded decreases
   d. Demand and price are not related

5. The main purpose of demand forecasting is to:
   a. Predict future prices
   b. Estimate future demand for a product or service
   c. Analyze the cost of production
   d. Set the price of the product in the market

6. The expert opinion method of demand forecasting is based on:
   a. Statistical data and trends
   b. Judgments and insights from industry experts
   c. Consumer surveys and preferences
   d. Historical sales data

7. Cross elasticity of demand measures the responsiveness of the quantity demanded of one good to a change in the price of:
   a. The same good
   b. A related good, either a substitute or complement
   c. The consumer's income
   d. A factor of production

8. Price elasticity of demand measures:
   a. The change in supply when the price of a good changes
   b. The responsiveness of quantity demanded to a change in income
   c. The responsiveness of quantity demanded to a change in the price of a good
   d. The total revenue generated from the sale of a good

9. Marginal Rate of Substitution (MRS) refers to:
   a. The rate at which a producer substitutes capital for labor
   b. The rate at which a consumer is willing to substitute one good for another while maintaining the same level of satisfaction
   c. The rate of decline in marginal utility
   d. The change in income required to maintain utility

10. Consumer's equilibrium occurs when:
   a. The consumer maximizes total utility given their budget constraint
   b. The consumer has no income left to spend
   c. The price of the goods is equal to the marginal utility
   d. The marginal utility of all goods is equal to zero

11. Which of the following is true about an indifference curve?
   a. It slopes upward from left to right
   b. Indifference curves never intersect
   c. Higher indifference curves represent lower levels of utility
   d. The shape of an indifference curve is always straight

12. The Law of Diminishing Marginal Utility states that as a person consumes more units of a good or service, the:
   a. Total utility increases at an increasing rate
   b. Marginal utility of each additional unit decreases
   c. Price of the good rises
   d. Total utility starts to decline

13. An isoquant curve represents:
   a. The combinations of different inputs that yield the same level of total output
   b. The combinations of outputs produced by a firm at different levels of input
   c. The total cost of producing a given level of output
   d. The difference in output between two firms

14. Under the Law of Variable Proportion, diminishing returns to a factor occur when:
   a. Total product increases at an increasing rate
   b. Marginal product begins to decline
   c. Average product exceeds marginal product
   d. Total product starts to fall

15. Which of the following is a characteristic of perfect competition?
   a. Few sellers dominate the market
   b. Firms have significant control over price
   c. High barriers to entry
   d. Products are homogeneous

16. In a monopoly market structure, the firm:
    a. Has many close substitutes for its product
    b. Is the price taker and cannot influence market prices
    c. Can set the price for its product because it is the only seller in the market
    d. Faces a perfectly elastic demand curve

17. Which of the following best defines Gross Domestic Product (GDP)?
    a. Total income earned by a nation's citizens, including income from abroad
    b. Total market value of all final goods and services produced within a country in a given period
    c. Total value of intermediate goods used in production
    d. Total value of imports and exports of a country

18. What is the formula to calculate Net National Product (NNP) at market prices?
    a. GDP + Net Factor Income from Abroad – Depreciation
    b. GNP – Depreciation
    c. GDP – Depreciation
    d. NDP + Net Factor Income from Abroad

19. The business cycle phase characterized by high employment, rising wages, and increased consumer spending is:
    a. Trough
    b. Contraction
    c. Expansion
    d. Recession

20. The Balance of Payment is:
    a. A record of only imports and exports of goods
    b. A statement of all financial and trade transactions between a country and the rest of the world
    c. A list of government tax collections
    d. A statement showing only foreign investments in a country

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Descriptive

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

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

1. Define managerial economics and explain its scope and nature. Discuss the key economic concepts that form the foundation of managerial decision-making: 1+2+2+5=10
   i) Opportunity cost
   ii) Managerial analysis
   iii) Time value of money

2. What is price elasticity of demand? Describe its different types with suitable examples. 3+7=10

3. Explain the expert opinion method of demand forecasting? Differentiate between its two types- the Delphi technique and the survey of sales force. 5+5=10

4. What is a budget constraint? Discuss its key properties and the factors that cause it to shift. 3+7=10

5. Explain the concepts of consumer's and producer's equilibrium. Examine the conditions for achieving equilibrium in both cases with the help of diagrams. 5+5=10

6. Differentiate between a perfectly competitive market and a monopoly. Support your answer with suitable diagrams 10

7. What is inflation? Explain the different types of inflation. Critically examine the positive and negative effects of inflation on households, businesses, and the overall economy. 2+3+5=10

8. Explain the role of monetary and fiscal policy in managing the economy of India. How do these policies help control inflation and support economic growth? 5+5=10

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