MANAGERIAL ECONOMICS
(CBS2205)

Time Allotted : 2½ hrs **Full Marks : 60**

Figures out of the right margin indicate full marks.

Candidates are required to answer Group A and any 4 (four) from Group B to E, taking one from each group.

Candidates are required to give answer in their own words as far as practicable.

Group – A

1. Answer any twelve: **12 × 1 = 12**

Choose the correct alternative for the following

(i) What happens to total utility when marginal utility is zero?
(a) It increases (b) It remains constant
(c) It decreases (d) It becomes negative

(ii) If the demand for one good increases as the price of another good rises, the two goods are
(a) Complements (b) Substitutes
(c) Unrelated (d) Inferior goods

(iii) The law of diminishing marginal utility states that
(a) Total utility increases at an increasing rate
(b) Total utility decreases with consumption
(c) Additional units of consumption yield decreasing additional satisfaction
(d) All units of a good provide the same level of satisfaction

(iv) Oligopoly is characterized by
(a) Many sellers and buyers
(b) A few large firms dominating the market
(c) Free entry and exit
(d) No price competition

(v) In the long run, firms in a perfectly competitive market earn
(a) Supernormal profit (b) Normal profit
(c) Loss (d) No revenue

(vi) Money supply includes
(a) Only cash in circulation
(b) Only deposits in banks
(c) Cash in circulation and demand deposits
(d) Only government securities

(vii) The policy rate at which commercial banks borrow from the central bank is called
(a) Repo rate
(b) Prime lending rate
(c) Reverse repo rate
(d) Discount rate

(viii) The main objective of India's Foreign Trade Policy (FTP) is to
(a) Increase government spending
(b) Promote exports and economic growth
(c) Reduce foreign investments
(d) Limit the availability of foreign exchange

(ix) The Balance of Payments consists of
(a) Current account and capital account
(b) Revenue account and expenditure account
(c) Import account and export account
(d) Domestic and foreign trade accounts

(x) Which of the following is an example of a variable cost?
(a) Rent of the factory
(b) Interest on loans
(c) Wages of daily laborers
(d) Depreciation of machinery

Fill in the blanks with the correct word

(xi) The slope of an indifference curve is called the ________.

(xii) A consumer is in equilibrium where the budget line is ________ to the highest possible indifference curve.

(xiii) Marginal cost is the change in ________ cost due to the production of one additional unit of output.

(xiv) The contractionary monetary policy aims to reduce money supply to control ________.

(xv) The primary objective of the Foreign Trade Policy is to promote ________ and enhance international trade.

Group - B

2. (a) Define Income elasticity. *[(CO1)(Remember/LOCQ)]*
(b) Distinguish between slope of a demand curve and elasticity of demand curve. *[(CO2)(Remember/LOCQ)]*
4 + 8 = 12

3. (a) Define Indifference Curve. *[(CO1)(Remember/LOCQ)]*
(b) Explain the properties of Indifference Curve. *[(CO1)(Remember/LOCQ)]*
2 + 10 = 12

Group - C

4. (a) Explain production function. *[(CO1)(Remember/LOCQ)]*
   (b) Explain the concepts of total production, average production and marginal production with the help of a diagram. *[(CO2)(Analyze/IOCQ)]*

2 + 10 = 12

5. Explain the short-run and long-run equilibrium of a firm under perfect competition. *[(CO4)(Apply/IOCQ)]*

12

Group - D

6. (a) What are the different components of money supply? *[(CO1)(Remember/LOCQ)]*
   (b) Derive money multiplier. *[(CO4)(Apply/IOCQ)]*

6 + 6 = 12

7. (a) Compare and contrast monetary policy and fiscal policy. *[(CO2)(Understand/LOCQ)]*
   (b) How do these two policies interact to influence economic growth and inflation? *[(CO5)(Apply/IOCQ)]*

6 + 6 = 12

Group - E

8. (a) Compare and contrast fixed, floating, and managed exchange rate systems. *[(CO1)(Remember/LOCQ)]*
   (b) What are the advantages and disadvantages of each system? *[(CO1)(Remember/LOCQ)]*

6 + 6 = 12

9. (a) Explain the major economic reforms introduced in India in 1991. *[(CO2)(Remember/LOCQ)]*
   (b) How did these reforms impact the Indian economy in terms of growth, employment, and trade? *[(CO2)(Remember/LOCQ)]*

4 + 8 = 12

Cognition Level	LOCQ	IOCQ	HOCQ
Percentage distribution	64.58	35.42	0