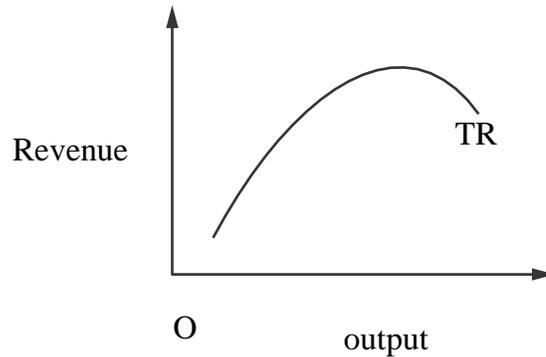


5. What causes the demand curve for an inferior good to shift to the right?

- a. a decrease in consumer incomes
 b. a decrease in income tax
 c. a decrease in the price of a substitute good
 d. a decrease in the price of the good

6. The diagram shows a firm's total revenue curve.



What is true at the highest point on the curve?

- a. Average revenue equals marginal revenue.
 b. Average revenue is zero.
 c. Marginal revenue is zero.
 d. Maximum profits are made.

7. In a town, bus fares fall by 50% and this leads to an increase in bus use by 30%. The effect on car use is very low with only a 1% reduction.

What is the value of the cross-elasticity of demand between car travel and bus travel?

- a. -0.60
 b. -0.02
 c. +0.02
 d. +0.60

8. The number of subsets of the set {2, 3, 5} is

- a. 3
 b. 8
 c. 6
 d. None of these.

9. $\lim_{x \rightarrow 4} \frac{x^2 - 16}{x - 4}$ is evaluated as

- a. 8
 b. -8
 c. 0
 d. None of these

10. Unemployment means that:

- a. People are not willing to work at the going wage rate.
 b. At the going wage rate, there are people who want to work but cannot find work.
 c. There are some people who will not work at the going wage rate.
 d. There is excess demand in the labour market.

11. Which of the following is an example of direct tax:

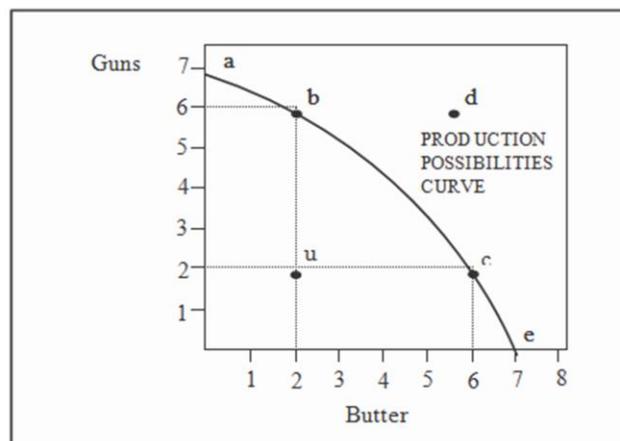
- a. Parking charges b. Value added tax c. Corporation tax d. Sales tax

12. Which of the following statements would you consider to be a normative one?

- a. Faster economic growth should result if an economy has a higher level of investment.
 b. Changing the level of interest rates is a better way of managing the economy than using taxation and government expenditure.
 c. Higher levels of unemployment will lead to higher levels of inflation.
 d. The average level of growth in the economy was faster in the 1990s than the 1980s.

13. Which of the following bundles of goods could not be produced with the resources the economy currently has?

- a. a
 b. b
 c. c
 d. d



14. Relatively elastic demand is best defined with following expression:

- a. $E_p < 1$ b. $E_p = 0$ c. $E_p > 0$ d. $E_p > 1$

15. Money is

- a. Backed by gold.
 b. The same as income.
 c. The value of all coins and currency in circulation at any time.
 d. Anything that is generally accepted as a medium of exchange.

16. Which of the following cost curves is never 'U' shaped?

- a. Average cost curve. b. Marginal cost curve.
 c. Average variable cost curve d. Average fixed cost curve

17. Which of the following is not an assumption of law of diminishing returns?

- a. At least one factor of production should be fixed
 b. Variable inputs are homogeneous

- c. No change in price of related goods
 d. Technology is constant
18. The short run total cost function of a firm is given as $TC=100+6q+0.25q^2$. The fixed cost in this case is:
 a. Zero b. Rs 100 c. Rs 106.25 d. None of these
19. Which of the following is NOT the objective of fiscal policy of Government of Nepal?
 a. Full employment b. Price stability
 c. Regulation of inter-state trade d. Economic growth
20. Who is known as Father of Welfare Economics?
 a. A. C. Pigou b. Adam Smith c. Alfred Marshall d. None of the above
21. Which of the following is considered to be a determinant of demand?
 a. Changes in the costs of delivery of product
 b. The level of indirect tax (e.g. VAT or purchase tax) on a product
 c. Changes in the prices of other, related goods
 d. The availability of the product
22. Which of the following is known as long run average cost curve?
 a. Learning curve b. Envelope curve c. Equal product curve d. Philip curve
23. Economic development refers to
 a. Economic growth.
 b. Economic growth plus changes in output distribution and economic structure.
 c. Improvement in the well-being of the urban population.
 d. Sustainable increases in Gross National Product.
24. A situation of employment in which a person is apparently employed but his contribution to the production is almost nil is called _____ unemployment.
 a. Structural b. Chronic c. Disguised d. Cyclical
25. _____ is a systematic record of all the economic transactions between one country and rest of the world.
 a. Balance of trade b. Balance of transactions c. Budget d. Balance of payments.
26. Who is the official “lender of the last resort” in Nepal?
 a. Nepal Investment Bank b. Nepal Rastra Bank c. Rastriya Banijya bank d. Nepal Bank

27. When was first five year plan implemented in Nepal?

- a. 1956 – 1961 b. 1962-1965 c. 1957-1962 d. 1955-1960

28. What are the correct formulae for calculating average cost (AC) and average revenue (AR)?

	AC	AR
a.	TC/MC	TR/MR
b.	TC/P	P X Q
<input checked="" type="checkbox"/> c.	TC/Q	(P X Q)/Q
d.	TC/Q	TR/P

Key MC = marginal cost MR = marginal revenue P = price Q = quantity TC = total cost TR = total revenue
--

29. GNP measured at current market price is called:

- a. Nominal GNP b. Real GNP c. Additional GNP d. None of the above

30. Which of the following best describes the concept of negative trade balance?

- a. A country buys from abroad more than it sells abroad.
 b. A country buys from abroad less than it sells abroad.
 c. A country's GDP declines for more than three quarters.
 d. A country's FDI declines for more than three quarters.

31. Which of the following happened at the beginning on the 21st century?

- a. The Great Depression c. The Great Recession
 b. The first Industrial Revolution d. Collapse of the gold standard

32. Consumer surplus is best defined as:

The additional benefit consumers obtain when the price

- a. they are prepared to pay is greater than the price they actual pay.
 b. the actual benefit derived by consumers when market is in the equilibrium.
 c. the difference between consumer spending and revenue earned by producers.
 d. the reward gained by employees when they sell their labour to a profit maximizing firm.

33. Market in which firm has zero market power is:

- a. Monopoly b. Perfect competition c. Oligopoly d. Monopolistic competition

34. Which among the following is not a real number:

- a. 8 b. $1/3$ c. $\sqrt{2}$ d. $\sqrt{-2}$

35. “Effective” supply means:

- a. Output existing at one point in time
 b. What producers are willing and able to take to market
 c. The difference between supply and demand
 d. What firms are able to produce over a period of time

Section-B

All open questions will be graded (10 raw points for the correct answer, 0 points for no answer). Choose and answer only three (3) questions from below. Candidates are required to give their answers in their own words as far as practicable.

1. a. Define and describe the factors of production. (5)
 b. What are the prospects of tourism industry in Nepal? (5)

2. a. Assume the demand is $Q_d = 100 - 5p$ and supply by $Q_s = 80 + 5p$. Find the equilibrium price, the quantity and supply. (5)
 b. A firm has a total cost function $C(x) = -10x + x^2$ and total revenue function $R(x) = 100x - 2x^2$ where x is quantity to be produced.
 i. Find the total profit function. (2)
 ii. Calculate total cost, total revenue and total profit at production level of 20 units. (3)

3. Define economic growth? Do you agree that country like Nepal should try to increase its rate of economic growth? Give your arguments. (2+ 8)

4. State law of demand and the law of supply. Explain the intersection between demand and supply with suitable figure. (4+6)

BEST OF LUCK

SECTION B
MARKING SCHEME

1. a. Candidates should define factors of production, list out the factors of production, describe each one of them with suitable examples. Creative writing and smart presentation of the solution will be tested.

For answer with the creative touch, smart presentation and good writing style with proper definition and description with suitable examples of Factors of production **(Mark scheme: 4-5)**

For a competent answer, with proper definition and description with suitable examples of factor of production. **(Mark scheme: 3-4)**

For a answer with definition and listing out of factors of production with brief meaning with no examples. **(Mark scheme: 2)**

For a answer with definition of factors of production only. **(Mark scheme: 1)**

b. Candidates creativity, English writing style and contents will be scrutinized in this section.

For creativity – 1 marks

For English writing – 1 marks

For contents – 3 marks

2. a. Mathematical problem solving skills with equilibrium conditions are tested here, the marking scheme is as per the solution reached and methodology adopted based on the discretion of examiner.

b. Marking scheme is as per the marks allocated to the sub questions.

3. Candidates should consider what benefits it might bring in terms of employment, incomes, standards of living, trade and wealth. They should also comment on possible drawbacks in terms of environmental change, resource use, distribution of income.

For a sound explanation of the analysis and a clear understanding with a conclusion. (**Mark scheme: 8-10**)

For a competent comment but with limited development and a weaker conclusion. Up to 6 with no conclusion. (**Mark scheme: 6-7**)

For a brief explanation of the meaning of growth and a one-sided presentation of its effects and results with no conclusion. (**Mark scheme: 3-5**)

For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. (**Mark scheme: 1-2**)

4. Candidates acquaintance with law of demand and law of supply is checked, and the determination of price based on the play of demand and supply in the market is checked.

For a sound explanation of the analysis and a clear understanding with a conclusion. (**Mark scheme: 9-10**)

For a brief explanation of the law of demand and law of supply and a one-sided good presentation of it with figures and explanation of intersection of demand and supply with no conclusion. (**Mark scheme: 5-8**)

For a brief explanation of the law of demand and law of supply and a one-sided good presentation of it with no explanation of intersection of demand and supply. (**Mark scheme: 3-4**)

For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. (**Mark scheme: 1-2**)