Answer all questions   Time 3 hours

1)

   a) What are the basic Economic problems?   (04 Marks)

   b) Explain main features of market Economy   (08 Marks)

   c) Define opportunity cost. Illustrate the same in a production possibility curve

                                                                                                      (08 Marks)

                                                                                            (Total 20Marks)

2) (a)   A man's marginal utility for 03 commodities follows.

Qty	MUx	MUy	MUz
1	80	80	140
2	60	52.5	130
3	40	50	120
4	30	47.5	100
5	10	40	60

Px=Rs. 02, Py=Rs. 04, Pz=Rs. 06

Assume that the man has Rs. 28 to spend

   I   How many of each type of commodity will he buy?   (08 Marks)

   II State the assumptions you made in arriving your answer   (04 marks)

   (b) Explain the effect on market price and quantity in the market for mobile phone of each
        of the following. (use diagram)

              I.   Consumer income rise

              II.   Technical improvement reduce production cost

              III.   The price of fixed line calls falls sharply

                                                                                                      (08 Marks)
                                                                                            (Total 20Marks)

3)

a) Briefly explain the following with diagram.
  I. Total fixed cost
  II. Total variable cost
  III. Average fixed cost
  IV. Average variable cost
  V. Average cost
  VI. Marginal cost

(12 Marks)

b) "Perfect competition is built on a number of key assumptions". Explain .

(03 Marks)

(Total 20Marks)

4)

a) Explain the difference between short run production function and long run production function

(04 Marks)

b) Distinguish between micro and macro Economics

(04Marks)

c) What is the difference between Gross Domestic Product (GDP) and Gross National Product (GNP)

(04 Marks)

d) Explain the factors which determine the price elasticity of demand of a product

(04 Marks)

e) Distinguish between money and near money

(04 Marks)

(Total 20Marks)

5)

a) What are the major functions of money?

(8Marks)

b) Illustrate and explain the circular flow of income in a two sector economy.

(12 Marks)

(Total 20Marks)

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