GOVERNMENT COLLEGE UNIVERSITY, FAISALABAD

MODEL PAPER

M. Com. Part I

Course Code: MC-505 Course Title: ECONOMICS ANALYSIS AND MANAGERIAL ECONOMICS

Objective Part Time Allowed: 30 Minutes
Marks: 20

Note: Question No. 1 is compulsory and its all parts carry equal marks. Please attempt the answers on the same paper and return it to the center superintendent within the time allowed.

Q No. 1 Choose the correct option. (2x10)

i) The price elasticity of demand is the:
   a) percentage change in quantity demanded divided by the percentage change in price
   b) percentage change in price divided by the percentage change in quantity demanded
   c) dollar change in quantity demanded divided by the dollar change in price
   d) percentage change in quantity demanded divided by the percentage change in quantity supplied

ii) The law of demand states that:
   a) as the quantity demanded rises, the price rises
   b) as the price rises, the quantity demanded rises
   c) as the price rises, the quantity demanded falls
   d) as supply rises, the demand rises

iii) The price support program is an example of
   a) a price ceiling
   b) a price floor
   c) equilibrium pricing
   d) None of the above

iv) The goal of a pure market economy is to best meet the desires of
   a) consumers
   b) companies
   c) workers
   d) the government

v) Which of the following is a characteristic of pure monopoly?
   a) one seller of the product
   b) low barriers to entry
   c) close substitute products
   d) perfect information

vi) In order to maximize profits, a monopoly company will produce that quantity at which the:
   a) marginal revenue equals average total cost
   b) price equals marginal revenue
   c) marginal revenue equals marginal cost
d) total revenue equals total cost

vii) Which of the following is not a function of money?
   a) medium of exchange
   b) store of value
   c) unit of accounting
   d) increase in real GDP

viii) An increase in the money supply will cause
   a) decrease in interest rate
   b) increase in investment
   c) increase in GDP
   d) all the above

ix) “Crowding out” means that
   a) a government budget deficit lowers interest rates and causes investment spending to rise
   b) an increase in marginal tax rates lowers production
   c) a government budget deficit raises interest rates and causes investment spending to fall
   d) a government budget deficit raises Pakistan’s exports and lowers Pakistan’s imports

tax) If the government lowers taxes by $10 billion, the Real GDP will rise by
   a) more than $10 billion
   b) less than $10 billion
   c) exactly $10 billion
   d) None of the above

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Note: Attempt any four questions. All questions carry equal marks.

Q No.2: Explain consumer’s equilibrium with indifference and budget line? (20)

Q No.3: Define elasticity of demand and how it can be measured? (20)

Q No.4: Discuss different possibilities of a firm’s equilibrium under monopolistic competition in short-run and long run? (20)

Q No.5: Explain the followings:

a) Circular flow of national income?

b) Obstacles in the way of measurement of national income?

Q No. 6: If \( P = 30 - 0.75Q \) is demand function and \( AC = \frac{30}{Q} + 9 + 0.3Q \) is average cost function of a monopolist, then find:

a) Equilibrium price and output?

b) Amount of the Profit?

Q No. 7: Write notes any two of the followings:

a) Inflation

b) Balance of payments

c) Role of elasticity of demand in decision making

d) Relationship between total revenue and marginal revenue