

Roll No. _____ Reg. No. _____ Date _____ Sign. _____

GOVERNMENT COLLEGE UNIVERSITY, FAISALABAD

MODEL PAPER

M. Com. Part I

Course Code: **MC-505**
ECONOMICS

Course Title: **ECONOMICS ANALYSIS AND MANAGERIAL**

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:
- percentage change in quantity demanded divided by the percentage change in price
 - percentage change in price divided by the percentage change in quantity demanded
 - dollar change in quantity demanded divided by the dollar change in price
 - percentage change in quantity demanded divided by the percentage change in quantity supplied
- ii) The law of demand states that:
- as the quantity demanded rises, the price rises
 - as the price rises, the quantity demanded rises
 - as the price rises, the quantity demanded falls
 - as supply rises, the demand rises
- iii) The price support program is an example of
- a price ceiling
 - a price floor
 - equilibrium pricing
 - None of the above
- iv) The goal of a pure market economy is to best meet the desires of
- consumers
 - companies
 - workers
 - the government
- v) Which of the following is a characteristic of pure monopoly?
- one seller of the product
 - low barriers to entry
 - close substitute products
 - perfect information
- vi) In order to maximize profits, a monopoly company will produce that quantity at which the:
- marginal revenue equals average total cost
 - price equals marginal revenue
 - 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
- x) 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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Subjective Part

Time Allowed: 02:30 Hours

Marks:80

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: (10+10)

- 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 $AC = 30/Q + 9 + 0.3Q$ is average cost function of a monopolist, then find: (15+5)

- a) Equilibrium price and output?
- b) Amount of the Profit?

Q No. 7: Write notes any two of the followings: (10+10)

- a) Inflation
- b) Balance of payments
- c) Role of elasticity of demand in decision making
- d) Relationship between total revenue and marginal revenue