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**PRESIDENCY UNIVERSITY  
BENGALURU**

**SCHOOL OF COMMERCE**

**TEST 1**

**Sem & AY:** Odd Sem. 2019-20

**Date:** 30.09.2019

**Course Code:** COM 104

**Time:** 1:00PM to 2:00PM

**Course Name:** MICROECONOMICS

**Max Marks:** 30

**Program & Sem:** B.Com & B.Com (Hons.) & I

**Weightage:** 15%

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**Instructions:**

- i. Answer All the Questions.
- 

**Part A [Memory Recall Questions]**

**Answer both the Questions. Each Question carries five marks. (1Qx5M=5M)**

1. Which of the following is an example of human capital? (C.O.NO.1) [Knowledge]
  - a. Pizza oven
  - b. College education
  - c. Labor
  - d. Bulldozer
  - e. stocks and bonds
  
2. The four types of economic decision makers are: (C.O.NO.1&2) [Knowledge]
  - a. Firms, corporations, households, and the government
  - b. Households, firms, government, and the rest of the world
  - c. Households, corporations, partnerships, and the government
  - d. Government, corporations, households, firms
  - e. The rest of the world, corporations, firms, government
  
3. Households supply four basic types of resources. They include all of the following except. (C.O.NO.1) [Knowledge]
  - a. Natural resources
  - b. Final goods and services
  - c. Capital
  - d. Entrepreneurial ability
  - e. Labor

4. The demand for a product is the amount that. (C.O.NO.1&3) [Knowledge]
- a. Buyers purchase in the market
  - b. Buyers are willing to purchase at a given price
  - c. Sellers are willing to sell at a particular price
  - d. Buyers are willing and able to purchase at alternative prices
  - e. Buyers are able to purchase at a specific price
5. Suppose you drink more tea because the price of coffee has increased. Which of the following best explains your action? (C.O.NO.1&3) [Knowledge]
- a. The law of supply.
  - b. Tea and coffee are complements
  - c. The substitution effect
  - d. The income effect
  - e. Your nominal income has increased

### **Part B [Thought Provoking Questions]**

**Answer both the Questions. Each Question carries five marks. (2Qx5M=10M)**

6. What is Law of Demand? Give example. (C.O.NO.1&3) [Knowledge]
7. What is the law of Supply? Given an example of how you have observed the law of supply at work. (C.O.NO.1&3) [Knowledge]

### **Part C [Problem Solving Questions]**

**Answer the Question. The Question carries fifteen marks. (1Qx15M=15M)**

8. How will each of the following affect the position of the demand curve for DVD players? Explain your answers. (C.O.NO.1,2&3) [Comprehension]
- a. An increase in the price of film DVDs.
  - b. A decrease in the price of DVD players.
  - c. An increase in per capita income.
  - d. A decrease in the price of cinema tickets.

# SCHOOL OF Commerce and Economics-----



**Semester: 1**

**Course Code: COM104**

**Course Name: Microeconomics**

**Date: 30<sup>th</sup> Sept. 2019**

**Time: 1 Hour**

**Max Marks: 30**

**Weightage: 15%**

## Extract of question distribution [outcome wise & level wise]

Q.NO	C.O.NO	Unit/Module Number/Unit /Module Title	Memory recall type [Marks allotted] Bloom's Levels			Thought provoking type [Marks allotted] Bloom's Levels			Problem Solving type [Marks allotted]			Total Marks
			K			C			A			
1	CO1	Module-1				1						1
2	CO1, CO2	Module-1	1									1
3	CO1	Module-1				1						1
4	CO1, CO3	Module-1	1									1
5	Co1, Co3	Module-1				1						1
6	CO1, Co3	Module-1				5						5
7	Co1, Co3	Module-1				5						5



8	CO1, CO2, CO3	Module-1						15			15
	Total Marks		2			13		15			30

K =Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

{I hereby with certify that all the questions are set as per the above guidelines . Mr. Anupam Tyagi}

Reviewer's Comments,

*B*  
*25/11/19*



## Annexure- II: Format of Answer Scheme



### SCHOOL OF Commerce and Economics

#### SOLUTION

Semester: 1

Course Code: COM104

Course Name: Microeconomics

Date: 30<sup>th</sup> Sept. 2019

Time: 1 Hour

Max Marks: 30

Weightage: 15%

#### Part A

(5 x 1 = 5 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	b	1	2 min
2	b	1	2 min
3	b	1	2 min
4	d	1	2 min
5	c	1	2 min

#### Part B

(2 x 5 = 10 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
6	Law of demand says that as price of a product decreases its quantity demanded increases and vice-versa, all other things that affect the price of the product remaining constant. For example, when price of apples decreases more apples are demanded.	3 for Law of demand, 2 for example	10
7	The law of supply states that the quantity supplied of a good is usually directly related to its price, other things constant. At work a student might observe a greater effort by his or her company to supply	Law of supply 3, example 3.	10





	<p>products that have been experiencing a rising price. Producers try their best to produce as much as possible when a product is in great demand and, thus, its price is increasing. Along an upward sloping supply curve the variables, price and quantity, are directly related. As the price of a good increases, a producer becomes more willing to supply the good. The higher price provides the producer with a profit incentive to shift some resources from lower-valued uses to the higher-valued use.</p>		
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**Part C**

(1 x 15 = 15 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
8	<p>a) Demand curve will shift left inwards. Film DVDs are complements of DVD players there for an increase in price of film DVDs will decrease demand for DVD players.</p> <p>b) Demand curve for DVD players will remain unchanged, because own price change reflects a movement along DVD players demand curve.</p> <p>c) Demand curve for DVD players will shift right outwards. This is because at the same prices more of DVD players will be demanded due to increase in income.</p> <p>d) Demand curve of DVD players will shift left inwards. Cinema is a substitute for DVD players and watching films of DVDs, thus when price of cinema tickets decreases demand for DVD players is decreased.</p>	Demand curve position 3, explanation 1.	20



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**PRESIDENCY UNIVERSITY**  
**BENGALURU**  
**SCHOOL OF COMMERCE**

**TEST – 2**

**Sem & AY:** Odd Sem 2019-20

**Course Code:** COM 104

**Course Name:** MICROECONOMICS

**Program & Sem:** B.Com & B.Com Honors & I Sem

**Date:** 20.11.2019

**Time:** 9.30 AM to 10.30 AM

**Max Marks:** 30

**Weightage:** 15%

**Instructions:**

- i. All questions are compulsory.
- ii. Student should bring their own belongings like Pen, Pencil, Calculators, etc...  
Exchange of any material will be treated as malpractice.

**Part A [Memory Recall Questions]**

**Answer all the Questions. Each question carries one marks. (5Qx1M=5M)**

1. Which of the following is an example for ordinal numbers?  
(C.O.NO.2)[Comprehension]
  - a. 1,2,3,4,5
  - b. I,II,III,IV.
  - c. X, XX, XXX, XXXX
2. How do you calculate economic profit? (C.O.NO.2)[Knowledge]
  - a. Economic profits = Revenue – All Costs
  - b. Economic profits = Revenue + All Costs
  - c. Economic profits = Explicit Costs – Implicit costs – Sales
  - d. Economic profits = Explicit Costs – Implicit costs +Sales
3. Which one among is the factor of Production? (C.O.NO.2)[Comprehension]
  - a Demand
  - b Supply
  - c Capital
  - d Production
4. DMU stands for \_\_\_\_\_. (C.O.NO.2)[Knowledge]
  - a. Diminishing monopolistic utility.
  - b. Diminishing marginal utility
  - c. Demand and Marginal utility
  - d. Distinguished Marginal Utility

5. Combination of two or more commodities available to buy for consumer is called as \_\_\_\_\_ (C.O.NO.2)[Comprehension]
- Budget Line
  - Budget set
  - Marginal utility
  - MRS

**Part B [Thought Provoking Questions]**

**Answer both the Questions. Each question carries five marks. (2Qx5M=10M)**

6. What is Consumer Surplus? Explain with suitable example. (C.O.NO.3)[Comprehension]
7. What is the problem with monopoly? Compare monopoly to the benchmark of perfect competition. (C.O.NO.3)[Comprehension]

**Part C [Problem Solving Questions]**

**Answer the question. The question carry fifteen marks. (1Qx15M = 15M)**

8. Define market structure. Explain the different types of market structures with suitable examples. (C.O.NO.3)[Application]

**SCHOOL OF Commerce and Economics**



Semester: 1

Course Code: COM104

Course Name: Microeconomics

Date: 20th November 2019

Time: 1 Hour

Max Marks: 30

Weightage: 15%

**Extract of question distribution [outcome wise & level wise]**

Q.NO	C.O.NO	Unit/Module Number/Unit /Module Title	Memory recall type [Marks allotted] Bloom's Levels			Thought provoking type [Marks allotted] Bloom's Levels			Problem Solving type [Marks allotted]			Total Marks
			K			C			A			
1	CO2	Module-2				1						1
2	CO2, CO2	Module-2	1									1
3	CO2	Module-2				1						1
4	CO2	Module-2	1									1
5	Co2	Module-2				1						1
6	CO3	Module-3				5						5
7	Co2	Module-2				5						5
8	CO3	Module-3							15			15
	Total Marks		2			13			15			30

K = Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

### Annexure- II: Format of Answer Scheme

#### SCHOOL OF Commerce and Economics-----



#### SOLUTION

Date: 20<sup>th</sup> November 2019

Semester: 1

Time: 1 Hour

Course Code: COM104

Max Marks: 30

Course Name: Microeconomics

Weightage: 15%

#### Part A

(5 x 1 = 5 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	A	1	2 min
2	D	1	2 min
3	D	1	2 min
4	C	1	2 min
5	B	1	2 min

#### Part B

(2 x 5 = 10 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
6	Explicit costs are normal business costs that appear in the general ledger and directly affect a company's profitability. Explicit costs have clearly defined dollar amounts, which flow through to the income statement. Examples of explicit costs include wages, lease payments, utilities, raw materials, and other direct costs.	3 marks for meaning of Explicit and implicit costs , 2 marks for example	10

	An implicit cost is any cost that has already occurred but not necessarily shown or reported as a separate expense. It represents an opportunity cost that arises when a company uses internal resources toward a project without any explicit compensation for the utilization of resources. Example : Loss of income		
7	The marginal utility derived from each additional plate of food will diminish as you become full. The marginal utility will continue to decrease until it reaches zero or becomes negative. Food shows diminishing marginal utility after a certain amount has been consumed. The restaurant must require that the consumer not take food home in a doggy bag and that the consumer not share the meal with others at the table.	Explaining DMU is for 3 marks and 2 marks for solution of not occurring loss.	10

**Part C**

(1 x 15 = 15 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
8	<p>Market structure refers to the important features that determine the level of competition in an industry. These factors include</p> <p>(a) the number of buyers and sellers,</p> <p>(b) the product's degree of uniformity,</p> <p>(c) the ease with which new firms enter or old firms exit the market, and</p> <p>(d) the ways in which firms in the industry compete with each other—such as through prices or advertising.</p> <p>e)mobility of goods and factors of production</p>	<p>2 marks for meaning of market structure</p> <p>3 marks for levels of competition with the use of Flow chart or diagram</p> <p>2 marks for explaining each point with examples.,</p>	20







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**PRESIDENCY UNIVERSITY  
BENGALURU**

**SCHOOL OF COMMERCE**

**END TERM FINAL EXAMINATION**

**Semester:** Odd Semester: 2019 - 2020

**Course Code:** COM 104

**Course Name:** MICRO ECONOMICS

**Program & Sem:** B.Com/B.Com.,(Hons) & I

**Date:** 08 January 2020

**Time:** 1:00 PM to 4:00 PM

**Max Marks:** 100

**Weightage:** 50%

**Instructions:**

*Read the all questions carefully and answer accordingly.*

**Part A [Memory Recall Questions]**

**Answer all the Questions. Each Question carries 2 marks.**

**(10Qx2M=20M)**

1. List out all the types of Economic systems . (CO1) [Knowledge]
2. State all the basic problems of the economy ? (CO1) [Knowledge]
3. What is PED ? (CO2) [Knowledge]
4. What is consumer surplus ? (CO2) [Knowledge]
5. What do you mean by perfect competition ? (CO3) [Knowledge]
6. Give two examples for monopoly . (CO3) [Knowledge]
7. What are resource markets? (CO4) [Knowledge]
8. List out two commodity exchanges in India (CO4) [Knowledge]
9. Expand a. NSE b. BSE c. WTO d. IBRD (CO5) [Knowledge]
10. What do you mean by fixed exchange rate? (CO5) [Knowledge]

**Part B [Thought Provoking Questions]**

**Answer all the Questions. Each Question carries 8 marks.**

**(5Qx8M=40M)**

11. Write a note on following concepts :
  - a) Explicit Costs b) Implicit costs (CO3) [Comprehension]
12. Explain the role of WTO in economic Development. (CO5) [Comprehension]
13. a. What is the problem with monopoly? [2M]  
b. Compare monopoly to the benchmark of perfect competition. [6M]  
(CO3) [Comprehension]
14. Explain Law of Demand? Give example. (CO2)[Comprehension]

15 .a. What is the law of Supply? [2M]

b. Given an example of how you have observed the law of supply at work. [6M]  
(CO2) [Comprehension]

### Part C [Problem Solving Questions]

**Answer both the Questions. Each Question carries 20 marks. (2Qx20M=40M)**

16 .A How will each of the following affect the position of the demand curve for DVD players?

Explain your answers.

i) An increase in the price of film DVDs.

ii) A decrease in the price of DVD players.

iii) An increase in per capita income.

iv) A decrease in the price of cinema tickets. [8M] (CO2) [Comprehension]

B. How do you think each of the following affected the world price of oil? (Use demand and supply analysis):

a) Tax credits were offered for expenditures on home insulation in the USA.

b) The Alaskan oil pipeline was constructed in USA.

c) The ceiling on price of oil was removed.

d) Oil was discovered in North Sea, near UK and western Europe.

e) Sport utility and minivans (vehicles that use more petrol) became popular.

f) The use of nuclear power declined. [12M] (CO2) [Comprehension]

17.a. Define market structure. What factors are considered in determining the market structure of a particular industry? [10M] (CO3) [Comprehension]

b. Explain the circular flow of income and resources with the help of flow chart.

[10M] (CO4) [Comprehension]



**END TERM FINAL EXAMINATION**

**Extract of question distribution [outcome wise & level wise]**

Q.NO.	C.O.NO (% age of CO)	Unit/Module Number/Unit  /Module Title	Memory recall type	Thought provoking type	Problem Solving type	Total Marks
			[Marks allotted] Bloom's Levels	[Marks allotted] Bloom's Levels	[Marks allotted]	
			K	C	A	
1	Co1			2		
2	Co1			2		
3	Co2			2		
4	Co2			2		
5	Co3					
6	Co3					
7	Co4			2		
8	Co4		2			
9	Co5		2			
10	Co5			2		
11	Co3			8		
12	Co5			8		
13	Co3			8		

14	Co2			8		
15	Co1			8		
16.A	Co1				10	
16.B	Co2			10		
17.A	Co3				10	
17.B	Co4			10		
	TOTAL MARKS		04	72	24	100

K =Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

I hereby certify that all the questions are set as per the above guidelines.

Faculty Signature:

Reviewer Commend:

### Format of Answer Scheme



## SCHOOL OF COMMERCE AND ECONOMICS

### SOLUTION

**Semester:** Odd Sem. 2019-20  
**Course Code:** COM104  
**Course Name:** MICROECONOMICS  
**Program & Sem:** B.COM (REGULAR AND HONORS)

**Date:** 08.01.2020  
**Time:** 3 HRS  
**Max Marks:** 100  
**Weightage:** 50%

## Part A

(10Qx 2M= 02M)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	Socialistic economy Capitalistic economy and Mixed economy	2	2 mins
2	What to produce Whom to produce and How to produce	2	2 mins
3	Price Elasticity of Demand (PED) is defined as the responsiveness of quantity demanded to a change in price. The demand for a product can be elastic or inelastic, depending on the rate of change in the demand with respect to the change in the price.	2	2 mins
4	Consumer Surplus is the difference between the price that consumers pay and the price that they are willing to pay. On a supply and demand curve, it is the area between the equilibrium price and the demand curve.	2	2 mins
5	Perfect competition describes a market structure where competition is at its greatest possible level.  1. Large number of buyers and sellers  2. Homogenous product is produced by every firm  3. Free entry and exit of firms  4. Zero advertising cos	2	2 mins
6	Indian Railways and RBI	2	2 mins
7	A resource market is a market where a business can go and purchase resources to produce goods and services. Resource markets can be distinguished from product markets, where finished goods and services are sold to consumers, and financial markets, where financial assets are traded.	2	2 mins
8	MCX , NCDEX , NMCE etc ...	2	2 mins

9	National stock exchange , Bombay stock exchange , World trade Organization , International Bank for reconstruction and development	2	2 mins
10	A fixed exchange rate, sometimes called a pegged exchange rate, is a type of exchange rate regime in which a currency's value is fixed or pegged by a monetary authority against the value of another currency, a basket of other currencies, or another measure of value, such as gold.	2	2 mins

**Part B**

**(5Qx8M=40M)**

Q No	Solution	Scheme of Marking	Max. Time required for each Question
11	<p>Explicit costs are normal business costs that appear in the general ledger and directly affect a company's profitability. Explicit costs have clearly defined dollar amounts, which flow through to the income statement. Examples of explicit costs include wages, lease payments, utilities, raw materials, and other direct costs.</p> <p>An implicit cost is any cost that has already occurred but not necessarily shown or reported as a separate expense. It represents an opportunity cost that arises when a company uses internal resources toward a project without any explicit compensation for the utilization of resources. Example : Loss of income</p>	3 marks for meaning of Explicit and implicit costs each , 2 marks for example	10 mins
12	<ol style="list-style-type: none"> <li>1. The system helps promote peace</li> <li>2. Disputes are handled constructively</li> <li>3. Rules make life easier for all</li> <li>4. Freer trade cuts the costs of living</li> <li>5. It provides more choice of products and qualities</li> <li>6. Trade raises incomes.</li> <li>7. Trade stimulates economic growth .</li> <li>8. The basic principles make life more efficient</li> </ol>	Each point carries 1 mark.	10 mins

	9. Governments are shielded from lobbying 10. The system encourages good government.		
13	When there is only one firm in a market, the price that firm charges determines the market quantity for its product. In order to maximize profit, the monopolist restricts its output; the quantity is determined by equating marginal revenue with marginal cost. At that quantity, the consumer's marginal benefit exceeds the monopolist's marginal cost., as the quantity increases, the equilibrium price decreases, and the consumer's marginal benefit decreases. Though the consumer may still derive some benefit in a market controlled by a monopolist, market forces under perfect competition drive the equilibrium price down, and increase social welfare as a whole.	Explaining problems of monopoly is for 5 marks and 3 marks for explaining with graph .	
14	The law of demand states that all other things being equal, the quantity bought of a good or service is a function of price. If the amount bought changes a lot when the price does, then it's called elastic demand. An example of this is ice cream. You can easily get a different dessert if the price rises too high.	Explaining law of demand is for 3 marks 2 marks for example and 3 marks for graphical representation	10 mins
15	The law of supply summarizes the effect price changes have on producer behavior. For example, a business will make more video game systems if the price of those systems increases. The opposite is true if the price of video game systems decreases.	Explaining law of supply is for 3 marks 2 marks for example and 3 marks for graphical representation	10 mins

**Part C**

**(2Qx20M=40M)**

Q No	Solution	Scheme of Marking	Max. Time required for each Question
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16.A	a) Explain using graphs and give reasons	Each point of reason and solution to be given 2 marks	20 mins
16.b	<p>a) Such credits decreased the demand for oil and lowered the world price.</p> <p>b) This increased the supply of oil and lowered the world price.</p> <p>c) The answer depends on whether the control price had been set below equilibrium.</p> <p>d) This increased the supply of oil and lowered the world price.</p> <p>e) This increased the demand for oil and raised the world price.</p> <p>f) This increased the demand for oil and raised the world price.</p>	Each point of reason and solution to be given 2 marks	20 mins
17.a	<p>Market structure refers to the important features that determine the level of competition in an industry. These factors include</p> <p>(a) the number of buyers and sellers,</p> <p>(b) the product's degree of uniformity,</p> <p>(c) the ease with which new firms enter or old firms exit the market, and</p> <p>(d) the ways in which firms in the industry compete with each other—such as through prices or advertising.</p> <p>e) mobility of goods and factors of production</p>	<p>2 marks for meaning of market structure</p> <p>3 marks for levels of competition with the use of Flow chart or diagram</p> <p>1 mark for explaining each point with examples.,</p>	20 mins
17.b	<p>The circular flow of income</p> <p>National income, output, and expenditure are generated by the activities of the two most vital parts of an economy, its households and firms, as they engage in mutually beneficial exchange.</p> <p>Households</p> <p>Firms</p>	<p>2 marks for explaining the meaning of circular flow of income , 3 marks for flow chart and 5 marks for explanation of flow</p>	20 mins



Factor incomes

The simple production function states that output (Q) is a function (f) of: (is determined by) the factor inputs, land (L), labour (La), and capital (K), i.e.

$$Q = f(L, La, K)$$

The Circular flow of income

Income (Y) in an economy flows from one part to another whenever a transaction takes place. New spending (C) generates new income (Y), which generates further new spending (C), and further new income (Y), and so on. Spending and income continue to circulate around the macro economy in what is referred to as the circular flow of income.

