



PRESIDENCY UNIVERSITY, BENGALURU
SCHOOL OF LAW

Max Marks: 100

Max Time: 3 Hours

Weightage: 40%

Set B

COMPREHENSIVE EXAMINATION

I Semester 2016-2017

Course: **BBL A 105 Economics**

20 January 2017

Instructions:

- i. Write to the point
- ii. Use graph sheet for Part C question only

Part A

(10 Q x 2 M= 20 Marks)

1. Give two examples for market based policy.
2. What is efficiency?
3. What is an incentive.
4. What do we mean by 'Negative Externality'?
5. What is elasticity?
6. What do we mean by 'Producer Surplus'?
7. What are complements? Give an example.
8. Give an example for command and control policy.
9. List two factors that influenced demand?
10. What is circular flow of income model?

Part B

(8 Q x 5 M= 40 Marks)

1. Explain the economic principles that govern the interaction between individuals.
2. What happens to demand when income increases? Explain with a clearly labeled diagram.
3. Draw a basic Production Possibility Curve for representing two goods. Based on the PPC explain the idea of 'trade-off'.
4. What are the factors that influence price elasticity of demand?
5. How will the demand curves shift for the following situations? Label them properly.
 - a. The demand for Lay's 'Classic salted' chips after the price of 'magic masala' has doubled.
 - b. The supply of fish following an oil spill in the Arabian sea close to the Kerala coast.
6. The foreign travel is much more elastic as compared to health care. Can you reason as to why this is the case?
7. Explain what do we mean by a perfectly elastic good with clearly labeled graphs. What is the slope of the demand curve in this case?

8. Assume that you are the policy advisor to the government. You are pushing a proposal for a 'Universal free healthcare program'. Produce a brief write-up based on the idea of 'Externalities' to support your proposal.

Part C

(2Q x 20 M= 40 Marks)

1. The table below is the demand and supply schedule for pizza

Price	Quantity demanded	Quantity supplied
4	135	26
5	104	53
6	81	81
7	68	98
8	53	110
9	39	121

- Graph the demand and supply curves. What is the equilibrium price and quantity in this market?
- If the actual price in this market were Rs.5 , would there be a surplus or shortage in the market .Write the surplus/shortage quantity .
- If the actual price in this market were Rs.9, would there be a surplus or shortage in the market .Write the surplus/shortage quantity.

2. The college canteen is considering introducing milk shakes during breakfast time. This table refers to five possible buyers' willingness to pay for a vanilla milk shake.

Buyer	Willingness To Pay
David	₹ 85
Laura	₹ 70
Megan	₹ 55
Mallory	₹ 40
Audrey	₹ 35

- Construct a stair case shaped demand curve based on the schedule given above in the answer sheet.
- If the canteen prices the shake at ₹ 69 How many people will buy it .
- If the market price is ₹ 40 what will be total consumer surplus.
- By what amount has consumer surplus increased when price fell from ₹69 to ₹40?
- How much of the increase can be attributed to new market participants and how much can be attributed to increase in surplus for existing participants.



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Max Marks: 80

Max Time: 2 Hours

Weightage: 20 %

Set B

MID TERM EXAMINATION

I Semester 2016-2017

Course: **BBL A 105 Economics**

27 October 2016

Instructions:

- i. Write to the point
- ii. Wherever graphs are required plot them in the answer sheet itself

Part A

(10 Q x 2 M= 20 Marks)

1. State two principles which governs interaction between individuals
2. Why do households and societies need to make decisions constantly?
3. What is a substitute? Give an example of products that are substitutes.
4. What is equity in economics?
5. In economics what do we mean by trade-off?
6. Briefly describe the circular flow of income model.
7. In economics what do we mean by absolute advantage?
8. What is an inferior good .Give an example ?
9. List two important characteristics of a competitive market.
10. List at least two factors that cause supply curve to shift.

Part B

(6 Q x 5 M= 30 Marks)

1. State the three fundamental principles which form the basis of economic interaction.
2. Give two examples of trade-off faced by the society.
3. Explain with a diagram, what happens to the demand curve when income increases?
4. Sketch some demand curves for the following situations. Label them properly.
 - a. The demand for coffee following a campaign linking coffee to cancer.
 - b. The demand for oranges following an increase in the price of apples.
5. You were planning to spend the summer holidays doing an internship at a law firm. However your parents invited you to go on a vacation with them. What is the true cost of vacationing? Now suppose you had been planning to spend the catching up on all the movies you missed ,what is the cost of going on vacation? Explain briefly.
6. Briefly explain the production possibility frontier (curve) model. Why is it an economic model?

Part C

(2 Q x 15 M= 30 Marks)

1. Answer the following questions regarding circular flow diagram
 - a. Draw a circular flow of diagram and label it appropriately.
 - b. Briefly describe the four rectangles in the model.
 - c. Identify the parts of the model that correspond to the flow of goods and services and the flow of dollars for each of the following activities.
 - i. Selena pays a storekeeper \$1 for a quart of milk.
 - ii. Gomez earns \$4.50 per hour working at a fast-food restaurant.
 - iii. Shanna spends \$30 to get a haircut.
 - iv. Salma earns \$10,000 from her 10% ownership of Alpha industries

2. The table below is the demand schedule. Graph should be drawn to scale and labelled appropriately

Price	Quantity (original)	Quantity demanded (new)
50	200	100
40	400	300
30	600	500
20	800	700
10	1000	900

- a. Plot the original demand curve and the new demand curve.
- b. Comment on the difference between the two demand curves. What could be the factors which are causing the shift?
- c. In the original demand curve how much does the quantity change when price changes by 10 Rupees.
- d. In the new demand curve how much does the quantity change when price changes by 10 Rupees.
- e. Can you comment on the shape of the demand curves with respect to its slope?