



PRESIDENCY UNIVERSITY, BENGALURU
SCHOOL OF LAW

Max Marks: 80

Max Time: 2 Hours

Weightage: 20 %

Set A

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 by which individual make decisions.
2. What is the fundamental reason for scarcity?
3. What are complements ? Give an example of complements.
4. What is efficiency in Economics?
5. What is opportunity cost?
6. What is a production possibility curve?
7. In economics what do we mean by comparative advantage?
8. What is a normal good. Give an example?
9. What is a competitive market?
10. List atleast two factors that cause demand curve to shift.

Part B

(6 Q x 5 M= 30 Marks)

1. State the four fundamental principles by which people make decisions. Explain each of them briefly.
2. Give two examples of important trade-offs you face in your student life.
3. Explain with a diagram , what happens to the supply curve when technology improves?
4. Sketch some demand curves for the following situations and think about how you would expect the demand curve to change
 - a. The demand for chocolate following a campaign highlighting the dangers of obesity.
 - b. The Demand for yellow bananas following an increase in the price of green bananas.
5. You were planning to spend Saturday working at your part-time job, but a friend invites you to a party. What is the true cost of going to the party. Now suppose you had been planning to spend the day studying for economics mid term exam ,what is the cost of partying in this case? Explain briefly.
6. Briefly explain the circular flow of income model. Why do we consider it to be an economic model?

Part C

(2 Q x 15 M= 30 Marks)

1. Draw a full-fledged circular-flow diagram representing the interactions between decision making units. Explain briefly the various parts of the diagram and the relationship between each of them. (Ensure the arrows are correctly represented). The circular flow model shows that households and firms are both buyers and sellers simultaneously. How is this possible?
2. The table below is the demand schedule.. Graph should be drawn to scale and labeled appropriately

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

- 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