ECO404 SOLVED FINAL TERM PAPER BY KHURRAM SAEED

DATED 24 FEB 2013   TIME 4.30 PM

TOTAT MARKS 84

52 Mcqs, 4 questions of 5 Marks and 4 Questions of 3 Marks

Which of the following is a behavioral equation?

GNP = C + I + G

St = b0 + bt Rt + u1

Profit = TR – TC

None of the given options

In the satisfying model, the goal of the firm that there must be a satisfactory size of market share, is known as:

Production goal

Inventory goal

Market share goal

Profit goa

In which of the following situation, firm can extract all the consumers' surplus?

First degree price discrimination

Second degree price discrimination

Third degree price discrimination

Perfect competition

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Which of the following is the assumption of regression analysis regarding error term?

Normal distribution

Zero mean

Constant variance

All of the given options

Question # 2 of 20 (Start time: 07:30:21 PM)

In the Marris model, the rate of growth is financed from internal and external sources. External source of finance may include:

Issue of new bonds

Cost advantages of the firm

Profits of the firm

Loans from other firms

If price elasticity of demand for any product is constant, the demand curve of that product will be:

Horizontal

Vertical

Rectangular hyperbola

Positively sloped

In the regression equation, $Y_t = 6.60 + 2.63Xt$, the intercept of the line is:

6.60

2.63

9.23

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3.97

Which economist introduced the theory of duality?

Leonid Kantorovich

George B Dantzig

John von Neumann

Joel Dean

Managerial economics uses which of the following tools to estimate the decision models?

Mathematical economics only

Econometrics only

Mathematics and Statistics

Mathematical economics and econometrics

For two joint products A and B, which are produced in variable proportions, which of the following is TRUE? (Here MR stands for marginal revenue and MC stands for marginal cost)

MRA> MCA and MRB= MCB

MRA= MCA and MRB= MCB

MRA< MCA and MRB= MCB

MRA< MCA and MRB> MCB

Firms are price makers in which of the following market structures?

Perfect competition

Monopoly

Monopolistic competition

Oligopoly

The goal of the firm is the maximization of the balanced rate of growth of the firm in which of the following models?

Baumol's static model

Traditional theory of the firm

Marris's model

Sweezy model

Implicit costs of a firm include:

Non cash costs

Explicit costs

Total costs

Fixed costs

Under perfect competition, profit is maximized at the point where:

Marginal Cost = Marginal Revenue

Marginal cost = Average revenue

Average cost = marginal revenue

Average cost = Average revenue

The firm is a price taker in which of the following market structures?

Perfect competition

Monopoly

Monopolistic competition

Oligopoly

Given the marginal cost function, MC = 5Q2 – 10Q + 50, what is dMC/dQ?

5Q + 50

10Q - 10

10Q + 50

5Q – 10Q

The solution which satisfies all the constraints is known as the:

Feasible solution

Corner solution

Non feasible solution

Wrong solution

A statistical relation can be defined as the relation which is:

Not known with certainty

Known with certainty

Mathematical in nature

Graphical in nature

A regular fluctuation in economic activity during each year is called:

Secular trend

Cyclical variation

Seasonal variation

Irregular variation

Which of the following assumes that there is a single owner entrepreneur?

Baumol's static model

Traditional theory of the firm

Marris's model

Sweezy model

Ceteris paribus means:

Select correct option:

Equal access to public transportation

Holding all other things constant

Holding all other things variable

Equal information of all public

Participants are in an artificial situation in which of the following marketing research approach to demand estimation?

Consumer Interviews

Consumer Clinics

Market Experiments

None of the given options

Forecasting analysis which is based on the data and equation is known as:

Qualitative forecasting

Quantitative forecasting

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Regression analysis

Time series analysis

According to Williamson's model, manager's self interest focuses on the achievement of goals in which of the following areas?

Staff expenditures

Managerial emoluments

Discretionary investment

All of the given areas

Which of the following is the assumption of regression analysis regarding error term?

Normal distribution

Zero mean

Constant variance

All of the given options

Public utilities are an example of:

Select correct option:

Perfect competition

Natural monopoly

Monopolistic competition

Oligopoly

What is by-product?? Give example. (3 marks)

A by-product is any output that is usually produced as a direct result of an increase in the production of some other output.

The cost and availability of any single by-product depends on the demand for others. By-products are also sometimes the unintended or unavoidable results of producing certain goods. For example pollution can be thought of as the necessary by-product of many production processes.

.Differentiate and discuss Risk and Uncertainty? (3 Marks)

RISK refers to a situation in which there is more than one possible outcome to a decision and the probability of each specific outcome is known or can be estimated. Thus, risk requires that the decision maker knows all the possible outcomes of the decision and have some idea of the probability of each outcome's occurrence.

UNCERTAINTY is the case when there is more than one possible outcome to a decision and where the probability of each specific outcome occurring is not known or even meaningful. This may be due to insufficient past information or instability in the structure of the variables. In extreme forms of uncertainty not even the outcomes themselves are known

-Differentiate between pure oligopoly and differentiated oligopoly? 3 Marks

. If the product is homogenous, it is called pure oligopoly. If the product is differentiated, it is called differentiated oligopoly.

How Behavioral Theories contribute for the firms. Discuss 5 Marks

BEHAVIORALTHEORY: **CONTRIBUTIONS**
The behavioral theory has contributed to the development of the theory of the firm in several respects. Its main contributions are:

• Insight into the process of goal-formation and the internal resource allocation: an aspect neglected in traditional theory.
• Cyert and March's definition of 'slack' shows that this concept is equivalent to the 'economic rent' of factors of production of the traditional theory of the firm. The contribution of the behavioral school lies in the analysis of the stabilizing role of 'slack' on the activity of the firm.

Define price discrimination give example of situation of price discriminations 5 (marks)

Price discrimination refers to the charging of different prices for different quantities of a product, at different times, to different customer groups or in different markets, when these price differences are not justified by cost differences.

Relevant examples of price discrimination are:

(1) power (i.e., electrical and gas) companies charging lower prices to residential than to commercial users;
(2) medical and legal professions charging lower fees to low-income than to high-income people;
(3) companies charging lower prices abroad than at home for a variety of products and services, ranging from books and medicines to movies;
(4) entertainment companies charging lower prices for afternoon than for evening performances of movies, theaters, and sports events;
(5) service industries charging lower prices for children and the elderly for public transportation, and airline tickets;
(6) hotels charging lower rates for seminars, workshops and conventions.

Q6. Data was provided: (5 Marks)

Boom	0.25	500
Normal	0.50	400
Recession	0.25	300

a.) **Find Expected Value of Firm?**

Boom 0.25 *500 = 125
Normal 0.50 *400 = 200
Recession 0.25 *300 =75
Expected profit from Project = 400

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b.) Find Standard Deviation?

St. Dev. = **SQRT** [(500-400)^2*(0.25)+(400-400)^2(0.50)+(300-400)^2*(0.25)]

St. Dev. = 70.71

Question: Why firms use forecasting techniques for macroeconomics. Discuss (5 marks)

MACROECONOMIC APPLICATIONS

Predictions of economic activity at the national or international level, e.g., inflation or employment, involves predicting aggregate measures of economic activity at the international, national, regional, or state level. Predictions of gross domestic product (GDP), unemployment, and interest rates by "blue chip" business economists capture the attention of national media, business, government, and the general public on a daily basis.