

Candidates are required to answer in their own words as far as practicable. The figures in the margin indicate full marks.

Section "A"

**Very Short Answer Questions**

Attempt all the questions. [10×2]

1. Define the term microeconomics.
2. Show the new equilibrium in the liquor market with the help of demand and supply when there is an increase in health campaigns.
3. If the price of a good falls from Rs 5 to Rs 3 and the supply falls from 100 to 80, calculate the price elasticity of supply with the help of arc method.
4. Why does the higher iso-quant yield a higher level of output?
5. Give the precise meaning of implicit cost.
6. In which condition, the optimum level of output can be obtained by a firm in the short run?
7. Why do average revenue and marginal revenue curves are the same and parallel to the X-axis under perfect competition.
8. What is price discrimination?
9. State two main characteristics of oligopoly market.
10. The total output changes from 40 to 50 by adding one extra unit of labour and the total revenue changes from \$100 to \$150 by selling one extra unit of output; calculate the marginal revenue product of labour.

Section "B"

**Descriptive Answer Questions**

Attempt **any six** questions. [6×10]

11. What are the ten principles of economics according to N. Gregory Mankiw? Explain.
12. Suppose the demand schedule for a Microeconomics book is given as follows.

Price (Rs. Per Unit)	Quantity Demanded (Units)
100	100
80	200
60	300
40	400
20	500

- a) Calculate price elasticity of demand as price increases from Rs. 20 to Rs. 40 and interpret your result. [4]
- b) Calculate price elasticity of demand as price falls from Rs. 40 to Rs. 20 and interpret your result. [4]
- c) Is the price elasticity of demand derived in (a) and (b) same? Why? [2]
13. Suppose, a consumer has Rs. 15000 money income to spend on good X and good Y for a month and price of X and Y are Rs. 300 and Rs. 150 respectively.
- a) i) Draw consumer's budget line.  
ii) Suppose that the consumer equally divides his or her money income between good X and Y at a given prices and show where household ends up on the budget constraint.
- b) i) Suppose consumer's income increases from Rs.15000 to Rs. 24000. Draw consumer's new budget line.  
ii) Show the point of equilibrium when the consumer spends his or her new income equally on good X and Y at the given prices.
14. Define Law of Variable Proportion. In which stage of production does a rational producer produce? Why?
15. The short run total cost is  $TC=200+5Q-0.04Q^2+0.001Q^3$ . If  $Q=10$ , find:
- (a) Total Fixed Cost  
(b) Total Variable Cost  
(c) Average Variable Cost  
(d) Average Fixed Cost  
(e) Marginal Cost
16. Define monopoly. How are price and output determined under it? Explain.
17. What is meant by wage differentials? Explain the causes of wage differentials?

#### Section "C"

#### Case Analysis

18. *Read the case situation given below and answer the questions that follow:*  
[20]

#### Tourism in Nepal returning to normalcy

Source: The Himalayan Times, April 10, 2022

Tourism - one of the mainstays of Nepal's economy - is gradually gaining normalcy after being battered by the COVID-19 pandemic for nearly two years.

This spring season witnessed a considerable number of foreign tourists arriving in Nepal with a total of 42,006 tourists coming via air route in March alone.

Last year, 14,977 foreign tourists visited Nepal during the same period. According to statistics of the Department of Tourism, Nepal has received a

total of 78,747 foreign tourists from January to March end this year. The government has formed a Tourism Revival Steering Committee under the chairmanship of the Minister for Tourism, Culture and Civil Aviation, which is tasked with taking initiatives to revive the tourism industry by exploring new possibilities, identifying and promoting tourism industry and creating and enabling investment climate in the tourism sector, among others.

The Nepal Tourism Board has been organizing Travel Mart in all the seven provinces and Fewa Festival on April 13 and 14 will also help to gain momentum.

A general-manager of Ramada Encore, a 4-star hotel in Thamel, Kathmandu, said the hotel had 70 per cent occupancy lately. "The hotel comprising 90-rooms mostly has American, Indian and European tourists," he shared.

The inflow of foreign tourists has enthused tourism entrepreneurs in Pokhara, one of the popular tourist destinations in the country.

A local entrepreneur said development and promotion of adventure tourism destinations in and around Pokhara, famed for lakes and natural landscapes, had helped boost the country's tourism.

Likewise, Trekking Agencies' Association of Nepal former vice-president has suggested that the government of Nepal spread the message that Nepal is ready and open to tourists, to revive tourism in Nepal. According to him, this can be done through foreign ambassadors and consuls stationed in Nepal.

He further recommended that the government devise attractive packages such as free visa for a month, among others, to bolster the influx of foreign tourists.

NTB's CEO informed that the number of tourists from India and Bangladesh had increased significantly as the Board had conducted targeted promotional events in these countries and stressed the need to facilitate Indian tourists arriving in Nepal by roadways through various border points.

- a) What is the percentage change in the arrival of tourists in March 2021-2022?
- b) Which price elasticity of demand does the tourism service show? Why?
- c) In which market structure do you classify hotel services of the tourism industry? Give reasons.
- d) Almost all hotels faced loss however some of the hotels shut down their services and some of them retained in 2020 and 2021 during the spreading pandemic. Explain each situation with the help of a diagram.