INSTRUCTIONS TO THE CANDIDATES

- All the questions are compulsory and **MUST** be answered.
- Use only PEN for writing answers. Writing in Pencil is not allowed except for diagrams.
- This booklet contains 7 pages.

**LEVEL:** Diploma 1 (Business)
**Date & Day**
**Time** 9:00 AM to 11:00 AM

<table>
<thead>
<tr>
<th>Type of Questions</th>
<th>Allocated Marks</th>
<th>Secured Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. TRUE OR FALSE QUESTIONS</td>
<td>10 x 1 Mark</td>
<td>= 10</td>
</tr>
<tr>
<td>II. MULTIPLE CHOICE QUESTIONS</td>
<td>6 x 1 Mark</td>
<td>= 6</td>
</tr>
<tr>
<td>III. IDENTIFICATIONS</td>
<td>4 x 1 Mark</td>
<td>= 4</td>
</tr>
<tr>
<td>IV. SHORT QUESTIONS</td>
<td>4 x 4 Marks</td>
<td>= 16</td>
</tr>
<tr>
<td>V. ESSAY QUESTIONS</td>
<td>2 x 7 Marks</td>
<td>= 14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL SECURED MARKS IN WORDS ____________________________

Marked by : 
Signature : 
Date : 

Verified by : 
Signature : 
Date :
I. TRUE OR FALSE QUESTIONS  (10 x 1 mark = 10 marks)

Tick the word TRUE if the statement is correct and FALSE if it is wrong.

(Suggested Time: 12 Minutes)

1. Increase in demand shifts the demand curve left wards.  
   [TRUE FALSE]

2. Dividend is a part of income from other sources.  
   [TRUE FALSE]

3. Technological efficiency is achieved when resources are not wasted in production process.  
   [TRUE FALSE]

4. Average variable cost is calculated by dividing total fixed cost with output.  
   [TRUE FALSE]

5. In microeconomics we study an individual, firm and a household.  
   [TRUE FALSE]

6. When two goods are substitutes, the cross elasticity of demand is negative.  
   [TRUE FALSE]

7. The objective of public monopoly is to provide maximum welfare to the society.  
   [TRUE FALSE]

8. Economics is a science of wealth, defined by Lionel Robbins.  
   [TRUE FALSE]

9. A positive gain from business after subtracting expenses is profit.  
   [TRUE FALSE]

10. Cause and effect relationship applied in economics and science.  
    [TRUE FALSE]
II. MULTIPLE CHOICE QUESTIONS (6 x 1 mark = 6 marks)
Choose the most appropriate answer by ticking the letter-box at the right side.

(Suggested time: 8 Minutes)

1. All combinations above production possibility curve are
   A. Unattainable due to unlimited resource
   B. Unattainable due to limited resource
   C. Attainable due to available resources
   D. Attainable but inefficient use of resource

2. Above equilibrium point there is
   A. Surplus of supply
   B. Supply is equal to demand
   C. Shortage of supply
   D. Surplus of demand

3. Which one of the following is a characteristic of perfect competition?
   A. Formation of cartel
   B. Price leadership
   C. Large numbers of buyers and sellers
   D. No close substitute

4. A single seller or producer having the control over the market is called as
   A. Perfect Competition
   B. Monopoly
   C. Monopolistic Competition
   D. Oligopoly
5. Change in total costs associated with one more unit of output is known as
   A. Total variable cost
   B. Total fixed cost
   C. Total cost
   D. Marginal cost

6. Which one of the following is an example of price ceiling
   A. Subsidies
   B. Tax
   C. Rent controls
   D. Minimum wage

III. IDENTIFICATIONS. (4 x 1 mark = 4 marks)

   Marks will be reduced for spelling mistakes.

   (Suggested time: 6 Minutes)

1. The economic system in which there is no interference by the government.
   Answer: ____________________

2. The statements which are based on opinion and emotions
   Answer: ____________________

3. Goods having negative income elasticity are called as
   Answer: ____________________

4. Total payment for the factors of production used in producing a commodity
   Answer: ____________________
IV. SHORT QUESTIONS

(Suggested Time: 40 Minutes)

1. Explain the following. (2 + 2 = 4 marks)
   
   A. Economies of Scale
   
   B. Oligopoly

2. Explain fixed cost and variable cost. (2 + 2 = 4 marks)
3. Draw and explain increase in supply with the help of table given below. (2 + 2 = 4 Marks)

<table>
<thead>
<tr>
<th>Price (RO)</th>
<th>Quantity Supplied (S)</th>
<th>Increase in Quantity Supplied (S1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>4</td>
<td>25</td>
<td>30</td>
</tr>
</tbody>
</table>
4. Explain any four non-price factors affecting the demand. (4 marks)
1. Define monopolistic competition. Explain the characteristics of monopolistic competition. (1 + 6 = 7 Marks)
2. Explain socialist and mixed economic system. (7 Marks)

Wish you all the best