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# HOTEL ECONOMICS

## SEMESTER - 4



Time : 3 Hours ]

[ Full Marks : 70

### GROUP - A

#### ( Multiple Choice Type Questions )

1. Choose the correct alternatives for the following : 10 ∞ 1 = 10

i) Average cost curves are *U*-shaped because of

- a) law of variable proportion      b) law of diminishing substitution  
c) both of these      d) none of these.

ii) A monopolist always earns supernormal profit in the short-run. This statement is

- a) false      b) true  
c) sometimes true      d) none of these.

iii) "Proportion of income spent on a commodity" — is an important determinant of

- a) Price elasticity of demand      b) Income elasticity of demand  
c) Cross elasticity of demand      d) none of these.

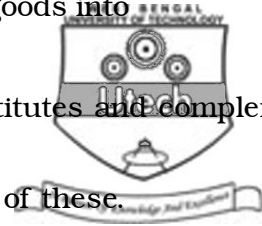
iv) Marginal Cost ( MC ) cuts the average cost ( AC ) through its

- a) maximum      b) minimum  
c) parallel-wise      d) none of these.



v) Income elasticity of demand helps us to classify goods into

- a) luxuries and necessities
- b) substitutes and complements
- c) both of these
- d) none of these.



vi) Extension and contraction of demand happen when

- a) there is a movement along the demand curve
- b) the demand curve has a parallel shift
- c) both of these
- d) none of these.

vii) Demand curves slope downward because of

- a) Law of diminishing marginal utility
- b) Law of diminishing returns
- c) Law of increasing marginal utility
- d) none of these.

viii) Cross-elasticity of demand helps us to classify goods into

- a) price elastic or inelastic
- b) substitutes and complements
- c) both of these
- d) none of these.



ix) The average revenue ( AR ) and the marginal revenue ( MR ) curves coincide in perfect competition because of the assumption that



- a) product is homogeneous
- b) perfect knowledge
- c) large number of buyers and sellers
- d) no government intervention.

x) The demand curves for Giffen commodities are

- a) upward rising
- b) downward sloping
- c) both are true
- d) none of these.

**GROUP – B**

**( Short Answer Type Questions )**

Answer any *three* of the following.

3 ∞ 5 = 15

2. Define the concept of TR, AR and MR.
3. What do you understand by opportunity cost ? Give example.
4. How do you analyse, law of variable proportions ?
5. Define demand. State the law of demand with the help of graph.
6. Explain the concept of elasticity of supply.



**GROUP – C**

**( Long Answer Type Questions )**

Answer any *three* of the following.



3 × 15 = 45

7. a) Differentiate between 'returns to scale' and 'economies of scale'. 5 + 10
- b) Using a diagram show that the long run average cost curve can be derived as an envelope to the short run cost curve.
8. a) Define Income-elasticity of demand. On which factors does it depend ?
- b) State briefly the exceptions to the demand law.
- c) State the difference between 'change in demand' and 'change in quantity demanded'.
- d) If price changes from Rs. 8/- to Rs. 12/-, the quantity demanded changes from 20 kgs to 16 kgs. Calculate price elasticity of demand at the initial price. 3 + 3 + 4 + 5
9. a) With the help of a diagram explain how profit maximizing output and price is determined in the perfectly competitive market.
- b) Are such firms, while in equilibrium, always earn profit ? 10 + 5
10. a) Using a diagram (or otherwise) explain the relations between average cost (AC), average fixed cost (AFC), and average variable cost (AVC).
- b) What do you understand by short run production function ?
- c) Define marginal cost and explain why it passes through the minimum of AVC and AC. 5 + 5 + 5



11. Write notes on any *two* of the following :

- a) Cross-price elasticity of demand
- b) Monopoly
- c) Marginal use of production function
- d) Objectives of price policy.



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END