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Sem I
Business Economics - I

21st Nov., 2016
3pm to 6pm
06 pages

(610)

QP Code :760101

(3 Hours) [**Total Marks : 100**

N. B. : (1) All questions are **compulsory**.
(2) All questions have internal choice.
(3) Draw neat diagrams wherever necessary.
(4) Use of simple calculators is permitted.
(5) **Figures** to the **right** indicate **full** marks.

1. (A) Define the following concepts. **Any Ten :—**   10
    (i) Equation
    (ii) Average revenue
    (iii) Equilibrium price
    (iv) Cross elasticity of demand
    (v) Income elasticity of demand
    (vi) Demand forecasting
    (vii) Isoquant
    (viii) Constant returns to scale
    (ix) Diseconomies of scale
    (x) Total cost
    (xi) Implicit cost
    (xii) Break-even point

   (B) Select the best answer from the given options and rewrite the
    statement. **Any Ten :—**   10
    (i) Which of the following shows the relationship between the
    price of a good and the amount of the good that consumers
    want at that price?
        (a) Supply curve
        (b) Demand curve
        (c) Supply schedule
        (d) Production possibilities frontier

    (ii) The market clearing price is also called the
        (a) current price
        (b) prevailing price
        (c) equilibrium price
        (d) none of the above

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(iii) What is the cause of the rightward shift of the demand curve for cars?
    (a) An increase in income
    (b) An increase in population size
    (c) Lower prices of petrol
    (d) All of the above

(iv) A percentage change in quantity demanded divided by a percentage change in price is called
    (a) income elasticity of demand
    (b) price elasticity of demand
    (c) price elasticity of supply
    (d) elasticity of substitution

(v) On the lower segment of a downward sloping straight line demand curve price elasticity of demand is
    (a) > 1
    (b) < 1
    (c) = 1
    (d) none of the above

(vi) Expert opinion is a
    (a) survey method
    (b) statistical method
    (c) both a and b
    (d) none of the above

(vii) If there is zero substitutability between capital and labour the isoquant is
    (a) a straight line
    (b) 'L' shaped
    (c) concave to the origin
    (d) none of the above

(viii) The total amount of output produced is called
    (a) total supply
    (b) total product
    (c) both a and b
    (d) none of the above   [TURN OVER

(ix) Using five units of labour a firm can produce 2500 units of a good. Using six units of labour the firm can produce 3000 units of the good. The marginal product of the sixth unit of labour is

    (a) 100 units

    (b) 1500 units

    (c) 2000 units

    (d) 500 units

(x) The rent of a factory is an example of

    (a) variable cost

    (b) fixed cost

    (c) both a and b

    (d) neither a nor b

(xi) Which of the following curves is used for planning

    (a) SAC

    (b) SMC

    (c) LAC

    (d) LMC

(xii) The break-even point is influenced by

    (a) price

    (b) average variable cost

    (c) fixed cost

    (d) all of the above

2. Attempt **A** and **B** OR **C** and **D**

  (A) What is business economics? Discuss its scope.   8

  (B) Given the following data   7

Q	1	2	3	4	5
O	10	9	8	7	6

    (i) Calculate TR, AR and MR.

    (ii) Explain the relationship between TR and MR, MR and AR.

OR

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(C) Using diagrams explain changes in equilibrium due to :   8
    (i)   increase in demand
    (ii) increase in supply

(D) (i) Given the following data for supply and demand for pizzas   7

Price (₹) per pizza	Quantity Demanded (Pizzas per week)	Quantity Supplied (Pizzas per week)
8	0	40
6	10	30
4	20	20
2	30	10
0	40	0

Identify the :
    (a) equilibrium price
    (b) equilibrium quantity demanded and supplied

(ii) If $Q_{DX} = 65,000 - 10,000\ P_x$ describes demand for sports shoes. Complete the following table for $P_x = 6,5,4,3$. Show your working.

(iii) What are the determinants of demand other than the price of the good itself?

3. Attempt **A** and **B** OR **C** and **D**.

(A) Explain the nature of demand curves of firms in perfect competition and oligopoly markets.   8

(B) When the price of season cricket passes is ₹ 400 per pass, the quantity demanded is 10,000 passes. When the price is reduced to ₹ 380 per pass the quantity demanded is 12,000 passes.   7
    (i)   Calculate price elasticity of demand
    (ii) According to your answer in (i) what is the degree of price elasticity?
    (iii) Explain the significance of price elasticity of demand.

OR

(C) What are the various types of demand forecasts?   8

(D) (i) What are the steps in demand forecasting?   7
    (ii) Given the following demand function $Q_{DX} = 60 - 0.7P_x$. If future price is ₹ 20, what would be your forecast of quantity demanded?

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4.   Attempt **A** and **B** OR **C** and **D**

     (A) (i) Distinguish between fixed proportions and variable proportions production functions.   **8**

          (ii) Explain why :

              (a) isoquants are convex to the origin

              (b) isoquants cannot interest.

     (B) Using isoquants and the expansion path explain the law of returns to scale.   **7**

<div align="center">**OR**</div>

     (C) Discuss external economies and diseconomies of scale.   **8**

     (D) Using a diagram explain the law of variable proportions.   **7**

5.   Attempt **A** and **B** OR **C** and **D**

     (A) Draw diagrams to illustrate :   **8**

          (i)   TFC, TVC and TC

          (ii) AFC

          (iii) AVC, AC, MC

          (iv) The relationship between AC and MC.

     (B) Given the following data :   **7**

Q	0	1	2	3	4	5	6	7
TC	40	52	59	64	70	78	89	103

        Calculate TFC, TVC, MC, AFC, AVC and AC.

<div align="center">**OR**</div>

     (C) Construct the LAC curve using SAC curves.   **8**

     (D) If price = ₹ 7, AVC = ₹ 5 and TFC = ₹ 40,000   **7**

          (i)   What is the break-even quantity?

          (ii) What happens to the break-even quantity when price increases to ₹ 9, AVC and TFC remaining the same?

          (iii) What happens to the break-even quantity when AVC increases to ₹ 6, price and TFC remaining the same?

6.   Attempt **A** and **B** OR Write short notes on **any four**

     (A) Discuss internal economies and diseconomies of scale.   **10**

     (B) Explain break-even analysis with the help of diagrams.   **10**

<div align="center">**OR**</div>

<div align="right">**[TURN OVER**</div>

Write short notes on **any four** of the following :   20
  (i) Functions and variables
  (ii) Relationship between price elasticity and total revenue
  (iii) Consumer survey method of demand forecasting
  (iv) Economies of scope
  (v) Learning curve
  (vi) Limitations of break-even analysis

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