FYBCOM / SEM-I / ATKT / ECONOMICS 15/3/17 7

Q.P. Code :000489

[Time: Three Hours] [Marks:100]

Please check whether you have got the right question paper.

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

Q.1 A) Select the best answer from the given options and rewrite the statement. (Any Ten) (10)

i. All other things being equal if strawberries and cream are complementary goods, a fall in the price of strawberries will

a. Shift the demand curve for strawberries to the right
b. Cause a movement along the demand curve for cream
c. Cause a fall in the price of cream
d. Shift the demand curve for cream to the right

ii. The supply curve shifts due to _____

a. Changes in technology
b. Change in input prices
c. Change in the prices of related goods
d. All of the above

iii. _____coordinate the decisions of producers and consumers in the market.

a. Quantities
b. Directors
c. Governments
d. Prices.

iv. The price elasticity of demand measures

a. The change in quantity demanded of a good to a change in income.
b. The change in quantity demanded of a good to a change in price of another good
c. The change in the quantity demanded of a good to a change in price of the good
d. The change in the quantity demanded of a good to a change in price elasticity of supply

v. When a 1% change in price leads to a 1% change in quantity demanded we say demand is

a. Relatively elastic
b. Relatively inelastic
c. Unit elastic.
d. None of the above

vi. The moving average technique

a. Compensates for fluctuations
b. Is a smoothing technique
c. Both a and b.
d. None of the above

vii. Q denotes the amount produced. L denotes the number of units of labour used. So, Q/L = _____

a. TP
b. AP
c. MP
d. Total profit.

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viii. The law of variable proportions_____

a. Pertains to the short run
b. Assumes one factor as fixed
c. Is also known as law of diminishing returns
d. All of the above.

ix. 'L' shaped isoquants imply that the inputs_____

a. Are perfect substitutes
b. Are perfect complements
c. Cannot be used together
d. Must be used together in a certain proportion

x. The payment of interest on loans taken is an example of

a. Variable costs
b. Fixed costs
c. Both a and b
d. Neither a nor b

xi. Total costs equal_____

a. MC+AC
b. MC+VC
c. FC+MC
d. FC+VC.

xii. One of the following formulae is correct_____

a. AVC = (TC-FC)/Q
b. AVC = FC/Q
c. AVC = TC/Q
d. AVC = ([MC X Q]- FC)/Q

Q.1 B) Match the concepts and their definitions. Write the concept with its appropriate definition. (Any Ten) (10)

Concepts	Definitions
1. Law of demand	a. Measures responsiveness of quantity demanded to a change in income
2. Change in demand	b. Shows the maximum output that can be produced with a given quantity of inputs
3. Equilibrium price	c. Cost which cannot be recovered if the firm shuts down
4. Income elasticity of demand	d. Perfectly inelastic demand curve
5.Vertical demand curve	e. Total fixed cost divided by total output
6. Kinked demand curve	f. As the price of a good decreases, buyers tend to buy more and vice versa
7. Production function	g. Those inputs that can be changed in the short run.
8. Marginal product	h. The extra output produced by adding an additional unit of an input to the production process.

9. Capital	i. When market demand is equal to market supply
10. Variable inputs	j. Demand curve of firms in oligopoly
11. Average Fixed cost	k. A fixed input to production in the short run
12. Sunk cost	l. A total shift in the demand curve

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

A) Define business economics and explain its scope. (08)

B) What is opportunity cost? Explain its significance in business economics. (07)

OR

C) With the help of a diagram explain the determination of equilibrium market price and quantity. (08)

D) The table below shows hypothetical demand schedules for T-shirts. (07)

Price (Rs.)	Quantity demanded Q_{Dx1}	Quantity demanded Q_{Dx2}	Quantity demanded Q_{Dx3}
20	0	2	3
15	1	2	5
10	2	2	8
5	3	3	10
3	4	4	12

(i) Calculate market demand.
(ii) Explain the determinants of demand.

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

A) Using diagrams explain the difference in demand curves of firms in perfect competition and monopoly. (08)

B) When price is Rs.5 quantity demanded is 10 units. When price increases to Rs.7 quantity demanded is 5 units. (07)
(i) Calculate price elasticity of demand. Is demand elastic or inelastic?
(ii) Explain the various degrees of elasticity of demand.

OR

C) What is demand forecasting? What is the significance of demand forecasting? (08)

D) Given the following demand function. (07)
$Q_{Dx} = 200 - 0.45\ Px$; what is your forecast for Q_{Dx} when P_x is 40, 50, 60?

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

A) What is an isoquant? Explain properties of isoquants. (08)

B) Using a diagram explain the three stages of the law of variable proportions. (07)

OR

C) Explain the external economies and diseconomies of scale. (08)

D) Using diagrams explain the law of returns to scale. (07)

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

A) Distinguish between (08)
(i) Explicit and implicit costs
(ii) Fixed and variable costs
(iii) Historical and replacement costs
(iv) Social and private costs

B) Given TFC as 55, calculate TC, MC, AFC, AVC and AC (07)

Q	0	1	2	3	4	5	6
TVC	0	30	55	75	105	155	225

OR

C) Derive the LAC curve using the short run average cost curves of a firm. (08)

D) What is the learning curve? Explain with a diagram. (07)

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

A) Using an isoquant map and isocost line explain producer's equilibrium as the least cost combination. (10)

B) What is the breakeven point? Using diagrams explain how the breakeven point changes when there are changes in price and fixed cost. (10)

OR

Q.6 Write short notes. (Any four) (20)

1. Functions and equations.
2. Income and cross elasticity of demand.
3. Internal economies of scale.
4. Economies of scope.
5. Relationship between average cost and marginal cost.
6. Uses of breakeven analysis.