23/03/2018 (14)

Q.P. Code :00488

[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 wherever 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) The slope of a straight line is
   a) Increasing
   b) Decreasing
   c) Constant
   d) None of the above

ii) The downward sloping demand curve states that
   a) As price increases, quantity demanded increases
   b) As price decreases, quantity demanded increases
   c) As price decreases, quantity demanded decreases
   d) None of the above

iii) If we were to sum the quantity demanded by every consumer in the market at every price and plot those sums against the relevant price, we would obtain the
   a) Supply curve
   b) Summed demand curve
   c) Market demand curve
   d) Vertical demand curve

iv) When the price of a product is increased by 10% and the quantity demanded decreases by 15% we say demand is
   a) Relatively elastic
   b) Relatively inelastic
   c) Unit elastic
   d) None of the above

v) Time series analysis considers
   a) Trends
   b) Cyclical and seasonal fluctuations
   c) Irregular movements
   d) All of the above

vi) Demand forecasting is always
   a) Unreliable
   b) Accurate
   c) Conditional
   d) None of the above

vii) We get fewer and fewer additional units as we add more and more units of inputs to the production process. We call this fact the
   a) Law of diminishing marginal utility
   b) Law of diminishing returns
   c) Law of supply
   d) Law of demand

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(15)

viii) Economies of scale exist when
   a) Increasing production reduces average cost
   b) Increasing returns applies in the short term
   c) Doubling factor input doubles output
   d) Greater experience in producing the product reduces average cost

ix) MRTS stands for
   a) Marginal rate of technical structure
   b) Marginal rate of technical substitution
   c) Both (a) and (b)
   d) None of the above

x) Health insurance premiums paid for employees by the firm are an example of
   a) Variable costs
   b) Fixed costs
   c) Both (a) and (b)
   d) None of the above

xi) The cost of producing 5 units is Rs.567 and 6 units is Rs.768. The MC of producing the sixth unit is
   a) Rs.128
   b) Rs.113
   c) Rs.201
   d) Rs.768

xii) Average fixed cost equals
   a) Fixed cost divided by total output
   b) Change in fixed cost divided by total output
   c) Total cost divided by fixed cost
   d) Total cost minus variable cost

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

Concepts	Definitions
1. Demand curve	a. Measures the change in quantity demanded of a good given a change in the price of that good.
2. Functions	b. Locus of points of tangency between the isoquants and isocost lines.
3. Supply curve	c. Firms actual expenditures or explicit costs
4. Price elasticity of demand	d. Measures responsiveness of quantity demanded of a good to a change in its advertising expenditure
5. Promotional elasticity of demand	e. Total revenue minus total cost
6. Rectangular hyperbola	f. A graphical representation of the inverse relationship between price and quantity
7. Expansion path	g. Are also known as sunk costs
8. Economies of scope	h. Reduction of cost by producing two or more goods or services jointly
9. Long term	i. Shows the number of units that producers are willing to sell at each price
10. Fixed costs	j. Unit elastic demand curve
11. Total profit	k. When firms are able to change all of the factors of production including capital
12. Accounting cost	l. Shows the relationship between two or more variables

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

A) What is the scope of business economics? (8)

B) What is opportunity cost? Explain its significance in business economics. (7)

OR

C) With the help of a diagram explain the determination of equilibrium market price and quantity. (8)

D) Using diagrams explain changes in market equilibrium due to changes in demand. (7)

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

A) Write a note on the significance of the concept of price elasticity of demand. (8)

B) What is the difference between price elasticity, income elasticity and cross elasticity of demand? Is the demand for Angel chocolates price elastic or inelastic if it is = -0.2? (7)

OR

C) What is demand forecasting? Explain any two of the following methods of demand forecasting. (8)

i. Delphi method

ii. Consumer survey method

iii. Regression method

iv. Time series analysis

D) Given the following demand function Q_{DX}=100-0.45P_x what is your forecast for Q_{DX} when P_x is 20,30,40? (7)

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

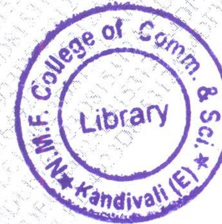
A) Explain producer's equilibrium as the least cost combination. (8)

B) Explain the law of variable proportions. (7)

OR

C) Explain the various internal and external economies of scale. (8)

D) Using diagrams explain the law of returns to scale. (7)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Q.5 Attempt A and B **OR** C and D

A) Define and illustrate with a diagram (8)

i. TFC, TVC and TC

ii. AFC, AVC and AC

B) Given TFC as Rs.50, calculate TVC, MC, AFC, and AVC and AC. (7)

Q	0	1	2	3	4	5	6
TC(Rs.)	50	75	95	120	150	185	225

OR

C) Derive the LAC curve using the short term average cost curves of a firm. (8)

D) What is the learning curve? Explain with a diagram. (7)

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

A) Explain the nature of demand curves in different markets. (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)

i) Slope of straight lines and curves.

ii) Importance of demand forecasting.

iii) Properties of isoquants.

iv) External economies of scale.

v) Fixed and variable cost.

vi) Limitations of breakeven analysis

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