

[Time: 3 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 choices.
  3. Use of simple calculator is permitted.
  4. Figures to the right indicate full marks.
  5. Draw neat diagrams wherever necessary.

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

- i) Which of the following **IS NOT** a feature of a variable?
  - a) They are quantifiable
  - b) Their values can vary
  - c) Uses an '=' symbol
  - d) Can be exogenous or endogenous
- ii) If the cost of computer components fall, then \_\_\_\_\_
  - a) The demand curve for computers shifts to the right.
  - b) The demand curve for computers shifts to the left.
  - c) The supply curve for computers shifts to the right
  - d) The supply curve for computers shifts to the left
- iii) In Business Economics, the central problem is ----
  - a) Production
  - b) Consumption
  - c) Scarcity of resources
  - d) Money
- iv) If cross elasticity of demand for commodity A with respect to the price of commodity B is  $-0.5$ , then \_\_\_\_\_
  - a) A and B are substitutes
  - b) A and B are complements
  - c) A and B are unrelated
  - d) Can't say
- v) If the price of sandwiches increases by 22%, then the quantity of sandwiches demanded falls by 25%. This indicates that demand for sandwiches is \_\_\_\_\_.
  - a) Relatively elastic.
  - b) Relatively inelastic.
  - c) Unitary elastic.
  - d) Perfectly elastic
- vi) Seasonal trend refers to \_\_\_\_\_.
  - a) Cyclical fluctuation
  - b) Variations within a year time
  - c) Variations in a very long period
  - d) None of the above

- vii) Which of the following **IS NOT** a type of internal economies of scale?
- Production economies
  - Economies of localization
  - Economies in transport and storage
  - Selling or marketing economies
- viii) A technically efficient method of production is the one that \_\_\_\_\_.
- uses less of anyone of the inputs to produce the same level of output.
  - uses more of anyone of the inputs to produce the same level of output.
  - represents least cost factor combination.
  - represents maximum profit.
- ix) When firms increases labour input and the output rises less than proportionately, then they are experiencing \_\_\_\_\_.
- division of labour
  - the law of large numbers
  - diminishing returns
  - diminishing marginal utility
- x) Implicit costs are \_\_\_\_\_.
- equal to total fixed costs
  - equal to total variable costs
  - cost of owned resources used.
  - always greater in the short run than in the long run.
- xi) The slope of total cost curve equals \_\_\_\_\_.
- AVC
  - MC
  - AC
  - TFC
- xii) Breakeven analysis identifies the \_\_\_\_\_.
- profit-maximizing level of output.
  - level of output where economic profit is equal to zero.
  - level of output where marginal revenue is equal to marginal cost.
  - All of the above

**Q.1 B Write whether the following statements are true or false (Any Ten)**

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- Microeconomics deals with individual behavior.
- $C = f(Y)$  is an equation.
- The sum of quantity supplied of a good by all firms in the market is known as market supply.
- Tennis racquets and tennis balls are likely to have a positive cross elasticity of demand.
- The price elasticity of demand is the same on all points of a linear demand curve.
- Demand forecasting is done only by large-scale industries.
- When the total product is falling, the marginal product of labour becomes negative.
- If a firm increases all its inputs by 20% and its output increases by 30%, the firm is experiencing economies of scale.
- In the short run, a firm can vary the number of workers it employs, but not the size of its factory.

- x) Economies and diseconomies of scale explain the shape of long-run average cost curve.
- xi) If an input is owned and used by a firm, then explicit cost of that input is zero.
- xii) At breakeven point, total cost is greater than total revenue.

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

- A) Explain the determination of equilibrium price using the concepts of market demand and market supply.
- B) Given the following data calculate TR, AR, and MR. Also identify the market structure and state the relationship between TR, AR and MR. 08

Output (Units)	1	2	3	4	5	6	7
Price (Rs.)	100	90	80	70	60	50	40

**OR**

- (C) Explain opportunity cost principle, incremental and marginal concepts as basic tools in the study of Business Economics. 07
- (D) The demand function for a commodity is given as  $Q_d = 600 - 2P$  and its supply function is given as  $Q_s = 3P$ . Make a schedule of demand and supply at prices Rs. 80/-, Rs.100/-, Rs.120/-, Rs. 140/-and Rs.160/-. Find the equilibrium price and quantity. 08

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

- A) Explain the relationship between elasticity of demand and revenue concepts (TR, AR and MR). 07
- B) What is demand forecasting? Explain the steps of demand forecasting. 08

**OR**

- (C) Describe the nature of demand curve under monopoly and oligopoly. 07
- (D) In a town, 250 luxury cars were sold per month when per capita income (PCI) was Rs. 10,00,000. As PCI improved to Rs.15,00,000, the demand for luxury cars rose to 500 per month. Calculate income elasticity of demand for luxury cars in this town. Draw an appropriate diagram to illustrate the situation given above. 08

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

- A) Explain the conditions for a producer to attain least cost combination of factor inputs with the help of a diagram.
- B) What is meant by Economies of Scale? Discuss the various external economies of scale. 08

**OR**

- C) Explain the law of returns to scale using a diagram with expansion path. 07
- (D) The following table shows total product of a firm due to increase in labour input used in combination with a fixed input of capital: 08

Labour input (Units)	0	1	2	3	4	5	6	7	8	9	10
Total Product (Units)	0	10	22	36	52	66	76	80	82	82	78

- i) Calculate average product and marginal product.
- ii) Name and mark the three stages of Law of Variable Proportions in the table.
- iii) In which stage will a rational producer operate? Justify your answer.

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

- A) Derive the long run average cost curve and write its features. 07
- B) Calculate TVC, ATC, AVC and MC from the information given in the following table: 08

Output (Units)	0	1	2	3	4	5	6	7	8
Total cost (Rs.)	100	125	140	150	160	180	210	250	400

OR

- (C) What is breakeven point? Explain how breakeven point changes due to changes in total fixed cost using an appropriate diagram. **07**
- (D) For a hypothetical firm, if price of product is Rs.50/-, TFC is Rs.10,000/- and AVC is Rs.10/-, **08** then
- Calculate breakeven output for this firm.
  - At the original TFC and AVC, how does breakeven quantity change if price falls to Rs. 35/-?
  - At the original price and AVC, what will be the breakeven quantity if TFC decreases to Rs. 8000/-?
  - At the original price and TFC, what will be the break even quantity if AVC rises to Rs. 30/-?

**Q.6 Attempt A and B OR Write Short Notes on any four:**

- A) Explain the Law of Demand on the basis of various determinants of demand. **10**
- B) Define an isoquant. Explain the properties of isoquants in detail. **10**

OR

**Q.6 Write Short Notes on any four:**

- Use of marginal analysis
- Cross elasticity of demand
- Isocost line
- Economies of scope
- Relationship between AC and MC
- Learning curve

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