Q.P. Code :19575

[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 calculator is permitted.
        5. Figures to the right indicate full marks.

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

i)   Opportunity Cost is the ------------.
        a) Price of a good or service
        b) All out–of–pocket costs
        c) Value of the best alternative sacrificed
        d) Price that exceeds market price

ii)   If Kommoner's lowers the price of its pizzas, --------------.
        a) Demand for Queen's pizzas increases
        b) Demand for Kommoner's pizzas increases
        c) Demand for Queen's pizzas decreases
        d) Both b and c

iii)   The supply curve illustrates how-------.
        a) Quantity supplied increases as price decreases
        b) Quantity supplied increases as price increases
        c) Quantity supplied increases as technology improves
        d) Quantity supplied increases as resource price decreases

iv)   Demand is relatively inelastic when --------------.
        a) $E_d = 1$
        b) $E_d > 1$
        c) $E_d < 1$
        d) $E_d = 0$

v)   When a 1% change in price leads to more than 1% change in quantity demanded, we say demand is----------------.
        a) Relatively elastic
        b) Relatively inelastic
        c) Unit elastic
        d) None of the above

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vi) Delphi method is a ----------.
   a) Survey method
   b) Statistical method
   c) Both a and b
   d) None of the above

vii) For Ford Motor Company, all of the following are sources of economies of scale except ------------.
   a) Mass production techniques used in the manufacturing of autos
   b) Bureaucracy and red tape encountered as the firm becomes larger
   c) Learning by doing which allows workers to become more productive
   d) Additional specialisation made possible by large scale production

viii) The negative slope of the iso-quant is due to -----------.
   a) Diminishing marginal rate of technical substitution
   b) Zero marginal rate of technical substitution
   c) Marginal rate of technical substitution is greater than one
   d) None of the above

ix) When a firm experiences economies of scale, ---------------------.
   a) The long run average cost curve slopes downward
   b) The long run average cost curve is vertical
   c) The long run average cost curve slopes upward
   d) The long run average cost curve is horizontal

x) An economist would argue that accountants tend to -----------.
   a) Understate costs and overstate profits
   b) Understate costs and understate profits
   c) Overstate costs and understate profits
   d) Overstate costs and overstate profits

xi) Sunk cost means -------------.
   a) Cost that is recovered
   b) Cost of foregone alternatives
   c) Both a and b
   d) Neither a nor b

xii) Breakeven point is reached when a firm-----------.
   a) Earns zero profit
   b) Covers fixed cost
   c) Covers variable cost
   d) All of the above

B) Match the concept with its appropriate definition/explanation/description. **Any Ten.**   10

	Concept		Definition /Explanation /Description
i)	Opportunity cost	a]	Cost of an additional batch
ii)	Graph	b]	Value of the best alternative sacrificed
iii)	Law of supply	c]	Delphi method
iv)	Perfect competition	d]	Price line
v)	Survey method	e]	Initial cost of buying an asset.
vi)	Promotional elasticity of demand	f]	Price and quantity supplied are positively related
vii)	Iso-cost line	g]	Impact of change in advertising expenditure on quantity demanded
viii)	Internal diseconomies of scale	h]	Benefits of joint production
ix)	Economies of scope	i]	Cost-volume profit analysis
x)	Historical cost	j]	Horizontal demand curve
xi)	Incremental cost	k]	An increase in the scale of production of the firm results in rise in cost per unit
xii)	Breakeven analysis	l]	Diagrammatic representation of a function

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

A) What is business economics? Discuss the relationship between economic concepts and business decisions.   08

B) Given the following data. Calculate TR, AR, and MR. Explain the relationship between   07
   a) TR and MR and b) AR and MR

Q	1	2	3	4	5
P	100	90	80	70	60

OR

C) The following table describes the market for floppy discs before pen drives were introduced.   08

Price (Rs)	Quantity Demanded of floppy discs	Quantity Supplied of floppy discs.
100	1500	700
200	1300	900
300	1100	1100
400	900	1300
500	700	1500

i)   Plot the demand and supply curves from the table given above.

ii)   What is the equilibrium price and equilibrium quantity?

iii) At the price of Rs. 200 what is the equilibrium quantity demanded and quantity supplied?

iv) When pen drives were introduced the demand for floppy discs decreased. Does the new demand curve shift to the left or right of the original demand curve?

D) Using diagrams explain the causes of changes in demand in terms of movement along and shifts in the demand curve. **07**

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

A) What are the determinants of demand? **08**

B) Given the following data, calculate price elasticity of demand for wheat when price increases and when price decreases. State whether the demand for wheat is elastic or inelastic. **07**

Price of wheat	Market demand for wheat
15	5000
20	4500

OR

C) What is demand forecasting? Explain the various types of demand forecasting. **08**

D) Explain the least squares method of demand forecasting. **07**

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

A) What are isoquants? Explain the properties of isoquants. **08**

B) Explain the law of variable proportions. **07**

OR

C) Explain the least cost combination as producer's equilibrium. **08**

D) Explain external economies and diseconomies of scale. **07**

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

A) Distinguish between short run and long run costs. **08**

B) Given TFC as 55 and the following data, calculate TVC, MC, AFC, AVC and AC **07**

Q	1	2	3	4	5
TC	75	90	110	135	170

OR

C) Derive the LAC curve using the short run average cost curves of a firm. Why is it called a planning curve?   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) Explain changes in equilibrium due to: 10
   a) Changes in demand and
   b) Changes in supply

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

OR

Write Short Notes. **Any Four**   20
   i) Functions and equations
   ii) Steps of demand forecasting
   iii) Types of isoquants
   iv) Internal economies of scale
   v) Fixed and variable cost
   vi) Limitations of breakeven analysis

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