

Duration 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

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

- i) Incremental principle states that an investment decision is profitable if _____
 - a) revenue increases more than cost
 - b) cost reduces more than revenue
 - c) both a) and b)
 - d) None of the above
- ii) The market supply schedule shows _____ relationship between price and quantity supplied.
 - a) inverse
 - b) direct
 - c) no
 - d) None of these
- iii) In case of normal goods, demand curve is _____
 - a) upward sloping
 - b) downward sloping
 - c) vertical straight line
 - d) horizontal straight line
- iv) Kinked demand curve is observed in _____ market
 - a) Perfect competition
 - b) Monopoly
 - c) Monopolistic Competition
 - d) Oligopoly
- v) If demand is price elastic, then _____
 - a) a rise in price will raise total revenue.
 - b) a fall in price will raise total revenue.
 - c) a fall in price will increase the quantity demanded.
 - d) a rise in price won't have any effect on total revenues.

- vi) Which of the following is a limitation of consumer clinic method of demand forecasting?
- a) Abnonnal consumer behavior
 - b) Expensive
 - c) Neither a nor b
 - d) Both a and b
- vii) Short run production function includes _____
- a) only Fixed factors
 - b) only Variable factors
 - c) both fixed and variable factors
 - d) None of the above
- viii) The narrowing distance between successive isoquants denotes _____
- a) Increasing returns to scale
 - b) Decreasing returns to scale
 - c) Constant returns to scale
 - d) None of the above
- ix) Which of the following is an example of Internal Economies of Scale?
- a) Labour Economies
 - b) Technical Economies
 - c) Managerial Economies
 - d) All of the above
- x) In the short run, the slope of TC curve is the same as slope of _____
- a) AVC curve
 - b) TFC curve
 - c) TVC curve
 - d) AFC curve
- xi) The difference between private and social cost is due to _____
- a) opportunity cost
 - b) diminishing marginal utility
 - c) externalities
 - d) accounting errors
- xii) _____ refers to an unavoidable cost which cannot be recovered.
- a) Opportunity cost
 - b) Sunk cost
 - c) Real cost
 - d) Implicit cost

1. B) Write whether the following statements are true or false (Any Ten) 10
- i. Demand is desire backed by willingness and ability to pay.
 - ii. Opportunity costs can always be measured in terms of money.
 - iii. Under monopoly market, when TR is increasing MR is negative.
 - iv. When the demand is perfectly elastic, the demand curve will be a vertical straight line.
 - v. Demand curve under monopoly is perfectly inelastic.
 - vi. Long term forecasts are required for capital investments.
 - vii. Technology is variable in long run production function.
 - viii. MRTS is measured as $\Delta K / \Delta L$
 - ix. A firm experiences increasing returns of scale due to technological advancements.
 - x. Implicit costs are measured as opportunity cost.
 - xi. Learning curve expresses the decline in average cost due to better experience.
 - xii. $MC=AC$ when AC is minimum.

2. Attempt A and B OR C and D

- A) Discuss the scope of study of Business Economics. 07
- B) Given the following data calculate TR, AR, and MR. Also identify the market structure 08
and state the relationship between TR, AR and MR.

Output (Unit)	1	2	3	4	5	6	7
Price (Rs.)	10	10	10	10	10	10	10

OR

- C) Write an explanatory note on the use of marginal analysis in decision making in 07
business.
- D) The demand function for a commodity is given as $Q_d = 40 - 0.1P$ and its supply function 08
is given as $Q_s = 20 + 0.2P$. Make a schedule of demand and supply at prices Rs.100/-,
Rs.200/, Rs. 300/- and Rs.400/-. Find the equilibrium price and quantity.

3. Attempt A and B OR C and D

- A) State and explain the law of demand. Write the assumptions and exceptions to the law 07
of demand.
- B) Describe the nature of demand curve under perfect competition and monopolistic 08
competition.

OR

- C) What is demand forecasting? What is the significance of demand forecasting? 07
- D) A movie theatre charged Rs.100/- per ticket and sold 500 tickets per show. When the 08
price of tickets was raised to Rs. 125/- the theatre was able to sell only 450 tickets.
Estimate price elasticity of demand for movie tickets. Is it beneficial for the theatre to
raise the price? Justify your answer.

4. Attempt A and B OR C and D

- A) Define isoquants. What are the properties of isoquants? 07
- B) What is meant by diseconomies of scale? Discuss the various internal and external 08
diseconomies of scale.

OR

- C) What is meant by Economies of Scope? How is it different from Economies of Scale? 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
Total Product (Units)	0	50	110	180	240	270	282	282	240

- 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.

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

- A) Explain the nature and relationship between AFC, AVC, ATC and MC curves of a firm. 07
 B) Given $TFC = Rs.55/-$, calculate TC, AFC, AVC and MC 08

Output (Units)	0	1	2	3	4	5	6
TVC (Rs)	0	30	55	75	105	155	225

OR

- C) What is meant by break -even point? How is break-even point determined? 07
 D) For a hypothetical firm, if price of product is Rs.80/-, TFC is Rs.5000/ and AVC is Rs.30/-, then 08
 i) Calculate breakeven output for this firm
 ii) At the original TFC and AVC, how does breakeven quantity change if price rises to Rs. 130/-?
 iii) At the original price and TFC, what will be the breakeven quantity if AVC rises to Rs. 60/-?
 iv) At the original price and AVC, what will be the break even quantity if TFC rises to Rs. 6000/-?

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

- A) Define income elasticity of demand. Explain the degrees of income elasticity of demand using examples. 10
 B) Derive the long run average cost curve and write its features. 10

OR

Write Short Notes on any four 20

- i. Functions and equations
- ii. Promotional elasticity of demand
- iii. Types of isoquants
- iv. Expansion path
- v. Accounting and economic cost
- vi. Applications of break-even analysis
