

# END TERM EXAMINATION

FIRST SEMESTER [BBA] DECEMBER-2012

Paper Code: BBA/BBA(B&I/TTM/CAM/MOM)103

Subject: Business Economics-I

Time : 3 Hours

Maximum Marks :75

Note: Attempt any five questions.

- Q1 Distinguish between **any five** of the following:- (3x5=15)
- (a) Normal profit and abnormal profit
  - (b) Marginal Revenue and Incremental Revenue
  - (c) Discounting and Compounding
  - (d) Risk and Uncertainty
  - (e) Positive Economics and Normative Economics
  - (f) Stable Equilibrium and Undiable Equilibrium

- Q2 (a) What is Business Economics? How is Business Economics related to other management sciences? (6)
- (b) Why do profits arise? Which of the explanation do you find more relevant and why? (9)

- Q3 (a) Using cardinal utility analysis, explain the conditions for consumer's equilibrium. (7)
- (b) Using ordinal utility analysis decompose price effect into income effect and substitution effect. (8)

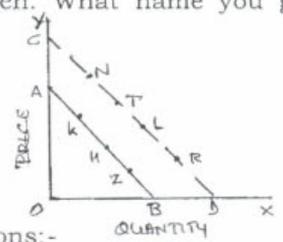
- Q4 (a) Interpret the following values and also explain their usefulness for business decisions:-  
 (iv)  $E_p = -0.1$  (ii)  $E_Y = -0.5$  (iii)  $E_Y = +0.5$  (iv)  $E_C = -0.9$  (v)  $E_C = +1.1$  (iv)  $E_Y = 0$   
 Where,  $E_p$ =price elasticity coefficient,  $E_Y$ =Income elasticity coefficient and  $E_C$ =Cross elasticity coefficient. (3+3)

- (b) Maruti Udyog Limited has reported following data relating to their sales during the last six years:-

Year	2006	2007	2008	2009	2010	2011
Sales(in thousand units)	80	75	84	74	75	75

Predict the sales for the year 2014 using straight line trend method. (6)

- (c) Look at the given fig.1. Two demand curves are given. What name you give to following changes:-
- (i) From K to R
  - (ii) From T to H
  - (iii) From Z to K
  - (iv) From N to R
  - (v) From L to K
  - (vi) From N to Z



- You have to choose between the following four expressions:-
- (i) Expansion in demand
  - (ii) Contraction in demand
  - (iii) Increase in demand
  - (iv) Decrease in demand

- Q5 (a) Differentiate between fixed factor proportions and variable factor proportions. Using the following table, explain the concept of returns in scale:- (3+5)

Units of X-input	Units of Y-input	Total output
1	2	100
2	4	300
4	8	700
8	16	1300
16	32	2500

- (b) Using the iso-quant analysis, explain the conditions for producer's equilibrium. (7)
- Q6 (a) Explain the concept of Ridge Lines. (7)
- (b) Prove that the second stage of production, according to the Law of Variable Proportions, ie the actual stage of operation in a business. (8)

- Q7 (a) Is there any short-run cost curve that always falls with an increase in the level of output? Will it always be so both in the short-run and long-run? (6)
- (b) Why is the average revenue curve of a firm also the demand curve facing the firm? Also, with the help of diagrams differentiate the AR and MR curves of a firm in- (3+6)
- (i) Perfect competition
  - (ii) Monopoly
  - (iii) Monopolistic competition
  - (iv) Oligopoly

- Q8 (a) Distinguish between long-run equilibrium condition of a firm under perfect competition and monopolistic competition. (6)
- (b) What is a Kinked Demand Curve? How is it used to explain price rigidity in an oligopoly? (9)