

9

MODEL ANSWER

Subject: Business Economics

Total Marks: 75

qp Subject Code : 57330

Q.1 A. True or False. (Any Eight) (8)

1. True 2. True 3. True 4. False 5. False
6. True 7. True 8. False 9. False 10. True

B. Match the following. (Any 7) (7)

- 1.(f)-Supply 2.(g)- inferior goods 3.(h)-statistical method 4.(i)-continuous
substitution 5.(j)-Fixed combination of inputs 6.(e)-Pecuniary economics 7.(d)-Place for
buying and selling goods of services 8.(c)-Monopolistic competition
9.(a)-Oligopoly
10.(b)-Persistent Dumping

Q.2 A. Demand Determinants: Meaning-Determinants (8)

1. Price 2. Income 3. Price of related goods 4. Complementary commodity 5. Taste and
Preferences 6. Size and distribution of population 7. Advertisement 8. social factors

B. Types of price elasticity of demand – Meaning – price elasticity

- Types – 1. Perfectly inelastic demand 2. Perfectly elastic demand 3. Unit elasticity of
demand 4. Relatively inelastic demand 5. Relatively elastic demand

OR

C Calculate (8)

Price	Ramesh's Demand	Suresh's Demand	Market Demand
4	42	48	90
5	40	45	85
6	38	42	80
7	36	39	75

D Statistical methods of demand forecasting (7)

Meaning – Demand forecasting - Statistical method – i) trend analysis ii) regression method

Q.3 A. Laws of returns to scale: (8)

1. Increasing returns to scale 2. Decreasing returns to scale 3. Constant returns to scale
- Diagram is necessary with explanation

B. Various Cost Concepts: Meaning- Cost Concept (7)

1. Money Cost (i) implicit cost (ii) explicit cost 2. Accounting cost and economic cost
3. Historical Cost and replacement cost 4. Social Cost and Private cost 5. Sunk cost and
incremental cost 6. Total Average and marginal cost 7. Fixed, Variable and Total Cost

OR

2

C. Calculate TC, AVC, AFC and MC

(8)

Units	TFC	TVC	TC	AVC	AFC	MC
0	145	0	145	0	0	145
1	145	30	175	30	145	30
2	145	55	200	27.5	72.5	25
3	145	75	220	25	48.33	20
4	145	105	250	26.25	36.25	30
5	145	155	300	31	29	50

D. Breakeven point explanation with diagram.

(7)

Q.4.A. Market- Meaning-types of market-perfect competition, monopoly, oligopoly, monopolistic competition.

(8)

B. Characteristics of Perfect competition -Meaning

(7)

Characteristics -1. Large Number of buyer and sellers 2. Homogeneous commodity
3. Free entry and exit 4. Complete market information
5. Perfect mobility of factors of production 6. No transport cost.

OR

C. Monopolistic competition- diagram and explanation of normal profit, supernormal Profit, loss.

(8)

D. Kinked demand curve concept – explanation of concept - diagram with explanation

Diagram is necessary

(7)

Q.5 A. Marginal cost pricing – meaning and explanation of concept

(8)

B. Degrees of price discrimination: Meaning- Degrees - 1. First degree price discrimination

2. Second degree price discrimination 3. Third degree price discrimination (7)

OR

Q.5. Short Notes (Any 3)

(15)

Consider relevant answer for each Short Notes.
