Subject Business Economics –I

Question paper- Code -00784

Q.1 A

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

Q. 1B

Group A	Group B
1	D
2	F
3	H
4	B
5	J
6	C
7	A
8	E
9	G
10	I

Q.2 A) Different types of income elasticity:

Introduction- meaning of income elasticity and types includes:

Unitary income elasticity
Income elasticity greater than unity
Income elasticity less than one
Income elasticity is equivalent to zero (0)
Negative income elasticity.

Q.2 B) Different methods of demand forecasting

A) Survey Method:
Expert opinion, Delphi method, Consumer Survey method, Market experiment method

B) Statistical method:
Time series method, Econometric method, Regression analysis method

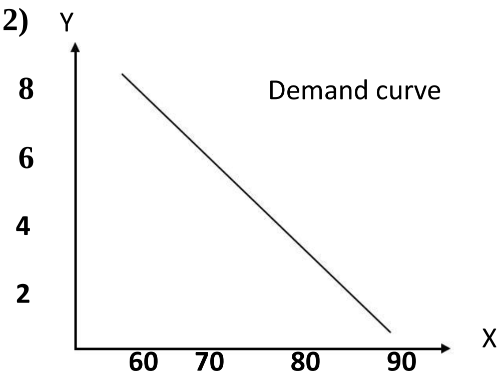
OR

Q.2 C

1)

		Q_{dw}
100-5 * 2	=	**90**
100-5 * 4	=	**80**
100-5 * 6	=	**70**
100-5 * 8	=	**60**

2)



3) Solution:

$$\frac{\Delta Q}{\Delta P} * \frac{PO}{QO}$$

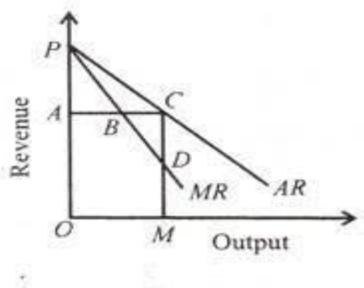
$$\frac{20}{4} * \frac{4}{80}$$

= 0.2

Q. 2 D The relationship between AR and MR curves under monopoly.

Meaning and major characteristics of monopoly.

Price	**Qty**	**TR**	**AR**	**MR**
10	**1**	**10**	**10**	**-**
9	**2**	**18**	**9**	**8**
8	**3**	**24**	**8**	**6**
7	**4**	**28**	**7**	**4**
6	**5**	**30**	**6**	**2**



Relationship:

1) **When AR is following MR is also fallowing**
2) **MR lies below the AR**

Q.3 A) Law of returns to scale

Meaning:

It refers to the degree by which output changes as a result of given change in the quantity of all inputs used in production.

Stages:

a) Increasing Returns
b) Constant Returns
c) Decreasing Returns

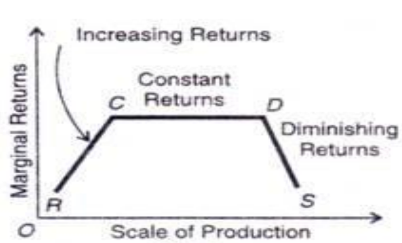


Fig. 5

Q.3 B) External economies of scale:

Meaning

- Cheapening of materials and equipment
- Growth of technical know- how
- Development of skilled labour
- Growth of subsidiary and ancillary industries
- Development of transportation and marketing Facilitates
- development of information services

OR

Q.3 C

UNIT	**TFC**	**TVC**	**TC**	**AFC**	**AVC**	**AC**	**MC**
1	**150**	**35**	**185**	**150**	**35**	**185**	**-**
2	**150**	**60**	**210**	**75**	**30**	**105**	**25**
3	**150**	**80**	**230**	**50**	**27**	**77**	**20**
4	**150**	**110**	**260**	**38**	**27**	**65**	**30**
5	**150**	**160**	**310**	**30**	**32**	**62**	**50**
6	**150**	**230**	**380**	**25**	**38**	**63**	**70**

Q.3 D Breakeven point:

Meaning:

BEP= TR-TC= 0 (No Profit No Loss Point)

Business Application:
Returns on capital employed
Cost recovery
Profit forecasting
Effects of changes
Determine sales market and marketing strategies
Capacity utilization
Raising capital

Q.4 A) Equilibrium of a firm under the monopolistic competitive market.

Introduction - Graph and explanation

Q.4 B) Distinguish between Perfect Competition and Monopoly.

	Perfect Competition	Monopoly
sellers	Large no of	Single
Firm and industry	are different	Are one and same
Goods	Substitute	No close substitute
Entry	free	No free
Price	Taker	maker
AR & MR	AR= MR	AR> MR
Demand curve	Perfect elastic	Relative inelastic
Price	Single(same)	discrimination
Price	P= mc	P > mc
Out put	Price is low and output is more	Price is high and output is more
Profit	Normal profit – long run	Supernormal profit in short & long run

OR

Q.4 C) Perfect competition and what are its features:

PC is condition of market in which there exist very large number of buyers and sellers of a humongous product having no control over price.

Features:
A large number of Buyers and Sellers
Homogeneous commodity
Entry and exit
Complete market information perfect mobility of factor of production no transportation cost

Q.4D) Types of price leadership:

Meaning:
Types: Dominant firm leadership, Low cost firm leadership, Barometric price leadership, Aggressive price leadership

Q.5**A)Price discrimination-it forms**
The act of selling the output of the same product at different prices in different markets or to different buyers.
Forms/ types: Personal decimation, Age wise discrimination, Gender, location, size, quality, special services, time, Use and nature of commodity

Q. 5 b) Multiproduct pricing: Meaning and graph

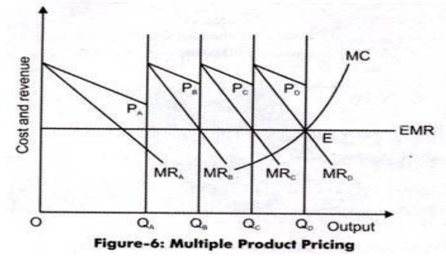
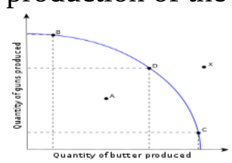


Figure-6: Multiple Product Pricing

Q. 5 Short notes:

I) Production Possibility Curve: is a hypothetical representation of the amount of two different goods that can be obtained by shifting resources from the production of one, to the production of the other.



II) Factors affecting demand : Price, income, price of related commodity, test and preference, size and distribution of population, expectation , advertisement, social factors etc…
iii) Promotional elasticity of demand:

$$\frac{\%\,\Delta in\ Qty\ of\ Demand}{\%\,\Delta\ in\ promotional\ exppenditure.}$$

iv) Types of Production function: fixed and variable proportion production function, short run and long run production function

V) Cartel formation: Meaning and graph

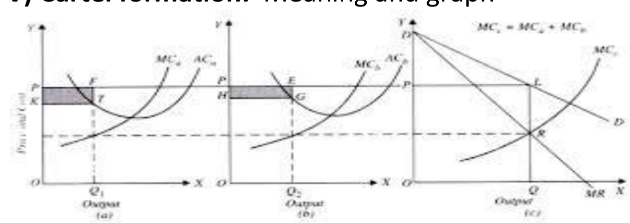


Fig. 29.1. Price and Output Determination under Cartel : Joint Profit Maximization