



QP Code :760101

(3 Hours) [Total Marks : 100

- N. B. :** (1) All questions are **compulsory**.
 (2) All questions have internal choice.
 (3) Draw neat diagrams wherever necessary.
 (4) Use of simple calculators is permitted.
 (5) **Figures** to the **right** indicate **full** marks.

1. (A) Define the following concepts. **Any Ten :-** 10

- (i) Equation
- (ii) Average revenue
- (iii) Equilibrium price
- (iv) Cross elasticity of demand
- (v) Income elasticity of demand
- (vi) Demand forecasting
- (vii) Isoquant
- (viii) Constant returns to scale
- (ix) Diseconomies of scale
- (x) Total cost
- (xi) Implicit cost
- (xii) Break-even point

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

- (i) Which of the following shows the relationship between the price of a good and the amount of the good that consumers want at that price?
 - (a) Supply curve
 - (b) Demand curve
 - (c) Supply schedule
 - (d) Production possibilities frontier
- (ii) The market clearing price is also called the
 - (a) current price
 - (b) prevailing price
 - (c) equilibrium price
 - (d) none of the above

[TURN OVER

- (iii) What is the cause of the rightward shift of the demand curve for cars?
- (a) An increase in income
 - (b) An increase in population size
 - (c) Lower prices of petrol
 - (d) All of the above
- (iv) A percentage change in quantity demanded divided by a percentage change in price is called
- (a) income elasticity of demand
 - (b) price elasticity of demand
 - (c) price elasticity of supply
 - (d) elasticity of substitution
- (v) On the lower segment of a downward sloping straight line demand curve price elasticity of demand is
- (a) > 1
 - (b) < 1
 - (c) $= 1$
 - (d) none of the above
- (vi) Expert opinion is a
- (a) survey method
 - (b) statistical method
 - (c) both a and b
 - (d) none of the above
- (vii) If there is zero substitutability between capital and labour the isoquant is
- (a) a straight line
 - (b) 'L' shaped
 - (c) concave to the origin
 - (d) none of the above
- (viii) The total amount of output produced is called
- (a) total supply
 - (b) total product
 - (c) both a and b
 - (d) none of the above

[TURN OVER



(ix) Using five units of labour a firm can produce 2500 units of a good. Using six units of labour the firm can produce 3000 units of the good. The marginal product of the sixth unit of labour is

- (a) 100 units
- (b) 1500 units
- (c) 2000 units
- (d) 500 units

(x) The rent of a factory is an example of

- (a) variable cost
- (b) fixed cost
- (c) both a and b
- (d) neither a nor b

(xi) Which of the following curves is used for planning

- (a) SAC
- (b) SMC
- (c) LAC
- (d) LMC

(xii) The break-even point is influenced by

- (a) price
- (b) average variable cost
- (c) fixed cost
- (d) all of the above

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

(A) What is business economics? Discuss its scope. 8

(B) Given the following data 7

Q	1	2	3	4	5
O	10	9	8	7	6

(i) Calculate TR, AR and MR.

(ii) Explain the relationship between TR and MR, MR and AR.

OR

[TURN OVER

- (C) Using diagrams explain changes in equilibrium due to : 8
 (i) increase in demand
 (ii) increase in supply
- (D) (i) Given the following data for supply and demand for pizzas 7

Price (₹) per pizza	Quantity Demanded (Pizzas per week)	Quantity Supplied (Pizzas per week)
8	0	40
6	10	30
4	20	20
2	30	10
0	40	0

Identify the :

- (a) equilibrium price
 (b) equilibrium quantity demanded and supplied
- (ii) If $Q_{DX} = 65,000 - 10,000 P_x$ describes demand for sports shoes. Complete the following table for $P_x = 6,5,4,3$. Show your working.
- (iii) What are the determinants of demand other than the price of the good itself?
3. Attempt A and B OR C and D.
- (A) Explain the nature of demand curves of firms in perfect competition and oligopoly markets. 8
- (B) When the price of season cricket passes is ₹ 400 per pass, the quantity demanded is 10,000 passes. When the price is reduced to ₹ 380 per pass the quantity demanded is 12,000 passes. 7
 (i) Calculate price elasticity of demand
 (ii) According to your answer in (i) what is the degree of price elasticity?
 (iii) Explain the significance of price elasticity of demand.
- OR**
- (C) What are the various types of demand forecasts? 8
- (D) (i) What are the steps in demand forecasting? 7
 (ii) Given the following demand function $Q_{DX} = 60 - 0.7P_x$. If future price is ₹ 20, what would be your forecast of quantity demanded?

[TURN OVER



15

4. Attempt A and B OR C and D
- (A) (i) Distinguish between fixed proportions and variable proportions production functions. 8
 - (ii) Explain why :
 - (a) isoquants are convex to the origin
 - (b) isoquants cannot interest.
 - (B) Using isoquants and the expansion path explain the law of returns to scale. 7

OR

- (C) Discuss external economies and diseconomies of scale. 8
- (D) Using a diagram explain the law of variable proportions. 7

5. Attempt A and B OR C and D
- (A) Draw diagrams to illustrate : 8
 - (i) TFC, TVC and TC
 - (ii) AFC
 - (iii) AVC, AC, MC
 - (iv) The relationship between AC and MC.
 - (B) Given the following data : 7

Q	0	1	2	3	4	5	6	7
TC	40	52	59	64	70	78	89	103

Calculate TFC, TVC, MC, AFC, AVC and AC.

OR

- (C) Construct the LAC curve using SAC curves. 8
- (D) If price = ₹ 7, AVC = ₹ 5 and TFC = ₹ 40,000 7
 - (i) What is the break-even quantity?
 - (ii) What happens to the break-even quantity when price increases to ₹ 9, AVC and TFC remaining the same?
 - (iii) What happens to the break-even quantity when AVC increases to ₹ 6, price and TFC remaining the same?

6. Attempt A and B OR Write short notes on any four
- (A) Discuss internal economies and diseconomies of scale. 10
 - (B) Explain break-even analysis with the help of diagrams. 10

OR

[TURN OVER



Write short notes on **any four** of the following : **20**

- (i) Functions and variables
- (ii) Relationship between price elasticity and total revenue
- (iii) Consumer survey method of demand forecasting
- (iv) Economies of scope
- (v) Learning curve
- (vi) Limitations of break-even analysis

Q	1	2	3	4	5	6	7
TC	40	55	64	70	75	80	85

[TURN OVER

MUPD16342 NMF342 21/11/2016 1:00:37 PM