Eco

[Time: 3 Hours] [Total Marks: 100]

Note:

1. All questions are compulsory.
2. All questions have internal choice.
3. Figures to the right indicate full marks.
4. Use of simple calculator is allowed.
5. Draw neat diagrams wherever necessary.

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

i. Opportunity cost is defined as ____________.
a. cost of production
b. sacrifice of the next best alternative use of a factor
c. overhead cost
d. selling cost

ii. The demand for a product is the amount that ______________.
a. buyers purchase in the market
b. buyers are willing to purchase at a given price
c. buyers are willing and able to purchase at alternative prices
d. buyers are able to purchase at a specific price

iii. Given the demand and supply equations, $Q_{dx} = 200 - 5P_x$ and $Q_{sx} = -250 + 10P_x$, the equilibrium price is __________.
a. ₹ 30 b. ₹ 30.50
c. ₹ 40.40 d. ₹ 45

iv. As the price of a commodity falls, it becomes relatively cheaper than other alternatives. This effect is known as ___________.
a. income effect b. substitution effect
c. price effect d. snob effect

v. Cross elasticity of demand for complimentary goods is ___________.
a. zero b. one
c. positive d. negative

vi. ______________ method makes use of historical data and demand determinants to forecast demand.
a. Consumer survey b. Statistical
c. Market experiments d. End-use

vii. The slope of the iso-cost line is ____________.
a. $MRTS_{KL}$ b. MRS_{XY}
c. P_L/P_K d. P_K/P_L

viii. **In the short run, increasing marginal returns take place due to ________________.**

a. abundance of fixed factors | b. variability of all factors
c. abundance of variable factors | d. economies of scale

ix. **Transport bottle necks due to excessive localization of industries is an example of ____________.**

a. internal economies of scale | b. internal diseconomies of scale
c. external economies of scale | d. external diseconomies of scale

x. **Replacement cost is incurred to ______________.**

a. replace the workers | b. replace the capital
c. replace raw material | d. purchase new assets

xi. **The slope of the total cost curve equals ______________.**

a. average cost | b. average variable cost
c. marginal cost | d. marginal physical product

xii. **When the fixed cost ______________ the break-even point is reached at a higher level of output.**

a. rises | b. falls
c. remains constant | d. shifts down

Q1. B. Match the concept with its appropriate definition / explanation / description: (Any Ten) **(10)**

	Concept		Definition /Explanation /Description
i)	Marginal	a)	Uses time series data
ii)	Graph	b)	Small unit change
iii)	Demand curve	c)	Planning horizon
iv)	Perfect competitive firm	d)	Locus of points of tangency between the isoquants and iso-cost lines
v)	Promotional elasticity of demand	e)	Marginal Product is zero
vi)	Trend method	f)	Diagrammatic representation of a function
vii)	Expansion path	g)	Price equal to average cost
viii)	Total Product is maximum	h)	Shows inverse relationship between price and quantity
ix)	Economies of scope	i)	Impact of a change in advertising expenditure on quantity demanded
x)	Sunk cost	j)	Benefits of joint production
xi)	Long run	k)	Horizontal demand curve
xii)	Break-even point	l)	Non Recoverable

Q.2. Attempt A and B or C and D

A. What is Business Economics? Discuss the scope of study of Business Economics. (07)

B. Given the following data. Calculate TR, AR and MR. Also identify the market structure and state the relationship between TR, AR and MR. (08)

Output (Unit)	1	2	3	4	5	6	7
Price (₹)	20	20	20	20	20	20	20

OR

C. Using diagrams explain the causes of changes in demand in terms of movement along and shifts in the demand curve. (07)

D. The following table describes the market for floppy discs before pen drives were introduced. (08)

Price (₹)	Quantity Demanded of Floppy Discs	Quantity Supplied of Floppy Discs
100	1400	600
200	1200	800
300	1000	1000
400	800	1200
500	600	1400

i) Plot the demand and supply curves from the table given above.
ii) What is the equilibrium price and equilibrium quantity?
iii) At the price of ₹ 400/- what is the equilibrium quantity demanded and quantity supplied?
iv) When pen drives were introduced the demand for floppy discs decreased. Does the new demand curve shifts to the left or right of the original demand curve?

Q. 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 of demand. (07)

B. Given the following table, calculate price elasticity of demand for rice when price increases and when price decreases. State whether the demand for rice is elastic or inelastic. (08)

Price of Rice (₹)	Market Demand for Rice (kg)
25	3000
30	2500

OR

C. What is demand forecasting? What is the significance of demand forecasting? (07)

D. Explain the Experts' Opinion Survey and Delphi methods of demand forecasting. (08)

Q.4. Attempt A and B or C and D

A. What are isoquants? Explain the properties of isoquants. (07)

B. Explain the Laws of Returns to Scale. (08)

OR

C. Explain the least cost combination as producer's equilibrium. (07)

D. Explain the external economies and diseconomies of scale. (08)

Q.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 as ₹ 50/-, Calculate TVC, MC, AFC and AVC (08)

Q	0	1	2	3	4	5	6
TC (₹)	50	75	95	120	150	185	225

OR

C. Derive the long run average cost curve using short run average cost curves and write its features. (07)

D. For a hypothetical firm, if price of product is ₹ 24/-, TFC is ₹ .6000/- and AVC is ₹ 12/-, then (08)

i) Calculate break-even output for this firm.
ii) At the original TFC and AVC, how does break-even quantity changes if price falls to ₹ 20/-?
iii) At the original price and TFC, what will be the break-even quantity if AVC rises to ₹ 14/-?
iv) At the original price and AVC, what will be the break-even quantity if TFC falls to ₹ 3000/-?

Q.6. Attempt A and B OR Write short notes on any Four.

A. With the help of suitable diagrams, explain the different degrees of price elasticity of demand. (10)

B. Explain the meaning of break -even point and explain the break-even analysis with the help of linear and non-linear cost and revenue curves. (10)

OR

Q.6. Write short notes on (Any Four). (20)

i. **Functions and equations**
ii. **Income elasticity of demand**
iii. **Types of isoquants**
iv. **Internal economies of scale**
v. **Accounting and economic cost**
vi. **Learning Curve**