

Business Economics - I

18.2.20



Time: 2 1/2 hours

Marks: 75

Note: All questions are compulsory  
 Figures to the right indicate full marks  
 Draw diagram wherever necessary

**Q1A. State whether the following statement are True or False (any 8)**

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1. Many economic decisions depend on marginal analysis.
2. With decrease in demand, supply remaining unchanged, the equilibrium price falls.
3. The demand curve for an oligopoly firm is indeterminate..
4. Statistical method is more frequently used to estimate demand.
5. When MC and AC are falling, MC curve lies above the AC curve.
6. Under perfect competition, the demand curve of a firm is flatter.
7. The firm who fix the price is known as followers.
8. Transfer pricing increases the tax burden.
9. Prices discrimination allows a company to earn higher profits than standard pricing.
10. The break- even chart graphically shows cost and revenue relation.

**Q1B. Match the following pair (any 7)**

7

1. Equation	a) Complementary goods
2. Market supply curve	b) Zero profit
3. Demand function	c) Pricing of variety of goods
4. Negative cross - elasticity	d) Equality of two expressions
5. Variable cost	e) $AR < AC$
6. Break even point	f) $D_x = f(P, Y, T, \dots)$
7. losses	g) Cost incurred on additional unit
8. Monopolistic competition	h) Upward sloping
9. Multiple - product pricing	i). Excise duty
10. Marginal cost pricing	j) Edward Chamberlin

**Q2 Attempt A and B or C and D**

- A. Explain the different degree of income elasticity of demand.
- B. Explain the various determination of demand

8

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OR

- C. Explain the survey method of demand forecasting. 8
- D. The demand function for a commodity is given as  $Q_{dx} = 65000 - 10000P_x$  and the price is given in below table: 7

Price(Rs.)	Quantity demanded (kg)
6	
5	
4	
3	

1. Calculate the quantity demand at given price
2. With the help of above demand schedule draw demand curve
3. Calculate price elasticity of demand when price changes from Rs. 5 to Rs. 3.

**Q3 Attempt A and B or C and D**

- A. Discuss the types of external economies and diseconomies of scale. 8
- B. What is iso quant? Explain the properties of iso-quant. 7

**OR**

- C. What is break – even point. Explain how break-even point changes due to changes in prices using diagram. 8
- D. Given  $TFC = Rs.100$ . Calculate TC, MC, AFC, AVC and AC. 7

Output (units)	1	2	3	4	5	6
TVC (Rs.)	25	40	50	60	80	110

**Q4 Attempt A and B or C and D**

- A. Explain the short run equilibrium of a firm under monopoly. 8
- B. Explain the features of perfect competition. 7

**OR**

- C. Explain the features of monopolistic competition 8
- D. Explain kinked demand curve in an oligopoly market 7

**Q5 Attempt A and B or Short notes**

- A. State and explain the meaning and conditions for price discrimination . 8
- B. Explain dumping with the help of diagram 7

**OR**

Write short notes (any 3): 15

1. Scope of business economics
2. Factors affecting elasticity of demand
3. Producer Equilibrium
4. Features of oligopoly
5. Transfer pricing