

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

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- (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

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- (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
- 100 units
 - 1500 units
 - 2000 units
 - 500 units
- (x) The rent of a factory is an example of
- variable cost
 - fixed cost
 - both a and b
 - neither a nor b
- (xi) Which of the following curves is used for planning
- SAC
 - SMC
 - LAC
 - LMC
- (xii) The break-even point is influenced by
- price
 - average variable cost
 - fixed cost
 - 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

- Calculate TR, AR and MR.
- Explain the relationship between TR and MR, MR and AR.

OR

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- (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?

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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 intersect.

(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

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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
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