

(Please write your Exam Roll No.)

Exam Roll No. ....

## END TERM EXAMINATION

FIRST SEMESTER [BBA] DECEMBER-2012

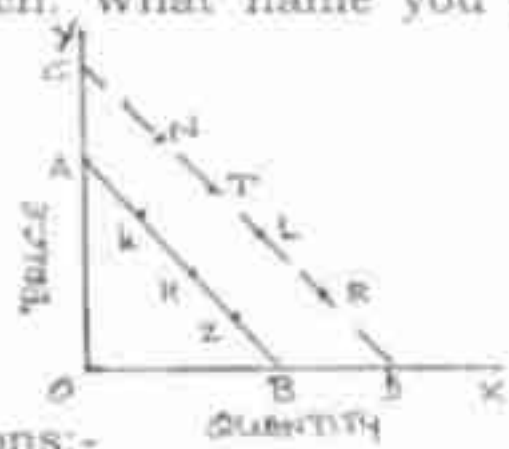
Paper Code: BBA/BBA(B&I/TTM/CAM/MOM)103

Subject: Business Economics-I

Time : 3 Hours

Maximum Marks :75

Note: Attempt any five questions.

- Q1 Distinguish between any five of the following:- (3x5=15)
- Normal profit and abnormal profit
  - Marginal Revenue and Incremental Revenue
  - Discounting and Compounding
  - Risk and Uncertainty
  - Positive Economics and Normative Economics
  - Stable Equilibrium and Unstable Equilibrium
- Q2 (a) What is Business Economics? How is Business Economics related to other management sciences? (6)
- (b) Why do profits arise? Which of the explanation do you find more relevant and why? (9)
- Q3 (a) Using cardinal utility analysis, explain the conditions for consumer's equilibrium. (7)
- (b) Using ordinal utility analysis decompose price effect into income effect and substitution effect. (8)
- Q4 (a) Interpret the following values and also explain their usefulness for business decisions:-
- (iv)  $E_p = -0.1$  (ii)  $E_Y = -0.5$  (iii)  $E_Y = +0.5$  (iv)  $E_C = -0.9$  (v)  $E_C = +1.1$  (iv)  $E_Y = 0$
- Where,  $E_p$ =price elasticity coefficient,  $E_Y$ =Income elasticity coefficient and  $E_C$ =Cross elasticity coefficient. (3+3)
- (b) Maruti Udyog Limited has reported following data relating to their sales during the last six years:-
- | Year                     | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------|------|------|------|------|------|------|
| Sales(in thousand units) | 80   | 75   | 84   | 74   | 75   | 75   |
- Predict the sales for the year 2014 using straight line trend method. (6)
- (c) Look at the given fig.1. Two demand curves are given. What name you give to following changes:-
- From K to R
  - From T to H
  - From Z to K
  - From N to R
  - From L to K
  - From N to Z
- 
- You have to choose between the following four expressions:-
- Expansion in demand
  - Contraction in demand
  - Increase in demand
  - Decrease in demand
- (3)
- Q5 (a) Differentiate between fixed factor proportions and variable factor proportions. Using the following table, explain the concept of returns in scale:- (3+5)
- | Units of X-input | Units of Y-input | Total output |
|------------------|------------------|--------------|
| 1                | 2                | 100          |
| 2                | 4                | 300          |
| 4                | 8                | 700          |
| 8                | 16               | 1300         |
| 16               | 32               | 2500         |
- (b) Using the iso-quant analysis, explain the conditions for producer's equilibrium. (7)
- Q6 (a) Explain the concept of Ridge Lines. (7)
- (b) Prove that the second stage of production, according to the Law of Variable Proportions, is the actual stage of operation in a business. (8)
- Q7 (a) Is there any short-run cost curve that always falls with an increase in the level of output? Will it always be so both in the short-run and long-run? (6)
- (b) Why is the average revenue curve of a firm also the demand curve facing the firm? Also, with the help of diagrams differentiate the AR and MR curves of a firm in- (3+6)
- Perfect competition
  - Monopoly
  - Monopolistic competition
  - Oligopoly
- Q8 (a) Distinguish between long-run equilibrium condition of a firm under perfect competition and monopolistic competition. (6)
- (b) What is a Kinked Demand Curve? How is it used to explain price rigidity in an oligopoly? (9)