

END TERM EXAMINATION

FIRST SEMESTER [BBA/BBA(B&I/TTM) - DECEMBER 2010

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

Subject : Business Economics

Paper ID : 17/18/50103

Time : 3 Hours

Maximum Marks : 75

Note : Attempt all questions as per internal choices given.

Q. 1. Explain briefly :

- (a) Macro Economics is useful in business decision making.
- (b) Income demand curve bends backward at higher levels of income.
- (c) The gap between average cost and average variable cost keeps falling with increase in output.
- (d) With price of a commodity rising, if total expenditure falls, it is a case of elastic demand.
- (e) Differentiated product is a feature of monopolistic competition. (3×5=15)

- Q. 2.** (a) Discuss the importance of Marginalism and Incrementalism in decision making. (8)
- (b) Distinguish between Economics and Business Economics. (7)

OR

“Business Economics bridges the gap between abstract theory and business practice. It uses tools of economic analysis in classifying problems, in organising and evaluating information and in comparing alternative courses of action.”

Outline the nature and scope of Business Economics in the light of this statement. (15)

- Q. 3.** Explain the importance of demand forecasting. Discuss the various methods of demand forecasting. What are the main issues involved in selecting a particular method? (5, 10)

OR

(a) Discuss the properties of indifference curves. How a consumer attains equilibrium under indifference curve analysis? (4, 6)

(b) Explain the determinants of price elasticity of demand. (5)

Q. 4. “When the law of diminishing returns operates, efficient production occurs at or beyond the level of output at which average product equals marginal product and total product.”

Explain discussing the relevant law in detail. (15)

OR

Illustrate the laws of production through isoquants. Explain whether constant returns to scale are compatible with the law of diminishing returns. (10, 5)

Q. 5. (a) “A competitive producer must look to average variable cost in determining whether or not to produce in the short run, to marginal cost in deciding upon the best volume of production and to average total cost to calculate profits or losses.” Discuss. (8)

(b) Distinguish between Perfect competition and Monopoly. (7)

OR

Q. 5. (a) Discuss the equilibrium of a discriminating monopolist, if the foreign market in which he operates is perfectly competitive, while in the domestic market he faces a downward sloping demand curve (7)

(b) The Kinked demand curve can explain both interdependence of firms and stickiness of prices under oligopoly. Explain (8)

