

Invigilator's Signature : .....

# CS/BBA(H)/BIRM,BSCM/SEM-3/BBA-304/2012-13 2012 BUSINESS ECONOMICS

Time Allotted : 3 Hours

Full Marks: 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

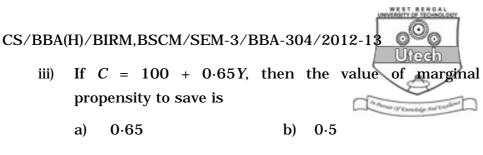
### **GROUP** – A

#### (Multiple Choice Type Questions)

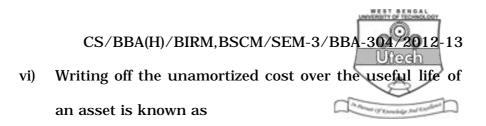
- 1. Choose the correct alternatives for any *ten* of the following :  $10 \times 1 = 10$ 
  - i) Profit maximising condition of a firm is
    - a) MR = MC where MC is rising
    - b) MR > MC where MC is rising
    - c) MR < MC where MC is rising
    - d) none of these.
  - ii) Which of the following will cause the LM curve to shift ?
    - a) A change in taxes
    - b) A change in government spending
    - c) A change in consumption
    - d) A change in money supply.

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- c) 0.35 d) 0.60.
- iv) Liquidity trap refers to a situation where
  - a) there is too much liquidity in the economy
  - b) the firms in the economy are facing credit crunch
  - c) interest rates do not decrease, no matter how much the money supply is expanded
  - d) the country faces severe shortage of foreign exchange.
- v) The degree of association between two variables is measured by
  - a) regression coefficient
  - b) correlation coefficient
  - c) both (a) & (b)
  - d) none of these.



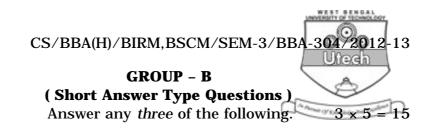
- a) Depreciation cost b) Appreciation cost
- c) Implicit cost d) Explicit cost.
- vii) Organization of Petroleum Exporting Countries (OPEC) is a classical example of
  - a) Cartel
  - b) Natural Monopoly
  - c) Perfect competition
  - d) Duopoly.
- viii) When CRR decreases, money supply in the economy
  - a) increases
  - b) decreases
  - c) remains constant
  - d) none of these.
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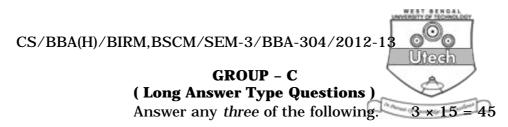
## CS/BBA(H)/BIRM,BSCM/SEM-3/BBA-304/2012-13

- ix) During the periods of depression and boom, profits
  - a) remain same b) fluctuate
  - c) increase d) decrease.
- x) A firm has a variable cost of Rs. 1,000 at 5 units of output. If fixed costs are Rs. 400, what will be the average total cost at 5 units of output ?
  - a) Rs. 280 b) Rs. 60
  - c) Rs. 120 d) Rs. 1400.
- xi) Fixed exchange rate is subjected to
  - a) Central bank's control
  - b) Commercial bank's control
  - c) State Bank's control
  - d) any control.
- xii) In a pay-off matrix
  - a) always a saddle point exists
  - b) never a saddle point exists
  - c) not always a saddle point exists
  - d) none of these.

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- 2. What are the differences between tariff and quota ?
- 3. Explain the effects of expansionary fiscal and expansionary monetary policies separately in an IS-LM framework where the LM curve is vertical.
- 4. Explain how increasing population has retarded economic growth in India.
- 5. In a two person game, each player simultaneously shows either one or two fingers. If the no. of fingers matches, Player A wins Re. 1 from player B, otherwise A pays Re. 1 to B. Construct the pay-off matrix for this game.
- 6. Define Business Cycle. What are its characteristics ?
- 7. The annual requirement for a particular raw material is 2,000 units, costing Re. 1 each to the manufacturer. The ordering cost is Rs. 10 per order and carrying cost 16% per annum of the average inventory value. Find the Economic Order Quantity.



8. Explain with a suitable example the 'two person zero sum game' theory. Determine the maxi-min and mini-max value for the following pay-off matrix :

•	2	9	4	1
	7	5	3	
-	6	1	8	]

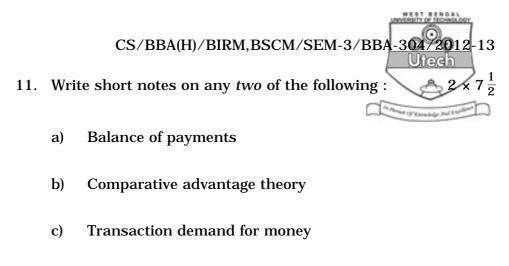
#### 9. a) The utility function of an individual is given as

 $U = 0.6X^2 + 1.2Y^2$ , where price of X is 3 and price of Y is 4. If the budget of the consumer is 170, find the optimum level of utility of the consumer in unit. 9

- b) How the least square method can be used to forecast the demand for a product ?
- 10. A company sells three products *A*, *B* and *C*. We have the following information :

<b>Particulars</b>	<b>Product</b> A	Product B	Product C
Sales (units)	7000	5000	6000
Selling price/unit	Rs. 10	Rs. 8	<b>Rs</b> . 5
Variable cost/unit	Rs. 5	Rs. 6	Rs. $2\frac{1}{2}$

The fixed cost p.a. is Rs. 40,000. Find out the PV ratio and Break-even sales. Also construct a PV chart for the products *A*, *B* and *C*. 10 + 5



- d) Normal profit.
- 12. a) Discuss the factors affecting rate of exchange.
  - b) What is flexible rate of exchange ? 10 + 5