



Name :

Roll No. :

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 × 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.



iii) If $C = 100 + 0.65Y$, then the value of marginal propensity to save is

- a) 0.65
- b) 0.5
- 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.



vi) Writing off the unamortized cost over the useful life of an asset is known as

- 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.



- 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.



GROUP - B

(Short Answer Type Questions)

Answer any *three* of the following.

3 × 5 = 15

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.



GROUP - C
(Long Answer Type Questions)

Answer any *three* of the following.

$3 \times 15 = 45$

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 :

$$\begin{bmatrix} 2 & 9 & 4 \\ 7 & 5 & 3 \\ 6 & 1 & 8 \end{bmatrix}.$$

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 ? 6
10. A company sells three products A , B and C . We have the following information :

Particulars	Product A	Product B	Product C
Sales (units)	7000	5000	6000
Selling price/unit	Rs. 10	Rs. 8	Rs. 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



11. Write short notes on any two of the following :

$2 \times 7 \frac{1}{2}$

- a) Balance of payments
 - b) Comparative advantage theory
 - c) Transaction demand for money
 - d) Normal profit.
12. a) Discuss the factors affecting rate of exchange.
- b) What is flexible rate of exchange ?

10 + 5

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