



Name : .....

Roll No. : .....

Invigilator's Signature : .....

**CS / BBA(H) / BIRM / BSCM / SEM-3 / BBA-304 / 2009-10**

**2009**

**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 the following :

10 × 1 = 10

- i) Break-even point implies
  - a) no profit no loss condition
  - b) supernormal profit condition
  - c) point of closing the business
  - d) none of these.
- ii)  $y = ax + b$  being a straight line, the slope of the line will be
  - a)  $b$
  - b)  $a$
  - c)  $ab$
  - d) none of these.
- iii) 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.



- iv) In a fair game the value of the game is
  - a) zero
  - b) greater than zero
  - c) less than zero
  - d) none of these.
- v) Fixed exchange rate is subjected to
  - a) central bank's control
  - b) commercial bank's control
  - c) state bank's control
  - d) any control.
- vi) The full form of E.O.Q. is
  - a) External order quality
  - b) Easy order quantity
  - c) Economic order quantity
  - d) none of these.
- vii) A tariff is a
  - a) tax on import
  - b) quantitative restriction on import
  - c) one type of subsidy
  - d) tax on export.
- viii) In IS curve concept I and S stand for
  - a) Income and Saving
  - b) Interest and Saving
  - c) Investment and Saving
  - d) none of these.
- ix) The balanced budget multiplier balances
  - a) Budget and expenditure
  - b) Tax rate and govt. expenditure
  - c) Export and import
  - d) none of these.
- x) An increase in money supply causes
  - a) right shift in IS
  - b) left shift in IS
  - c) left shift in LM
  - d) none of these.



**GROUP – B**

**( Short Answer Type Questions )**

Answer any *three* of the following.  $3 \times 5 = 15$

2. Define Business Economics. State the nature and scope of business economics.
3. Distinguish between Monetary Policy and Fiscal Policy.
4. State the main functions of World Trade Organisation (WTO).
5. How do you explain Balance of Trade and Balance of Payments ?
6. Compute IS and LM equations by using the following information :
  - i)  $I = \text{Rs. } 55 - 200 i$  and  
 $S = - \text{Rs. } 40 + 0.20 Y$
  - ii)  $M_s = 200 \cdot 4 = 0.25 Y$  and  
 $L_2 = \text{Rs. } 50 - 200 i$ .

**GROUP – C**

**( Long Answer Type Questions )**

Answer any *three* of the following.  $3 \times 15 = 45$

7. Discuss the methods of derivation of IS and LM curves. Mention the role of these two curves in the simultaneous determination of equilibrium rate of interest and income.  $9 + 6$
8. a) A computer chip-manufacturing firm has incurred a fixed cost of Rs. 2,30,000. It sells each unit for Rs. 400. The variable cost per unit is Rs. 65. What will be the break-even quantity and revenue ?  
b) A company uses 75 numbers of an item per month. Each unit costs the company Rs. 25. The cost of putting through each order and inventory carrying charges per month are computed at Rs. 36 and 1.5% of the average inventory investment respectively.  
In what economic lots, should the item be purchased to minimise total cost ?  $8 + 7$



9. A firm's production function is  $Q = K.L$ , the price of labour ( $W$ ) = Rs. 3 and that of capital ( $r$ ) = Rs. 9.

Find the optimum input combinations, using Lagrangian multiplier —

i) if the firm's cost outlay is Rs. 720

ii) if the firm's given output is 300 units.  $7\frac{1}{2} + 7\frac{1}{2}$

10. Define Business cycle. Explain the different stages of it. State the major stabilisation policies to control business cycles. 2 + 10 + 3

11. Write notes on any *two* of the following :  $2 \times 7\frac{1}{2}$

- a) Demand forecasting
- b) Tariff and Quota
- c) Break-even analysis
- d) Economic profit and accounting profit.

