



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 :  
 $10 \times 1 = 10$ 
  - 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.



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 :

| <b>Particulars</b> | <b>Product A</b> | <b>Product B</b> | <b>Product C</b>   |
|--------------------|------------------|------------------|--------------------|
| 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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