

Name :

Roll No. :

Invigilator's Signature :

**CS/MBA(NEW)/SEM-1(FT & PT)/MB-101/2009-10
2009**

BUSINESS ECONOMICS – I

Time Allotted : 3 Hours

Full Marks : 70

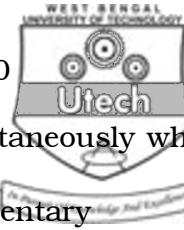
The figures in the margin indicate full marks.

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) Income elasticity of demand for a Giffen good is
 - a) positive
 - b) negative
 - c) zero
 - d) none of these.
 - ii) In a monopoly, price is
 - a) lesser than the marginal revenue
 - b) greater than the average revenue
 - c) greater than the marginal revenue
 - d) lesser than the average revenue.
 - iii) Diminishing marginal utility means that
 - a) total utility rises at a constant rate
 - b) total utility rises at first then falls
 - c) total utility rises, but at a decreasing rate
 - d) total utility remains the same.
 - iv) An exceptional demand curve is one that slopes
 - a) upwards to the right
 - b) upwards to the left
 - c) downwards to the right
 - d) horizontally.



- v) Two goods have to be consumed simultaneously which are
- a) identical b) complementary
c) substitute d) none of these.
- vi) When the demand curve is elastic, MR is
- a) one b) zero
c) positive d) negative.
- vii) Price discrimination is associated with
- a) monopoly b) monopolistic competition
c) bilateral monopoly d) oligopoly.
- viii) $Q = a - bP$ is a demand function. When marginal revenue is zero, the price elasticity of demand is
- a) 0 b) 1
c) b d) none of these.
- ix) The kinked demand curve of an oligopolist is
- a) elastic in the upper portion, but inelastic in the lower portion
b) elastic in the upper portion and elastic in the lower portion
c) elastic throughout
d) inelastic throughout.
- x) The optimum level of output for a perfectly competitive firm is given by the point where
- a) $MR = AC$
b) $MR = MC$
c) MR exceeds MC by the greatest amount
d) MR equals MC and MC is rising.
- xi) If a 75% rise in quantity of inputs leads to a 50% rise in output, it can be regarded as
- a) increasing returns to scale
b) decreasing returns to scale
c) constant returns to scale
d) diseconomies of scale.
- xii) Demand curve under perfect competition is
- a) inelastic b) elastic
c) perfectly elastic d) perfectly inelastic.



GROUP – B

(Short Answer Type Questions)

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

2. Define and show consumer's, equilibrium in a two commodity world.
3. Two firms in the same industry sell their products at Rs. 10 per unit. One firm has TFC = Rs. 100 and AVC = Rs. 6, while the other firm has TFC = Rs. 300 and AVC = Rs. 3.33. Determine the break-even output of each firm.
4. State why there is no supply curve in monopoly.
5. Determine whether each of the following production exhibits increasing, decreasing or constant returns to scale :
 - i) $Q = 2.5 K^{0.8} L^{0.2}$
 - ii) $Q = K^{0.5} L^{0.3}$.
6. Define perfect competition. State the main features of perfect competition.

GROUP – C

(Long Answer Type Questions)

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

7.
 - a) Why is LAC U-shaped ?
 - b) The production function of a firm is given as $Q = LK$ and per unit costs of labour and capital are Rs. 30 and Rs. 10. If the producer wants to produce 300 units, what should be the minimum cost ? $5 + 10$
8.
 - a) How do you analyse externality ?
 - b) Discuss how emission fee is better than emission standards as a method of reducing the negative externality of pollution.



9. a) What is degree of price discrimination ? When is pricediscrimination possible and profitable ?
 b) A monopoly faces a linear demand curve

$$P = 100 - 0.01 Q$$

The firm's cost function is

$$C = 30,000 + 50 Q$$

Determine —

- i) profit maximizing price and output.
 - ii) monopoly power
 - iii) magnitude of profit earned.
10. DLF Centre has its building on a long lease at the rate of Rs. 5,000 per month. Given the following data :

Q	Total Variable Cost (Rs.)
1	1,000
2	2,000
3	3,000
4	4,000
5	5,000

Determine the average cost, average variable cost & marginal cost. Write the equations for total cost, total variable cost & marginal cost.

11. a) What is consumer surplus ?
 b) Suppose, the utility function of a consumer is $U = xy$ where x represents the quantity of good X and y represents the quantity of good Y . The price of $X = \text{Re. } 1$, Price of $Y = \text{Rs. } 2$, Money income = Rs.1,000.
 Find out the consumption bundle of the consumer.

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

- i) Oligopoly Market
- ii) Price Leadership Model
- iii) Economies of scale
- iv) Law of variable proportion.