



Name :
Roll No. :
Invigilator's Signature :

CS/MBA/SEM-1 (FT & PT)/MB-101/2012-13

2012

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 :

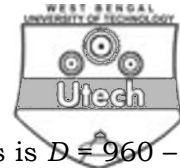
10 × 1 = 10

- i) A monopolistically competitive seller reaches equilibrium and gets economic profit if the condition holds.
- a) $MC = MR$
 - b) $MC = MR < AR$
 - c) $MC = AC > MR$
 - d) $MC = MR < AR > AC$.

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- ii) The demand curve for rental apartments is $D = 960 - 7P$ and the supply curve is $S = 160 + 3P$ where P is the rent of apartments. The government makes it illegal to charge a rent higher than 35 units. How much excess demand for apartments will be there ?
- a) 149 units b) 450 units
c) 364 units d) none of these.
- iii) Expansion path is a straight line when production function is
- a) Homogeneous b) Non-homogeneous
c) Of any form d) None of these.
- iv) Cross price elasticity of demand between pen and ink is
- a) infinite b) zero
c) negative d) positive.
- v) The demand curve is always downward sloping. The statement is
- a) true b) false
c) partially true d) none of these.
- vi) The shut down point is
- a) min : point of AVC curve
b) min : point of AC curve
c) min : point of MC curve
d) none of these.

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- vii) Which of the following curves is not U – shaped ?
- a) AFC Curve
 - b) AVC Curve
 - c) MC Curve
 - d) AC Curve.
- viii) Mita buys 10 kgs of onion when price is Rs. 7.50 per kg. If the price falls to Rs. 5.00 per kg, she buys 30 kgs of onion. What is her arc elasticity of demand over this price range ?
- a) - 1.33
 - b) - 2
 - c) - 2.5
 - d) - 6.
- ix) A consumer consuming two commodities X and Y, is in equilibrium when
- a) $MU_x/MU_y = P_y/P_x$
 - b) $MU_x/MU_y = P_x/P_y$
 - c) $MU_y/MU_x = P_x/P_y$
 - d) None of these.
- x) Which of the following is true ?
- a) A draught in Rajasthan will lower the prices of vegetables.
 - b) The rapid increase in tuition fee of B-Schools will lower the demand for B-Schools.
 - c) The war against opium goods with increased excise duties will lower the prices of domestically produced cigarettes.
 - d) None of these.

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- xi) Total Revenue from the sale of 8 chairs is Rs. 800. The Average Revenue would be
- a) Rs. 100 b) Rs. 6400
c) Rs. 720 d) Rs. 200.
- xii) Diminishing marginal utility means
- a) Total utility increases at constant rate
b) Total utility decreases
c) Total utility rises first then falls
d) Total utility rises at a diminishing rate.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. 3 × 5 = 15

2. Discuss about the signs and magnitudes of substitution effect and Income effect of an inferior good and those of a Giffen good.
3. Distinguish between change in demand & change in quantity demanded.
4. Monopolists always set their price at the elastic portion of demand curve. Explain.

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5. Let the TVC function of a competitive firm is
 $TVC = 150Q - 20Q^2 + Q^3$. At what price the firm would shut down its plant ?
6. Determine whether each of the following production functions exhibits increasing, constant or decreasing returns to scale :
- i) $Q = 2.5 K^{0.7} L^{0.5}$
- ii) $Q = K^{0.4} L^{0.2}$

GROUP - C

(Long Answer Type Questions)

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

7. 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. 1000. Find out the consumption bundle of the consumer.
8. Suppose, the Total Cost function of a firm is
 $TC = (1/3) Q^3 - 3Q^2 + 9Q$ where Q is the level of output.
What is the value of Q at which AC would be at the

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minimum ? What would be value of the minimum AC ? How is the minimum AC related to the value of MC at that level of output ? 9 + 3 + 3

9. What is externality ? Discuss how emission fee can be charged to reduce the negative externality. 5 + 10

10. Write short notes on any *three* of the following : 3 × 5 = 15

- a) Public good
- b) Returns to Scale.
- c) Kinked demand curve
- d) Law of variable proportion.

11. Babli communications is the only distributor providing cable connections in a locality. Every household has to take connection from them. There are no other analog or digital services available in the neighbourhood. This allows Babli to discriminate prices, charging Rs. 250 per connection from high rises and Rs. 150 from the slums.

i) What kind of market is represented in the above situation ? How is such a market created ?

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- ii) Discuss the short-run equilibrium situations in such a market ?
- iii) What is price discrimination ? Discuss the different types of price discrimination. 1 + 3 + 6 + 2 + 3
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