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Reg No.:_____ Name:_____

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY
THIRD SEMESTER B.TECH DEGREE EXAMINATION(S), MAY 2019
Course Code: HS200
Course Name: BUSINESS ECONOMICS

Max. Marks: 100 Duration: 3 Hours

PART A
Answer any three questions, each carries10 marks.

Marks

1 a) How does Business Economics help a business man? (5)

   b) What are the three central problems of an economy? (3)

   c) How is Economics defined in terms of scarcity of resources? (2)

2 a) Draw a total utility curve and marginal utility curve and derive three relations between MU and TU. (5)

   b) Explain the law of demand with the help of a demand schedule. (3)

   c) Give any two exceptions of law of demand. (2)

3 a) How is equilibrium price of a commodity determined? Suppose cost of production of a commodity increases. How does it affect supply as well as equilibrium price? Substantiate your answer with a diagram. (6)

   b) Suppose 50 unitsof commodity X was demanded when it's price was Rs.10 per unit. Later it's demand decreased to 40 units without any change in its price. It has been found that the price of a similar product Ydecreased from Rs.10 to 8. Estimate cross elasticity of demand between the products X and Y. (4)

4 a) State the law of variable proportions. Explain the law with the help of a diagram. (6)

   b) i) A production function is given as $Q = 3 L^{1/4} K^{3/4}$. This is a linearly homogeneous production function. Why? ii) If L=16 and K=6, what will be the output? (4)

PART B
Answer any three questions, each carries10 marks.

5 a) Distinguish between TFC and TVC. Draw TFC and TVC and TCcurves (5)

   b) Suppose the average cost of a product is Rs.20 and average variable cost is Rs.15. If price of the product is Rs.18, will the firm continue its production in the short run or shutdown? Give reason. (3)

   c) Suppose P.V ratio is 0.2 and fixed cost is Rs.10000. What is the break-even sales? If the price per unit is Rs.50 what is the break-even level of output? (2)

6 a) Make a comparison between perfect competition and monopolistic competition. (6)

   b) What is collusive oligopoly? (4)

7   a)   Estimate GDPmp and GNPfc from the following data(given in crores) according   (6)
         to the expenditure method.   Private final consumption expenditure(C) = 6000,
         Investment(I)=4000, Government consumption expenditure(G)=1400, Net-
         exports(X-M)=600, Net indirect tax =500, Net factor income from abroad = 1000

    b)   In a three sector model what are the money flows between the government sector   (4)
         and firms, and the government sector and household sector.

8   a)   What is inflation? What are the monetary policy measures to control inflation   (10)

PART C

Answer any four questions, each carries 10 marks.

9   a)   Suppose the initial cash outlay on a project is Rs.1,00,000 and life of the project   (6)
         is 5 years. The salvage value is Rs.6000 and the annual income after tax and
         depreciation are Rs.6000, 10000,14000, 18000 and 22000 from year 1 to 5
         respectively. Estimate ARR.

    b)   What is a decision tree?   (4)

10 a)   The initial investment on a project is Rs.50000 and the cost of borrowing is 10%.   (6)
         If the cash flows after tax are Rs.30000, 20000 and 10000 from year 1 to 3,
         estimate NPV of the project.

    b)   Give any two merits and demerits of NPV method   (4)

11 a)   What is savage principle? A pay off matrix is given below. Which alternative   10
         will be selected according to the savage principle or minimax regret?(estimate
         regrets)
         Possible future demand

Alternatives	Low	Medium	High
Small facility	15	15	15
Medium facility	14	17	17
Large facility	8	9	19

12 a)   Explain accounting equation?   (6)

    b)   Give any two uses and limitations of a balance sheet.   (4)

13 a)   Explain any three qualitative methods of demand forecasting.   (6)

    b)   Give any four advantages and disadvantages of foreign capital   (4)

14 a)   What are the major differences between a money market and capital market?   (6)

    b)   Distinguish between direct tax and indirect tax.   (4)