

Reg No.: _____

Name: _____

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY
FOURTH SEMESTER B.TECH DEGREE EXAMINATION(S), DECEMBER 2019

Course Code: HS200
Course Name: BUSINESS ECONOMICS

Max. Marks: 100

Duration: 3 Hours

PART A*Answer any three questions, each carries 10 marks.*

Marks

- 1 a) What are the central problems of an economy? (6)
 - b) Suppose a country's actual production is at a point inside the PPC. Explain the implications of this situation with a diagram. (4)
 - 2 a) What is marginal utility? State the law of diminishing marginal utility. Point out any four assumptions of the law. (6)
 - b) Draw a demand curve and state the law of demand. Explain any two exceptions of the law. (4)
 - 3 a) What is demand for a commodity? Suppose the demand of a commodity decreases without any change in its price. What are the possible reasons? (6)
 - b) Suppose a consumer purchases 50 units of a commodity X when his monthly income is Rs.25000/- If he purchases 40 units only when his monthly income increases to Rs.30000/-, estimate income elasticity of demand? What type of a commodity is this? (4)
 - 4 a) How is the equilibrium price of a commodity determined? Suppose there is a technological improvement. How does it affect supply, equilibrium quantity as well as price of the commodity? Substantiate your answer with a diagram. (6)
 - b) In the Cobb-Douglas production function $Q=AL^\alpha K^\beta$, define α and β . (4)
- If $\alpha + \beta = 1$, what does it mean?

PART B*Answer any three questions, each carries 10 marks.*

- 5 a) Suppose the fixed expense of a firm includes rent Rs.10000 and interest payment Rs.5000. It produces note books and sells it at a price of Rs.20. If the average variable cost per note book is Rs.10, estimate break-even level of output and the profit earned when it sells 2000 note books. (6)
- b) Selling price of a product is Rs.20, AC=22 and AVC=18. Will this firm continue its production or shutdown in the short run? Give reason (4)

- 6 a) Explain the important features of oligopoly. (6)
 b) Draw a chart and explain the circular flow in a two sector model. (4)
- 7 a) GDPmp of a country is Rs. 75000. If depreciation = Rs.5000, NFIA=Rs.10000, (6)
 Indirect tax = Rs.15000 and Subsidy = Rs.5000. Estimate GNPmp, NDPfc and national income. (All figures in billions)
- b) What are the four components of final expenditure in the economy? (4)
- 8 Diagrammatically explain demand pull and cost push inflation. What are the (10)
 monetary and fiscal policy measures to control inflation?

PART C

Answer any four questions, each carries 10 marks.

- 9 The annual cash flows from an investment project are Rs.10000, 9000, 8000, (10)
 7000 and 6000 from year 1 to 5. The initial investment is Rs.25000 and cost of capital is 10%. Estimate BCR(profitability index) and payback.
- 10 a) A payoff matrix is given below. Which alternative will be selected according to (6)
 savage principle? (estimate regrets)

Possible future demand

<u>Alternatives</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>
Small facility	20	20	20
Medium facility	18	24	24
Large facility	6	8	28

- b) What is a decision tree? (4)
- 11 a) What is sensitivity analysis? What are its limitations? (6)
 b) How is decision taken under risk? (4)
- 12 a) What are assets and liabilities in a balance sheet? Give 2 examples each. (6)
 b) Point out any two merits and demerits of a balance sheet (4)
- 13 a) Distinguish between foreign direct investment and foreign portfolio investment. (6)
 b) What are the advantages and disadvantages of foreign direct investment? (4)
- 14 a) Explain any three qualitative methods of demand forecasting. (6)
 b) Point out any four advantages and disadvantages of direct tax. (4)
