

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 carries 10 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 units of commodity X was demanded when its price was Rs.10 per unit. Later its demand decreased to 40 units without any change in its price. It has been found that the price of a similar product Y decreased 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 carries 10 marks.*

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|---|--|-----|
| 5 | a) Distinguish between TFC and TVC. Draw TFC and TVC and TC curves | (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 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 (6)
- b) In a three sector model what are the money flows between the government sector and firms, and the government sector and household sector. (4)
- 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 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. (6)
- 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%. If the cash flows after tax are Rs.30000, 20000 and 10000 from year 1 to 3, estimate NPV of the project. (6)
- 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 will be selected according to the savage principle or minimax regret?(estimate regrets) 10
- Possible future demand
- | <u>Alternatives</u> | <u>Low</u> | <u>Medium</u> | <u>High</u> |
|---------------------|------------|---------------|-------------|
| 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)