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 carries10 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   (4)
         implications of this situation with a diagram.

2   a)   What is marginal utility? State the law of diminishing marginal utility. Point out   (6)
         any four assumptions of the law.

    b)   Draw a demand curve and state the law of demand. Explain any two exceptions   (4)
         of the law.

3   a)   What is demand for a commodity? Suppose the demand of a commodity   (6)
         decreases without any change in its price. What are the possible reasons?

    b)   Suppose a consumer purchases 50 units of a commodity X when his monthly   (4)
         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   a)   How is the equilibrium price of a commodity determined? Suppose there is a   (6)
         technological improvement. How does it affect supply, equilibrium quantity as
         well as price of the commodity? Substantiate your answer with a diagram.

    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 carries10 marks.

5   a)   Suppose the fixed expense of a firm includes rent Rs.10000 and interest payment   (6)
         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.

    b)   Selling price of a product is Rs.20, AC=22 and AVC=18. Will this firm continue   (4)
         its production or shutdown in the short run? Give reason

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 carries10 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

Alternatives	**Low**	**Medium**	**High**
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)

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