

Reg No.: _____

Name: _____

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY

Third semester B.Tech examinations (S) September 2020

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 is a production possibility curve? Suppose a country's production is at a point inside the PPC. What does it imply? Draw a diagram and explain? (6)
- b) State the law of diminishing marginal utility. Explain any three of its limitations. (4)
- 2 a) Define Economics in terms of scarcity of resources? Why does the problem of choice arise in an economy? (6)
- b) Identify the type of goods from the sign of elasticity. (4)
- i) positive price elasticity ii) negative income elasticity iii) positive cross elasticity iv) negative cross elasticity
- 3 a) Suppose population increases. How does it affect equilibrium price and quantity? Draw a diagram and explain. (6)
- b) Suppose price of 'Y' increased from Rs.10 to 12 and the demand for its related good 'X' increased from 50 units to 60 units. Estimate cross elasticity of demand. What type of goods are 'X' and 'Y'? (4)
- 4 a) State the law of variable proportion. Explain the law with the help of a schedule. (6)
- b) A production function is given as $Q = AL^\alpha K^\beta$. What does α and β represent? What is constant returns to scale? Cobb-Douglas production function represent constant returns to scale. Why? (4)

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

- 5 a) Suppose $AVC < P < AC$. Will this firm produce or shutdown in the short run? Draw a diagram and explain. (6)
- b) What is social cost? (4)

- 6 a) Suppose the TFC of a firm is Rs.50000/- and its current sales is for Rs.75000/-. (6)
If the TVC of the firm is Rs.60000/- and price equals Rs.25/- per unit calculate the following.
- i) Contribution ii) P.V Ratio iii) Break-even sales iv) Break-even output
- b) What are the features of perfect competition? (4)
- 7 a) Define GDP. How will you derive the following from GDPmp? (6)
i) NDPmp ii) GNPmp iii) GNPfc
- b) Prepare a chart and explain the circular flow in a two sector model with saving and investment. (4)
- 8 a) What are the effects of inflation on production and distribution? (6)
- b) What is repo and reverse repo rate? (4)

PART C

Answer any four questions, each carries 10 marks.

- 9 Suppose the capital outlay on a project is Rs.10000/- and the cost of capital is 10%. The cash flows from year 1 to 5 are Rs.2000, 3000, 4000, 3000 and 2000. Estimate NPV and payback. (10)
- 10 a) What is IRR? What is the decision rule when IRR is the criteria for investment decision making? Point out any two merits and demerits of IRR (6)
- b) What is cost-benefit analysis? (4)
- 11 a) A payoff matrix is given below. Which alternative a manager will select according to i) Maximin principle ii) Maximax principle iii) Laplace principle under conditions of uncertainty. Give reason for your selection. (6)

Alternatives	Possible future Demand		
	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)
- 12 a) Explain the components of a balance sheet. (6)
- b) What are the limitations of a balance sheet? (4)

13 a) Distinguish between foreign direct investment and foreign port-folio investment. (6)

b) What are the merits and demerits of direct taxes? (4)

14 a) The data given below shows the number of cars sold in a showroom. Predict the sales for the year 2020 by using the method of least squares. (6)

Year	2012	2013	2014	2015	2016
No. of cars sold	50	70	60	80	100

b) Explain any two qualitative methods of demand forecasting. (4)
