Reg No.:_______________ Name:__________________________

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY

THIRD SEMESTER B.TECH DEGREE EXAMINATION(R&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 is the relevance of Business Economics in modern business?	(5)
	b)	Why does the problem of choice arise in an economy?	(3)
	c)	What is opportunity cost?	(2)
2	a)	State the law of diminishing marginal utility. What are its assumptions?	(5)
	b)	Briefly explain any three factors determining demand of a product.	(3)
	c)	What is an inferior good?	(2)
3	a)	How is market price of a commodity determined? Suppose there is a change in fashion favourable to a commodity. What happens to its equilibrium price and quantity, if there is no change in supply conditions? Draw a diagram and explain.	(6)
	b)	Suppose a consumer purchased 50 units of a commodity when his monthly income was Rs.15000/-. When his income increased to Rs.20000/- he purchased 40 units of this commodity. Estimate income elasticity of demand? What type of a commodity is this?	(4)
4	a)	What is a production function? Explain Cobb-Douglas production function.	(6)
	b)	A firm's production function is given as $Q = 2\,L^{1/2}\,K^{1/2}$. What will be the output when L=25 and K=9? Suppose the firm increases the number of units of capital to 16 and they want to produce 80 units of output. What should be the number of units of labour?	(4)

PART B

Answer any three questions, each carries10 marks.

5	a)	What is MC? In short run changes in MC depends on the changes in TVC. Why?	(5)
	b)	Suppose the AC of a firm is greater than price and price is greater than AVC. Will the firm produce or shut down? Give reason.	(3)
	c)	Suppose contribution per unit of output sold is Rs.10 and TFC is Rs.10000. What is the break-even output? If actual sales is 1200 units estimate margin of safety.	(2)
6	a)	Explain any 4 features of monopoly? Make a comparison between the demand	(6)

curves under monopoly and monopolistic competition.

b) What is a kinked demand curve? (4)

7 a) Suppose the gross value ofoutput at market price of a firm is Rs.50000. If the annual depreciation is Rs.2000 and indirect tax is Rs.500, estimate net value of output at market price and at factor cost. Also estimate the net value added at factor cost if the firm used intermediate goods for Rs.7500. (6)

b) Explain the circular flow in a simple two sector model (4)

8 a) Draw diagrams and explain demand pull and cost push inflation (6)

b) What are the four phases of a business cycles? (4)

PART C

Answer any four questions, each carries10 marks.

9 a) The initial investment on a project is Rs.50000 and the cost of borrowing is 10%. If the cash flows after tax from year 1 to 3 are Rs.40000, 30000 and 20000 respectively. Estimate BCR or profitability index. (6)

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

10 a) What is payback method? What are its merits and demerits? (6)

b) How is decision taken under a situation of risk? (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		
Alternatives	Low	Medium	High
Small facility	20	20	20
Medium facility	19	22	22
Large facility	13	14	24

12 a) Explain assets and liabilities in a balance sheet? Give 2 examples each (6)

b) What are the uses and limitations of a balance sheet? (4)

13 a) Forecast the sales for the year 2018 for the time series data given below by least square method. (10)

Year	2013	2014	2015	2016	2017
Sales(in lakhs)	50	70	60	80	100

14 a) Distinguish between foreign direct investment and foreign portfolio investment. (6)

b) Give any four advantages and disadvantages of direct tax (4)