

[This question paper contains 3 printed pages.]

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Your Roll No.

BBS / II Sem. – 2012

BUSINESS STUDIES – Paper 203

(Business Economics – I)

Time : 3 hours

Maximum Marks : 75

*(Write your Roll No. on the top immediately
on receipt of this question paper.)*

Attempt all questions.

1. (a) Indifference curves are normally drawn convex to the origin. Explain the significance of this curvature. A student likes to talk over her cellphone. The more she talks the more hooked she gets to it. Draw an indifference curve showing her trade-off between listening in class and talking on the cellphone using indifference curves. Which other unusual shapes can be drawn and what do those imply? (7)
- (b) If CFL lamps become cheaper as compared to incandescent bulbs, explain how a change in their relative prices affects equilibrium of the consumer. Using graphs explain income and substitution effects of a price change. (8)

P.T.O.

2. (a) The reason behind Chinese manufacturing success is economies of scale. Explain the nature of these economies. Are these external or internal or both? Comment using economic concepts and graphs? (5)
- (b) What are the characteristics of production isoquants? What is the slope of an isoquant indicative of? What do the ridge lines show? (5)

OR

Describe the expansion of output in the long run. Why is it more efficient than a short run expansion?

3. (a) Draw the long run average and marginal cost curves for a firm. Why is it called an envelope curve? (5)
- (b) How does a firm minimise costs subject to a given output? Explain using isoquants. (5)
4. (a) What are the characteristics of perfect competition? Explain using graphs why a firm in perfect competition earns zero economic profits in the long run. (8)
- (b) It is not possible to draw a supply curve for a monopolist. Explain why. (7)

- (c) Are social networking sites like facebook and twitter examples of monopolistic competition? Which of its characteristics resemble monopolistic competition and which ones do not? Why does monopolistic competition lead to creation of excess capacity? (5)
5. Write short notes on any **four** :
- (a) Shut-down point
- (b) Production Possibility Curve
- (c) Backward bending labour supply curve
- (d) Diminishing marginal utility
- (e) Kinked demand curve (20)