Unique Paper Code   : 101233

Name of the Course   : **Bachelors of Business Studies**

Name of the Paper   : Business Economics – I

Semester   : II

Duration   : 3 Hours

Maximum Marks   : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.

2. Attempt **all** questions.

1. (a) "LAC is tangent to minimum points of all short run cost curves." True or False ? Explain.

    (b) Why should a firm enter a perfectly competitive industry if it knows that its profits will be zero in the long run ?

    (c) "If the marginal cost of a firm is rising, the average cost is also   rising." True or False. Explain.

    (d) A monopolist produces less than a competitive industry ? True or False. Explain.

    (e) Is the price elasticity of demand for Nescafe greater than the price elasticity for coffee in general ?   (3×5=15)

2. (a) With the help of indifference curves show that positive income elasticity of demand is not the only condition necessary for an inverse relationship between price of a commodity and quantity demanded ?

OR

"A member of the defence force will be better off receiving an income supplement equal in amount to what would be saved by buying things at a lower price at defence canteen." Comment.

(b) Explain how the law of diminishing marginal utility helps a consumer to determine the optimum allocation of a given amount of money among different goods ?   (6+6=12)

3. (a) Explain the relationship between AC, AVC, AFC, and MC in the short run using diagrams.

(b) Derive an Engel Curve for a giffen good.

OR

A labour supply curve can be derived from a price consumption curve for leisure. Explain with the help of diagrams.   (6+6=12)

4. (a) Distinguish between traditional and modern theory of costs.

OR

Describe the characteristics of isoquants. What are ridge lines ?

(b) How does a firm decide on the optimum level of output given production and cost constraints ? Explain graphically and mathematically.   (6+6=12)

5. (a) The cost of the firms in an oligopoly keep on rising, yet the price tend to remain rigid. Explain giving appropriate reasons.

(b) Why does excess capacity arise in monopolistic competition ? What is its economic significance ?   (6+6=12)

6. Write short notes on any **two** :

(a) Returns to factor & returns to scale

(b) Long run equilibrium for a monopoly

(c) Impact of an increase in market demand in an increasing cost industry
                                                                            (6×2=12)