

**U.G. 1st Semester Examination - 2021****B.B.A.****Course Code : BBBACCHT 102****Course Title: Business Economics**

Full Marks : 40

Time : 2 Hours

*The figures in the right-hand margin indicate marks.**Candidates are required to give their answers in their own words as far as practicable.*1. Answer any **ten** of the following questions:

1×10=10

- a) Define slope of budget line.
- b) Define MPC.
- c) What happens to the demand for a substitute good when the price of the commodity falls?
- d) Define diminishing marginal utility.
- e) What is the shape of unitary elastic demand curve?
- f) Define marginal rate of substitution.
- g) When will GDP of an economy be equal to GNP?

- h) The consumption function is given as  $C=40+0.6Y$ . Derive the saving function.
- i) For what type of good the income elasticity is zero?
- j) What are Giffen goods?
- k) What is an iso-cost line?
- l) State an alternate goal of the firm other than profit maximization.
- m) Name two methods of Demand Forecasting.
- n) What is the other name for Complete Enumeration?
- o) State two features of Perfectly Competitive market.

2. Answer any **five** questions of the following:

2×5=10

- a) State the law of equi-marginal utility.
- b) Draw TC, TFC and TVC curves in a single diagram.
- c) Suppose a consumer's preferences are monotonic. What can you say about her preference ranking over the bundles (10, 10), (10, 9) and (9, 9)?

- d) What is meant by problem of double counting?
- e) State two exceptions of law of demand.
- f) Mention two statistical methods of Demand Forecasting.
- g) State four sources of Public Revenue.
- h) What will be the value of price elasticity of demand at price  $p=5$  for the linear demand function  $q=225-15p$ ?

3. Answer any **two** questions of the following:

$5 \times 2 = 10$

- a) Define law of demand. Describe how demand and supply determine the market price. 1+4
- b) What is an expansion path? Explain the concept of expansion path. 1+4
- c) Given the demand function  $P = 20 - Q$  and the total cost function  $C = Q^2 + 8Q + 2$ , what output,  $Q_\pi$ , maximizes total profit and what are the corresponding values of price  $P_\pi$ , profit  $\pi$ , and total revenue (sales)  $R_\pi$ .

4. Answer any **one** question of the following:

$10 \times 1 = 10$

- a) Given the following demand and cost function  $P=250-3Q$  and  $C=3Q+5Q^2$  respectively, find out the profit maximising output and price. How would the firm adjust its price and output, if a tax of Rs. 4 per unit of output be imposed on the firm? 5+5
- b) Explain the income method of estimating national income. Describe the steps involved in the estimation of national income by income method. State any two precautions of this method. 4+4+2
- c) State the features of Perfectly Competitive market. Show how short-run equilibrium price is determined in such a market.

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