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47 (Sem-1) BUEC 1.2

2018

**BUSINESS ECONOMICS**

Paper : 1.2

Full Marks : 80

Time : Three hours

***The figures in the margin indicate full marks for the questions.***

1. Choose the correct answer :  $1 \times 10 = 10$ 
  - (a) A centrally planned economy is one in which the solution to the economic problem is done by —
    - (i) Price mechanism
    - (ii) Planning mechanism
    - (iii) Trade mechanism
    - (iv) Competition.
  - (b) All of the following are determinants of demand except —
    - (i) income of the consumer
    - (ii) tastes and habits
    - (iii) price of related goods
    - (iv) quantity supplied.

Contd.



- (c) In short run, when the output of a firm increases, its AFC —
- (i) increases
  - (ii) decreases
  - (iii) remains constant
  - (iv) first declines and then rises.
- (d) The optimum size of a firm can exist only —
- (i) under perfect competition
  - (ii) under monopoly
  - (iii) under oligopoly
  - (iv) under all types of market structure.
- (e) The elasticity at the midpoint of a demand curve is —
- (i) 1
  - (ii) 1.5
  - (iii) 4
  - (iv) 0
- (f) When the TP is maximum, MP is —
- (i) equal to 0
  - (ii)  $> 0$
  - (iii)  $< 0$
  - (iv) none of the above.
- (g) At the time of boom, the govt should adopt a policy of —
- (i) deficit budgeting
  - (ii) surplus budgeting
  - (iii) balance budgeting
  - (iv) none of the above.



- (h) Development of financial institutions in an area is a case of —
- (i) external economies
  - (ii) internal economies
  - (iii) diseconomies
  - (iv) all of the above.
- (i) In case of an inferior good, the income elasticity of demand is —
- (i) positive
  - (ii) negative
  - (iii) zero
  - (iv) infinite.
- (j) The linearly homogeneous production function represents a case of —
- (i) constant returns to scale
  - (ii) decreasing returns to scale
  - (iii) increasing returns to scale
  - (iv) none of the above.

2. Answer in brief : 2×5=10

- (a) What are the two types of managerial problems?
- (b) State *two* features of Monopolistic Competition which are competitive in nature.
- (c) What is Demand forecasting?
- (d) Give *two* examples of variable cost of production.
- (e) What is shutdown price?



3. Write short answers of the following :  
(any four)  $5 \times 4 = 20$

- (a) Explain the responsibilities of business economists.
- (b) Write a note on Production function.
- (c) Explain the concepts of economic cost and accounting cost.
- (d) Distinguish between Skimming price and Penetration price.
- (e) Discuss the nature of Business Economics.
- (f) Explain the concept of opportunity cost.

4. Answer **any five** of the following :  $8 \times 5 = 40$

- (a) What is Price elasticity of demand ? Discuss the different methods of measurement of Price elasticity of demand.  $3 + 5 = 8$
- (b) Explain the Law of Variable Proportions with the help of diagram. 8
- (c) How does monopolist fix the price and output in the market ? Explain. 8
- (d) Discuss the role of Demand and Supply on Price and Output determination process under perfect competition. 8
- (e) Discuss the Dynamic Theory of Profit. 8
- (f) What are the different phases of Trade Cycle ? Discuss the Monetary theory of Trade Cycle.  $4 + 4 = 8$
- (g) Discuss different profit policies to be followed by the public enterprises. 8