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47 (1) BUEC 1-2

2022

(Held in 2023)

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) When the demand for tea changes due to a change in the price of coffee, it is a case of—

- (i) Cross-elasticity
- (ii) Price elasticity
- (iii) Income elasticity
- (iv) Unit elasticity

Contd.

- (b) When the income of the consumer increases, the demand curve will shift to the —
- (i) Right
 - (ii) Left
 - (iii) Middle
 - (iv) All of the above
- (c) Which of the following is an example of implicit cost ?
- (i) Payment of wages to hired labour
 - (ii) Cost of raw materials
 - (iii) Tax
 - (iv) Managerial salary of the entrepreneur
- (d) When the Total Product (TP) is minimum, Marginal Product (MP) is equal to —
- (i) Zero
 - (ii) One
 - (iii) Negative
 - (iv) None of the above

(e) Firms under perfect competition in the long run can earn only —

- (i) Normal profit
- (ii) Super-normal profit
- (iii) losses
- (iv) All of the above

(f) Price elasticity of demand in case of an essential good is —

- (i) High
- (ii) Low
- (iii) Infinite
- (iv) Zero

(g) The elasticity at the midpoint of a demand curve is —

- (i) 1
- (ii) 2
- (iii) 0
- (iv) 4

(h) At the time of boom, the government should adopt a policy of —

- (i) Deficit budgeting
- (ii) Surplus budgeting
- (iii) Balanced budgeting
- (iv) All of the above

(i) A firm has a variable cost of Rs. 1,200 at 5 units of output. If fixed cost is Rs. 300, what is the average cost of 5 units of output?

- (i) Rs. 540
- (ii) Rs. 300
- (iii) Rs. 240
- (iv) None of the above

(j) The law of demand establishes a _____ relationship between price and quantity demanded.

- (i) Inverse
- (ii) Direct
- (iii) Parallel
- (iv) None of the above

2. Answer briefly : $2 \times 5 = 10$

(a) State the law of demand.

(b) Give *two* examples of variable cost of production.

(c) Define opportunity cost of production.

(d) Define demand forecasting.

(e) Define elasticity of demand.

3. Answer **any four** from the following :

$5 \times 4 = 20$

(a) Write a short note on production function.

(b) Discuss the features of monopolistic competition.

(c) Explain the role and responsibilities of a business economist.

(d) Draw demand curves showing different degrees of elasticity of demand.

(e) What are fixed and variable costs of production? Explain with examples.

(f) What are the features of an oligopoly type of market?

4. Answer **any five** from the following:

$$8 \times 5 = 40$$

(a) What is an iso-quant? What are the properties of an iso-quant?

(b) Explain the law of demand with the help of a diagram.

(c) What are the conditions of perfect competition? Explain how price is determined under perfect competition.

(d) What do you mean by a trade cycle? What are the phases of a trade cycle?

(e) Explain the law of variable proportion.

(f) Who is a monopolist? How does he fix his price and output?

- (g) Show the relationship between Average Cost (AC) and Marginal Cost (MC) of production with the help of a diagram.
- (h) What are implicit and explicit costs of production ?
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