

# Heramb Coaching Classes

FYBCOM/Semester-I/Prelims

Marks: 100

Time: 3 Hours

*Note: All Questions are compulsory and draw neat diagrams wherever necessary*

**Q.1. (A) Explain the concepts:** (10)

- |                    |                                |                          |            |
|--------------------|--------------------------------|--------------------------|------------|
| 1) Equation        | 4) Cross elasticity of demand  | 7) Diseconomies of scale | 10) Profit |
| 2) Average revenue | 5) Demand forecasting Isoquant | 8) Total cost            |            |
| 3) Equilibrium     | 6) Constant returns to scale   | 9) Implicit cost         |            |

**Q.1. (B) Select the correct option and rewrite the statements:** (10)

- 1) All other things being equal if strawberries and cream are complementary goods, a fall in the price of strawberries will
  - a) Shift the demand curve for strawberries to the right
  - b) Cause a movement along the demand curve for cream
  - c) Cause a fall in the price of cream
  - d) Shift the demand curve for cream to the right
  
- 2) The supply curve shifts due to
 

a) Changes in technology	c) Change in the prices of related goods
b) Change in Input prices	d) All of the above
  
- 3) \_\_\_\_\_ coordinate the decisions of producers and consumers in the market.
 

a) Quantities	b) Directors	c) Governments	d) Prices
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- 4) The price elasticity of demand measures \_\_\_\_\_.
  - a) The change in quantity demanded of a good to a change in income
  - b) The change in quantity demanded of a good to a change in price of another good
  - c) The change in the quantity demanded of a good to a change in price of the good
  - d) The change in the quantity demanded of a good to a change in price elasticity of supply.
  
- 5) When a 1% change in price lead to a 1% change in quantity demanded we say demand is
 

a) Relatively elastic	c) Unit elastic
b) Relatively inelastic	d) None of the above
  
- 6) The moving averages technique
 

a) Compensates for fluctuations	c) Both a and b
b) Is a smoothing technique	d) None of the above
  
- 7) If there is zero substitutability between capital and labour the isoquant is
 

a) A straight line	c) Concave to the origin
b) 'L' shaped	d) None of the above
  
- 8) The total amount of output produced is called
 

a) Total Supply	b) Total Product	c) Both a and b	d) None of the above
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- 9) Using five units of labour a firm can produce 2500 units of a good. Using six units of labour the firm can produce 3000 units of the good. The marginal product of the sixth unit of labour is
 

a) 100 Units	b) 1500 Units	c) 2000 Units	d) 500 Unit
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- 10) The rent of a factory is an example of
 

Variable cost	Fixed cost	Both a and b	None of the above
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**Q.2. Attempt A and B OR C and D:**

**(A)** What is Business Economics? Explain the scope of Business Economics. (8)

**(B)** Consider the following data: (7)

Quantity	100	200	300	400	500	600	700
Price	10	9	8	7	6	5	4

- i) Calculate TR, AR and MR
- ii) Explain the relationship between TR and MR, MR and AR

OR

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- (C) Explain the determination of equilibrium market price and quantity with the help of diagram. (8)  
 (D) The table below shows hypothetical demand schedules T-shirts.

Price (Rs)	Quantity demanded QD <sub>x1</sub>	Quantity demanded QD <sub>x2</sub>	Quantity demanded QD <sub>x3</sub>
20	0	2	3
15	1	2	5
10	2	2	8
5	3	3	10
3	4	4	12

- i) Calculate market demand (2)  
 ii) Explain the determinants of demand (7)

**Q.3. Attempt A and B OR C and D:**

- (A) Using diagrams explain the difference in demand curves of firms in perfect competition and monopoly. (8)  
 (B) When price is Rs.5 quantity demanded is 10 units. When price increase to Rs.7, quantity demanded is 5 units: (7)  
 i) Calculate price elasticity of demand. Is demand elastic or inelastic?  
 ii) Explain the various degrees of elasticity of demand

**OR**

- (C) What are the various types of demand forecasts? (8)  
 (D) (i) What are the steps in demand forecasting? (5)  
 (ii) Given the following demand function  $QDX = 60 - 0.7PX$ . If future price is Rs.20, what would be your forecast of quantity demanded? (2)

**Q.4. Attempt A and B OR C and D:**

- (A) What is an isoquant? Explain properties of isoquants. (8)  
 (B) Using a diagram explain the three stages of the law of variable proportions. (7)

**OR**

- (C) Explain the external economies and diseconomies of scale. (8)  
 (D) Using diagrams explain the law of returns to scale. (7)

**Q.5. Attempt A and B OR C and D:**

- (A) Explain the difference between: (i) Explicit and Implicit Cost, (ii) Incremental and Marginal Cost, (iii) Private and Social Cost, (iv) Accounting and Economic Cost (8)  
 (B) Calculate TFC, TVC, AFC, AVC, ATC and MC for the following. (7)

Output	0	1	2	3	4	5	6	7	8
TC	55	85	110	130	160	210	280	370	470

**OR**

- (C) Derive the LAC curve using the short run average cost curves of a firm. (8)  
 (D) Explain and graphically illustrate the derivation of Break Even Point. (7)

- Q.6. (A)** Explain Producer Equilibrium with the help of Isoquant Map and Iso-cost Line (10)  
**(B)** Write a detailed note on Economies of scope. (10)

**OR**

**Q.6. Write Short Notes on: (Any four) (20)**

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|---------------------------------------|--------------------------------------|
| 1) Opportunity Cost                   | 4) Learning Curve                    |
| 2) Significance of demand forecasting | 5) Importance of Break Even Analysis |
| 3) Diseconomies of scale              | 6) Types of Profits                  |