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47 (1) BECO 1.2

2012

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) An economy is characterised by

- (i) unlimited natural resources
- (ii) unlimited wants and needs
- (iii) no energy resources
- (iv) abundant productive labour.

(b) Which of the following is not a determinant of the firm's cost function?

- (i) the production function
- (ii) the price of labour
- (iii) taxes
- (iv) the price of the firm's output.

[Turn over

- (c) If a good is luxury, its income elasticity of demand is :
- (i) negative, but greater than I
 - (ii) Positive and less than I
 - (iii) Positive and greater than I
 - (iv) Zero.
- (d) A firm has a variable cost of Rs. 1800 at 5 units of output. If fixed costs are Rs. 600, what is the average cost of 5 units of output ?
- (i) Rs. 320
 - (ii) Rs. 400
 - (iii) Rs. 480
 - (iv) None of the above.
- (e) Which of the following is not included in the subject matter of micro economics.
- (i) theory of demand
 - (ii) factor pricing
 - (iii) theory of income and employment
 - (iv) theory of supply.

- (f) According to "profit maximisation theory" of the firm, management decides :

- (i) Output level which maximises revenue
- (ii) Output level which maximises the difference between the revenue and cost
- (iii) Output level which minimises cost
- (iv) None of the above.

- (g) The positively sloped part of the long-run average cost curve is due to which of the following ?

- (i) diseconomies of scale
- (ii) diseconomies of return
- (iii) increase in productivity that results from specialisation
- (iv) None of the above.

- (h) Which theory of business cycle is associated with the name of R. G. Hawtrey ?

- (i) Over production theory of business cycle
- (ii) Innovation theory of business cycle
- (iii) Monetary theory of business cycle
- (iv) None of the above.

(i) The optimum size of a firm can exist

- (i) only under monopoly
- (ii) only under perfect competition
- (iii) only under imperfect competition
- (iv) under all types of market structures.

(j) In the modern theory long-run average cost curve is shaped like :

- (i) L
- (ii) U
- (iii) S
- (iv) V

2. Answer in brief:

2×5=10

- (a) Why does the problem of choice arise?
- (b) What is market demand?
- (c) State two features of monopolistic competition which are competitive in nature.
- (d) Define Isoquants.
- (e) Draw AR and MR curves of the firm under monopoly.

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Write short answer of the following (any four) :
5×4=20

- (a) Explain the central problems of an economy.
- (b) Discuss the practical significance of elasticity of demand.
- (c) Explain the concept of opportunity cost.
- (d) Discuss the different profit policies to be followed by the enterprises.
- (e) Distinguish between gross profit and net profit.
- (f) Explain how least cost combination of output is attained.

4. Answer any five of the following : 8×5=40

- (a) Explain the nature and scope of Business economics. 8
- (b) Discuss the law of variable proportions. 8
- (c) What is demand forecasting? Discuss the different methods of demand forecasting. 2+6=8
- (d) Profit is the reward for taking risk and bearing uncertainty. - Explain. 8

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- (e) Define trade cycle. Discuss the different phases of trade cycle.
- (f) Discuss the role of demand and supply in price determination process under perfect competition.
- (g) Distinguish between :
 - (i) Accounting cost and economic cost
 - (ii) Prime cost and supplementary cost.

8

4+4=8