

Reg No.: _____

Name: _____

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY
THIRD/FOURTH SEMESTER B.TECH DEGREE EXAMINATION, DECEMBER 2018

Course Code: HS200
Course Name: BUSINESS ECONOMICS

Max. Marks: 100

Duration: 3 Hours

PART A

Answer any three questions, each carries 10 marks.

- | | | Marks |
|---|---|-------|
| 1 | a) With the help of a figure demonstrate the relationship between total and marginal utility. | (5) |
| | b) Marginal analysis is the basis for several theories in Business Economics. Do you support this view? | (5) |
| 2 | a) Mention the relevance of the concept of scarcity in business economics. | (5) |
| | b) Mark the point on a graph of the PPC, showing underutilization of resources. Using the PPC, explain the concept of trade off. | (5) |
| 3 | a) If the production function of a firm is $Q = 10 L^{1/2} K^{1/2}$, find out the maximum output that can be produced, if 144 units of labour is combined with 169 units of capital. Also calculate the average and marginal product of labour from the function | (5) |
| | b) In July, Parle sold 40,000 bottles of their mango juice when the price of Tropicana was Rs.35 per bottle. In August, they sold 45,000 bottles when the price of Tropicana was Rs.40. Calculate the cross elasticity of demand of mango juice for Parle. | (5) |
| 4 | a) State and explain the law of variable proportions | (4) |
| | b) The following schedule shows the number of laptops purchased by offices and homes at different market prices. | |

| Price(Rs) | purchased by offices(units) | Purchased by homes(units) |
|-----------|-----------------------------|---------------------------|
| 50000 | 3400 | 2500 |
| 55000 | 3300 | 2100 |
| 60000 | 3200 | 1600 |
| 65000 | 3100 | 1200 |

(6)

As the price of laptops increases from 55000 to 60000, what is the price elasticity of demand for (i) offices and (ii) homes?

PART B

Answer any three questions, each carries 10 marks.

- | | | |
|---|---|-----|
| 5 | a) Define average and marginal revenue. With the help of a figure demonstrate the relationship between average and marginal revenue. | (6) |
| | b) Distinguish between Perfect Competition and Monopoly. | (4) |
| 6 | a) Draw a diagram showing AFC, AVC and TC curves. | (4) |
| | b) A small-scale company, engaged in the production of manufacturing biodegradable carry bags has total sales of Rs. 20000. Its fixed cost is Rs. 6000, while its variable cost is at Rs.12000. Calculate (i) the P/V ratio (ii) breakeven point (iii) Margin of safety at this level of sales (iv) If it sells each bag for Rs.5, how many bags should the company sell to break even? (v) Find out the sales required to earn a profit of Rs. 4000. | (6) |
| 7 | a) Examine the various phases of a trade cycle. Draw a neat diagram to substantiate | (5) |

- your view.
- b) Define GNP, NNP, NI, PI and DPI. (5)
- 8 a) Examine the various functions of the Reserve Bank of India. (5)
- b) A mobile manufacturing company makes Rs.100000 every day by selling them. (5)
During this time, the machinery of the company depreciates by 10000. The company pays GST of Rs.6000, gives the owner Rs. 40000 and retains Rs. 44000 for its expansion activities. The owner pays Rs. 45000 as income tax from his income. Compute the firm's contribution to the following measures of national income. (i) GDP (ii) NDP (iii) NI (iv) Personal income (v) Disposable Personal income.

PART C

Answer any four questions, each carries 10 marks.

- 9 a) What is Capital budgeting? (4)
- b) The following table gives the annual sales and cost for two machines, which a company is planning to purchase. Machine A costs 2,60,000 while machine B costs Rs. 90,000. (6)

| | Machine A | Machine B |
|---------------|-----------|-----------|
| Sales | 1,70,000 | 1,70,000 |
| Raw Materials | 60,000 | 60,000 |
| Labour | 15,000 | 60,000 |
| Electricity | 30,000 | 20,000 |

- Use the payback method to determine which machine the company should buy?
- 10 a) Define payback period and average rate of return. (4)
- b) Examine the various sources of capital for a business firm. (6)
- 11 a) What is cost benefit analysis? Mention the difficulties encountered while carrying out this analysis. (4)
- b) A project has been started by a company with an initial investment of Rs.10,00,000. The company gets a cash inflow of Rs. 2,00,000 in year 1, Rs. 2,00,000 in year 2, Rs.3,00,000 in year 3, Rs.2,00,000 in year 4, and Rs. 3,50,000 in year 5. The cost of capital for the firm is 10 percent. Use the NPV method to determine whether the company should go ahead with the project. (6)
- 12 a) What is the balance sheet? Distinguish between assets and liabilities. (5)
- b) What is the money market? What are the various instruments in the money market? (5)
- 13 a) Mention the canons of taxation. (4)
- b) . The following table gives the demand of a company for five years. Use the trend method to project the demand for the years of 2018, 2019 and 2020. (6)

| Year | Demand |
|------|--------|
| 2013 | 200 |
| 2014 | 220 |
| 2015 | 210 |
| 2016 | 230 |
| 2017 | 210 |

- 14 a) What are the major techniques used in forecasting? (6)
- b) What is FII? Mention its disadvantages. (4)
