Mahatma Gandhi University
B.A. Degree (CBCSS) Examination - October 2011 (Model Question)
Fifth Semester
Economics
Open Course - 5   Business Economics

Time: Three Hours   **Maximum Weight: 25**

Section A
Answer all questions
Each bunch of four questions carries a weightage of 1.

1. 1.A change in demand occurs due to change in:

(a) Income   (b) Consumer preferences

(c) Prices of other goods   (d) All the above

2. Managerial economics is best defined as the economic study of

(a) how businesses can make the most profits.

(b) how businesses can decide on the best use of scarce resources.

(c) how businesses can operate at the lowest costs.

(d) how businesses can sell the most products.

3. Accounting costs

(a) are historical costs.   (b) are replacements costs.

(c) usually include implicit costs.   (d) usually include normal profits.

4. The price elasticity of demand is a measure of:

(a) the responsiveness of the quantity demanded to price changes
(b)the quantity demanded at a given price
(c)he shift in the demand curve when price changes
(d) The demand for a product holding price constant

11. 5. The demand curve slopes downward due to:

(a) Income effect   (b) Substitution effect

(c) Both income effect and substitution effect   (d) None of these

6. The term Production Function refers to the:

(a) Use of machinery and equipment in production
(b) Relationship between costs and output
(c) Relationship between inputs and output
(d) Role of labor unions

7. The "Law of Diminishing Returns" states that

    (a)) additional inputs will reduce output.

    (b) additional inputs will decrease average productivity.

    (c) the supply of inputs is becoming scarce.

    (d) additional inputs will lead to less additional output.

8. Break-even point refers to;

    (A) Point of intersection between Marginal Revenue and Marginal Cost

    (B) Point of intersection between Total Revenue and Total Cost

    (C) Point of intersection between Average Revenue and Average Cost

    (D) None of above

111. 9. The main difference between perfect competition and monopolistic competition is:

    (a) the number of sellers in the market   (b) the ease of exit from the market.

    (c) the difference in the firm's profits in the long run. (d) the degree of product differentiation.

10 . A company which charges a lower price than may be indicated by economic analysis to gain

    a foothold in the market is practicing

    (a) price skimming.   (b) psychological pricing.

    (c) penetration pricing.   (d) prestige pricing

11. The net present value of a project is calculated as follows:

    (a) The future value of all cash inflows minus the present value of all outflows.

    (b) The sum of all cash inflows minus the sum of all cash outflows.

    (c) The present value of all cash inflows minus the present value of all cash outflows.

    (d) None of the above.

12. One of the following is not a method of demand forecasting:

    (a) Market survey   (b) Consumer survey

    (c) Time series analysis   (d) Case Study

1V. 13. Balance of trade includes:

    (a) Visible items   (b) Invisible items

    (c) Both visible and invisible items   (d) None of these

14. One of the following is not a property of isoquant:

(a) Slopes downward from left to right (b) Two isoquants can intersect each other

(c) Isoquants are convex to origin   (d) None of these

15.. Trade deficits arises when:

(a) Exports are greater than imports   (b) Exports are less than imports

(c) Imports are greater than exports   (d) None of the above

16. At Breat-even point:

(a) TC = TR   (b) TC < TR

(c) TC > TR   (d) TVC < TFC   **(4x1=4)**

Part B   (Short answer Questions)
Answer any five of eight not exceeding 50 words. Each question carries a weight of 1
17. What is price discrimination/
18. What is Price Skimming?
19. Write any two limitations of Pay –Back Method
20. Mention the meaning of accounting profit.
21. Bring out the features of perfect competition
22. Explain demand function
23. What are the modern objectives of a firm?
24. Explain business cycles   **(5x1=5)**

Section C (Short Essays)
Answer any four questions not exceeding 150 words. Each question carries a weight of 2.
25. Explain the scope and importance of business economics
26. Explain the various techniques of demand forecasting
27. Explain the concept of capital budgeting
28. Explain the determinants of demand
29. Explain the utility analysis of demand
30. What are the different phases of business cycles?   **(4x2=8)**

Sections D (Long Essays)
Answer any two questions not exceeding 450 words. Each question carries a weight of 4.
31. What are the important methods of investment criteria and find out internal rates of return for the project from the data given below:
Initial capital outlay of project is Rs 40,000 and cash flow of Rs. 25,760, Rs 17,760 and Rs 13,760 for 3 years.
32. Explain the break-even analysis and bring out its uses in business decisions
33. Define Foreign Exchange Rate. How is it determined?   **(2x4=8)**