

CS/BBA(H)/BSCM/BIRM/ODD SEM/SEM-3/BBA-304/2016-17



**MAULANA ABUL KALAM AZAD UNIVERSITY OF
TECHNOLOGY, WEST BENGAL**
Paper Code : BBA-304
BUSINESS ECONOMICS

Time Allotted : 3 Hours

Full Marks : 70

*The figures in the margin indicate full marks.
Candidates are required to give their answers in their own
words as far as practicable.*

GROUP - A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following : 10 × 1 = 10

i) If $C = 100 + 0.65Y$, marginal propensity to save is

- | | |
|---------|----------|
| a) 0.65 | b) 0.50 |
| c) 0.35 | d) 0.60. |

ii) The goods market and money market are linked together by

- | | |
|--------------------|-------------------|
| a) Monetary policy | b) Fiscal policy |
| c) Labour market | d) Interest rate. |

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[Turn over

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- iii) WTO was set up as a result of
- a) Uruguay round
 - b) Doha round
 - c) Seattle round
 - d) Cancun round.
- iv) Profit maximizing condition of a firm is
- a) $MR = MC$ where MC is rising
 - b) $MR > MC$ where MC is rising
 - c) $MR < MC$ where MC is rising
 - d) None of these.
- v) If the interest elasticity of money demand is low, LM curve will be
- a) Flat
 - b) Steep
 - c) Straight line through origin
 - d) None of these.
- vi) Schumpeter theory of Business Cycles analyses
- a) innovation of new technology
 - b) population growth
 - c) innovation of new jobs
 - d) None of these.

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vii) Dumping deals with discrimination in prices at

- a) home markets
- b) home and foreign markets
- c) foreign markets
- d) any market.

viii) Consider the following game :

		Player 2		
		L	C	R
Player 1	U	1,6	9,2	17,4
	M	5,10	7,12	15,8
	D	3,14	11,16	13,18

- a) This game has one Nash equilibrium in pure strategies
 - b) Has two Nash equilibrium in pure strategies
 - c) Does not have any Nash equilibrium in pure strategy
 - d) All combinations are Nash equilibrium in pure strategies.
- ix) A tariff on imports benefits domestic producers of the imported good because
- a) they get the tariff revenue
 - b) it raises the price for which they can sell their product on the domestic market
 - c) it prevents imports from rising above a specified quantity
 - d) it reduces their producer surplus, making them more efficient.

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- x) The effectiveness of expansionary fiscal policy will be at full extent in
- a) classical range of LM curve
 - b) Keynesian range of LM curve
 - c) intermediate range of LM curve
 - d) none of these.
- xi) During Inflation Central Bank Repo rate should be
- a) increased
 - b) decreased
 - c) unchanged
 - d) move within a band.
- xii) OPEC is a classic example of
- a) cartel
 - b) natural monopoly
 - c) perfect competition
 - d) duopoly.

GROUP - B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. Discuss the Expert Opinion method in demand forecasting.
3. Balance of Payments always balanced. Explain.

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4. The annual requirement for a particular raw material is 2,000 units, costing Re. 1 each to the manufacturer. The ordering cost is Rs. 10 per order and carrying cost 16% per annum of the average inventory value. Find the Economic Order Quantity.
5. In a game of matching coins with 2 players, suppose A wins 1 unit of value when there are two heads, wins nothing when there are two tails and losses $\frac{1}{2}$ unit of value when there is one head and one tail. Determine the pay-off matrix.
6. Explain the Crowding Out Effect.

GROUP - C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

7. a) The cost equation of the firm is $C = 5x + 10y$, while the production function is given by $q = xy$. Find the minimum cost of producing 50 units of output.
- b) Find the profit maximizing output and price given the following revenue and cost function $R = 1000q - 2q^2$ and $C = q^3 - 59q^2 + 31q + 2000$.

7 + 8

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8. a) Find out the trend equation and sales in 2007 from the following information :

Year	2000	2001	2002	2003	2004	2005	2006
Sales (Rs)	1,000	2,000	2,500	3,500	5,000	8,000	10,000

- b) Write a note on point and interval estimation.

9 + 6

9. Explain the theory of Comparative Advantage in trade. How does it differ from the Absolute Advantage theory ?

12 + 3

10. The sales turnover and profit during two years are as follows :

Year	Sales (Rs.)	Profit (Rs.)
1991	1,50,000	20,000
1992	1,70,000	25,000

You are required to calculate :

- i) P/V ratio
- ii) Break-even point
- iii) The sales required to earn a profit Rs. 40,000
- iv) The profit made when sales are Rs. 2,50,000.

$4 + 4 + 3\frac{1}{2} + 3\frac{1}{2}$

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11. Write short notes on any *three* of the following : 3 × 5

- a) Speculative demand for money
 - b) Fixed *vs.* Flexible Exchange Rate
 - c) Tariff *vs.* Quota
 - d) Investment multiplier
 - e) Inventory Models.
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