

QUESTION 2013

Group – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any ten of the following:

i) Business economics helps business manager in

✓ a) decision making

b) saving from risk uncertainty

c) raising demand

d) maximizing profit

ii) An economy is in liquidity trap. If the central bank increases the cash reserve ratio

a) money supply increases

b) interest rate falls

c) aggregate income falls

✓ d) none of these

iii) Which of the following is not a feature of profit?

a) profit fluctuates more than other forms of income

b) profit is residual item

c) profit is the excess of total revenue over total cost

✓ d) profit cannot be negative or zero

iv) Fiscal policy deals with

a) Government expenditure

✓ c) Both (a) & (b)

b) Tax structure

d) Supply of money

v) Dumping deals with discrimination of prices in

- a) home markets only
- c) foreign markets only

- ✓b) home and foreign markets
- d) any market

vi) A consumer's utility function is given by $u(x, y) = x^3 y^3$. The price of good X is 10 and that of good Y is 10. His budget is Rs. 1,000. Suppose the Government says that he can buy at most 40 units of good X, and as much of good Y as he wants. Then his utility maximizing consumption of good Y is

- ✓a) 50
- c) 40

- b) more than 50
- d) indeterminate

vii) The method of least squares is an important method to draw

- ✓a) regression lines
- c) sloping lines

- b) progression lines
- d) straight lines

viii) The comparative advantage doctrine is an analysis of

- a) trade barriers
- c) both (a) & (b)

- ✓b) gains to trade
- d) none of these

ix) When a probable range is specified within which true value of a parameter is expected to lie, the estimation type is known as

- a) point estimate
- c) general estimate

- b) range estimate
- ✓d) interval estimate

x) GATT stands for

- a) General Arrangement for Technical Trade
- ✓b) General Agreement on Trade and Tariff
- c) General Agreement on Trade and Technology
- d) General Agreement on Team of Trade.

xi) Level of sales of which total revenue equals total cost and net income is equal to zero is called

- ✓a) break-even level
- c) break-even point

- b) sales point
- d) sales optimum level

xii) When one participant in a game gains while the other loses, the type of game is called

- a) non-constant sum game
- c) non-constant zero sum game

- b) constant sum game
- ✓d) constant zero sum game

Group – B

(Short Answer Type Questions)

2. Explain the opinion method of business forecasting.

See Topic: **FORECASTING**, Short Answer Type Question No. 3.

3. State the main functions of WTO.

See Topic: **ECONOMIC CONCEPT FOR MANAGERS**, Long Answer Type Question No. 1(or).

4. Write a short note on Business cycle.

See Topic: **FISCAL AND MONETARY POLICIES**, Short Answer Type Question No. 7.

5. What is opportunity cost? Explain the relation between accounting profit and economic profit.

See Topic: **PROFIT**, Short Answer Type Question No. 4.

6. Explain the difference between balance of payment and balance of trade.

See Topic: **ECONOMIC CONCEPT FOR MANAGERS**, Short Answer Type Question No. 1.

Group – C

(Long Answer Type Questions)

7. Define the equilibrium rate of interest and income in and IS-LM framework. Explain how this equilibrium rate of interest and income changes when

a) Government expenditure increases

b) Money supply increases.

See Topic: **FISCAL AND MONETARY POLICIES**, Long Answer Type Question No. 4.

8. What do you mean by quota? State the effects of quota. Describe any two types of quotas with special reference to lesser developed countries.

See Topic: **ECONOMIC CONCEPT FOR MANAGERS**, Long Answer Type Question No. 4.

9. Given:

Year	Sales (Rs.)	Profit (Rs.)
1	80,000	10,000
2	90,000	14,000

Determine:

a) P/V ratio

b) Total fixed cost

c) Break-even point

d) Required sales in order to make a profit of Rs. 19,000.

See Topic: **OPTIMIZATION**, Long Answer Type Question No. 1.

BUSINESS ECONOMICS

10. What are the main objectives of Business Economics? Explain the various situations when the principles of Business Economics are applied. How are business decisions affected by Economic results? Give examples.

See Topic: INTRODUCTION, Long Answer Type Question No. 1.

11. a) What are the assumptions of profit maximization?

b) Suppose a firm has following total revenue and total cost function:

$$TR = 300q - 3q^2$$

$$TC = 500q + 50q + 2q^2$$

Find the quantity of output that maximizes firm's total profit. Also find out the total profit.

a) See Topic: PROFIT, Short Answer Type Question No. 5.

b) See Topic: OPTIMIZATION, Short Answer Type Question No. 2.