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

Course Code: HS200
Course Name: BUSINESS ECONOMICS

Max. Marks: 100   Duration: 3 Hours

PART A
Answer any three questions, each carries 10 marks.

<div align="right">Marks</div>

1	a)	Examine the meaning and scope of Business Economics	(6)
	b)	Suppose an economy's production is at a point inside its PPC. What does it mean? Draw a diagram and explain.	(4)
2	a)	Define total utility and marginal utility. Suppose a boy consume more and more ice creams Prepare a hypothetical total utility schedule and derive marginal utilities from it.	(5)
	b)	What are the central problems of an economy?	(3)
	c)	What is opportunity cost?	(2)
3	a)	How is equilibrium price of a commodity determined? Suppose the number of buyers of a commodity increases. How does it affect market demand and equilibrium price? Draw a diagram and explain.	(6)
	b)	Suppose the finance minister increases the tax on those commodities where demand is highly elastic. What happens to total tax revenue? Why?	(4)
4	a)	What is a production function? Distinguish between fixed proportion and variable proportion.	(6)
	b)	Suppose the production function is given as $Q = 3L^{1/2}K^{1/2}$. Find average and marginal product of labour when L(labour) equals 9 and K(capital) equals 4.	(4)

PART B
Answer any three questions, each carries 10 marks.

5	a)	Complete the following short run cost schedule. Cost is given in rupees.	(6)

Output(units)	TC	TFC	TVC	MC
0	100	---	----	
1	-----	----	50	----
2	-----	----	----	40

	b)	Derive the relation between MC and AVC in the short run with the help of a diagram.	(4)
6	a)	What is perfect competition? Demand curve facing a firm under perfect competition is perfectly elastic. Why?	(6)
	b)	Suppose the PV Ratio of a firm is given as 0.25 and its total fixed cost is Rs. 10,000/-. What is the break-even sales of the firm? If the actual sales is Rs. 60,000/-, what is the margin of safety?	(4)
7	a)	What is inflation? What are the fiscal policy measures to control inflation?	(6)
	b)	What is repo rate? How does RBI use it as a measure to control inflation?	(4)
8	a)	National income of a country is given as 2850. If the annual depreciation is 300, net factor income from abroad -50 and net indirect tax 100, estimate GDP_{MP}. (All figures are	(6)

given in Rs.000, crores).

b) What are the difficulties in the measurement of national income. (4)

PART C

Answer any four questions, each carries 10 marks.

9   a) Suppose the initial investment on a project is estimated as 25000 and the cost of capital is 10 per cent. Estimate the NPV of the future cash flows after tax given below and state weather the project will be accepted or not. (6)

Year	1	2	3	4	5
Cash flows	9000	8000	7000	6000	5000

   b) Give any two merits and limitations of NPV method. (4)

10   a) Suppose an investor wants to decide whether to build a small facility, medium facility or large facility in a situation of uncertainty . The payoff table (in $ 000) of the project is given below. Which alternative will be selected according to Maximin, Maximax and Laplace principles. State clearly the reason for each selection. (6)

	Possible future demand		
Alternatives	Low	Medium	High
Small facility	8	8	8
Medium facility	6	10	11
Large facility	1	3	14

   b) What do you mean by a risky situation in business? How is decision taken under risk? (4)

11   What is cost benefit analysis? Give any two limitations of cost-benefit analysis. (10)

12   a) Distinguish between foreign direct investment and foreign portfolio investment. (5)

   b) Give any three disadvantages of foreign investment. (3)

   c) What do you mean by current liabilities in a balance sheet? (2)

13   The data given below shows the sales of cars in a showroom from 2012 to 2016. Develop a trend equation and predict the sales for the years 2017 and 2018. (10)

Year	2012	2013	2014	2015	2016
Sale	85	92	89	105	108

14   a) What is a money market? Give any four functions of money market. (6)

   b) What is GST? (4)

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