Reg No.:_____   Name:_____

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY
Third Semester B.Tech Degree (S,FE) Examination January 2022 (2015 Scheme)

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) How the knowledge about business economics helps a manager in his business.   (4)

   b) Define Production Possibility Curve. Suppose the production of a commodity is at a point inside the PPC, what does it means by and illustrate with the help of a diagram.   (6)

2 a) Diagrammatically illustrate the law of diminishing Marginal Utility and its assumptions.   (5)

   b) What are the factors that influence the demand for a product?   (5)

3 a) State and illustrate the concept of equilibrium price. Explain with the help of diagram the situation of excess demand, excess supply and how it gets corrected by the market forces.   (6)

   b) The demand and supply curves of a commodity are given as Q_D= 25-0.5P and Q_S= -5+P. Find the equilibrium price and quantity.   (4)

4 a) Define Production Function. At what stage does the producer stops production in short run as per the Law of Variable Proportion? Elucidate the answer with the help of diagram.   (5)

   b) In a production function $Q= 2L^{1/2}K^{1/2}$. What will be the maximum output that can be produced, when L is 16 and K is 144? Also calculate the Average and marginal Product of labour from the function.   (5)

PART B

Answer any three questions, each carries 10 marks.

5 a) Can AC equate AVC at any level of output? If not, why? Suppose the AC of a   (5)

firm is greater than price and price is greater than AVC, will the firm produce or shut down. Give reason.

b) The financial details of a company are as follows. Variable cost per unit is Rs.30. Selling price per unit is Rs.50, fixed expenses are Rs.120000. Calculate a) Break even units b) Margin of Safety considering the actual sales as 15000 units c) The selling price per unit if BEP is brought down to 5000 units. (5)

6 a) Explain the features of Perfect Competition. To what extend Perfect Competition differs from Monopolistic Competition. (6)

b) What are the four phases of business cycle? (4)

7 a) Describe the circular flow concept using 3 sector model. (4)

b) National Income of a country is given as 3200. If annual depreciation is 350, NFIA is 75, NIT is 250. Then estimate GDP_{mp}, GNP_{mp} and NDP_{fc}. (6)

8 a) Define inflation and explain its causes. (4)

b) What are the measures taken by the central bank of a nation to control inflation? (6)

PART C
Answer any four questions, each carries 10 marks.

9 a) The initial investment of project is Rs.30000 and the cash inflows after tax for the 4 years are Rs.10000, Rs.14000, Rs.19000 and Rs.15000. Assume a 10% discount rate for money. Calculate Net Present Value and comment whether the project is acceptable or not. (6)

b) Give any 2 merits and demerits of NPV method. (4)

10 a) Details of 2 project proposals are given below. Decide which project to be selected on the basis of Pay back period if the capital cost of both the proposals are Rs.75000. (5)

Year	1	2	3	4
Proposal 1	15000	20000	22000	25000
Proposal 2	15000	19000	25000	20000

b) From the given Pay off matrix, which alternative to be selected on the basis of Savage principle or minimax regret.   (5)

	Possible future demand		
Alternatives	**Low**	**Medium**	**High**
Small facility	25	20	18
Medium facility	19	25	22
Large facility	14	15	25

11 a) Explain accounting equation. From the following particulars, Prepare a balance sheet of company X as on 30th of September 2016.   (6)

Items: Prepaid expenses, sundry creditors, capital, Accrued income, buildings, bank overdraft, loan from bank, closing stock.

b) Define balance sheet and list out its advantages and disadvantages.   (4)

12 a) Explain any 2 qualitative methods used for demand forecasting.   (4)

b) The demand for laptops of company X is given for 6 years. Forecast the sales for the next year using least square method.   (6)

Year	1991	1992	1993	1994	1995
Demand	25	40	63	75	82

13 a) Define Taxation. What are the canons of a sound tax system?   (5)

b) What are the advantages and disadvantages of direct and indirect taxes?   (5)

14 a) List out the characteristic features of Foreign Direct Investment and point out the advantages FDI offers to the host country.   (5)

b) Define money market and list out any four differences from capital market.   (5)

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