

Code No: 741AB

**JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD****MBA I Semester Examinations, January-2018****BUSINESS ECONOMICS****Time: 3hours****Max.Marks:75****Note:** This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

**PART - A****5 × 5 Marks = 25**

- 1.a) What is the relevance of business economics to managers? [5]
- b) What is cross elasticity of demand? Bring out the nature of cross elasticity of demand in respect of substitutes and complementary goods. [5]
- c) What are the characteristics of isoquants? [5]
- d) How does oligopoly differ from monopolistic market? [5]
- e) What is FDI? What is FII? What is the difference between them? [5]

**PART - B****5 × 10 Marks = 50**

- 2.a) What is the principle of equi-marginalism? Illustrate your answer with suitable example.
- b) What is opportunity cost? What is its importance in managerial decision making? [5+5]

**OR**

- 3.a) A loan agreement specifies that payments of Rs.133.33 are to be made each month for 5 years. The annual interest rate specified is 6 percent. What is the amount of the loan?
- b) Is business economics prescriptive rather than descriptive? Elaborate. [6+4]
- 4.a) What are the determinants of demand?
- b) Given the demand function:  $Q=15-1.2P$ , prepare a demand schedule and draw demand curve for 5 varying prices. [5+5]

**OR**

- 5.a) What are the imperatives for demand forecasting?
- b) The international price of oil is \$ 30 per barrel and the price elasticity is constant and equal to  $-0.5$ . An oil embargo reduces the quantity available by 20 percent. Use the arc elasticity formula to calculate the percentage increase in the price of oil. [5+5]

- 6.a) Distinguish between short run period and long run period for investors point of view.
- b) Three firms in the same industry all sell their product at Rs.20 per unit. Their total fixed cost and average cost per unit are shown below:

firms	A	B	C
Total fixed cost (Rs.)	20000	50000	10000
Average variable cost (Rs.)	15	10	18

- What is the break-even rate for each firm? [5+5]
- OR**
- 7.a) What are the features of Long term Average Cost (LAC) curve?
- b) What is the importance of Cobb-Douglas Production function? [5+5]
- 8.a) Draw the equilibrium level of output of a firm under monopolistic competition in the long run.
- b) The equilibrium price in a perfectly competitive market is Rs.10. The marginal cost function is given by  $MC = 4 + 0.2Q$ . The firm is presently producing 40 units of output per period. To maximize profit, should the output rate be increased or decreased? Explain. [5+5]
- OR**
9. What is oligopoly? Explain how price and output decisions are taken under conditions of oligopoly. [10]
- 10.a) What are the factors that had enabled increased flow of foreign investments into our country?
- b) What is the effect of flow of foreign investment in to our country on balance of payment and liquidity? [5+5]
- OR**
- 11.a) What are the control mechanisms in the hands of RBI for monetary policy?
- b) What are the 'tariff' and 'non tariff' approaches for import control? [5+5]

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