I/BCO (ii) (Pre-revised)

2007

COMMERCE

(Business Economics)

(Under Pre-revised Syllabus)

Full Marks : 100
Pass Marks : 30

Time : 3 hours

(PART : B—DESCRIPTIVE)

(*Marks* : 60)

The figures in the margin indicate full marks for the questions

Answer *any* **three** questions

1. Define Price, Income and Substitution elasticity. Why does demand curve slope downward to the right? Is there any exception to the Law of Demand? 6+8+6=20

2. Distinguish between Price effect and Income effect. Why is consumer equilibrium at the point where the budget line is tangent to an indifference curve? 6+14=20

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3. What do you understand by the following cost?

(a) Economic Cost

(b) Opportunity Cost

(c) Fixed Cost

(d) Variable Cost

Explain with the help of a diagram the general conditions for a Firm's equilibrium. 12+8=20

4. Distinguish between Perfect competition and Monopoly. How is monopoly price determined? 10+10=20

5. Critically explain comparative cost theory of international trade. What are the gains from trade? 12+8=20

6. Define Business Economics. Discuss the role of business economics. What is its relation with other branches of economics? 2+9+9=20

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(PART : A—OBJECTIVE)

(*Marks* : 40)

The figures in the margin indicate full marks for the questions

Answer **all** questions

SECTION—I

(*Marks* : 10)

1. State whether the following statements are *True (T)* or *False (F)* by a Tick (✓) mark : 1×5=5

(a) If proportion of income spent on the goods remains the same as income increases, then income elasticity for the goods is zero.

(*T* / *F*)

(b) When AC = MC, AC is minimum.

(*T* / *F*)

(c) The basis of international trade is the difference in factor endowments of the nations.

(*T* / *F*)

(d) At shutdown point for a firm under monopoly in the short-run period, P > AVC or TR > TVC.

(T / F)

(e) Price leadership under oligopoly means that one firm sets the price.

(T / F)

2. Choose the appropriate answer and put the code in the brackets provided : 1×5=5

(a) In the short-run period a monopolist

(i) breaks even

(ii) incurs a loss

(iii) makes a profit

(iv) None of the above

[ ]

(b) MC is equal to A at the point where AC is

(i) maximum

(ii) minimum

(iii) AC < 0

(iv) AC = 0

[ ]

(c) The slope of an isoquant curve describes

(i) marginal rate of technical substitution

(ii) marginal rate of product transformation

(iii) marginal rate of commodity substitution

[ ]

(d) If the price is Rs 20 at the point of the demand curve, where $e = 0 \cdot 5$, MR is

(i) Rs 10

(ii) Rs –20

(iii) Re 1

(iv) None of the above

[ ]

(e) The monopolistic competition is a market condition with

(i) one seller and large number of buyers

(ii) large number of sellers and buyers

(iii) few sellers and few buyers

(iii) few sellers and large number of buyers

[ ]

SECTION—II

(*Marks* : 30)

3. Write short notes on the following in not more than 6 sentences each : 3×10=30

(a) Limitations of Marginal utility

(b) Demand forecasting

(c) Linear programming

(d) Properties of Indifference curves

(*e*) Price discrimination

(*f*) Oligopoly

(g) Absolute Cost Advantage

(h) International versus Domestic trade

(i) Cross-elasticity demand

(j) Relation between AR and MR

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