R17

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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