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B.com LL.B. (Hons.) (Sem. I) Examination

Business Economics –I

[Total Marks: 70]

[Time: 3 Hours]

Instructions: (1) Question no. 1 is compulsory.

(2) Figures to the right indicate full marks of the question.

1. Answer the following questions briefly **(10)**

1. What is meant by income elasticity of demand?
2. What is the difference between passive forecast and active forecast?
3. State the scope of business economics
4. What is external economies?
5. State the weather following cost are fixed or variable cost in short run.
   a. Raw material
   b. Premium of insurance
   c. Electricity bills
   d. Recharge of internet data
   e. Rent of plant

2 Explain how the price mechanism works in a capitalist economy. How does it help in solving the central economic problems of what to produce, how to produce, and for whom to produce? **(12)**

OR

2 Define demand and supply. Explain the law of demand and the law of supply along with their respective assumptions. **(12)**

3 What is price elasticity of demand? Explain with the help of diagram for the method of measuring price elasticity of demand **(12)**

OR

3 a. Trend method of demand forecasting **(06)**
b. Types of Income Elasticity of demand **(06)**

4 What is production function? Explain the Law of Variable proportion with the help of the diagram. According to you which is the best stage **(12)**

OR

4 Define economies of scale. Differentiate between internal economies and external economies of scale. Explain with examples. **(12)**

5 a. A workshop has Fixed Cost of ₹80,000. The selling price per unit is ₹50, and the current variable cost is ₹30 per unit. Due to supplier issues, variable cost rises to ₹35 per unit. **(06)** **(06)**
i. Original break-even point in units.
ii. New break-even point after cost increase.
iii. Additional units required to break even after cost change
b. Explain limitations of breakeven point

5 Explain the concepts of average fixed cost, average variable cost and average total cost with the help of diagrams. **(12)**

6 **Short Note (Any Two)** **(12)**

1. Demand function
2. Production Possibility Curve
3. Law of Return to scale
4. Survey method