

Bc/Bec-202

2 0 1 3

(2nd Semester)

COMMERCE

Paper No. : BC-202

(**Business Economics**)

Full Marks : 70

Pass Marks : 45%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 45)

*The figures in the margin indicate full marks
for the questions*

Answer **all** questions

1. (a) Define inflation and analyze the factors causing inflation. 2+7=9

Or

- (b) Explain Baumol's revenue maximization theory with its assumptions. 9

(2)

2. (a) Define elasticity of demand. How can you measure it by total expenditure method? 2+7=9

Or

- (b) Explain different types of elasticity of demand. 9

3. (a) What are isoquants? State the chief properties of isoquants. 2+7=9

Or

- (b) What are internal economies of scale? Why do they arise? 2+7=9

4. (a) What are various degrees of price discrimination? Under what conditions it is possible? 5+4=9

Or

- (b) What is monopolistic competition? How does it determine price and output in the short run? 2+7=9

5. (a) Explain Ricardian theory of rent. 9

Or

- (b) Explain Keynes' liquidity preference theory of interest.

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(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

1. Choose the correct answer by putting a Tick (✓) mark in the brackets provided : 1×5=5

(a) Excess demand in relation to the supply of everything is the essence of

- (i) deflation ()
- (ii) inflation ()
- (iii) reflation ()
- (iv) stagflation ()

(b) If the percentage increase in the quantity of a good demanded is smaller than the percentage fall in its price, the elasticity of demand is

- (i) >1 ()
- (ii) $=1$ ()
- (iii) <1 ()
- (iv) zero ()

(2)

(c) Planning curve refers to

- (i) average variable costs curve ()
- (ii) long-run average cost curve ()
- (iii) average total cost curve ()
- (iv) marginal cost curve ()

(d) The segment of the kinked demand curve above the prevailing price level is

- (i) highly elastic ()
- (ii) less elastic ()
- (iii) perfectly elastic and inelastic ()
- (iv) All of the above ()

(e) In the Ricardian theory of economic rent, transfer earnings of land are presumed to be

- (i) positive ()
- (ii) negative ()
- (iii) zero ()
- (iv) equal to demand ()

(3)

2. Fill in the blanks :

1×5=5

(a) 'Production costs are of advertising' is an important assumption of Baumol's sales revenue maximization theory.

(b) In perfectly demand, the demand curve is a vertical straight line.

(c) are the locus points of isoquants where marginal product of one of the factors is zero.

(d) Under perfect competition in the long-run a firm always receives profit.

(e) According to Keynes, interest is a purely phenomenon.

(4)

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

(a) During deflation the prices fall and the value of money rises.

(T / F)

(b) In elasticity of demand, we measure change of demand and change of price.

(T / F)

(c) Equilibrium of a firm is established at that level of output, where its MC equals its MR.

(T / F)

(d) There is no difference between a firm and an industry in case of perfect competition.

(T / F)

(e) Net profit can be zero, since it is the price of the entrepreneur.

(T / F)

(5)

4. Write short notes on the following : $2 \times 5 = 10$

(a) Reflation

(6)

(b) Determinants of elasticity of demand

(7)

(c) Expansion path

(8)

(d) Characteristics of oligopoly firm

(9)

(e) Quasi-rent
