

[MPIBA 0204]
IMBA DEGREE EXAMINATION
II TRIMESTER

BUSINESS ECONOMICS (Micro)
(Effective from the admitted batch 2008–09)

Time: 3 Hours

Max.Marks: 60

Instructions: All parts of the unit must be answered in one place only.
Figures in the right hand margin indicate marks allotted.

SECTION-A

1. Answer any **FIVE** of the following
Each answer should not exceed one page. (5 x 2 = 10)
- a) Explain in brief the nature of Micro Economics.
 - b) What is meant by demand schedule?
 - c) What is ISO-Quant?
 - d) What is meant by opportunity cost?
 - e) Write short note on oligopoly.
 - f) How is monopoly price determined?
 - g) Estimate average and marginal cost from the following cost function:
$$TC = 150Q - 8Q^2 + 3Q^3$$
 - h) What do you mean by 'supply' in economics.

SECTION-B

Answer the following

UNIT-I

2. a) Explain the scope of micro economics. 8

OR

- b) Explain the uses of micro economics. 8

UNIT-II

3. a) Over the years the demand for textiles in India has grown in spite of rising prices. How would you reconcile this fact with the Law of demand? 8

OR

- b) The demand curve for commodity 'X' is represented by $QX = 160,000 - 1000 px$. Construct the demand schedule assuming initial price to be Rs.100 and consequent increase by Rs.10 upto Rs.150. Plot the demand curve. 8

UNIT-III

4. a) Explain how does a long run production function differ from a short run production function? 8

OR

- b) Explain the Laws of returns to scale. 8

UNIT-IV

5. a) What are the relations between returns to scale and the long run average cost? 8

OR

- b) Explain the concepts average fixed cost, average variable cost, average cost and marginal cost and show their relationship. 8

UNIT-V

6. a) Explain different types of market structures. 8

OR

- b) Describe the basis for classification of markets. 8

SECTION-C

7. Case Study (**Compulsory**) 10

Suppose that you are the president of firm that produces and sells four products:

Apples, Oranges, Grape fruits and Kiwi fruits.

Each product has the following price elasticity of demand.

Product	Price Elasticity
Apple	2.50
Orange	1.00
Grape fruit	1.75
Kiwi fruit	0.65

Because of the company is experiencing serious cash flow problems, your immediate objective is to increase total revenue.

Questions :

- i) What is your pricing strategy for each product? Why?
- ii) Would it help to know cross-price elasticities? Why?

[41/IIT/308]