Name: **Enrolment No:**	

UPES
End Semester Examination, May 2025

Course: Business Economics **Semester: IV**
Program: BBA-LLB/ BCom-LLB **Time : 03 hrs.**
Course Code: ECON2043_3 **Max. Marks: 100**

Instructions:

SECTION A
(5Qx2M=10Marks)

S. No.		Marks	CO
Q 1	Define Business Economics and outline its role in business decisions.	**2 Marks**	**CO1**
Q 2	What is the concept of Income Elasticity of Demand and its significance in business decision-making.	**2 Marks**	**CO2**
Q 3	Define Iso-cost line and its role in a firm's decision-making process.	**2 Marks**	**CO1**
Q 4	Define two major characteristics of a monopoly market.	**2 Marks**	**CO1**
Q 5	What is the difference in output and pricing between a monopolist and a perfectly competitive firm	**2 Marks**	**CO2**
	SECTION B **(4Qx5M= 20 Marks)**		
Q 6	Explain how changes in the determinants of supply and demand can cause shifts in the respective curves.	**5 Marks**	**CO2**
Q 7	Describe how product differentiation influences pricing power in monopolistic competition? Give real-world examples to support your answer.	**5 Marks**	**CO3**
Q 8	Explain the concept of the Production Possibility Curve (PPC). How does it illustrate opportunity cost? Draw a typical PPC curve and explain its assumptions for economic decision-making.	**5 Marks**	**CO3**
Q 9	A luxury goods company finds that when consumer incomes increase by 5%, the demand for its products rises from 2,000 units to 2,200 units per month. Calculate the income elasticity of demand. Based on your calculation, discuss whether the product is a normal or luxury good and	**5 Marks**	**CO4**

	explain how the company might adjust its marketing or production strategies in response to rising income levels.		
SECTION-C (2Qx10M=20 Marks)			
Q 10	Explain consumer equilibrium using the law of equi-marginal utility. How does a rational consumer allocate income between two goods?	**10 Marks**	**CO3**
Q 11	What is the Law of Variable Proportions? (a) Illustrate its three stages on a properly labeled Total Product curve. (b) Define producer equilibrium in the short run and explain how the Law of Variable Proportions guides a firm in selecting the optimal quantity of the variable input.	**10 Marks**	**CO3**
SECTION-D (2Qx25M=50 Marks)			
Q 12	A dairy farm operates in a perfectly competitive market, producing fresh milk. The market price of milk is fixed at Rs. 20 per liter, and the farm faces total fixed costs (TFC) of Rs. 50,000 per month and total variable costs (TVC) of Rs. 10 per liter of milk is produced. The farm is currently producing 500 liters of milk per month. The farm's owner is evaluating whether to continue operations or shut down in the short run based on financial performance. Based on the above case, answer the following questions: A) Discuss the assumptions of perfect competition and how they apply to the dairy farm in this case. **(5 Marks)** B) Calculate the farm's total cost and total revenue when producing 500 liters of milk. Is the farm earning a profit or incurring a loss in the short run? **(5 Marks)** C) At what point would the dairy farm decide to shut down in the short run? Based on your calculations, should the farm continue production or shut down? **(5 Marks)** D) In the short run and long run, what types of profits (normal profit, supernormal profit, or loss) does the dairy farm earn? Explain your	**25 Marks**	**CO4**

<table>
<tr><td></td><td>answer based on the farm's cost structure and market conditions. (10 Marks)</td><td></td><td></td></tr>
<tr><td>Q 13</td><td>Britannia Industries, one of India's leading food companies, manufactures a variety of baked goods, including biscuits, cakes, and bread. The company operates its factories with a combination of fixed capital (such as ovens and machinery) and variable labor input (workers). In the short run, Britannia is analyzing how labor input affects production and efficiency.
The data below represents the total production (measured in tons of biscuits) as the number of workers employed in the factory increases. The company is assessing the relationship between labor input and total output to understand productivity levels and labor efficiency.
A) Complete the following table by calculating both Average Product (AP) and Marginal Product (MP) for each level of labor input: (15 Marks)
<table>
<tr><th>Number of Workers (L)</th><th>Total Product (TP) (Tons of Biscuits)</th><th>Average Product (AP)</th><th>Marginal Product (MP)</th></tr>
<tr><td>0</td><td>0</td><td>-</td><td>-</td></tr>
<tr><td>1</td><td>30</td><td>-</td><td>-</td></tr>
<tr><td>2</td><td>70</td><td>-</td><td>-</td></tr>
<tr><td>3</td><td>120</td><td>-</td><td>-</td></tr>
<tr><td>4</td><td>150</td><td>-</td><td>-</td></tr>
<tr><td>5</td><td>170</td><td>-</td><td>-</td></tr>
<tr><td>6</td><td>180</td><td>-</td><td>-</td></tr>
<tr><td>7</td><td>175</td><td>-</td><td>-</td></tr>
<tr><td>8</td><td>160</td><td>-</td><td>-</td></tr>
</table>
B) Graphical explain the Relationship Between TP, AP, and MP. (10 Marks)</td><td>25 Marks</td><td>CO4, CO5</td></tr>
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