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| **Scheme of Valuation/Answer Key**(Scheme of evaluation (marks in brackets) and answers of problems/key) |
| **APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY**THIRD SEMESTER B.TECH DEGREE EXAMINATION(S), MAY 2019 |
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| **Course Name: BUSINESS ECONOMICS HS200** |
| Max. Marks: 100 |  | Duration: 3 Hours |
| **PART A** |
|  | ***Answer any three questions, each carries10 marks.*** | Marks |
| 1 | a) |  decision making, to understand business problems, formulate policies, co-ordination of departments, analyse the relations ship between economic variables etc | (5 ) |
|  | b) | 3 points What to produce, how to produceand for whom to produce | ( 3) |
|  | c) | Scarcity definition with brief explanation | (2) |
| 2 | a) | Diagram 2 mks , Relations - When MU is positive TU increases - MU is zero TU is maximum - MU is negative TU decreases - 3 mks | (5 ) |
|  | b) | Law 1 mk schedule 1 mk and explanation 1 mk | (3 ) |
|  | c) | 2 exceptions(Veblen goods, giffen goods, stock market etc.) | (2) |
| 3 | a) | Diagram of Demand and supply intersection with explanation 3 mksShifting of supply curve to the left and marking of new equilibrium point - price increases and quantity decreases- Diagram and explanation 3 mks | (6) |
|  | b) | Formula 1 mk, substitution of values 1 mk and calculation 1 mk and correct answer 1 mk ec = $\frac{Py}{Qx}$ \* $\frac{∆Qx}{∆Py}$ = $\frac{10}{50}$ \* $\frac{-10}{-2}$= 1 | 4 |
| 4 | a) | Statement of the law 2 mks, diagram 1 mk, explanation with 3 stages 3 mks | (6) |
|  | b) | Explanation for linearly homogenous production function 2 mks (the sum of output elasticity of labour and capital equals one - 1/4 + 3/4 = 1)  correct answer of the problem 2 mks ( 3\* 16 1/4\*6 3/4= 3\*2\*3.83= 22.98) | 4 |
| **PART B** |
| ***Answer any three questions, each carries10 marks.*** |
| 5 | a) | Diagram of TFC, TVC and TC 3 mks Explanation of TFC and TVC 2 mks | (5 ) |
|  | b) | Continue production 1 mk. Reason 2 mks ( As price is greater than AVC it can cover AVC as well as a part of AFC. So the loss can be reduced) | 3 |
|  | c) | Break-even sales 1 mk ( 10000/0.2 = 50000)- output 1 mk(50000/50 = 1000 units) | (2 ) |
| 6 | a) | 4 points of comparison  | 6 |
|  | b) | Explanation of collusion  | 4 |
| 7 | a) | GDP mp 3 mks (6000+4000+1400+600 = 12000)-GNPfc 3 mks (12000+1000-500 = 12500) | 6 |
|  | b) | Govt and firms 2 mks,( Firms pay tax and govt. make payment for goods and services and give subsidy to firms) Govt and households 2 mks (Households to govt. - tax - Govt to households -wages and salaries and transfer payments) | 4 |
| 8 | a) | Meaning of inflation 2 mks, Quantitative measures 6 mks(Bank rate, omo, crr and slr) ,Qualitative measures 2mks (margin requirements, moral suasion,direct action) | 10 |
| **PART C** |
| ***Answer any four questions, each carries10 marks.*** |
| 9 | a) | Formula 1 mk, Average investment 2 mks(100000+6000)/2 = 53000 average income 2 mks(6000+10000+14000+18000+22000)/5 = 14000 correct answer 1 mk(14000/53000 = .264 or 26.4% | ( 6) |
|  | b) | Explanation of decision tree- with explanation of decision points and chance points | (4 ) |
| 10 | a) | Formula 1 mk, Calculation PV 3 mks,( 27273+16528+7513.26 = 51314.26) Calculation NPV 2 mks (51314.26-50000 = 1314.26) | 6 |
|  | b) | 2 merits 2 mks 2 demerits 2 mks  | 4 |
| 11 | a) | Savage principle 2 mks, Calculation of regrets 6 mks, Correct decision 2 mks

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|  REGRETSAlternatives Low Medium High Small facility 0 2 4Medium facility 1 0 2Large facility 78 0The maximum regrets when small facility is chosen is 4, Medium 2 and large 8.The lowest is 2 and hence medium facility will be selected |
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| 12 | a) | Equation 1.5 mks, Explanation of asset, liability, owners equity 4.5  | 6 |
|  | b) | 2 uses 2 mks, 2 limitations 2 mks | 4 |
| 13 | a) | 3 methods 6 mks | 6 |
|  | b) | 4 advantages and disadvantages 4 mks | 4 |
| 14 | a) | Any six differences  | 6 |
|  | b) | Any four distinguishing features | 4 |