M.Sc. ACTUARIAL SCIENCE

00565

Term-End Examination

June, 2010

MIA-003 F2F : BUSINESS ECONOMICS

Time : 3 hours   *Maximum Marks : 100*

Note : The question paper is divided into 3 Sections :

     Section – A : 20 multiple choice questions each carries 1½ marks. All questions are **compulsory**.

     Section – B : Answer **any 10** questions. Each carries 4 marks.

     Section - C : Answer **any 5** questions. Each carries 6 marks.

SECTION - A

(Indicate in your answer booklet which one of the answers **(a)**, **(b)**, **(c)** or **(d)** is correct) :

1. The opportunity cost of a factor of production is :   **1½**

     (a)   What it can earn in some other case

     (b)   What it can earn in the long run

     (c)   What it is earning in its present case

     (d)   All the above

2. The change in real income due to change in the price of a good is : **1½**

   (a) Price effect   (b) Income effect

   (c) Substitution effect   (d) All the above

3. Which of the following statement is true in case of inelastic demand ? **1½**

   (P=price; Q=quantity demanded; TR=total revenue)

   (a) P rises; Q falls proportionately more; TR falls

   (b) P falls; Q rises proportionately more; TR rises

   (c) P rises; Q falls proportionately less; TR rises

   (d) None of the above is true

4. A Consumer X can consume both apples and oranges. The price of apples and oranges is same. The marginal utility of apples is higher than oranges according to Consumer X. Consumer X could be better off by consuming : **1½**

   (a) More oranges and fewer apples

   (b) More apples and fewer oranges

   (c) More apples and more oranges

   (d) Fewer apples and fewer oranges

5. Advertising is intended to make demand curve : 1½
   (a) Elastic   (b) Inelastic
   (c) Shift to the left (d) Shift to the right

6. Which of the following is not U-shaped ? 1½
   (a) the AFC curve (b) the AVC curve
   (c) the MC curve   (d) the AC curve

7. In the short run, a firm should shut down when : 1½
   (a) It can no longer cover its variable costs
   (b) It can no longer cover its average costs
   (c) It can no longer cover its fixed costs
   (d) Average costs exceed average revenue

8. The manufacturing of electrical appliances is an 1½
   example of :
   (a) Perfect competition
   (b) Monopolistic competition
   (c) Oligopolistic competition
   (d) A and C of the above

9. An oligopolist operates under kinked demand 1½
   curve. The oligopolist will :
   (a) Maintain the existing price and output
   (b) Maintain the existing price and raise output
   (c) Lower the price and raise output
   (d) Lower the price but maintain existing
       output

10. A conglomerate merger is where :   1½
    (a)   Firms related to its product merge
    (b)   Firms unrelated to its product merge
    (c)   Firms at the same stage of production with
           industry merge
    (d)   Firms at different stages of production with
           industry merge

11. Two major objectives of government intervention   1½
    in the market are equity and _____.
    (a)   Social justice
    (b)   Social efficiency
    (c)   Economic efficiency
    (d)   A and C

12. The EU Competition Policy concerned with   1½
    monopolies and mergers is contained in Article :
    (a)   82 A   (b)   82 B
    (c)   82   (d)   None of the above

13. The first legislation of the UK Competition Policy   1½
    was launched in the year :
    (a)   1908   (b)   1948
    (c)   1928   (d)   1918

14. The highest share of world exports in 2004 was   1½
    held by :
    (a)   Japan   (b)   UK
    (c)   Germany   (d)   China

15. Of the total trade in 2005, trade in services   1½
    accounted for :
    (a)   23%   (b)   13%
    (c)   33%   (d)   None of the above

16. Aggregate demand, that is, the total spending on   1½
    goods and services, consists of :
    (a)   5 elements   (b)   4 elements
    (c)   3 elements   (d)   None of the above

17. Excess of people looking for work over those   1½
    willing to accept jobs is referred to as :
    (a)   Under employment
    (b)   Equilibrium unemployment
    (c)   Disequilibrium unemployment
    (d)   None of the above

18. The Bank of England is UK's :   1½
    (a)   National Bank   (b)   Central Bank
    (c)   Reserve Bank   (d)   None of the above

19. The equation of exchange shows the relationship   1½
    between money, aggregate demand and :
    (a)   GNP   (b)   NNP
    (c)   GDP   (d)   NDP

20. The ratio of an institution's liquid assets to total   1½
    assets is known as its :
    (a)   Asset ratio   (b)   Liquidity ratio
    (c)   Cash ratio   (d)   None of the above

SECTION - B   10x4=40

21. Define the following :
    (a) Inflation   2
    (b) Unemployment   2

22. Briefly explain four determinants (other than   4
    price) of a supply of a good with examples.

23. (a) Explain the three categories of attitudes   3
        towards risk.
    (b) Which principle of economics accords the   1
        risk-averting behaviour of a consumer ?

24. Explain the following :
    (a) Normal profit   2
    (b) Super normal profit   2

25. When does oligopoly occur ? Explain its features   4
    that distinguish oligopoly from other market
    structures.

26. Explain the process of determining :   4
    (a) output and
    (b) profit under perfect competition using a
        graph

27. Briefly explain any four types of alliance between   4
    businesses.

28. Explain the following in the context of multiple product pricing :

    (a) Loss leader   2

    (b) Full range pricing   2

29. Write a paragraph on the limitations of the EU Merger Policy.   4

30. Discuss the current issues in the global economy.   4

31. Discuss in brief the advantages and disadvantages of MNC investment.   4

32. Write short notes on :

    (a) Business cycle   2

    (b) WTO   2

33. Explain the following :

    (a) FDI   2

    (b) Opportunity cost   2

34. Write short notes on :

    (a) Multiplier   2

    (b) Fiscal Policy   2

SECTION - C   5x6=30

35. (a) Explain the following terms :   **3**
   (i)   Elastic demand
   (ii) Inelastic demand
   (iii) Unitary elastic demand

(b) What are the determinants of price elasticity   **3**
    of demand ?

36. Write any three arguments put forward :
(a) in favour of advertising   **3**
(b) against advertising   **3**

37. (a) What do you understand by the terms :   **2**
   (i)   economies of scale ;
   (ii) diseconomies of scale ?

(b) Briefly explain any two reasons each why   **4**
    firms are likely to experience :
   (i)   Economies of scale
   (ii) diseconomies of scale

38. Explain the process of choosing the mark up   **6**
    under cost-based pricing.

39. Discuss the concept of Eclectic Paradigm. How   **6**
    is it useful in making business go multinational ?

40. Discuss the concept of circular flow of income.   **6**

41. What are the main functions of UK's Central   **6**
    Bank ?

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