

M.Sc. ACTUARIAL SCIENCE

Term-End Examination

June, 2011

MIA-003 F2F : BUSINESS ECONOMICS

Time : 3 hours

Maximum Marks : 100

Note : The question paper is divided into **Three** 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 answer (a), (b), (c) and (d) is corrects :

1. Scarcity is defined as :
 - (a) The excess of human wants over its price 1½
 - (b) The excess of human wants over what can actually he produced to fulfill these wants.
 - (c) The excess of human wants over consumer's income.
 - (d) All of the above

2. When the price of substitute of commodity X falls, 1½ the demand for X :
 - (a) rise
 - (b) falls
 - (c) remain unchanged
 - (d) rise and falls

3. A fall in the price of a commodity whose demand curve is a rectangular hyperbola causes total expenditure on the commodity to : 1½
- (a) increase
 - (b) decrease
 - (c) remain unchanged
 - (d) all of the above
4. If an indifference curve were horizontal (Assumes X is measured along the horizontal axis and Y along the vertical axis). This would mean that the consumer is saturated with : 1½
- (a) Commodity X only
 - (b) Commodity Y only
 - (c) Both Commodity X and Commodity Y only
 - (d) Neither Commodity X and nor Commodity Y.
5. Horizontal product differentiation refers to a situation where : 1½
- (a) a firm's product differ from its rivals product
 - (b) a firm's product same from its rivals product
 - (c) a firm's cost differ from its rivals product
 - (d) a firm's cost same from its rivals product
6. The cost that a firm incurs in purchasing a factor of production is refered to as : 1½
- (a) explicit cost
 - (b) implicit cost
 - (c) variable cost
 - (d) fixed cost
7. If a firm has a downward sloping marginal revenue curve, the slope will be : 1½
- (a) Always equal to I
 - (b) Half as steep as the AR curve
 - (c) Twice as steep as the AR curve
 - (d) Steeper as quantity becomes less

8. Perfectly contestable market is when the : 1½
- (a) Cost of entry and exit by potential rivals are greater than zero.
 - (b) Cost of entry and exit by potential rivals are equal to zero.
 - (c) Cost of entry and exit by potential rivals are greater than one.
 - (d) Cost of entry and exit by potential rivals are equal to one.
9. If a firm is loser in the short run under oligopoly market situation than in the long run, the firm will : 1½
- (a) Go out of business
 - (b) Stay in business
 - (c) Break even
 - (d) Any of the above is possible
10. Tapered vertical integration is defined where : 1½
- (a) a firm is producing some of an input itself and buys some from another firm
 - (b) a firm is producing all inputs itself
 - (c) a firm is hiring all inputs from another firm
 - (d) none of the above
11. Mark up pricing is defined as : 1½
- (a) $P = AFC + AVC + \text{Profit Markup}$
 - (b) $P = AFC + AVC + mc$
 - (c) $P = AFC + AVC + TC$
 - (d) $P = AFC + AVC + AR$

12. When a chemical firm dump its waste material in a river, the community bears costs addition to the cost borne by the firm. This is known as : 1½
- (a) External benefit of production ($mSC < mc$)
 - (b) External cost of production ($mSC > mc$)
 - (c) External cost of consumption ($mSB < mB$)
 - (d) External benefit of consumption ($mSB > mB$)
13. European Union restrictive practices is defined in : 1½
- (a) Article - 81
 - (b) Article - 82
 - (c) Article - 83
 - (d) None of the above
14. Global strategy can be analysed by : 1½
- (a) Market and cost drivers
 - (b) Government drivers
 - (c) Competition driver
 - (d) All of the above
15. If India can produce computer screen with less resources than the UK, and UK can produce processor with less resources than India, then : 1½
- (a) India has an absolute advantage in computer screen
 - (b) India has an comparative advantage in computer screen
 - (c) UK has an absolute advantage in processor
 - (d) (a) and (c) above

16. If there are 2.5 million people unemployed and 28.5 million people employed, the rate of unemployment will be : 1½
(a) 3% (b) 8%
(c) 8.7% (d) 12.5%
17. Adjustable peg is a system where, : 1½
(a) exchange rates are fixed for a period of time.
(b) It may be devaluated/revaluated, if a deficit/surplus becomes satisfied.
(c) exchange rates are floating
(d) (a) and (b) above
18. Reverse repo can be defined as : 1½
(a) When gifts or other assets are purchased under a sale and purchase agreement.
(b) When gifts or other assets are deposited for a certain period of time.
(c) When gifts and other assets do not become an assets of the producer.
(d) None of the above.
19. The accelerator theory of investment states that the level of investment depends upon : 1½
(a) the level of saving
(b) the level of national income
(c) the size of changes in national income
(d) the degree of slack in the economy.
20. Which of the following should be considered as a supply side policy ? 1½
(a) increase in the minimum wage rate
(b) increase in the government spending
(c) trading investment for relief to business
(d) restriction placed on the amount that can be imported

SECTION - B**10x4=40**

21. What do you mean by the circular flow of goods and income ? Explain it with diagram. **2+2=4**
22. Distinguish between adverse selection and moral hazard faced by insurance companies with an example. **4**
23. Define economies of scale. List out reasons why firms are likely to experience economies of scale ? **1+3=4**
24. Distinguish between internal and external growth strategy. **4**
25. Explain the EU merger policy. What have been its various limitation ? **2+2=4**
26. What do you mean by Game theory in oligopolistic market ? **4**
27. What is the role of loss leader in business ? **4**
28. What are the types of market failure ? **4**
29. Explain the following : **2+2=4**
- (a) Business Cycle
 - (b) Multinational Companies

30. Define a kinked demand curve with the help of a diagram. 4
31. Write a paragraph on : 2+2=4
(a) Vertical integration
(b) Horizontal integration
32. Write a note on : 2+2=4
(a) Accelerator
(b) Multiplier
33. Write a short note on : 2+2=4
(a) Balance of Payment
(b) Balance of Trade
34. Define : 2+2=4
(a) Unemployment rate
(b) Inflation rate

SECTION - C

5x6=30

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| 35. | Explain the various methods adopted by the government for restricting trade. | 6 |
| 36. | Define the relationship between macro economic objectives and Aggregate demand. | 6 |
| 37. | Define the relationship between exchange rates and balance of payments. | 6 |
| 38. | How prices and output are determined under imperfect completion ? | 6 |
| 39. | What do you mean by globalisation ? Give your views in favour of and against globalisation. | 6 |
| 40. | Define the relationship between inflation and unemployment. | 6 |
| 41. | What is production function ? How does long run production function differ from a short run production function ? | 6 |
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