CB
Batch 2018-21

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BACHELOR OF BUSINESS ADMINISTRATION (B.B.A.)
EXAMINATION : MAY - 2024
SEMESTER - II
Sub. : Business Economics - I (BBA15- 215)

Date : 23/05/2024 **Total Marks : 60** **Time: 10.00am to 12.30pm**

Instructions: 1) All questions are compulsory.
2) Figures to the right indicate full marks.

Q. 1. Choose the most appropriate option. **(05)**

1. What does the supply curve represent?
   a) The relationship between price and quantity demanded
   b) The relationship between price and quantity supplied
   c) The relationship between income and quantity demanded
   d) The relationship between price and consumer preferences
2. What is the income elasticity of demand for a normal good?
   a) Negative
   b) Zero
   c) Positive
   d) Infinite
3. Which of the following is a characteristic of a perfectly competitive market?
   a) Many buyers and one seller
   b) Many buyers and many sellers
   c) One buyer and many sellers
   d) One buyer and one seller
4. What does the demand curve illustrate?
   a) The relationship between price and quantity supplied
   b) The relationship between price and consumer preferences
   c) The relationship between income and quantity demanded
   d) The relationship between price and consumer preferences
5. What does the term "opportunity cost" mean in macroeconomics?
   a) The cost of producing one additional unit of a good
   b) The cost of forgoing the next best alternative when making a decision
   c) The total cost of production for a firm
   d) The cost of raw materials in the production process

Q. 2. State True / False **(05)**

1. A demand curve slopes upward from left to right, indicating an inverse relationship between price and quantity demanded.
   a) True
   b) False
2. If the income elasticity of demand for a good is negative, it is considered an inferior good.
   a) True
   b) False
3. A production function represents the relationship between inputs (factors of production) and the resulting outputs.
   a) True
   b) False
4. When demand is elastic, a decrease in price will lead to an increase in total revenue.
   a) True
   b) False
5. Consumer surplus is the difference between what consumers are willing to pay for a good and what they actually pay in the market.
   a) True
   b) False

Q. 3. Write Short notes on (Any Three) **(15)**

1. External Economies of scale
2. Opportunity cost
3. Types of Goods
4. Law of supply and supply curve
5. Factors of production

Q. 4. Answer in detail (Any Two) **(20)**

1. Explain the demand analysis with factors determining demand , law of demand, demand schedule , demand curve , shifts in demand curve
2. Law of variable proportions – short run production function
3. Price elasticity of demand and its various types

Q. 5. Case study **(15)**

Company Background: Dynamic Electronics is a leading consumer electronics company known for its innovative smartphones. The company has been selling its flagship smartphone, "TechMaster X," at a price of $800 per unit. The monthly sales volume has consistently averaged 10,000 units.

Scenario 1: Initial Pricing - $800 per unit

- Monthly Sales: 10,000 units

Scenario 2: Price Adjustment - $900 per unit

- Monthly Sales: 8,000 units

Objective: Determine the price elasticity of demand for TechMaster X smartphones to understand how changes in price impact sales.

Questions:

1. **Price Elasticity Calculation:**
    - Calculate the percentage change in price and the percentage change in quantity demanded between Scenario 1 and Scenario 2.
    - Apply the price elasticity of demand formula to determine the price elasticity coefficient (Ed).
2. **Interpretation of Elasticity:**
    - Classify the demand for TechMaster X smartphones as elastic, inelastic, or unit elastic based on the calculated elasticity coefficient. Provide a brief interpretation of what this classification implies for Dynamic Electronics.
3. Now please develop a proper sales policy for dynamic electronics ? where you could achieve higher price and income elasticity for the demand