

Code No: 761AB

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD**MBA I Semester Examinations, May - 2022****BUSINESS ECONOMICS****Time: 3 Hours****Max.Marks:75****Answer any five questions
All questions carry equal marks**

- 1.a) How is business economics different from traditional economics? What are the various disciplines contributing to the richness of business economics?
b) What role does business economist play in corporates? [10+5]
- 2.a) A firm develops a new product that will add Rs.50 lakhs to profit each year for five years. If the discount rate is 10 percent per year, how much will this new product add to share holders value?
b) What is the law of diminishing marginal utility? Explain. [10+5]
- 3.a) Explain the terms i) derived demand and ii) Autonomous demand.
b) The international price of oil is \$100 per barrel and the price elasticity is constant and equal to -0.5. An oil embargo reduces the quantity available by 20 percent. Use the arc elasticity formula to calculate the percentage increase in the price of oil. [7+8]
4. Briefly enumerate the various approaches to demand forecasting. [15]
- 5.a) What is short run cost analysis? What purpose would it serve?
b) How do you differentiate economies of scope from economies of scale? [8+7]
- 6.a) What are isoquants? What are their characteristics?
b) A firm sells each unit of its output for Rs.10. It has FC of Rs.10,000 and variable cost of Rs.6. It wishes to earn a profit of Rs.20,000. How much should it produce? [8+7]
7. A perfectly competitive industry making fishing nets faces the following demand and cost functions:
Demand function: $Q = 800 - P$.
Total cost function for the industry:
 $TC = 200 + 10Q + 2Q^2$
The cost function of each firm and the industry is the same. Work out the equilibrium industry output and price. [15]
- 8.a) How does peak load pricing improve resource allocation?
b) Is price bundling a sort of price discrimination? Discuss. [7+8]

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