GALGOTIAS UNIVERSITY

ADMISSION NUMBER

School of Business

Bachelor of Business Administration
Semester End Examination - Jun 2024

Duration : 180 Minutes
Max Marks : 100

Sem II - D1UA207T - Business Economics

General Instructions
Answer to the specific question asked
Draw neat, labelled diagrams wherever necessary
Approved data hand books are allowed subject to verification by the Invigilator

1)	Many academic fields may benefit from the application of business economics, and marketing and managerial economics have a particularly strong connection to one another because both of them aim to maximize market potential and understand customer behaviour. Could you elaborate on how business economics might help determine whether a marketing campaign is viable and profitable?	K2(4)
2)	How would you determine the total social cost linked to a textile factory's production, considering both the private expenses borne by the factory and the external costs imposed on society due to environmental damage and health issues arising from pollutant emissions?	K2(4)
3)	How does the implementation of ABC analysis in inventory management facilitate strategic decision-making for businesses, particularly in optimizing inventory levels and improving operational efficiency? Please provide examples to illustrate your answer	K5(5)
4)	Suppose that goods A and B are perfect compliments. Draw a set of indifference curves for perfect compliments, and explain why the curves look the way they do.	K2(6)
5)	Discuss the relationship between the demand for prestigious items and their pricing. Specifically, explain why prestigious products tend to have higher demand only when their prices are sufficiently elevated.	K3(6)
6)	Explain the conditions of consumer’s equilibrium in case of two commodities. Use utility approach.	K4(8)
7)	Explain how manufacturers can use isoquant analysis to determine the optimal combination of inputs that minimizes production costs	K3(9)

for a given level of output. What factors should be considered when choosing input combinations to achieve cost efficiency?

8) Suppose you're considering purchasing a vacation package to a beach resort. You value the experience at $1000, indicating your maximum willingness to pay. However, the travel company is offering the package for $700. K3(9)

1. Calculate your consumer surplus in this scenario and explain how it contributes to your satisfaction with the purchase. (5 Marks)
2. Additionally, if the travel company decides to increase the price of the package to $900, recalculate your consumer surplus and discuss how this change in pricing might impact your satisfaction. (4 Marks)

9) Identify the relationship between Total, Fixed and Variable Costs with the help of a diagram. Apply the concept of Total Revenue, Total Cost and Total Fixed Cost to find the break -even -point of a firm. K5(10)

10) Jane owns a small coffee shop in a bustling downtown area. Recently, she noticed a significant increase in the cost of coffee beans from her suppliers due to adverse weather conditions affecting coffee crops. Concerned about maintaining profitability and covering rising costs, Jane is contemplating raising the price of a cup of coffee from Rs. 20 to Rs 25. However, she's unsure about how this price increase will impact her sales and revenue. Using the case answer the following questions: K4(12)

a. How does the concept of price elasticity of demand apply to Jane's situation? (3 Marks)
b. How sensitive are Jane's customers to changes in the price of a cup of coffee if they shift to other competitor? Justify your answer with the explaination. (3 Marks)
c. How can Jane determine the price elasticity of demand for her coffee shop's products, and what implications does this have for her pricing strategy? (6 Marks)

11) The market for study desks is characterized by perfect competition. Firms and consumers are price takers and in the long run there is free entry and exit of firms in this industry. All firms are identical in terms of their technological capabilities. Thus the cost function as given below for a representative firm can be assumed to be the cost function faced by each firm in the industry. The total cost and marginal cost functions for the representative firm are given by the following equations: K4(12)

$TC = 2q2 + 5q + 50$
$MC = 4q + 5$
Suppose that the market demand is given by:
$PD = 1025 - 2QD$
Note: Q represents market values and q represents firm values. The two are different.
Q. a. Calculate the long-run equilibrium price and identify the

output quantity at which it occurs. 8

Q. b. When this industry is in long-run equilibrium, how many firms are in the industry? 4

12) Describe the equi-marginal utility principle and its underlying assumptions. Prove how the equi-marginal utility strategy can be used to solve given problems to find the best way to distribute resources among various goods and services in order to maximise customer satisfaction. K5(15)

Satish has rs 88 with him. He intended to purchase good X and good Y with his money. The market price of good X and Y per unit is rs 8. The marginal utility schedule of good X and Y is given below. Analysis how many units of X and Y should Satish purchase so that he will get maximum satisfaction.

Units of commodity 1 2 3 4 5 6 7 8 9 10

MUx 88 72 64 56 48 40 32 24 16 8

MUy 40 36 24 20 16 12 8 4 0 0