

**Indian Maritime University**  
(A Central University, Govt. of India)

**Supplementary Examinations – March/April 2024**

**Programme: BBA (LRE)**

**Semester: I**

**Subject Code: UG31T3102**

**Subject: Principles of Business Economics**

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Date: 11.03.2024

Max Marks: 70

Duration: 03 Hrs

Pass Marks: 35

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General Instructions

All Sections (A, B & C) are to be attempted.  
Options, if any, are specified in respective section.

**Section A**

Ten MCQs/Fill in the Blanks of 01 Mark each  
Choose the correct answer as applicable.

1. \_\_\_\_\_ refers to the power of a commodity to satisfy human wants.
  - a) Supply .
  - b) Utility.
  - c) Income .
  - d) Price.
2. The concept of social optimum was introduced by
  - a) Pigou.
  - b) Adam Smith.
  - c) Lewis.
  - d) Pareto.
3. Wage is equal to marginal productivity of labour is the view of
  - a) Discounted marginal productivity theory .
  - b) Wage fund theory .
  - c) Subsistence theory.
  - d) Marginal productivity theory.
4. When a commodity becomes common, mostly rich people decrease or give up the consumption of such goods is known as \_\_\_\_\_
  - a) Demonstration effect .
  - b) Band Wagon effect .
  - c) Snob effect .
  - d) Income effect.
5. Which among the following is a case of distortion of incentives according to the concept of market failure?
  - a) Adverse selection
  - b) Moral hazard

- c) Disembedded market
  - d) Monopoly power
6. Under perfect competition, the price charged by the firm is equal to
- a) average revenue
  - b) total revenue divided by output
  - c) marginal revenue
  - d) all of the above
7. Petrol and car are .....
- a) Complementary products
  - b) Independent products
  - c) Substitute products
  - d) Inferior products
8. The economies of scale of a firm can be indicated by
- a) the rising segment of the long run average cost curve
  - b) the declining segment of the long run average cost curve
  - c) the difference between total revenue and total cost
  - d) a rising marginal cost curve
9. Change in total utility resulting from the consumption of an additional unit of the commodity
- a) total utility
  - b) marginal utility
  - c) average utility
  - d) incremental utility
10. Name the unavoidable costs to be incurred even if the business is discontinued
- a) money cost
  - b) real cost
  - c) sunk cost
  - d) opportunity cost

### **Section B**

Five Questions of 02 Marks each

- 11. Define opportunity cost
- 12. Explain the concept of diamond water paradox
- 13. Reason out the differences prevalent in wage rates.
- 14. Distinguish between variable costs and fixed costs.
- 15. Define monopoly as a market structure.

### **Section – C**

Seven Questions of 10 Marks each of which any 05 questions to be answered.

- 16. Define and state the law of demand. Give reasons for the downward sloping nature of the demand curve.
- 17. Explain Pareto optimality criterion and the three marginal conditions for the attainment of Pareto efficiency. (2 +8 marks)

18. Analyse the importance of break-even concept in the decision making of a business organisation.

19. Distinguish between economies of scope and economies of scale. Explain how these concepts are helpful to a business organisation (4+4+2)

20. Define market failure. Explain the major reasons behind the emergence of market failures (2+8)

21. Define law of supply with a diagram. Explain the factors that play an important role in influencing supply of commodities. (4+6)

22. How does a firm attain equilibrium under a perfectly competitive market?

-----All the best-----