

**Indian Maritime University**  
(A Central University, Govvt. of India)  
**End Semester Examinations – December 2024**  
**Programme: BBA (LRE)**  
**Semester: First**  
**Subject Code: UG31T3102**  
**Subject: Principles of Business Economics**

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Date: 16.12.2024

Max Marks: 70

Duration: 03 Hrs

Pass Marks: 35

General Instructions

- (i) All Sections (A, B & C) are to be attempted.
- (ii) Options are applicable **only** to **Section C**.

**Section A**

**Choose the most appropriate answer from the options given for each question. Each question carries 01 Mark.**

**(10\*1= 10 Marks)**

1. The most fundamental economic problem is
  - a. security
  - b. dependence on imports
  - c. health
  - d. scarcity
2. Price elasticity of demand greater than 1 is called -----
  - a. Unit elastic demand
  - b. Inelastic demand
  - c. Relatively elastic demand
  - d. Zero elastic demand
3. Which market structure has no restrictions on the entry and exit of firms from the market?
  - a. Monopoly
  - b. Monopolistic competition
  - c. Oligopoly
  - d. Perfect competition
4. Average income earned by the citizens of a country
  - a. Disposable income
  - b. Private income
  - c. Per capita income
  - d. None of the above
5. Give an example of a Giffen good from the following
  - a. Car
  - b. Non branded shirt
  - c. Mobile phone
  - d. House
6. Market failure arises whenever the firm .....

- a. makes loss
  - b. creates externalities
  - c. replaces machines with workers
  - d. reduces expenditure on research and development
7. Which among the following is the most appropriate statement related to production possibility frontier?
- a. The main reason for the rightward shift of the production possibility curve is war
  - b. The main reason for the rightward shift of the production possibility curve is migration
  - c. The main reason for the rightward shift of the production possibility curve is research and development
  - d. The main reason for the rightward shift of the production possibility curve is natural disasters
8. The analysis of the behaviour of individual decision-making units is the definition of
- a. microeconomics
  - b. macroeconomics
  - c. positive economics
  - d. normative economics.
9. Payments made to the labourer for the use of his/her service
- a. Interest
  - b. Rent
  - c. Wage
  - d. Profit
10. At breakeven point, the firm's .....
- a. Profits are maximum
  - b. Profits are minimum
  - c. Losses are maximum
  - d. Revenue equals costs

### Section B

**Answer all Five questions of 02 Marks each**

**(5\*2= 10 Marks)**

11. Which are the important factors determining demand for a product?
12. At Rs.10, hundred units of product X was demanded. A fall in the price of X to Rs. 8 led to an increase in its demand to 150 units. Find out the price elasticity of demand for product X and interpret the result. How do you categorise product X in terms of its elasticity?
13. Distinguish between average revenue and marginal revenue
14. State the water diamond paradox
15. Define Pareto optimality condition.

### Section C

**Answer any FIVE out of the Seven Questions of 10 Marks each.**

**(5\*10= 50 Marks)**

16. Explain the significance of production possibility curve in the context of an economy with limited resources.
17. Define price elasticity of demand and distinguish its various types. Bring out the role of price elasticity of demand in business decision making process of an organisation.
18. Explain externality as a market failure. Bring out the major causes of market failures?
19. Explain the four big questions of Economics. How does a firm, as an economic entity, find answers to these questions? (5+5 marks)
20. Explain the short run production function of a firm or the law of variable proportions.
21. What are the assumptions to be followed in a perfectly competitive market? Explain how does a firm achieve equilibrium position under this market.
22. What is Break even analysis? Explain the relative importance of this concept to a business organization

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