JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -1 EXAMINATION- 2024

BBA-I Semester

COURSE CODE (CREDITS): 23BB1HS114 (4) MAX. MARKS: 15

COURSE NAME: Managerial Economics

COURSE INSTRUCTORS: Bilal Khan MAX. TIME: 1 Hour

***Note: (a)** All questions are compulsory.*

(b) Marks are indicated against each question in square brackets.

(c) The candidate is allowed to make Suitable numeric assumptions wherever required for solving problems.

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1. Assume that the demand is estimated to be: (CO1) [3]

$$\boldsymbol{Q_d = 100 + 0.01\,(Income) - 2P}$$

(i) Is this demand equation consistent with the law of demand?
(ii) Is this a demand for a normal good?
(iii) Construct the demand schedule for this demand, evaluated at two different income levels (I= 1000, and I = 2000), using the table below:

Price	Quantity Demanded Income = 1000	Quantity Demanded Income = 2000
10		
20		
30		
40		
50		

2. Assume that the demand and the supply in a market are represented by the following equations: (CO2) [3]

$$\boldsymbol{Q_{d=}100 - 3P}$$
$$\boldsymbol{Q_s = 2P - 10}$$

(i) Compute the market equilibrium in this case.
(ii) If the government were to introduce an excise tax of $1 per unit of output, what would the new equilibrium be? What would the economic incidence of this tax be?

3. Discuss the various reasons for the negative (inverse) relationship between price and quantity demanded? (CO1) [4]

4. (a) Distinguish between perfectly inelastic and relatively elastic demand. (CO1) [1]
(b) Consider the following demand schedule and calculate the cross-price elasticity of demand between tea and coffee by the mid-point method. (CO1) [2]

Commodity	Before		After	
	Price (Rs.)	**Quantity (Units)**	**Price (Rs.)**	**Quantity (Units)**
Coffee (Y)	40	50	60	30
Tea (X)	20	40	20	50

5. What is meant by opportunity cost? Estimate the opportunity cost for gaining one more unit of butter by referring to the following table: (CO1) [2]

Points on PPC	**Guns**	**Butter**
A	30	0
B	29	2
C	26	5
D	20	9
E	11	11
F	0	12
G	30	10