Name:	
Enrolment No:	![UPES logo] UPES UNIVERSITY OF TOMORROW

UPES
End Semester Examination, May 2024

Programme Name: BA-LLB	Semester : II
Course Name : Business Economics 1	Time : 03 hrs
Course Code : CLNL-1014	Max. Marks: 100

Instructions:
This is a CLOSED-BOOK EXAM. Only Graph Papers & Non-scientific calculators are allowed.
Electronic communication devices such as Smart watches/ Earbuds / Cellphones / Tablets / Laptops / Books / Notes etc. are STRICTLY NOT allowed.
    All questions are compulsory. Your answers must be "brief & to the point."

SECTION A
(5Qx2M=10Marks)

S. No.		Marks	CO
Q 1	Economics is best defined as the study of a. how society manages its scarce resources. b. how to run a business most profitably. c. how to predict inflation, unemployment, and stock prices. d. how the government can stop the harm from unchecked self-interest.	2	CO1
Q 2	Your opportunity cost of going to a movie is a. the price of the ticket. b. the price of the ticket plus the cost of any drink and popcorn you buy at the theater. c. the total cash expenditure needed to go to the movie plus the value of your time. d. zero, if you enjoy the movie and consider it a worthwhile use of time and money.	2	CO1
Q 3	Adam Smith's "invisible hand" refers to a. the subtle and often hidden methods that businesses use to profit at consumers' expense.	2	CO1

	b. the ability of free markets to reach desirable outcomes, despite the self-interest of market participants. c. the ability of government regulation to benefit consumers, even if the consumers are unaware of the regulations. d. the way in which producers or consumers in unregulated markets impose costs on innocent bystanders.		
Q 4	Governments may intervene in a market economy in order to a. protect property rights. b. correct a market failure due to externalities. c. achieve a more equal distribution of income. d. All of the above.	**2**	**CO1**
Q 5	Movie tickets and film streaming services are substitutes. If the price of film streaming increases, what happens in the market for movie tickets? a. The supply curve shifts to the left. b. The supply curve shifts to the right. c. The demand curve shifts to the left. d. The demand curve shifts to the right.	**2**	**CO1**
	SECTION B **(4Qx5M= 20 Marks)**		
Q 6	Define the price elasticity of supply. Explain why the price elasticity of supply might be different in the long run than in the short run.	**5**	**CO2**
Q 7	The following information about the market for chocolate bars is given: the demand schedule can be represented by the equation Qd = 1600 - 300P, where Qd is the quantity demanded and P is the price. The supply schedule can be represented by the equation Qs = 1400 + 700P, where Qs is the quantity supplied. Calculate the equilibrium price and quantity in the market for chocolate bars.	**5**	**CO2**
Q 8	In a supply-and-demand diagram, show producer and consumer surplus at the market equilibrium.	**5**	**CO2**
Q 9	How do total product, average product and marginal product change due to a change in the use of one input, keeping other inputs constant?	**5**	**CO2**
	SECTION-C **(2Qx10M=20 Marks)**		
Q 10	The Market Consists of three consumers: A, B and C, whose individual demand equations are as follows: QdA = 30 -1.00P, QdB = 22.5 - .75P, QdC = 37.50 – 1.25P, and the industry supply function equation is given by Qs = 40 + 3.5P. Determine market equilibrium price and quantity. Draw a free hand Demand-Supply diagram and show the market equilibrium price and quantity on the diagram.	**10**	**CO3**

Q 11	Suppose the government requires beer drinkers to pay a Rs200 tax on each case/ bottle of beer purchased. a. Draw a supply-and-demand diagram of the market for beer without the tax. Show the price paid by consumers, the price received by producers, and the quantity of beer sold. What is the difference between the price paid by consumers and the price received by producers? b. Now draw a supply-and-demand diagram for the beer market with the tax. Show the price paid by consumers, the price received by producers, and the quantity of beer sold. What is the difference between the price paid by consumers and the price received by producers? Has the quantity of beer sold increased or decreased?	10	CO3

SECTION-D
(2Qx25M=50 Marks)

Q 12	A market is described by the following supply and demand curves: $Qs = 2P$ & $Qd = 300 - P$ a. Solve for the equilibrium price and quantity. b. If the government imposes a price ceiling of Rs90, does a shortage or surplus (or neither) develop? What are the price, quantity supplied, quantity demanded, and size of the shortage or surplus? c. If the government imposes a price floor of Rs90, does a shortage or surplus (or neither) develop? What are the price, quantity supplied, quantity demanded, and size of the shortage or surplus? Instead of a price control, the government levies a tax on producers of Rs30. As a result, the new supply curve is: $Qs = 2(P - 30)$. d. Does a shortage or surplus (or neither) develop? e. What are the price, quantity supplied, quantity demanded, and size of the shortage or surplus?	25	CO4
Q 13	During summer of 2023, there were strong rumors about the launch of a new model of iPhone. For Apple, the issue would be the extent to which it could persuade users to upgrade to the new iPhone, and also to get new customers to pay the price to buy its new product. In part, this will be dependent on the price that Apple decided to charge for the new product. In making this decision, Apple will have considered the price elasticity of demand for the iPhone. There are various factors which affect the price elasticity of demand for the iPhone. 1. Why is an understanding of the price elasticity of demand important for a firm like apple when launching a new product? 2. What do you think are the main determinants of the price elasticity of demand for the apple iphone?	25	CO4

	3. if the price elasticity of demand for the new iphone is very low, what implications does this have for the decision on the price apple might decide charge for its new phone? 4. assume that Apple launched the new iphone at a price of Rs1,00,000. assume sales in the first year following launch generated 10 million units in sales. in the second year, apple reduces the price to Rs80,000 and sales that year total 14 million units. calculate the price elasticity of demand for the new iphone based on these figures. did apple benefit from reducing prices? Explain. 5. What do you think is the price elasticity of supply for the new iphone? What factors did you take into consideration in making your judgement?		