**Business Economics**

December 2020 Examination

**1. Rohan is appointed as an economics’ professor in a reputed university. In his first lecture, students asked him to elaborate on the Gross Domestic Product (GDP) and Gross National Product(GNP). Help Rohan to prepare his first lecture on the given topic with a relevant example and highlight the differences between the two concepts. (10 Marks)**

**Answer:**

**INTRODUCTION:**

**Gross Domestic Product (GDP):**The overall market and monetary value of every finished service and goods manufactured in a country's border during a specified period is known as Gross Domestic Product (GDP). The Gross Domestic Product of a country is used to analyze and calculate the economy's growth rate and size. And to get a more profound knowledge about a country's position and aspects, the company can adjust Gross Domestic Product (GDP) for inflation. We can calculate the Gross Domestic Product (GDP) of a nation with the help of three different ways viz. with the help of incomes, production, or expenditure.

**Gross National Product (GNP):**The overall Its Half solved only

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**2. Suppose the demand equation for computers by Teetan Ltd for the year 2017 is given by Qd= 1200-P and the supply equation is given by Qs= 120+3P. Find the equilibrium price and analyze what would be the excess demand or supply if the price changes to Rs 400 and Rs 120. (10 Marks)**

**Answer:**

**INTRODUCTION:**

**Demand curve equation:**It is an equation that shows different units of quantity demanded by a consumer at different market prices. The formula of the linear demand curve is,



Where,



a = factors affecting price other than price like income, taste, and preferences, etc.

b = slope of the

**3. a. A business firm sells a good at the price of Rs 450.The firm has decided to reduce the price of a good to Rs 350.Consequently, the quantity demanded for the goods rose from 25,000 units to 35,000 units. Calculate the price elasticity of demand. (5 Marks)**

**Answer:**

**INTRODUCTION:**

**Elasticity of demand:**It is the percentage change in demand for a commodity because of the percentage change in other factors affecting the commodity's demand. We can calculate the elasticity of demand with the help of the following formula:

**3.b. “There is high cross elasticity of demand between new and old cars”. Discuss the statement by explaining the features of the cross elasticity of demand. Also, compare and contrast cross elasticity with other types of elasticities of demand. (5 Marks)**

**Answer:**

**INTRODUCTION:**

Cross elasticity of demand: The change in quantity demanded of one commodity when the price of another commodity changes is known as cross elasticity of demand. In other words, it is the change in the percentage of the quantity demanded of a commodity because of the difference in the rate of the price of another commodity. There are two kinds of goods in cross elasticity of demand. These are substitute goods and