**Business Economics**

1. **Demand forecasting in an organization plays a vital role in business organizations. It provides reasonable data for the organization's capital investment and expansion decisions. Keeping the above statement into consideration. Discuss the various steps involved in demand forecasting (10 Marks)**

**Ans 1.**

**Introduction:**

Forecasting is the study of the past in order to forecast the future. Forecasting and forward planning allow businesses to assess and reduce future risks and uncertainty. Forward preparation will be worthless and directionless without predicting. Demand forecasting is an attempt to anticipate future demand based on historical as well as current information and data, in order to minimize both underproduction and overproduction. It can be founded on forecasts of the industry's total demand potential. Demand forecasting is the starting point for all marketing control activities. It It is only half solved

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**2. From the given hypnotically table Calculate Total Cost, Average Fixed Cost, Average Variable cost, and Marginal Cost. (10 Marks)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | Total  Fixed  Cost | Total  Variable  Cost | Total  Cost | Average  Fixed  Cost | Average  Variable  Cost | Average  Total  Cost | Marginal  Cost |
| 0 | 100 | 0 |  |  |  |  |  |
| 1 | 100 | 20 |  |  |  |  |  |
| 2 | 100 | 30 |  |  |  |  |  |
| 3 | 100 | 40 |  |  |  |  |  |
| 4 | 100 | 50 |  |  |  |  |  |
| 5 | 100 | 60 |  |  |  |  |  |

**Ans 2.**

**Introduction:**

Cost is a way to calculate the opportunities lost when choosing one good or activities over another. The term "opportunity cost" is frequently used to describe this essential expenditure. Whole cost is the term used to describe the total cost of manufacturing, that encompasses both fixed and variable costs. The cost necessary to manufacture a good is referred to as the whole cost in economics. The two parts that make up total cost are: Fixed cost: This is a cost that never changes. In other words, they are the expenses that are constant regardless of the volume of units produced. For instance, the monthly lease for an apartment or the leases for a building.Variable cost:

**3. a. Suppose the monthly income of individual increases from Rs 20,000 to Rs 25,000 which increase his demand for clothes from 40 units to 60 units. Calculate the income elasticity of demand. (5 Marks)**

**Ans 3 A.**

**Introduction:**

Demand is the number of customers who are capable and willing to purchase goods at a range of prices throughout a specific time period. Demand for any thing or service indicates that people want it and are ready and able to pay for it. It is the fundamental driver behind financial growth and expansion. No company would ever bother making anything if there was no demand. Demand in

**3. b. Assume that a business firm sells a product at the price of Rs 500. The firm has decided to reduce the price of the product to Rs 400. Consequently, the demand for the product is raised from 20,000 units to 25,000 units. Calculate the price elasticity of demand. (5 Marks)**

**Ans 3 B.**

**Introduction:**

The quantity of an item or service that customers are prepared and capable to acquire at each cost is referred to as demand by economists. A customer may be able to distinguish between a need and a want, but from the standpoint of an economist, they are exactly the same thing. Demand is based on needs and wants. The capacity to pay also affects demand. Elasticity measures how sensitive