**Business Economics**

**April 2023 Examination**

**Q1. “The technique of indifference curves has been used not only to explain consumer’s behaviour and demand but also to analyse and explain several other economic problems “In view to the above statement elaborate about indifference curve and its properties. (10 Marks)**

**Ans 1.**

**Introduction**

An indifference curve can be defined as a visual representation of different combinations or consumption bundles of two commodities or goods, giving equivalent complete satisfaction levels for the customer. Simply put, a customer is considered detached between any two mixes, indicated by a specific factor on the curve, given these bundles give the same energy.

In business economics, the indifference curve examines demand patterns for good combinations. The concept applies to far better economics and microeconomics, such as customer and manufacturer equilibrium, exchange dimension, It is only half solved

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**Q2. Find below hypothetical data for total production costs of a manufacturing firm at various levels of output. Complete the following: (10 Marks)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Output** | **Total cost** | **Fixed cost** | **Variable cost** | **Average****fixed cost** | **Average****variable cost** | **Average****cost** |
| **0** | **1000** | **1000** |  |  |  |  |
| **20** | **1200** | **1000** |  |  |  |  |
| **40** | **1300** | **1000** |  |  |  |  |
| **60** | **1380** | **1000** |  |  |  |  |
| **100** | **1600** | **1000** |  |  |  |  |

**Ans 2.**

**Introduction**

The total cost can be defined as the actual cost sustained in the production procedure of a provided outcome degree. But, the total expenses sustained by a company, both specific and implicit, on all the sources to acquire a certain result level is called total cost. The total cost is the amount of all the variable and fixed costs. Hence, total cost includes the resources needed to produce a specific output level.

Experts frequently utilize two-factor inputs in the total cost, capital, and labor. The capital

**Q3a. Large scale production is considered to be economical in the sense of per unit cost. Explain the statement by describing different types of economies of scale. Give examples to substantiate your answer (5 Marks)**

**Ans 3a.**

**Introduction**

Large-scale manufacturing refers to making a product on a bigger scale with a large organization. It requires substantial funds that can be accumulated by numerous considerable financial investments directed toward purchasing hefty plants and machinery. Large-scale manufacturing can just be carried out if the

**Q3b. Elaborate Cross Demand, Composite Demand and Derived Demand and cite an example to enumerate these types of demand. (5 Marks)**

**Ans 3b.**

**Introduction**

The cross elasticity of demand can be specified as an economic concept that gauges and establishes the responsiveness in quantity demanded of one item when the rate of additional product adjustments. Also called cross-price elasticity demand, this dimension is constantly determined by taking the percent variation