**Business Economics**

**September 2023 Examination**

**1. From the given table calculate the following mentioning the formulas clearly for Variable cost, Average fixed cost, Average variable cost and Average cost. (10 Marks)**

**Output Total cost fixed cost Variable cost Average fixed cost Average variable cost Average cost**

**100 1600 1000**

|  |  |  |
| --- | --- | --- |
| **200** | **2300** | **1000** |
| **300** | **3200** | **1000** |
| **400** | **4300** | **1000** |
| **500** | **5650** | **1000** |
| **1000** | **13,650** | **1000** |

**Ans:**

**Introduction:**

To calculate the requested values (Variable cost, average fixed value, average variable cost, and average cost), we first need to understand the concepts behind each term and then apply the correct formulas using the facts supplied inside the desk.

**1. Variable Cost:**

Variable costs are expenses that vary with the level of output or production. They increase or decrease based on the quantity of goods or services produced. To calculate the variable cost, we need to find the difference between the total and fixed It is only half solved

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**2. State how the ordinal utility approach to consumer behavior is different from the cardinal utility approach by Marshall. In the context of indifference curve (IC) technique using ordinal utility approach, explain whether following two statements are true. - “IC slopes downwards” and “Slope of indifference curve indicates the rate at which individuals are ready to substitute one commodity by the other”. Substantiate your view on each of the statements separately (10 Marks)**

**Ans:**

**Introduction**

The ordinal utility approach is a concept in economics that focuses on the ranking or ordering of preferences rather than measuring the total utility cost. It differs from the cardinal utility approach, as proposed by Alfred Marshall, which assigns numerical values to utility and emphasizes the measurement of utility.

In the ordinal utility approach, individuals rank their preferences based on their subjective judgment of which options they prefer, more or less. This approach recognizes that individuals can determine whether they choose one option over another, but it does not quantify the intensity

**3. a. “Business Cycle is dynamic in nature and moves through various phases”. Elaborate the given statement with different phases of Business cycle.**

**Ans:**

**Introduction:**

The business cycle is a recurring economic enlargement and contraction pattern in any economy. It is dynamic, constantly moving via different phases. Understanding these phases is crucial for businesses, policymakers, and investors as it helps them anticipate and adapt to changing economic conditions. This essay elaborates on the statement that the business cycle is dynamic

**b. Elaborate Price Demand, Income Demand and Join Demand and cite an example to enumerate these types of demand.**

**Ans:**

**Introduction:**

In economics, demand refers to the willingness and ability of consumers to purchase goods or services at different charge levels. It is a fundamental concept crucial in understanding market behavior and making informed commercial enterprise decisions. Demand can be analyzed from various perspectives, including price, income, and joint demand.