**Business Economics**

**April 2024 Examination**

**Q1. Complete the given table by showing the calculation/Steps for marginal utility. Also, enumerate the relationship between Total utility and marginal Utility. (10 Marks)**

|  |  |  |
| --- | --- | --- |
| **Shirt ( units )** | **Total Utility** | **Marginal Utility** |
| **1** | **22** |  |
| **2** | **43** |  |
| **3** | **63** |  |
| **4** | **81** |  |
| **5** | **97** |  |
| **6** | **111** |  |
| **7** | **123** |  |
| **8** | **133** |  |

**Ans 1.**

**Introduction**

Understanding the concept of marginal utility is pivotal in the field of business economics, as it provides significant insights into consumer behavior and demand theory. Marginal utility refers to the additional satisfaction or benefit that a consumer derives from consuming an additional unit of a good or service. This concept is rooted in the fundamental economic assumption that individuals make decisions to maximize their utility or satisfaction. As consumers consume more units of a good, their overall satisfaction, known as total utility, increases. However, the incremental benefit or marginal utility typically decreases with each

professionals approach market dynamics and consumer preferences.

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**Q2. Anika is working in “Footon ltd Company” that manufactures formal and informal shoes for both men and women. It is observed that for the last few years, the sales figures are fluctuating and there are no vivid reason for the same. Anika’s manager have asked her to prepare a short notes on the importance of forecasting .Also her manager wants to know if implementing sales force composite and Delphi method can be useful for their Organisation?**

**(10 Marks)**

**Ans 2.**

**Introduction**

In the dynamic business landscape, where companies like "Footon ltd Company" experience unpredictable fluctuations in sales, the significance of accurate forecasting becomes paramount. Forecasting, in essence, is the art and science of predicting future trends based on past and present data. It plays a crucial role in enabling businesses to anticipate market movements, align resources effectively, and make informed strategic decisions. For a company that operates in the diverse market of formal and informal footwear for both genders, understanding and predicting consumer preferences and market trends is essential.

**Q3a. “For a business owner, knowing their cost of production is a vital step in creating and maintaining a profitable business. “With reference to the above statement explain Business Cost, Opportunity cost and Social cost with example (5 Marks)**

**Ans 3a.**

**Introduction**

In the realm of business economics, cost management plays a pivotal role in ensuring the sustainability and profitability of a business. Costs are not just monetary expenditures but encompass a broader spectrum of economic sacrifices made for business operations. Business Cost, Opportunity Cost, and Social Cost are three fundamental concepts that provide a comprehensive understanding of the economic implications of business decisions. These

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**Q3b. “Economies of scale are cost advantages reaped by companies when production becomes efficient “With reference to the given statement explain what do you understand by Economies of scale and elaborate on any two types of Economies of scale. (5 Marks)**

**Ans 3b.**

**Introduction**

Economies of scale are a fundamental concept in business economics, playing a crucial role in shaping the competitive landscape across various industries. This concept refers to the cost advantages that businesses experience as their production scale increases. When a company grows and its output expands, it often enjoys reduced costs per unit of output. This