

 Catholic University Institute of Buea (CUIB) 2018/2019 ACADEMIC YEAR First Semester Examinations – February 2019					
School	BUSINESS				
Department	ALL DEPARTMENTS				
Course Code	BUS 103	Course Title	FUNDEAMENTALS OF BUSINESS ECONOMICS		
Status	C	Credit Value	4		
Date	27/02/2019	Venue		Time	
Course Master(s)	Mr ERIC GINTAR				

Instructions: answer ANY FIVE questions

All questions carry equal marks

- 1) Each economy makes attempts to provide answers to some pertinent economic questions. Briefly explain with examples the question that deals with making a choice between the best means of producing. **(6 Marks)**
- 2) Explain with examples the concept of choice relating to the different economic agents. **(6 marks)**
- 3) Can a PPC shift inwards? With the help of diagrams provide reasons for your answer. **(10 marks)**
- 4) Consider the demand function $Q = 2000 - 4P^2$. Determine the price elasticity of demand at the price 20 frs and represent the equilibrium situation on a graph for a market situation where $Q_d = 50 - 5P$ and $Q_s = 2 + 3P$. **(8 marks)**
- 5) There is no economy in the world which is purely laissez faire or planned. Provide your argument on this statement. **(10 marks)**
- 6) Cambrian Railways runs a daily container freight train between Cardiff and Birmingham. Its two major customers are British Steel and the Welsh Farming Co-operative. The demand for containers by each customer is given by the equations: $P_1 = 500 - 8Q_1$ for British Steel $P_2 = 400 - 5Q_2$ for Welsh farming. P_i is the price charged by Cambrian per container, and Q_i is the number of containers used by each customer. Cambrian's total cost function is given by the equation: $TC = 10\,000 + 20Q$ where Q is the number of containers per trip.
 - (a) What are the necessary conditions for profitable price discrimination by Ashu?
 - (b) What profit -maximising rule will Ashu use if setting prices as a discriminator? Determine the profit-maximising quantity of freight service Ashu will supply, show how this will be divided between steel and agriculture and find the prices charged in each market. Calculate Ashu's total profit.
 - (c) Assume that Ashu is prevented by law from price discrimination. Determine Ashu 's price and output combination to maximise profit, and hence estimate the opportunity cost to Ashu of the Anti-Price Discrimination law.

(10 marks)

Good luck