UNIVERSITY OF BOLTON INSTITUTE OF MANAGEMENT

BUSINESS MANAGEMENT

SEMESTER 2 EXAMINATIONS 2018/19

BUSINESS ENVIRONMENT

MODULE NO: BMP4003

Date: Tuesday 21 May 2019 Time: 10.00 – 12.00

INSTRUCTIONS TO CANDIDATES:

The Examination consists of 4 questions on subjects drawn from the syllabus, from which you will need to answer 2 questions.

You must answer one question from part 1 and one question from part 2.

Each question has equal weighting.

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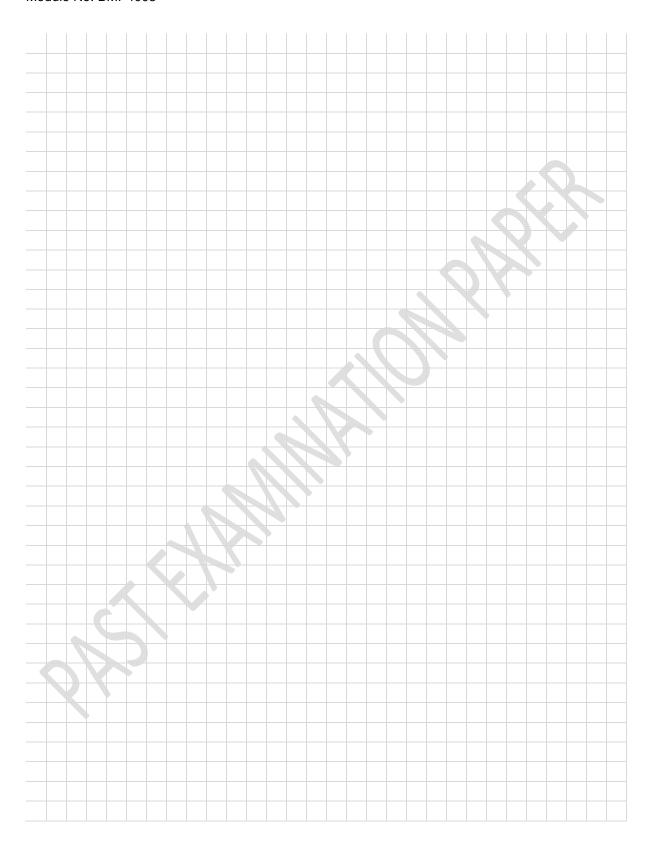
Part 1 (Please answer one question from this section)

- 1. The supply and demand data for petrol in a given time period are shown below.
 - a) Plot the supply curve and demand curve (Please use the grid below).
 Remember to label your axes.

| Price (£) | Quantity Demanded | Quantity Supplied |
|-----------|-------------------|-------------------|
| 10 | 4000 | 400 |
| 20 | 3200 | 800 |
| 30 | 2400 | 1200 |
| 40 | 1600 | 1600 |
| 50 | 800 | 2000 |
| 60 | 0 | 2400 |

- b) Find the equilibrium price and quantity
- c) What is the excess supply or demand when the price is (i) 20, (ii) 50?
- d) What happens to the demand curve for petrol if the price of car insurance rises dramatically? Justify your answer. Also, illustrate your answer on the grid (no specific numbers required).
- e) What happens to the supply curve for petrol if petrol producers develop a new technology which allows them to produce petrol more efficiently? Justify your answer. Also, illustrate your answer on the grid over the page (no specific numbers required).

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- 2. The table below illustrates the short run costs and output for a company. In the short run labour is variable but capital costs are fixed. Labour costs £40 per unit and capitals costs are £200.
 - a) Copy the table below into your answer book and complete it: What is the average product (AP), marginal product (MP), variable cost (VC), fixed cost (FC) and total cost (TC) for each level of output?

| Units of Labour | Total Output | Marginal Product (MP) | Average Product (AP) | Variable Cost (VC) | Fixed Cost (FC) | Total Cost (TC) |
|--------------------|-----------------|-----------------------------|----------------------------|--------------------------|-----------------------|-----------------------|
| 0 | 0 | - | - | 0 | | |
| 1 | 10 | 10 | 10 | | | |
| 2 | 25 | | | | | |
| 3 | 35 | | | | | |
| 4 | 43 | | | | | |
| 5 | 50 | | | | | |
| 6 | 55 | | | | | |
| 7 | 58 | | | | | |
| 8 | 60 | | | | | |

- b) When do diminishing returns set in in the example above?
- c) Define and explain the "Law of the diminishing returns"
- d) In economics, what does the production function show?
- e) Define and explain the "Law of variable proportions"

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Part 2 (Please answer one question from this section)

- 3. Describe each of the four market structures using the following categories
 - The number of firms in the industry
 - The nature of the product
 - How easy (or difficult) it is for new businesses to enter the industry

Why was the "Competition and Markets Authority" (CMA) concerned about the proposed merger between Asda and Sainsbury's?

4. Describe two different types of Trade Restrictions. Give real world examples. Why would a country choose to restrict trade?

END OF QUESTIONS