21969-P

(Pages : 3)

Name...

Reg. No.....................................

FOURTH SEMESTER M.A. DEGREE EXAMINATION, JUNE 2017

(CUCSS)

Economics

Optional Paper 6—BUSINESS ECONOMICS

(2010 Admissions)

: Three Hours | Maximum : 36 Weightage

Part A

Answer **all** *questions.*

Each bunch of **four** *questions carries weightage of* 1.

Multiple choice :

1. If the percentage increase in the quantity of a commodity demanded is smaller than the percentage fall in its price, the price elasticity of demand is :
   - (a) Greater than 1.
   - (b) Equal to 1.
   - (c) Smaller than 1.
   - (d) Zero
2. The method of forecasting the future path of economic variables based on historical patterns is known as :
   - (a) Delphi method.
   - (b) Trend analysis.
   - (c) Qualitative analysis.
   - (d) Expert opinion poll.
3. The rate of discount that makes the net present value of the cash flow of a project equal to zero is known as :
   - (a) Internal rate of return.
   - (b) Inflation rate.
   - (c) Cost of capital.
   - (d) None of the above.
4. The determination of the price of the intermediate products sold by one division of a firm to another division of the same firm is :
   - (a) Bundling.
   - (b) Value pricing.
   - (c) Markup pricing.
   - (d) Transfer pricing.

Multiple choice :

5. A distinguishing characteristic of the long run period is that :
   - (a) All costs are fixed cost.
   - (b) All costs are variable cost.
   - (c) Fixed cost tend to be greater than the variable cost.
   - (d) Variable cost tend to be greater than fixed cost.

Turn over

6. The assured amount of money that equals the expected value of a risky investment is called :

(a) Certainty equivalent.
(b) Cost adjusted value.
(c) Net present value.
(d) Discounted cash flow.

7. The difference between what the consumers are willing to pay an what they ...

(a) Marginal utility.
(b) Average utility.
(c) Consumers' surplus.
(d) Marginal rate of substitution.

8. A map of a sequential decision-making process is known as :

(a) Computer simulation.
(b) Sensitivity analysis.
(c) Decision tree.
(d) Certainty equivalent.

C. Fill in the blanks :

9. The cost that does not vary with output is called ———.

10. The expected number of years of operation required to recover an initial invest... as ———.

11. The risk-adjusted discount rate is the sum of the risk-free rate of return plus —

12. When a firm separates its customers into several classes and sets a different ... customer class result in ——— price discrimination.

D. State True or False :

13. If the percentage increase in the quantity of a commodity demanded is sma... percentage fall in its price, the price elasticity of demand is greater than 1.

14. The term 'diseconomies of scale' is reflected in decreasing short-run average co...

15. Linear trend analysis assumes constant unitchange over time.

16. International price discrimination practice is called dumping.

(16 × ¼ = ...

Part B (Short Answer Questions)

Answer any **ten** *questions not exceeding one page each.*

17. In what circumstances should a company employ survey methods to obtain mor... on the demand for its product and the relative merits of its product compared ... rivals ?

18. What are the main characteristics of a good forecast ?

19. Discuss the industrial engineering method of cost estimation.

20 Discuss the problems in estimating cost functions.

21 Illustrate what happens to various cost curves (total, average, and marginal curves) in the short run.

22 What is payback period ? Explain the method to calculate payback period.

23 Explain the notion of the "time value" of money. Why does it lead to the discounting of future cash flows ?

24 What is risk adjusted discount rate ? What are its advantages and disadvantages ?

25 Explain the concept of a decision tree. How might it be used to clarify problems of uncertainty in decision making ?

26 What is meant by product bundling ? How can it be used as a pricing strategy ?

27 Explain transfer pricing with an example.

28 Explain the term mark-up pricing. What factors might determine the mark-up ?

29 Explain the underlying rationale for using the NPV approach to investment project selection.

30 Describe time series analysis for demand forecasting.

(10 × 2 = 20 weightage)

Part C (Essay Questions)

Answer any **three** *questions not exceeding* **three pages** *each.*

31 What is capital budgeting ? Explain the process of capital budgeting.

32 Explain and differentiate Certainty Equivalent method and Risk-Adjusted Discount Rate method.

33 What is economic cost ? Discuss various methods of estimating cost functions.

34 What is price discrimination ? What conditions are necessary before price discrimination is both possible and profitable ?

35 What are qualitative forecasts ? What are the most important forms of qualitative forecasts? What is their rationale and usefulness ?

(3 × 4 = 12 weightage)