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FOURTH SEMESTER M.A. DEGREE EXAMINATION, JUNE 2017  
(CUCSS)

Economics

ECO 4C F—BUSINESS ECONOMICS

(2015 Admissions)

Maximum : 36 Weightage

e: Three Hours

## Part A

*Answer all the questions.**Each question carries  $\frac{1}{4}$  weightage.*

1. Replacement demand is associated with :

- (a) Durable consumer goods. (b) Capital goods.  
(c) Non-durable consumer goods. (d) None of the above.

2. Marginal costing assumes that :

- (a) Fixed cost need not be covered. (b) Price is equal to marginal cost.  
(c) Fixed cost has to be covered. (d) None of these.

3. Difference between receipts and variable expenses is :

- (a) Profit contribution. (b) Contribution margin.  
(c) Margin of safety. (d) None of these.

4. The practice of a firm to separate its whole market into two or more sub-markets with unequal prices for its product is :

- (a) First degree price discrimination.  
(b) Second degree price discrimination.  
(c) Third degree price discrimination.  
(d) None of the above.

5. Pricing related to products that are designed and produced according to the orders of a single buyer is :

- (a) Refusal pricing. (b) Going rate pricing.  
(c) Price skimming. (d) Transfer pricing.

Turn over

- 2.
6. A model which is based on the premise that degree of risk and return are related is :
- (a) Capital asset pricing model.
  - (b) The risk free rate plus risk premium.
  - (c) Dividend growth model.
  - (d) None of the above.
7. A device that shows a sequence of strategic decisions and expected consequences under each situation is :
- (a) Pay-off matrix.
  - (b) Decision tree method.
  - (c) Hurwicz criterion.
  - (d) None of the above.
8. Kinked demand is used to explain :
- (a) Price rigidity.
  - (b) Price flexibility.
  - (c) Fully distributed pricing.
  - (d) None of the above.
9. Demands for substitutes and complements are cases for :
- (a) Joint products.
  - (b) Products with interdependent demand.
  - (c) Intermediate products.
  - (d) All of the above.
10. Yardstick which measures relationship between two variables :
- (a) Financial statement.
  - (b) Ratio.
  - (c) Comparative balance sheet.
  - (d) Comparative income statement.
11. Equity includes :
- (a) Equity share capital.
  - (b) Equity share capital + Preference share capital + fictitious asset.
  - (c) Equity capital + preference share capital + reserve and surplus—fictitious asset.
  - (d) Equity capital + preference share capital.
12. The index of efficiency and profitability of the business :
- (a) Operating ratio.
  - (b) Operating profit ratio.
  - (c) Expense ratio.
  - (d) Net profit ratio.

(12 × ¼ = 3 weight)

## Part B

*Write a very short answer to any five questions.  
Each question carries 1 weightage each.*

13. What do you mean by short term demand forecasting ?
14. What is a certainty equivalent ?
15. Explain capital rationing.
16. What do you mean by pay-back period ?
17. What is mark up pricing ?
18. What do you mean by seasonal pricing ?
19. What do you mean by price lining ?
20. Explain Ramsey pricing model.

(5 × 1 = 5 weightage)

## Part C

*Write short essays not exceeding one and a half page on any eight questions.  
Each question carries 2 weightage each.*

21. What are the various pricing strategies for pricing new products ?
22. How do the project managers mitigate risks ?
23. Discuss the difference between quantitative forecasts and qualitative forecasts.
24. What are the criteria for the choice of a good forecasting method ?
25. Explain the method of calculating :

(a) N.P.V.

(b) I.R.R.

What are the decision rules in these two cases ?

26. What is margin of safety ? Explain its method of measurement.
27. What is capital budgeting ? Explain the need for capital budgeting.
28. Explain transfer pricing.
29. Write short note on :

(a) Two part tariff pricing.

(b) Prestige pricing.

(c) Auction pricing.

30. Explain the concept of vertical integration.
31. Explain the uses of ratio analysis.

(8 × 2 = 16 weightage)

Turn