

D 100986

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Name.....

Reg. No.....

FOURTH SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, APRIL 2024

(CBCSS)

Economics

ECO 4E 02—BUSINESS ECONOMICS

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

Part A

*Answer all questions.**Each bunch of five questions carries a weightage of 1.*

1. What is a potential risk associated with price skimming?
 - (A) Lower initial revenue due to low prices.
 - (B) Limited market share due to high prices.
 - (C) Difficulty in recouping research and development costs.
 - (D) Potential price wars with competitors.
2. What growth strategy involves introducing new products to existing markets to expand a company's product portfolio?
 - (A) Market development.
 - (B) Product development.
 - (C) Market penetration.
 - (D) Diversification.
3. Which of the following is an example of internal expansion?
 - (A) Merging with a competitor.
 - (B) Issuing shares to new investors.
 - (C) Opening new branches in different countries.
 - (D) Increasing production using existing facilities.

Turn over

4. What is a common motivation for external expansion ?
- (A) Reducing financial risk.
 - (B) Maintaining the status quo.
 - (C) Exploring new internal capabilities.
 - (D) Gaining access to new markets or technologies.
5. What is "vertical integration" in the context of firms ?
- (A) Expanding horizontally into new markets.
 - (B) Collaborating with competitors for growth.
 - (C) Integrating operations at different stages of the supply chain.
 - (D) Merging with unrelated businesses for diversification.
6. What is a potential benefit of a merger for the firms involved ?
- (A) Increased competition in the market.
 - (B) Greater potential for regulatory challenges.
 - (C) Economies of scale and operational efficiency.
 - (D) Lowered market share and brand dilution.
7. A Multinational Corporation that adapts its products and services to the preferences of the local market is known as :
- (A) Global Corporation.
 - (B) Transnational Corporation.
 - (C) International Corporation.
 - (D) Multidomestic Corporation.
8. Which method of demand forecasting involves gathering opinions from experts about future demand ?
- (A) Time series analysis.
 - (B) Regression analysis.
 - (C) Qualitative forecasting.
 - (D) Quantitative forecasting.
9. Causal forecasting involves :
- (A) Analyzing historical sales data.
 - (B) Gathering expert opinions.
 - (C) Identifying cause-and-effect relationships.
 - (D) Using mathematical models for time series analysis.

10. What does the concept of "time value of money" refer to ?
- (A) The idea that money becomes less valuable over time.
 - (B) The importance of managing money efficiently.
 - (C) The relationship between interest rates and inflation.
 - (D) The principle that a sum of money has different values at different points in time.
11. What term describes the rate used to discount future cash flows back to their present value ?
- (A) Accumulation rate.
 - (B) Compound rate.
 - (C) Discount rate.
 - (D) Inflation rate.
12. The Debt-to-Equity Ratio is calculated by dividing :
- (A) Total liabilities by total equity.
 - (B) Total assets by total equity.
 - (C) Total liabilities by total assets.
 - (D) Total equity by total assets.
13. What is "risk analysis" in the context of business and finance ?
- (A) Assessing the potential rewards of an investment.
 - (b) Evaluating the probability and impact of potential uncertainties.
 - (C) Identifying opportunities for growth.
 - (D) Analyzing competitor performance.
4. Which method of capital budgeting considers the time value of money and discounts future cash flows to their present value ?
- (A) Payback period.
 - (B) Accounting rate of return.
 - (C) Net present value (NPV).
 - (D) Internal rate of return (IRR).

Turn over

15. What is "second-degree price discrimination"?
- (A) Charging different prices based on different customer segments.
 - (B) Charging a uniform price for a product regardless of the customer.
 - (C) Offering discounts based on bulk purchases.
 - (D) Using dynamic pricing to adjust prices in real-time.

(15 × 1/5 = 3 weight)

Part B (Very Short Answer Questions)

Answer any **five** questions.

Each question carries a weightage of 1.

- 16. Transfer pricing.
- 17. First-degree price discrimination.
- 18. Horizontal integration.
- 19. Time series forecasting.
- 20. Statement of cash flows.
- 21. Break-even analysis.
- 22. Risk-adjusted discounted rate.
- 23. Benefit-cost ratio.

(5 × 1 = 5 weight)

Part C (Short Answer Questions)

Answer any **seven** questions.

Each question carries a weightage of 2.

- 24. What factors contribute to a company's decision to become a multinational corporation?
- 25. In what situations might a business choose to use fully distributed cost pricing?
- 26. Explain the difference between short-term, medium-term, and long-term demand forecasting.
- 27. Discuss the different methods of internal expansion that a firm might pursue.

28. How do retained earnings contribute to a company's internal financing?
29. Discuss the internal rate of return (IRR) method. How does it compare to the NPV method in evaluating investment opportunities?
30. Explain how capital rationing might affect a company's investment decisions.
31. What are financial statements, and why are they important for businesses and stakeholders?
32. Discuss the challenges and criticisms associated with peak load pricing.
33. Explain the difference between fixed costs and variable costs. How do these cost categories contribute to the concept of operating leverage?

(7 × 2 = 14 weightage)

Part D (Essay Questions)

Answer any two questions.

Each question carries a weightage of 4.

34. How can limited access to capital hinder a firm's growth prospects? What strategies can businesses adopt to overcome financial constraints and secure funding for expansion?
35. Explain the concept of the time value of money and its importance in capital budgeting.
36. Compare and contrast quantitative and qualitative forecasting methods. Explain how each approach contributes to predicting future trends and outcomes for businesses.
37. Outline the key steps involved in the capital budgeting process for evaluating potential investment projects.

(2 × 4 = 8 weightage)