

FOURTH SEMESTER M.A. DEGREE EXAMINATION, JUNE 2019

(CUCSS—PG)

Economics

ECO 4C 17—BUSINESS ECONOMICS

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

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

1. A forecast, which assumes that the firm continues with its existing action plan is :
 - (a) Active forecasting.
 - (b) Passive forecasting.
 - (c) Naive forecasting.
 - (d) None of these.
2. Pricing practice used in public utilities pricing :
 - (a) Monopoly pricing.
 - (b) Full cost pricing.
 - (c) Marginal cost pricing.
 - (d) All of the above.
3. Shut-down point refers to :
 - (a) Price = marginal cost.
 - (b) Price = average cost.
 - (c) Price = average variable cost.
 - (d) Price = average fixed cost.
4. Derived demand is associated with :
 - (a) Capital and producers good.
 - (b) Durable consumer goods.
 - (c) Non -durable consumer goods.
 - (d) None of the above.
5. The rate of discount at which NPV is equal to zero is :
 - (a) Average rate of return.
 - (b) Internal rate of return.
 - (c) Both (a) and (b).
 - (d) None of the above.
6. A ratio of certain cash flow and the expected value of a risky cash flow between which the decision maker indifferent is :
 - (a) Risk adjusted discount rate.
 - (b) Certainty equivalent.
 - (c) Expected monetary value.
 - (d) None of the above.

Turn over

7. According to RADR method, a project is rejected when :
- (a) NPV = 0. (b) NPV is negative.
(c) Both (a) and (b). (d) None of the above.
8. Operating leverage can be measured by :
- (a) Price elasticity. (b) Profit elasticity.
(c) Income elasticity. (d) All of the above.
9. The statement which depicts the reason for the change in cash position from one period to another
- (a) Fund flow statement. (b) Income statement.
(c) Cash flow statement. (d) Balance sheet.
10. The ratio of liquid assets to current liabilities :
- (a) Quick ratio. (b) Current ratio.
(c) Absolute liquidity ratio. (d) Combined ratio.
11. The ratio that shows the relationship between fixed assets and shareholders fund :
- (a) Fixed asset to net worth. (b) Fixed asset ratio.
(c) Fixed asset turnover ratio. (d) Net worth ratio.
12. Difference between receipts and variable expenses is :
- (a) Profit contribution. (b) Contribution margin.
(c) Margin of safety. (d) None of the above.

(12 × ¼ = 3 weightage)

Part B

Write a very short answer to any five questions.

Each question carries 1 weightage.

13. Distinguish between active and passive forecasting.
14. Explain simulation analysis.
15. Explain discounted cash flow method.
16. What is meant by internal rate of return ?
17. Define peak load pricing.
18. What are the objectives of capital budgeting ?
19. What do you mean by price lining ?
20. Define demand forecasting.

(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.*

21. Write short notes on :
- (i) Pricing of special designs.
 - (ii) Charm pricing.
 - (iii) Ramsey pricing model.
22. Distinguish between explanatory and time series forecasting.
23. Define risk. What are the important types of risks in a project.
24. Explain the role of break even analysis in profit forecasting.
25. What is meant by cost of capital ? How is it computed ?
26. Write short notes on :
- (i) Price discrimination.
 - (ii) Price skimming.
 - (iii) Penetration pricing.
27. Explain the method of calculating NPV and IRR. What are the decision rules in these two methods.?
28. Explain mark-up pricing.
29. Distinguish between operating profit and net profit.
30. Define annuity . Mrs. A.has to receive Rs.5,000 per year for six years.
Calculate the present value of annuity assuming that he can earn interest on his investment at 12% p.a.
31. Explain the concept of :
- (i) Operating ratio
 - (ii) Proprietary ratio
 - (iii) PE ratio
 - (iv) Activity ratio

(8 × 2 = 16 weightage)

Turn over

Part D

*Write essays on any **three** questions.*

Each question carries 4 weightage.

32. Explain break-even analysis and its limitations.
33. What is price discrimination? How does a firm increase its profits by discriminating among distinct markets for its products.
34. Narrate the problems of multinational corporations.
35. Explain different types of growth strategies.
36. Discuss the pricing strategy of multiple products.

(3 × 4 = 12 weightage)