

MAY 2014

**P/ID 77505/PMBE/
PMB1E/PMBSE**

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. What are the functions of managerial economist?
2. What are partial derivatives? Explain briefly.
3. What are the limitations of payback period method of investment appraisal?
4. State the factors affecting elasticity of demand.
5. What is depreciation? Explain its various methods.
6. State the features of monopolistic and oligopolistic competition.
7. Explain the objectives of demand forecasting.
8. What is differential pricing? Explain briefly.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Define risk. What do you understand by 'diversification of risk. Illustrate your answer with some examples.
10. Explain the traditional methods of investment appraisal. What are their limitations?
11. Is 'Perfect competition' a possible market situation in any of the economies of the world? Give reasons in support of your answer.
12. Explain the term break-even-analysis. Discuss the importance of break-even-analysis in managerial economics.
13. What does managerial decision making? How does economic theory help the process of decision-making?
14. "Trade cycle is a purely momentary phenomenon"- Do you agree with this statement? Explain your view in detail.
15. Discuss the meaning of elasticity of demand. Explain the various types of price elasticity of demand.
16. What are the methods of determining total advertising budget?

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PART C — (20 marks)
Compulsory

17. A soft drink firm developed a new variety of the cola drink and wanted to know the consumer response to the product. It tested the product in Mumbai. It was a resounding success- 90 percent of the consumers preferred to its variety. The company got encouraged and launched it across the country. Within a month it realized that the product has been rejected in the market and the new variety had to be withdrawn. Where did the firm committed mistake?
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