

MAY 2016

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

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. Illustrate the application of economic theory to some business problems.
2. What are the exceptions to the law of demand?
3. Which of the following do you think is the most elastic demand commodity and why?
4. What are reasons for the operation of the law of diminishing return?
5. Elucidate the concepts of “explicit cost and implicit cost”.
6. Differentiate between monopoly and monopolistic competition.
7. State the functions of advertising.
8. What is the relevance of national income statistics in business decisions?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Bring out the nature and scope of managerial economics.
10. Describe the various determinants of demand with suitable examples.
11. State and explain the Cobb-Douglas production function.
12. Discuss the main pricing practices of the business firms.
13. Examine the criteria proposed for evaluating the profitability of the various projects.
14. What are the different basis for advertising appropriation? Explain their pros and cons.
15. Describe the factors which determine the national income.
16. What is discriminating monopoly? Under what conditions is discrimination possible and profitable?

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PART C — (1 × 20 = 20 marks)

Compulsory.

17. The profit and loss data of a “ABC” company for a particular year are as follows :

	Rs.
Net sales	1,00,000
Cost of goods sold	
Variable cost	40,000
Fixed cost	10,000
Gross profit	50,000
Selling costs	
Variable cost	10,000
Fixed cost	5,000
Net profit	35,000

- (a) Compute the break-even point
- (b) Forecast the profits for the sales volume of Rs. 1,60,000 and Rs. 70,000.
- (c) What would be sales volume to earn a net profit of Rs. 55,000?