

MAY 2015

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

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Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. 'Managerial Economics is prescriptive in nature'.  
Comment.
2. What is income elasticity of demand?
3. Distinguish between incremental cost and sunk cost.
4. Write short notes on Isoquants.
5. What is skimming price strategy?
6. Define duopoly. Explain with examples.
7. Explain what are restrictive trade practices.
8. Discuss the 'net output' method of measuring national income.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Enumerate the various objectives of a modern business firm.
10. Analyse the different types of elasticity of demand.
11. Define production function. Enumerate the nature and managerial use of production function.
12. What is monopolistic competition? How does a company take its pricing and output decisions under it?
13. What kind of pricing strategy is adopted over the life-cycle of a product?
14. Elucidate the concepts of short-run cost and long-run costs. What is the practical usefulness of distinguishing between them?
15. State the objectives of advertising. How do you measure the effectiveness of advertising?
16. What is the purpose of National Income estimation? Examine the factors which determine the national income.

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PART C — (1 × 20 = 20 marks)

Compulsory.

17. Case:

A firm producing washing machines with the capacity of 500 washing machines per annum. The marginal (variable) cost of each machine is Rs. 18,000 and each machine is sold for Rs. 19,000. Fixed overheads are Rs. 45,000 per annum.

Calculate the Break Even Point for output and sales and show what profit will result if output is 90 percent of capacity?

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