**MAY 2013** **P/ID 77604/PBE1D/PBEXD**

Time : Three hours Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Elucidate optimisation.

2. Describe the determinants of demand.

3. What is meant by 'price stability' and 'full employment'? Are the two objectives consistent with each other?

4. Define capital budgeting and examine the need for it.

5. How do you differentiate between gross national product and gross domestic market?

6. What is price discrimination?

7. Explain the functions of production.

8. Describe payback period in investment analysis.

PART B — ($5 \times 10 = 50$ marks)

Answer any FIVE questions.

All questions carry equal marks.

9. What is an optimum firm? Illustrate with the help of a diagram.

10. What are the determinants of cost? Analyse the short run cost output relationship with illustration.

11. Describe the pricing methods employed by businessmen.

12. Illustrate how price discrimination done under world market and home market.

13. Discuss the measures to stimulate private investment.

14. State and explain the problems and issues concerning the measurement of national income.

15. Discuss equilibrium of a consumer with the help of indifference curves.

16. Explain the factors involved on market structure.

PART C — (1 × 20 = 20 marks)

(Compulsory).

17. Shri Keerthi Roy, an Economist, Indian Rayons Ltd., has estimated that if there is one percent increase in the prices of textiles, the demand for textiles would come down by 1.4 percent. Similarly, if the food price goes up by one per cent, the demand for textiles would decline by 0.98 per cent. Finally, if there is one per cent increase in the share of agriculture in the national income, then the demand for textiles would go up by 0.3 per cent.

Price elasticity is an area where active intervention by the mills can contribute to the expansion of demand.

The margins in textile business as shown by NCAER and Anubhais and Bijapurkar study vary from 28 per cent to 48 per cent (this includes margins of manufacturers, wholesalers, semi-wholesalers and retailers). If the distribution system could be rationalised so as to bring down the final price of cloth, then by exploiting price elasticity alone, demand can go up.

Questions :

(a) Identify the various types of demand elasticities relevant to textile demand in India.

(b) What role has been visualised for price elasticity of demand for textiles in India?

(c) If price of cloth is reduced by 15%, how much will the demand increase?