

MAY 2014

**P/ID 77604/PBE1D/
PBEXD**

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. Write the principles of economic decision making.
2. How would you measure breakeven point?
3. Distinguish between perfect competition and oligopolistic competition. Give examples.
4. What are the methods of determining the size of capital budget?
5. Outline the theory of income determination.
6. What is differential pricing? Explain.
7. Explain the characteristics of market structure.
8. What are the different methods of finding equilibrium of a Firm?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Discuss any three methods of dealing with uncertainty. Illustrate with relevant examples.
10. Discuss various concepts of costs which are relevant from the standpoint of production planning and control.
11. What is oligopoly? And how does it differ from Monopoly? What is the distinguishing feature of oligopoly?
12. Explain the different types of price discrimination.
13. Discuss the measures of investment worth and state its relative merits and demerits.
14. What are economic indicators? Discuss the impact on business activities.
15. Explain the different methods of determining total advertising budget. How do you measure the economic effects of advertising?
16. Briefly explain various optimisation techniques.

2 **P/ID 77604/PBE1D/
PBEXD**

PART C — (1 × 20 = 20 marks)

(Compulsory)

17. In early 1991, there was a sharp increase in the price of newsprint, the paper used by the newspapers. Since newsprint is the largest expense for India newspapers (after salaries) publishers were concerned about the price hike. Suppose that the demand for newsprint can be represented as follows :

$$Q_i = 17 - 3 - 0.0092 p + 0.0067$$

Where Q equals the quantity demanded (in kilograms per capital), P is the price of newsprint (in Rs. per metric ton) and I is the income per capital (in Rs.).

- (a) If there are 1 million people in the market, and if per capita income equals Rs. 10,000 what is the demand curve for newsprint?
- (b) Under these circumstances, what is the price elasticity of demand if the price of newsprint equals Rs. 400 per metric ton?

3 **P/ID 77604/PBE1D/
PBEXD**

- (c) According to a study, the demand curve for newsprint in India is :

$$Q_2 = 2672 - 0.51 p$$

Where, Q_2 is the number of metric tons of newsprint demanded (in thousand). What is the price elasticity of demand for newsprint in India if price equals Rs. 500 per metric ton?

- (d) Based in this study, will the 1991 price increase result in an increase or decrease in the amount spent on newsprint in India? Why?
