TB156300A   Reg. No.....................................

                                                        Name.....................................

B. A. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2018
(2015 Admission Regular)
SEMESTER VI – CORE (ECONOMICS)
EC6B11B – APPLICATION OF ECONOMICS IN BUSINESS OPERATIONS

Time: Three Hours   **Maximum Marks: 80**
Part A

I.   Answer all the following questions. Each question carries 1 mark.

1.   What is Managerial Economics?
2.   Define price elasticity of demand.
3.   Explain price discrimination.
4.   What is sunk cost?
5.   Write perfectly competitive market equilibrium condition in the short run.
6.   Define concentration ratio.   **(6X1=6)**
Part B

II.   Answer any seven of the following. Each question carries 2 marks.

7.   What you mean by decision making in business economics?
8.   Explain the relationship between the fields of managerial economics and business administration studies.
9.   Write 5 steps in the process of decision making.
10. State the "law of demand".
11. Distinguish between business Profit and economic Profit.
12. Write a note on linear programming.
13. Differentiate between variable cost and fixed cost
14. What is learning curve?
15. Define perfect competition and write its features.
16. What you mean by contestable markets?   **(7X2=14)**
Part C

III.   Answer any five of the following. Each question carries 6 marks.

17. Explain managerial economics relationship with decision sciences and with business functions.
18. What is two- part pricing? Suppose the firm runs swimming pool services, whose demand by a consumer and its own cost of production are given by Q=12-P and TC=5+2Q+0.25Q^2 Calculate user charge per swim and entry fee firm's profit using two –part pricing method.
19. Describe various stages of production in returns to a factor theory.
20. Write a note on cost volume profit analysis with the help of diagram.

21. Differentiate returns to a factor and returns to scale theory.
22. Define Cost function,Total Cost, Average Cost and Marginal Cost. And suppose the engineering department of Hindustan chemicals has developed the following cost function data for a proposed new plant to produce Ammonium Sulphate fertilizer. The cost function is $TC=1,016-3.36Q+0.021Q^2$.
a) Estimate the AC and MC functions.
b) Determine the output rate that will minimize AC and per unit cost at that rate of output.
c) The current market prices of this fertilizer is Rs.5.50 per unit and is expected to remain at that level for the foreseeable future.Should the plant be built?
23. State Prisoners dilemma.
24. Write a short note on pricing strategies and various method of pricing. **(5X6=30)**

Part D

IV. Answer any two of the following. Each question carries 15 marks.

25. Write various types of elasticity and its measurements. And suppose the demand equation is $Q_x=12000-5000P_x+5I+500P_c$.
     a.)Determine what effect a price increase would have on total revenues.
     b) Evaluate how sale of this commodity would change during a period of rising income.
     c) Assess the probable impact if competing firms raise their prices.
26. Discuss the nature and theories of profits.
27. Briefly state different methods of estimating demand and show the relationship between advertisement expenditure and sales using the following data and find R^2 and interpret the results. (Table value at 5% level of significance and 8df =2.306)

Year	1	2	3	4	5	6	7	8	9	10
Advertisement Expenditure	10	9	11	12	11	12	13	13	14	15
Sales Revenue	44	40	42	46	48	52	54	58	56	60

28. Evaluate the importance of investment analysis and various steps and methods of capital budgeting. **(2X15=30)**