

Total No. of printed pages = 3

1 PGDE COM 5

2014

(August)

COMMERCE

Paper : 105

(Managerial Economics)

Full Marks – 80

Time – Three hours

The figures in the margin indicate full marks for the questions.

1. (a) (i) Define managerial economics. Explain how the concepts and theories of economics are used in making managerial decision. 2+8=10

- (ii) What is meant by opportunity cost ? Justify the relevance of the opportunity cost principle in business decision making process with example. 1+5=6

Or

(b) Spell out the objectives of firms. In the context of Baumol's theory, explain the equilibrium of a sales revenue maximising firm. $6+10=16$

2. (a) (i) What is meant by demand? Explain the determinants of demand. $2+6=8$

(ii) Distinguish between price elasticity of demand and cross elasticity of demand. What is the significance of cross elasticity of demand in making business decisions? $4+4=8$

Or

(b) State the law of demand. Explain with appropriate illustration the law of demand for a normal goods and giffen goods. Analyse the situations under which the law of demand will not hold true. $2+8+6=16$

3. (a) Distinguish between demand estimation and demand forecasting. Why is demand forecasting essential? Analyse the steps involved in demand forecasting. $4+5+7=16$

Or

(b) Critically evaluate different consumer survey methods of demand forecasting. 16

4. (a) What is third-degree price discrimination ? Explain the conditions that a firm must meet to be able to practice third-degree price discrimination. $2+14=16$

Or

- (b) (i) What is transfer pricing ? Explain how transfer price is determined if there is no external market for the product. $2+8=10$

- (ii) Can a perfectly competitive firm practice price discrimination ? Justify your answer. 6

5. (a) Elucidate the meaning of business cycle. Explain the salient features of different phases of business cycle. In which phase a business firm will prefer to operate and why ? $3+10+3=16$

Or

- (b) Distinguish between demand-pull and cost push inflation. Explain the policy measures that can be adopted to control demand-pull inflation. $8+8=16$