

SIXTH SEMESTER B.A./B.Sc. DEGREE EXAMINATION, MARCH 2020

(CUCBCSS—UG)

Economics with Islamic Finance

ECO 6E 03—ECONOMICS OF BUSINESS AND FINANCE

Time : Three Hours

Maximum : 80 Marks

Part A*Answer all questions.**Each question carries ½ mark.*

1. Cost oriented pricing does not includes :
 - A) Cost plus pricing.
 - B) Marginal cost pricing.
 - C) Dual pricing.
 - D) Programme pricing.
2. In which of the following markets, the firms jointly fix policies related to price, output, sales and profit through agreements ?
 - A) Cartels.
 - B) Price leadership.
 - C) Price discrimination.
 - D) None of the above.
3. Assets which are held for a short period are called :
 - A) Fixed assets.
 - B) Current assets.
 - C) Both (A) and (B).
 - D) None of these.
4. Which among the following is called desirability factor or benefit cost ratio ?
 - A) Internal Rate of Return Method.
 - B) Profitability Index Method.
 - C) Rate of Return Method.
 - D) Payback Period Method.
5. ————— is known as charging lowest price for the new product.
 - A) Price lining.
 - B) Psychological pricing.
 - C) Limit pricing.
 - D) Penetration pricing.
6. ————— is a short-term negotiable instrument with fixed maturity period.
 - A) Commercial paper.
 - B) Certificate of deposit.
 - C) Treasury bills.
 - D) Bank deposits.

Turn over

7. An extension of expert opinion method is :
A) Survey B) Delphi
C) Barometric D) Trend
8. Law of diminishing returns operates in the :
A) Short-run. B) Long-run.
C) Both (A) and (B). D) None of these.
9. Time adjusted or discounted method does not include :
A) Net present value method. B) Pay back method.
C) Internal rate of return method. D) Profitability index method.
10. The practice of dividing customers into two or more groups and charging different prices to each group is called:
A) First degree price discrimination. B) Second degree price discrimination.
C) Third degree price discrimination. D) Peak load pricing.
11. The rate of discount that equates the present value of net cash flows equal to the initial investment cost of the project :
A) IRR. B) NPV.
C) Pay back. D) Profitability ratio.
12. A profitability index used:
A) When IRR cannot be used.
B) When IRR and NPV conflict.
C) When payback is deemed to have insufficiently taken into account the time value of money.
D) When capital is rationed.

(12 × ½ = 6 marks)

Part B

*Answer any ten questions.
Each question carries 2 marks.*

13. What is meant by barometric price leadership ?
14. Briefly explain present value of cash flows.
15. What is coupon rate ?
16. What do you mean by current assets ?
17. What is Marginal Efficiency of Capital ?

18. Distinguish producers' goods and consumers' goods.
19. Explain the relationship between marginal cost and average cost.
20. Define demand forecasting.
21. What do you mean by administered prices ?
22. Define liabilities.
23. What is meant by equity shares ?
24. Define business economics.

(10 × 2 = 20 marks)

Part C

*Answer any six questions.
Each question carries 5 marks.*

25. Explain the short-run and long run production functions.
26. What are the limitations of a balance sheet ?
27. Distinguish between cost control and cost reduction.
28. Explain price leadership by the dominant firm.
29. Explain meaning and significance of the time value of money.
30. What is breakeven analysis ? Explain the concept using suitable & diagram.
31. Discuss the significance of target pricing.
32. Distinguish between cost-plus pricing and marginal cost pricing.

(6 × 5 = 30 marks)

Part D

*Answer any two questions.
Each question carries 12 marks.*

33. What is capital budgeting ? Explain the methods of capital budgeting.
34. Explain the conditions of price discrimination. Distinguish between three forms of price discrimination.
35. Discuss various methods adopted in the pricing of a product.
36. Explain economies and diseconomies of scale. Give suitable examples for economies and diseconomies.

(2 × 12 = 24 marks)