D 142922 **(Pages : 5)** **Name.......................................**

Reg. No..................................

FOURTH SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2026

(CBCSS)

Economics

ECO 4E 02—BUSINESS ECONOMICS

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Part A

Answer **all** *questions.*
Each bunch of **five** *question carries a weightage of* 1.

1. What is "Ramsey pricing" in economics ?

   A) Setting prices based on the cost of production.

   B) Charging a uniform price for all customers.

   C) Charging different prices to maximize total revenue.

   D) Setting prices to achieve efficient resource allocation.

2. What is the primary goal of charm pricing ?

   A) To maximize profits by charging premium prices.

   B) To simplify pricing calculations for customers.

   C) To make products appear more luxurious and exclusive.

   D) To create a perception of lower prices and encourage purchases.

3. Progressive pricing is often used in industries where :

   A) Products have inelastic demand.

   B) There is fierce competition.

   C) Customers have diverse preferences and willingness to pay.

   D) The cost of production is high.

Turn over

4. Which of the following is a risk associated with the diversification growth strategy ?

   A) Limited potential for increased profits.

   B) Reduced brand recognition.

   C) Higher dependence on a single market.

   D) Decreased financial stability.

5. What is the "external expansion" of a firm primarily focused on achieving ?

   A) Utilizing internal resources for growth.

   B) Collaborating with existing competitors.

   C) Growing by acquiring or merging with other companies.

   D) Increasing market penetration through marketing campaigns.

6. Which type of merger involves two firms operating in the same industry and at the same stage of the production process ?

   A) Horizontal merger. B) Vertical merger.

   C) Conglomerate merger. D) Strategic merger.

7. Which type of Multinational Corporation standardizes its products and services across different markets, often emphasizing economies of scale ?

   A) Global Corporation. B) Transnational Corporation.

   C) International Corporation. D) Multidomestic Corporation.

8. What does "present value" represent in the context of finance ?

   A) The future worth of an investment.

   B) The current worth of a future sum of money.

   C) The total accumulated value of an investment.

   D) The interest earned over a specific time period.

9. What do financial ratios help analysts and investors assess ?

   A) The historical stock prices of a company.

   B) The credit rating of a company.

   C) The liquidity, solvency, and profitability of a company.

   D) The economic indicators of a country.

10. Which type of risk involves factors such as changes in interest rates, exchange rates, and commodity prices ?

    A) Market risk.
    B) Operational risk.
    C) Credit risk.
    D) Liquidity risk.

11. How is the internal rate of return calculated when evaluating an investment project ?

    A) By summing the present values of all future cash flows.
    B) By dividing the project's net present value by the initial investment.
    C) By solving for the discount rate that makes the NPV equal to zero.
    D) By dividing the total cash flows by the number of years.

12. Which of the following is NOT a condition necessary for effective price discrimination ?

    A) Market segmentation.
    B) Elastic demand in all segments.
    C) Ability to prevent resale between segments.
    D) Homogeneous products.

13. What type of demand forecasting technique uses historical data and mathematical models to predict future demand ?

    A) Causal forecasting.
    B) Delphi method.
    C) Market research.
    D) Time series analysis.

14. What does "operating leverage" refer to in finance ?

    A) The use of debt to finance a company's operations.
    B) The relationship between fixed and variable costs in a company's cost structure.
    C) The use of financial derivatives to manage risk.
    D) The efficiency of a company's asset utilization.

15. What potential drawback does markup pricing have compared to other pricing strategies ?

    A) It may lead to inconsistent pricing across products.
    B) It can result in higher prices for customers.
    C) It doesn't consider competitors' pricing.
    D) It requires complex calculations.

(15 × 1/5 = 3 weightage)

Turn over

Part B (Very Short Answer Questions)

Answer any **five** *questions.*
Each question carries a weightage of 1.

16. Prestige pricing.
17. External expansion.
18. Vertical integration.
19. Acid test ratio.
20. Related diversification of firms.
21. Risk aversion.
22. Altman Z- Score.
23. Third-Degree Price Discrimination.

(5 × 1 = 5 weightage)

Part C (Short Answer Questions)

Answer any **seven** *questions.*
Each question carries a weightage of 2.

24. How can a firm effectively identify opportunities for internal expansion ? What role do market research and customer feedback play in this process ?
25. What is a Multinational Corporation (MNC) ? How does it differ from a domestic company or a standard corporation ?
26. How can historical sales data be used in demand forecasting ? What challenges might arise when working with historical data to predict future demand ?
27. What role does working capital play in internal financing ?
28. Explain the concept of the profitability index (PI) as a capital budgeting tool. How does it provide insight into the relative desirability of different projects ?
29. How does return on assets (ROA) measure a company's profitability to its total assets ?
30. Compare and contrast peak load pricing with other pricing strategies, such as flat-rate pricing and dynamic pricing.

31. Describe the concept of incremental cost pricing. How does it determine the price of a product or service ?

32. How does product bundling create value for both businesses and consumers ?

33. What is the operating leverage factor, and how is it calculated ?

(7 × 2 = 14 weightage)

Part D (Essay Type Questions)

Answer any **two** *questions.*
Each question carries a weightage of 4.

34. Describe the calculation and interpretation of the net present value (NPV) method. How does a positive NPV indicate whether an investment project is financially viable ?

35. What are the primary constraints that businesses might encounter when implementing a growth strategy ?

36. What are financial ratios, and why are they important tools for analyzing a company's financial performance ?

37. Explain the concept of a risk-return indifference curve in the context of investment decision-making. How does this graphical representation help investors make informed choices between different portfolios ?

(2 × 4 = 8 weightage)