

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600086**  
**(For candidates admitted from the academic year 2019– 2020 & thereafter)**  
**SUBJECT CODE: 19EC/PE/AM15**  
**M.A. DEGREE EXAMINATION – APRIL 2022**  
**ECONOMICS**  
**FOURTH SEMESTER**

**COURSE : ELECTIVE**

**PAPER : ADVANCED MANAGERIAL ECONOMICS**

**TIME : 3 HOURS**

**MAX. MARKS: 100**

**SECTION – A**

**(5 x 8= 40)**

**ANSWER ANY FIVE QUESTIONS. EACH ANSWER NOT TO EXCEED 300 WORDS.**

1. “Business Economics has a close connection with micro and macroeconomic theory, the theory of decision making, operating research and statistics”- Elucidate
2. Why is demand forecasting important for business?
3. How is demand forecasting for a new products estimated?
4. Discuss in detail the different source of capital (internal and external) fund available to a firm.
5. Explain the method of cost-plus pricing. Also state the strengths and weaknesses of traditional pricing theory.
6. Distinguish between risk and uncertainty.
7. Elucidate the nature of capital budgeting problem. What is the objective of capital budgeting?

**SECTION – B**

**(3 x 20 = 60)**

**ANSWER ANY THREE QUESTIONS. EACH ANSWER NOT TO EXCEED 1200 WORDS.**

8. “Though managerial economics is the science of application of the economic principles to the management of a firm, principles cannot be used in their original form in practice”. Explain this statement with illustrations.
9. What is demand forecasting? Explain in detail the different techniques of demand forecasting.
10. You have been engaged by Samsung Company producing refrigerator as a Manager. Which pricing method would you recommend for the life cycle of this product? Does the stage of maturity of the product influence the decision regarding the pricing method to be followed? Discuss.

11. A) Critically discuss the traditional and modern techniques of capital investment appraisal. (10 marks).

B) Financial data about five independent investment proposals are given below: (10marks)

Proposal	Financial outlay (rs)	Net annual cash flows (RS)	Life in years
A	6,000	800	15
B	8,800	1,500	25
C	2,150	1,000	5
D	10,250	1,500	10
E	42,500	15,000	20

- 1) Rank these proposals according to a) Payback period b) simple average rate of return c) NPV method, supposing the cost of capital to be 15%
- 2) Explain the reasons for any significant inconsistency in these rankings.

Note: PV of an annuity of Re1 per year payable for n years at 15% are as follows

1year = 0.9286, 5years = 3.5175 10years= 5.1790 15years= 5.9638 20years= 6.3345  
25years = 6,5097.

12. A) Discuss the Nash Equilibrium. How is it different from dominant strategy equilibrium? (10 marks)

B) From the given information find out the best strategy of A by using (i) maximin, (ii) minimax criteria. Why are the results different? (10 marks)

		B's Strategy		
		B1	B2	B3
A's Strategy	A1	24	52	26
	A2	47	10	14
	A3	50	34	32

\*\*\*\*\*

