

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086
(For candidates admitted from the academic year 2023 – 2024 and thereafter)

M.A. DEGREE EXAMINATION, APRIL 2026
BRANCH III - ECONOMICS
FOURTH SEMESTER

COURSE : ELECTIVE
PAPER : ADVANCED MANAGERIAL ECONOMICS
SUBJECT CODE : 23EC/PE/AM15
TIME : 3 HOURS **MAX. MARKS: 100**

Q. No.	SECTION A PART – A (2 X 5 = 10) Answer any TWO out of THREE questions in about 150 words each	CO	KL										
1	Define demand estimation. List any two statistical techniques used in demand estimation.	1	1										
2	What is meant by a non-cooperative game in game theory?	1	1										
3	Define capital budgeting.	1	1										
Q. No.	PART – B (2 X 5 = 10) Answer any TWO out of THREE questions in about 150 words each	CO	KL										
4	Explain the Simple Linear Regression Model used in demand estimation.	1	2										
5	Explain the importance of capital budgeting in business decision making.	1	2										
6	Explain the difference between certainty, risk, and uncertainty in decision making.	1	2										
Q. No.	SECTION B PART – A (2 X 8 = 16) Answer any TWO out of THREE questions in about 400 words each	CO	KL										
7	The following data relate to advertising expenditure (X) and sales (Y). Estimate the linear regression equation of Y on X and predict the sales when X = 6. <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>X</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>Y</td> <td>5</td> <td>7</td> <td>8</td> <td>10</td> </tr> </table>	X	2	3	4	5	Y	5	7	8	10	2	3
X	2	3	4	5									
Y	5	7	8	10									
8	Explain the concept of intuitive pricing.	2	3										
9	Discuss the types of cash flows and the precautions to be exercised while estimating cash flows.	2	3										
Q. No.	PART – B (2 X 8 = 16) Answer any TWO out of THREE questions in about 400 words each	CO	KL										
10	Compare and analyze cost-plus pricing and incremental cost pricing methods. Under what situations would each method be suitable?	3	4										
11	Analyze the capital budgeting process involved in evaluating investment projects. Discuss the role of cash flow estimation, capital rationing, and profitability ratio.	3	4										
12	Analyze how decision tree analysis helps managers make decisions under risk and uncertainty with a suitable example.	3	4										

SECTION C		CO	KL												
PART – A (2 X 12 = 24)															
Answer any TWO out of FOUR questions in about 700 words each															
13	Evaluate the usefulness of regression analysis and business forecasting techniques in estimating demand for a firm's product in a competitive market.	4	5												
14	Discuss in detail various pricing methods.	4	5												
15	Evaluate the importance of the cost of capital in capital budgeting decisions and its influence on investment appraisal.	4	5												
16	Two firms, Firm A (incumbent) and Firm B (entrant), are involved in a sequential game. Firm B first decides whether to Enter the market or Stay Out. If Firm B enters, Firm A then chooses either to Fight (e.g., price war) or Accommodate. The payoff matrix is as follows: <ul style="list-style-type: none"> • If B stays out → (A: 10, B: 0) • If B enters and A accommodates → (A: 6, B: 6) • If B enters and A fights → (A: 2, B: -2) Construct the extensive form (game tree) of the above sequential game and Analyze whether Firm A's threat to fight	4	5												
PART – B (2 X 12 = 24)		CO	KL												
Answer any TWO out of FOUR questions in about 700 words each															
17	Design an optimal product line pricing strategy for a firm producing complementary goods.	5	6												
18	Based on market research, the following data were collected: <table border="1" style="margin-left: 20px;"> <tr> <td style="text-align: center;">Advertising Expenditure (₹ '000)</td> <td style="text-align: center;">5</td> <td style="text-align: center;">10</td> <td style="text-align: center;">15</td> <td style="text-align: center;">20</td> <td style="text-align: center;">25</td> </tr> <tr> <td style="text-align: center;">Demand (Units)</td> <td style="text-align: center;">40</td> <td style="text-align: center;">50</td> <td style="text-align: center;">65</td> <td style="text-align: center;">70</td> <td style="text-align: center;">85</td> </tr> </table> Forecast demand when advertising expenditure is ₹30,000. Also interpret the regression coefficient and evaluate whether increasing advertising is an effective strategy for increasing demand.	Advertising Expenditure (₹ '000)	5	10	15	20	25	Demand (Units)	40	50	65	70	85	5	6
Advertising Expenditure (₹ '000)	5	10	15	20	25										
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19	Create a decision tree with any hypothesized data for investment decision.	5	6												
20	Examine how business decisions can be adjusted for risk.	5	6												
