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I Semester B.B.M. Examination, Nov./Dec. 2013
(2012-13 and Onwards) (New Syllabus)
BUSINESS MANAGEMENT
Paper – 1.6 : Market Behaviour and Cost Analysis

Time : 3 Hours

Max. Marks : 100

Instruction : Answers should be written **completely** in **English**.

SECTION – A

1. Answer **any eight** sub-questions. **Each** sub-question carries **two** marks. (8×2=16)
- Define elasticity of demand.
 - What is 'giffen effect' ?
 - What is meant by industry ?
 - Give the meaning of decision making.
 - State the meaning of implicit cost.
 - What is wealth maximisation ?
 - What do you mean by price leadership ?
 - Issued ₹ 1,50,000, 5% Preference Shares of ₹ 100 each redeemable at ₹ 110. What is the cost of a preference share ?
 - What is meant by margin of safety ?
 - Define cost of capital.

SECTION – B

Answer **any three** questions. **Each** question carries **eight** marks. (3×8=24)

- What is profit maximisation ? State its limitations.
- What is meant by Pricing Policy ? Explain in brief determinants of pricing policy.
- The population figures of a city are given below. Adopting method of least square find trend values and also find the likely population for 2013 :

Year	2007	2008	2009	2010	2011
Population (in 000')	130	140	150	170	190

P.T.O.



5. a) What is total outlay method ?
 b) Find the type of price elasticity of demand adopting total outlay method from the following data :

	Price (₹)	Quantity Demand (in units)
A	2	6000
	4	3000
	6	2000
B	2	6000
	4	5000
	6	4000
C	2	6000
	4	2500
	6	1000

SECTION – C

Answer question No. 10 and **any three** of the remaining questions. **Each** question carries **fifteen** marks. **(4×15=60)**

6. What is meant by demand forecasting ? Explain different methods of demand forecasting.
7. What is Price Discrimination ? Explain when and how price discrimination is profitable.
8. Write short notes on :
- Opportunity cost
 - Penetration pricing
 - Veblen effect
 - Linear programming
 - Dumping.



9. Given :

No. of units sold :	40,000
Total variable cost ₹	75,000
Total fixed cost ₹	40,000
Total sales ₹	1,50,000

Compute :

- Contribution margin, BEP, margin of safety.
- Volume of sales to earn a profit of ₹ 50,000
- Profit when the sales is ₹ 4,00,000.

10. Management of a firm is contemplating the purchase of a new machine. Two alternatives Machine X and Machine Y are available. Suggest which machine is most appropriate for the firm if the cost of each machine is ₹ 4,50,000 by adopting payback period.

Year	Cash flow after tax	
	Machine X ₹	Machine Y ₹
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	40,000

(Assume there is no scrap value).
