PG – 592

I Semester M.Com. Degree Examination, March/April 2025
(CBCS Scheme) (2020 – 21 and Onwards)
COMMERCE
Paper – 1.3 : Principles and Practices of Business Decisions

Time : 3 Hours　　　　Max. Marks : 70

SECTION – A

1. Answer **any seven** questions out of ten. **Each** question carries **two** marks. **(7×2=14)**
   a) Define macroeconomics.
   b) Write the meaning of perfect market.
   c) State the concept of canons of taxation.
   d) What is debt trap ?
   e) Define the term law of demand.
   f) What do you mean by competitive bidding ?
   g) State the meaning of paradox of thrift.
   h) Mention the concept of economies of scale.
   i) Define the term production function.
   j) Give the meaning of target rate pricing.

SECTION – B

Answer **any four** questions out of six. **Each** question carries **five** marks. **(4×5=20)**

2. Elaborate the nature and scope of managerial economics.

3. From the following data calculate income elasticity of demand and comment.

Period	Quantity demanded (units)	Income level (Rs.)
1	1,000	10,000
2	2,500	14,000
3	3,000	16,000
4	3,500	20,000
5	4,000	24,000

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4. Brief out the different sources of public revenue.

5. Write a note on the law of returns to scale in production function.

6. Explain the impact of pricing on business decisions.

7. The annual sales of a company are as follows :

Year	2020	2021	2022	2023	2024
Sales (in Rs. 1,000)	90	80	60	40	20

Estimate the annual sales of the year 2025 and 2026.

SECTION – C

Answer **any two** questions out of four. **Each** question carries **twelve** marks. **(2×12=24)**

8. Explain in detail the different methods of computation of national income.

9. Write the concept of direct and indirect taxes. Explain in detail the effects of taxation on production, consumption and distribution side of the economy.

10. What is the significance of demand forecasting in business decisions ? Critically examine the various methods of demand forecasting.

11. The following is the short-run total variable cost function :

$TVC = 180Q - 6Q^2 + 0.20Q^3$

If the fixed cost of a company is Rs. 140, find out :

a) Total cost function, average variable cost function, average total cost function and marginal cost function.

b) At what level of output average variable cost and marginal cost are minimised ?

c) Using the level of output at which average variable cost is minimum ; calculate average total cost, total variable cost, average variable cost, average fixed cost and marginal cost.

SECTION – D

Answer the following questions : **(1×12=12)**

12. SmartTech, a tech startup, introduced the Ecosmart watch, an innovative smart watch featuring eco-friendly attributes such as solar charging and biodegradable materials. The company faced the challenge of setting the right pricing strategy to maximize returns and remain competitive across different stages of the product life cycle.

At the launch phase, SmartTech implemented a price skimming strategy, setting an initial high price of Rs. 500. This approach aimed to recover R and D costs and establish a premium brand image. The company targeted early adopters who valued innovation and sustainability, capitalizing on their willingness to pay a premium. As demand surged, SmartTech revised its pricing approach and adopted penetration pricing, reducing the price to Rs. 350 to attract a broader customer base. This helped increase market penetration, boost sales volume and build brand loyalty. Marketing efforts also intensified to strengthen the product's presence.

With competition increasing, SmartTech shifted to competitive pricing, adjusting the price to Rs. 300 to match industry rivals. The company introduced discounts, bundled offers and loyalty programs to sustain customer interest and extend the product's market longevity. As the smart watch industry evolved and newer technologies emerged, SmartTech entered the decline phase. The company adopted promotional pricing, offering discounts and bundle deals to clear inventory. The final price was reduced to Rs. 200 to sustain sales before phasing out the product.

Questions :

a) How did penetration pricing benefit SmartTech during the growth stage ? Could they have used an alternative strategy ?

b) How does promotional pricing help during the decline phase ? What other strategies could SmartTech consider at this stage ?

c) How do external factors such as competitor actions and technological advancements impact pricing strategies over the product life cycle ?
