Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao-Goa
FY B.Com, Semester II, Semester End Examination, June 2022
Managerial Economics (CEC 102)

Duration: 2hrs **Max. Marks: 80**

Instructions:

1) Start each question on a fresh page.
2) All questions are compulsory.
3) Figures to the right indicate maximum marks.
4) Answer sub-questions in Question no.1 and Question no.2 each in not more than 100 words.
5) Answer Questions no. 3 to Question no. 6 each in not more than 400 words.
6) Drawneat diagrams wherever necessary.

Q. 1. Write short notes on ANY FOUR of the following. **(4x4=16)**

a) What is entry deterring pricing?
b) Explain the concept of price skimming.
c) What is administered pricing?
d) Distinguish between gross and net profits?
e) Explain the concept of contribution margin.
f) What is profit forecasting?

Q. 2. Write short notes on ANY FOUR of the following. **(4x4=16)**

a) State any four assumptions of break-even analysis.
b) Identify any two approaches to determine the size of a capital budget.
c) Write a note on the cost of debt.
d) Highlight any four demerits of the Accounting Rate of Return method.
e) What is capital rationing?
f) Write a note on risk adjustment.

Q. 3. A) Explain the general considerations of a pricing policy. **(12)**

OR

Q. 3. B) Write short notes on the following; **(3x4=12)**

i) Cost-Plus pricing
ii) Perceived Value pricing
iii) Dumping

Q. 4. A) Explain any six factors that limit the profits of a firm. **(12)**

OR

Q. 4. B) A smartphone manufacturing firm has the capacity to produce a maximum quantity of 30,000 smartphones per month by incurring a cost of Rs.900 per smartphone. The variable cost per smartphoneis Rs.300 whereas the fixed cost is Rs.30,00,000 per month. Calculate break-even quantity, break-even sales, and break-even percentage of capacity **(12)**

Q. 5.

A-i) Given in the following table are the initial investments and annual cash flow, calculate the payback period for each proposal. **(5)**

	Initial investment	Annual cash flow	Payback period
Proposal 1	75,000	15,000	
Proposal 2	4100	1000	
Proposal 3	96,000	30,000	
Proposal 4	30,500	5000	
Proposal 5	5,25,000	2,50,000	

A-ii) A management wants to judge whether project XYZ is worth taking up or not. The data with regard to this project (having 10 years of life) is given below. If the initial investment/outlay on the project is Rs.30,000 with a salvage value of Rs.5,000, find out the NPV of the project given the opportunity cost of investment at 10%. **(7)**

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Net benefits (Rs.)	6000	7500	9800	10200	7400	5600	3200	3000	1500	1000
Discount factor at 10%	0.9091	0.8264	0.7513	0.6830	0.6209	0.5645	0.5132	0.4665	0.4241	0.3855

OR

Q. 5. B) Explain the factors that influence investment decisions. **(12)**

Q. 6. A) Elucidate the meaning and working of social cost-benefit analysis. **(12)**

OR

Q. 6. B) Explainthe concept of risk in business. Identify and elaborate on any six sources of business risks. **(12)**

****