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FYB.COM, SEM II, SUPPLEMENTARY EXAMINATION, MAY/JUNE 2015

Managerial Economics II

Duration: 2 hours **Marks: 80**

Instructions:

i. *All questions are **compulsory**, however **internal choice** is available.*
ii. *Figures to the **right** indicate **maximum** marks to the question/sub-question.*
iii. *Draw figures wherever necessary.*
iv. *Use of simple calculator is allowed*

Q1. Answer any four of the following: **(4X4=16)**

a. Revenue curves of a firm under perfect competition.

b. Features of Monopoly.

c. Public goods and private goods.

d. Cost of capital.

e. There are three alternative proposals under consideration by an entrepreneur. The details are as follows:

Proposal	Initial investment	Annual cash flow
1	Rs.75,000	Rs.15,000
2	Rs.90,000	Rs.30,000
3	Rs.40,000	Rs.10,000

Find the payback period for each of the three proposals and identify the one which will be selected by the entrepreneur.

f. A firm is evaluating a proposal which requires a cash outlay of Rs50,000 at present and of Rs30,000 at the end of the third year from now. It is expected generate cash flows which are given below. Given the rate of discount of 8%, calculate the profitability Index of the proposal.

Year	**Cash flows (Rs)**
0	- 50,000
1	30,000
2	60,000
3	- 30,000
4	20,000

Q2. Answer any four of the following: **(4X4=16)**

a. Loss leader pricing.

b. Price discrimination.

c. The three approaches to profit forecasting.

d. Briefly explain the internal profit limiting factors.

e. Product life cycle pricing.

f. A firm has the following:

Sales value	- Rs20,000/-
Variable cast	- RS10,000/-
Fixed Cost	-Rs 6000/-

Find out the contribution ratio and the BEP sales value of the firm.

Q3 A. Explain the equilibrium of a firm in an oligopoly market with the help of the kinked demand curve. **(12)**

OR

Q3 B. Explain the equilibrium of a firm in the long run under perfect competition. **(12)**

Q4 A. Explain the various cost based methods of pricing **(12)**

OR

Q4 B Explain the various objectives of the pricing policy and explain the meaning of price forecasting. **(12)**

Q5 A Explain the Break even analysis with the help of a diagram and explain any three uses of the BEA. **(12)**

OR

Q5 B From the following information relating to Rainbow ltd, you are requested to find the following:

1. BEP in physical units
2. BEP in sales value
3. Margin of safety.
4. Profit.

The firm's:

Total fixed cost	= Rs.9,000/-
Total variables Cost	=Rs15,000/-
Total Sales	=Rs30,000/-
Units sold	=Rs10,000/-

(12)

Q6 A. What is Cost benefit analysis? Explain the different steps involved in Cost-benefit analysis. **(12)**

OR

Q6 B. Bata Indi ltd is considering three alternative proposals. Project A has an initial cost of Rs 1,25,000/- and Project B has an initial cost of Rs1,00,000/- and Project C has an initial cost of Rs95,000/-. All three have a life of six years. The cash flow for these projects are given below . Given the opportunity cost of 10% which of the three is the most attractive for the company.

Cash flow(Rs)

Year	**Project A**	**Project B**	**Project C**
1	36,000	32,000	30,000
2	34,000	32,000	32,000
3	40,000	32,000	36,000
4	44,000	32,000	40,000
5	40,000	32,000	42,000
6	16,000	32,000	20,000

(12)

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