

Managerial Economics- II

Duration: 2 Hours

Max. Marks: 80

Instructions:

- All Questions are compulsory.
- Figures to the right indicate marks.
- Answer each question on a fresh page.
- Draw diagrams where necessary.

1. Answer **any four** of the following: (4*4 =16)
 - a. Features of oligopoly.
 - b. Golden rule of equilibrium.
 - c. Revenue curves of a firm under monopoly.
 - d. Any four objectives of a pricing policy.
 - e. Price forecasting.
 - f. Customary pricing.

2. Answer **any four** of the following: (4 *4 =16)
 - a. Economic profit and accounting profit.
 - b. Sources of business risks.
 - c. Any four uses of break even analysis.
 - d. Merits and demerits of Net present value method.
 - e. Approaches to determine the size of the capital budget.
 - f. Define safety margin.

3. A. Explain the full cost and going rate pricing methods and list their merits and demerits. (12)

OR
3. B. Explain: (i) Pricing over the life cycle of a product (ii) Price skimming (iii) Administered pricing. (12)

4. A. Explain the long run equilibrium of the firm under perfect competition with a suitable diagram. (12)

OR
4. B. Explain the short run equilibrium of the firm under monopoly with the help of a diagram. Briefly explain price discrimination. (12)

5. A. What is break-even analysis? Explain with the help of a break-even chart. (12)

OR

5. B. a) From the following information relating to Madhei Pvt Ltd,

Find: (i) BEP in physical units (ii) Safety margin

(6)

The firm's:

Total fixed cost	Rs. 60,000
Average Variable cost	Rs. 10 per unit.
Selling price	Rs.20 per unit.
Total Sales	Rs. 2,00,000
Units sold	10,000 units

b) The following data is of Damodar Pvt. Ltd. Find the break- even point in terms of sales value and the safety margin: (6)

Sales	Rs. 20,000
Variable costs	Rs. 12,000
Fixed costs	Rs. 6,000

6. A. What is capital budgeting? Explain the main factors influencing investment decisions. (12)

OR

6. B List and explain the steps involved in:

(i) Social cost benefit analysis.

(6)

(ii)(a) There are three alternative proposals under consideration by an entrepreneur, the details are as follows: (3x2=6)

<u>Proposal</u>	<u>Initial Investment</u>	<u>Annual cash flow</u>
1	Rs. 2,00,000	Rs. 20,000
2	Rs. 1,50,000	Rs. 30,000
3	Rs. 80,000	Rs. 15,000

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

(ii) (b) There are three project proposals, whose estimated net profit and capital employed are as follows:

<u>Proposal</u>	<u>Estimated net profit</u>	<u>Capital employed</u>
1	Rs. 75,000	Rs. 2,00,000
2	Rs. 80,000	Rs. 2,50,000
3	Rs. 1,20,000	Rs. 3,00,000

Help the firm to select the best proposal using the accounting rate of return method.
