

Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao-Goa
F.Y.BCOM Semester II, Semester End Examination, April 2018 (old course)
Managerial Economics

Duration: 2hrs

Max. Marks: 80

Instructions:

Figures to the right indicate maximum marks.

Start each question on a fresh page

All questions are compulsory

Qn1. Answer any **four** of the following

(4x4=16)

- a. Equilibrium conditions for firms in a market.
- b. Four features of perfect competition
- c. Meaning of price discrimination
- d. Loss Leader pricing
- e. Market skimming price
- f. Administered pricing

Qn2. Answer any **four** of the following

(4x4=16)

- i. Any four objectives of the profit policies of the firm.
- ii. Safety Margin
- iii. Difference between accounting profit and economic profit
- iv. Meaning of Internal Rate of Return
- v. Meaning of social Cost benefit analysis
- vi. Meaning of uncertainty in business

Qn.3a Explain how an individual firm attains equilibrium in the short run under conditions of perfect competition. **(12)**

OR

Qn.3b Explain how an individual firm attains equilibrium under monopolistic competition. Explain the role of selling cost in monopolistic competition. **(12)**

Qn.4a Write Short notes on the following pricing methods along with their merits and demerits **(3x4=12)**

- i) Marginal Cost pricing
- ii) Going rate Pricing
- iii) Dual Pricing

OR

Qn.4b Explain the factors to be taken in to consideration in price forecasting (12)

Qn.5a (i) Calculate break-even point in sales units and sales in Rupees from following information: (6)

Price per Unit Rs.15

Variable Cost per Unit Rs.7

Total Fixed Cost Rs. 9,000

(ii) Calculate margin of safety from the following information (6)

Sales Price per Unit Rs.40

Variable Cost per Unit Rs. 32

Total Fixed Cost Rs.7,000

Budgeted Sales Rs. 40,000

OR

Qn.5b Explain Break Even Analysis with the suitable diagram. List any three managerial uses of Break-even analysis. (12)

Qn.6a (i) The cost of the machine is Rs. 28,120, and it is expected to bring the company a net cash flow of Rs7, 600 per year for the next fifteen years of the machine's useful life. Calculate the payback period. (4)

(ii) Management is considering the following alternative capital investment proposals. Calculate the Average rate of return and decide the select the desirable project. (8)

| | Project A | Project B | Project C |
|--|-----------|-----------|-----------|
| Average annual incremental income (Rs) | 30,000 | 36,000 | 42,000 |
| Average investment (Rs) | 120,000 | 180,000 | 220,000 |

OR

Qn.6b What is cost of capital? What are the different methods of estimating cost of capital for projects? (12)