Duration: 2 Hours   **Total 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.*

Q1. Answer any **four** of the following: **(4X4=16)**
1. Marginal Cost Pricing
2. Loss Leader Pricing
3. Dual Pricing
4. Difference between Gross profit and Net Profit
5. Difference between Accounting profit and Economic profit
6. Any four uses of breakeven analysis.

Q2. Answer any **four** of the following: **(4X4=16)**
a. Any four factors influencing investment decision
b. What is Internal Rate of Return (IRR)
c. Define Profitability index
d. Differentiate risk from uncertainty
e. Meaning of payoff matrix
f. Meaning of Prisoner's dilemma

Q3. A) What are the different pricing strategies adopted by firms in the market?   **(12)**

OR

B) What are the general considerations of pricing policies followed by firms?   **(12)**

Q4. A. Explain break even analysis with the help of a diagram.   **(12)**

OR

B) A factory can produce a maximum of 1000 pens in a month. The average variable cost is Rs. 40 and price per pen is Rs. 120. The total fixed cost is Rs. 40,000. Find out the following
(i)   Break-even quantity
(ii)   Break-even sales
(iii) Break-even percentage of capacity.   **(3x4=12)**

Q5. A) What are the different sources of capital and explain how cost of capital is calculated by firms?   **(12)**

OR

B) Calculate the following

(i) A firm is considering purchase of a machine. Two machines are available for the purpose in the market. Each of these machines cost Rs. 1,20,000. Earnings after taxation is given below. Find out which machine will be selected based on the payback method of ranking investment.

Year	Cash flow	
	Machine A (Rs)	Machine B (Rs)
1st	10,000	20,000
2nd	30,000	25,000
3rd	40,000	30,000
4th	40,000	35,000
5th	45,000	60,000

(ii) Find out the NPV of the following two proposals. Project A has an initial investment of Rs. 1,30,000 and project B has an initial investment of Rs. 1,60,000 and both project have a life of 5 years. With the discount rate of 8 percent, find out which project is more attractive.

Year	Cash Flow (Rs.)	
	Project A	Project B
1	26,000	40,000
2	28,000	40,000
3	32,000	42,000
4	36,000	44,000
5	40,000	46,000

(iii). Find out the profitability index from the following data and select the most profitable plant. The discount rate is 10 percent.

Year	Cash Flow (Rs.)	
	Plant A	Plant B
Initial Cost	22,000	32,000
1	6000	12,000
2	9000	16,000
3	8000	18,000

Q6. A) Explain how game theory technique can be applied in decision making in a conflicting scenario of business. **(12)**

OR

(3x4=12)

B) Answer the following

(i) Calculate the saddle point

Player B

Player A		B1	B2	B3
	A1	12	16	18
	A2	11	15	16
	A3	10	13	14

(ii). Calculatethe probability of a particular level of output and the expected value of production

Production (Nos) per day	No. of days
150	22
230	30
300	32
280	30
140	26

(iii). Two Production plan and Output flow is given below.

Production Plan 1		Production Plan 2	
Outflow (Rs.)	Probability	Outflow (Rs.)	Probability
40,000	0.3	20,000	0.5
50,000	0.3	50,000	0.4
30,000	0.4	90,000	0.1

Calculate Expected value and using standard deviation method, choose the most appropriate production plan.

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