

Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao – Goa
F.Y.BCOM, Semester II, Supplementary Examination, May/June 2019
MANAGERIAL ECONOMICS (CC7)

Duration: 2 hrs

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) Start each question on a fresh page.*

- Q.1. Answer **ANY FOUR** of the following: **(4 x 4 = 16 marks)**
- a. What is administered pricing?
 - b. What is safety margin?
 - c. Explain any two general considerations of pricing policy.
 - d. What the assumptions of Break-Even analysis.
 - e. What is cost-plus pricing?
 - f. Calculate break-even in terms of physical units if fixed costs of a factor are Rs. 20000/- per year, variable cost Rs. 5.00/- per unit and selling price Rs. 7.00/- per unit.
- Q.2. Answer **ANY FOUR** of the following: **(4 x 4 = 16 marks)**
- a. What is social-cost benefit analysis?
 - b. What are the assumptions of game theory?
 - c. Explain any two sources of long term financing.
 - d. What is cost of debt capital?
 - e. Explain any four sources of business risks.
 - f. What is Nash equilibrium?
- Q.3.a. What are the different pricing strategies adopted in Product Life Cycle pricing. **(12 marks)**
- OR**
- Q.3.b. What is price forecasting? Explain the objectives of a pricing policy. **(12 marks)**
- Q.4.a. What is profit forecasting? Discuss the profit limiting factors faced by a firm. **(12 marks)**
- OR**
- Q.4.b. Calculate the following: **(3 x 4 = 12 marks)**
- (i) If sales are 6000 units and break-even point is at 4000 units. Interpret **safety margin**.
 - (ii) If fixed costs are 15000 per year, variable costs are Rs.3.00 per unit, selling price is Rs. 6.00 per unit and desired profit is Rs.9000/-. Compute the **target sales volume**.
 - (iii) A manufacturer of a scooter buys a certain component of Rs.10.00 each. In case he makes it himself, his fixed and variable costs would be Rs.12000 and Rs.4.00 per component respectively. Find out if he should **make or buy** the component.
- Q.5.a. What is capital budgeting? Explain the process of capital budgeting. **(12 marks)**

OR

Q.5.b. Calculate the following:

(2 x 6 = 12 marks)

(i) A firm is considering the purchase of a machine. Three machines are available for the purpose in the market. Each of these machines cost Rs.1,00,000. Earnings after taxation are expected to be as under. Find out which machine will be selected based on the payback method of ranking investment.

Year	Cash flow		
	Machine 1 (Rs.)	Machine 2 (Rs.)	Machine 3 (Rs.)
1 st	20000	30000	40000
2 nd	40000	50000	80000
3 rd	30000	30000	70000
4 th	20000	20000	60000
5 th	50000	40000	80000

(ii) Calculate the NPV of the following proposals. Project A has an initial investment of Rs. 1,80,000/-, Project B has an initial investment of Rs. 1,60,000/- while Project C has an initial investment of Rs.1,40,000/-. All projects have a life of six years. With the discount rate of 8 percent, find out which project is more attractive.

Year	Cash flow		
	Project A	Project B	Project C
1	50000	46000	39000
2	50000	46000	38000
3	54000	46000	40000
4	58000	48000	42000
5	54000	48000	46000
6	56000	50000	48000

Year	Discount factor (d.f.) at 8%
1	0.926
2	0.857
3	0.794
4	0.735
5	0.681
6	0.630

Q.6.a. Explain the concept of game theory. What are its significance and limitations?

(12 marks)

OR

Q.6.b. Discuss the concept of decision-making under risk, certainty and uncertainty. State and explain the steps for analysis of risky decisions.

(12 marks)
