Sem II ATKT Oct 2017 FYBCom ⑧

sem - II 9/10/17

B.E. II Q.P. Code : 04845

[Time: 3 Hours] [Marks:100]

Please check whether you have got the right question paper.

N.B:
1. All questions are compulsory.
2. All questions have internal choice.
3. Draw neat diagrams wherever necessary.
4. Use of simple calculator is permitted.
5. Figures to the right indicate full marks.

1. (A) Select the best answer from the given options and rewrite the statement. Any Ten. 10

(i) Perfectly competitive firms are described as________.
(a) price makers (b) price takers
(c) price producers (d) price givers

(ii) The zero profit point will occur where_______.
(a) MC = P (b) MC = MU
(c) AC = P (d) MR = MP

(iii) Under imperfect competition producers face _____demand curve for their products.
(a) a horizontal (b) an upward sloping
(c) a downward sloping (d) a vertical

(iv) Cartels are______.
(a) organization of independent firms, producing similar products, that work together to raise prices and restrict output
(b) usually illegal
(c) oligopolies
(d) all of the above

(v) A monopolistically competitive firm earns supernormal profits in the short run because of______
(a) product differentiation (b) free entry and exit of firms
(c) perfect knowledge (d) interdependent decision making

(vi) A firm in monopolistic competition______.
(a) considers reactions of rival firms (b) colludes with others
(c) has market sharing agreements (d) decides its own price.

(vii) Marginal cost pricing can be adopted by______
(a) a private monopoly firm (b) a public sector monopoly
(c) both (a) and (b) (d) none of the above

[Turn Over]

(viii) Transfer pricing has gained significant importance with the growth of______.
(a) multinationals (b) less developed countries
(c) mergers (d) none of the above

(ix) ________is an advantage of mark-up pricing.
(a) cost recovery (b) assured profit
(c) both a and b (d) none of the above

(x) Capital expenditure decisions are irreversible because_________.
(a) of absence of second hand markets
(b) fluctuation in rate of interest
(c) profit of capital assets is difficult to estimate
(d) none of the above

(xi) Payback period method focusses on_________.
(a) rate of profit (b) rate of interest
(c) innovation (d) none of the above

(xii) A project is profitable if its NPV is______.
(a) positive (b) negative
(c) zero (d) all of the above

1. (B) **State whether the following statements are True or False. Any Ten** **10**
(i) Under perfect competition goods are homogeneous.
(ii) A monopolist is in equilibrium at that level of output where MC = MR.
(iii) Under monopoly AR and MR curves are identical and horizontal straight lines.
(iv) A monopolistically competitive firm produces with excess capacity.
(v) Under monopolistic competition goods have no close substitutes.
(vi) A cartel operates on the basis of an agreement on price and output among producers.
(vii) Public sector units often charge prices equal to their marginal cost.
(viii) Price discrimination is always possible and profitable.
(ix) Cost plus pricing is also known as mark-up pricing.
(x) Payback period method favours long term projects.
(xi) According to the IRR method a project is accepted if IRR> market rate of interest
(xii) NPV is based on the principle of discounting.

2. Attempt A and B OR C and D
(A) Discuss the features of perfect competition. 8
(B) Explain equilibrium of a firm in monopoly in the long run. 7

OR

(C) Define monopoly. Explain the sources of monopoly power. 8
(D) Read the following paragraph and answer the questions below: 7
There are many farmers who grow basmati rice in India. No single farmer is large enough to influence the price of basmati rice in the market. The quality of basmati rice is fairly homogeneous. Farmers are free to decide whether they want to produce basmati rice or any other crop.

[Turn Over]

(i) Name the market structure being described in the paragraph above.
(ii) Examine the characteristic features of the market identified by you in question(i)

3. Attempt **A and B** OR **C and D**

(A) Examine the equilibrium of a firm in monopolistic competition in the short run. 8

(B) Explain the kinked demand curve model. 7

OR

(C) Discuss the various forms of product differentiation and its effects on the demand curve. 8

(D) Read the following paragraph and answer the questions below: 7

A car manufacturer is aware of his rivalry with other few car manufacturers in the market. Like the other car manufacturers he undertakes vigorous advertising campaigns to convince potential buyers of the superior quality and style of his cars. He reacts very quickly to claims of superiority by rivals. But he avoids cutting price as that would finally lead to losses for all concerned.

i) Name the market structure being described in the paragraph above.
ii) Describe the characteristic features of the market identified by you in question (i)

4. Attempt A and B OR C and D

(A) Discuss the conditions under which price discrimination is possible. 8

(B) Explain the multiple product pricing method. 7

OR

(C) Examine marginal cost pricing as a pricing method for public sector firms. Explain using a diagram. 8

(D) (i) Explain the merits and demerits of full cost pricing. 7

(ii) Assuming a desired mark-up of 15%, if average variable cost is ₹ 55/- and the average fixed cost is ₹ 15/-, calculate the full cost price of product C of firm Cracker.

5. Attempt A and B OR C and D

(A) Explain the meaning and significance of capital budgeting. 8

(B) Examine the Net Present Value method of project evaluation. 7

OR

(C) Discuss the Internal Rate of Return (IRR) method of investment appraisal. 8

(D) The following table shows four projects with their initial investments and annual cash inflows. Calculate the payback period for each project and rank them. 7

Project	Initial investment(₹)	Annual cash inflow(₹)
A	1,20,000	30,000
B	80,000	16,000
C	60,000	30,000
D	40,000	40,000

[Turn Over]

6. Attempt A and B OR Write short notes on **any four**:-

(A) Analyze short run equilibrium of firms under perfect competition with differential costs. **10**

(B) Discuss in detail the arguments for and against advertising. **10**

OR

6. Write short notes :**Any Four** **20**

(i) Shut-down point

(ii) Excess capacity

(iii) Cartels

(iv) Degrees of price discrimination

(v) Transfer pricing

(vi) Steps in capital budgeting
