

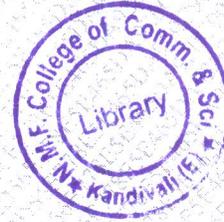
Q.P. Code :04844

[Time: Three 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.



Q.1) A) Select the best answer from the given options and rewrite the statement. Any Ten:-

10

- i. Demand for a product of a firm in perfect competition is _____.
 - a. relatively elastic
 - b. unitary elastic
 - c. perfectly elastic
 - d. relatively inelastic
- ii. In the short run to stay in business, the firm must cover _____.
 - a. total cost
 - b. fixed cost
 - c. variable cost
 - d. normal profit
- iii. Under imperfect competition _____.
 - a. there is necessarily one producer
 - b. individual sellers have no control over the price of the goods or services they produce
 - c. individual sellers have control over the price of the goods or services they produce
 - d. none of the above
- iv. If we were examining a market that had three producers, we would call that market _____.
 - a. perfect competition
 - b. monopoly
 - c. monopolistic competition
 - d. oligopoly
- v. Monopolistic competition resembles perfect competition in _____.
 - a. there are substitutes for products
 - b. there are many firms
 - c. entry and exit is easy
 - d. all of the above
- vi. In a monopolistically competitive market the number of firms is _____.
 - a. few
 - b. large
 - c. one
 - d. two
- vii. Price discrimination will _____.
 - a. lead to higher price
 - b. occur when the same product is sold to different buyers at different prices
 - c. result in firms charging the same price to all consumers.
 - d. both a and b
- viii. _____ qualify for multiple product pricing.
 - a. Printer and computer
 - b. Pen and paper
 - c. Jewellery and watches
 - d. All of the above
- ix. Price discrimination is possible when _____.
 - a. markets are separated by distances
 - b. there is perfect competition
 - c. both a and b
 - d. neither a nor b

TURN OVER

2

- x. Capital investment decisions are irreversible because _____
 - a. the expenditure is very large
 - b. the expenditure is very small
 - c. investment is done by the government
 - d. none of the above
- xi. _____ does not apply to the payback period method.
 - a. Helps in ranking of profits
 - b. Reduces uncertainty associated with returns
 - c. Is expressed in number of years
 - d. Does not consider time value of money
- xii. The value expected to be achieved from the amount invested is known as _____
 - a. internal rate of return
 - b. net present value
 - c. payback period
 - d. replacement investment



Q.1) B) State whether the following statements are True or False. 10

- i. A firm is a price taker under perfect competition.
- ii. The demand curve of a firm in perfect competition is horizontal.
- iii. A monopolist never makes losses in the long run.
- iv. A monopolistically competitive firm does not need to advertise its product.
- v. Price under monopolistic competition would be higher due to advertising cost.
- vi. Price rigidity is an important characteristic of oligopoly.
- vii. Transfer pricing is used when subsidiaries of a firm transact with each other.
- viii. Price discrimination is practiced by a monopolist.
- ix. Under marginal cost pricing, price is determined on the basis of fixed cost.
- x. Capital budgeting decisions do not affect the profitability of firms.
- xi. When NPV is negative, the project is accepted.
- xii. Payback period method is based on the principle of discounting.

Q.2) Attempt A and B OR C and D:- 8

- A) What are the characteristic features of perfect competition? 8
- B) Explain equilibrium of a monopoly firm earning supernormal profit in the short run. 7

OR

- C) What is monopoly? Describe its features. 8
- D) Read the paragraph below and answer the following questions:- 7

The market for wheat in Timbuktu has a large number of buyers and sellers. The quality of wheat is homogeneous. There is free entry and exit and there is no government intervention.

- 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)

Q.3) Attempt A and B OR C and D:- 08

- A) Write an explanatory note on product differentiation. 08
- B) Explain Paul Sweezy's kinked demand curve model. 07

OR

TURN OVER

- C) Describe various forms of price leadership. 08
- D) Read the paragraph below and answer the following questions:- 07

A shampoo manufacturer is aware of many competing brands of shampoos both of local firms and MNCs. He uses advertisements with the most popular firm stars to promote his product. When other competitors come up with different varieties of shampoos he also introduces different varieties of his product or changes the packaging to make it more attractive. He prefers to spend on advertising and a good sales department than risk a price war.

- 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).

Q.4) Attempt A and B OR C and D:-

- A) Discuss the conditions under which price discrimination is possible. 08
- B) Write a note on marginal cost pricing 07

OR

- C) Explain the multiple product pricing method. 08
- D) i) Discuss the merits and demerits of the full cost pricing method. 07
- ii) Assuming a desired mark up of 12% if average variable cost is Rs.45 and the average fixed cost Rs.20, calculate the full cost price of product M of the firm Maxxer.

Q.5) Attempt A and B OR C and D:-

- A) What is capital budgeting? Explain the steps in capital budgeting. 08
- B) Write a note on Internal Rate of Return. 07

OR

- C) Explain Net Present Value Method of project evaluation. 08
- D) In the following table are four projects with the initial investments and annual cash flows. 07

Calculate the payback period for each project and rank the project.

Project	Initial Investment	Annual Cash Flow
A	60,000	15,000
B	40,000	8,000
C	30,000	15,000
D	20,000	20,000

Q.6) Attempt A and B OR Write short notes on any four.

- A) Analyze the short run equilibrium of firms in perfect competition under conditions of differential cost. 10
- B) Discuss the role of advertising highlighting its advantages and disadvantages. 10

OR

Q.6) Write short notes : (Any Four)

- i. Sources of monopoly power
- ii. Cartels
- iii. Distinction between oligopoly and monopolistic competition
- iv. Degrees of price discrimination
- v. Transfer pricing
- vi. Significance of capital budgeting

20

TURN OVER

