

FYBCOM/SEM-II/REG/B.ECO-II

Time: 3 hrs

Marks:100

- Note:
1. All questions are compulsory.
 2. All questions have Internal choices.
 3. Draw neat diagrams wherever necessary.
 4. Use of a simple calculator is permitted.
 5. Figures to the right indicate full marks.

Q1. (A) **Select the best answer from the given options and rewrite the statement:(Any ten)** (10)

1. The zero-profit point will occur where _____.
(a) $AC = P$ (b) $AC = AVC$ (c) $AR = AVC$ (d) $AR = MC$
2. Demand for a product of a firm in perfect competition is _____.
(a) perfectly elastic (b) perfectly inelastic (c) relatively inelastic (d) relatively elastic
3. In the short run to stay in business the firm must cover_____,
(a) variable cost (b) fixed cost only (c) part of variable cost (d) marginal cost
4. The demand curve faced by a Monopoly firm is _____.
(a) downward sloping (b) upward sloping (c) kinked (d) horizontal
5. Multiple product pricing can be _____.
(a) only for complementary goods (b) substitutes (c) not related goods (d) for all types of products
6. The striking difference between perfect competition and monopolistic competition is _____.
(a) product differentiation (b) large number of buyers (c) large number of sellers (d) free entry and exit.
7. A project is more likely to be accepted if the discounted present value is _____.
(a) less than investment (b) more than investment (c) equal to investment (d) zero.
8. _____ does not apply to the payback period method.
(a) Quick returns (b) Ranking in profits (c) Liquidity (d) None of the above
9. Capital budgeting relates to _____ investment
(a) reversible (b) long term (c) short term (d) medium term
10. Oligopoly is characterized by _____.
(a) few sellers (b) many sellers (c) single seller (d) few buyers
11. Demand for a Monopoly firm's product is _____.
(a) Relatively elastic (b) relatively inelastic (c) perfectly elastic (d) perfectly inelastic
12. Firms in an oligopoly market have _____ demand curve
(a) discontinuous (b) vertical (c) horizontal (d) upward sloping

(B) **State whether the following statement are TRUE or FALSE: (any ten) (10)**

1. Capital budgeting pertains to investment decisions.
2. Net present value method is based on the principle of discounting.

3. Government regulation maybe one of the factors driving investment decisions in the private sector.
4. Monopoly firm is a price maker.
5. The demand curve for a firm in monopolistic competition is vertical.
6. An oligopoly market has only one seller.
7. Companies use transfer pricing to avoid taxes.
8. Payback period method favours projects with quick recovery.
9. In the long run forms mentally the industry.
10. Demand curve of a monopolist is slopping upward from left to right.
11. There is no entry of a new firm to a Monopoly market.
12. Excess capacity characterises forms in monopolistically competitive markets.

Q2. Attempt A and B or C and D

A: Discuss the characteristics of Monopoly. (7)

B: Read the following paragraph and answer the questions below: (8)

More than 99% of laptop users in the world use the windows operating system. This is insured by barriers to entry such as heavy advertising and frequent introduction of new variants of software. There are no other close substitutes for the windows operating system.

(i) Name the market structure described in the paragraph above.

(ii) Examine the features of the market identified.

OR

C: Explain equilibrium of a firm in short run earning supernormal profits and loss in Monopoly. (7)

D: Explain the features of perfect competition. (8)

Q3. Attempt A and B or C and D

A: Discuss characteristics of monopolistic competition. (7)

B: A bike manufacturer is aware of his rivalry with other few bike manufacturers in the market. Like the other bike manufacturers undertake vigorous advertising campaigns to convince potential buyers of the superior quality and style of their cars. He reacts very quickly to claims of superiority by rivals. But avoids cutting price as that would finally lead to losses for all concerned. (8)

(i) Name the market structure described in the paragraph above.

(ii) Describe the characteristic features of the market identified

OR

C: Discuss Kinked demand curve under oligopoly. (7)

D: Explain equilibrium of a firm in monopolistic competition in the short run. (8)

Q4. Attempt A and B or C and D

A: Describe the third-degree conditions under which price discrimination is possible. (7)

B: Explain the multiple product pricing. (8)

OR

C: Explain the degrees of price discrimination. (7)

D: (i) Discuss the merits and demerits of the full cost pricing method. (8)
 (ii) Assuming a desired markup of 25%, If average variable cost is Rs. 85 and average fixed cost is Rs.15; calculate the full cost price of product H of firm XYZ.

Q5. Attempt A and B or C and D

A: Explain capital budgeting? Discuss its importance. (7)

B: Explain the net present value method. (8)

OR

- C: In the table given below there are four projects with their original investment and their annual cash inflows. Calculate the net present value for each project and rank the projects at the rate of 10% per annum. (7)

Project	Original Investment (Rs.)	Annual Cash Inflow	
		1 st yr (Rs.)	2 nd yr (Rs.)
A	7,000	5,500	3,000
B	7,000	3,000	2,500
C	7,000	4,500	3,000
D	7,000	8,000	1,500

- D: In the table given below there are four projects with their original investment and their annual cash inflows. Calculate the payback period for each project and rank the projects. (8)

Project	Original Investment (Rs.)	Annual Cash Inflow (Rs.)
A	10,000	8,500
B	10,000	6,000
C	30,000	9,500
D	20,000	18,000

Q6. **Attempt A and B or write short notes on any four:**

- A: Determine the price determination under perfect competition in the short run and long run. (10)
- B: Explain the role of advertising. (10)

OR

write short notes on any four:

1. Market structure
 2. Dumping.
 3. Distinction between oligopoly and monopolistic competition.
 4. Transfer pricing
 5. Shutdown point
 6. Steps in capital budgeting
- (20)

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