

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

Time: 3 hrs		Marks:100
Note:	<ol style="list-style-type: none"> 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)
	<ol style="list-style-type: none"> 1. The zero-profit point will occur where _____. (a) $AC = P$ (b) $AC = AVC$ (c) $AR = AVC$ (d) $AR = MC$ 2. Demand for a firm's product 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 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 statements are TRUE or FALSE: (any ten) (10)	
	<ol style="list-style-type: none"> 1. Capital budgeting pertains to investment decisions. 2. The net present value method is based on the principle of discounting. 3. government regulation may be one of the factors driving investment decisions in the private sector. 4. A 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. The payback period method favors projects with quick recovery. 9. In the long run forms mentally the industry. 10. The demand curve of a monopolist is sloping upward from left to right. 11. There is no entry of a new firm into a Monopoly market. 12. Excess capacity characterizes forms in monopolistically competitive markets. 	
Q2.	<p>Attempt A and B or C and D</p> <p>A: Discuss the characteristics of Monopoly. (7)</p> <p>B: Read the following paragraph and answer the questions below: (8) More than 99% of computer users in the world use the Windows operating system. This is ensured 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.</p> <p style="text-align: center;">OR</p> <p>C: Explain the equilibrium of a firm in the short run earning supernormal profits and loss in Monopoly. (7)</p> <p>D: Explain the price determination of perfect competition in the short run. (8)</p>	
Q3.	<p>Attempt A and B or C and D</p> <p>A: Discuss features of monopolistic competition. (7)</p> <p>B: A bike manufacturer is aware of his rivalry with other bike manufacturers in the market. Like the other bike manufacturers, they undertake vigorous advertising campaigns to convince potential buyers of their cars' superior quality and style. He reacts very quickly to claims of superiority by rivals. But avoids cutting prices as that would finally lead to losses for all concerned. (i) Name the market structure described in the paragraph above. (ii) Describe the characteristic features of the market identified (8)</p> <p style="text-align: center;">OR</p> <p>C: Discuss the Kinked demand curve under oligopoly. (7)</p> <p>D: Explain the equilibrium of a firm in monopolistic competition in the short run. (8)</p>	
Q4.	<p>Attempt A and B or C and D</p> <p>A: Describe the third-degree conditions under which price discrimination is possible. (7)</p> <p>B: Explain the multiple product pricing. (8)</p> <p style="text-align: center;">OR</p> <p>C: Explain the degrees of price discrimination. (7)</p> <p>D: (I) Discuss the merits and demerits of the full-cost pricing method. (8)</p>	

(ii) Assuming a desired markup of 50%, if the average variable cost is ₹100 and the average fixed cost is ₹65, calculate the full cost price of product M of firm XYZ.

Q5.

Attempt A and B or C and D

A: Explain capital budgeting. Discuss its importance.

B: Explain the net present value method.

OR

C: In the table given below, there are four projects with their initial investment and their annual cash inflows. Calculate the net present value for each project and rank the projects with the rate of interest is 10%.

Project	Initial Investment	Annual Cash Inflow	
		1 st yr.	2 nd yr.
A	7,000	3,500	3,500
B	7,000	3,000	4,000
C	7,000	4,500	3,600
D	7,000	9,000	5,000

D: In the table given below, there are four projects with their initial investment and their annual cash inflows. Calculate the payback period for each project and rank the projects with the rate of interest is 10%.

Project	Initial Investment	Annual Cash Inflow
A	15,000	10,000
B	8,000	8,000
C	9,000	9,500
D	20,000	18,000

(7)

(8)

(7)

(8)

Q6.

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

A: Explain the advantages and disadvantages of advertising.

B: Explain the role of advertising.

OR

write short notes on any four:

1. Distinction between monopolistic competition and perfect competition
2. Types in capital budgeting
3. Shutdown point
4. Market structure
5. Dumping
6. Price rigidity

(10)

(10)

(20)