Professor Vishwanathan Iyer's

HERAMB COACHING CLASSES

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FYBCOM/ ECONOMICS MARKS: 100 DURATION: 3HOURS DATE: 23.04.2019

Q.1 A) Select the best answer from the given options and rewrite the statement: (any 10) (10)

1) Demand for the product of a firm in a perfect competition is _________________.
   a) relatively elastic b) unitary elastic c) perfectly elastic d) relatively inelastic
2) In the short run to stay in business, the firm must cover ______________.
   a) total cost b) fixed cost c) variable cost d) normal profit
3) Under imperfect competition ______________.
   a) there is necessarily one producer
   b) individual sellers have no control over the price of the goods and service they produce
   c) individual seller have control over the price of the goods and services they produce
   d) all of the above
4) If we were examining a market that had three producer, use would call that market ___________.
   a) perfect competition b) monopoly c) monopolistic competition d) oligopoly
5) Monopolistic competition resembles perfect competition in ________.
   a) there are substitutes for the product b) there are many firms
   c) entry and exit is easy d) all of these
6) In a monopolistically competitive market the number of the firm is ______.
   a) few b) large c) one d) two
7) Price discrimination will ________.
   a) lead to higher price
   b) occur when the same product is sold to different buyers at different price
   c) results in firm charging the same price to all the consumer
   d) both a and b
8) _______ quality for multiple product pricing.
   a) printer and computer b) pen and paper c) jewellery and watches d) all of these
9) Price discrimination is possible when __________.
   a) markets are seprated by distances b) there is a perfect competition
   c) both a and b d) neither a nor b
10) 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 these
11) _________ does not apply to the payback period method.
   a) help in ranking of profit b) reduces uncertainty associated with returns
   c) is expressed in the number of years d) dose not consider the time value for the money
12) 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. (any 10) (10)

1) A firm is a price taker under perfect competition.
2) The demand curve of the firm in perfect competition is horizontal.
3) A monopolist never makes losses in the long run.
4) A monopolistically competitive firm does not need to advertise its product.
5) Price under monopolistic competition would be higher due to advertising cost.
6) Price rigidity is an important characteristics of oligopoly.
7) Transfer pricing is used when subsidiaries of then firm transact with each other.
8) Price discrimination is practiced by a monopolist.
9) Under marginal cost pricing, price is determined on the basis of the fixed cost.
10) Capital budgeting decision do not affect the profitability of the firm.
11) When NPV is negative, the project is accepted.
12) Payback period method is based on the principle of discounting.

Q.2 Attempt A and B or C and D:

A) What are the characteristic features of the perfect competition? **(8)**

B) Explain the equilibrium of the monopoly firm earning super normal profit in the short run. **(7)**

OR

C) What is monopoly? Describe its features. **(8)**

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

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

i. Name the market structure being described in the paragraph abo9ve.

ii. Describe the characteristic feature of the market identified by you in a question (i).

Q.3 Attempt A and B or C and D.

A) Write an explanatory note on product differentiation. **(8)**

B) Explain Paul Sweezy's kinked demand curve model. **(7)**

OR

C) Describe the various forma of price leadership**.** **(8)**

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

A shampoo manufacturer is aware of many competing brands of shampoos both of local firms and MNC's. He uses advertisement with the most popular firm stars to promote his product. When other competitors come up with a different varieties of shampoos, he also introduce different varieties of his product and 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 feature of the market identified by you in a question (i).

Q.4 Attempt A and B or C and D.

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

B) Write a note on marginal cost pricing. **(7)**

OR

C) Explain the multiple product pricing method. **(8)**

D) i) Discuss the merits and demerits of the full cost pricing method. **(7)**

ii) Assuming a desired mark upto 12% if average variable cost is Rs.45 and the average fixed cost is Rs.20, calculate the full cost price of product M of the Maxxer.

Q.5 Attempt A and B or C and D.

A) What is capital budgeting? Explain the steps in capital budgeting. **(8)**

B) Write a note on internal rate of return. **(7)**

OR

C) Explain net present value method of project evaluation. **(8)**

D) In the following table there are four project with the initial investment and annual cash flows. Calculate the payback period for each project and rank the project. **(7)**

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 a short note on any four.

A) Analyze the short run equilibrium of firms in a perfect competition under condition of different cost**.** **(10)**

B) Discuss the role of advertising highlighting its advantages and disadvantages. **(10)**

OR

Q.6 Write a short note: (any 4) **(20)**

1) Sources of monopoly power
2) Cartels
3) Distinguish between oligopoly and monopolistic competition
4) Degrees of price discrimination
5) Transfer pricing
6) Significance of capital budgeting

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