Goa Vidyaprasarak Mandal's
**GOPAL GOVIND POY RAITURCAR COLLEGE OF COMMERCE AND
ECONOMICS, PONDA-GOA**
**B.COM. CBCS (SEMESTER- II) SUPPLEMENTARY EXAMINATION
MAY / JUNE 2018**
MANAGERIAL ECONOMICS

Duration : 2 Hours   **Marks : 80**

INSTRUCTIONS :   1) All questions are compulsory.
                 2) Figures to the right indicate marks.
                 3) Draw diagrams wherever necessary.

Q 1) Write Short notes on the following **(Any Four):**   **(16)**
   1) Marginal Cost Pricing
   2) Cyclical Pricing
   3) Objectives of Pricing Policy (**any two**)
   4) Concept of Profit
   5) Role of Profit
   6) Breakeven Chart

Q 2) Write Short Notes on the following **(Any Four):**   **(16)**
   a) Approaches for determining the size of a capital budget
   b) Internal Rate of Return method (IRR)
   c) Sources of long term funds
   d) Concept of Risk & Uncertainty
   e) Decision tree approach
   f) Assumptions of Game theory

Q 3) a) Explain the following pricing methods -
      i) Penetration pricing   ii) Price Skimming   iii) Retail Pricing   **(12)**
                              OR

   b) Describe the following pricing methods –   **(12)**
      x) Multi – product pricing   y) Transfer pricing   z) Administered pricing

Q 4 a) Saisha Ltd has the following figures – Selling price per unit = ` 40/-
      Variable Cost per unit = ` 20/-  Fixed cost = `1,60,000 Actual sales =
      20,000 units Calculate – 1) Contribution Margin   2) C/S Ratio
      3) Break-even point in Units, and 4) Break even Sales in `   **(8)**

   b) Write a note on <u>any four</u> profit limiting factors.   **(4)**
                              OR

   c) Sanisha Ltd has the following figures –Selling price per unit = `40/-
      Variable Cost per unit = `20/- Fixed cost = `80,000. Actual sales = 10,000
      units Calculate – 1) Contribution Margin 2) C/S Ratio 3) Break-even point
      in Units, and 4) Break even Sales in `   **(8)**

   d) Write a note on Profit forecasting methods.   **(4)**

Q 5 a) Solve the following problems – $(4 + 2 = 6)$

    1) From the following data calculate payback period of the two machines and suggest which one is better.
    Machine A = Investment cost `1,00,000 and annual cash flow of `36,000 for 5 years.
    Machine B = Investment cost `1,50,000 and annual cash flow of `40,000 for 7 years.

    2) A machine costs `2 lakhs. It generates different cash flows for different years. The Chief Economist of the company has found out that the Present value of the cash flow generated for 4 years at a discount rate of 12% is `2,14,485. What is the NPV of the machine? Should the machine be purchased?

  b) Write a note on Social Cost Benefit Analysis. **(6)**

OR

Q 5 x) Write a note on the Cost of Debt Capital and Cost of Equity Capital. **(6)**

  y) Solve the following problems - $(2 + 4 = 6)$

    1) The cost of a machine is `24 lakhs. The Present value of cash flows @ 10 % is `24,35,500. The Net Present value is `35,500. Find out Profitability Index (PI) and give your decision to accept or reject the proposal of buying the machine.

    2) LMN company's capital structure & its book value of different sources is given in the table. The cost of each source is calculated and also given in the table. You are required to assign(calculate) the specific weights of each source and calculate the Weighted Average Cost of Capital.

Sr. No.	Source	Book Value	Weights	Cost of each source (In %)	Weighted Cost (In %)
1	Equity Shares	`7,00,000	?	20	?
2	13% Preference Shares	`2,00,000	?	8	?
3	14% Debentures	`3,75,000	?	11	?
4	Retained Earnings	`3,25,000	?	18	?
	Total	`16,00,000	100.00	-	?

Q 6 a) There are 2 projects A and B. Given below are their annual cash flows and probability of getting those cash flows. Calculate each project's standard deviation and find out if project A or B is more risky. **(8)**

Project A		Project B	
Cashflows (in Rs.)	**Probability**	**Cashflows (in Rs)**	**Probability**
X	**P**	**X**	**P**
4,000	0.10	4,000	0.10
8,000	0.20	7,000	0.25
10,000	0.40	10,000	0.30
12,000	0.20	13,000	0.25
14,000	0.10	16,000	0.10

b) Explain the concepts of - Risk free rate and Risk premium **(4)**

OR

c) Explain the structure of a Game theory. **(8)**

d) Explain with a suitable example Prisoners' Dilemma. **(4)**

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