# Goa Vidyaprasarak Mandal's <br> GOPAL GOVIND POY RAITURCAR COLLEGE OF COMMERCE AND ECONOMICS, PONDA-GOA <br> B.COM. CBCS (SEMESTER- II) EXAMINATION, APRIL 2019 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) Answer any 4 of the following questions in not more than 100 words: $\quad(4 x 4=16)$

1) Full Cost Pricing.
2) Penetration pricing.
3) General considerations in pricing policy.
4) Economic \& Accounting Profit.
5) Profit Limiting Factors (Any two).
6) Concept of Break - even point.

Q 2) Answer any 4 of the following questions in not more than 100 words: ( $4 \times 4=16$ )
a) Significance of Capital budgeting.
b) Types of Projects
c) Rationing approach \& Financing approach
d) Concept of Probability
e) Standard Deviation as a measure of risk
f) Risk adjusted discount rate

Q 3) a) Explain the following pricing methods :
i) Price Skimming
ii) Perceived Value Pricing
iii) Cyclical pricing

OR
b) Describe the following pricing methods -
$\begin{array}{lll}\text { x) Multi - product pricing } & \text { y) Transfer pricing } & \text { z) Retail Pricing }\end{array}$

Q 4 a) PQR Ltd has the following figures - Selling price per unit $=`$ 20/- Variable Cost per unit $=` 10 /-$ Fixed cost $=` 80,000$ units .
Calculate-1) Contribution Margin 2) C/S Ratio
3) Break-even point in Units, and 4) Break even Sales in

Cost per unit $=` 10 /-$ Fixed cost $=` 80,000$ units $\quad$ ' $\quad$ C
b) Write a note on Uses of Breakeven analysis.

## OR

c) $\operatorname{ABC}$ Ltd has the following figures - Selling price per unit $={ }^{`} 20 /-$

Variable Cost per unit $=` 12 /-$ Fixed cost $=` 40,000$.
Actual production $=10,000$ units. Target profit $=` 60,000 /-$.
Calculate - 1) Breakeven point in Units and in Sales Value 2) Target sales volume in Units and Value to achieve the target profit.
d) Write a note on Methods of Profit Forecasting.

Q 5 a) Write a note on Internal Rate of Return(IRR) method.
b) From the following data calculate payback period of the two machines (A \& B) and suggest which one is better.

| Particulars | Initial Investment | Annual Cash Flow | Life |
| :---: | :---: | :---: | :---: |
| Machine A | 1,00,000 | 36,000 | 5 years |
| Machine B | 50,000 | 12,500 | 7 years |

c) From the following data, Calculate Net Present Value \& Profitability Index and give your decision.

The cost of a machine is ${ }^{`} 10,00,000$. Life $=5$ years. Discount rate $=12 \%$. The Annual Cash flow and present value factor @ $12 \%$ is given as follows -

| Year | Annual Cash Flow <br> (') | Present value factor <br> @ 12\% |
| :--- | :--- | :--- |
| 1 | $2,00,000$ | 0.892 |
| 2 | $2,50,000$ | 0.797 |
| 3 | $3,00,000$ | 0.711 |
| 4 | $3,25,000$ | 0.635 |
| 5 | $3,60,000$ | 0.567 |

## OR

Q 5 x) Write a note on the Cost of Equity Capital \& Cost of Retained Earnings.
y) LMV 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. <br> No. | Source | Book <br> Value | Weights | Cost of <br> each <br> source <br> (In \%) | Weighted <br> Cost <br> (In \%) |
| :--- | :--- | :--- | ---: | ---: | :--- |
| 1 | Equity Shares | ${f172a242e-2a77-4a59-b51c-0cd4b30f95dc} 3,75,000$ | $?$ | 15 | $?$ |
| 4 | Retained Earnings | $` 3,25,000$ | $?$ | 14 | $?$ |
|  | Total | $\mathbf{2 0 , 0 0 , 0 0 0}$ | $\mathbf{1 . 0 0}$ | - | $?$ |

Q 6 a) What is Game theory? Point out its assumptions.
b) Explain the structure of a Game theory.
c) Explain with a suitable example Nash Equilibrium.

## OR

Q 6 x) Write notes on - A) Certainty Equivalent Factor \& B) Decision Tree Approach.
y) Explain the types of strategies used in Game theory.

