Time: 3Hours Marks: 100

N B. 1. All Questions are compulsory. 2. All questions have internal choice.
3. Draw neat diagrams wherever necessary. 4. Use of simple calculator is permitted.
5.Figures to the right indicate full marks.

1. A) Choose the most suitable answer from the given options and rewrite the statements (any **Ten**) (10)

i. Which of the following does not determine the structure of a market ?.
a) Nature of commodity b) Number of sellers
c) Use of selling cost d) None of these

ii. A competitive firm will maximize profit at the level of output at which Marginal revenue equals
a) Average cost b) Average variable cost
c) Total cost d) Marginal cost

iii. Demand for a monopoly firm's product is
a) Perfectly inelastic b) Perfectly elastic
c) Relatively inelastic d) Relatively elastic

iv. Selling cost helps a firm under Monopolistic competition
a) To increase demand for the product b) To widen the market
c) To create awareness of the product d) All of these

v. Which of the following is not a pattern of Oligopoly behaviour
a) Price war b) Non price competition
c) Price leadership d) Price control

vi. Firms in Oligopoly market have a ______________ demand curve
a) Horizontal b) Vertical
c) Indeterminate d) Discontinuous

vii. Which of the following is not an objective of price policy ?
a) Survival b) Profit
c) Market share d) None of these

viii. Price discrimination is generally practiced under
a) Perfect competition b) Monopoly
c) Monopolistic competition d) Oligopoly

ix. Which of the following is a determinant of price ?
a) Market structure b) Objectives of the firm
c) Government policies d) All of these

x. A project indicates investment in
a) A new business b) Expansion of existing business
c) Both of these d) Neither of these

xi. Capital budgeting relates to
a) Pricing of products b) Borrowing of funds
c) Long term investment d) Short term investment

xii. A project is more likely to be accepted if the Discounted Present Value is
a) More than investment b) Less than investment
c) Equal to investment d) Equal to Zero

1. B) State whether the following statements are true or false (any **Ten**) (10)

i. A market is a well-defined geographical area where buyers and sellers meet.
ii. Under Perfect competition, average revenue is always equal to marginal revenue.
iii In Monopoly, the firm and industry are one and the same.

iv. A firm under Monopolistic competition produces less than optimum output.
v. Cartel helps to avoid cut throat competition among Oligopoly firms.
vi. Oligopoly market experiences price flexibility.
vii. Full cost pricing ensures reasonable profit.
viii Discriminatory pricing is practiced in a competitive market.
ix Complementarity is a form of product interrelationship.
x Investment decisions have only short term implications.
xi Capital budgeting ensures better utilization of resources.
xii Pay back period is the ratio of initial investment to Annual cash flow.

2. Attempt **A and B** or **C and D**

A) Discuss the characteristics of a perfectly competitive market. (8)
B) Explain firm's equilibrium under monopoly in the short run. (7)

OR

C) Discuss the short run equilibrium of a firm under perfect competition with differential cost conditions. (8)
D) Describe the different sources of Monopoly power. (7)

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

A) Explain the following features of Monopolistic Competition (8)
i) Product differentiation ii) Group of firms
B) Discuss the "kinked demand curve" model of Oligopoly pricing (7)

OR

C) "A firm under Monopolistic competition tends to earn normal profit in the long run" - Discuss (8)
D) Describe the salient features of Oligopoly market (7)

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

A) i) Explain briefly full cost pricing (4)
ii) Using the following information, calculate the full cost price (4)
Average Fixed cost: Rs. 500, Average Variable cost: Rs.100,
Expected profit margin: 12%
B) Explain, with the help of a diagram, monopoly equilibrium with price discrimination (7)

OR

C) Explain, with an example, Transfer pricing without external market (8)
D) Discuss pricing of multiple products (7)

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

A) Elaborate the significance of Capital Budgeting (8)
B) A Business firm has to choose between five alternative projects, all of which will involve the same expenditure of Rs. 5,00,000. The average annual return expected from these projects are as follows :

Project	I	II	III	IV	V
Average Annual Return(Rs.)	100000	200000	125000	175000	150000

Using Pay Back Period criterion, select the most suitable project. Justify your answer. (7)

OR

C) A company wants to invest Rs. 10,00,000 in a new project. The project is expected to give a return of Rs. 2,50,000 per year over a period of 5 years.
i) Calculate the Discounted present value (rate of discount 10%) (5)
ii) Find out the Net Present Value (1)
iii) Comment on the profitability of the project (2)

D) Explain the Internal Rate of Return criterion of investment appraisal (7)

6. Comment on the following (20)

A) "A firm in the short run may incur losses and still continue in business"

B) "Selling cost is a necessary evil under imperfect competition"

OR

6. Write notes (Any **Four**) (20)

i) Market structure

ii) Non price competition

iii) Excess capacity

iv) Dumping

v) Marginal cost pricing

vi) Steps in capital budgeting

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