

[Time: Three Hours]

[ Marks:100]

Please check whether you have got the right question paper.

- 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. **Select the best answer from the given options and rewrite the statement. (Any Ten)** 10
- i. Perfectly competitive firms face \_\_\_\_\_ demand curves.
    - a. horizontal
    - b. positively sloped
    - c. vertical
    - d. negatively sloped
  - ii. The firm will choose to shut down when \_\_\_\_\_.
    - a. revenues no longer cover variable costs
    - b. losses are larger than fixed costs
    - c. both a and b
    - d. neither a nor b
  - iii. Economists call a market that has only one producer: \_\_\_\_\_.
    - a. perfect competition
    - b. monopoly
    - c. monopolistic competition
    - d. oligopoly
  - iv. Group equilibrium in monopolistic competition assumes \_\_\_\_\_.
    - a. uniformity
    - b. symmetry
    - c. both a and b
    - d. none of the above
  - v. Oligopoly is a form of market in which there exists \_\_\_\_\_.
    - a. a single firm
    - b. two firms
    - c. few firms
    - d. many firms
  - vi. Paul Sweezy's model has a \_\_\_\_\_ demand curve.
    - a. vertical
    - b. horizontal
    - c. diagonal
    - d. kinked
  - vii. Mark-up pricing is \_\_\_\_\_ for a firm trying to enter a market.
    - a. not suitable
    - b. suitable
    - c. appropriate
    - d. eligible
  - viii. Under marginal cost pricing \_\_\_\_\_.
    - a.  $P = MC$
    - b.  $P = MR$
    - c.  $P = AC$
    - d. all of the above
  - ix. Price discrimination is used in the case of \_\_\_\_\_.
    - a. bus tickets
    - b. electricity charges
    - c. sports events
    - d. all of the above

OR

- C. Analyze equilibrium of a firm in monopolistic competition in the short run. 08  
 D. Read the paragraph below and answer the following questions. 07

In Mumberg there are few sellers who are dominant firms in the electronics market. The remaining sellers make their decisions on the basis of decisions taken by the dominant sellers in the market. This results in rivalry and the firm which is successful is the one that can predict the rival's reaction to its own action. For analysis of the market situation the firm may use game theory.

- i) Name the market structure being described in the paragraph above.  
 ii) Describe the characteristic features of the market identified by you in question (i).

4. Attempt A and B or C and D

- A. Describe the conditions under which price discrimination is possible. 08  
 B. Write a note on marginal cost pricing. 07

OR

- C. Explain the multiple product pricing method. 08  
 D. i) Examine the merits and demerits of the full-cost pricing method. 07  
 ii) Assuming a desired mark-up of 14%, if average variable cost is Rs. 65 and average fixed cost is Rs.25, calculate the full cost price of product Z of firm Zip Zap Zoom.

5. Attempt A and B or C and D

- A. What is capital budgeting? Explain its importance. 08  
 B. Write a note on the Net Present Value method. 07

OR

- C. Explain the IRR method. 08  
 D. In the following table are four projects with their initial investments and their annual cash inflows. Calculate the payback period for each project and rank the projects. 07

Project	Initial Investment	Annual Cash Flow
A	30,000	7,500
B	20,000	4,000
C	15,000	7,500
D	10,000	10,000

6. Attempt A and B OR Write short notes on any four.

- A. Explain the equilibrium of firms in the short run in perfect competition under conditions of differential cost. 10  
 B. Debate the role of advertising. 10

OR

6. Write short notes. (Any Four).

- i) Sources of monopoly power  
 ii) Excess capacity  
 iii) Distinction between monopolistic competition and perfect competition  
 iv) Degrees of price discrimination  
 v) Transfer pricing  
 vi) Steps in capital budgeting 20