





- 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" (8)
    - Discuss
  - 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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