[Duration: - 3 Hours] BC135BE22 [Marks 100]

Note: -

1. **All questions are compulsory.** 2. **Figures to the right indicate full marks.**

3. **Students will be allowed 15 Minutes extra time per hour.**

Part B

Q 2. Answer the Following:- (Any One) **10 Marks**

1. Explain the short run equilibrium of a firm and industry
2. Explain the behavior of TR, AR, MR, of a perfectly competitive firm.
3. Explain short run equilibrium under perfect competition.

Q 3 - Answer the Following - (Any One) **10 Marks**

1. Explain oligopoly with features.
2. Explain the equilibrium of a firm in monopolistic competition in the short run.
3. What is selling cost. What are its effects?

(P.T.O)

Q 4 - Answer the Following - (Any One) **10 Marks**

1. Describe various forms of price leadership
2. Explain merits and demerits of full cost pricing.
3. Explain equilibrium of price discriminating monopolist

Q 5 - Answer the Following - (Any One) **10 Marks**

1. Explain the meaning and significance of capital budgeting.
2. A person has two investment projects A and B, which requires initial investment of Rs. 2,00,000.Calculate pay back . The cash flows for the two projects are as follows:-

Year	Project A	Project B
1	40,000	40,000
2	40,000	60,000
3	60,000	40,000
4	60,000	60,000

3. Explain steps in capital budgeting

Q 6. Write Short Notes on - (Any Two out of Four) **10 Marks**

1. Cartel
2. Distinction between monopolistic competition and perfect competition
3. Features of perfect competition
4. Explain different types of market

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COLLEGE OF ARTS & COMMERCE UNR-4 S.S.T.

Seat Number: - ____________ Signature of Supervisor with Date:- ____________

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Part A

Q 1. Multiple Choice Questions **50 marks**

1. ……………is an advantage of mark-up pricing.
   a) Cost recovery b)Assured Profit c) Cost and Assured Profit d) Assured Loss
2. Demand curve faced by individual seller under perfect competition is ………………..
   a)Downward and gradual b) Downward and steep c) Vertical d) Horizontal
3. In perfect competition, the action of an individual buyer or seller will……………..
   a) Have no impact on the market price b) Have some impact on production
   c) Have a significant impact on market supply d) Have a significant impact on market demand
4. A firm in perfect competition selling commodity X, maximizes profit. If the market price for X falls below the firm's average total cost, but still lies above average variable cost, the firm……….
   a) Will shut down b) Should raise the price
   c) Will incur losses but will continue to produce d) Will incur profit and will not continue to produce.
5. A profit maximizing firm will shut down in the short run when…………
   a) Average revenue is greater than average fixed cost b) Price is less than average total cost
   c) Average revenue is greater than marginal cost d) Price is less than average variable cost
6. A similarity between monopoly and monopolistic competition is that in both market structures………………..
   a) Sellers are price makers and not price takers b) Firms are interdependent
   c) There are a few sellers d) Product differentiation is done
7. Nature of demand curve of monopolistic firm is……………………..
   a) More elastic b) Less elastic c) Perfectly inelastic d) Perfectly elastic
8. A firm in a monopolistic market requires to incur…………………
   a) Production cost b) raw material cost c) customer cost d) government cost
9. Collusive oligopoly takes the form of …………………..
   a) Isolated cartel b) Collected cartel c) Centralized cartel d) Product cartel
10. Since a firm in a monopolistically competitive market faces a……………
    a) Downward sloping demand curve, it will always operate with excess capacity
    b) Downward sloping demand curve, it will always operate at its efficient level
    c) Perfectly elastic demand curve, it will always operate at its efficient level
    d) Perfectly elastic demand curve, it will always operate with excess capacity
11. Present value may be defined as…………….
    a) The discounted value of future cash flows b) The interest rate earned on future cash flows
    c) The opportunity costs of future cash flows d) The compounded value of future cash flows
12. .... is not a feature of full cost pricing method.
    a) Avoids frequent prices b) Based on marginal cost
    c) Most popular method d) An ideal which most firms aim at
13. While determining the full cost price, the firm uses…………………
    a) Fully allocated average cost b) Only average variable cost
    c) Only overhead costs d) Marginal cost
14. In the case of dumping , marginal revenue curve for world market is ………………
    a) Downward sloping b) Upward sloping
    c) Horizontal, parallel X axis d) Vertical, parallel Y axis
15. Transfer prices usually ……………..
    a) Do not differ much from the market prices of the products
    b) Are much differ from the market prices of the products

c) Higher than market prices of the products
d) Lower than market prices of the
16. When dumping is of a temporary nature it is called as ....
a) Persistent dumping b) Sporadic dumping c) Barometric dumping d) Predatory dumping
17. Direct as well as cross marginal effect is taken into consideration for optimum output and pricing decision under..............method.
a) Mark-up pricing b) Marginal cost pricing c) Multiproduct pricing d) Average cost pricing
18. Investment to replace working but obsolete equipment with more efficient ones is generally done for................
a) Expansion of existing production capacity b) Cost reduction
c) Expansion into new market d) Expansion of old market
19. Future value may be defined as ....
a) The discounted value of future flows b) The interest rate earned on future cash flows c) The compounded value of future cash flows d) The opportunity costs of future cash flows
20. Under perfect competition AR curve and ....curve are same.
a) AC b) MC c) TC d) MR
21. .... is one of the causes responsible for market failure.
a) Price taker b) Kinked curve c) Imperfect information d). Price rigidity
22. ABC private limited company invest the money in project C is Rs.200000 and Cash inflow every year is Rs 25000. What is the Payback period of project B?
a) 8 years 3 month b) 8 years c) 8 years 6 month d) 6 years 5 months
23. Under payback period method............. project are preferred.
a)Higher payback period b). Lower pay back period
c) Normal payback period d) Medium payback period
24. Capital budgeting deals with.....................
a) Long term decisions b) Short term decisions c) Regular d) Span of return
25. The span of time within which the investment made for the project will be recovered by the net returns of the project is known as................
a) Period return b) Payback return c) Span of return d) Net present return
26. Which of the following goods is the best example of a natural monopoly?
a) Natural gas b) diamonds c) a patented good d) first-class mail
27.) Ownership of a necessary input creates what type of barrier to entry?
a) Natural barrier to entry b) a public franchise c) a government license d) legal barrier to entry
28. In Monopolistic competition, each firm supplies a small part of the market. This occurs because..............
a) there are barriers to entry. b) firms produce differentiated products.
c) there are no barriers to entry. d) there are a large number of firms.
29. Marketing consists of what?.........................
a) selling at a lower price than rivals sell for b) producing more output to lower average costs
c) advertising and packaging d) persuade buyers that their product is superior to others.
30. NPV stands for...........
a) National Present Value b) Natures Present value c) Net Present Value d) Nominal Present value
31. If firm sale 60 units at Rs.2 Per unit, What will be its AR=......
a) 30 b) 45 c) 10 d) 55
32. ....strategies use the cost of producing the product as a base
a) Cost based pricing b) Full cost Pricing c) partial Cost pricing d) Marginal cost pricing
33. What are the condition for the long run equilibrium of the competitive firm...............
a) LMC=PAC=P b) SMC=LMCS=SAC c) P=MR d) P>MR
34. In the long run monopolist ....
a) incur loss b) must earn super profit c) wants to shut down d) wants to earn normal profit.

35. Price discrimination is a pricing strategy that charges customers .... prices for the same product or services.

a) Fixed price b) different prices c) as per customers d) bargaining

36. Decision making under oligopoly is.............

a) Dependent on others b) uncertain c) certain d) independent

37. Excess capacity is noticed in which of the following market conditions?.........

a) Monopoly b) Monopolistic compeitition c) oligopoly d) Perfect competition

38. Under conditions of perfect competition all firms make ....economic profits.

a) positive b) negative c) positive and negative d) normal

39. Firm and industry is............ under monopoly

a) same b) different c) having no effect d) have much effect

40 An oligopoly market has only ....sellers.

a) many b) few c) very few d) one

41 Companies use transfer pricing to avoid ....

a) profit b) taxes c)loss d) cost price

42 Which of the following is a type of differentiated pricing?

a) Early cash recovery pricing b) price discrimination c) Area pricing d) Premium pricing

43 The capital budgeting procedure with the ....

a) identification of investment proposals b) Screening the proposals c) Evaluation

b) fixing priorities.

44 When NPV is ....the project is rejected

a) positive b) negative c) either positive or negative d) zero

45 There is high degree of............ under oligopoly

a) dependence b) interdependence c) independence d) either dependence or interdependence

46 A project is more likely to be accepted if the discounted present value is ....

a)more than investment (b) less than investment (c) equal investment (d) equal to zero

47 A project indicates investment in.............

(a) a new business (b) expansion of existing business

(c) Both expansion and new business (d) assets

48 The major steps involved in investment is ....

(a) search of new proposal (b) ignoring project

(c) depending on others (d) ignoring cost

49. Which of the following markets have the fewest number of firms?

(a) Monopoly (b) Perfect Competition

(c) Oligopoly (d) Monopolistic Competition

50. Demand curve faced by a firm under monopolistic competition is relatively........

(a) relatively elastic (b) relatively inelastic (c) perfectly elastic (d) perfectly inelastic

Answer Sheet for Multiple Choice Questions

Q. No.	Ans.	Q. No.	Ans.	Q. No.	Ans.	Q. No.	Ans.	Q. No.	Ans.
1		11		21		31		41	
2		12		22		32		42	
3		13		23		33		43	
4		14		24		34		44	
5		15		25		35		45	
6		16		26		36		46	
7		17		27		37		47	
8		18		28		38		48	
9		19		29		39		49	
10		20		30		40		50	

Marks Obtained :- ____________ **Signature of Examiner :-** ________________